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Rethinking Wholesale  
*Five Key Strategies*  
*for MENA Telecom*  
*Operators*



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## EXECUTIVE SUMMARY

*For years, telecom wholesalers in the Middle East and North Africa (MENA) region have mainly engaged in lucrative facility leasing. However, a spate of new services, competitors, and regulations is rapidly transforming the sector's landscape, and yesterday's easy pickings may not be available tomorrow.*

The region's network operators need to embrace and adapt to these changes in the landscape, and respond with fundamental changes of their own. New strategies are required for operators to remain competitive, and even thrive, in the evolving industry. The successful wholesalers of tomorrow will be essential enablers for the wider communication, media, and technology industries.

Tomorrow's leading wholesalers will have established business practices

that sustain their traditional revenue streams despite commoditization, new competition, and technological change. They will have expanded beyond domestic borders to achieve scale and service new markets. They will have developed new capabilities, technology platforms, and a comprehensive portfolio of new services to become enablers for the rest of the industry with the ability to handle a new wave of growth in the MENA region.

## KEY HIGHLIGHTS

- Across the MENA region, changes to the competitive landscape, technology, and revenue models are demanding new strategies for telecom operators' wholesale businesses.
- Successful strategies will focus on gaining autonomy from retail, building future-proof networks, sustaining core market share, getting ready for next-generation customers, and building international reach.
- Telecom wholesalers should develop a road map to capitalize on their existing strengths and assets while establishing a foundation to benefit from opportunities both in the MENA region and further afield.

## PUTTING DOWN STAKES IN A HIGH-GROWTH BUSINESS

Globally, telecom wholesale represents a US\$150 billion annual business, accounting for roughly one of every 10 dollars of telecom industry revenue. For some successful operators, wholesale accounts for as much as a quarter of their business.

Within the MENA region, wholesale revenue accounted for approximately \$3 billion in 2008. It has exhibited a 20 percent annual growth rate over the past five years, making it one of the industry's fastest-growing segments.

To capture this significant high-growth business, telecom wholesalers have evolved from focusing solely on international carrier services to offering a full range of wholesale infrastructure and value-added services.

However, emerging dynamics in the industry landscape are reshaping realities for wholesalers in the MENA region. The liberalization of markets has fostered increased competition,

which is leading to downward pressure on wholesale prices. Consumers are demanding new types of services, which require new investments at the wholesale level. Today's telecom sector features the introduction of new infrastructure players, the emergence of service-based operators, the international expansion of national operators, and the adoption of next-generation IP networks.

In order to sustain their growth in the future, regional wholesalers need to redefine old business and governance models. After modernizing their product portfolio and recalibrating their operating scale, the market leaders of tomorrow will fundamentally reposition themselves to play a more prominent role in the value chain and maximize potential growth.

The opportunities are there. Even taking into account various forecasts of a decline in voice revenues (which has yet to materialize), telecom wholesalers with ambitious services and scale goals should be targeting as much as 10 percent compound annual revenue growth over the next five years. However, incumbent operators that have yet to face competition in their domestic markets should far exceed this number as their first retail competitors—and wholesale customers—enter the market.

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## EVOLVING INDUSTRY DRIVERS: THE TRANSFOR- MATION OF WHOLESALE

Traditionally, wholesalers relied on lucrative facility-sharing and pure pipe services. Today, the industry is far more complex. There are fast-evolving forces causing wholesalers to seek out new revenue opportunities, reduce future costs, and expand market share.

*Facility-based competition:* Over the past decade, lower barriers to market entry have resulted in the deployment of alternative national telecom infrastructure in several MENA countries, including Saudi Arabia, the UAE, and Egypt. Although the focus was primarily on mobile networks, this influx of facility-based competition has increased the size of the telecom market but has driven down wholesale prices.

*Service-based operators:* A new breed of wholesale customers, including virtual network operators (VNOs) and application service providers (ASPs), are generating demand for next-generation wholesale services and applications through market segmentation and targeted pricing. In 2008, Jordan awarded two mobile virtual network operator (MVNO) licenses, while Oman awarded five. Bahrain and Saudi Arabia also have voiced ambitions to license MVNOs.

*International expansion of national operators:* MENA operators are expanding their international footprint, thus increasing economies of scale and advancing wholesale competition. Etisalat, Qtel, and STC are examples of operators that have deployed several data nodes across the MENA region and are serving subsidiaries.

