News release

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| *Pages* | 2 pages |

**Wholesale Approach to Cloud Services Affords Telcos**

**New Opportunities**

**New York, 16 Oct 2013** ‑‑ PwC’s latest report on cloud services in the telco industry’ finds that a new ‘wholesale’ method has emerged as a means for them to enter the cloud services business. Previously, growing cloud services via acquisition or developing them in-house were the primary options.

Pierre-Alain Sur, Global Communications Industry Leader, PwC, said: “Telcos are not receiving the same double digit growth that the global cloud sector is currently experiencing. The global market for cloud services is expected to grow 18% in 2013 to $131 billion and to $244 billion by 2017, which translates to a compound annual growth rate of 17.1%1. That’s a huge opportunity. But if telcos want to enter the cloud services market, they must consider several key factors and manage them strategically if they want to achieve success.”

**Wholesale approach: what it is**

According to the report, *'Is the forecast clear on your wholesale cloud strategy?’*, the wholesale method enables telco companies to ‘buy into’ the cloud business of an existing cloud service provider. The telco would then be able to offer its customers an end-to-end cloud services platform. Sometimes referred to as the 'franchise' approach, the telco has the opportunity to buy the underlying technology and operating directions but should not adopt the branding of the cloud service provider, the report says. Ideally, the telco retains the services under the umbrella of its own brand.

**How and when to use wholesale approach**

PwC’s report outlines what factors telcos should evaluate before adopting a wholesale approach. Most importantly, a telco should review its current portfolio of cloud services and their end-to-end service delivery capabilities. In many instances, a modular wholesale cloud offering could fill existing gaps in a telco company’s existing cloud services. These instances include:

* Incomplete services: a telco may offer Infrastructure-as-a-Service (IaaS) but not Software-as-a-Service (SaaS) or Platform-as-a-Service (PaaS) offerings;
* Insufficient single tenant, private cloud solutions: The telco could rely on the wholesale provider to purchase a multi-tenant public cloud solution or a hybrid cloud solution;
* Self-management: If a telco does not offer self-management capabilities for its cloud offerings, a wholesale cloud provider with offerings that include self-service features could be considered;
* Cloud service payment: In cases where the telco does not have easy, pay-by-credit card options, wholesale cloud providers with such capabilities could enhance the consumer’s purchasing and user experience;
* Billing capabilities: the wholesale cloud provider could offer ‘out-of-the-box’ billing solutions’ when the telco has a slow, manually driven customer billing process.

**Conclusion**

Choosing the appropriate wholesale cloud provider is as crucial a decision for a telco as deciding to use the wholesale approach. Many telcos attempt to integrate new cloud services with existing legacy systems that are typically not a sustainable, scalable model, the report says. The immediacy and demands of cloud services require fast, consistent service and systems. For appropriate outcomes, wholesale cloud service providers should offer end-users a well-defined Service Level Agreement (SLA) as well as reporting capabilities to prove compliance to these SLAs.

Pierre-Alain Sur, Global Communications Industry Leader, PwC, said: “Telcos need to recognise their strengths and limitations in equal measure. There needs to be a strategic connection between the wholesale cloud provider’s offerings and the telco’s current capabilities, as that connection is largely representative of the likelihood of success when entering the competitive cloud market. Issues such as billing, SLAs and the ability to activate new services swiftly need to be systemically and diligently evaluated by the telco to select the right wholesale partner.”

**Notes:**

1 [Gartner ‘Forecast Overview: Public Cloud Services, Worldwide, 2Q13 Update’, August 28, 2013](http://www.gartner.com/id=2581118)

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