

Extract

# Global MVNO Forecasts to 2015

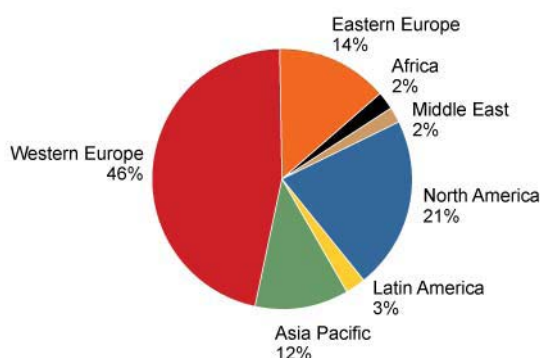


# Global MVNO markets will reach 186 million subscribers by 2015

22 March 2011  
Dario Talmesio

Western Europe and North America, both expected to grow in terms of MVNO subscription numbers, are not expected to see a radical shift in terms of market structure. The global MVNO market will reach 186 million subscriptions by the end of 2015 with North America and Western Europe still accounting for the vast majority. These two regions will remain the largest MVNO markets in terms of the number of subscriptions and players (see fig. 1) and will also continue to top the ranks in terms of MVNO penetration.

Fig. 1: Global, number of MVNO launches, by region, 1991-2010



Source: Informa Telecoms & Media

There are a myriad of MVNOs in the global mobile markets; Informa has tracked more than 500 MVNO launches over the past decade or so and believes that many more MVNOs will launch in the coming years. The regional distribution of MVNO subscribers reflects the regional distribution of the MVNO players; the vast majority (46%) of MVNO launches were in the Nordic countries and Western Europe generally.

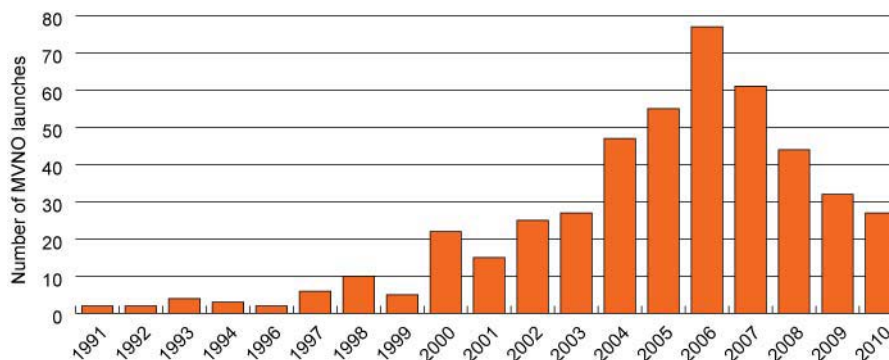
In terms of revenues, generally MVNOs acquire customer with a lower spending profile, but there are some important exceptions; MVNOs that focus on the enterprise market segment and some ethnic MVNOs have a higher ARPU (in some cases much higher) compared with both national ARPU levels and the average ARPU of their host operators.

MVNOs are some of the most dynamic and competitive companies in the mobile telecoms industry. They are dynamic, in the sense that MVNOs have delivered business models and technical innovation at a pace that is faster when compared with the host operators. They are competitive in the sense that they manage to service customers profitably and offer services that mobile network operators would not be able to with their own capabilities.

Nonetheless, MVNOs have gone through various stages of expansion and contraction since their first inception almost two decades ago. According to tracking by Informa, the largest wave of new MVNO launches occurred between the years 2005 and 2007 (see fig. 2) but the number of launches is expected to start rising again in 2011-2012.



Fig. 2: Global, number of MVNO launches, by year, 1991-2010



Source: Informa Telecoms & Media

MVNOs' mortality rate is high: Informa's research indicates that approximately 24.5% of MVNOs have either ceased trading or have been acquired following poor market uptake or poor financial results. Some MVNOs have sold their business to their host operators following an unmanageable escalation of the debt that they owed to them; while some mobile network operators actively acquired the MVNOs that they were hosting in order to eradicate a disruptive competitive player in their market.

#### **MVNO success stories: Key stipulations**

MVNO business models can differ substantially. While there are MVNOs offering just a SIM card and basic services to cater for the low end of the market, there are also MVNOs offering luxury handsets to the very high end of the market.

While the vast majority of MVNOs still make their living with basic voice, SMS and data connectivity services, MVNO services are becoming increasingly more sophisticated. There are some examples of extremely innovative business models that make use of social networks, for instance, or provide data-only connectivity for consumer electronic devices and machine-to-machine (M2M) services, or include several elements of cloud-based services, or even augmented reality applications.

Some MVNOs are generalist, offering a product to the masses while others have a good segmentation that helps them to identify and service very well-defined niches of the population.

From a technical point of view, MVNOs are also very different. There are some MVNOs, arguably the minority of them, that have a full technology deployment with their own HLR (home location register), billing system and IN platform. These are often the largest MVNOs, but there are also many that just offer branding and retailing capabilities and rely entirely on their host operators for everything else.

Even from an ownership point of view, several options have been adopted – some MVNOs are start-up companies, some are the telecoms extension of a much larger organization and some are 50:50 joint ventures with a mobile operator. Some MVNOs are fully-owned by a mobile network operator but are independent from the operator's retail arm; they interface with the operator's wholesale business just as any other independent MVNO would.

The various MVNOs are different in many respects – commercial setting, background, technical capabilities and market positioning – but most of the successful ones have one thing in common, they build their mobile business upon a solid set of assets or the capabilities of an existing business.

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