Three steps to a successful MVNO

Growth in the Mobile Virtual Network Operator (MVNO) market continues apace with analysts predicting that their combined subscriber base globally will exceed 186 million by 2015. This business model offers exciting opportunities to either enter the telecoms market or to grow your footprint in it – and its potential is not restricted to the Consumer market. Converged telecoms, machine to machine and "over the top" technologies such as Voice Over IP (VOIP) are bringing new potential to the market.

But beware of the pitfalls: almost 25% of all MVNO's have either ceased trading, or have been acquired (often by their host operator) following poor market take up or poor financial results.
CGI has successfully implemented over 20 MVNO in the UK and Europe, and in this paper we highlight the three questions that will define the success of your MVNO venture.

WHAT IS YOUR USP?

For an MVNO to be successful in a mature market, it needs to focus on a particular segment of the market and have a clear differentiator. As of October 2012, there were over 600 active MVNOs worldwide, with the majority of these focused on the consumer market with low cost as their unique selling point (USP). As MVNOs become more and more targeted, price does not have to be the only USP – a critical first step in your MVNO journey is to work out this "value proposition" for the market and its implications on how you set up your business.

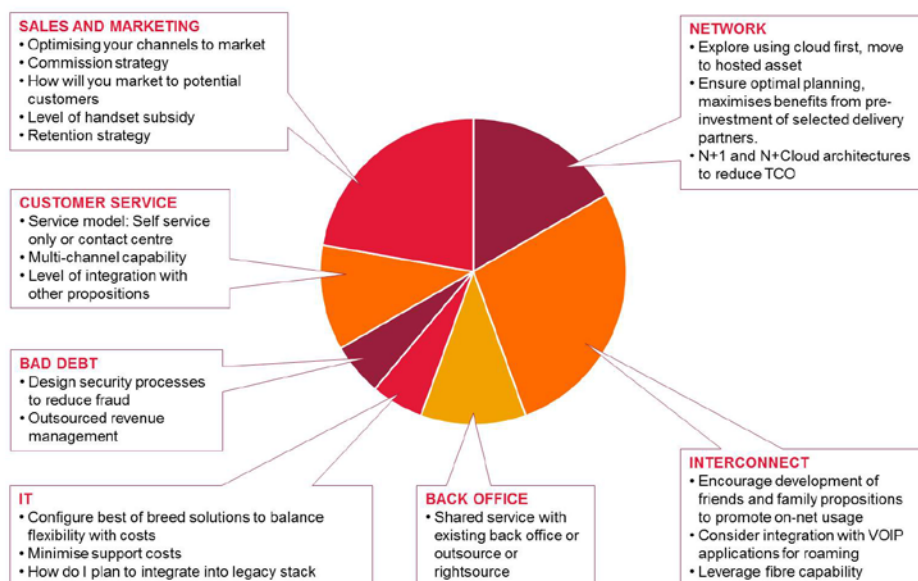| Example Unique Selling Point	Characteristics of the solution	Value drivers
Product	Converged with other communications and data products (e.g. fixed line, WiFi)	High ARPU, Cross sell (especially in B2B market), retention
Price	Simple value proposition, Self-service, low set-up and operational costs	High volume, low cost acquisition channels, low operational costs
Service	Omni-channel service offering, bundled with additional products	High ARPU base, retention
Brand affinity	Exclusive branded products, services, and offers	Cross selling other products, retention of customers to other products and services
Community	Low cost "friends & family" or international calls	Viral sales and low cost acquisition channels, low operational costs
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HOW DO YOU MAKE MONEY?

Now that you have a clear idea of how you are going to stand out in the market, it's time to think about your business model – ie how you will make money:

- What tariffs and handset subsidies will you offer?
- How will you acquire your customers? Which channels will you use and what is your commissions strategy?
- What will your cost to serve be? How can this be minimised?
- How can you cross-sell with other products and services in your portfolio?
- How can you deliver disruptive services bringing together your existing products and services into a new paradigm?
- How can you trade-off between capex and opex to balance your commercial risk?

These questions feed into the design of your MVNO solution, and need to be considered for each part of your operating model. Careful design of the business model will have a strong influence on the business case and choice of technologies to deliver it.

DESIGNING YOUR BUSINESS MODEL

SALES AND MARKETING
- Optimising your channels to market
- Commission strategy
- How will you market to potential customers
- Level of handset subsidy
- Retention strategy

CUSTOMER SERVICE
- Service model: Self service only or contact centre
- Multi-channel capability
- Level of integration with other propositions

BAD DEBT
- Design security processes to reduce fraud
- Outsourced revenue management

IT
- Configure best of breed solutions to balance flexibility with costs
- Minimise support costs
- How do I plan to integrate into legacy stack

BACK OFFICE
- Shared service with existing back office or outsource or rightsource

NETWORK
- Explore using cloud first, move to hosted asset
- Ensure optimal planning, maximises benefits from pre-investment of selected delivery partners.
- N+1 and N+Cloud architectures to reduce TCO

INTERCONNECT
- Encourage development of friends and family propositions to promote on-net usage
- Consider integration with VOIP applications for roaming
- Leverage fibre capability

HAVE YOU CHOSEN THE RIGHT TECHNOLOGY?

