



A stronger innovation platform drives stronger MVNO partnerships

How MNOs can lower operational barriers to attract new MVNO partners and enable growth



Market dynamics

Mobile virtual network operators (MVNOs) emerged in the early 2000s, primarily functioning as challenger pricing plays and/or niche plays to focused subscriber communities. Since then, MVNOs have evolved – particularly with the introduction of 5G – to include B2B players as well as a more diverse and sophisticated range of B2C players. And in today's developed markets, MVNOs generally account for 10–40% of the total mobile market revenue. This new breed of MVNOs is increasingly diverse and focused on strong brand differentiation, driven by strong operational capabilities in sales, customer service, and packaged solution offerings.

In “Mobile virtual network operators (MVNOs), Flashpoint edition 10: Evolving digital realm offers new life for an old model,” Deloitte points out that “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.” Ultimately, MVNOs can't look to mobile network operators (MNOs) to deliver these needed capabilities – they must build the skills and supporting technology offerings themselves to gain.

The main challenge that MVNOs have in achieving these differentiating capabilities is the thin operating margin in many of their business models, combined with the need to quickly launch businesses with robust processes to support the end-to-end customer lifecycle. Generally, 75–85% of an MVNO's cost structure is made up of the wholesale airtime costs paid to the MNO. As a result, MVNOs need to keep exceptionally close control over their variable costs, while actively limiting fixed startup costs as much as possible. Even while achieving this tight cost control, the breakeven investment point is generally between four to six years!

Picking the right MNO partner and developing a close relationship can make or break an MVNO's business model. As the McKinsey report “Virtually mobile: What drives MVNO success” points out, “Winning MVNOs minimize costs by selecting the right mobile virtual network enablers to assist with key operations, such as billing and administration. Enablers can be critical – especially for small, new MVNOs – making it easier for them to roll out their businesses without excessive up-front investments.”

Therefore, for an MVNO, any incentives an MNO can offer that improve time to market, reduce startup operational costs, or lessen the cost/complexity of operations can be a pivotal factor when choosing their MNO partner.

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Opportunities ahead

For the MNO, building deeper wholesale operational support is key to driving faster time to market, reducing ongoing costs to serve MVNOs, and future-proofing its innovation framework. The MNO must be able to cater to multiple, diverse MVNO partners – each with unique IT footprints, business models, and appetites for various products and value-added services from the MNO. MVNOs will not have the time to build all the required operational components and value-added services they desire, like network onboarding, number porting, SIM management, and device logistics from the MNO in a Platform as a Service (PaaS) model. Getting this right drives cost efficiencies for the MNO, as well as opens numerous revenue streams beyond just capacity wholesaling.

The right technology can drive down operational costs and fuel innovation

Pega has helped MNOs build digital innovation platforms by:

- Creating an open innovation center where customer experiences can be designed, deployed, and reused across channels and MVNOs
- Weaving agility and intelligence into each process and experience
- Future-proofing offerings and enabling differentiated customer experiences to end users – all while reducing operational costs
- Seamlessly integrating with existing MNO systems

Pega Infinity™ 8.7, Forrester's pick as the market-leading low-code workflow and AI-driven decisioning platform, is the foundation of the digital innovation platform. Using our patented Center-out™ architecture lets the MNO dial up the speed and scale of deployment. But most importantly, Pega's Center-out™ architecture will ensure that your digital innovation platform is built around key customer outcomes and experiences – providing MVNOs with the easy-to-use capabilities they need to provide highly differentiated experiences to their customer base.

A digital innovation platform and Pega's patented Center-out™ architecture will help MNOs to:

- **Focus on outcomes and align processes:** MVNOs would have pre-built Microjourneys™ to support most of their key operational requirements. And by using the digital innovation platform's case management capabilities, the MVNO can quickly and easily connect AI decisioning and automation capabilities to extend key Microjourneys – all to provide differentiated customer experiences using a single, multi-tenant platform.
- **Connect experiences up to your channels:** With slim operating margins and the desire to launch quickly, the MVNO might be tempted to hardcode logic into their self-service portal at the expense of a rich omni-channel experience. However, with business and process logic now centrally defined in the digital innovation platform, dynamic APIs will keep communications channels and business logic in sync for consistent customer experiences. UIs across channels (web portal, WhatsApp, mobile app, call center UI, etc.) will update automatically with changes – no recoding needed.

