What does it take to launch a successful MVNO?
Abstract: In this white paper, we will be considering some key questions executive management address in order to launch a successful MVNO. Our first edition of this white paper was published on January 2005. Note that only some sections have been updated.

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He provides advisory and training services to corporate executives in the mobile data industry. He manages the firm’s network of independent consultants and channel partners and interacts with his advisors. Alex has over 16 years of hands-on experience in the mobile industry working for operators and vendors in North America and Europe in numerous roles including business development, marketing, project management and finance. He has been working with mobile network operators in developing their wholesale business models, advising MVNOs to launch their mobile and mobile data services as well as helping MVNEs with their service portfolios.

Previously, Alex worked at Ericsson with mobile operators on MVNO and UMTS projects in the EMEA (Europe, Middle East and Africa) region. He was also responsible for identifying potential partners and hosting workshops at Ericsson Mobility World (a mobile data laboratory) where developers create, optimize and commercialize mobile applications.

Prior to this position, Alex was employed at T-Mobile USA (formerly known as Omnipoint Communications) where he was responsible for partnerships, and joint ventures and provided billing, customer care, marketing and vendor financing solutions to mobile operators.

Alex began his mobile career with Pocket Communications based in Washington, DC where he managed the company’s auction activity for C-block spectrum licenses as well as other activities associated with market research, market segmentation, pricing plans and market distribution strategies.

Alex holds a BS degree in Management from the University of Tampa and an MBA degree in International Business from the American University. Alex is fluent in French, Turkish and proficient in Italian.


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**Definition:** There is no exact book definition for MVNOs.

The term does not imply a specific network architecture or to a specific mobile technology. It depends on the type of services MVNO will offer in the marketplace.

Definition from The Besen Group: “An MVNO is an organization that offers mobile and mobile data services with or without spectrum.”

**Market Overview:**

Based on the available market information, there are more than 80 MVNOs today in the US alone. Some have already launched their services, some are evaluating their business models, and some do not know what mobile and mobile data strategy they should follow.

As MVNOs enter the mobile market, we will see lower prices for subscribers and the introduction of multiple mobile data applications that will help MVNOs to differentiate themselves from the competition and in return provide higher margins to their financial bottom line.

MVNOs will focus heavily on mobile data services to increase their ARPU by relying on next-generation mobile networks. With the advent of these mobile networks, non-mobile players will also consider entering into the mobile market with the objective of leveraging their brand, attractiveness of their services and controlling their customers.

We expect that once the mobile market is matured and uncompetitive MVNOs are withdrawn or acquired, the remaining players will seek to improve profitability through economies of scale or scope.

**Business Model Options for MVNOs:**

- **Reseller:** Buys bulk airtime from the HNO and resells to target segments
- **Service Provider:** Provides services over the mobile platform
- **Enhanced Service Provider:** Combines the reseller and the service provider business models
- **MVNO:** Owns portion of the mobile network with or without SIM cards depending on choice of mobile technology of the HNO
- **Complete MVNO:** Has more control of the mobile network and enables multi-operator agreements
Where will MVNOs come from?
- Traditional landline operators planning to add mobile services
- Mobile operators planning to enter into international markets
- Companies with strong brand names
- Companies who could not obtain 3G/4G licenses and 3G/4G Greenfielders
- Companies from telecom, media, and internet industries

Sample HNO Evaluation Criteria for potential MVNOs:
- Large own customer base
- Strong distribution network
- Strong market position
- Low traffic intentions
- Niche market segment
- Economic strength
- Mobile competence
- International reciprocity
- Geographic submarkets
- Initial Public Offering

Sample Strategy Development Workshop for a MVNO:
- Target segments
- Market positioning
- Offering
- Technology
- Customer care
- Distribution
What does it take to launch a successful MVNO?

Based on our hands-on experience, we can share with you how each prospective MVNO should carefully assess its strategy, management team, understanding of mobile networks, and the potential of mobile data services and its business plan.

Key Questions:

- What is the business strategy and what are the launch objectives?
  - Offer bundle communications solution? Go global?
  - Extend the number of services? Create synergies?
  - Is this a new business for the MVNO or an expansion of its current business?
  - Support existing customer base? Leverage brand name value? Differentiation?
- Will the MVNO use a CRM tool? And how?
- What partnerships does the MVNO need to look at?
- What vendors is the MVNO planning to work with?
- Is the MVNO planning to brand its own SIM cards?
- How will the MVNO distribute its service to its customers?
- What market segment does the MVNO planning to target?
- What is the commitment from the executive management?
- What steps should the MVNO take as a part of its strategy?
- Is the MVNO planning to offer roaming services including data?
- What price does the MVNO will pay to the HNO for network access?
- Where does the MVNO want to go with its initiative in the long term?
- Do executive management understand the mobile data market drivers?
- Is the MVNO familiar with handling customer care and billing services?
- How does the MVNO see the operating environment in the near future?
- What price does the MVNO will pay to the MVNE for mobile data services?
- Who is going to issue SIM cards? Is the MVNO familiar with SIM card vendors?
- What mobile data applications is the MVNO planning to offer for its customers?
- Is the MVNO familiar with the life of typical mobile data application? i.e. 2 months
- Does the MVNO understand its customers’ profiles, behaviors, and spending patterns?
- What is the hands-on experience of the executive management from the mobile industry?
- Does the MVNO know how to structure revenue sharing arrangements with other players?
- Does the MVNO know how to calculate its ARPU based on minutes, kilobytes, SMS and MMS?
- Does the MVNO understand the different mobile data (infrastructure) enablers? i.e. Wap Gateway
- If the MVNO chooses to host its own mobile data services without the MVNE, is the MVNO familiar with the required infrastructure (Capex), costs (Opex), applications?
**Business Case:** The main objectives of the business case are to improve quality of planning and decision-making, reduce the decision risk and more importantly influence or even shape the future of MVNO environment favorably. It is an integrated business-planning model in which revenues, capital and operating expenditures are linked to the financial model.

The traditional values of brand, functionality and quality will be more important for the MVNO than any mobile technology. This is worth bearing in mind, since the benefits of mobile data services may vary greatly by applications area and user segment. As the mobile market is changing from an environment dominated by voice to one where mobile data services are equally as important. This is not an easy transition, as it requires adaptation to new service concepts and new technologies. It also demands cross-industry partnerships and new business models, accompanied by a re-organization of the value chain.

**Business Case Structure:**

We suggest MVNOs to follow the following business case structure for their decision-making.

![Business Case Structure Diagram]

Few key questions for the business case:

- What are the effects of different pricing schemes?
- Which mobile data services take the most capacity?
- What are the effects of revenue share arrangements?
- Which mobile data services have the highest contribution?
- How mobile data services and price plans complement each other?
- How mobile data services and price plans capture from each other?

MVNOs who can proactively address these questions and manage their revenues and investments in key functional areas will be successful in this competitive marketplace. They will also maximize their return on investment and shareholder value.
**Key Acronyms:**

ARPU: Average Revenue Per User  
HNO: Host Network Operator  
MMS: Multimedia Messaging Service  
MVCP: Mobile Virtual Consulting Practice  
MVNE: Mobile Virtual Network Enabler  
MVNO: Mobile Virtual Network Operator

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**Additional Acronyms:**

AMPU: Average Margin Per User  
BGW: Billing Gateway  
BPS: Bits Per Second  
CAD: Confirmed Advertisements Delivered  
CCBS: Customer Care Billing System  
CDR: Call Detail Record  
CPGA: Cost Per Gross Addition  
EBITDA: Earnings Before Interest Taxes Depreciation and Amortization  
FCF: Free Cash Flow  
IRR: Internal Rate of Return  
LBS: Location Based Services  
MMSC: Multi Media Messaging Center  
MOU: Minutes of Use  
NPV: Net Present Value  
OSS: Operations and Maintenance Sub-System  
QoS: Quality of Service  
SIM: Subscriber Identity Module  
SMS: Short Messaging Service  
WACC: Weighted Average Cost of Capital
The Besen Group LLC is an international management consulting practice to the mobile data industry headquartered in the Washington DC area, with representatives in Paris and Tokyo.

The Besen Group brings global perspective and an open approach to client engagements, where the transfer of our mobile data knowledge, hands-on experience, and strategic thinking become part of our clients’ ongoing competitive strength.

Its mission is to provide mobile data players with tools, knowledge, and services enabling them to perform optimally in their mobile environment. The Besen Group’s competitive edge is based on practical experience with mobile operators, mobile vendors, and a mobile data laboratory.

Our references include Avea, Banque Populaire, Bristol Edge, Clearwire, Cosmote, Leclerc Mobile, Ericsson, Fenerbahce, Mportal, Mpower Labs, SpeechPhone, and T-Mobile USA.

The Besen Group offers the following four (4) service portfolios: Mobile Data Service Portfolio, MVNO Service Portfolio, MVNE Service Portfolio and HNO Service Portfolio.

All of our services are tailored to ensure that each of our clients' needs are met and surpassed. We work on a project basis or retainer basis with mobile operators, MVNOs, MVNEs, mobile vendors, law firms, investment banks, venture capital and private equity firms from all around the world.