*Evolving customer demand:* Subscribers are craving bandwidth-intensive services such as online video streaming and interactive media. Furthermore, much of this dynamic content is now generated by consumers (who are positioned at the edge of the network), putting additional

strain on traditional networks as content is uploaded as well as downloaded. This surge in demand is encouraging the deployment of intelligent, high-speed networks.

*Shifting revenue streams:* The industry's traditional revenue streams are maturing. The growth and profitability of legacy services are no longer at the level they once were. The number of mobile subscribers in the MENA region will increase at an 8 percent annual rate over the next five years, compared with a 37 percent annual growth rate over the past five years.<sup>1</sup> This presents an incentive for operators to explore new and more lucrative revenue streams as growth from traditional wholesale voice services begins to slow.

*Margin pressures:* Competition, oversupply of infrastructure, increased regulation, and the recent economic downturn are putting severe pressure on operators to reduce costs—resulting, on occasion, in lower quality levels. Some operators are increasing resource utilization, streamlining operations, and shifting to indirect international routes in order to reduce settlement charges.

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To maintain market share and capture emerging opportunities arising from these changing industry dynamics, leading wholesale operators in the MENA region should consider five new strategic priorities (see Exhibit 1).

- **Gain Autonomy from Retail:** Evolve the governance model, separating the wholesale business from the retail business, both to capture emerging service-based opportunities and to improve operating efficiency.
- **Build Future-proof Networks:** Ensure the efficient deployment of network infrastructure capable of supporting the next wave of wholesale services, such as virtual network enabler (VNE) services and content delivery networks (CDNs).
- **Sustain Core Market Share:** Maintain market share in light

of increased liberalization, the competition it has fostered, and the deployment of alternative infrastructure throughout the region.

- **Get Ready for Next-generation Customers:** Identify how best to capture the opportunity from service and application providers (e.g., VNOs, ASPs) through the development of new capabilities, platforms, and products.
- **Build International Reach:** Expand beyond national boundaries in order to capture new regional and international opportunities, achieve efficiencies of scale, and provide a platform to support retail business growth.

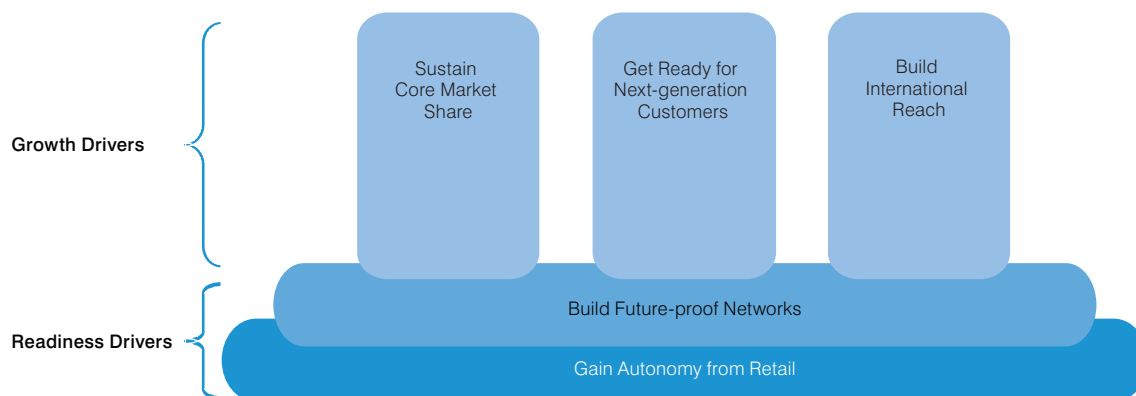
The five strategic priorities are not mutually exclusive. For example, serving next-generation customers will require, in some instances, international reach to target media and

content players that deliver content across the region rather than in a single country. In addition, the ways in which operators tackle these strategic priorities will vary depending on their circumstances.

Two of the dimensions, though, will have a marked impact on the others: gaining autonomy from retail divisions and the ability to secure access to future-proof network infrastructure. These are essential enablers, which support a wholesaler's ability to protect domestic market share, serve next-generation customers, and scale internationally, all of which are critical to remaining competitive.

In determining how to build out their wholesale agenda, MENA wholesalers will need to consider the level of competition in their markets, the amount of duplicate infrastructure, and their geographic location, which will influence their ability to scale.

