

Which MVNEs will be the most successful?



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Abstract: In this White Paper, we provide our key recommendations including a sample service portfolio for MVNEs to be most successful.

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Prior to founding The Besen Group, Alex developed opportunities with mobile operators in North America and Europe for Mantas (formerly known as Sotas).

Previously, Alex worked at Ericsson with mobile operators on MMS, GPRS, MVNO and UMTS projects in the EMEA (Europe, Middle East and Africa) region. He was also responsible for identifying potential partners and hosting workshops at Ericsson Mobility World (a mobile data laboratory) where developers create, optimize and commercialize mobile applications.

Prior to this position, Alex was a Business Development Manager at T-Mobile USA (formerly known as Omnipoint Communications) where he was responsible for partnerships, joint ventures and provided billing, customer care, marketing and vendor financing solutions to mobile operators.

Alex began his mobile career as a Program Manager with Pocket Communications based in Washington, DC where he managed the company's auction activity for C-block spectrum licenses as well as other activities associated with market research, market segmentation, pricing plans and market distribution strategies.

Alex holds a BS degree in Management from the University of Tampa and an MBA from the American University. Alex is fluent in French, Turkish and proficient in Italian. He is an active member of mobile forums and international associations including CTIA and GSM World.

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Definition: There is no exact book definition for MVNEs.

In general, MVNEs are intermediary organizations and position themselves between HNOs and MVNOs.

MVNOs and few HNOs outsource most of their in-house functions to MVNEs so they can concentrate on their marketing efforts.

Market Overview:

Based on available market information, there are more than 36 MVNEs in the world and half of them are located in North America today. Over the next few years, we expect to see more MVNEs in the marketplace as MVNOs begin to launch their services.

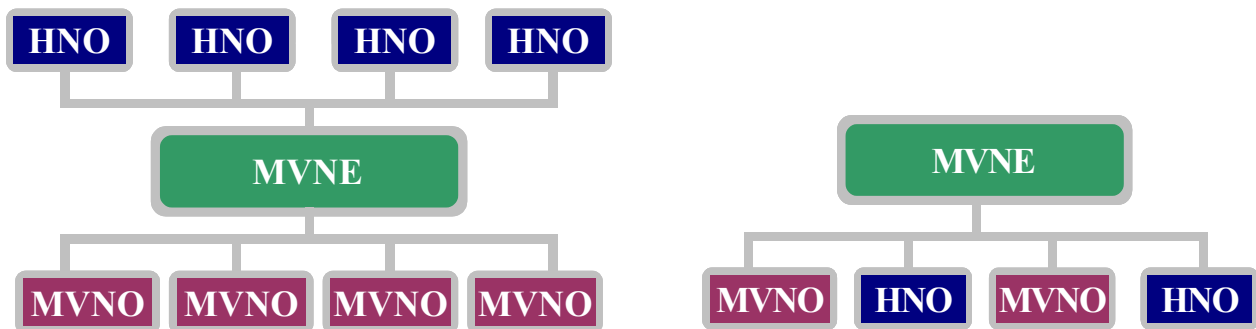
As there are various of types of MVNEs in the industry, each MVNE is going through a different phase of its business cycle. European MVNEs are already handling multiple MVNOs and HNOs while only a few American MVNEs are working with Tier 1 MVNOs and targeting Tier 2/Tier 3 MVNOs. Most of them are evaluating their own business models or examining their service portfolio and educating MVNOs on the mobile data fundamentals.

In terms of services, MVNEs can offer a one-stop shopping solution by providing a full range of services from their portfolio: telecom, BSS/OSS, customer care, marketing, mobile data, and additional services such as consulting, training, integration, and subscriber analytics. Today, most MVNEs specialize in services based on their expertise and will eventually extend their offering to other categories.

MVNEs and HNOs are two key organizations required for an MVNO to launch its service within a short period of time and upon a successful marketing strategy. As we mentioned in our MVNO White Paper, there are multiple MVNOs who do not have strong experience in the mobile industry nor a viable business plan. Therefore, we advise MVNEs to evaluate MVNOs' business plans and interview their management teams prior to any commitment.

As MVNOs grow their subscribers, we expect some of them to acquire their MVNEs or bring MVNEs' functions in-house in order to reduce their ongoing operating expenses.

Structural relationship of an MVNE with HNOs and MVNOs:



Where will MVNEs come from?

