



## MVNOs Impact on India

BY G V KUMAR Now that MVNOs have received a greenlight in India, these could soon be serving more than 80 million connections with a significantly sizeable revenue share.

The Telecom Commission recently decided to allow Mobile Virtual Network Operators (MVNOs) in India. It is important for one to understand how MVNOs differ from telecom service providers that currently offer services in our country. This feature elucidates in brief what the Indian consumer can expect with the opening up of the telecom industry to MVNOs.

### What is an MVNO?

A Mobile Virtual Network Operator (MVNO) behaves almost exactly like a conventional Mobile Network Operator (MNO). It sells mobile subscriptions for voice, text and data to its customers and can offer prepaid or post-paid accounts. An MVNO will have its own brand and generally manages its own marketing, customer service, products & pricing, sales & distribution. A few examples of MVNOs include Virgin Mobile, TracFone, Lebara and TuneTalk. Many renowned brands operate as well-established MVNOs across the globe.

An MVNO differs from an MNO in one very important aspect: it does not have its own radio spectrum and so, does not own any mobile base stations for subscribers to connect to. In order to provide their customers with mobile connectivity, MVNOs need to rely and enter into a contract (known as 'wholesale agreement') with an MNO. The agreement also sets out the price that an MVNO needs to pay the MNO for its subscribers' use of voice minutes, text messages and data.

### What is needed to launch a successful MVNO?

MVNO is like any other business. It needs a solid business plan backed by clear understanding of the market and expertise in serving its customers. The elements of this plan include:

- In many countries an MVNO licence is required prior to operation. This will be the case in India where the regulatory models require an MVNO to acquire an MVNO licence.
- The basis of a successful MVNO is the Wholesale Agreement. Without the right wholesale prices an MVNO cannot expect to do well. These agreements are often complex and take time and considerable expertise to negotiate.
- A reliable technology platform is required to deliver the mobile products. The selection of technology partner is a critically important one – an unreliable or unsuitable platform will end up costing money and can damage brand reputation. Dealing with unhappy customers due to technology failure is expensive and does not assist future customer acquisition.

Marketing, sales and distribution are the third leg of an MVNO. It is key to get SIMs and top-ups to customers in the most cost-effective manner.

## Why customers switch to MVNOs?

Given their flexibility and innovative go-to-market approach, MVNOs can launch products and services that generally appeal to a well-defined niche. They are often able to address the market needs with a range of offerings that particularly suit the end consumers. TracFone, for example, is a successful MVNO which started by targeting Latin American communities in the US, and offers its users low-cost calls to Mexico and other destinations. They have been highly successful with their products and services that now serve more than 25 million subscribers with annual revenue in excess of \$9 billion.

Many MVNOs launch on a 'no-frills' product seeking to attract customers on the basis of price. This can be effective in the short term but relying on price alone will often lead to damaging price-wars, rarely developing a loyal customer base.

## Scope of MVNO growth in India

India has seen in the past mobile (access) driven growth, internet (information) driven growth and content (entertainment) driven growth. The mobile space in India is now witnessing commerce (transaction) driven growth. Future growth in our country can be anticipated largely from rural areas, the enterprise segment and of course, Internet of Things (IoT).

The quick acceptance of rapidly evolving telecom technology, and the onslaught of smart devices has taken India by storm too. With the Government's emphasis on creating smart cities, providing better rural access and connectivity and mobile enabling the enterprise segment, key aspects such as mobile payments and IoT will take precedence in the near future.

A critical challenge for MVNOs to overcome and one that has caused grave concern to MNOs in the recent past is that of offering enhanced network connectivity with consistent Quality of Service. Another challenge is the lack of open platforms at the MNO side making it extremely cumbersome to integrate with MNO's infrastructure as well as various third party integrations.

MVNOs will have to cautiously tread the Indian markets. A technology partner that can fulfill their infrastructure demand and growth opportunities, help them unlock rural access and provides the ability to penetrate enterprise space will be a prime requirement and a crucial decision to make.

It is not unreasonable to expect MVNO market share in India to reach about 10% of all connections in just a few years. Simply put, it would mean that successful MVNOs can soon be serving more than 80 million connections with a significantly sizeable revenue share.



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