**Exhibit 1**  
**Five New Strategic Priorities for MENA Wholesalers**



Source: Booz & Company

## STRATEGY 1: GAIN AUTONOMY FROM RETAIL

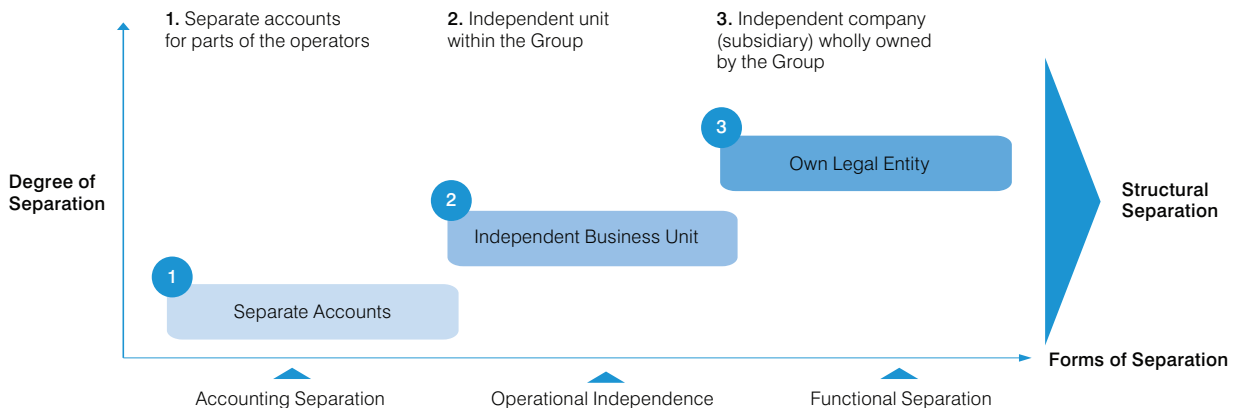
The wholesale paradox is simple: Wholesale customers are retail competitors. Vertically integrated telecom operators are often hesitant to provide wholesale services to other operators for fear that they will

simply use it to erode the provider's retail market share. Furthermore, wholesale growth is often severely restricted because traditional integrated governance models prevent wholesale divisions from operating with true independence; all too often, the wholesale function is limited to what the national regulator mandates. However, mature markets worldwide have shown repeatedly that a strong wholesale function delivers sizable revenues from other operators, which in turn contribute to market growth, benefiting the retail divisions.

To maximize their growth potential, especially at a national level where the perceived conflict of interest is most prevalent, MENA wholesalers need to achieve operational autonomy from their retail divisions and should examine the case for pursuing separation.

Several degrees of separation exist (*see Exhibit 2*). In determining which model is most appropriate, telecom operators should take into account the level of market maturity, the current regulatory environment, the regulator's ambitions, and the

*Exhibit 2*  
**Functional Separation Allows for Greater Independence Than Less-Intensive Forms of Separation**



Source: Booz & Company

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operator's overarching interests. From a telecom operator's perspective, the retail and wholesale degree of separation largely depends on both the national regulatory environment and the market value that each operation can leverage.

Some regulators in the region, such as the Communications and Information Technology Commission (CITC) in Saudi Arabia, are already in the process of implementing various degrees of accounting separation. However, this alone does not drive operators' wholesale autonomy.

A number of operators, among them STC, Etisalat, and Telecom Egypt, have achieved operational independence for their wholesale business units. This model ensures that dedicated managers are appointed and charged with growing

the wholesale business, but the autonomy of wholesale decision making is often restricted by the operator's desire to limit retail competition, which can restrain growth.

Functional separation dissociates retail and wholesale functions and ensures decision-making autonomy for wholesale without triggering the need for changes to the equity structure of the holding company that would surface in a full structural separation. This may be the preferred model for some operators in markets where regulators are considering stricter regulatory measures, such as structural separation. Furthermore, operator-enacted functional separation is often preferable to separation imposed by the regulator, because it enables the wholesale entity to support the wider interests of the operator more freely.

There are numerous examples of telecom operators that have successfully implemented functional separation. At an operating company level, British Telecom (BT) functionally separated what is now Openreach from its retail and international operations (although this separation was restricted to the access services division because the remainder of BT Wholesale was considered to be operating with sufficient autonomy). Telecom New Zealand also announced plans to set up an independent wholesale unit voluntarily, with "equivalent service delivery processes and services levels" for its customers. Such measures of functional separation are also happening at the holding company level. Telecom Italia, for example, separated its international wholesale business from its national wholesale and retail business in 2003. The international wholesale network

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and services are now competing internationally as TI Sparkle.

