

Innovation Services

- Mobile Virtual Network Operator
- Mobile Virtual Network Enabler

WHAT'S IT ALL ABOUT?

Seemingly saturated markets, increasing competition and higher end-user expectations with regard to quality-of-service (QoS) and innovation – along with greater sophistication and heterogeneity/diversity in terms of end-user service and content demand – are the current market challenges facing today's operators. While experiencing cost pressures, ever-increasing technological complexity and shortage of skills and resources, they need to identify new ways of real differentiation and unique value proposition, outperforming their competitors on time-to-market.

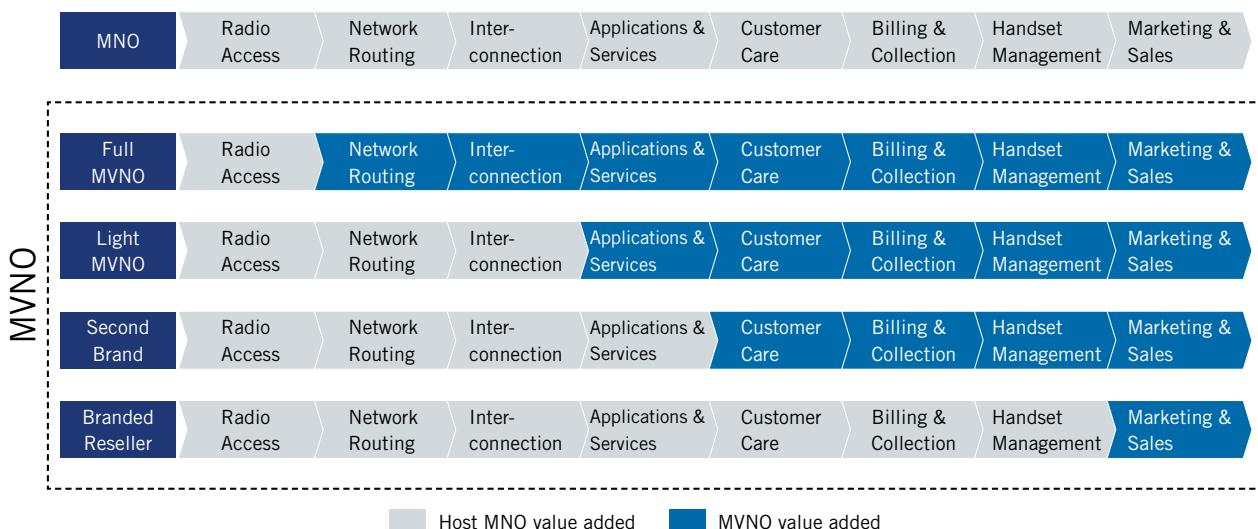
Currently, the telco business paradigm is shifting away from full vertical integration of the operator's value chain towards a higher degree of specialization. "Specialists", turning away from mere coverage and capacity provision and focusing solely on end-user service development, content, branding, marketing and sales, are emerging. The latter are often companies with a strong brand and consumer focus against a media or content background.

The Mobile Virtual Network Operator (MVNO) concept is a very attractive option for such a "specialist", aiming at drastically reducing the required resources (investment, headcount and roll-out time) and allowing

the new entrant to focus on the really critical, market-side success factors. As there is no need for a spectrum licence, a lengthy, complex and expensive radio network roll-out, or ongoing maintenance of the latter, market entry barriers are much lower than for a full mobile network operator (MNO).

On the other side of the coin, dependency on external, potentially competing, parties increases, thus necessitating complex contractual agreements and governance models. Infrastructure and services suppliers are working on Mobile Virtual Network Enabler (MVNE) offerings, intended to make optimal use of a host mobile network operator's (host MNO's) spare capacity, while simultaneously providing sound governance models to the MVNO.

In our MVNO consulting package, we advise our clients on the strategic, technical and commercial implications of the MVNO business model, create all necessary blueprints, support them in negotiating fair terms and conditions with a host MNO, as well as accompanying them through the implementation and commercial launch. With respect to suppliers, we provide advice on how to successfully implement MVNE business models.



