

ITU Workshop on Licensing 3G Mobile Need for and positioning of MVNOs in the 3G Landscape Co-Presentation

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Agenda

- **Brief about Sense**
- **Situation in mobile markets**
- **MVNO aspects and assumptions**
- **Operator aspects**
- **Some facts and conclusions**





Brief about Sense Communications

- **Founded as Netsystem International in May 1997**
- **First company developing an MVNO concept**
- **Insolvency in March 1999**
- **New investor group purchased non-tangible rights in Sense Communications and re-started the project in April 1999**
- **Change of focus:**
 - **SME market to private market phase 1**
 - **Launch possible services as soon as possible**
 - **Generate customer base and revenue stream**
 - **Customer base to add value to**
 - **Revenues to contribute to operation**
 - **Controlled international expansion**



Successful launch

- **Jun 1999** Nadir Nalbant is hired in as CEO for Sense
- **Aug 1999** Retail giant Elkjøp acquires a 22,5% stake in Sense
- **Aug 1999** Sense first in launching “free” Internet
- **Dec 1999** Agreement with Telenor and Telia for using their mobile network
- **Dec 1999** Private placement of MNOK 200
- **Jan 2000** Sense launching mobile services in the Norwegian market
- **Apr 2000** Sense launching mobile services in the Swedish market
- **Jun 2000** Started sale of prepaid subscriptions via Statoil in Norway
- **Jun 2000** Distribution agreement with GEAB in Sweden
- **Aug 2000** Sense had more than 100.000 mobile subscribers and 140.000 Internet subscribers
- **Oct 2000** Sense launching 50 content services in the Swedish market
- **Oct/ Dec 2000** Share offering/Listing at Oslo Stock Exchange
- **Jun 2001** Acquisition of Site communications

Internet users



70,000

Mobile sub's



22,000

80,000

140,000

105,000

170,000

160,000




Situation in General

- **Regulatory pressure and openness increasing**
- **Cost based vs Commercial terms & conditions**
- **Operators more and more interested in new type of service operators with experience and well perceived brand**
- **Operators intend to act as MSO abroad, where they don't possess licenses**
- **Operators intend to provide pan-European and global services**
- **Operators are planning their 3G operation**





Situation in Nordic region

- **Nordic region had no service providers in early stage of mobile development**
 - **Opening for SP, ESP and MVNO**
 - **New type of service operators**
 - **Nordic operators intend to act as MSO abroad**
 - **Cost based vs Commercial terms & conditions**
 - **Regulatory pressure**
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Operator Aspects

- **Operators might be threatened by loosing competitive advantage**
 - Nearly impossible to offer similar services to whole customer base (exchange of SIM cards)
 - Don't want to grant access to their own service platforms
 - Establishing price barriers
- **Revenue growth due to traffic increase**
- **Conclusion by Telenor = Higher margins from MVNO customers than by own end users**




MVNO Aspects and Assumptions (1)

- **Customers not interested in fancy and complicated technical solutions**
- **Customers interested in simplicity and personal services**
- **Bundling of services for increased customer loyalty**
- **Identify and establish new sources of income, others than GSM related traffic/ basic services**
- **Advantage of “late birth” (new and cost efficient technical platforms)**






MVNO Aspects and Assumptions (2)