- **Integrate down to your data to keep logic nimble:** Insulating the MVNOs from the complexity of the MNO's back-end systems is key to lowering IT investment and time to market for both parties. Data virtualization lets cases automatically pull in needed data in a common structure, regardless of source. This gives the MVNO the agility to build new experiences across the MNO's IT stack as well as any systems they introduce (CRM, billing, etc.).
- **Manage variations to be scale-ready:** Each MVNO will have different customer types, lines of business, and geographies. An MVNO may start as just a simple reseller, but as their capabilities grow, their underlying architecture remains the same and has the flexibility to evolve. The Center-out™ architecture future-proofs the business architecture by organizing everything the MNO builds as base capabilities into layers. The MVNO can then map and modify those layers to the unique dimensions of their businesses. This layered approach means the MNO will manage variations of cases with a single digital innovation platform and without duplicating logic.

Vodafone UK's digital innovation platform drives cost savings while enabling revenue growth

Troubleshooting is not always simple or straightforward. Increased complexity requires increased knowledge, skill, and experience – which all come at a cost. And since every technician has a different level of insight, they themselves can become a bottleneck to effective diagnosis. One way to mitigate these problems is the use of Guided Diagnostics. Guided Diagnostics is the process of diagnosing the root cause of a problem by starting with a fault scenario and directing a technician through a series of tests that lead to a conclusion on the cause of the fault.

By reusing the Pega Platform™'s capabilities, Vodafone UK identified the possibility of scaling this approach to offer it as a service to their wholesale customers – SSE, iTalk, and Origin, who buy broadband from Vodafone UK. By offering Guided Diagnostics as a Service (GDaaS), Vodafone was able to give its wholesale customers access to self-service broadband diagnostics.

This has meant that customer growth of over 300% has been supported – without the need for additional agents. Lowering incoming ticket levels was also made possible as the wholesalers were able to directly diagnose customer problems without raising a ticket to Vodafone UK, reducing costs for both parties and increasing customer satisfaction.

GDaaS has also become a key differentiator for Vodafone UK. The cost savings and improved efficiency have made Vodafone UK's services even more attractive to wholesalers.

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With GDaaS, Vodafone UK was able to:



①

Deliver pilot in two weeks and Guided Service Assurance application in **four months**



②

Expand to **Guided Diagnostics as a Service** for multiple virtual operators



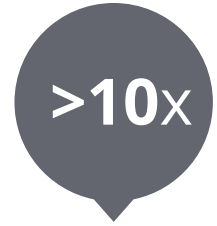
③

Increase customer base with same agent pool by 3X



④

Reduce fault propensity in largest wholesaler by 350%



⑤

Garner over 10X ROI

Rise above the competition

It's imperative for MNOs to deliver revenue growth while driving down cost to serve for MVNO partners. In today's macro-economic uncertainty, launching an MVNO will be seen as an increasingly risky venture – and the MVNOs will be looking for that extra edge to ensure profitability. Failing to act and build the operational capabilities needed to support the growing demands and complexities of the MVNO market will not only reduce the MNO's addressable market but will create opportunities for competitors to act more boldly. To find out how your business can be the innovator in this wholesale market, visit pega.com.

To request a customized demo or schedule a meeting to discuss a digital innovation platform strategy for your business

Contact us at 1-888-734-2669

“One of the key principles that we had ... IT to self-serve the business or to empower the business. Looking at Pega, that is what Pega is all about. It is about empowering.”

Jon Smith, Senior Manager, Vodafone

Thank you



About Pega

Pega delivers innovative software that crushes business complexity. From maximizing customer lifetime value to streamlining service to boosting efficiency, we help the world's leading brands solve problems fast and transform for tomorrow. Pega clients make better decisions and get work done with real-time AI and intelligent automation. And, since 1983, we've built our scalable architecture and low-code platform to stay ahead of rapid change. Our solutions save people time, so our clients' employees and customers can get back to what matters most. For more information, visit us at WWW.PEGA.COM