Variants of the MVNO business model

MVNO CONCEPT

An MVNO provides mobile services to end-users without owning its own frequency spectrum, a radio access network (RAN) and backhaul network, as it buys such capacity from a host MNO. The MVNO may or may not own core network assets – such as home location register (HLR), mobile switching centre (MSC) and gateway GPRS support node (GGSN) – but its essential network assets are a service delivery platform and a business support system (BSS) for customer relationship management (CRM) and billing. The degree of freedom available to the MVNO to differentiate itself via innovative services and pricing depends on the breadth of the core network platform it operates and the agreements contracted with the host MNO.

Also commonly handled within the MVNO framework are “second brands” of incumbent MNOs and “brand-ed resellers” that resell an MNO’s products and services under their own brand and are essentially a specialized marketing and sales channel.

Market maturity and diverse customer needs make the MVNO a very promising concept. The value of MVNOs to host-MNOs stems from:

- the strength of their brand and marketing;
- their innovative sales channels and distribution network;
- their market intelligence – contributing towards identifying and serving the fifty to a few hundred customer segments known to today’s sophisticated markets – and their ability to target specific customer segments at a lower cost than the incumbent MNO.

MVNOs strategically position themselves firstly as either offering differentiated services, bundles, convenience and service excellence or providing “no frills” basic voice service as a value proposition and, secondly, as either serving the mass market or a niche market (e.g. minorities) as their target market.

For an MNO, opening its mobile network to MVNOs makes sense if:

- the MNO subscriber growth is limited due to market saturation, or market share is stale/decreasing;
- the MVNO addresses market segments that are currently underpenetrated by the MNO (or not addressed at all);
- the MVNO succeeds in addressing market segments at lower cost than the MNO;
- the MVNO does not compete on low price, but instead on content or brand;
- the MNO churn rate is high, so it is preferred that customers leave to go to an MVNO partner rather than another MNO (as the host MNO would still carry the traffic);
- a large amount of capacity is available in the radio access network (e.g. market-follower MNO).

Analyst consensus is that MVNOs are likely to grab 10% to 20% market share in the long run. From an individual MVNO’s point of view, success depends on the quality of the relationship or interface between the MVNO and the host MNO under strategic and operational, commercial and technical, contractual and human aspects:

- The MVNO management team must have a clear focus and expertise on and in service and content creation, branding, marketing and sales.
- The MVNO should follow a strategy and emphasize strengths that complement the MNO core business rather than attempting a “frontal” attack.
- The MNO network strategy must be consistent with the MVNO product offering (e.g. coverage, high quality-of-service levels, broadband features).
- A robust change management mechanism must be established with the MNO, including price and network services adjustments in particular; it is

essential to buy bulk capacity at a reasonable price and have a mechanism for dynamic price and volume adjustments.

- A comprehensive contractual framework has to be put in place, covering not only service rendered and pricing, but also such details as end-user ownership and exit terms.
- The personal relationship between the various hierarchical levels of MNO and MVNO staff is of paramount importance.
- The capability of sourcing mobile handsets at competitive conditions is an important feature in many markets (where handsets are sold and subsidized via operators' sales channels), a partner for handset sourcing may therefore be needed.

