



Flashpoint Mobile virtual network operators (MVNOs)

Evolving digital realm offers new life for an old model

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As the world becomes hyperconnected and as new digital business-to-business (B2B) opportunities open up, a business play that was hot more than a decade ago is transforming to address the evolving needs of consumers and enterprises.

The play surfacing today involves mobile virtual network operators (MVNOs)—“alternative” wireless service providers that effectively buy network capacity and connectivity from a major mobile carrier and then resell services along with MVNO-specific value-added features and products, marketing services toward a niche user base or by adding unique content. MVNOs buy the right to use a network, with each MVNO typically responsible for its own customer billing, taxing, customer care, products, and technical integration with the network carrier.

In the past, MVNOs were primarily focused on business-to-consumer (B2C) services, and the realm has seen many players rise and fall as economic forces, market pressures, and consumer preferences evolved.

Today, new forces are at play. Mountains of data are growing and there is a new opportunity arising for MVNOs, particularly in the B2B space. Enterprises continue to seek new sources of value as consumers expect customized and seamless real-time connectivity via a variety of devices. Machine-to-machine systems present opportunities for new services and new efficiencies. As a result, MVNOs are pursuing opportunities in more targeted ways—to help organizations explore emerging B2B opportunities on a global scale.

In this evolving landscape, carriers can continue to serve existing clients while expanding into new geographies as MVNOs, to pursue new B2B opportunities without building new physical networks. Meanwhile, players in the Internet of Things (IoT) space can deploy MVNO capabilities to operate more effectively, and large organizations can operate as MVNOs to bring operational efficiencies or extend the delivery of services and content to customers.

Wading or even jumping into the MVNO waters requires knowing what lies beneath the surface. Here’s a look at a few key issues that are emerging.

About *Flashpoints*

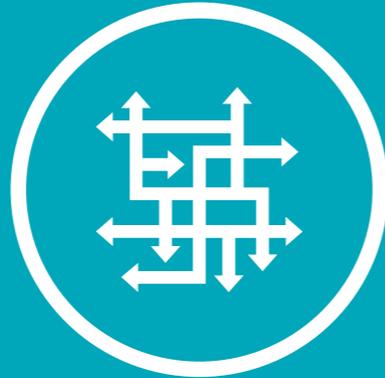
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Key observations



Steady pressure for existing MVNOs

Amid the evolution, traditional consumer-focused MVNOs will seek ways to stay competitive.



An increasingly complex landscape

New business models and new players will make their way into the MVNO space, pursuing opportunities related to the IoT.



A need for well-defined strategies

New entrants to the MVNO market need to have well-defined and detailed business plans and strategies.



Innovation becomes imperative

Participants will require new tools and new functionality that can unlock value—presenting an abundance of innovation opportunities.

Steady pressure for existing MVNOs

The more traditional consumer-oriented MVNOs won't be going away. There's still a market for the type of service they provide. The forces they face, however, will change. With innovation activity heating up elsewhere in the MVNO space and with consumer expectations rising, conventional MVNOs will need to be ready for the challenge. Network connectivity is no longer a differentiator. The wholesale model with a thin layer of customer service is fading. The new vision of connectivity and packaged offerings now focuses on specialization, vertical integration, data-driven capabilities, and the customer experience.

Existing MVNOs pursuing new enterprise business will have to differentiate themselves by adding value—requiring them to embrace emerging technologies, specialize in specific industries, or innovate on customer service. As some MVNOs evolve and enter the enterprise realm, they might offer services such as mobile device management or

integrate new productivity tools, for example. Others might see opportunity in adding IoT-related services—home monitoring, for example—as a way to elevate service offerings for their existing consumers. Still others may get acquired by new players looking to get into the space. As MVNOs look to innovate, they will focus on developing new skillsets, deploying new applications, and leveraging data to deliver intelligence for the business and for customers.

From the standpoint of the general consumer, the traditional affordable MVNO experience likely will not change, and moving from operator to operator should remain relatively easy. As more enterprise business enters the mix, however, corporate customers will expect heightened levels of service. For some lean MVNOs, faced with slim margins and a lack of cash to use for innovation, taking service to the next level could prove challenging.



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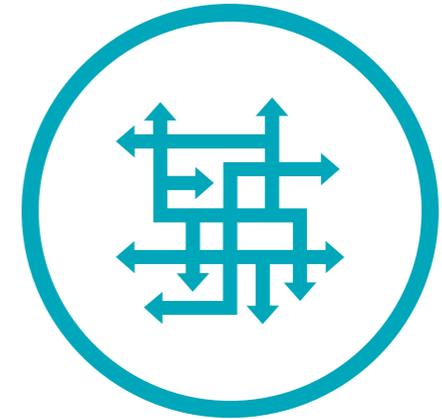
An increasingly complex landscape

Set aside the traditional MVNO model of “consumer, phone, network service, and customer service.” The new model boils down to moving data in a way that delivers new value for a customer—whether a business or an individual. The data could move with the aid of process automation. It could move from machine to machine, from consumer to enterprise, from enterprise to consumer—to and from any number of end points, serving up relevant information and driving actions.