An operator's choice of separation structure influences the governance model, executive structure, the degree of wholesale autonomy in decision making, and the allocation of assets at both the operating and holding company level. Telecom operators planning to separate must also develop a clear regulatory management strategy to reduce regulatory pressure and maximize the goodwill extracted from separating their businesses.

Separation of the wholesale business—in its various forms—could reap a number of benefits. Several MENA operators are under scrutiny from national regulators; separation would alleviate such regulatory pressure without

devaluing the operator as a whole (functional separation may be more effective in this regard than accounting separation or operational independence). Achieving full autonomy could mitigate further risks from market liberalization while allowing operators to sustain their enhanced market value and limit infrastructure competition in areas where other operators already want to limit their investment in duplicate infrastructure.

Separation is likely to enhance performance by ensuring that each unit is accountable for its revenues and costs, providing strong motivation for each business to enhance performance and streamline operations. The retail function benefits from being able to focus on the elements that play to the strengths of the service layer

(such as customer service and retail propositions) instead of using infrastructure as a key differentiator. BT is a perfect example of an operator in which a strong wholesale arm and effective separation have forced its retail function to focus on customer service and quality. It has since regained its retail market leadership but now in a far bigger market.

Separation, and the autonomy it creates, provides the first building block in a changing business environment, enabling the shift from vertical to horizontal focus and setting the foundation for adoption of new wholesale models. MENA wholesalers that tackle the issue of separation today will be able to pursue more aggressive growth both domestically and internationally.

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## STRATEGY 2: BUILD FUTURE-PROOF NETWORKS

Most telecom operators' networks have evolved over time. As new technologies such as frame relay, ATM, and IP emerge, they are overlaid on the original PSTN. As a result, today's legacy networks have become complex, multilayered, inflexible assets that are expensive to run and that will not meet the needs of customers in the future.

Wholesalers in the region must ensure that they remain agile. Price pressure from oversupply means that they must focus more on margins and underlying cost of ownership. Fast-shifting demand and next-generation customers mean that the process from concept to market must be rapid in order to stay ahead of the pack. An increasingly crowded MENA marketplace necessitates that wholesale offerings be differentiated to succeed. MENA wholesalers need to continue to support traditional services while also being able to support a range of new services and customer types.

Consequently, wholesale operators must build, or at least secure access to, next-generation networks (NGNs). All-IP NGN topologies are far simpler, more flexible, and more efficient than traditional multilayer networks. BT believes it will save over \$1.6 billion per year as a direct result of its migration to its "21st-century network." In addition, NGNs are more easily scalable than legacy networks, meaning wholesalers can more easily cope with the expected surge in MENA IP traffic.

Making the transition to NGNs also allows for an evolution from a vertical to a horizontal architecture. In traditional vertical architectures, the network consists of silos that employ different standards; functions such as control and transmission must be replicated for each network and associated service. In horizontal NGN architectures, by contrast, a single network structure is based on an all-IP network infrastructure and standards; different applications and

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services can use common functions (see Exhibit 3). The shift allows for a far greater focus on applications and improved customer service through rationalized, flexible business support systems (BSS) and operations support systems (OSS). The horizontal architecture can also curtail product development cycles dramatically, allowing wholesalers to bring new products to market more quickly. Finally, NGN architecture also leads to shorter service lead times, easier fault analysis, and improved service quality.

Wholesalers with access to next-generation networks and service-delivery platforms will be more competitive as they more easily differentiate their products from the

