



Whitey Bluestein, a 25-year telecom veteran, is a strategic consultant with clients in media/entertainment, retail and wireless. Bluestein (www.whiteybluestein.com) is deeply involved with MVNOs, mobile TV, fixed/mobile convergence, mobile entertainment and CRM/loyalty.

Three keys to MVNO success

It was only 10 years ago, after a conversation among colleagues, that I developed the concept that became the first mobile virtual network operator. In the last decade, I've marveled at just how far things have come. Data, messaging, ringtones and mobile games were virtually non-existent then. There was no Verizon, Cingular or T-Mobile. The old AT&T was the only national player.

Today, MVNO may be the most widely known telecom acronym outside the industry. Most large, well-known brands know the term, and many have considered an MVNO initiative. There's no shortage of promoters and concepts for exciting new MVNO offerings to brand customers, affinity groups and underserved segments. MVNOs can truly add value to off-the-shelf offerings. Still, I see three areas where business plans almost always need more work: distribution, churn/loyalty programs and technology road map.

■ **Distribution:** Acquiring new subscribers takes more than a compelling product; it requires a mix of distribution channels designed to effectively and efficiently reach the target audience where they make buying decisions. And then a bottoms-up forecast must tie to the number of new subs each channel can realistically expect to produce.

Because so few MVNOs have their own retail stores, or can afford to solely rely on their own retail presence, they must develop a multi-channel distribution strategy. With the exception of Virgin, sold in Sprint's stores, no MVNO has obtained shelf space in carrier retail stores. Wal-Mart and RadioShack alone account for 60% of handset sales among major U.S. retailers. But distribution deals with major retailers are not easy and are potentially costly. Strategic relationships such as the Amp'd deal with MTV and Helio's deal with MySpace will help MVNOs land new subs. Online distribution is also an option, but today, online sales don't amount to much. Buyers often want to hold and try the device before making a decision.

■ **Churn/loyalty programs:** Churn cost U.S. wireless network operators a staggering \$10 billion last year (estimated total acquisition

cost paid to replace lost customers). Of the three biggest economic drivers in wireless—acquisition cost, ARPU and churn—both network operator and MVNO focus appears to be more on the first two. Many MVNOs understandably want to focus on launching and building their business first. This may be short-sighted. Some new MVNOs realize they have a one-time opportunity to incorporate loyalty/retention programs, and they're building them into their offerings. They realize that with the right product, target market and loyalty program, they have a real chance to reduce churn.

Network operators have retention strategies, but most will admit they aren't doing all they can. No one has adopted a comprehensive loyalty program in wireless, beyond providing new handsets every 18 to 24 months. The MVNO that "cracks the code" will greatly improve its chance of success. Ignoring it will prove very costly.

■ **Technology road map:** Launching quickly with a product based on today's technology is every new MVNO's top goal. Most MVNOs have a road map to enhance their products over the foreseeable future. But their foreseeable future and that of the network operator's often don't coincide. Even MVNOs tracking new technologies must make sure their vision is in synch with their host's. Network operators are almost always first to market with new solutions, and it is often a fact of life that MVNOs have to bargain to obtain these services after launch. Network operators have new products (fixed/mobile, location-based services), network enhancements (EV-DO) and entire new categories of services (near-field communication, mobile TV) on their radar screens. The successful MVNO must take a longer view and work closely with the host operator to align their vision and shorten the availability interval.

Understand and conquer these three areas, and you will have a solid chance to join the ranks of successful MVNOs. The key is to employ creative and effective distribution strategies, focus on churn/loyalty and keep an eye to the future much as network operators do. ■