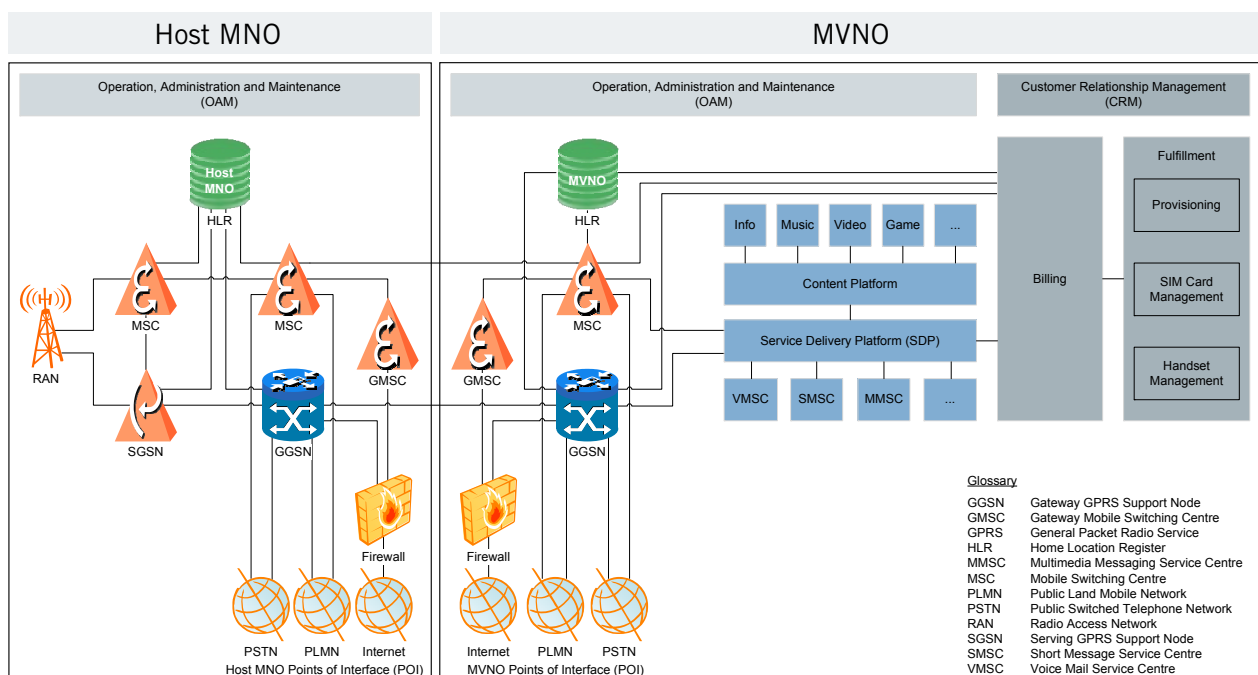
ture and services supplier, we have ample experience with regard to all strategic and operational aspects of various MVNO business models and cover all functional areas ranging from technology, via network architecture/operations and process/interface design to the commercial and contractual topics governing the relationship between MVNO and host MNO.

We employ a modular three-phase approach, the start of each phase being determined by successful completion of one of the following project "milestones":

- Kick-off workshop:
This multiple-day session is intended to create a common understanding about the MVNO concept and the available options, as well as the respective pros and cons, with the client, in order to enter the conceptual strategy and business plan blue-printing phase.
- Go/no-go decision:
Management's decision to further pursue the MVNO project, after reviewing its strategic options, financial projections and risks, is a prerequisite for

OUR APPROACH

By drawing on the resources of a team that pioneered the MVNE business concept at a leading infrastruc-



Our architectural blueprint for a full MVNO

entering phase two, where the platform is designed in detail, sourcing requirements and criteria are defined, and suppliers' offers are solicited and evaluated.

- **Buy decision:**
The buy decision leads to contract signature with the suppliers and triggers the third and final phase of implementation and launch.
- **Commercial launch:**
The commercial launch marks the end of our involvement, as our client turns to steady-state MVNO operations.

The three modules, as presented in our graphical MVNO consulting package overview, are described below in more detail.

