Guide to Starting Your Own VoIP Wholesale Business
What is VoIP wholesale business?

VoIP wholesale is becoming an increasingly popular business model nowadays. It supposes traffic aggregation and exchange between VoIP operators. In other words, wholesale VoIP providers receive traffic from one carrier and transmit it to another one acting as a ‘man in the middle’ between them.

VoIP wholesale usually doesn’t require huge initial costs and might be highly lucrative if done right. This means that all peculiarities of the business must be taken into consideration.

VoIP wholesale components

To deploy wholesale VoIP services it is required:

- Hardware equipment
- Softswitch
- Traffic suppliers
- Clients – traffic consumers or other resellers

Required equipment for VoIP wholesale

Type and quantity of equipment depend on the volume of traffic you are going to operate with. When starting with small volume you can make do with one server only, but we would recommend two to guarantee stability.

So, as a startupper you can begin with:

- Billing server for invoicing and financial data processing,
- The server that combines RTP for traffic streaming and RADIUS intended for centralized authentication, authorization, and accounting management for clients to connect and use a network service.

Increasing the traffic volume you may separate RTP and RADIUS onto two servers.

Beginners can employ rented or hosted softswitches which are provided with hardware servers. Besides the servers you need a PC (or another device with Internet connection) for access to web-interface.

Softswitch selection

The softswitch is the central device in VoIP company’s network. That is why it is necessary to choose the high performance and stable solution which will completely meet your requirements.

First of all, you should learn if the softswitch has integrated billing. Billing is an important part of the network that collects information about calls and other services. CDR (call detail record) reports generated by billing are used for charging clients. If the softswitch doesn’t have integrated billing, it is necessary to buy it as a separate solution.

You should also pay attention whether the softswitch supports protocols and codecs you need. If they aren’t compatible with the softswitch, the traffic won’t be proceeded. Sometimes clients...
and suppliers use different protocols and codecs. In such case it is necessary to convert them. So, the best option is when your softswitch not only supports protocols and codecs, but converts them.

Another important feature is LCR (least cost routing). Due to LCR option the softswitch automatically selects the most cost effective path for traffic.

Some softswitches can have additional functionality which helps in operation and saves time (for example, reports generation, automatic invoice generating and sending, traffic analyzer, traffic quality control system, etc.). The following figure illustrates typical setup of a VoIP wholesale provider.

**Finding Suppliers and Clients**

Suppliers and Clients are the main contractors in VoIP wholesale business. The provider buys international VoIP traffic from their Suppliers and sells it to Clients. One VoIP company can be both your Supplier and Client.

You can find them via Internet forums (for example, www.voipproviderslist.com, www.forumvoip.com, www.callsmarket.com, www.voipforums.com, etc.) just using a web-browser and key words. Since VoIP business is fast-evolving, new forums constantly appear. So, you should keep your eye on the most popular and visited websites. You can use such Internet communities as Facebook or LinkedIn as well. Also you can contact Speedflow Sales Team to purchase traffic.

Your company should have corporate pages on Internet communities. It helps to communicate with other providers and be in touch with VoIP market trends. Internet forums and communities are the main marketing channels in VoIP wholesale business.
Another marketing activity that generates business leads is taking part in telecom conferences and exhibitions. However, it might be cost-consuming. Thus, it is fitted mainly for well-established companies with existing customer base. Nevertheless, you can begin with attending telecom events as a visitor.

**Traffic as a product**

Generally, VoIP traffic is the flow of data through the Internet. As any other commodity traffic possess specific quality characteristics which determine its demand and price. Quality means that users receive an acceptable level of voice quality without unwanted sounds.

There are specific parameters used for estimating traffic quality in VoIP wholesale business. The main of them are ACD (average call duration) and ASR (answer seizure ratio). The better the quality, the higher the demand and, of course, the price.

**Specific risks while VoIP wholesale activity**

VoIP wholesale business as any kind of business has its specific failure risks. The main risk is not to get money from your clients. It may happen when a wholesale provider uses postpaid type of payment while selling traffic. There are several ways to minimize this risk. Firstly, work with partners who have a market experience and are well-known among the VoIP community. Before starting cooperation with a partner ensure yourself by means of anti-fraud forums (for example, on www.voipfraud.net/en or in special sections on VoIP forums) that he hasn't been involved in VoIP fraud activity and check information about the company (http://www.domaintools.com/). After signing the agreement you should always keep in touch with your partner.

The second way is to sell traffic via prepayment or with help of escrow services providers.

Be careful while signing contract.

To avoid risks of disputes or fraud activity you should pay attention to such aspects as:

- Type of payment (prepaid or post paid)
- Billing conditions - per second/per minute
- Bank details presence; terms of confidentiality etc.

Some unfair companies use FAS (False Answer Supervision) in their operation. That stands for incorrect extra billing of calls because some calls are billed without connection to a subscriber. You should avoid cooperation with such providers.

You can identify FAS when ACD is lower than average, but ASR is higher. Actually, you can’t avoid the risks but checking for instructions helps to minimize them.

**Making money**

Now it’s time to research how to make money in VoIP wholesale business. As we have found out, the core of VoIP wholesale business is VoIP traffic transit from one carrier to another (from origination side to termination side). You get profit from margin between buying and selling prices.
For example, you’ve found some suppliers and clients. Two of your suppliers offer the destination “United Kingdom” with prices 10 and 10.5 cents per minute, respectively. The price for your clients is 11 cents per minute. When your softswitch supports Least Cost Routing the system automatically chooses the most profitable destination for the traffic, in our case it will be 10 cents. Your margin from 1 minute will be 1 cent (11.0-10.0). But we know that the price is not the only key traffic characteristics in VoIP wholesale business. If the quality parameters of this destination are low, your clients won’t co-operate with you.

This problem is solved by the Mediacore Softswitch. It has unique revenue assurance system called Guardian for the traffic quality estimation. If the route from the first supplier has worse quality parameters that you set in the system, it will be automatically blocked. In such case you will buy destination from the second provider and your margin from one minute will make 11 - 10.5 = 0.5 cents. Actually, unprofitable calls will be automatically blocked. Also you can set a minimal profit per call.

Judging from our experience, by using the minimal Mediacore Softswitch renting package (50 concurrent calls) you will process approximately 1 million minutes per month. Thereby, you can calculate your expected revenues from VoIP wholesale business.

Finally, we would like to note that you can start VoIP wholesale business without any investments in hardware. You can simply rent the Mediacore Softswitch on our collocation and Speedflow will provide you with complete solution installed on our hardware. The Mediacore Softswitch is a unified point of control system, which doesn’t require any third-party solutions to operate in VoIP wholesale.

If you are interested in starting VoIP wholesale business, our company is ready to help you. Speedflow specializes in VoIP wholesale business and VoIP softswitch solutions development, so feel free to contact us.

So, we explored the main aspects of VoIP wholesale business. We hope this Whitepaper was useful for you and cleared up the main questions.