

# Value Proposition

Successful prepaid formula includes brand + distribution + platform.

By Pete Pattullo

Since the early 90s the prepaid industry has played host to scores of companies, competing cards and marketing strategies. Analysts forecast continued growth, but maintaining that growth is a key challenge for distributors, resellers and service providers.

Unique market forces drive the prepaid industry as the number of prepaid cardholders continues to increase. Resellers are targeting unique user segments including the unbanked, ethnic, youth and business markets. The pricing of some “slash and burn” brands continues to target the market share of competitors, but the inevitable financial losses make such tactics unsustainable over the medium-to-long term.

In other words, when you slash prices and burn customers you run the risk of burning not only your own brand, you ultimately hurt the industry itself.

With such heated competition, what is the formula for success? What is the winning strategy for building a successful, long-term prepaid business?

## Branding

If there's one lesson every industry has learned, prepaid being no exception, it's this: Consumers are savvy and smart. They place their loyalty (and put their money) in trusted brands offering competitive prices, features, quality and consistent service. If your prepaid brand doesn't deliver on all of these attributes, your customers are likely to move to another card.

In sum, customer loyalty is the new currency. Branding, when executed well, breeds loyalty and the lion's share of prepaid profits.

Branding is more art than science. According to Stuart Newman, an industry pioneer who's launched Tele-Fiesta and a host of other successful prepaid card brands, “With a flavorless, colorless and odorless intangible product like prepaid communications where you're basically selling minutes,” Newman says, “companies have to dig deep to uncover new areas of value and differentiators. What many newcomers don't understand is just how challenging branding prepaid is; even laundry detergents have aromas and spring water has taste; with prepaid there are fewer variations.”

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Published September 2005 in:

**Intele-CardNews**

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## Branding

In building a brand, creativity is key. Defining your market's preferences and thresholds is critical. Rising above the clutter with advertising and promotion can be costly, especially if one of your competitors is slashing price. "Consistent, compelling advertising is important," Newman says. "The leading brands are consistently spending big money in each of their markets just to ensure their voice doesn't get drowned by the din of competing cards."

Branding is not just a cost commitment, it's an investment of time as well. John Wise is president of Viscom International, Inc. (Viscom), which produces and markets the BEST™ Mexico brand of prepaid phone cards. Since its introduction five years ago, BEST Mexico has become the most widely recognized brand of prepaid phone cards used by Mexicans living in the Southeast and in select markets nationwide.

Wise attributes (Viscom's) his brand's success to a long-term vision and investment in building a brand that consumers trust. "In this industry, a brand that has such a loyal and growing consumer base after 5 years is rare.

Not only do you need to make a significant investment from a financial standpoint, but also be realistic in your expectations on how much time it will take to get there.

Brand building is a brick-by-brick process that takes time and detail, market by market."

## Distribution

Whether it's directly to the consumer, through a distribution network, an internal sales force, or a combination thereof, your market does much to dictate your distribution model—and models change among vastly different markets.

In prepaid there's a different market for every ethnic and geographic market. Depending upon the size of the market, there can be many lucrative niches to exploit and emerging segments that are underserved. It's a ripe opportunity for both new players looking to launch solid new offerings and for existing companies looking to extend their brands.

But credibility across markets is crucial—distributors need to deliver on promises to their current customers to ensure success when penetrating new market segments.

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## Platform

Owning their own switch is a dream of many resellers. They see this as the next step in the evolution of their business. Service provisioning is anything but simple and it entails much more than simply owning the switch.

On the other hand, using a service bureau requires no capital investment in a platform, which frees up needed capital for brand building through advertising and promotion. It also eliminates the high costs associated with running a switch, including collection fees, local loops, technicians, operating a 24x7x365 operations center, and many other fixed costs.

Platform management entails a regimen of quality control, constantly securing more competitive carrier rates, and managing call volumes. Protecting customers against outages or interruptions and enabling new features are also paramount in an evolving industry.

John Wise attributes part of Viscom's success to the company's focus on marketing. "Deciding on your competency isn't just strategy, it's survival," he says. "Running a profitable business necessitates focusing your management team on strategic competencies and aligning with sophisticated, knowledgeable partners."

To be sure, in today's prepaid business, you're either marketer or service provider, not both.

## Looking ahead: Innovation is the strongest strategy.

One positive result of competition in prepaid is the many innovative offerings, technologies and newfound markets built around low-cost communications. Of all strategies, innovation continues to provide the strongest proposition to resellers and customers.

All told, brand + distribution + platform is prepaid's value proposition and the way to build winning brands. In order to push the industry over the next set of hurdles companies must favor innovation over repetition in their technologies, offerings and markets.

## About the Author:

*Pete Pattullo is CEO and President of NetworkIP, a provider of converged network solutions. He is also a member of the Intel-CardNews Editorial Advisory Board. According to the company, since 1998, NetworkIP has been the innovator of patented and best-in-class stored value technologies, systems and integrated services that ensure reliability, minimize complexity and increase profitability. Visit the company website at [www.networkip.net](http://www.networkip.net).*