Mobile Telephony on Supermarket Shelves

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27/02/06

The Spanish Telecommunications Market Commission appears determined to foster competition in the country’s mobile telephone sector. For this reason the Commission recently announced that it will require the major operators in Spain—Movistar, Vodafone and Amena—to allow third parties to use their networks for offering mobile telephone services.

Some companies have already expressed an interest in capitalizing on the opportunity to become mobile virtual network operators (MVNOs). Thus, El Corte Inglés and Carrefour—two major distributors who up to now have sold only mobile telephones and other products offered by the three operators—could market mobile telephone products using their own brand name, as Virgin Mobile has been doing for several years.

Up to now, the major mobile telephone operators in Spain had opposed the entrance of MVNOs for fear of price reductions and a drop in profits from the three groups, claiming that they had already carried out a significant rate reduction. Nevertheless, the entrance of MVNOs does not necessarily entail a detriment to the established operators. In some countries there have actually been increased profits by virtue of reaching customers that had not previously been interested in their offerings. The fact is that agreements with MVNOs allow mobile telephone services to be introduced in business niches thanks to their specializing in profiles for customers, content and geographic regions.

In reality, the success of MVNOs when entering a certain country depends on the existing regulation of prices, service levels and type of services provided. While some countries elect to regulate the prices at which network operators sell minutes to MVNOs, others prefer to allow the two operators to establish the rates. The latter option is the most common in Europe as well as being the choice of the Spanish Telecommunications Market Commission (CMT). For this reason, negotiation in Spain must be done on an individual case basis with each new operator looking to offer its services. Only in the event that agreement is not reached—a strategy that network operators could use in order to discourage new entrants—will the CMT intervene. With this in mind, the Commission has announced that the intention is for the process to last no more than four months.

In all likelihood, MVNOs will become another sales channel for the main operators in Spain. In the case of El Corte Inglés, for example, this new sales medium could bring about an increase in traffic thanks
to the possibility of the major department stores selling numerous related services. In that scenario, El Corte Inglés could become a “reintermediary” and sell its airtime minutes to other providers that are interested in marketing, for example, music offered through the mobile telephone network. El Corte Inglés is a highly successful record distributor….so why not also become a distributor through the mobile channel? Additionally, El Corte Inglés is one of the leading travel agencies. Thus the company could include roaming service along with its vacation packages so that customers could make calls while abroad, or offer special rates for sending and receiving text messages internationally.

All things considered, this solution clearly helps both the established operators and new entrants. The established players will benefit from the increase in the customer base interested in mobile telephones and the new related services. The newcomers will expand the line of products they offer to customers who are accustomed to finding any and all services through the major distributors. Customers also win, especially in terms of the selection available to them, because mobile telephony will cease to be classified as a commodity—a scenario in which the provider was of little or no importance—and become just another product available on supermarket shelves.