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Virgin Mobile enters new era under new management

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Virgin Mobile SA is entering a new era under its new and majority shareholder Friendi, a Middle East based mobile virtual network operator, and a new CEO who has laid out turnaround plans for the company.

Jonathan Marchbank, who has been at Virgin Mobile for just over a month, is implementing a three year plan for the company, which, if successful, could see the company sign up over 600,000 customers to take the total subscriber base to 1 million. This through new and improved voice and data packages as well as the introduction of new loyalty programmes and value added services.

Virgin Mobile has been operating in SA for six years and had ambitious plans to taking on the big companies and a market share of 10% in the first three years of operations. Those targets have been scaled down substantially.

Marchank says the company went through "stages of evolution", which is normal in the industry it operates in. He believes that in the early stages Virgin Mobile's strong brand helped to shake up the market. He says the company managed to compete successfully but because it did not have scale and money like the big two - MTN and Vodacom - it could not keep up with competition especially in price and distribution.

Its franchise partners did not bring in huge subscriber numbers and it decided to add direct marketing flavour to increase subscription by placing sales people inside retail stores to sell starter packs, but that did not work because "there was no vision", he says.

"There was no ability to explain why we are better than the rest. We became a second tier product. The strategy allowed us to thread water, but nothing beyond that," he says.

But now the company is back to basics. It continues to understand what its target market needs, and has pulled out of the franchise model. It will have 10 to 20 owned stores closer to its target market and will create a retail experience that will see its stores become more than just a place to inquire about handsets and voice and data packages.

Marchbank says the next 18 months will be pivotal for the company, which has positive earnings before interest, tax, depreciation and armotisation. He hopes for a first net profit in less than three years.

Steven Ambrose, the CEO of Strategy Worx Consulting, says it will be highly unlikely that Virgin could grow their customer base to 1-million in the current market.

Virgin has no retail presence at many of major malls and or other mainstream retail environments. Getting service and finding places to purchase is therefore somewhat inconvenient. In comparison to the other operators they are at a massive disadvantage in this regard.

"The virgin brand has not captured the imagination of the greater part of SA; its message is far too Eurocentric and has very little resonance with the average South African.

"The Virgin offering is now vague, a little complicated and very hard for the average consumer to see any clear benefit from," he says.

Ambrose says Virgin Mobile have lacked any media engagement or narrative for so long that their profile in the market has fallen to a level that will be "enormously expensive to raise above the activities the other networks have consistently been engaged in."

He believes that Virgin Mobile is able to "remain a small and possibly profitable niche player" but it will take large investments or very specific highly differentiated offerings to move them significantly ahead of where they currently are in the market. "Niche activities and special pricing alone will do little to swing subscribers their way," says Ambrose.

Arthur Goldstuck, the managing director of World Wide Worx, says the big opportunity lies in the high churn rate in the cellular market in general, and in the huge appetite for smartphones in particular. "But to leverage either of those will need a serious marketing budget and brilliant marketing execution," he says.