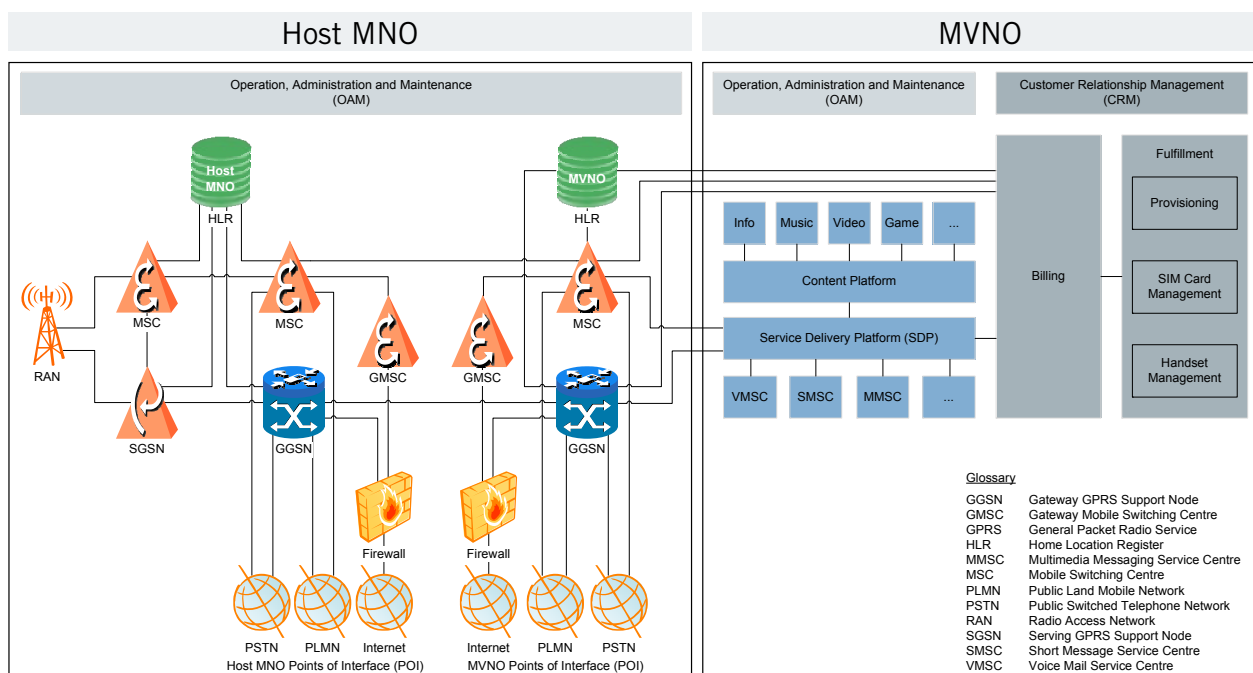
- **Strategy and Business Plan Module:**
This module comprises a feasibility study, taking into account the competitive environment and market forecasts, as well as the strengths and weaknesses of the prospective MVNO. Regulatory

constraints are also considered. International MVNO case studies from our knowledge base can be used to illustrate the key concepts. Upfront contacts with the addressable MNOs in the market help to pre-assess the potentials of a host MNO agreement. We present alternative market entry strategies, as well as the technical and operational MVNO solutions available to our clients, to help them make the right decision at an early stage.

Finally, blueprints are created for all functional areas: draft business plan, risk assessment, sales/distribution concept, network architecture concept, operations concept, sourcing concept, content business concept and key requirement specifications.

- **Platform Design and Supplier Selection Module:**
Using the concepts and requirement specifications from the blueprinting phase, supplier offers are solicited and evaluated. This comprises RfI, RfP and RfQ support.

Partner selection with regard to the host MNO includes contract negotiation support and is paralleled



Our architectural blueprint for a light MVNO

by the design of a workable governance model. If applicable, we also assist in negotiations with the regulator.

Partner management also plays an important role in content acquisition, and we support the relevant concept design and negotiations.

Strategy, business plan, content concept, as well as architecture and operations concepts are then fine-tuned and supplemented by inputs from host MNO agreements, content provider and sourcing contracts. The precise definition of service level agreements (SLA) is a major part of operations concept detailing and contract negotiation. Finally, sufficient testing is performed to obtain reasonable assurance of the workability and practical performance to be expected.

