

## Consolidation to open up room for virtual mobile networks

By Kalyan Parbat, ET Bureau | Updated: Nov 17, 2017, 09.26 AM IST



Swift consolidation in the telecom industry is set to kickstart opportunities for mobile virtual network operators (MVNOs) offering niche services as merely three telco biggies -- Bharti Airtel, the Vodafone-Idea combined entity and Reliance Jio Infocomm -- may be ill equipped to serve the needs of India's diverse and multi-ethnic customer segments, said analysts and industry experts.

"From a purely business and go-to-markets perspective, three big telcos alone cannot meet the diversity of customer segments in India, which throw up opportunities for MVNOs coming up with unique value propositions,"

said Rohan Dhamija, partner & head (India & Middle East) at consulting firm Analysys Mason.

Experts are particularly gung-ho on the business prospects of specialist MVNOs delivering region-specific and customised data-based offerings targeted at specific customer segments such as the youth and migrant workers.

To be sure, some are sceptical about the success of MVNOs in India's financially stressed telecom market where the profit pool is limited and pricing power, exceedingly suppressed.

An MVNO, typically, runs telecom services without owning either spectrum or network infrastructure, which it leases from a partner telco. It does this by buying bulk talk-time and bandwidth from a telco, and reselling the services under its own brand.

The MVNO scene in India has been relatively dormant although as many as 80 companies had applied for permits a year ago, with a majority seeking district-level licences. Experts attribute the lull to the massive disruption in the telecom industry caused by Jio's entry with its free voice and low data rates. However, sector stress unleashed by Jio's disruptive pricing has hastened consolidation, which in turn, has led to new stirrings in the fledgling MVNO space.

Suneet Tuli, CEO of DataWind, which has applied for a permit, said the tablet maker "sees significant opportunities for MVNOs in unaddressed market segments" in the telecom industry, post-consolidation.

DataWind, he said, is negotiating with each of the surviving telcos to launch MVNO services, although he refrained from revealing the potential telco partner, saying, "the company would not announce the specific relationship till the launch of such services".

Anil Ambani-led Reliance Communications too has recently said it plans to operate as an MVNO that will offer 4G services once the company shuts its 2G and 3G wireless businesses and sells its spectrum assets.

According to Tuli, that MVNOs can start services “without being saddled with huge debt and infrastructure burden” which the telcos had to incur, is their biggest advantage. “For established brands and innovative companies focused on niche market segments, MVNO is the right route to the market.”

GV Kumar, managing director of Hyderabad-based Xius, a mobile infrastructure solutions supplier that also helps MVNOs set up shop in India, backs the view, saying MVNOs would require “a different approach” to succeed in India as “traditional price-arbitrage business models are unlikely to sustain” amid hyper-competition, especially since the top telcos have “mastered the art of low cost operations”.

“India requires region-specific players with specialist, segmented and customised approaches for different regions, ethnic, linguistic and socio-cultural segments, which big telco brands cannot do, wherein lies the biggest opportunity for MVNOs,” said Kumar.

Going forward, in a country where cricket is religion, Kumar sees strong opportunities for “IPL teams to launch niche MVNO services for their loyal fans”, saying the business model is catching on, especially after a leading Turkish soccer club took the MVNO plunge.

Ex-Bharti Airtel CEO Sanjay Kapoor, however, said it would be “challenging” for any MVNO, regardless of its value proposition, to survive in India’s financially stressed telecom market.

“In a market where voice is free and data rates are easily among the lowest in the world, to the point of being unsustainable, the business case for an MVNO is at best utopian as it would after all be feeding off the same profit pool,” said Kapoor.

Nitin Soni, director at global rating firm Fitch, said that it would be a struggle for any MVNO trying to slug it out with the telco biggies on the strength of its brand alone in a price-sensitive, prepaid market like India.

Rajan Mathews, director general of Cellular Operators Association of India (COAI), agreed that global experience had shown that MVNOs would have a tough time if they tried to directly compete with the major telcos in a country.

But Mathews believes MVNOs can succeed if they operate in regions not served by major operators, and can come up with niche products like pet tracking services, vehicle tracking systems, health monitoring services to even safety and emergency services for the elderly.