Operational Strategies of Ethnic Mobile Virtual Network Operators

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ABSTRACT

An MVNO that targets a specific community is called an ethnic MVNO. It operates in highly saturated telecom markets with sizable expat population. Its basic objective is to further enhance competition in saturated mobile telecom markets. It is becoming popular among expat/migrant communities due to the low cost services of MVNOs in their native language. The paper presents an analysis of sixteen ethnic MVNOs with respect to their operating and marketing strategies, areas of operations, targeted communities, and their MNO partners. Further, the paper presents customer relation management strategies of ethnic MVNOs. The author also discusses a distant possibility of ethnic MVNO scenario in India with the introduction of MVNO regulation by government.

Keywords: Customer Relation Management (CRM) Strategies, Ethnic Communities, Ethnic MVNO, Low Tariff, Marketing Strategies

INTRODUCTION

MVNO needs three components, i.e., brand, technology including portal and billing, and a unique strategy to enter in a highly saturated telecom services markets. The favourable MVNO regulations in some countries have increased considerably the number of MVNOs in these countries (Singh, 2009, 2010). Gerwig (2009) reported that MVNO 2.0 business model will get new lease of life in 2010 and identified MVNO as one of the top 10 industry predictions. His prediction is true in some countries. To mention, MVNOs share of subscribers is more than 20% in the Netherlands (Sythoff, 2009). The past growth of MVNOs has resulted in new variants of MVNOs in highly competitive markets. One such variant is ethnic MVNO (Singh, 2009). It had emerged in the mature and saturated mobile markets in many part of the world. Ethnic MVNOs basic objective is to provide services to their customers in their language, and offer international calls at a low price. The services of Ethnic MVNOs are more specialized and based on cultural references in addition to native languages of the subscribers. Ethnic MVNOs target new immigrants who do not have land line connectivity, families with roots in other countries, and long term visitors in the country of their operations. Their business opportunity is founded on anticipating and serving the needs of a particular social group in their areas of operations. In fact, for some communities, the Ethnic MVNO is a symbol of their identification in developed economies. Ethnic MVNOs ensure that the international call quality is of a higher standard than that typically offered by calling card providers.
In basic terms, MVNO buys ‘traffic’ - wholesale minutes and texts, and potentially data transfer rates from a MNO and resells it to its customers under a different mobile service brand. The services of MVNOs are uniquely tailored in terms price, quality, language, and culture and targeted to a specific social group (ethnic community). A MVNO with these features is called as ethnic MVNO.

It is predicted by the industry experts that the Ethnic MVNO market across Europe alone will be worth €6 billion (US $8.296 billion) by 2012 (White, 2007a, 2007b). Lebara mobile estimated that the total number of people in the UK alone who frequently call abroad is eight million. Kangle (2008) reported that the UK ethnic market for mobile telecom services is about 10 million subscribers. However, not much is reported in the literature with respect to major differences between MVNOs and Ethnic MVNOs, their strategies, separate regulations and business relations with parent network operator. The article aims to fill some of these gaps.

This research article is an attempt to present an analysis of available secondary data about Ethnic MVNOs in the form of online news, press releases, blogs, white papers, and research articles published in research journals and on internet. The data and analysis is presented in the form of five headings such as (i) Ethnic MVNOs including areas / countries of operations & marketing strategies, (ii) target social groups /population of Ethnic MVNOs, (iii) MNO partners of MVNOs in different countries, (iv) customer relationship practices, (v) emerging/declining ethnic MVNOs, (vi) conceptualization of ethnic MVNO strategies, and (vii) factors effecting ethnic MVNO business and its future scenario. In all twenty four (16+8) ethnic MVNOs (which are not an exhaustive list) are analyzed for the purpose.

RESEARCH METHODOLOGY

The research methodology steps includes (i) the collection of piecemeal, understandable, comprehensive, and relevant (linked to research questions, business & operations reality of the ethic MVNOs) qualitative data from the secondary sources (web sites of the Ethnic MVNOs or their MNO partners, news and blogs on internet, press releases & research reports) by following theoretical sampling technique or open sampling techniques, (ii) analysis of data so collected in a sequential manner with a view to identify major business strategies of ethnic MVNOs and developing a conceptual model depicting inter-relationships stakeholders and their major functions.

The major emphasis of data collection and analysis is related to the following six parameters of ethnic MVNO business.

- Operating and marketing strategies of ethnic MVNOs,
- Geographical areas of ethnic MVNO operations,
- Targeted social communities/subscribers of Ethnic MVNOs,
- Strategies of customer acquisition, retention, and services management,
- SIM card distribution management, and
- MNO partners for providing telecom services.

The data is also collected on major trends in the industry (new launch of MVNOs based on ethnic MVNO business model), major pull and push factors responsible for growth or decline of ethnic MVNOs in a given geographical region.

Data analysis part includes (i) conceptual operational model for ethnic MVNOs depicting mobile services, sales channels, customer acquisition & retention strategies, (ii) specific pull and push factors affecting business of ethnic MVNOs, (iii) identification of research proposition for future research in the context of viability of ethnic MVNO business model, (iv) possible strategies for survival of ethnic MVNOs in a highly competitive and ever growing telecom market.

Ethnic MVNOs selected for the study includes Virgin Mobile, Nomi Mobile, Lyca-
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