- ASPs
- IT companies
- Billing companies
- Content providers
- Content aggregators
- Hardware manufacturers
- Internet, telecom and media companies



Sample MVNO Evaluation Criteria for MVNEs:

- Quality of Service
- Agreements with HNOs
- Affordable pricing options
- Service capability with HNOs
- Service transparency with HNOs: i.e., roaming
- Understanding MVNOs' strategy and business requirements
- Management competence from IT, mobile and media industries
- Understanding of mobile data applications (value-added services)
- Understanding of various mobile technologies: i.e., GSM, UMTS, CDMA, EV-DO, HSDPA, IMS
- Service portfolio: i.e., telecom, BSS/OSS, customer care, marketing, mobile data

Sample Strategy Development Workshop for an MVNE:

- Partnerships
- Service portfolio
- Market positioning
- Management team
- Relationships with HNOs
- Relationships with media companies
- Relationships with hardware and software companies



Which MVNEs will be the most successful?

MVNEs will play a very important role in the mobile data industry as MVNOs enter the mobile market and HNOs plan to outsource their mobile data services to MVNEs.

A few MVNEs will also establish partnerships with other players to extend their service portfolio to MVNOs and HNOs.

Key Recommendations:

MVNEs should pay close attention to their business case and have a thorough understanding of their revenue streams, capital expenditures, and operating expenditures. MVNOs could get the same services from their HNOs if they in turn offer similar services.

We also advise MVNEs to work with financial institutions whose management teams have hands-on experience from IT, mobile and media industries. We believe that MVNEs will greatly benefit from those institutions whose management team has a strong knowledge of the overall mobile data ecosystem and its potential in the near future. This will provide a competitive edge for MVNEs and secure their funding requirements.

As the mobile data landscape evolves over the next few years, MVNEs will need to adapt to these changes or else they will face extinction. We predict that there will be numerous consolidations between different types of MVNEs from Europe and the US as well as acquisitions from MVNOs and HNOs.

In conclusion, we believe that MVNEs focusing on mobile data services with a combination of complimentary services will be most successful in the long run.

Sample MVNE service portfolio for MVNOs and HNOs:

TELECOM				
Voice/VoIP	Prepaid	Interconnect	Roaming	SMS/VMS/IN
BSS/OSS				
Fraud Mgt	Provisioning	Usage Settlement	Revenue Assurance	Mediation
CUSTOMER CARE				
Call Center	Billing Rating	IVR/POS/Portal	Handset Mgt SIM Mgt	Revenue Share Mgt
MARKETING				
Product Development	Procurement	Packaging	Distribution	Promotion Advertising
MOBILE DATA				
Platforms: WAP Gateway, MMS, WiFi, LBS, etc...		Content Mgt	Content/App Aggregation	Application Mgt
ADDITIONAL				
Consulting Training	Integration	Subscriber Analytics	Quality of Service	CRM

**Key Acronyms:**

HNO: Host Network Operator

MVCP: Mobile Virtual Consulting Practice

MVNE: Mobile Virtual Network Enabler

MVNO: Mobile Virtual Network Operator

Additional Acronyms:

ARPU: Average Revenue Per User

BGW: Billing Gateway

BPS: Bits Per Second

CAD: Confirmed Advertisements Delivered

CCBS: Customer Care Billing System

CDR: Call Detail Record

CPGA: Cost Per Gross Addition

HSDPA: High Speed Downlink Packet Access

IRR: Internal Rate of Return

IMS: IP Multimedia Subsystem

LBS: Location Based Services

MMSC: Multi Media Messaging Center

MOU: Minutes of Use

MNO: Mobile Network Operator

NPV: Net Present Value

OSS: Operations and Maintenance Sub-System

PDP: Packet Data Protocol

PCU: Packet Control Unit

SAC: Subscriber Acquisition Cost

SLA: Service Level Agreement

SIM: Subscriber Identity Module

SMSC: Short Messaging Service Center

About The Besen Group

The Besen Group LLC, is an international management consulting practice to the mobile data industry headquartered in the Washington DC area, with representatives in Paris and Tokyo. Its mission is to provide mobile data players with tools, knowledge, and services enabling them to perform optimally in their mobile environment. The Besen Group's competitive edge is based on practical experience with mobile operators, mobile vendors and a mobile data laboratory.

The Besen Group offers the following services to mobile data industry clients: 3G auction strategy & license application; business strategy & planning; business case modeling; market & customer segmentation; market research; competitive analysis; marketing; product launch; partnership and alliance development; project mgt; and RFP preparation.

The Besen Group works with mobile operators, vendors, content providers, content aggregators, ASPs, ISPs, MVNOs, MVNEs, VCs and enterprises from all around the world.