

# Mobile Communications | Europe

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## MEET OUR ANALYSTS



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Informa Telecoms & Media analysts regularly attend industry conferences, either to deliver presentations, chair a session or simply to research a specific topic. Below we list those events that our analysts are due to attend over the coming months.

Please e-mail the relevant analyst directly if you would like to set up a meeting at or around one of the conferences.

Event	City, Country	Date	Web Site	Analyst
WiMax Russia	Moscow, Russia	18-Nov	<a href="http://russia-en.wimax-vision.com/">http://russia-en.wimax-vision.com/</a>	

## Dutch MVNEs pave way for future MVNO growth

According to Vodafone Netherlands, there is still room for new MVNOs to enter the Dutch market, in spite of the country's large number of existing providers. The country offers an example of how an MVNO market can develop once it becomes crowded with players.

Mobile-virtual-network enablers (MVNEs) are set to play a significant part in the development of MVNOs in the Netherlands, by reducing barriers to entry. MVNEs should also aid the establishment of more niche players by helping even small-scale MVNOs become profitable.

Willem Malherbe, general manager of wholesale at Vodafone Netherlands, predicts that many firms will enter the already crowded market. At Informa Telecoms & Media's MVNO Industry Summit in Barcelona in May, he said that "the Netherlands is a hugely interesting case study of where the MVNO market is going."

Malherbe said that MVNOs account for about 17% of SIM cards in the Netherlands and 46% of prepaid revenue. According to Informa data, the SIM-card figure equated to about 3.2 million subscriptions at end-1Q09.

Several of Europe's main ethnic MVNOs, which are seeing considerable growth, launched initially in the Netherlands and have become some of the country's most successful providers through their offer of cheap international calls aimed at ethnic communities.

For example, Lycamobile has notched up 1.45 million subscribers in the Netherlands. Lebara Mobile and Ortel Mobile have also been active in the country, though the latter was acquired by operator KPN last year.

Two other MVNOs that have dominated the market are the Dutch subsidiary of Nordic operator Tele2 and cut-price provider Debitel, which KPN also acquired in late 2008. Tele2 was the first MVNO in the Netherlands, having launched in 2001, and it had 466,000 subscriptions at end-1Q09, though the figure has fallen recently.

Smaller players – including Vectone, Simpel and Rabo Mobiel – have seen strong growth recently. Rabo Mobiel, which is backed by Dutch bank Rabobank, had more than 180,000 subscribers at end-2008, having launched two years earlier.

Apart from these examples, there are dozens of other MVNOs in the Netherlands that focus on different segments, including no-frills, international calling, community propositions and the charity sector.

### Sustainable businesses

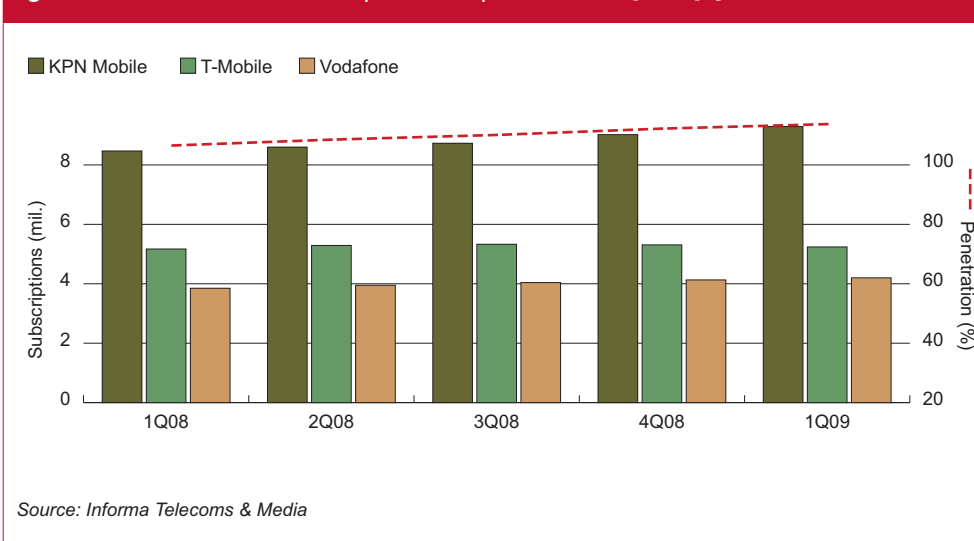
At first sight, it might appear difficult for the Dutch market to sustain many new players, since there are already about 50 operators and MVNOs and mobile penetration was 115% at end-1Q09 (see fig. 1). But the rise of MVNEs should reduce barriers to entering the market.