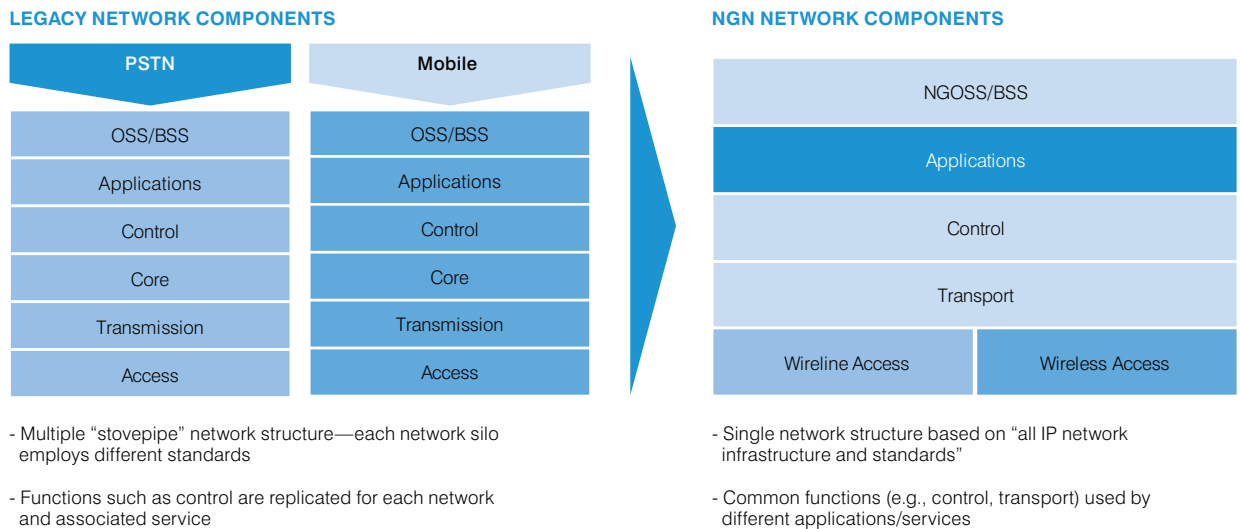
competition. NGNs provide more customer control, allowing wholesale customers to use portals to make changes to their services in real time. A future-proof network will more readily support voice, IP, and video products, meaning that wholesale customers can consolidate their supply chains. Deutsche Telekom has launched its IPX service, which aims to enable fixed and mobile operators, as well as content and media providers, to connect with one another via one platform, one contract, and one supplier.

To benefit from next-generation network architectures, wholesale operators need to align technology and service plans to optimize their service portfolios. They also need to

develop the internal agility to speed up product development as well as focus much more on the customer-centricity enabled by NGNs.

A future-proof network is not a revenue generator in itself in the way that international expansion or a new product can be. However, it is a key enabler for tomorrow's successful wholesale operator. The flexibility, customer focus, scalability, higher quality, and lower operating cost delivered by an all-IP network, along with the service-delivery platforms developed in next-generation architectures, will provide MENA wholesalers with an essential advantage in an increasingly competitive market.

**Exhibit 3**  
*The Transition to a Horizontal NGN Architecture Allows for Significant Benefits*



Source: Booz & Company

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## STRATEGY 3: SUSTAIN CORE MARKET SHARE

For incumbent national telecom providers, there were virtually no barriers to achieving domestic market leadership in the wholesale business before the introduction of competition. Today, though, new entrants increasingly compete with incumbents through the deployment of alternative next-generation infrastructure. In Saudi Arabia, for example, a consortium of three licensees now operates a national fiber-optic backbone and competes directly with the incumbent in the wholesale arena.

For new entrants, the growth of the retail market stimulated by liberalization and the wholesale opportunities presented by subsequent licensees have provided an ideal launch pad for establishing a wholesale business and recouping network deployment costs.

All established wholesalers, whether incumbent or a more recent market participant, should focus on sustain-

ing their share of key markets. Apart from dramatically reducing the total cost of network ownership, maintaining share in diversified wholesale services—and not just those mandated by the regulator—allows operators to recoup a portion of the retail revenues lost to competition.

Established wholesale operators have a number of initiatives at their disposal. First and foremost, they must learn to view other national operators as customers, not competitors. Failing to do so only forces operators into the arms of other wholesale providers or, worse, leads them to deploy additional infrastructure. The latter does more than just result in lost wholesale revenues; it creates further competition within the wholesale field of play.

Second, a wholesaler's service portfolio should extend beyond regulatory obligations and traditional infrastructure services to include a new wave of IP-based core network, managed-

data, and value-added services (see Exhibit 4). As retail operators increasingly question the value of owning and managing their own networks, wholesalers can capitalize on this shift by providing a full suite of managed services. Applications and content are emerging as an in-demand wholesale service: For example, Tata Communications, the Indian incumbent, is offering wholesale-managed mobile content services. Orange in Jordan established its

“Entertainment Everywhere” strategy to play a major role in the development and wholesale of music, video, and gaming content markets. Both are likely to deploy these services throughout the MENA region. By carefully considering the market’s maturity and liberalization level, MENA wholesalers can expand the market into new areas rather than simply protect their retail business from the challenge of new entrants.