- **True MVNO means complete independence from operator platforms**
 - **Gaining revenues from incoming calls**
 - **Full control over planned marketing campaigns**
 - **Investing in own service platform**
 - **Economy of scale for international operations**
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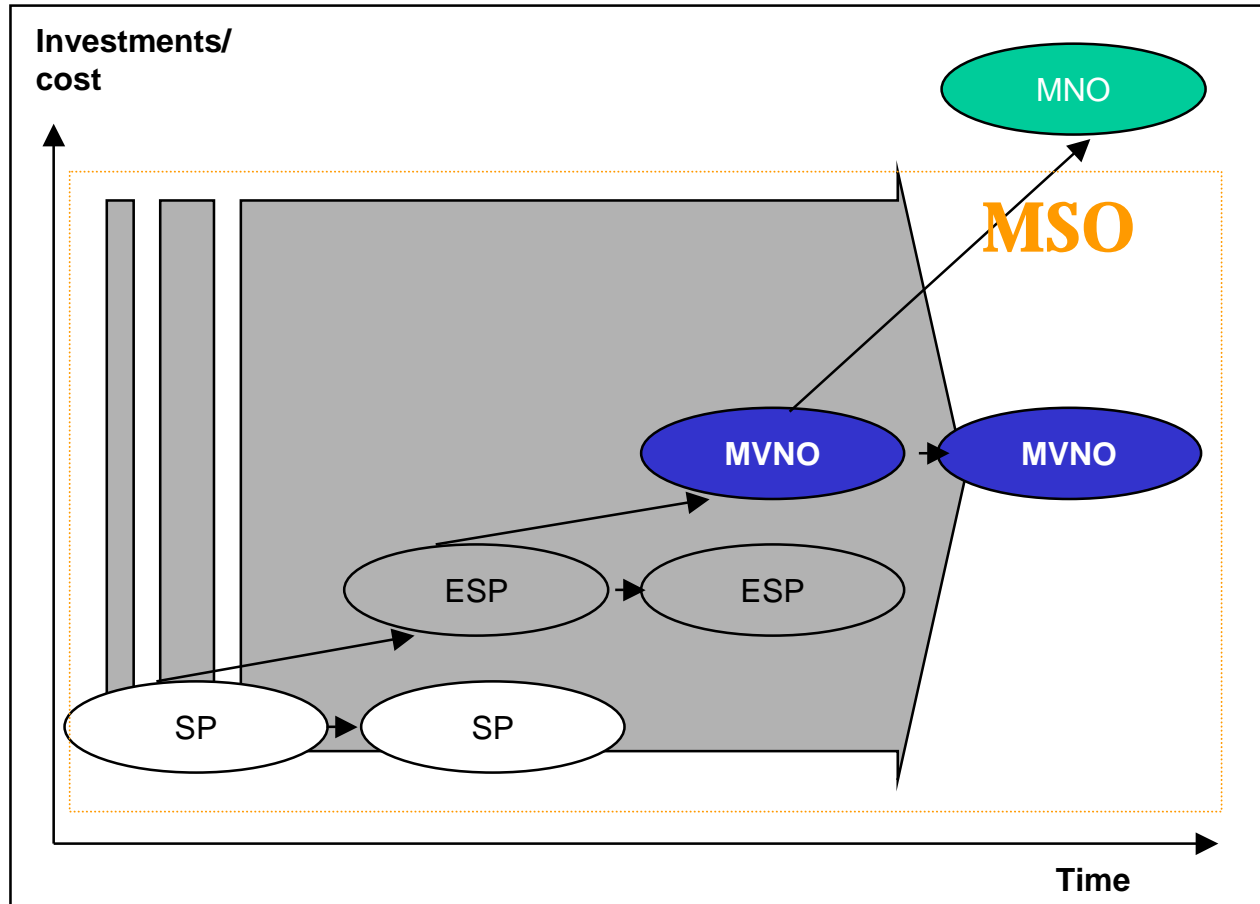
MVNO Aspects and Assumptions (3)

- **Need to educate customers while 2 and 2,5 G**
 - **Taking position and reaching competitive advantage**
 - **Commercial terms & conditions with operators require new sources of income = Service development**
 - **Operators might have difficulties in regard to service because of infrastructure and service history**
 - **Preparing convergence between mobile services and mobile Internet**
 - **MVNOs will open their operational platforms to recognized brands**
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From Service Provider to Enhanced SP