Such a vision doesn’t necessarily require MVNOs. It’s in line with the vision of the IoT in which sensor-equipped devices interact and share data, communicating with one another and with other systems, delivering information that can automate and drive processes, and offering up new value for the end user. But an MVNO model makes sense because it means that innovation doesn’t hinge on the traditional carriers getting into the game. Anyone—from start-ups to IT hardware makers to large established

retailers—can buy network service and start delivering innovative functionality, whenever and wherever an opportunity becomes apparent.

Business models and the landscape as a whole will become vastly more complex. An industrial device maker, for example, might want to become a one-stop shop for IoT hardware and the network service on which it will rely. Deeply integrated offerings could emerge, bundling an application, hardware, support services, and MVNO-enabled mobility into a unified package. Meanwhile, new businesses could spring up at any point in a transaction chain to offer some sort of value-added feature or functionality—product tracking, alerts, other contextual content—that revolve around MVNO services. Many unknowns and many opportunities lie ahead—especially when it comes to policies, procedures, and tools for protecting sensitive customer data.



New business models and new players will make their way into the MVNO space, pursuing opportunities related to the IoT.

A need for well-defined strategies

As the MVNO landscape evolves, many technical and strategic challenges lie ahead. With the space crowding up fast and big players jumping in, the challenges quickly grow more complex.

Virtually any product, device, or service today requires a mobile strategy and a mobile application strategy—and organizations that can provide a service not being offered now will have a first-to-market advantage.

As more businesses establish themselves as MVNOs and look to exploit new digital business opportunities, they still will be trying to mimic the core utility provided by a standard network operator. Many of those newcomers will need to deal with billing and personal information security, develop a 360-degree view of the customer, and have a plan for solving both big business strategy challenges as well as customer-level problems. Meanwhile, established carriers and legacy MVNOs will have the advantage, having fine-tuned their operations over the years. Newcomers may discover that it's not

easy running a telecom business, especially if it shares little in common with your core competencies.

Operating as an MVNO has business implications as well. Administratively speaking, accounting, finance, tax, and regulatory issues abound for telecommunications and related companies. A new entrant into this space usually assumes most of the same filing, compliance, and regulatory issues that a full-blown standard carrier faces. Tax and regulatory compliance alone can be a daunting undertaking for the uninitiated. Strategically focusing on backroom operations and approach is just as critical as the market facing initiative.

One strategic detail that represents a bit of a question mark for now: pricing. MVNOs today can employ a variable-cost model for each additional minute or megabyte of usage. As data and points of data transactions grow, as business models evolve, and as new players get into the MVNO space,

many pricing uncertainties remain. The MVNO space stands to see new models for how all players—from device sellers to IoT intermediaries to major carriers—price and bundle their products and services.



New entrants to the MVNO market need to have well-defined and detailed business plans and strategies.

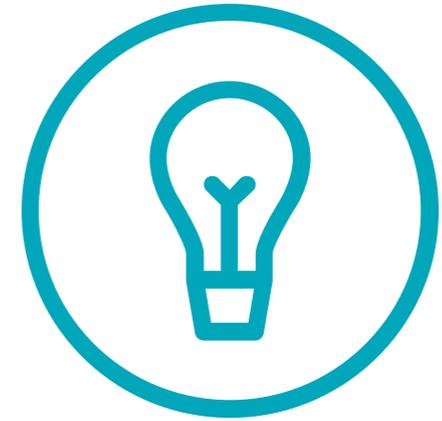
Innovation becomes imperative

With robust wireless networks across much of North America today, connectivity is no longer the differentiator that it used to be. Operating effectively in the MVNO space requires an ability to innovate—to move faster and more skillfully than the competition, bringing forth new technology, new functionality, and new business models.

Making information and feature sets meaningful will be key. All players operating in the space—from traditional MVNOs to consumer goods companies seeking MVNO capabilities—will look to deliver previously hidden value. How? Many will seek to innovate with data-driven solutions that deliver insights for triggering or driving decision-making. Such solutions can allow an automated system or an individual to act on the information and deliver a benefit seamlessly to the end user. One example: as mobile devices—smartphones and

otherwise—come to replace the wallet, MVNO-enabled mobile payment functionality will present new areas for innovating.

Innovation opportunities also will arise within the various layers of an MVNO-enabled process or transaction. Identity management stands out as one potentially strong area for innovation. One individual might engage with multiple MVNOs as part of his or her job or personal life. A user might rely on one MVNO for smart home security alerts, another for automated home delivery services, another while operating company machinery, and another when using a work-provided smartphone. As more users use more devices as part of their evolving personal and professional roles, individual and corporate users will require solutions to help manage identity, security, privacy, and sensitive information.



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Let's talk

A dramatically different MVNO world is emerging—moving in parallel to the Internet of Things, enabled by evolving business models, and driven by a hyperconnected digital world. Many unknowns remain beyond the horizon. Despite the uncertainties, the need for strategy and innovation, as well as the need to evolve, remain clear.

Developing plans to help you meet your business goals in the midst of an MVNO revolution brings big questions and requires a big conversation. We can help get the conversation started. Want to know what else should be on your mind when it comes to MVNOs? We should talk.

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