MVNEs help brands to establish MVNO services by providing many of the mobile operations that newcomers would otherwise have to set up themselves, including platforms and facilities such as SIM branding, billing and customer care. These functions can significantly reduce MVNOs' setup costs and time-to-market and can help players looking to focus on smaller niches.

Brands taking the MVNE route also require far fewer subscriptions to become sustainable. Luis Carrera, vice president for international business at MVNE Aspider Solutions, estimates that these providers need only between 4,000 and 6,000 postpaid subscriptions to turn a profit. The number is roughly double when applied to prepaid customers.

MVNEs also make it easier for entities with no experience in the sector, such as soccer teams, to enter the mobile market. For example, Aspider is set to provide an MVNE service on KPN's network for Dutch soccer team PSV Eindhoven, starting next season. Aspider will collaborate with Club Mobiel, an MVNO that provides mobile services for soccer teams.

Carrera says he expects at least 25,000 subscribers to the PSV service, though it appears unlikely that the figure will ever rise beyond the low tens of thousands.

**Fig. 1:** Netherlands, mobile subscriptions and penetration, 1Q08-1Q09

There are likely to be other niche initiatives, and Carrera says Aspider is in discussions with other parties – such as newspapers, TV stations and political parties – about launching MVNOs.

There is also a major opportunity in the Netherlands' machine-to-machine (M2M) market, where ARPUs can be below €1 (US\$1.42) a month. Carrera says Aspider already has relationships with numerous M2M players, one of which equips utility meters with SIM cards to keep track of customers' meter readings. There are also possibilities in areas such as "track and trace" and health. "The machine-to-machine market alone is immense," Carrera says.

Vodafone's Malherbe said there were MVNO opportunities in areas such as mobile data, the enterprise market and car-related and Web 2.0 applications and devices.

And Carrera predicts that a couple of large foreign players will launch MVNOs in the Netherlands to extend their domestic services and tariffs abroad. Malherbe said that these types of offering are becoming more appealing as operators look to provide more-affordable roaming plans.

Malherbe said that there is also still scope for companies that are seeking to add an MVNO to complete a quadruple- or quintuple-play service and for those looking to support their core business, such as Rabobank.

### Operator perspective

Meanwhile, Dutch operators are forming closer relationships with MVNEs to help manage their MVNO clients and ensure that they can make money in an increasingly saturated market.

All three operators use enablers on their networks (see fig. 2). KPN's relationship with Aspider is by far the most well established, having run since 2004. Aspider estimates that it is responsible for about 30 MVNOs on the operator's network and has a 95% share of the Dutch MVNE market.

