



WHOLESALE THE END OF A SPECIES?

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I will abstain from going through the market or business challenges of telecom operators and the wholesale businesses specifically, as this has been covered in the media and has been a HOT topic at conferences for years, getting worse to the point of unsustainability.

This development is not something uncommon in other markets and industries, which are or have been going through cycles of dramatic changes over the years. Some professions even simply died out. They had no voice or chance to stop evolution and their “species” entirely disappeared. Almost Darwinian!

The interesting part is that, for many years, the telecom industry has complained about the unfair developments impacting their cozy and stable business. Now, they are struggling to get to grips with the fierce competition they face from non-traditional industry players taking their slice of an actually shrinking pie.

Rather than taking action, or even taking action years ago, many remain in a state of complacency or paralysis that has allowed the industry to reach a point of no return and maybe no future. Why has a dynamic and creative part of a sector, such as international wholesale, not realised that the world around is changing and that these changes will significantly affect them one day?

Over the 18 years I have spent in international wholesale, there have been a number of circumstances that I observed from the beginning, that might explain the situation the industry is in today, as it struggles to evolve. I understand it is not easy to look in the mirror and accept that what you see is true and not as pretty as one had hoped. But here I go.



WHEN IT ALL STARTED THE SUBSCRIBER ERA

Before deregulation in the 90s, consumers and businesses were merely considered subscribers and not customers.

Historically, inter-operator relationships were meant to enable global communications by establishing commercial and technical interconnections between the incumbent PTTs.

No innovation was required in wholesale at that time, since there was no innovation in retail. Everything was about subscribers and penetration density. Subscriber connection establishment priorities were therefore based on annual roll-out plans and budgets of mostly government-owned companies. There was no need for a profit driven culture, so there was none.

Then came mobile in the early to mid-90s. This created the need for domestic wholesale, as the mobile operators had to interconnect with the fixed line incumbent and had to buy all international airtime from the domestic PTT. No sales approach was required. The only requisite was to allow access, which was largely forced by government, the main owner.

WHEN IT GOT INTERESTING THE DEREGULATION ERA

With the rise of deregulation, a lot of players in the voice space tried to take advantage of arbitrage and inefficiencies in the interconnect world, whilst retail was largely competing on price only (more or less). Therefore, most creativity was found in the fraud space rather than in service propositions and consumer solutions.

Too much money was thrown at the sector, which spoiled people's character. This made some people fairly rich, whilst others benefited from the abundance of free flowing of cash for a good time. 'I know, I know'... the bankers did the same until 2008.

The market was contained and the players limited, at least the relevant ones, which provided comfort in knowing who is around and might be dangerous or not. Until the OTT's came along that was.

WHEN IT ALL STARTED GOING WRONG THE INNOVATION ERA

Up until the arrival of Cloud and IPX, innovation was far from an industry trait and a lot of noise was made around actually commoditised products or services. Yes, I know, you have heard me say that word many times before.

As commoditisation increased and prices kept declining, the players still refused to take action and change their market model. What was needed at that time was to get rid of expensive unnecessary staff, to automate and to make the exchange of services an eCommerce proposition.

Wholesalers should have let software do what it does better than people, while focusing on improving service activation and flexibility in terms of contract duration and pay per use models. But again, no one cared. Many people were thinking about their own careers, which they did not want to see cut short. A perfectly human trait...

Sadly, voice ran out of steam and hoping that the developing markets would never run out was a short lived hope, as there are only so

many countries in the world. Once Myanmar was uncovered, the only remaining opportunity now lies in Iran (since last month) and in North Korea (but that might take a bit longer).

After that, the developing market bonanza will be finally over. Whilst busy racing for hard to reach destinations, we didn't notice the OTTs sneaking in and merely branded them as bad quality players no one would really use. But we ignored the power of FREE.

In the innovation era we are in, new services require far more IT, software, mobile and wireless technology knowhow than they ever did in the past. This type of knowledge is not part of the DNA of most carriers' wholesale groups and the path to obtaining it is long, complicated and full of human obstacles.

