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Keys to high performance in the mobile virtual network operator marketplace

By Craig A. McNeil

Craig A. McNeil is a senior manager with the Accenture Communications & High-Tech operating group.

craig.a.mcneil@accenture.com

What do companies as different as Disney, Nike, 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 is tempting so many companies down the MVNO path? One driver is industry consolidation. An element of human nature means that people expect more choices in a free market. In the US, for 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.

Brand consciousness is also 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

Although companies from many different industries are pursuing MVNO initiatives, every player must overcome a similar series of obstacles to achieving high performance with an MVNO strategy:

Getting the value proposition right

From Accenture's experiences helping a number of MVNOs with their planning and launches, we've seen that companies find it surprisingly hard to get clear on their business case, focus and value proposition. 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. 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.

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 want.

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. 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.

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.

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.

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 can. Many will be called to high performance in the MVNO marketplace, but fewer will be chosen.

Managing risk for a successful MVNO launch

- Launching an MVNO can be a critical part of a long-term brand and customer acquisition strategy.
- Virtual wireless ventures can be successful when planned, launched and operated effectively. Yet the risks are real and some companies have underestimated the scope of the effort.
- It is important to achieve consensus on a clear business case, focus and value proposition for the new virtual wireless operation.
- MVNO success is built in part on strong program management office capabilities. Effective deal making is also essential to realizing the business case.
- The effort to put in place billing and other back-office systems will be significant. Many MVNOs are opting for an outsourcing solution to launch more quickly.

For more information about Accenture Communications Solutions for Mobile Virtual Network Operators, contact Emmanuel.Lalloz@accenture.com, or visit us at www.accenture.com/mvno.

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