

Suddenly, everybody's a telephone company state of the telcos

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The most recent to launch is Orcon, with its 020 mobile service.

New Zealand still has only two phone companies with nationwide mobile networks – Telecom and Vodafone – plus one with a partial network (2degrees has its own celltowers in Auckland, Wellington, Christchurch and Queenstown; elsewhere its customers roam on Vodafone).

The others that have sprung up over the past 12 months are so-called mobile virtual network operators, or MVNOs, in industry jargon.

They have none of their own infrastructure but rather resell what is essentially a rebadged version of Telecom or Vodafone's 3G service.

MVNOs came about in part because Telecom and Vodafone figured it was better to lose customers to a wholesale partner than a competitor and also partly through nudging by the Commerce Commission.

For Jonathan Eele, founder of Black+White – a Vodafone MVNO, his class of company is no mere afterthought on the telecommunications scene.

Although he won't reveal customer numbers, Mr Eele says his company (which shares back-office systems with Australian-owned MVNO M2) now has about 60 staff.

Mr Eele said MVNOs had the potential to become a real power in the market – the same way that Orcon, iHug and CallPlus developed mass followings in the landline broadband market by reselling a Telecom Wholesale DSL feed for most of their services (fittingly, perhaps, Orcon and CallPlus have also leapt into the MVNO market; ihug was bought by Vodafone).

The dream: emulating Branson

Like many an MVNO service, Mr Eele worships at the altar of Richard Branson in part because the entrepreneur pioneered the concept of the MVNO when he launched Virgin Mobile in the UK (the brand has now spread to multiple countries, using networks from multiple phone companies behind the scenes).

But more so for Mr Branson's subsequent moves.

Once Virgin Mobile had built up a decent customer base – and thus bargaining power – the MVNO decamped from Vodafone to a better wholesale deal with T-Mobile (Virgin Mobile customers, in theory, should have noticed nothing).

Mr Eele dreams of the day that MVNOs will have similar bargaining power here and similar leverage negotiating a deal with a new wholesaler or better rates with their incumbent.

Horseplay

Already, there has been a lot of horseplay in the New Zealand market, and most of it has come from the only MVNO with any scale.

Surprisingly, perhaps, to those outside the industry, TelstraClear has none of its own mobile infrastructure. The Aussie-owned telco originally partnered with Vodafone for mobile service then, after falling out over terms, defected to Telecom. But when Telecom blocked TelstraClear MVNO customers from its XT network – at least for the first 18 months of the new 3G network’s life – TelstraClear switched is 30,000-odd mobile customers back to Vodafone (still under way).

And earlier this year, the talk of the industry was that Orcon had abandoned its original MVNO tie-up with Vodafone in favour of a tie-up with Telecom (which following TelstraClear’s defection, backflipped and did open its 3G to wholesale partners).

But during the XT troubles, Orcon is said to have backed out (Orcon would not comment at the time). And when Orcon launched in July, it was piggybacking on Vodafone’s network.

House brands

Orcon was the last big ISP on the table, leaving Telecom with three relatively small companies in its mobile wholesale corner. But that does not mean Telecom is bereft of a major MVNO partner until one of Vodafone’s partners jumps ship.

IDC market analyst Rosalie Nelson pointed out that the MVNO market only really gained steam in the UK – that is, started to really force prices downward – when the supermarket chain Tesco and major retailer Carphone Warehouse jumped on the bandwagon with house-brand mobile services.

Big, chunky arpu

Still, there is life at the tiny end of the MVNO spectrum – and from outward appearances it seems like a good life.

Blair Stewart, general manager at Digital Island – a business telecommunications specialist – told NBR his company’s 3G service, which launched on May 10 as a Telecom MVNO, now has 1000 connections. “The target for the first 12 months is 5000 connections, so we’re tracking okay,” Mr Stewart said.

Notably, the GM claimed average revenue per user (arpu) was a stonking “\$100+” per month. That’s pretty sweet when Telecom and Vodafone both have a big majority of their customers on pre-pay, most of those spending as little as \$10 to \$20 a month.

Compass Communications – a Vodafone MVNO – is also cherrypicking high-end customers. Karim Hussona said his company had “a little over 1000 connections” – again tiny – but arpu is a fat \$55 per user.

Mobile connections/market share by connection

Vodafone:	2,479,0001	49.82%
Telecom:	2,291,0002	46.04%
2degrees:	206,0003	4.14%

Connection numbers do not include MVNO partners. The number of mobile connections exceeds New Zealand's population by dint of the fact a number of people own more than one mobile, or data stick or netbook with a sim card.

MVNO wholesale partners

Vodafone: TelstraClear (30,000****), CallPlus (5000), Compass Communications (1000), Black+White, M2, Orcon

Telecom: Digital Island (1000), Zintel, Telcoinabox

1. To June 30, 2010. Vodafone PLC financial statement, July 23, 2010
2. To March 31, 2010. Telecom financial statement, May 24, 2010
3. 2degrees media statement, February 26

Figures supplied to NBR by MVNOs

LATEST MOBILE OPERATOR: Orcon launched mid-July. Chief executive Scott Bartlett is seen with an iPad 3G, equipped with an Orcon Micro-SIM