WHEN IT GETS SCARY, BUT EXCITING THE REVOLUTION ERA

If the traditional wholesale services destiny is now all about cost leadership and service enablement powered by automation, and if the destiny for services around cloud, applications and IPX services is technology and systems for full self-service of the application layers, where does that leave wholesale entirely?

Is there actually a space left for it besides providing bundled network sourcing and deployment which is bespoke, with the rest being service enablement, which realistically needs a different breed of company, with a much wider scope of skills and abilities?

If that is the case, we should think about abandoning the term wholesale entirely and define our new business identities. We have to be more specific describing clearly what we do and for whom. It may breathe a new lease of life into the people working in the industry as well, but people need to want to learn and change.

I meet many people in their mid-career who feel and think that business life as it is will be like that forever. But this won't continue.

There are many exciting opportunities in the new world of applications and connected things, but they require a different approach and a completely different way of thinking.

WHERE DO WE GO FROM HERE?

Our heritage and legacy I think has led the industry to where it is. Lack of, or inability to learn and drive progress, to improve and

***‘Wholesalers need a revolution,
a revolution of the mind and
attitude.’***



develop amongst people. Complacency and easy wholesale money. Where are all the brave people to drive change? Are we left with moaners and defenders of the status quo?

Again we can learn from Darwin and stop our micro-evolutionary steps to adapt, which are only small adjustments to the “species”, instead of making macro-evolutionary changes where we become an entirely new “species”.

Or do we need more than evolution by now? Maybe we need a revolution, a revolution of the mind and attitude. Brave ideas and people to develop and push them, people who believe! We don't need people who think outside the box since there has never been a box in the first place.

Let us look into that mirror again and again until we see something we like, something beautiful!

During my time at Epsilon we tried very hard to drive that revolution and I think we succeeded to a large degree. However, one always underestimates the time these things take until they become a reality and are found in every corner of the organization.

We took new approaches and applied “quantum strategy” or strategy paradoxes to succeed. What I mean by a quantum strategy is that one organization can be, or focus, in two opposite directions, or work on two opposing objectives. i.e. premium product and service but absolute cost leadership and efficiency.

Or like in another case, be a service provider (Epsilon), but at the same time also investing in a technology start up (Cataleya) to be exposed to technology DNA directly and collectively, rather than only being a buyer or user of technology.

I am now on the board of Cirrus Core Networks, and we follow the same principle. We revolutionize the way mobile core networks are run and operated to meet the demands of the future, of people and of things.

On this note, I leave you with a quote from one of my favourite writers and philosophers, that expresses the state of mind wholesalers will need to get used to in this new world...

'An idea starts to get interesting when you get scared of taking it to its logical conclusion.'

Nassim N. Taleb

ABOUT ANDREAS HIPPE

Andreas was the Founder and Group CEO of Epsilon Global Communications, which includes Epsilon service provider and Cataleya technology businesses.

During his 18 years in the global telecoms community he has contributed to the evolution of the international markets and technologies, creating innovative businesses, and disruptive business models. He loves technology but people even more and what technology can or must do for them.

He is now continuing to accelerate the industry's evolution through his start-up accelerator (Incipio) and his position on the board of Cirrus Core Networks, which offers an all NFV-based Infrastructure as a Service (IaaS) proposition for Mobile Network Operators.

He is also part of HOT TELECOM's Special Forces, a group of leading industry experts who help guide our customers' strategic evolution and new business vision.

ABOUT HOT TELECOM

HOT TELECOM is one of the most innovative and creative research and consulting companies, which has been providing International operators and carriers with specialized intelligence and advice for the past 13 years.

We understand the challenges faced by international carriers better than anyone, and have therefore developed a number of research and advisory tools and expertise to mirror these needs, and provide the support any wholesaler requires to survive and thrive in the current environment.

To find out more about what we can do for you and how we can make the difference in your success, contact us and it will be our pleasure to provide you with tailored, real-life solutions that will meet your needs, challenges and objectives.

For more information, please visit: www.hottelecom.com

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