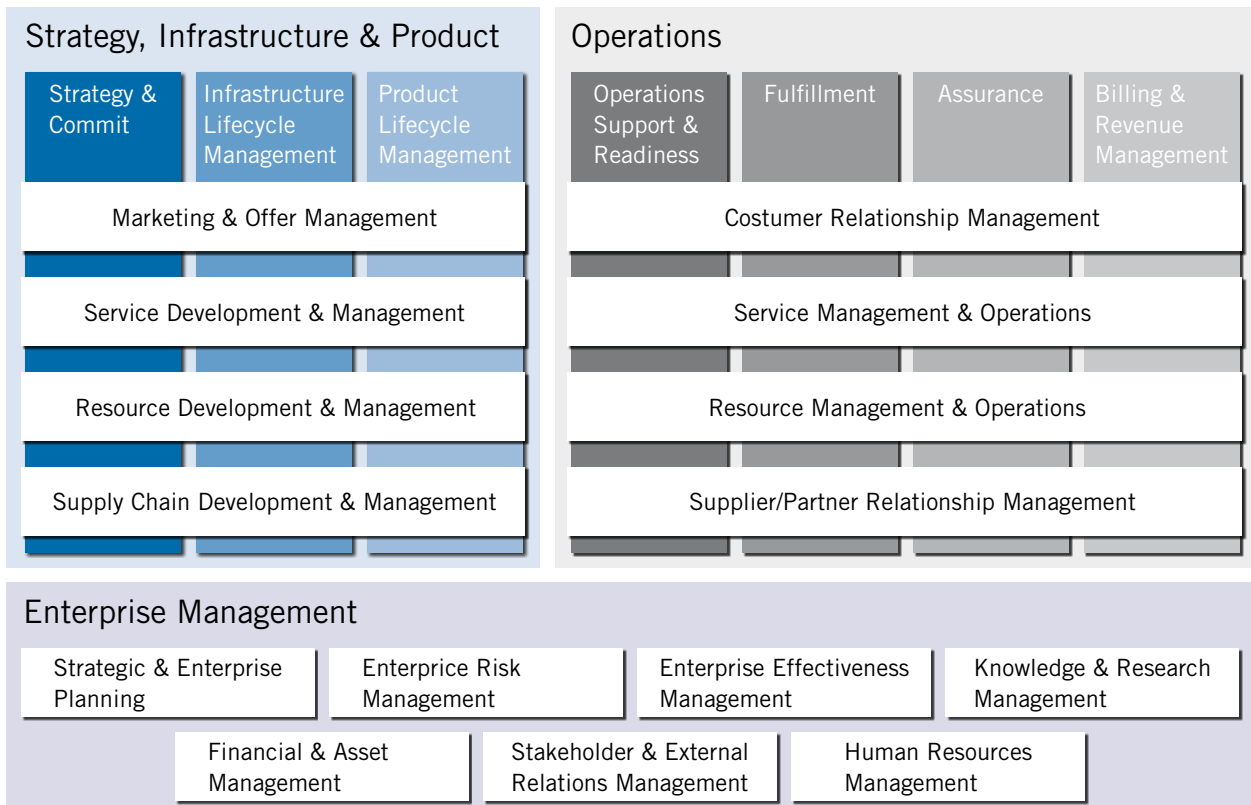
- **Implementation and Launch Module:**
We accompany our clients in setting up their MVNO

business, both technically and operationally. This includes provision of assistance in the organizational setup and creation of reporting structures, in rolling out the network components and initiating operations, in field trials, in the integration of the content platform and in the implementation of the immediate going-to-market strategy measures.

Our job is completed once the network is up and running and successfully commercially launched.

CLIENT BENEFITS

MVNO aspirants benefit from a thorough upfront screening of the chances for success of an MVNO business in the target market, as well as of the projected financials and the associated risks. We recommend promising approaches and strategies and investigate the market for potential MNOs right from the start.



Business Process Framework (eTOM)

