MVNO Penetration Strategies

NO SECOND CHANCE FOR A FIRST IMPRESSION

Over the past decade, the balance of power has shifted. Today's consumers are more empowered than ever, demanding immediacy and convenience. They expect service providers to anticipate their needs and work hard to deliver an exceptional experience. They compare prices and specs, making the brand a somewhat less significant consideration in their buying decision. They are more influenced by YouTubers, Titokis, and others on their social graph than they are by company ads.

Further boosted by social platforms, word of mouth (WOM) is traveling faster than ever, leaving less opportunity to correct negative experiences and impressions. While this holds true for any lifecycle stage of a business, it is even more significant for brands at the infancy stages of their market penetration. As the saying goes, "There is no second chance for a first impression."

In an earlier article, **"Driving Success for MVNOs"**, we suggested a competitive framework to identify the settings in which an MVNO operates and to define its strategy. Understanding the business ecosystem and identifying core assets and competencies are imperative for an effective value proposition. In a later article, we **elaborated on different value propositions** for MVNOs, which must address a relevant, under-served market need and a large enough segment.

Market penetration could very well be the make or break for a new MVNO. Therefore, we will further address the execution phase and how the concepts, referenced in previous articles, are manifested in the penetration strategy of an MVNO. We will also explore interesting MVNO rollout case studies, starting with Lycamobile.

Optiva | Lycamobile

Lycatel, an international calling card company founded in 2003 by Allirajah Subaskaran, decided to enter the mobile arena after having great success in its core business. In the late '90s and early millennium years, low-cost call-card businesses saw a bloom that was driven by developments in VoIP and faster internet. Coming from an immigrant family, Subaskaran had deep insight into the needs of the immigrant population in Europe. With family and friends abroad to keep in touch with, immigrants found these pr oducts useful and attractive.

At the same time, mobile adoption in Europe sky-rocketed. The relatively young MVNO business model grew in popularity and had entered a maturity stage in most EU countries. Subask aran-led Lycatel, therefore, found that combining the two — low-cost international calls with affordable mobile solutions — would deliver an even better-desired product with enhanced customer experience.

Lycatel's audience exhibited additional characteristics, such as low to medium income, that created a variety of challenges and needs. These included price sensitivities, cash economy in the lack of local bank account and credit card limitations, language, culture, a need for inexpensive international money transfers, and more. A successful brand and product strategy had to address those unique characteristics. And Lycamobile, founded in 2006, crafted its value proposition and penetration strategy accordingly.

The MVNO, which first launched in the Netherlands before e expanding to other EU countries, targeted most of its outdoor campaigns at a reaspopulated by ethnic groups, buses, and metros. Lycamobile's value proposition, "call the world for less," was reflected in its aggressive pricing strategy. International dialing rates were about 50% cheaper versus its competitors, and mobile service rates were deeply discounted versus those offered by MNOs. The fact that its parent company, Lytcatel, already had an existing and efficient distribution network within its target audience, allowed Lycamobile to gain market share quickly. In 2009, three years from its inception, Lycamobile became the fourth largest MVNO in the Netherlands. It was a remarkable achievement for an MVNO entering a market that was already crowded with more than 50 MVNOs controlling over a 15% share of the mobile telephony market.
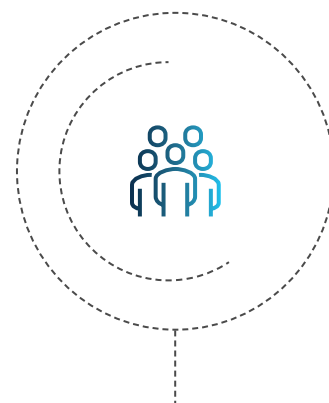
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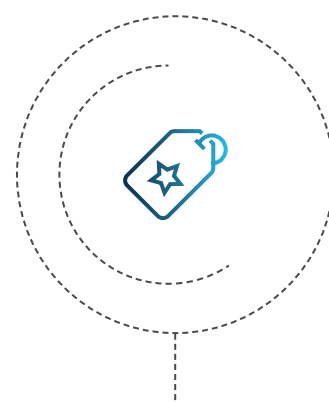
**ESTABLISHED
BRAND
AND SALES
CHANNELS**

giffgaff, which debuted in the UK market in late 2009, is another exemplary case of a well-planned and even better-executed penetration strategy. The MVNO, which is now the third-largest MVNO in the UK, was started by O2 to capture a digitally savvy audience, who rejected traditional network operators. Inspired by platforms like Wikipedia and Facebook, its community powered model was founded on rewarding customers for carrying out tasks that would otherwise be performed by employees, such as recruiting new community members, helping other users and posting on-brand videos.

