



**MVNOS WORLD CONGRESS, MADRID 2018  
POST-CONFERENCE BRIEFING**

# **SEARCHING FOR WHOLESALE HARMONY**

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# 1. Searching for wholesale harmony

## 1.1 Introduction

The 2018 MVNOs World Congress, held in Madrid and organised by KNect365, provides the MVNO ecosystem with connections, insight, expertise and innovation for the future of MVNOs in our industry. This year's major themes included e-SIM connect, MVNOs in IOT and Wholesale as a Service.

I attended the presentations and panel discussions which formed the Wholesale-as-a-Service stream and this is my synopsis of this part of the conference debate.

## 1.2 Discussions and presentations

This conference track started with discussions on international roaming, intrinsically a wholesale service for real and virtual network operators, with debate building on recent experiences following further regulation of roaming in Europe. International roaming, in Europe at least, is “now seen by consumers like a commodity” as one panellist explained. The regulation of international roaming in Europe has a specific one-sided effect on MVNOs. MVNOs buy wholesale overseas roaming service traffic (for their customers while roaming) but do not receive any inbound roaming visitors; it is only the MNOs that can benefit from this two-way flow of mobile users. The bill-shock which can arise with excessive usage, particularly data consumption, is now a risk for the (virtual) network operator. Conversely, a number of the global MNOs are now offering international roaming wholesale packages for MVNOs. Nevertheless, a number of compliance investigations are appearing in countries where national regulators have considered whether an operator's end-user terms and conditions for international roaming are in breach of the EC roaming regulations. These regulations do not discriminate between MVNO or MNO retailers, so all players need to be aware. The view expressed at the end of the panel on roaming was telling: “hope that the regulators do care about MVNOs”.

Tele2 explained elements of its wholesale service management suite, which includes QoS alarms so that the network operator can closely monitor performance of visited networks. This complex real-time management aims to bring improved levels of reliability rather than just cheaper services.

We were introduced to the new dimensions of wholesale contracts. Wholesale models can now be more varied than the traditional volumetric consumption arrangement. Bulk capacity purchase allows MVNOs to benefit from an MNO-like fixed cost structure, but there is limited evidence of capacity agreements arising spontaneously and mixed evidence of their success. Template wholesale contracts are also available, assisting MVNOs with key conditions such as non-discrimination, confidentiality and quality-of-service specifications.

Telenor provided insight into the close management of wholesale services, and the relevance of top-management support and the right regulatory environment needed for service providers to take a unified approach to managing or avoiding arbitrage between wholesale routes. BT believes that the MVNO opportunity remains strong. BT thinks that the best way to provide MVNO players with the right environment to thrive is to offer the best access network, flexible and comprehensive platforms, competitive and dynamic commercial models, and to leverage cross-selling opportunities to benefit both retail MVNO and wholesale host.

Wholesale arrangements were discussed in more detail in the panel sessions, all of which included MNOs active in the MVNO hosting sector:

- the retail-minus model of wholesale access was described as an inhibitor of innovation
- MVNOs which do not bring innovation to the table are seen as being too dependent on a discussion on (reaching an acceptable) price; MNOs were seeking added value not just price pressure
- Telefonica employs a mixture of arms-length and joint-venture MVNOs. This allows the MVNOs to explore different propositions, leverage non-traditional brands and socialise/digitalise differently to Telefonica's main mobile proposition
- MVNOs with separate systems can be more flexible and this allows them to look and feel different from the main brand
- in a mature market, potential MVNOs need to bring substantial assets to the table, ideally an established distribution base and a strong brand.

### 1.3 Conclusions

This track to the conference gave the audience the opportunity to hear from some of the industry's leading MVNOs, MNO hosts, advisers and technical experts. Debate was wide ranging and presented numerous perspectives and objectives in the area of wholesale for MVNOs. There was insight and experience from all angles.

It is evident that Wholesale as a Service can offer many things for providers and purchasers, including:

- revenue shares
- retail minus
- capacity
- hybrid models
- open-access wholesale offers
- customisation: LTE-only, NB-IoT, 5G, etc.
- other forms of agreement to support a new MVNO business model.

Hybrid wholesale models may also arise, although the view expressed by a Deutsche Telekom representative is pertinent: "I have seen many things described as *hybrid*". A simple classification of hybrid wholesale models is shown below.

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**What is a hybrid wholesale service model?** One which includes mixed or multiple elements of exchange between MNO–MVNO, for example:

- ♦ **MVNO brings something for the MNO to 'buy'** in the partnership (e.g. OEM technology to benefit the MNO, in-app purchase revenues, complementary content and products).
  - ♦ **One which includes a variety of components** of the 'wholesale as a service' (e.g. combinations of revenue shares, joint ventures, innovative means of wholesale access).
  - ♦ **MNO makes an investment** in MVNO in return for different wholesale terms.
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The wholesale arrangement for MVNOs is of course one of the fundamental starting points and a business-critical path for MVNO success. The idea implicit in many of the conference discussions during this track is that wholesale harmony can be achieved, but only when simultaneous elements of the MVNO-MNO

ecosystem combine with a pleasing tone. But just as there are many minor and major musical harmonies, there seem to be just as many wholesale options for our industry players to pick from. I did not hear the number-one hit tune coming through the conference PA; the one harmony which everyone wants. But I would be pleased to help you arrange one for your circumstances.

