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# The role of wholesale in expanding next-generation mobile services

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As mobile network operators (MNOs) expand their service offerings with next-generation (4G and enhanced 4G) services, facilitated by the additional network capacity and capability as new spectrum bands come on-stream, the wholesale interface needs a coherent role in the overall strategy of the network players. Wholesale next-generation services will not dramatically change the retail-led drivers of underlying mobile service growth, but increasing vertical and horizontal relationships between different players does support this wholesale diversification.

Historically, mobile network operations and services have expanded successfully on the functioning of a retail-led system – competing, vertically integrated operators selling their own-produced mobile voice and data services to the corporate, industrial, business and residential user segments. Within this system, wholesale operations have extended from obligatory wholesale voice interconnection and inter-operator roaming services – into today’s broader but discretionary MVNO, partner and sub-brand wholesaling of underlying services. In this article we introduce the role of wholesale divisions for operators developing next-generation services.

## Wholesale: new markets, new services, incremental growth

Wholesale activities can lead to new markets and new services for 4G network owners. MNOs can gain incremental value by using a wholesale division to broaden the role and usage of these new networks, and to be the interface between the network and expansion into new areas such as M2M, off-peak mobile clouds, MVNO differentiation and premium peak-load, peak-speed charging.

In order to function effectively, these wholesale divisions need to become integral parts of MNOs’ mobile service development, network strategy and profitability management. The buyers of wholesale access also need to be able to adapt the available wholesale services to their mass-market or niche requirements, stage of growth and user maturity.

## Retail: More, bigger, faster, cheaper

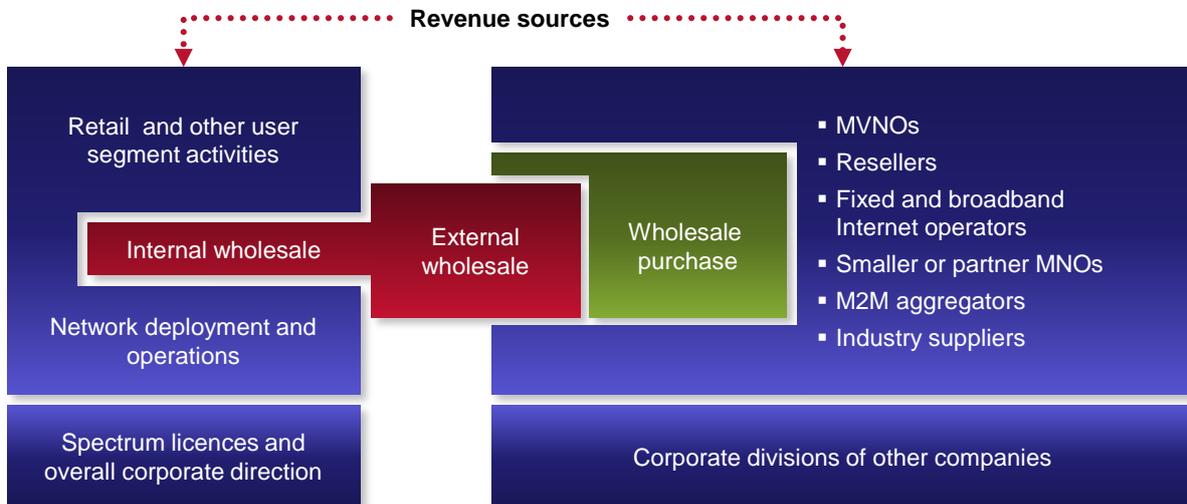
Internal retail activities will remain a core activity for most MNOs, but this is conventionally a bounded business – more traffic, more subscribers, bigger, faster, cheaper. A wholesale division can support the optimisation of retail price structures for internally produced and sold services – for example, by giving structure to pricing decisions, and a focus on managing profitability.

## What is needed?

We see the need for a new, strategically managed, dynamic but integral wholesale division to develop within the MNO, to act as an interface for:

- internal buyers – own-channel retail divisions – ensuring that the opportunities of the new networks can be achieved internally
- external buyers such as MVNOs, fixed operators, resellers, M2M aggregators and roaming providers.

Figure 1: The wholesale interface [Source: Analysys Mason, 2014]



## Wholesale: our role

Wholesale divisions need to understand the commercial market-facing realities of multiple user segments, as well as the underlying investment and cash-flow economics of the legacy and 4G networks in the short and longer term. Buyers of access in its various forms will need to negotiate and interface with wholesale suppliers to achieve service terms that are consistent with their own service offers and business growth objectives.

Developing a wholesale service approach for internal and a plethora of external services requires a broad strategy that takes into account retail channels, business-to-business users, commercial applications, end-user pricing, service costing, network profitability and long-term network and spectrum planning.

Please contact Ian Streule ([ian.streule@analysismason.com](mailto:ian.streule@analysismason.com)) to discuss further the issues in setting up, selling or buying next-generation wholesale services.