Wholesalers can also develop tailored infrastructure-sharing models applicable to their respective markets, such as national roaming services, tower sharing, duct sharing, and the various flavors of loop unbundling. Although national roaming and tower-sharing agreements are common in the MENA region, operators can further develop high-speed core network and access services that may, especially in today’s environment, actually discourage competing

**Exhibit 4**  
*The Evolution of Wholesale Services*

	TRADITIONAL SERVICES	NEW-WAVE SERVICES
Transport	Transmission (SDH, DWDM), submarine capacity, restoration, Internet exchange	White-label IP services, gigabit Ethernet, and CDNs
Co-location	Co-location at landing station, in exchanges, on towers, and in ducts	Data centers services, application hosting, Web hosting
Access	Dial-up Internet access, xDSL unbundling, local leased circuits	Wireless broadband and local fiber sharing
Voice	Packaged voice services	Switched voice services, VoIP
Managed Data Services	Mobile data, long-distance leased circuits, frame relay, ATM, and IP-VPN	Outsourcing of billing services, outsourcing of network management

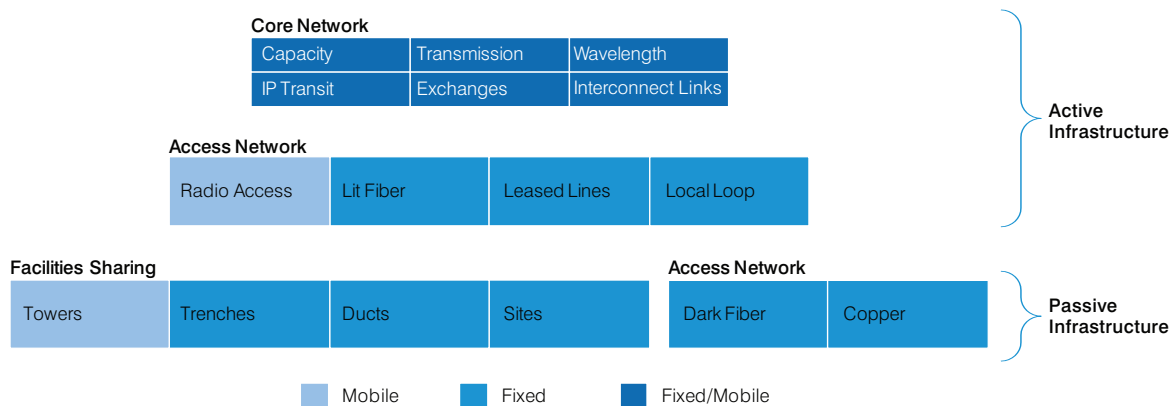
Source: Booz & Company

infrastructure deployment. *Exhibit 5* shows the possible business components and services that can be shared within different network layers. Orange in Jordan provides a perfect example of an operator that has increased its focus on wholesale infrastructure sharing. It has recently cut its wholesale bitstream prices by 20 percent as part of a strategy to partner with other licensed operators to increase overall national broadband penetration.

Finally, wholesalers must seek to maximize customer loyalty by promising and delivering an exceptional customer experience. Wholesale customers still rank price and quality as leading selection criteria.<sup>2</sup> Wholesale operators on the whole have been quick to react in the face of ongoing commoditization—though too often, quality (in all of its facets) is overlooked. Wholesale organizations have traditionally evolved from network divisions and although many may have taken the first steps toward customer-centricity, few are

achieving the heights required to build meaningful, long-term partnerships. Customers value flexibility, short and reliable service lead times, 24/7 availability, and dedicated account managers. These functions are not new to telecom operators, and wholesalers can often leverage the capabilities that already exist in their retail divisions. What is clear is that if wholesalers want to maintain market share, a differentiated customer experience can no longer be treated as an optional extra. It must be the standard.

*Exhibit 5*  
Infrastructure-Sharing Potential Across Network Layers



Source: Booz & Company

## STRATEGY 4: GET READY FOR NEXT- GENERATION CUSTOMERS

MENA wholesale operators are witnessing the emergence of a range of new customer segments and will need to adjust their strategies to serve them effectively.

Established wholesale operators are well versed in providing services to new market entrants. For example, Etisalat provides carrier pre-select services to du in the UAE while STC and Mobily both provide a range of wholesale services to Zain and Etihad Atheeb Telecom in Saudi Arabia. However, as MENA regulators enter the next stage of sector development, wholesalers are witnessing the emergence of a high-growth, if unfamiliar, wholesale customer type. As mentioned earlier, both Jordan and Oman have awarded MVNO licenses and several more MENA countries have announced plans to do so in the near future. A range of wholesale models to serve this new customer is possible, as MVNOs may need anything from simple radio access to an end-to-end managed solution, complete with call-center and customer portal.

