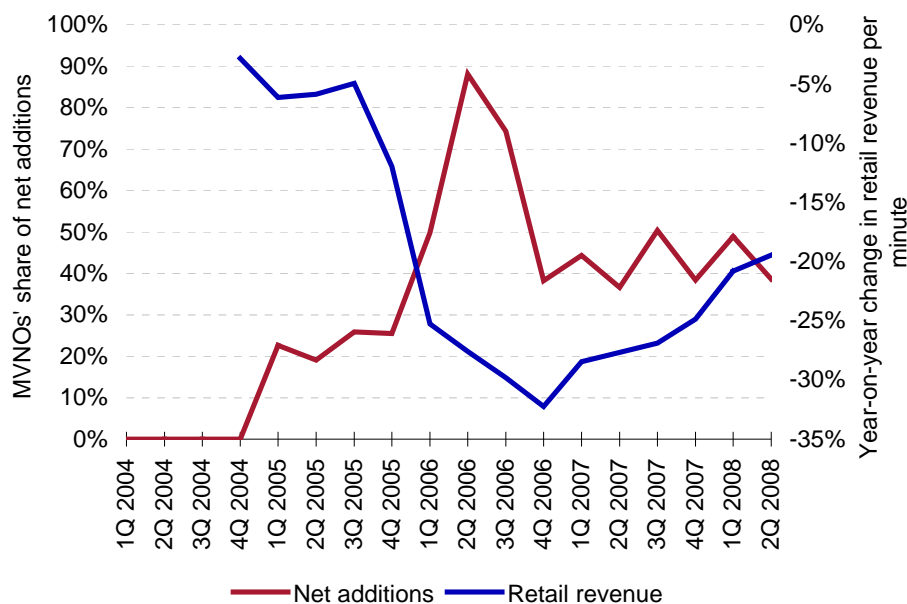


**Figure 1.2:** MVNOs' share of net additions compared with retail revenue per minute in the German mobile market, 1Q 2004–2Q 2008 [Source: Analysys Mason, 2009]



### In other European markets, the effect on retail price has not been as marked

Elsewhere in Europe, MVNOs have not been as effective at reducing prices as in Germany. Against a background of falling prices, it is hard to single out the result of the introduction of MVNOs, but Figure 1.3 shows the evolution of retail revenue per minute in several markets.

It is difficult to pinpoint the factors that have led to the different trends in price in these markets. In each, hosting agreements were negotiated commercially and this will have affected the outcome. It is clear, however, that the price level at the time MVNOs were first launched is important. As shown in Figure 1.4, there is a clear positive correlation between the revenue per minute achieved by operators at the time MVNOs were introduced and the percentage fall in price that followed. So not only is the regulatory implementation of MVNOs important, but also pricing in the market at the time that MVNOs are introduced: the higher pricing is to start with, the greater effect MVNOs can be expected to have.

Aspect	Area of consideration for prospective MVNO
Existing MNO infrastructure	In emerging markets, investment in network infrastructure often takes place as networks reach capacity, rather than before. This means that there may be no spare capacity on existing networks. MVNOs must carefully select markets in which operators are prepared for increases in demand and have in place the infrastructure to cope with the extra traffic an MVNO would hope to attract

Compared with mature markets, the structure of growth markets can have advantages and disadvantages for MVNOs. Regulation is an area in which growth markets present difficulties, because there may be no regulation in place for MVNO entry and MNP may not have been implemented. Potential MVNOs must take care to assess the regulatory situation in growth markets they wish to enter, but, if this is satisfactory, other elements of market structure, including lower mobile penetration and a high percentage of prepaid subscribers, will typically be more conducive to success for MVNOs than in mature markets.

Segmentation may also be easier in an emerging market setting. MNOs often concentrate on the mass market, due to its high growth potential, and have yet to explore much segmentation. MVNOs could do well to look at attracting the largest segments of subscribers. In many African and Middle Eastern countries, there is a very large youth segment, which provides a good opportunity. In the oil-based economies of the GCC, a large proportion of the population are immigrants, and MVNOs could target these segments using a strategy similar to that of Mobisud in France.

### 2.3 A complete strategy based on several strengths is most likely to lead to success for MVNOs

Many MVNOs in mature markets have focused on a single core strength, but MVNOs joining growth markets must learn from the past mistakes of others and ensure that their strategies do not neglect elements crucial to creating a profitable business. A core strength in pricing, distribution, brand, content or existing telecoms operations is not a sufficient condition for success, as many MVNOs in developed markets have found to their cost.

Five elements can be identified as necessary for MVNOs' success. These are shown in Table 2.2, together with an assessment of how various types of MVNO entrant rate against these categories.