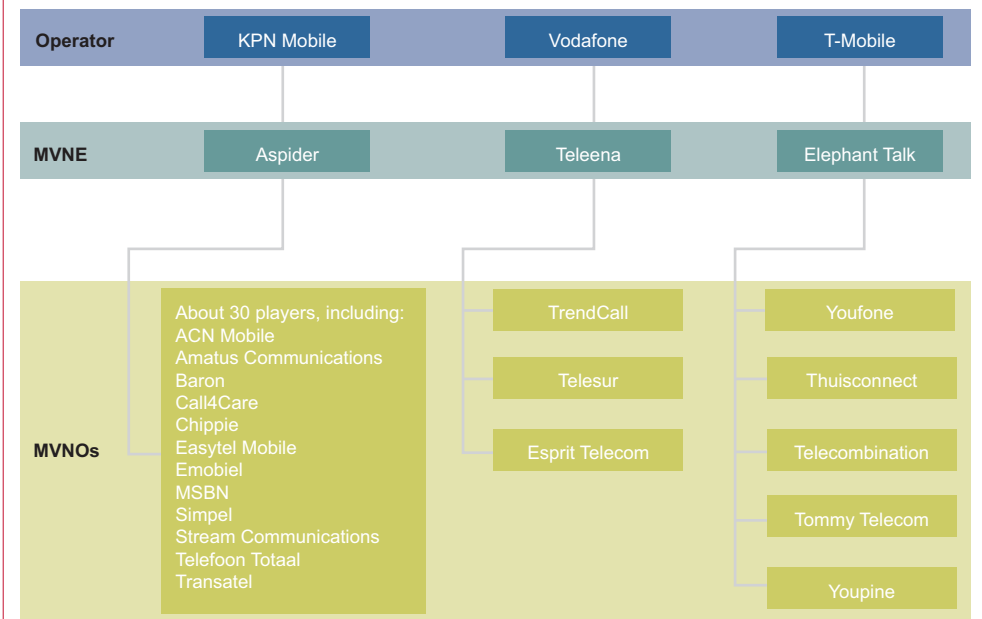
The main MVNEs on Vodafone and T-Mobile's networks started making MVNO deals only last year, and Malherbe said that these providers have yet to really get going. Vodafone partner Teleena has signed up three MVNOs, in addition to the operator's three direct deals. T-Mobile partner Elephant Talk has signed up five customers, and the operator also has separate direct agreements.

Marielle Heuts, a business analyst for the wholesale MVNO business at Vodafone Netherlands, says that the partnership with Teleena is only beginning but that the relationship is "very good" and that more deals are likely to follow the recent ones.

Vodafone also has an undisclosed relationship with Aspider, which also runs T-Mobile's no-frills brand, Ben. But Heuts says Vodafone prefers to work with just one or two MVNEs, rather than multiple players.

As in other countries, Vodafone is attempting to boost its share of the Dutch MVNO market. Toward the end of last year, industry sources indicated that the operator had a share of about 8%, compared with more than 70% for KPN and 20% for T-Mobile.

**Fig. 2:** Netherlands, mobile operators' MVNE relationships, Jun-09



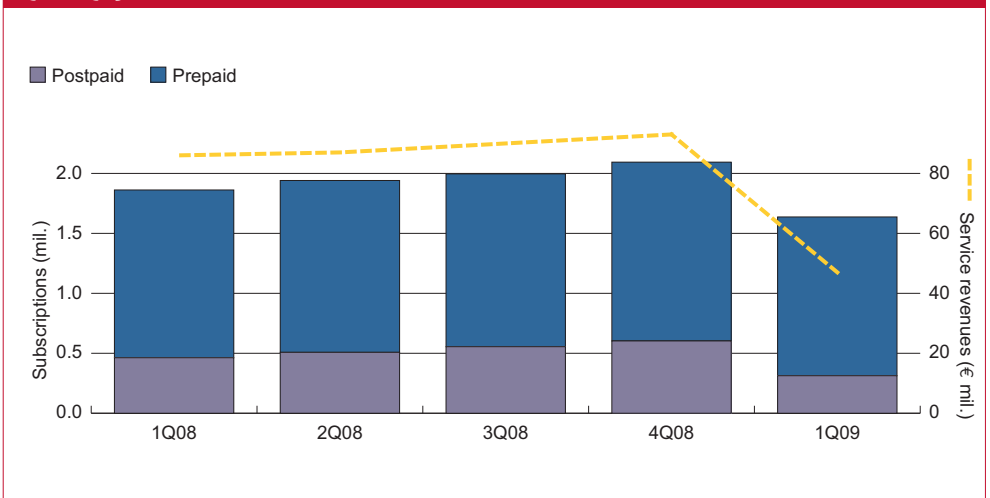
Sources: Informa Telecoms & Media, Vodafone Netherlands

But these figures are changing. Vodafone's is set to rise significantly, after it struck an MVNO deal in April with Lycamobile, which has until now run only on the network of T-Mobile. Vodafone expects to launch its service with Lycamobile and start migrating customers in June.

