Mobile broadband commercial strategy: imperatives for a successful service launch

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Operators that are upgrading technologies use this transition as an opportunity to re-evaluate and re-position their value proposition. New technology commercial launches allow operators to upgrade their own subscriber base as well as target new subscribers. This article outlines the five key pillars that mobile network operators (MNOs) need to consider when launching a mobile broadband service (see Figure 1), and is based on our considerable experience of helping operators worldwide to launch such services.¹

Figure 1: Key pillars of a strategy for successfully launching mobile broadband services [Source: Analysys Mason, 2013]

Operator framework for mobile broadband commercial strategy

1. **Network**
   - Network availability is fundamental to any mobile service, and network quality is also important.

2. **Devices**
   - Availability of affordable 3G/4G-compatible devices that offer a good user experience.

3. **Packaging and pricing**
   - Service pricing, including the structure of data packs and affordability compared with established pricing.

4. **Content**
   - Availability of relevant content, particularly in local languages.

5. **Sales, distribution and branding**
   - Robust sales channels will ensure the availability of products, and targeted advertising will create brand awareness and loyalty.

Customer segmentation is a theme that is relevant to each of the five aforementioned pillars while launching mobile broadband services.

**Network – an operator’s network strategy is vitally important to the successful launch of any mobile broadband service**

Operators should keep in mind three key things while developing an optimal network roll-out and coverage strategy.

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¹ Mobile broadband includes all handset and USB modem users on 3G and/or 4G technologies.
• **Optimal coverage level.** Population coverage is a standard measure that needs to be defined. Factors that typically influence this include: established 2G network coverage; competitor roll-out plans; and positioning of new networks. In established 3G markets, operators have matched 2G and 3G coverage. With 4G, operator strategies have been influenced by spectrum holdings. Sub-1GHz spectrum holdings have enabled operators to go for mass-market coverage such as in the USA, whereas others have gone for a hotspot, capacity-linked coverage.

• **Prioritisation of cities.** A phased city-level network roll-out plan allows operators to prioritise cities and towns based on strategic and competitive factors typically used to gain a first-mover advantage or establish market positioning in specific regions.

• **Intra-city coverage.** This is a key parameter that is often overlooked. Providing contiguous coverage within a city as well as in buildings often dictates quality of service and churn. Because around 70–80% of the data traffic is carried indoors, operators need to think about deploying coverage solutions including in-building solutions (IBS), small cells and Wi-Fi.

### Devices – it is essential for operators to provide affordable smartphones

One of the most constraining factors for operators in developing markets is the lack of affordable smartphones. Another common problem for operators in these markets is the lack of take-up of 3G services within the smartphone user base driven primarily by the sub-optimal user experience on low-cost devices as well as the service pricing. It is imperative for operators to provide affordable smartphones that are capable of providing an optimum user experience including good-quality videos, adequate internal memory, fast processor speeds etc.

Operators need to develop partnerships with vendors in order to promote bundled devices along with ‘freebies’ such as limited free data usage plans and embedded apps. In India, vendors have partnered with banks to offer ‘easy monthly payment schemes’ (equated monthly instalment (EMI) schemes) leading to better device take-up. Sales of the iPhone increased from 75,000 units in the third quarter of 2012 (before the EMI scheme was launched) to 400,000 units in the fourth quarter of 2012 (after the scheme was launched). Operators can play a part in such schemes by offering bundled devices.

### Packaging and pricing – operators need to pay careful attention to three factors

There are three factors influencing packaging and pricing decisions for operators.

• **Cost-based pricing.** Operators should understand the cost to offer data services (or cost per megabyte) through a detailed ‘network cost model’. This tool can be used to help operators understand forward-looking network costs and investments as well as assess forward-looking data profitability.

• **Market-based pricing.** Operators should have an in-depth understanding of the prices of competitor data offerings across parameters such as speed, usage, core versus bolt-on offerings, and target segments. This allows operators to identify gaps in the established pricing.

• **Pricing mechanisms.** Volume-based data plans are commonly offered because they are simple to communicate. These plans are flexible in terms of pricing, volume, validity and speed. Other innovative bolt-ons that operators can offer include those that are based on URLs, sessions, time, shared data, loyalty and service passes (Wi-Fi).
Content – partnerships are key to establishing a commercially successful ecosystem

In developed markets, content usage has been driven by more sophisticated users. However, in developing markets where the inherent usage of data has been low because of the low Internet penetration, operators need to establish partnerships with over-the-top (OTT) players and content and app developers to push content. Video is one of the main drivers of content for 3G and 4G – it accounts for approximately 60–70% of 3G smartphone usage in developed markets. In addition, operators should look to forge partnerships in the social networking space to provide free or discounted app-based offers. All such partnerships need to be assessed for their commercial, operational and financial viability.

Only about 6% of operator revenue in developing markets is from data usage and apps. As traditional revenue from voice and SMS comes under threat, operators need to monetise data usage through in-house content as well as OTT partnerships.

Sales and distribution – robust channels will ensure the availability of products

Carefully planned pre-launch and launch campaigns are needed to lay a solid foundation for an operator’s 3G/4G brand. Selecting a strong marketing and advertising partner is a crucial element. Operators should capitalise upon the established distribution network of a combination of owned and third-party channels by integrating a range of devices configured with 3G/4G, dedicated kiosks catering for customer queries and in-store advertising.

Analysys Mason has worked with operators in developed and developing markets around 3G and LTE network and commercial launch strategies.