In the article "**MVNO's Value Propositions**", we discussed several aspects that contributed to giffgaff's success. However, one of the key takeaways from giffgaf's story is its methodological, step-by-step penetration strategy -one that was well tailored to its objectives, target audience, and overall value proposition. To get to the market fast, giffgaff was run as a web startup from its initial stage. It was released as a "beta" version of itself, relying on crowdsourcing to build almost everything but the technology itself. Most interestingly, at each stage, the company kept its focus only on the next audience it needed to acquire — based on its designated role — instead of focusing on the total audience it eventually targeted.
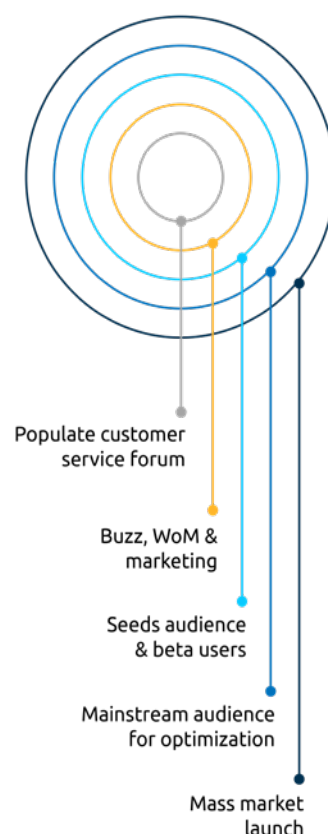
The role it designated for the first 100 customers was to populate the customer service forum. This role required a certain sort of person - bug-tolerant, technology-savvy, one that would accurately report issues. For that, giffgaff handpicked and manually invited gaming forum power users and passionate mobile advocates to be its first customers. In return, those "founding" members were incentivized with the VIG (very important giffgaffer) SIM card, which offered, in addition to the "being first'' bragging rights, free calls, texts, and data for a year.

The role of the next 1,000 customers was to create a buzz around the brand and spread the word. Students, particularly those at art colleges, were the ideal candidates for this role. Giffgaff created the "Tool Hire" campaign to provide those young creators a set of amusing props to easily craft on-brand videos, which were promoted by leading YouTubers and social media influencers.

The next batch of 10,000 customers were given the role of seed audience. They needed to be power users who would bring their friends on board. To recruit this audience, giffgaff leveraged one of its technical limitations at the time: its inability to charge for mobile data. This "secret bug" spread virally within the target audience. Then, giffgaff worked with this seed community to develop its referral program and Payback reward scheme.

Eventually, the role of the fourth cohort of 100,000 customers was to serve as the testbed for the more "mainstream" audience. The objective with this audience was mainly to A/B test a range of digital acquisition marketing channels, targeting, messaging, and creatives to optimize the funnel. After getting the cost-per-acquisition as low as £12, giffgaff was ready to scale up the system and move on to mass launch.

GIFFGAFF ACQUISITION BY DESIGNATION STRATEGY

Populate customer service forum

Buzz, WoM & marketing

Seeds audience & beta users

Mainstream audience for optimization

Mass market launch

Optiva | Circles.Life

Elsewhere and more recently, Circles.Life launched its MVNO operations in Singapore in mid-2016. While the MVNO business model wasn't new to the market in Singapore, regulation on wholesale prices and capacity allocation to MVNOs was lacking. Although several niche MVNOs did exist, their cumulative market share never got to 1%. The result was many years of a stagnant, oligopolistic mobile market that was dominated by thr ee MNOs - each benefiting from a lack of competition that resulted in high ARPU and respective margins.

Regulatory changes made by the Infocomm Development Authority (IDA) in 2015, however, woke up the market, boosted competition, and lower ed prices. With IDA paving the way for more significant MVNO activity, Circles.Life launched its operations in mid-2016.

Looking at the extrinsic factors and business envir onment, the Circles.Life founders identified and met the conditions required to launch their MVNO. The regulatory framework was in place, the margins wer e high, and the competition was lacking. Circles.Life crafted its value-proposition to meet the needs of the large Singaporean millennial consumer segment. This digital-first, tech-savvy, and gadget-crazy audience didn't have any existing brand speaking its language, sharing its values and addressing its lifestyle. The Circles.Life valueproposition, therefore, was founded on three key pillars that addressed the needs of this audience: products and prices, customer experience, and brand language.

