Our survey canvassed opinion from 100+ companies from the global MVNO industry, including representatives from Europe, the Middle East, Africa and the whole A/PAC region.

The findings have been merged with the views of leading analysts and institutions to create this companion report. The end result is an overview of key challenges faced by industry players in 2016, and also how the sector is expected to evolve in 2017.

The survey responses support analyst insights which signal the significant trends, technologies and themes that are expected to prevail in the sector in the near future.

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After a difficult start to 2016, consumer sentiment improved in most major markets and new customer numbers rose for MVNOs in Europe, Asia and the US. Europe saw the most activity, followed by the US and Asia, with many emerging markets developing more slowly – China was, however, an exception which saw relatively rapid market increase.

European MVNOs were particularly concerned about increased carrier rates, with margins decreasing as carriers conducted price wars. Increased regulation was also a key concern in Europe, where the European Commission is preparing regulations to cap roaming charges – some believing that the move will price wholesale roaming too high. In Europe, there is also grave concern about Brexit, as the largest European MVNO market leaves the Union.

In the US, where growth has been steady, the transition to VOLTE is of major concern to respondents, as is the need to improve customer focus to increase market share.

Key trends found through our survey include:
- the growth of services aimed at businesses of all sizes in US, Europe and Asia. Some large companies are already offering MVNO services to employees.
- A vast majority of players plan to invest in new technologies in 2017 – eSIM is a notable example. Respondents expect eSIM to make the choice of carrier much more competitive, as switching from one carrier to another will only require a couple of clicks.
- Better-defined offers will be a key factor in MVNOs ability to compete. As part of this, current and new MVNOs will also need to improve brand identity, clearly building brands that have specific customer segments as targets.
- Offering a mix of services, including those that are not necessarily telecom-related, will also be a key strategy for MVNOs in the coming years, respondents said.
- Improved customer service, so that the customer experience becomes entirely satisfying, will also be critical for the operators in the near future.

Overall, MVNOs see themselves as well-positioned for growth and profit in the coming years, as the potential for attracting new customers with innovative offers and services remains important, if the companies can evolve to become closer to the customer.

There are still large numbers of new entrants to the sector, particularly in Europe and Asia, but consolidation is expected as some MVNOs fail to develop a clear brand identity and to successfully target specific customer segments.
According to the survey, most activity, followed by the US and Asia, remained at nascent levels in Europe, Asia and Africa. Consumer sentiment, however, improved around mid-year, and most MVNOs witnessed growth in the US, and economic recovery in the region is just beginning. As a reflection of this, a major operator cited sales as a top priority in 2017. These same concerns were noted by a significant number of respondents in Asia, although they expect a much more rapid economic growth to speed progress.

Many companies surveyed cited the lack of clarity around Brexit — it is difficult to say how Brexit will affect the mobile market, according to these companies. Will the UK sharply reduce roaming charges in Europe, or will it refuse this piece of EU regulation? Nonetheless, European MVNOs complained of shrinking revenue in a saturated market, and were particularly concerned about increased carrier rates, with margins decreasing as carriers conducted price wars.

European MVNOs also suffered from increased regulation, with the European Commission’s recent imposition of roaming caps cited by most operators surveyed. The high prices that MVNOs must pay for wholesale roaming have sparked industry demands for price cuts to domestic levels. There is also continuing concern about the reduction of ARPU which has declined by about 10 per cent in the past five years.

Of greater concern to US players surveyed is the increasing effort to apply Big Data analytics to gain detailed insights into consumer behaviours. Two major players saw this as a major challenge, as success will increasingly depend on providing highly individualised and detailed customer experiences for separate segments.

A number of regulators in Asia have announced plans to liberalise the sector and to allow large numbers of new entrants to the sector. Even extremely conservative markets like Indonesia have announced plans to allow MVNOs in the near future. This should increase competition in many markets and reduce prices to the user. However, our respondents are concerned that this greater liberalisation will impact on fair competition between MVNOs and MNOs in the APAC region. Regulators will have to take steps, respondents said, to ensure a level playing field if MVNOs are to spearhead increased competition.

There has been relatively steady growth, compared with other major markets, in LATAM, APAC and Africa. Analysts say that new entrants will increase competitively in these regions, as they are still underserved. Existing MVNOs in these areas already are gearing up for price pressure and discounting. In the Middle East, on the other hand, regulatory barriers are still keeping MVNOs out, nor is this likely to change in the near future.

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“Resiliency, responsiveness and customer service,” stressed one of the respondents to our survey, confirming the trend to increased customer focus across the industry.

A key change noted by respondents in the US, Europe and Asia is the growth of services aimed at businesses of all sizes. In Asia, for example, there are already a number of IoT-focused MVNOs. In the UK, Gamma has launched IQ Business aimed at small businesses.

Another European trend that respondents are watching closely is that of large companies offering MVNO services to their own employees, as Russia’s Gazprom did in January 2016. Other European companies are acquiring MVNOs and then dedicating them to intra-company use, or including them in benefits packages.

**WHAT ARE THE KEY FACTORS YOU EXPECT TO RESHAPE THE TELCO INDUSTRY IN 2017?**

A clear trend emerges here, as the vast majority of respondents to the survey plan to focus their investment on new technologies.

