

Accenture Communications Solutions Point of View

Keys to High Performance in the Mobile Virtual Network Operator (MVNO) Marketplace



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What do companies as different as Disney, Nike, 7-Eleven, Wal-Mart, the Virgin Group and ESPN all have in common? They either are, or have announced plans to become, a mobile virtual network operator or MVNO. An MVNO is a company that may not (in fact, usually does not) own part of the communications spectrum or even a network infrastructure, but applies its brand value and customer management capabilities to create a wireless company. As a "virtual" provider, the enterprise leases minutes of use from a traditional mobile operator for sale to its own customers.

Europe has led the way over the past half-decade or so when it comes to MVNOs, but the marketplace in the United States is now surging as well. From retailers to communications operators to gasoline companies, many different kinds of enterprises with strong brand recognition are testing the virtual waters.

Experiences of MVNOs to date have underscored two things in particular. First, a virtual wireless venture

can turn a healthy profit when planned, launched and operated effectively. Second, however, the downside risks of the MVNO marketplace are very real, and some companies may be underestimating the scope of the effort. The challenges can be overcome, but success involves skills, resources and operational systems that are not necessarily within the core competencies of some of the players getting into the virtual wireless game.

Evolution of the MVNO marketplace

What are the primary drivers in the MVNO market today? One stimulus is wireless market penetration to consumers. In Europe, in late 1999 or so, mobile penetration reached 50 percent or above on average (much higher in some countries), which resulted in a dramatic increase in MVNO activity. The same magic number occurred with MVNO activity in the United States; when mobile penetration moved above 50 percent, many companies decided the time was right to move into the virtual wireless space. One of

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the major carriers reported that it had been approached by approximately 100 companies in 2005 alone about potential MVNO initiatives.

Industry consolidation is also a driver. An element of human nature means that people expect more choices in a free market; with the US as an example where mobile carriers are consolidating from six to four, an increase in virtual operators appears to be satisfying the basic human need for competition and choice. It's not only retailers and entertainment companies in the MVNO space, remember. Many of the regional carriers, for example, or even national companies that have previously sold off their wireless assets, can get back into the game through the MVNO route.

Finally, brand consciousness is driving take-up, especially among younger consumers. Traditional brands in the communications industry apparently do not have the same appeal among 20-somethings (and younger) as do companies with trendier images in the marketplace. Indeed, it is that brand power that is bringing so many players into the MVNO space. MVNO revenues alone may not result in a company becoming a FORTUNE® 500 powerhouse. But a loyal customer of a Virgin, Disney or Nike virtual wireless operator is more likely to be a consumer of all the other products and services represented by that brand. These mobile users may represent a customer base the virtual operator may not have been able to reach before, so launching an MVNO can be a critical part of a long-term brand and customer acquisition strategy.

MVNO success factors

Because companies from so many different industries are pursuing MVNO initiatives, each company may face slightly different challenges. Some appear

to have built-in advantages in some areas. A communications company, for example, already has in place many of the operational systems required for success. Nevertheless, every player must overcome a similar series of obstacles to achieving high performance with an MVNO strategy:

Getting the value proposition right

From our experiences helping a number of companies with their MVNO planning and launches, we've seen that getting clear on the business case, focus and value proposition is harder than it appears. One company, for example, began with an idea of the customer base it wanted to serve through its MVNO strategy. It went ahead with some of the details, including a graphical design approach for the initiative, before performing the kind of customer segmentation analysis that would help decide if its targeted customer base would actually be a profitable segment to pursue. By helping them think through the right phasing during the pre-launch work, we were able to help the company save precious time and resources.

As several MVNOs have demonstrated, it actually is possible to get fairly far down the planning path before realizing that there is no general consensus among critical decision makers and functions about what the value proposition for the virtual launch really is. And if a company does not know what the product is going to do or who it will appeal to, it will launch without a clear and compelling reason for a customer to make the switch and buy its service. The MVNO marketplace is not where you want to be to test a service or product through a bare-bones approach. The MVNOs who come out of the gate compromising on quality will not do as well as those who execute meticulously.

TuYo is an interesting example of an MVNO that knew its focus and executed from the very beginning of the planning stage by keeping that focus razor sharp. TuYo is a prepaid wireless service for the Hispanic marketplace, offering downloadable, Hispanic-focused ringtones and graphics, and catering to its targeted customer base with low international calling rates from the United States to Mexico, Brazil and Argentina. With bilingual service agents ready to serve customers whose primary language is Spanish, the company knows its target customer segment and what those customers are looking for.