Content aggregators and application service providers can become key customers to the more agile wholesale operator. By 2013, the various forms of video (TV, VOD, Internet video,

and P2P) are likely to exceed 90 percent of global consumer traffic.<sup>3</sup> Major content aggregators such as Google (and its subsidiary YouTube) are securing peering agreements and capacity services from operators at little or no cost. The network operator risks being shut out of the value chain. Rather than relying on traditional IP transit services, wholesalers need to take the lead by considering content-delivery networks (CDNs) and exchange services as products that can effectively monetize the network and provide a compelling proposition to content providers and media companies.

Wholesale operators also need to look to companies outside the telecom sector that would like to provide telecom services to their existing customer bases. These are typically strong retail brands such as financial institutions, supermarkets, airlines, and other media players. Finally, in the fast-evolving MENA marketplace, unified licensing is a stated priority for several regulators. Such regulation will shift demand for wholesale fixed-line services away from existing mobile-only operators.

Wholesalers must not immediately shy away from offering highly lucrative white-label managed services to these customers; the returns can be sizable. For example, BT Wholesale secured managed network solutions contracts worth \$2 billion in 2008–09.

These next-generation customers will require increasingly sophisticated wholesale services, more innovation, new operational capabilities, and additional enabling infrastructure.

Wholesalers will need the capabilities to manage customer-specific platforms and highly customized service offerings, such as end-to-end managed services. Some of these services will be transaction-intensive and will require improved provisioning models (e.g., MVNO bill printing, white-label broadband provisioning). Other services will be highly susceptible to deviations in quality (for example, a packet loss of less than 0.5 percent can severely degrade a video picture). All will require a fundamental change in the service levels currently offered by most wholesalers.

Next-generation customers will require not only new products and services from wholesale operators but a revamped customer interface. Managed and outsourced services require specialist sales, commercial negotiation, and customer service skills that may not readily be available in current wholesale organizations. Many wholesale operators are already developing portals that allow customers to raise and track orders, faults, and expenditures.

It is likely that wholesalers will face challenges in serving these emerging segments. That new capabilities will be required is clear. The successful wholesaler will refrain from using partnerships to obtain these capabilities, whether they are related to platforms, customer service, or business process. It is only through quick and effective capability building that wholesalers can differentiate themselves from international vendors and make the most of their infrastructure advantage.

## STRATEGY 5: BUILD INTERNATIONAL REACH

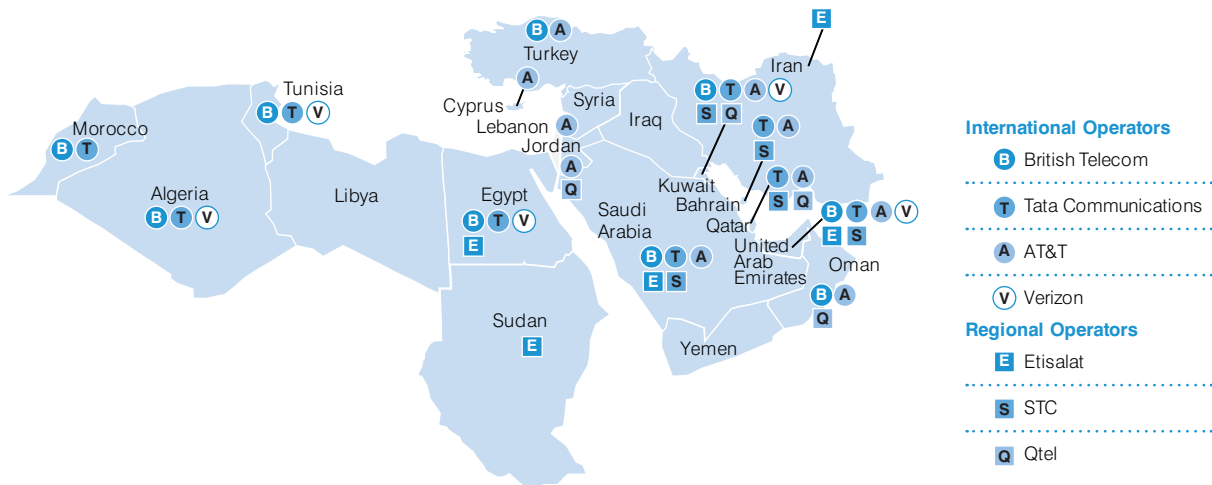
Increased liberalization across the MENA region has brought about elevated competition in national wholesale markets. In addition,

Tier One international providers are establishing a foothold across the region to compete with national wholesalers in their home markets (see Exhibit 6). Although the arrival of these international players presents partnership opportunities, MENA wholesale operators cannot continue to target growth only in their domestic markets as they will be restricted by competition. However, they can leverage their existing national infrastructure (and international capacity) by selling wholesale services through-

out the region. For example, STC has successfully grown its regional footprint and today provides capacity and IP transit services to service providers in all of its neighboring countries.

