

WWhitepaper

Why Should MNOs Promote MVNOs?

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Abstract This paper explores how MVNOs will contribute to the growth of wholesale revenues of MNOs, debunks some of the myths related to MVNOs and goes on to explain how MNOs can launch MVNOs in a fast, affordable, flexible and scalable manner.

The traditional Mobile Network Operator (MNO) has been averse to Mobile Virtual Network Operators (MVNOs) in many markets viewing them with suspicion as competitors. MNOs have lobbied against MVNOs in many markets and have said among other things that they will start a price war or poach their more premium subscribers with lucrative offerings and value additions.

MNOs have stated that as MVNOs have no network creation liabilities they will have heavy margins and will be able to offer lower tariffs for their subscribers.

Hence they will find it easy to churn subscribers of the MNOs. Thus, there will be no incentive for MNOs to make investments in network extension, augmentation and upgradation.

However, these are all myths. MVNOs actually complement the MNO's offerings and help them grow their wholesale revenues.

How do MVNOs benefit MNOs?

ARPU

MVNOs should be seen as partners, not threats that cannibalise revenues. MVNOs will not drastically lower ARPUs & affect revenues. For example, Canadian MVNOs have a higher ARPU of CAD 81.56 for postpaid 1 and CAD 116.1 for prepaid 2 vis a vis the overall Canadian mobile ARPU of CAD 69.3. Hence it is a myth that MVNOs are price warriors who will start a tariff war.

WIN-WIN

An effective MVNO strategy would be win-win for both MNO and MVNO. MVNOs will help enhance wholesale revenues of the MNOs & actually help recover the high network up-gradation costs including the 5G up-gradation costs which all MNOs will now have to incur.

STRATEGY

MVNOs can be used as a flanking strategy against low price warrior competitive MNO brands as an MNO can promote MVNOs with attractive pricing plans without any rub off on the mother MNO brand.

OFFER ATTRACTIVE

MVNOs can also be used to offer attractive smartphone & device propositions to counter competitive offers without a rub off on the parent MNO brand.

MARKET SEGMENTS

MVNOs can be used to cater to niche market segments & maximize revenues from these hitherto ignored & under-catered segments. For example, community groups like local churches and local sporting clubs can promote their own MVNO. Likewise, ethnic & linguistic groups and immigrant diaspora can also be encouraged to promote MVNOs. Similarly, affinity groups like the Jazz music enthusiast club can start their own MVNO with Value Added Services (VAS) centred on Jazz music. Normally MNOs would not have the wherewithal to target such niche segments and would end up losing out on significant revenue which can be generated from these niche segments and affinity groups who would form their own Closed User networks to drive engagement and utilise customised VAS.

VAS

MVNOs can also offer exciting bundled VAS propositions and other goodies as many others floated by parent brands which will help the MNO cater to these brand user specific segments.

How do MVNOs benefit MNOs?

Remote regions can be catered to by MVNOs without the MNO investing in customer care, sales and marketing infrastructure.

MNOs benefit as MVNOs help increase their subscriber base and bring additional revenue streams from new and/or under catered segments. The USA Mobile services ecosystem is a good example of how MVNOs have helped MNOs cater to niche segments and added value to the MNOs

MVNOs will add to more demand for MNO's network capacity and service by generating revenue from these new and niche segments which were not addressed by the MNOs. This renders the

argument of MVNOs affecting demand for MNO network capacity null and void. In fact, MVNOs will generate more wholesale revenues and will make the wholesale business of MNOs more viable and help recoup investments in new technologies like 5G

MNOs thus need to stop viewing MVNOs as a threat and instead start treating them as partners who will help multiply their wholesale revenues.

MVNOs will help give more choices to the subscriber without any rub off on the MNO brand and as revenues will ultimately accrue to the MNO this will be a WinWin situation for both parties.

MVNOs also help utilities, retailers, financial companies and consumer brands to extend their offerings to mobile services in order to reward consumers/members for their loyalty and engage with them and provide value adds. The Austrian, Italian and Brazilian MVNO markets are examples of how this has been done successfully. This is another additional revenue stream for the MNOs and will help multiply their wholesale business.

How do MVNOs benefit MNOs?

Certain MVNOs focused on the IoT segment, are enhancing their IoT connectivity offering and have differentiated technical competencies resulting in some operators exploring partnerships or even acquisition opportunities with MVNOs. Such relationships help the MNO leverage the MVNOs' differential & innovative technological competencies to cater to the IoT connectivity market without investing in costly and time-consuming internal research & product development. Similarly, MNOs can, via the MVNO route, focus on the high volume but low ARPU Low Power Wide Area (LPWA) markets which are growing with the standardisation of NB-IoT. The USA and UK market is a good example of IoT focussed MVNOs helping MNOs cater to the IoT segment especially the LPWA segment.

Currently, in the interest of increasing competition in the market, certain regulators like in Austria, Germany and Thailand have mandated that minimum percentage of each MNOs network capacity is reserved for the MVNOs and in South Africa, the regulator has mandated that each MNO should have at least 3 MVNOs on their respective network. Launching MVNOs proactively by MNOs pre-empt regulatory directives and gives a head start to the MNO apart from helping him with a first-mover advantage to reap the benefits the MVNO ecosystem brings to an MNO's wholesale business.

