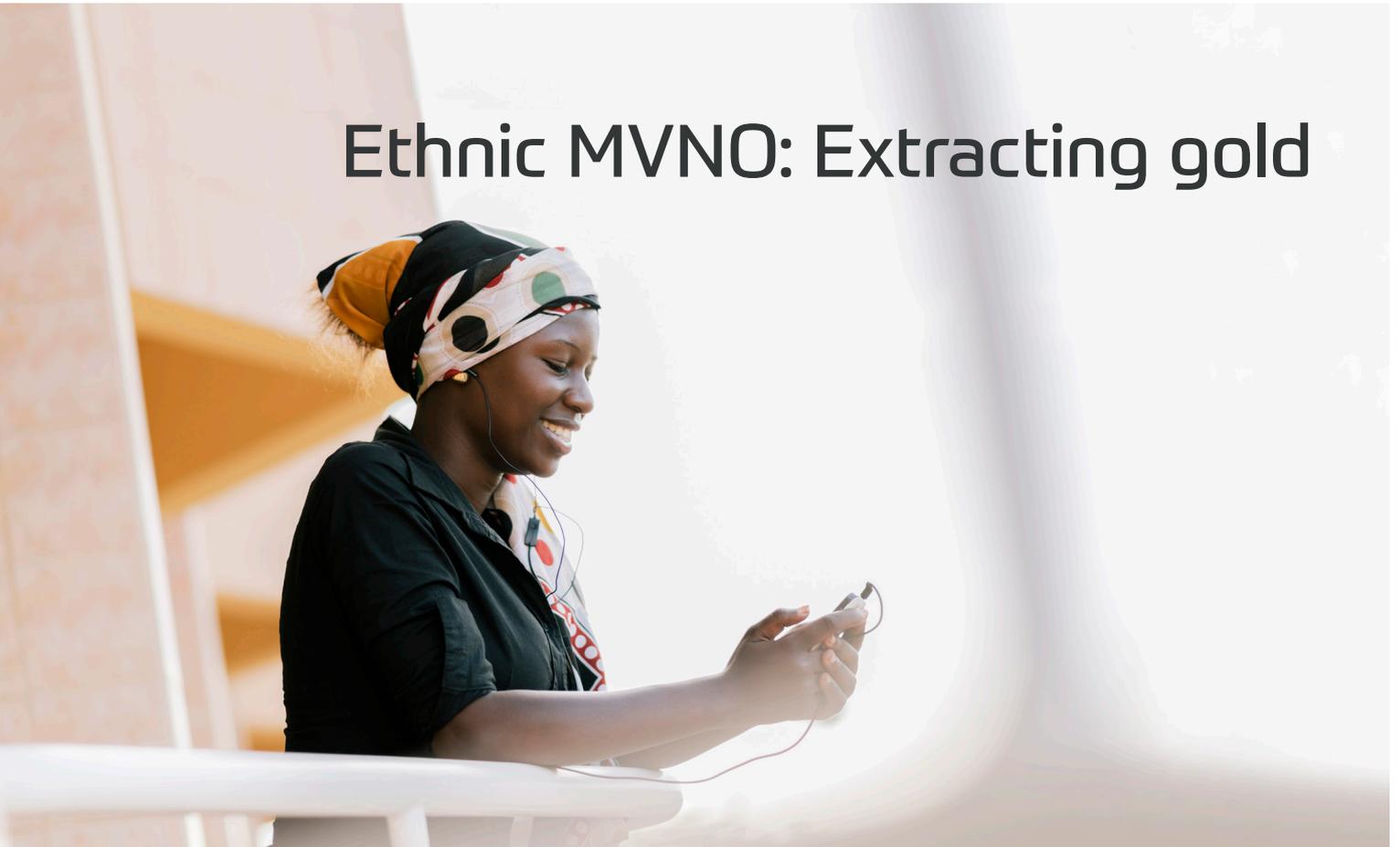


Ethnic MVNO: Extracting gold



People who choose to live abroad like to phone home. Yet mobile networks have a hard time extracting value from ethnic communities. Enter a new kind of operator.

Immigrants make up 10% of the population in many European countries such as Germany, Spain, France and Belgium. Yet these people have been poorly served by traditional mobile operators who assume either that mass advertising is enough or that further segmentation leads to diminishing returns.

Neither assumption is correct. In fact, there's real opportunity here. But before you can reach your audience, you have to understand them.

Diverse ethnic markets

Foreigners living in the same country often share a group identity. But that doesn't mean they can all be lumped together. Some countries have a single dominant ethnic group, while others have many – often with nothing in common besides being born outside the host country.

Some foreigners stay only a short while. Others raise families in their adopted homeland. Many learn the local language, or already speak it as a mother tongue. A few choose to remain in their own communities. What separates them from the indigenous community is a combination of geography, nationality, race, language, religion and culture. These varied factors make it hard for mobile operators (MNOs) to connect.

“ Your call centre has to push the right cultural buttons.”

Why should MNOs care?

In most cases, immigrants maintain strong links to their native land – which includes regular calls to friends and relatives back home. Since MNOs encourage on-network calls while charging premium rates for international calls, many foreigners naturally prefer cheap calling cards to expensive mobile phones and services.

Yet foreigners typically generate higher ARPU than locals and are more likely to remain loyal to the operator. So there's definitely potential revenue in this group. But, like Klondike prospectors, MNOs have to pan for this gold. And they soon realise that the massmarketing sieve's holes are too large.

Harder to reach

In a service-led business, MNOs understand the emotional power of branding. But minorities have different cultural triggers from the local populace. Simply put, like the smallest gold nuggets, foreigners slip through the cracks.

