New Virgin Mobile plan means store closures

By Thabiso Mochiko

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Virgin Mobile SA will reduce its franchise-owned stores from 38 to eight as part of its new strategy to improve "customer experience" and align its business processes with that of its new major shareholder, Friendi Group, it said Tuesday, 31 July 2012.

Virgin Mobile, which operates as a mobile virtual network operator by piggybacking on Cell C's network, hopes that taking the management of the remaining stores in-house will help it attract new clients.

Virgin Mobile SA, partly owned by UK businessman Richard Branson, has been operating in SA for six years but has managed to sign up only 400,000 customers while 8ta signed 1,4-million customers in less than two years of operating.

Although Virgin Mobile is one of the successful mobile virtual network operator brands globally, in SA the result has been the opposite. This was partly blamed on high interconnection rates and on the targeted market generally not embracing the brand. It is up against strong, fierce competitors that have entrenched their positions in the market.

Virgin Mobile will convert the remaining eight stores, which will be in major shopping malls in four provinces, from sales-focused franchise stores into "full-service stores offering our entire range of products and services, including sales, renewals, upgrades and customer service and advice".

Jonathan Newman, Virgin Mobile SA's chief strategy and marketing officer, said the company would roll out additional physical points of sale over the next 18 months. These would be manned by Virgin Mobile's employees.

"We are intending to roll out more post-paid (contract package) points of sales that will be run by us. Those physical points could take various forms and we are looking at innovative ideas," he said.

Arthur Goldstuck, the MD of World Wide Worx, said Virgin Mobile "has been a disappointment from very early in its South African history as it failed to bring marketshifting options to the table".

Goldstuck said there were two essential strategies that worked for mobile virtual network operators - "pricing, and affinity".

"The former requires cutting margins to the bone and maintaining very high efficiencies. The latter relies on a strong appeal to a core target market, but both marketing and execution must be flawless, along with highly competitive pricing. It is rare to have a combination of those three, and that remains the main challenge in SA."

Source: *Business Day*