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MVNO subscribers has been growing at CAGR of 10.5 % vis a vis 4.4% for Unique MNO subscribers over the last 4 years and the MVNO subscriber base projected to grow at 11.6% between 2020- 2027 compared to 1.9% for the Unique MNO subscriber base . Hence it would be prudent for MNOs to leverage MVNOs to grow their subscriber base and increase wholesale revenues.

How do MVNOs benefit MNOs?

	2016	2017	2018	2019	2020	CAGR
MVNO Subscribers (Mn)	207.9	229.2	253.2	280.4	310.4	10.5%
MNO Unique Subs (Mn)	4800	5100	5300	5500	5700	4.40%
MNO Share Percentage	4800	5100	5300	5500	5700	4.40%

To Summarise, these are the ways in which MVNOs can benefit MNOs:-

MNO Requirement	MVNO Proposition
Increase wholesale business	MVNOs can increase the wholesale business revenues in a cost-effective manner.
Cater to New segments	MVNOs can cater to niche segments as some MVNOs specialise in niche segments

Cater to undercatered ethnic groups and remote regions	MVNOs can cater to under-catered ethnic groups and remote regions with MNO investing in massive sales, marketing & customer care infrastructure.
Cater to segments where competitors are strong	MNOs can use segment focused MVNOs to cater to segments where their competitors are firmly entrenched.
Offer innovative VAS and device propositions	MVNOs are usually floated by parent brands and can offer interesting VAS and smartphone/ device bundles.
Offer varied pricing propositions	MVNOs can be used to offer segment specific varied pricing without rub-off on the parent MNO brand and also serve as a flanking strategy against price warrior MNOs
Monetize excess network capacity	MVNOs can help utilise excess network capacity of MNOs and recoup infrastructure investments faster
Comply with regulatory directives	MVNOs help MNOs comply with several regulatory directives
IoT segment	MVNOs can help MNOs target the IoT segment especially the low ARPU Low Power Wide Area requirement.

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How should an MNO handle Multiple MVNOs without adding to costs?

MNOs may argue that they will have to expand their wholesale teams heavily to cater to these segmented MVNOs and also incur significant Capital expenditure, Operating Expenditure and Administrative and Other cost overheads. However, MNOs can use intermediaries like Mobile Virtual Network Aggregators (MVNAs) or Mobile Virtual Network Enablers (MVNEs) to interface with multiple MVNOs and cater effectively to this huge wholesale business.

Using an intermediary like an MVNE ensures there is a single interface for the MNO reducing time, cost and effort of dealing with multiple MVNOs. Financial exposure is reduced to the single entity only and also allows the MNO to support multiple MVNO market models i.e. Full, Light, Branded Reseller. The multi-tenancy model can be followed by MVNE service providers like Plintron allowing the MNO to support multiple MVNOs independent of each other on the same

MVNE platform. Many MVNEs like Plintron provide this multi-tenancy model with single integration and provide scalable, flexible services customisable for each MVNO.

MVNA services, like those offered by Plintron, take forward the MVNE platform further with a complete Telecom as a Service business model where the MVNA will act as an extended arm of the MNOs and even set up local teams to deal with customer, sales & marketing/Business/GTM consulting for the MVNOs. Complete MVNO account management for the MNOs is done by the MVNA partner.

How an MNO can Handle Multiple MVNOs

Regulatory clearances, Licensing hassles, Customer care support, Business support handholding is all provided by the MVNA and if needed the airtime contracts are also made with the MVNA who deals with the individual agreements of each MVNO.

MVNAs like Plintron make all the infrastructure investments and maintain the infrastructure ensuring zero capital and operational investments for the MNO over the lifetime of the contract. MVNAs also enable a fast go to market strategy for the MNO's MVNO business with fast and efficient on-boarding of new MVNOs.

Conclusion

Conclusion

We can see that MVNOs are partners of MNOs and actually add value to their business and contribute to their market share and improve their wholesale revenues. It is recommended that MNOs tie-up with intermediaries like MVNAs who will act as an extended arm of the MNO and help fast, speedy and efficient launch and operations of the MVNO business.

List of Abbreviations used

ARPU	Average Revenue Per User
CAD	Canadian Dollar
CRTC	Canadian Radio-television and Telecommunications Commission
GVR	Grand View Research
IoT	Internet of Things
LPWA	Low Power Wide Area
NB-IoT	Narrow Band IoT
MNO	Mobile Network Operator
MVNA	Mobile Virtual Network Aggregator
MVNE	Mobile Virtual Network Enabler
MVNO	Mobile Virtual Network Operator
VAS	Value added services

About Plintron

Plintron Group is the World's largest Multi Country end to end MVNA & MVNE and CPaaS provider with a client base in 6 continents. With mobile network services in 31+ countries spanning 6 continents supported by 1000+ telecom professionals, Plintron has launched 143+ MVNOs and 165 million+ mobile subscribers.

40+ MNO integrations

143+ Launches

Presence in 31+ Countries

165m+ Connections

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