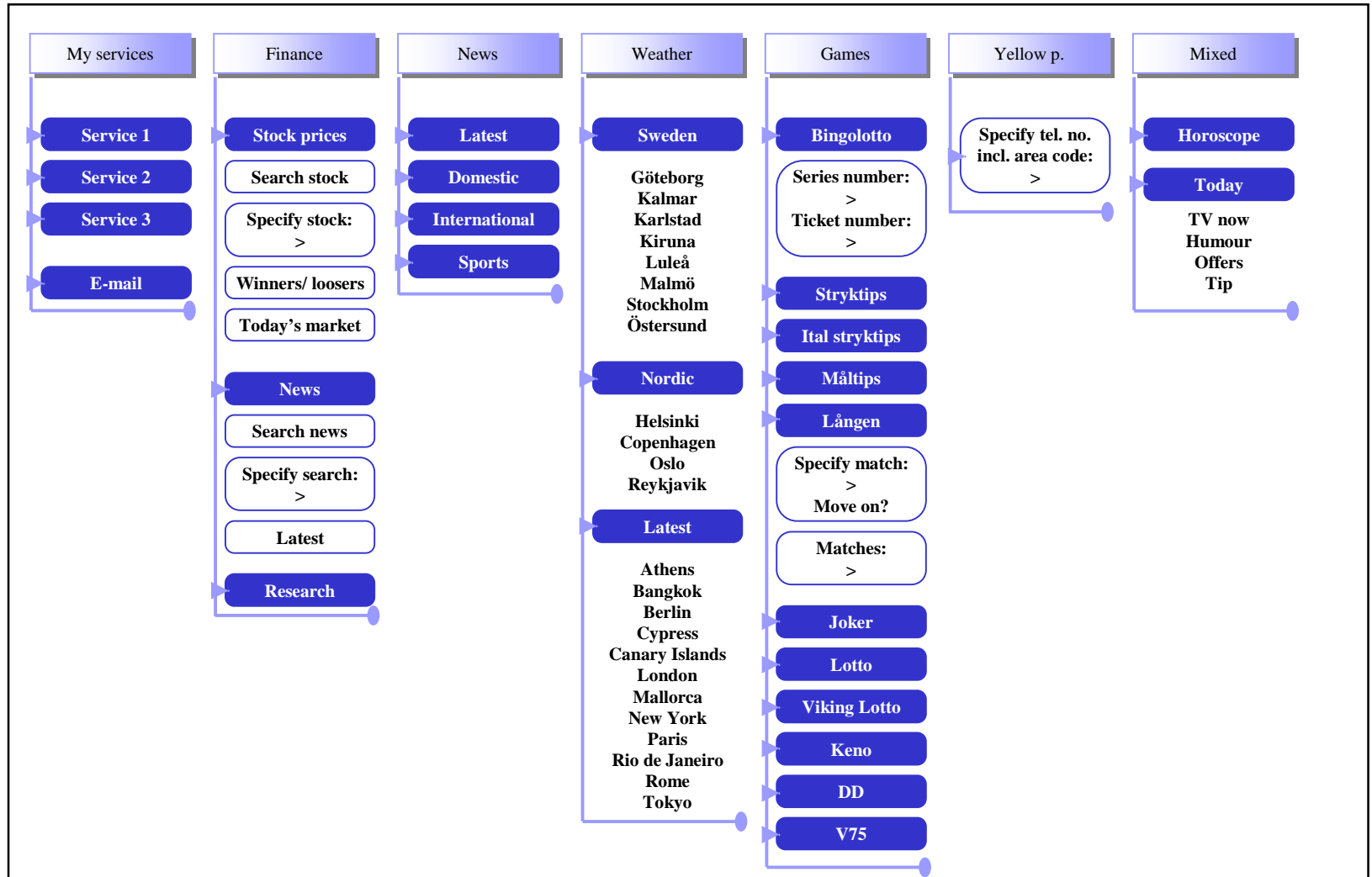
Sense's position in mobile communications





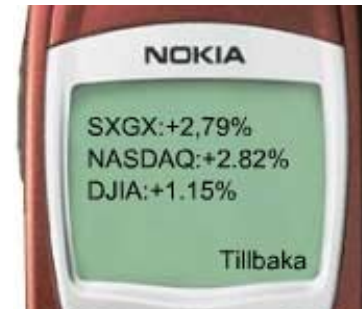
New innovative products and services from Sense

Sense Update launched Oct. 11 2000





Content to most mobile telephones



Sense Update





The Facts

- **The mobile telecommunications industry is moving towards 3G with huge cost burdens (licenses, network roll-out, customer acquisition etc.)**
- **Brand owners understand a need for closer customer relation/ retention/ loyalty/ services**
- **MNOs understand the opportunity to decrease customer acquisition cost substantially and simultaneously filling the network with traffic**
- **Extended regulations and ambitions for increased competition by local authorities**
- **Two kind of MVNOs will appear in future:**
 - **True MVNOs with international operation**
 - **Strongly branded Mobile Service Providers based on commonly used operational platforms**





The win-win


Both MVNOs and enabling platforms are beneficial to MNOs, as this will reduce

- The acquisition cost for the MNO substantially
- The implementation cost for several new, not experienced players
- Need for various support functions, like customer care/ back office, billing, cash collection etc.

and increase

- The network utilization (especially in respect to later 3G, high capacity networks)
- Revenue stream due to new or highly used applications and new services

and attract

- Clients that are small and not capable to integrate systems by their own, but have an interesting customer base
 - Clients with international background and operation who want to achieve leverage
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It makes Sense!

