

Research report

**MVNOs in growth markets:
challenges and opportunities for
regulators and operators**

Daniel Jones

March 2009



Published by Analysys Mason Limited • St Giles Court • 24 Castle Street • Cambridge • CB3 0AJ • UK
Tel: +44 (0)1223 460600 • Fax: +44 (0)1223 452800 • Email: research@analysismason.com •
www.analysismason.com/research
Registered in England No. 5177472

© Analysys Mason Limited 2009

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of the publisher.

ISBN 1 905495 87 0

Contents

About Analysys Mason	vi
0 Summary	vii
1 Regulators must decide if MVNOs are necessary in their markets	1
1.1 What are MVNOs and why legislate to allow them?	1
1.2 Lessons about the impact of MVNOs can be learned from mature markets	3
2 What strategies have MVNOs adopted so far?	10
2.1 MVNOs' strategies hinge on their existing strengths	10
2.2 Potential MVNOs must select the right market and host MNO	13
2.3 A complete strategy based on several strengths is most likely to lead to success for MVNOs	14
3 MNOs should position themselves to benefit from MVNOs' arrival	17
3.1 MVNOs may be problematic for MNOs, but can also be seen as an opportunity	17
Actions	20
Key to acronyms	22
Research from Analysys Mason	23
Consulting from Analysys Mason	24

List of Figures and Tables

Figure 0.1: Retail revenue per minute since MVNOs have been launched in selected markets	viii
Table 1.1: Properties of SPs, MVNOs and MNOs	1
Figure 1.1: The number of subscribers to MVNOs and retail revenue per minute in the German mobile market, 1Q 2004–2Q 2008	4
Table 1.2: MVNO tariffs in Germany at March 2009	4
Figure 1.2: MVNOs' share of net additions compared with retail revenue per minute in the German mobile market, 1Q 2004–2Q 2008	5
Figure 1.3: Retail revenue per minute since MVNOs have been launched in selected markets	6

Figure 1.4:	Correlation between retail revenue per minute when MVNOs were introduced into selected European markets and price falls over subsequent seven quarters	6
Figure 1.5:	Market share of MNOs and MVNOs in Denmark, 1999–2005	7
Figure 1.6:	Retail revenue per minute in Denmark and Western Europe, 1Q 2004–2Q 2008	8
Table 1.3:	Key events in the Danish mobile market	8
Table 2.1:	Aspects of market structure that should be considered by prospective MVNOs	13
Table 2.2:	MVNO types and competencies	15

Author

Daniel Jones (Analyst) is the lead analyst for Analysys Mason's *Global Growth Markets* research programme, which focuses on helping clients to capitalise on opportunities that are available in Africa, Central Asia, Eastern Europe and the Middle East. He has produced research for Analysys Mason covering issues that affect growth markets, including market liberalisation, MVNOs, mobile payments and new entrant strategies. Daniel regularly contributes to the international press on a wide range of telecoms subjects and has been quoted by *The Times*, *Business Week*, *Total Telecom* and *Telecommunications Online*. His academic background is as an economist, and he has degrees from the University of Nottingham and Universidad Autónoma de Madrid.



Acknowledgements

The author would like to thank all those who assisted in the preparation of this report: Matt Hatton and Emma Buckland for thoughts and comments, and those involved in the MVNO value chain, including Antti Arponen of FRiENDi mobile, Wail Saleh of i2 Mobile and other contacts at national regulatory authorities, and Mark Chambers and Claire Varley for editorial assistance.

Disclaimer

Figures and projections contained in this report are based on publicly available information only and are produced by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed are those of the stated author only.

Analysys Mason Limited recognises that many terms appearing in this report are proprietary; all such trademarks are acknowledged and every effort has been made to indicate them by the normal UK publishing practice of capitalisation. However, the presence of a term, in whatever form, does not affect its legal status as a trademark.

Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of this publication. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of this publication by the customer, his servants, agents or any third party.

About Analysys Mason

Analysys Mason is the preferred partner to telecoms, IT and media organisations worldwide. Through our global presence, we deliver strategy advice, operations support and market intelligence to leading commercial and public sector organisations in more than 80 countries. Our clients rely on our consulting and research services to make better business decisions.

The intellectual rigour, operational experience and insight of our people have helped our clients to meet some of the toughest challenges they face within the industry. We have consistently delivered significant and sustainable business benefits to our clients during the past twenty years on issues ranging from advising on operator strategy and tactics, development of national sector regulation, through execution of major financial transactions, to the deployment of public and private network infrastructure.

We are respected worldwide for the exceptional quality of our work, our independence and the flexibility of our teams in responding to client needs. We are passionate about what we do and are committed to delivering excellence to our clients.

Analysys Mason offers two types of service:

Consulting

We work with our clients to provide customised advice and support throughout the business cycle, helping major players to set strategy, plan for change and implement that change.

We have worked on a wide range of projects that support our partners and help them to increase revenue, reduce costs, plan for the future and minimise risk.

Research

We offer research programmes and custom research to help our clients to identify key strategic issues, formulate strategies, identify trends and opportunities, and measure performance.

The research programmes are:

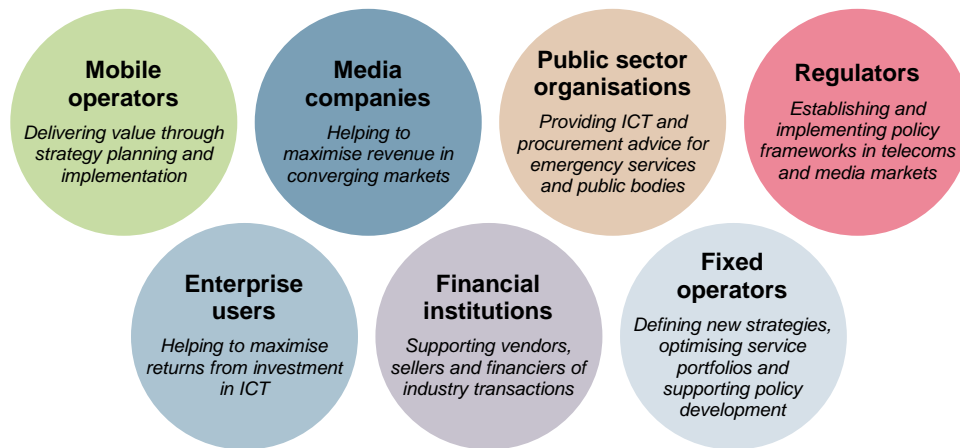
- Industry Strategy
- Global Growth Markets
- Fixed Broadband
- Mobile Broadband
- Voice
- Consumer Content and Applications
- Telecoms Software
- Fixed Networks
- Wireless Networks
- Core Data and Forecasts

For more information, visit our website at www.analysismason.com.

Consulting from Analysys Mason

Analysys Mason offers consulting services that span the entire business development cycle from strategy development, through planning and implementation, to review. We help clients in the public and private sectors to make the best possible business decisions on many key issues, including investment, strategy, policy, procurement, network rollout and market entry.

Analysys Mason advises clients in many industry sectors



For more than 20 years, Analysys Mason has been working with a range of global clients to resolve business-critical issues by applying its intellectual rigour, passion and expertise.

For more information about our consulting services, please visit www.analysismason.com/consulting.