TELEFONICA AND PROJECT FI

Last April 23rd, Google announced its entry into the Mobile Virtual Network Operator market through Project Fi, which it describes as a "network of networks" that aims to set the benchmark for what a mobile service provider should be like in the times we live in. The project had been unofficially announced at the Barcelona World Mobile Congress and previously leaked by Android Police,

Mobile services are the subject of more consumer complaints than any other in every country of the world. The launch of an MVNO shouldn't really be news: there are any number of them already, entry barriers aren't particularly high, and the idea of buying capacity from traditional operators (in this case from Sprint and T-Mobile—of the four biggies, Verizon and AT&T, the latter has just announced its first quarter results, have opted out) seems hardly provocative.

That said, when the company launching an MVNO is Google, then people tend to pay more attention, and not so much for the why, as for the how. The initiative is limited to Nexus 6 users in the United States, which significantly reduces administration and service difficulties, and is conceived as a hybrid service over which data travels in real time through the different available connections (WiFi, LTE Spring and T-Mobile cellular networks combined, and even roaming when abroad) with tethering included, and a fixed rate plan of $20 for the basic service and $10 a month for each GB consumed, with a refund for any amount not used. The price is carefully aggressive, indicating that we may be talking about a service that Google aims to use to force prices down in the market.

Google's entry into this market has many potential implications. We're talking about a cloud-based service to which we can connect a range of devices eventually and work with our data plan from any smartphone, tablet, or laptop. Restricting the service to the Nexus 6 in the US market, the only one where Apple dominates, could increase the popularity of Android, particularly among more sophisticated users. For the operators, who are simply looking to increase the use and profitability of their networks, the move brings competitive pressure, and that is without taking into account possible moves in the future as Google continues progressing with connectivity initiatives linked to its own network, either city-to-city or further into the future through projects that at the moment seem risky (but already tangible) such as Project Loon.

In relation to other MVNOs, the launch of Project Fi is different because Google can enjoy greater room for maneuver than the usual MVNOs, given its size and negotiation power. We can expect this experiment to be limited to the US market for a while — forging the alliances to create an MVNO is no mean feat—but most likely, it will be considered by the company as an experiment to be progressively expanded into other markets as they see fit.

[Telefonica](#), one of the largest telecom companies in the world in terms of market capitalization and number of customers, calls you as an innovation and technology expert to participate in a meeting with their board. The company has a significant presence in [21 countries](#) and a customer base that amounts more than 341 million accesses around the world. Telefónica has a strong presence in Spain, Europe and Latin America, where the company focuses an important part of its growth strategy.

In the current scenario, the company would like your advice in the following issues regarding Google Fi:

- In the US, mobile contracts are the realm of disliked-but-tolerated companies like AT&T, Verizon, T-Mobile, Sprint and others. But now Google - a company notably less disliked than these carriers - has joined the fray: do you expect significant disruption in the market? Which factors do you see playing a role in Google Fi's adoption rate?

- To what extent does Google's initiative represent a threat for Telefonica? In an initial analysis, Google Fi is just an MVNO with prices moderately aggressive, in just one market, and restricted to the users of one single terminal (and not an extremely popular one), the Nexus 6. Does Telefonica need to worry about Google Fi?

- What should Telefonica do in case Google Fi targets any of the strategic markets where the company is present? Would you recommend partnering with Google or staying away from it?

Feel free to answer the questions one by one, or to pool them all together in one essay. Please include any links you find relevant for your answer. As soon as you finish (max. 2 pages, soft limit), please submit it via the Assignments tab in the Campus.