

Mobile Network Operators Building a successful wholesale strategy

Piran Partners LLP

May 2007

A changing wholesale environment

As the national market for telecommunications services matures and the “hyper-segmented market” phenomenon takes hold, being all things to all customers simply does not work. The traditional direct relationship that operators had with end customers is being replaced by indirect relationships.

While the traditional areas remain important elements in the sector, new areas for wholesale products and services are opening up. New types of wholesale customers are also entering the frame including Mobile Virtual Network Operators (MVNOs).

It is vital that telecom operators look to these new types of wholesale customers to provide them with the market focus and customer knowledge they need to maximise the market potential, which is now worth in excess of \$47bn [ovum].

Elements of success

In 1999 One-2-One (T-Mobile) faced a challenging future. Lacking direction it had significantly underperformed having the smallest market share, and a market valuation one third that of Orange which had launched later. Five years later One-2-One was number one in the UK market.

The turn around in One-2-One’s fortune was due to its joint venture with Virgin creating Virgin Mobile. Without it, One-2-One would still be the smallest UK operator. MVNOs have the ability to completely change the dynamics of a national market.

Clearly not every MVNO is a success, typically 40% will fail and 10% will under-perform against expectations. A successful MVNO has a sustainable point of differentiation in product, brand or distribution as well as having a clear market focus.

For the network operator managing a successful portfolio of MVNOs truly is a strategic issue.

The challenge for mobile operators

MVNOs are strategically important for mobile operators opening up new distribution routes to otherwise inaccessible consumers. They can also enable differentiated service and tariff offerings that an operator would not wish to offer to their existing consumer base.

The challenge for a mobile operator is optimising its portfolio of MVNOs. Missing out on the prime MVNO partner can have a long term effect on the dynamics of a national market. However, simply signing up the largest retailer in the country may well generate subscriber growth but at the cost of operating margins.

Ideally, an operator needs to construct a balanced portfolio of MVNOs including: complementary brands, high volume retail channels and higher margin differentiated plays – all of these opportunities need to bring a clear point of difference to the portfolio.

In addition it is imperative that the evaluation, selection and launch process of an MVNO is both cost and time effective. The efficient running of a wholesale department greatly improves an organisation’s reputation and competitive advantage.

The experienced partner

Having worked with mobile operators since the inception of the MVNO concept, we have seen the clear commercial need to strategically select your portfolio of MVNO partners and to ensure that your internal systems and processes are fully able to support these partners effectively.

Piran Partners’ Virtual Partner Programme (VPP™) helps an operator define or improve their wholesale strategy and develop appropriate products and services. It identifies partners to target, and sets out clearly the commercial, operational and market impacts.

Virtual Partner Programme (VPP™)

The objective of Piran Partners' VPP is to provide the framework to guide a MNO through the process of building a high performance portfolio of MVNOs.



Piran Partners' VPP for Mobile Operators.

The VPP is divided into a number of distinct modules, each of these modules has a clear set of deliverables and the completion of a module marks an important milestone:

MVNO Strategic Decision Tool: Piran Partners recognises that the wholesale business may not be right for every MNO.

The VPP MVNO Strategic Decision Tool is designed to provide Senior Executives and Board Members of a MNO with the necessary information to evaluate whether to enter the wholesale market to support MVNOs.

Strategy Development: The VPP Strategy Development Module is the first step in the development and delivery of a commercially-focused wholesale strategy for MNOs. It provides the information and commercial justification required to implement a successful wholesale business.

Partner Selection: Piran Partners' Partner Selection Module provides you with the framework and

necessary tools to help you manage the entire MVNO evaluation-to-offer process, including the financial objectives and selection criteria that potential MVNOs must fulfil.

Business Process & Operational Improvements: To effectively deliver the wholesale strategy, the organisation's business processes and operational capabilities must be fit for purpose.

We carry out an in-depth review of all existing systems and processes, identifying capability gaps, making recommendations for change and implementing them.

Programme Delivery: Deciding whether to outsource or insource network elements, defining system requirements, running vendor tendering and selection processes and contract negotiation are all part and parcel of Piran Partners' delivery capabilities.

Piran Partners also offers dedicated project management resources, with a successful track record of delivering multi-million Euro projects on-time and to budget, via our Associate Company.

About Piran Partners

Piran Partners provides clear, practical and straightforward advice to clients in the Telecoms, Media and Technology sector. We approach challenges from a commercial perspective, aiming to add significant value to your business.

We work with MVNOs, mobile operators and organisations throughout the mobile value chain from retailers through to equipment suppliers.

Our Virtual Partner Programme has successfully delivered 10 MVNO agreements on behalf of European clients in the last 5 years.

Piran Partners' founders are industry veterans with over 20 years experience each of the TMT industry. We pride ourselves that all our partners and associates are carefully selected based on their proven practical experience in the industry.

For more information on our services, please visit **www.piranpartners.com** or call **+44 (0) 8708 799 300**

© 2007 Piran Partners LLP. All rights reserved. Piran Partners and VPP are registered trademarks of Piran Partners LLP. All other trademarks are the property of their respective owners. Every effort has been made to ensure that the information in this document is true and correct at the time of going to press. However the contents in general are subject to change and improvement. Piran Partners LLP cannot accept liability for any loss or damage whatsoever arising or resulting from the use of or reliance on information or particulars in this document. Registered in England, number OC315910.