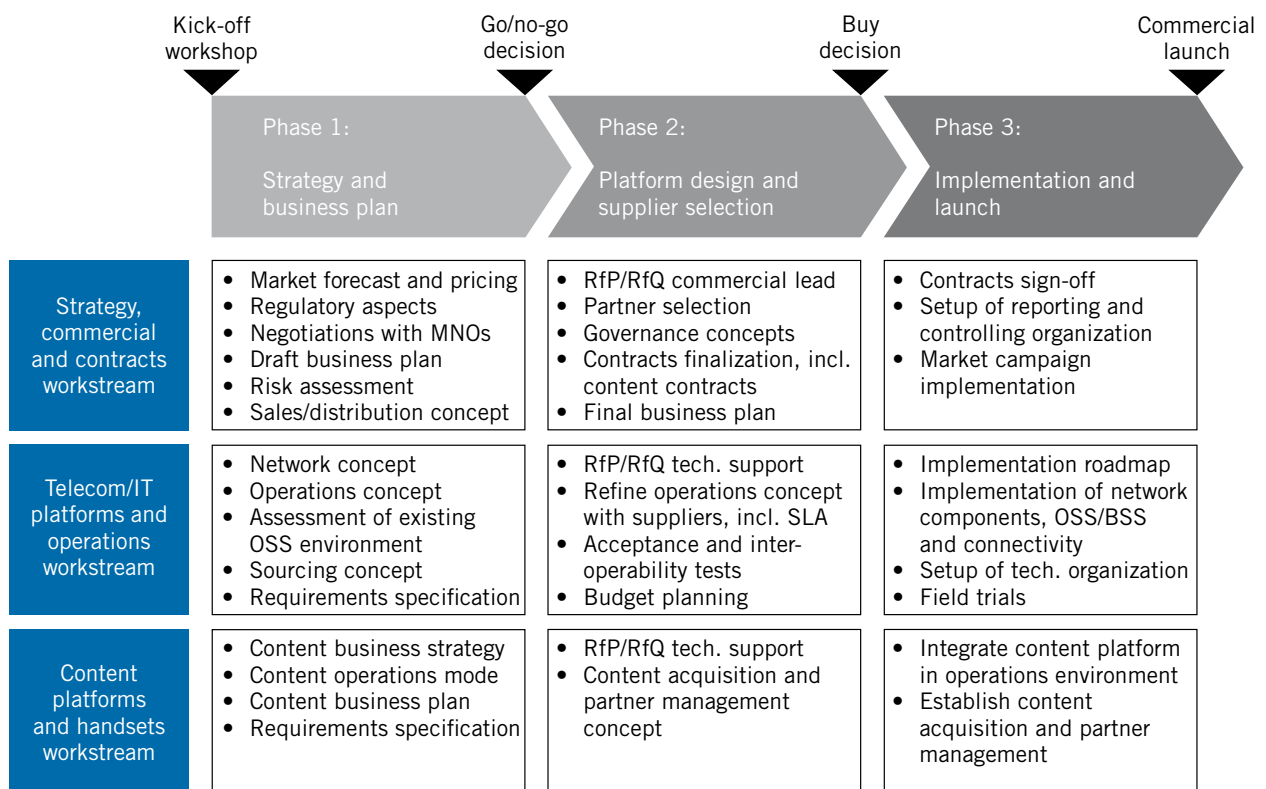
Clients receive strategy and business plan blueprints, architectural and operational concepts, as well as requirement specifications as a basis for a substantiated go/no-go management decision.

Furthermore, we use our expertise to achieve better results for our clients in negotiating the terms and conditions with host MNO, content partners and suppliers.

After finalizing strategy, business plan, technical architecture and operational concepts for all functional areas, we assist the client in rolling out the MVNO business up to and including commercial launch, thus ensuring a smooth implementation.

	Program management		
	Strategy, commercial and contracts workstream	Telecom/IT platforms and operations workstream	Content platforms and handsets workstream
Strategy	Owner	Contributor	Contributor
Product definition	Contributor	Contributor	Owner
Business plan	Owner	Contributor	Contributor
Sourcing Partner selection	Contributor	Owner	Contributor
Host MNO selection	Owner	Contributor	Contributor
Organisation set-up Operations	Contributor	Owner	Contributor

Our typical project setup



Our modular MVNO consulting package

OUR SERVICES

We offer a broad range of advisory services, as presented in our portfolio matrix. We position our individual solutions alongside services practices and service clusters.

	Strategy and Marketing	Corporate Finance and M&A	Operations and Technology Management
Transaction Services	Strategic Investment Management · Feasibility Study Strategic Due Diligence · Management Assessment Licensing and Regulatory Affairs	Commercial and Financial Due Diligence · Business Plan Analysis and Benchmarking · Asset Valuation Investor Business Plan Development Bankable Business Plan Negotiation · Project Finance	Network Infrastructure and Operations Due Diligence Roll Out Plan Review and Benchmarking Operations Plan Review and Benchmarking
Optimization Services	Going-to-Market Strategy · Segmentation · Target Marketing · Product · Pricing · Promotion · Sales Channels · Customer Care Organization Development Partner Selection and Sourcing	Financial Performance Measurement and Benchmarking Forecasting and Budgeting Service and Process Costing	Network and Process Performance Measurement and Benchmarking Business Process Reengineering · Process Audit and Improvement Shared Delivery · Regionalization and Centralization · Outsourcing and Managed Services
Innovation Services	Business Development · Growth and Transformation Mobile Virtual Network Operator · Mobile Virtual Network Enabler Value Added Services	Financial Modelling and Financial Engineering	Technology Appraisal and Roadmapping Network Planning and Migration Network Infrastructure Sharing



CONTACT

Investelecom Inc.
 P.O. Box 32643
 Ras Al Khaimah
 United Arab Emirates

info@investele.com
www.investele.com