For further information on our work in the area of MVNOs, please contact Ian Streule, Partner, at [ian.streule@analysismason.com](mailto:ian.streule@analysismason.com), or on +44 1223 460600.

## 2. About Analysys Mason

Analysys Mason is a global consulting and research firm, specialising in telecoms, media and technology (TMT). Since 1985, Analysys Mason has played an influential role in key industry milestones and has helped clients through major shifts in the market. We continue to be at the forefront of developments in the digital economy and are advising clients on new business strategies to address disruptive technologies.

See what clients have to say about working with us: [www.analysismason.com/client-testimonials](http://www.analysismason.com/client-testimonials).

### **ABOUT OUR SERVICES**

At Analysys Mason, we understand that clients in the TMT industry operate in dynamic markets where change is constant. Our consulting and research has helped shape clients' understanding of the future so that they can thrive in these demanding conditions.

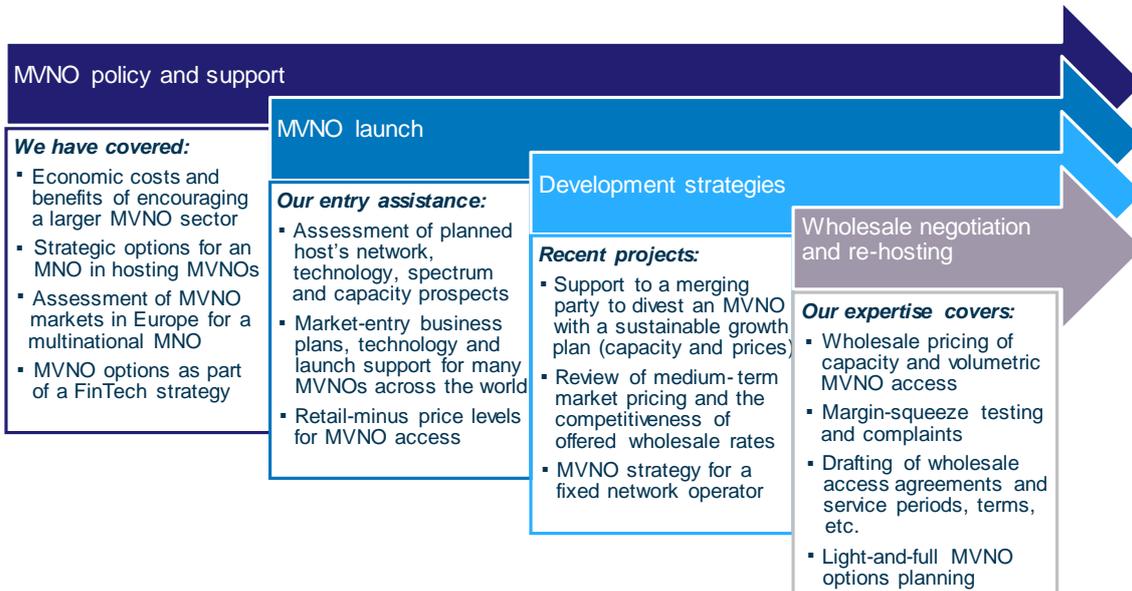
### **CONSULTING**

- We deliver tangible benefits to clients across the telecoms industry, including communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters and service and content providers.
- Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.
- We are future-focused and help clients understand the challenges and opportunities that new technology brings.

### **RESEARCH**

- Our dedicated analyst team tracks and forecasts the fixed and mobile services accessed by consumers and enterprises.
- We offer detailed insight into the software, infrastructure and technology that deliver those services.
- Clients benefit from regular and timely intelligence, and direct access to analysts.

### 3. Our MVNO experience



Sample projects	Description
Market entry for an MVNO in South East Asia	A high-level proposal for a capacity-based multi-year access deal and to perform <u>due diligence on key terms in the draft agreement with a host operator</u> in a major South-East Asian country. We suggested acceptable terms that would resolve the 'red-flag' issues in the draft agreement to help the group make an informed decision on whether to enter the market with the host operator.
Technical transition options and terms	We advised a major European MVNO group on its strategy and legal agreement for taking ownership of the MVNO platform and commencing the transition from light to full MVNO
M2M MVNO workshop	Analysys Mason helped an MVNO develop its proposition for the IoT/M2M market. We plotted the various options available, by adopting different roles in the value chain, and identified the most suitable strategy.
International MVNO strategy	An international carrier based in the Middle East was seeking to establish an inbound roaming MVNO in its home country and surrounding region. Analysys Mason was engaged to short-list the most attractive markets for hosting this operation, based on regulatory conditions, existing MVNO operations and availability of numbering resources
Strategy, planning and negotiations for a MVNO involved in the remedies of a merger case	We carried out a major strategic, regulatory, legal and technical project for a large MVNO in a European market. In the context of a potential merger involving our client's host MNO, we supported our client's CEO, CTO and CFO, as well as their external legal and financial advisers. We provided detailed and substantial advice on: business planning, scenario forecasting, business valuation inputs, wholesale access terms, merger scenario regulatory conditions, network cost calculations, capacity planning, wholesale capacity access, strategic decisions, host network separation plans, technical roadmaps, MVNO supplier negotiation, negotiation with the acquiring MNO on merger remedy conditions, and parts of the legal terms and conditions that would be used in the event of a merger.
Wholesale access tariffs	Analysys Mason assisted the IFT (the telecoms regulator in Mexico) in defining a regulatory framework for wholesale access to commercialise MVNO services