Mentioned by key players in the Asia, Europe and US markets, in our survey, IoT/M2M is a clear priority. This technology will drive MVNOs in the near future, write analysts at BICS in a note.

Another trend is the adoption of the eSIM technology, one of top MVNO trends right across the globe. Lenovo and Apple have already come out with laptops using eSIMs for communications.

MVNOs expect the eSIM to make the choice of carrier much more competitive, as switching from one carrier to another will only require a couple of clicks. As one analyst puts it: “It’s only matter of time until locking a phone to a carrier becomes a thing of the past. Phones will routinely allow carrier shifting as well, for example, when roaming. It will become possible to choose a local or international carrier to avoid roaming charges.”

Technology pass-thru has been an issue for MVNOs in both Europe and the US. Some respondents say that MNOs have been slow in enabling the MVNOs on their network to use some key new technologies. Regulators are expected to weigh in on this question during the year.

There are some new technologies that industry players are already looking to deploy. Some respondents for instance confirmed that they are already able to offer Internet of Things network access and, have an eye on a vastly increased number of OTT applications.

MVNOs are also planning to focus investment on marketing and advertising. Some are trying innovative approaches, like FreedomPop in the US which provides a number of free services hoping that consumers will upgrade them to pay-for. In the UK, Virgin Mobile is campaigning aggressively with the launch of its 4G service with free WhatsApp, Facebook Messenger and Data Rollover and a new five year full Mobile Virtual Network Operator (MVNO) deal with BT.

But many MVNO players are reserving investment for when 5G is rolled out in their markets.

**WHAT WILL BE YOUR INVESTMENT FOCUS IN 2017?**

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- **IoT/M2M**: 40%
- **VoIP/VoWiFi**: 18%
- **WiFi**: 16%
- **5G**: 14%
- **Embedded SIM**: 12%

**Where will your investment focus in 2017?**

- **New technologies**: 50%
- **Customer service**: 24%
- **Marketing and advertising**: 13%
- **Research**: 3%
- **Other**: 10%

**Technologies that will have the most impact on the mobile ecosystem in 2017, according to our survey respondents:**

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I see the Middle East as a blue ocean, “one operator replied. Some countries, like Oman, in the Middle East, already allow MVNOs and there are opportunities there. But many of the respondents expect other countries in the Middle East to change their blocking legislation, and allow MVNOs, including those from abroad.

It is notable that Iran’s telecoms regulator is planning to issue MVNO licenses, and has received a slew of applications. The Indian regulator has authorised special licences to Indian operators which include mobile, internet access, fixed line and VSAT access. These licences are to be offered on a 10-year basis to Indian companies, and a number have already expressed interest. Tata, the Indian car manufacturer, is also planning to work with an MVNO to provide IoT solutions for its vehicles. Africa is seen by respondents as dogged by limited infrastructure, but offering huge potential growth as networks improve and consumer incomes increase with development. A number of respondents, however, saw Asia as the region offering the most important growth opportunities.

‘Europe and the US are stagnant already,’ one operator says, ‘but in Asia there is still enormous range to offer new services.’

The MVNO market in China is also tagged for growth as handset vendors are increasingly taking out licences. Internet giants like Alibaba and Baidu are also entering the market, and the Chinese government regulator is supporting the growth of MVNO operators with a more liberal approach.

Most industry players believe organic growth will surpass growth by acquisition, or by offering new sub brands. Innovative offers and pricing are seen as key elements to this organic growth. Operators say that they are still devising packages that make insufficient reference to the customer, and they are not making enough effort to fit services to customer needs.

This is where MVNOs can seize the opportunity to grow. MVNOs have the ability to offer a wide range of services, going well beyond telecoms. They can offer, along with voice and data, improved security for communications, as well as higher quality services and a much broader and higher quality of content. But they also have the ability to offer services like banking, money transfers, insurance and OTT applications. Then, as we have seen, better-targeted offers combined with vastly improved customer services will support growth as well. One still sees, again and again, reports in the press, of customers who have had bad experiences with MVNO services, waiting on hold for far too long, or obliged to call back 5 times in order to get an issue resolved. Operators acknowledge that MVNOs have a lot of progress to make in this area, and such an amelioration would offer growth opportunities.

MVNOs have also been less successful than might have been expected at targeting underserved or specialised niches in the market. In principle, they should be more flexible and more responsive than the larger MNOs. But MVNOs have hesitated; respondents say to target niche markets that risk not offering sufficient revenue in return. Some operators have also been insufficiently skilled at creating a brand identity that is distinct, one that could be developed for a specific market.

Brand identity, with more clearly targeted markets, has become indispensable for MVNO growth, and those companies that can succeed in building brands will take market share and be able to exploit growth opportunities.

A similar growth opportunity will come from the alliances between cable operators and MVNOs. As US telecoms guru John Malone, of Liberty Global, recently noted, there are “big synergies here.” More and more cable providers will rent a specified amount of capacity from a wireless operator and then resell it to its customers, while the MVNO can offer a swathe of cable-based services to its users. Neither company has to build out their own infrastructure while adding new services to their offer.

Overall, MVNOs see themselves as well-positioned for growth and profit in the coming years, as the potential for attracting new customers with innovative offers and services remains important. But respondents agree that these opportunities will require a ramping up of customer focus and customer service if they are to capitalise on this opportunity.