And T-Mobile struck an MVNO deal in February with major player Tele2, which previously ran on the network of KPN. The MVNO's customers are set to be transferred to T-Mobile's network in 3Q09 or 4Q09.

Furthermore, KPN's MVNO acquisitions have changed the picture. KPN reported that it had 1.6 million wholesale subscriptions at end-1Q09, down more than 200,000 from a year earlier. The drop was largely due to the migration of Debitel's customers to KPN's consumer business (see fig. 3).

**Fig. 3:** Netherlands, KPN consumer mobile wholesale customers and service revenues, 1Q08-1Q09



Note: €1=US\$1.42  
Source: KPN

### Long-term picture

Even though MVNEs should help new brands enter the market, Vodafone's Heuts says the number of MVNOs in the Netherlands is set to decline in the long term.

She says that a new MVNO arises about once a month but that others are leaving the market. She says she expects the number to remain more or less constant in the next few months or year and then fall. And Carrera predicts that the market could consolidate through further acquisitions, and mergers of smaller MVNOs.

Malherbe added that other types of non-MVNO wholesale opportunities are emerging. He cited the example of Vodafone's alliance with navigation company TomTom, which uses data from the operator's network to provide real-time information about traffic congestion.

Ad-backed player Blyk is also looking to form more direct partnerships with operators, after having originally struck a deal to run as an MVNO on the network of Vodafone Netherlands. Its launch has been delayed by its decision to establish the new model.

David Traynor, vice president of marketing at Aspider, says he expects to see more relationships whereby an MVNE supports an operator's sub-brand, as is the case with T-Mobile's Ben. He says that such propositions enable operators to test out new service plans without cannibalizing their own business.

Meanwhile, KPN has sought to exploit opportunities in other markets by setting up its own MVNOs in Spain and France.

In the Netherlands itself, Malherbe said that "we are seeing the success of an enabling mindset. There are opportunities to unlock new markets abound."

Observers say that the Netherlands is fairly unique in terms of its receptiveness to new products and that other markets have their own characteristics. But the Netherlands offers an example of how an advanced market can develop, and could provide lessons for other countries.

"I think the Dutch market has the best examples of all MVNOs that have tried and failed and those that have had a successful business model," Carrera says. "A lesson from the Dutch market is that there is always space for a specific segmented offering."

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Analysis ■

## O2 eyes enterprise market as source of LBS revenue across Europe

**Telefonica's O2 group is pursuing machine-to-machine and telematics projects, with an eye to enticing third-party enterprises to offer services such as mapping and monitoring to companies and end-users.**

Various subsidiaries of Telefonica's O2 carrier group in Europe are involved in made-to-order machine-to-machine (M2M) and telematics projects – both commercially and on a trial basis – for functions as diverse as mapping road traffic, monitoring pollution and managing irrigation and field workers. Some of the projects predate the merger of O2 and Telefonica, though the latter has begun enabling such services to be deployed across its footprint.

Sources in Telefonica O2 say that, even at this early stage of deployment, many of the carrier group's enterprise location-based services are already generating revenues. "We're not in the business of loss-leaders," Ian Curran, head of M2M- and telematics-business strategy and product development at O2 UK, told Informa Telecoms & Media.

Each Telefonica O2 subsidiary is in the process of fine-tuning its local M2M/telematics strategy, including which market sectors to address and how to make services profitable, while the parent group is overseeing all operations. Curran described Telefonica's attitude as: "Think global, act local."

The Accelerated Partnership Program, a group-wide developer initiative, helps third parties develop services for enterprise customers.

Speaking at Informa's recent Mobile Location Services conference in London, Telefonica O2 executives from the UK and Czech Republic gave insights into various pilot programs that have been launched within the group.