

MVNO, A New Horizon for Indian Telecom



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MVNOs act as resellers of their host network's capacity under their own brands, to their own customer segments, often providing a portfolio of segment-specific value-added services.

A mobile virtual network operator (MVNO) is a mobile telecommunications market player that does not own a licensed frequency spectrum. As a consequence, MVNOs act as resellers of their host network's capacity under their own brands, to their own customer segments, often providing a portfolio of segment-specific value-added services.

MVNOs Worldwide

Globally, there are approximately 1200 MVNOs providing services to retail and business subscribers. The largest multi-country MVNO is Lycamobile which operates in 17 countries. Subscribers of TSP pay 3.4 times more on an average as compared to MVNOs.

So why MVNOs are still successful?

- MVNOs target consumers better. The host network often faces high churn rates resulting from one-size-fits-all brand positioning.
- MVNOs increase reach and scope of mobile offers. Mobile network operators that host MVNOs extend their existing service points as a choice for consumers wanting a personalized experience.
- MVNOs lower costs. The host mobile operator can eliminate marketing and customer-acquisition costs, handset subsidies, and running costs.

MVNO Classification

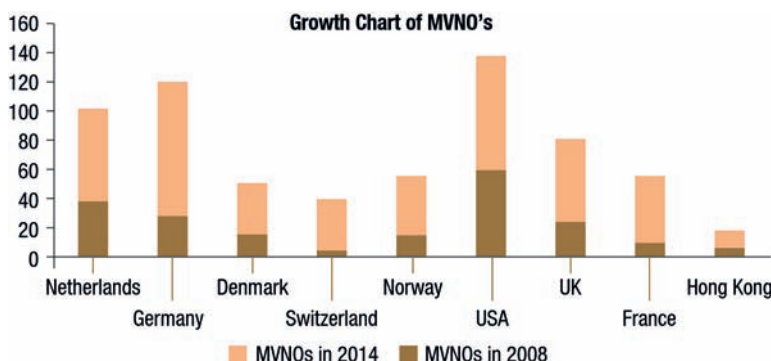
- Discount MVNOs – Provide competitive prices to market segments compared with

existing TSPs, often in the prepaid-only model.

- Niche MVNOs – Cater to niche markets often overlooked by traditional mobile operators, such as youth, ethnic groups or specific business users. These segments are high-value but require very specific value-added services.
- Retail MVNOs – Cater to end-customers via existing points of sale; monetize their existing footprint to sell SIM cards and top-up their account during a visit to a super-market.
- Brand MVNOs – Providing similar offerings as traditional mobile operators but taking advantage of their strong, recognizable brands and customer loyalty.

MVNO Operations Model

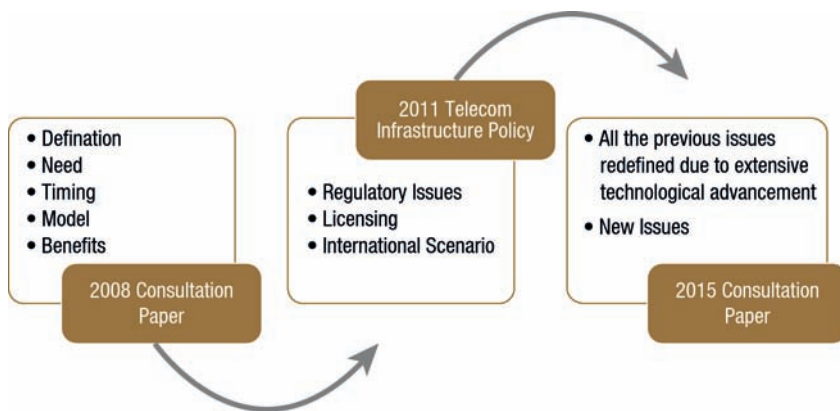
MVNO Platform Dedicated Vendor. The MVNO negotiates the traffic wholesale agreement with the mobile operator by itself and utilizes an outsourced platform from a dedicated vendor. All necessary hardware and software maintenance is performed by dedicated engineers and the platform is hosted by the data center. The MVNO takes care of appropriate marketing, customer acquisition and management, sales channels management, and relies fully on the experience of experts in the field of mobile-related BSS and OSS. There is no intermediate party between the network operator and the MVNO in this case but the economies of scale when it comes to mobile network virtual enabler (MVNE) platform,



components deployment and maintenance are not fully utilized.

MVNO Aggregator Model. A third party plays the role of a middleman between the mobile network operator and multiple MVNOs. Such an aggregator is called a mobile network virtual enabler (MVNE). This aggregator is responsible for negotiating the agreement with the TSP and resells the traffic to all MVNOs it is hosting on the platform. The platform is maintained by the platform vendor and hosted by the data centers. In this scenario, MVNOs are responsible only for the front-office operations of their mobile businesses. The advantage for them is a further reduction of up-front investments necessary to start the operations. On the other hand, the aggregator applies its margins using the costs of the mobile operator's network capacity usage.

Multiple MVNO Model. The third party is not involved and the mobile operator deploys its own mobile virtual network enablement platform.



Concerns from Indian market for MVNO progress in India so far:

- Financial health
- Spectrum availability
- Hyper competition
- Telecom infrastructure
- Policy changes

New Business Opportunities for TSPs

The opportunity for mobile operators to take advantage of MVNOs outweighs their competitive threat. Moreover,

the competitive threat argument is questionable considering prices would continue to fall even without the presence of MVNOs. Ultimately, there will be an increasing need for mobile operators to fill their networks (e.g., 3G or 4G), regulators will demand further roaming and interconnection reductions; mobile-only operators will use lower prices to advance fixed-mobile substitution; and new companies with disruptive technologies (like VoIP) will compete by offering even cheaper voice packages. ■

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