As well as targeting other telecom operators, wholesalers in the region are venturing into new markets to serve international enterprise segments, which were previously seen only as a retail market. The globalization of MENA companies and the increasing importance of the MENA

*Exhibit 6  
Presence of Selected International Wholesalers in the MENA Region*



Source: Booz & Company

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region in global trade have underscored the need to interconnect these companies' international offices.

Wholesalers aiming to grow beyond the potential of their national market often establish a regional footprint before venturing into wider international expansions. Telefónica and Deutsche Telekom adopted this approach when expanding in Europe. However, that is not the only approach: Tata chose to expand globally by initially focusing on wholesaling pure capacity and infrastructure before embarking on the expansion of its portfolio to include limited value-added services and content services.

MENA wholesalers that are part of a larger international group of operators are well positioned to leverage the infrastructure of their parent company and its affiliates. Apart from the obvious network coverage and market access benefits this provides, it also allows the operators to leverage group synergies. One such synergy is to drive cost-reduction initiatives, mainly from voice interconnect agreements and international

capacity sourcing, both of which are more affordable if spread across different markets.

The need to build international reach is not limited to group operators. Single-entity telecom operators are continuously expanding their international infrastructure as they look to better support their retail services (e.g., investing in new submarine cables and establishing international PoPs). This infrastructure provides the wholesale division with access to new markets, if backed up by the necessary business functions such as international sales teams and targeted international services such as IP transit and regional CDNs.

Although organic expansion typically leads to high profit margins through direct international investments, the need for the wholesaler to develop internal capabilities and new market knowledge often slows such growth. Strategic partnerships such as international PoPs offer faster access to new markets and enable the wholesaler to attract more traffic to its network. This tactic has been adopted widely across the region by Etisalat,

STC, and Tata, along with several others. Wholesale operators should also consider acquisitions as an enabler to international growth. This strategy can help operators either obtain access to new markets (e.g., by buying another wholesale carrier in a target region) or augment the capabilities within the business. The latter of these is particularly interesting to wholesalers embarking on the development of next-generation international products such as CDNs. Level 3 Communications adopted such an approach with its acquisition of Savvis, a pure-play CDN.

As regional expansion continues among telecom operators in the MENA region, and customers increasingly look to consolidate their wholesale suppliers, wholesalers that continue to restrict their focus to their domestic market will find that their growth opportunities are limited. International expansion offers wholesalers the opportunity to build a more diverse service portfolio and better target new customers, thereby attracting more traffic and transactions to their networks.

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## CONCLUSION

Wholesale players need to evolve to serve telecom operators that are themselves evolving from basic service providers to transaction enablers. The wholesalers with the most dexterity and ingenuity will thrive during this transition.

Infrastructure is certain to remain a key contributor to any operator's business. Market liberalization in the MENA region continues to introduce more players; although traditionally seen as competitors, these players represent potential customers to the wholesalers that have gained the requisite independence from their retail divisions. For that reason, telecom operators need to evolve their business models to support existing and new operators with the full range of wholesale services. If they do not, they face the risk of intensified competition not only in the retail domain, but also at an infrastructure level, which will only further contribute to the loss of addressable market share.

To remain competitive, MENA telecom operators with wholesale ambitions should become essential enablers to the rest of the industry. Leading MENA wholesale providers need to proactively develop evolutionary strategies to reposition themselves for the new marketplace. They must develop the capabilities not just to protect their existing businesses, but also to serve a very different type of customer (e.g., applications and service providers) with a new generation of services (e.g., CDNs and VNE services). They must capitalize on their experience and assets to grow both in their domestic markets and further afield.

Wholesale business models in the MENA region require changes, some of them fundamental. But leading regional wholesalers are well placed to secure a role at the center of the communication and media industry and move beyond their traditional role of providing infrastructure services.

## Endnotes

<sup>1</sup> World Cellular Information Service.

<sup>2</sup> "Wholesale Customer Survey 2009," Ovum, November 2009.

<sup>3</sup> Cisco Visual Networking Index, June 2009.

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