From a product perspective, it was evident that what this constantly online consumer needed the most was data. It is, therefore, not surprising that Circles. Life disrupted the market by offering its extr emely data-rich plans that were priced at 50% less (and sometimes even lower) than its closest rival. A digital-first audience calls for a digital-first product, and Circles.Life managed to deliver that. From enrollment and support to account management, Circles. Life designed an end-to-end, all-digital customer experience. Its mobile app, for example, includes many features that make digital self-service easy and fun — something that is standard today. However, on top of being a selfservice channel, the app includes additional features to match the specific lifestyle of its target audience. For example, the "Discover" f eature allows users to find events and movies in their ar ea and easily book tickets from the app. The daily poll feature is a way to get connected with their base, feel the vibe, study preferences, and get it engaged.

With its digital-first product strategy, Circles.Life was able to stand out from its competitors. But this is not the only place it did a better job connecting with its audience. Its marketing approach also reflected the level of insight it had into the customers it aimed to acquir e. A mix of guerilla marketing tactics and viral and influencer marketing — such as the cooperation wit h leading YouTuber, Youtiao666 — allowed it to communicate with its prospects and customers effectively.

Thanks to its successful penetration strategy, Circles.Life has captured a 5% market share within three years. This is a remarkable achievement in any saturated and developed market, and even more so in a market that has been the stronghold of three operators for many years. By doing so, Circles. Life paved the way for six additional MVNOs now operating in the highly competitive mobile market of Singapore.
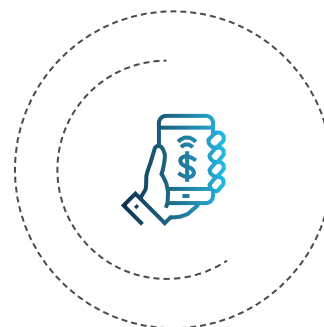
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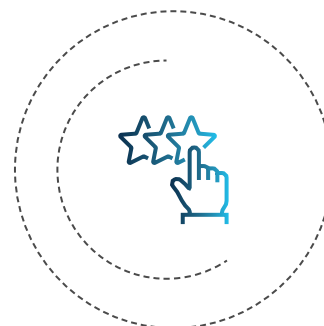
CUSTOMER EXPERIENCE

BRAND LANGUAGE

AND THERE'S THE PRICE, TOO ...

The cases reviewed in this article share three key elements: identifying a sub-optimally served audience, crafting the value proposition to fit the characteristics of the audience, and defining a rollout and penetration strategy that addresses the unique characteristics of the audience.

However, to put things into context, there are factors that are more impactful than others, particularly in an MVNO setting. Cool branding, connecting with the "right" values, and effective marketing tactics that suit the target audience are important. Product-market fit is critical, too. Yet, judging by Optiva team's experience and analysis of dozens of successful (and unsuccessful) rollouts, the basic expectation of an MVNO remains that it would set the price bar lower. This doesn't necessarily mean, of course, that every MVNO should adopt the lowest price strategy, and not even a heavily discounted proposition, which may drag the market to instability. But in their very nature, MVNOs offer leaner products and services, and consumers expect their pricing to reflect that, rather than be on par with MNO pricing.

This expectation seems to hold true regardless of the MVNO target audience, and its impact on success appears to be more significant than other "softer" added values. This is usually the case because market incumbents have had a head start of many years to build their brand equity, create consumer habits, and cultivate customer loyalty. And since consumers today compare everything — or better yet, they rely on others to make the comparisons for them - those basic needs must be satisfied first.

DIGITAL MVNX RE-IMAGINED BY OPTIVA

To compete in a digital world at a time when global events have accelerated the shift in customer expectations and habits, Optiva reimagined all success pillars for digital MVNXs to exceed customer expectations.

Digital MVNX is about creating unique, delightful and truly digital experiences powered by highly efficient and digital operations. Optiva BSS takes this holistic view which forms the basic principles behind launching a successful digital MVNX.

Our proven BSS powers more than 50 MNOs, 7+ MVNEs and tens of MVNOs and digital brands, globally. We have a presence in 50+ countries and four monetization products.

Optiva Inc. is a leader in powering the telecom industry with cloud-native billing, charging and revenue management software on private and public clouds. Its products are delivered globally. The company's solution help service providers maximize digital, 5G, IoT and emerging opportunites to achieve business success. Established in 1999, Optiva Inc. is on Toronto Stock Exchange (TSX: OPT).

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READY TO ACCELERATE YOUR MVNO GROWTH?

Discover how Optiva can help you catapult in the market with strong technological and process backing through its fully digital and futuristic BSS platform.

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