Managing the launch successfully

Companies from different industries entering the MVNO market will have different core competencies, of course, and some will be positioned better than others to excel faster in key areas. Wal-Mart, for example, has a warehouse and distribution system, as well as retail space, for handling many of the operational requirements for success. In that regard, they may have advantages over a company like ESPN, with less of a retail presence. (On the other hand, ESPN may excel at some of the things by which Wal-Mart will be challenged.)

Overall, however, every MVNO is challenged by the program management office aspects of a launch—tying together and coordinating all the activities that must be planned, tracked and measured. MVNO success is built in part on effective management of third parties—an activity that taxes even veterans at the management of complex operations. Accenture's ongoing research into the characteristics of high performance businesses has noted, among many other findings, that high performers have a more rigorous, disciplined decision-making environment

than do average and low performers. As applied to program management, this characteristic increases the likelihood of a successful launch.

Deal making is another activity on the critical path. MVNOs that do not negotiate the right deal from a carrier start from a hole from which they may never emerge. Or, if they elect to outsource or use a shared services approach to their back-office systems, the best deal is important there, as well, or it may be impossible to turn a profit quickly enough to survive.

Developing the enabling operational systems

Getting the back office systems in place—billing, customer care, network interface, the service delivery platform—are so important for MVNO success that they can make or break a deal. Some carriers have walked away from the negotiating table with prominent companies after many months of due diligence. They realized that, although they might have had a robust OSS/BSS platform in place for their own subscribers, it would take them as long as two years—and a budget two to three times that for the entire MVNO launch—to fine-tune the system for the intricacies and demands of being a virtual wireless operator.

Handling prepaid subscribers and real-time authorizations for service requests and purchases will stress even existing systems. One major wireline communications company pursuing an MVNO business has decided that, although they of course already have billing and customer care systems, it would actually be cheaper to buy or rent a new system than to tweak their existing one to serve its MVNO customers. To many old-timers, that approach makes no sense: having two billing systems generally creates unacceptable increases in operational expenses. But the real issue is time: integration takes many months and even years, and the time to get into the MVNO business is now.

Achieving excellence in back office capabilities is vital to overall success. Accenture worked to support the launch of one major MVNO in the United States, focusing especially on the customer relationship management processes and systems to support the company's MVNO operations. We identified a number of high-impact opportunities for improving the integrated voice response (IVR) capabilities in the company's customer service function, as well as for enhancing the training and support needed for the MVNO to continue to deliver the distinctive service that is part of the company's branded customer experience. By increasing self-service utilization and decreasing average call handling time—and by improving overall customer satisfaction—the MVNO will realize significant savings in operational costs.

Outsourcing the OSS/BSS components of a total solution is an increasingly attractive option for MVNOs, as well. If executed correctly, outsourcing results in higher service quality—thanks to ongoing service level agreements—and also ensures that experts in these various functional domains assume the responsibilities and risks of technology change.

On the road to high performance

Retailers, media, entertainment and communications companies alike view the MVNO marketplace as an opportunity to expand sales channels—and increase cross-selling and up-selling success to an existing or new customer base—by delivering unique services and content directly to customers via a branded mobile device. The opportunity beckons to retailers, media and entertainment companies because they can leverage their existing assets, such as content or distribution channels, and increase the likelihood that the mobile virtual network operator model will be profitable. Likewise, the opportunity appeals to wireline and cable companies as a way to leverage existing subscriber bases and add a wireless component to their service portfolios.

Yet retailers and entertainment companies do not become communications providers overnight. Likewise, communications companies do not start appealing to new generations of customers overnight. Whatever the industry, planning, launching and operating an MVNO requires a company to find and coordinate the best thinking and best operational capabilities they can. Many will be called to high performance in the MVNO marketplace, but fewer will be chosen.





About the Author

Craig McNeill is a senior manager within the Accenture Communications and High-Tech operating group.

Accenture: Helping mobile virtual network operators achieve high performance

Companies interested in becoming mobile virtual network operators are reaching out to Accenture, knowing that we have helped some of the world's largest communications companies achieve high performance with our strategic consulting, technology innovation and outsourcing solutions. Accenture offers the knowledge, capabilities, relationships and experience to support the most important aspects of your mobile virtual network operator launch.

Using Accenture Communications Solutions for Mobile Virtual Network Operators, Accenture has successfully helped retailers, media, entertainment, communications and cable companies in Europe, Asia Pacific, Latin America and North America create value more quickly as mobile virtual network operators. Our services range from helping clients develop the initial concept through providing ongoing business and operational systems support.

Contact

For more information about how Accenture Communications Solutions can propel MVNOs on the road to high performance, visit www.accenture.com or contact Maria Elena Bisogni at +39 328 390 3120, email maria.elena.bisogni@accenture.com or call Accenture at +1 312 737 8290 email comms.and.high.tech@accenture.com code MVNO.

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