It's too expensive to target them with specific communications. And MNOs can't simply reduce international call rates since that also hurts revenues from local customers. On top of that, the MNO may lack the linguistic or cultural competence to appeal to their target audience. So how to reach these potential customers?

The new alchemy

One way is to approach the problem from a different angle. If you want to find gold, don't start out with a pan full of mud. Instead, create it from raw materials. The original alchemists may have failed to produce gold from base metal, but technology is the new catalyst.

While an MNO starts with a service and aims to attract everyone, an ethnic MVNO starts with a community and offers them an attractive service they need. The result? Mobile revenue where there was none before.

Why they will come to you

The telecom business used to be run exclusively by those who could afford to build the infrastructure. But technology is no longer the issue. An MVNO can piggyback on an existing network, buying minutes wholesale.

Organisations with the best chances of mobile success are media companies with an existing ethnic audience, such as TV channels, radio stations or newspapers. Alternatively,

companies which operate a calling-card service can expand their business into mobile, the logical next step.

Calling cards

These shops offer cheap calling rates to selected countries. The downside is that customers must trek to the store and make their calls from a booth.

Another type of card lets customers buy prepaid credit to use via a landline. But these have drawbacks, too. People can make outbound calls, but they can't be reached by the folks back home. Of course, neither problem exists with mobile.

Keep your offer simple

Your hook is providing low international rates on a prepaid system. Typically, your starter pack includes a SIM card with some built-in credit but no handset, which customers pick up elsewhere.

It sounds easy, but some ethnic operators have failed to achieve expectations. Why? First, you need to pick your target market. Is it one cultural group, or many? Then make sure your prices are low enough to entice people away from the existing options. Finally, you have to get your message out to your audience.

For example, if you distribute starter kits through calling-card operators, you will not reach the long-term immigrants who have assimilated into the culture.

“ Foreigners typically generate higher ARPU... and are more likely to remain loyal.”

Make it worth their while

MNOs are happy to resell their airtime because you provide a way of reaching a group they otherwise wouldn't attract. But you also have to take care of all the channels who distribute to your customers. Calling-card operators may fear your mobile service will cut into their business. Some countries also have several distribution layers, each of which wants a share.

In Spain, for example, calling cards are sold to regional offices who sell them on to guys with backpacks who in turn hawk them direct to stores. Each buys from the level above and so would need an incentive to sell your SIM cards and top-ups. At least in the beginning, you could offer a commission on both the sales of SIM cards and top-ups.

Keep things fresh

Of course, your end-customers also demand low rates, specifically for voice and SMS. (Later on, you can expand into value-added services which the Effortel platform can deliver easily through the latest technology.)

You also need to cultivate a good image in terms of innovation. This means shaking things up periodically with special deals. Offering cheaper rates between certain hours is just one way to keep your market on its toes. Again, with our platform, such changes are simple and quick to make.

Getting the word out

So you've covered the basics. You have a high density of sales points, with a focus in cities where your potential customers are concentrated. You've priced services attractively, and made your deals at all levels of the value chain. Now you need to ensure your audience will hear about you.

Word of mouth inside the community plays a big part. And calling-card shops, which

already act as hubs for the community, are a key channel. In fact if you can win these people, they'll convince your customers for you, keeping your cost per acquisition low. But long-term immigrants visit the same shops as anyone else, so you have to reach them through other means, such as ethnic newspapers, radio and TV stations, as well as through other mass-market sales channels like discount stores. If you already operate one of these services, leverage it fully with relevant special offers.

Speak their language

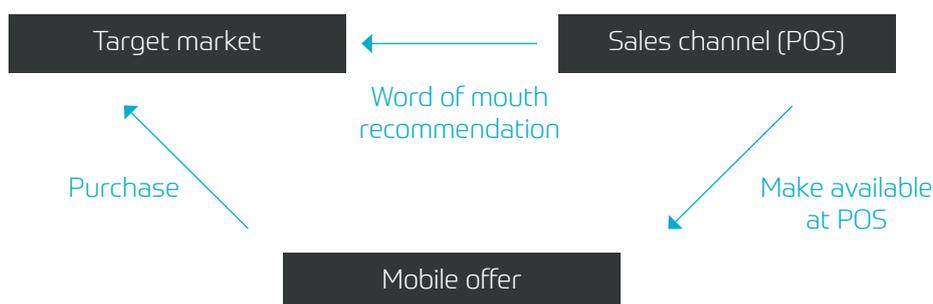
For newly arrived immigrants, below-the-line activities make the most sense. Having a presence at sporting or cultural events, night clubs, and so on, can create a buzz.

Finally, once you have customers, your call centre has to push the right cultural buttons. This means not merely using the language of your customers but also the appropriate accent or dialect.

Beating the gold rush

If you take the right steps, you can make everyone happy, from your customers to the distributors, right on up to the MNOs – and, of course, your shareholders.

We can help you develop your strategy, package your offer, and deliver all the technology and support you need to service your community and start generating revenue.



Key success factors

Pull	Push
<ul style="list-style-type: none"> – Attractive product/tariff – Targeted communication channels – Operative knowledge of the immigrant market – Leverage of existing assets (brand, products, complementary cultural offers) – Innovation capability 	<ul style="list-style-type: none"> – High of density of POS – POS that reach the whole immigrant community – Understanding of channel economics – Provide incentives at alllevelsTarget

Effortel takes brands mobile throughout Europe. Our simple, flexible, scalable solutions add profitable telecom services to your business. From strategy to full roll-out and support, our people and technology enable you to offer your customers the mobile service they demand.

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