Choosing the right network and technology solutions is key to making your business model work. The technology choices you make will determine how fast you can launch and how responsive you can be to changes in the market.

Which mobile network operator (MNO) will you choose?	• Do you understand the strengths and weaknesses of each of the MNOs, and how these will affect your USP? • Do you have a clear strategy to present your business to the MNOs to get the best wholesale price
Thick or thin MVNO?	• A thin (AKA light) MVNO features outsourced network management, billing, CRM and logistics. This often results in lower capex and faster time to market, especially where you use an MVNE. The downside is that is more difficult to create a truly unique selling proposition and its if often slow and expensive to make changes once launched • A thick (AKA Full) MVNO involves building the core business yourself – this allows you to create a more tailored proposition, with the ability to respond faster to market changes, although upfront build costs may be higher. Additionally a thick MVNO may enable you to wholesale your services (i.e. become an MVNE as an adjunct to your original strategy
What technology choices will you make?	• Choice of network equipment vendors and BSS suppliers is a complex decision. Do you understand the pros and cons of each of the solutions available? • Have you considered how you can maximise the benefit of 4G on your business model and monetise this as a specific option?
Which Value Added Services (e.g. voicemail, IVR, VPN, OTA services, SIM card applications) will you provide?	• Have you designed your "service model"? The way that you support your customers and resolve their problems will have a profound impact on both their level of satisfaction and your cost base. The good news is that cheaper channels are often the ones that make the customer most satisfied. Careful consideration of your customer journeys to optimise the support channels for particular customer needs will pay dividends

CHALLENGE YOURSELF!

If you are launching a new MVNO, have you modelled the business case to a granular enough level? Does this model help you understand the impact of the design decisions you'll need to make? Have you got a clear view of the options to reduce operational costs and to trade off up-front capex with opex?

If you have already launched, do you have a programme of continuous improvement activities to make sure you are billing everything you should, optimising collections, and reducing your cost base? Is this programme re-visiting your business model at a deep enough level, rather than focussing on the "as-is"?

Have you considered how the market will change once you have launched your MVNO – and positioned yourself to be able to take advantage not just of your proposed market, but new surrounding opportunities as well?

ABOUT CGI

At CGI, we're committed to helping all of our stakeholders succeed. Our 72,000 professionals in more than 40 countries provide end-to-end IT and business process services that facilitate the ongoing evolution of our clients' businesses. CGI is committed to helping our clients achieve their business goals; to providing our professionals with to providing our professionals with rewarding careers; and to offering shareholders superior returns over time. At CGI, we are in the business of delivering results.

CGI has a long history in Telecommunications and have been engaged with over 20+ MVNO launches across Europe in all parts of the solution, from BSS, OSS, wholesale billing, M2M, to complete turnkey solutions.

We understand the need for more than just a 'Telco in a box', delivering the added value integration with back office line of business solutions that will help you to differentiation your MVNO. We bring an "Accelerate to launch" approach that will provide the necessary operational and business processes in a reduced timescale typically saving in excess of 60% of typical production times.

CGI'S SERVICES AND SOLUTIONS

Services	Solutions
Customer experience	MVNO strategy
Multi-channel business	BSS cloud solutions (e.g. Billing)
BI and analytics	B2B asset management solutions
Revenue assurance and collections	M2M enablement solutions
Systems integration	B2B application enablement solutions
Shared Services and Outsourcing	
Supply Chain optimisation	
Future IT	

We offer a strategic healthcheck service for your prospective or existing MVNO. This will rapidly assess the critical success factors outlined in this paper and provide recommendations for enhancements.

For more information on this or any of our other products and services, please contact ian.watts@cgi.com

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About CGI

Founded in 1976, CGI Group Inc. is the fifth largest independent information technology and business process services firm in the world. With approximately 68,000 members located in offices and global delivery centers in the Americas, Europe and Asia Pacific, CGI offers a comprehensive portfolio of services including high-end business and IT consulting, systems integration, application development and maintenance, infrastructure management as well as a wide range of proprietary solutions.

CHALLENGE YOURSELF!

Have you made the most of SaaS? Whether you are just launching or you are already established, there are a host of billing, CRM and BI applications that can be quickly deployed at relatively low cost.

Don't forget the use of social media tools for marketing and customer acquisition, customer service and even to build a community for your users. But take care that social media is an integrated part of your CRM strategy rather than just an add on to what you do already.

DID YOU KNOW?

- CGI has provided MVNO service enablement platforms to support 1.5m subscribers across 11 MVNOs in the Spanish market.

- CGI supports 500,000 subscribers in the Swiss market for a budget pre-pay MVNO

- CGI is a major supplier of revenue assurance, collections; cloud based billing solutions and Business Process Outsourcing for wholesale Telco services including M2M and MVNO platforms in the UK and across Europe.

- CGI is helping clients to drive value from their own data and social media to increase offer take up, reduce churn and improve customer experience