

Incumbent Embraces Change: Verizon Wireless makes Skype Mainstream

By *Ed Finegold*

I used to hate Skype.

See, I had this job where I worked remotely, but if you weren't logged-in to Skype, you weren't considered to be 'in the office.' This meant that we were all effectively chained to our desks. What's the point of telecommuting if I have to be in the office all the time? As far as I'm concerned, there isn't one. That's why I think the new Verizon Wireless-Skype partnership is groundbreaking (If only it was in effect when I had that lousy job). This relationship is perhaps the first major example of an incumbent carrier embracing and implementing the new, 4G-like service model – not just wireless broadband capacity - we've all been talking about for the past few years. Moving Skype, a voice-centric app, onto the VZW 3G network effectively breaks down network, geographic, carrier, and

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billing barriers to provide a seamless, community-oriented service for the sake of creating new value for customers. It also helps sell data plans in a smart and tangible way.

Making Change

Just before the CTIA Wireless 2010 event, Verizon Wireless announced that it would announce a major partnership with Skype at the show, which

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the two companies did. VZW now supports Skype on its Smartphones. All Skype-to-Skype calls are considered In-Network calls and don't count against either a customer's minute allotment or megabyte allotment. The only requirements are a Smartphone and a data plan. "I think a lot of consumers aren't clear as to why they need a data plan and this (Skype) is something very tangible. It offers free, unlimited calling worldwide, if you have a data plan," says Jennifer Byrne, director – business development, for Verizon Wireless.

In the BSS space, we've talked for years about making data usage more tangible than the megabyte by pushing value added applications to market. There are lots of apps available. The difference with Skype is that it already serves a community of tens of millions of users, and it's a voice app. Instead of seeing this as competition, Verizon Wireless recognized it as being valuable to its customers and its service roadmap. It's something customers can understand and control. With its global reach, massive number of

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users, and functionality that includes presence and messaging, it offers a compelling reason to upgrade devices and plans.

Byrne was a member of the team that conceived of the Skype partnership for Verizon Wireless. "We try to look at trends on the web and in mobile and understand what we can do from a partnership standpoint to bring the best services to our customers. We saw the earth-shattering numbers Skype was recruiting without spending a dollar on marketing," says Byrne. She adds that her team looked at the success 3 UK has had with Skype and figured customers would value the service and that it would give more of them a reason to adopt a Smartphone and subscribe to data plans.

The relationship was conceived at CTIA Wireless 2009 and launched less than a year later. This is



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remarkable for a large carrier on many levels. VZW was first to market with this offering and moved from concept to production very rapidly given the scope and uniqueness of the offering. It embraced a disruptive technology as a value-add, and didn't try to shut it down as a competitor. What's more, Skype calling will cut into VZW's international long distance business, especially given that large enterprises have been looking at solutions like Skype to attack their international calling expenses. Byrne's team looked at the equation on this point and found "there might be a reduction in ILD, but the trade off is the positive experience. You could make these calls easier and it's more attractive to business customers and consumers. It's a shift in thinking and we felt it was positive for VZW to move in this direction." In the past, an idea like this would have been shot down because of resistance from the business owners whose P&L statements benefitted from growing ILD revenue. In this case, VZW's executive leadership looked at the big picture, realized it was likely to move some

AT&T: technically speaking, your exclusivity just went out the window.

numbers from the ILD column to the data column, and pulled the trigger on the deal because it's likely to drive customer acquisition and retention. That's the kind of "holistic" thinking the BSS sector has been nagging carriers to adopt for years, so VZW deserves credit for actually doing it. What's not happening in this arrangement – at least not yet – is the ability to buy Skype credit or calling plans directly through the handset app, or to have such purchases billed on a subscriber's monthly VZW invoice. However, something tells me (not Byrne) that these capabilities will be available in an upcoming release, which will be yet another step in the 4G service model direction for the Verizon Wireless-Skype partnership. Another important nuance is that a call made via Skype to a phone number, and not to a Skype

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client, will be subject to the normal rules that govern data and minutes usage. However, the VZW customer's device will present an alert to warn customers about this and remind them that if, for example, they're calling another VZW phone, that's a free, in-network call better made without the Skype app. To the nitpicker, that's not 100 percent seamless, but it is customer-centric (another buzzword!) and is very similar to the kind of advice-of-charge (okay, it's a buzzword drinking game now) the BSS sector has also been recommending for years.

Down the Path

As VZW brings more of this sort of functionality to market, it's blazing a path to the 4G future for which we've all been asking. If GM had adopted this kind of thinking, we might have our flying cars by now too. In all seriousness, it is refreshing to see an incumbent carrier looking at the online and social media markets to see what it can learn and adopt. A million trendy concepts come to mind – cloud, crowd-sourcing, killer app, service ubiquity, social networking. Skype is all of those things, and now it's a mainstream service being offered by the largest mobile operator in the United States. This is a big moment for the telecom and Internet industries, and I'm a little afraid to say that too loudly lest Congress step in and jack it all up. The question that's probably in everyone's mind

now is – how will AT&T respond. Well, unlike VZW, AT&T was very resistant to the FCC's recent ruling that said it has to allow VoIP over its 3G network. Skype does offer an iPhone app – but here's the difference: AT&T isn't offering Skype as in-network calling that deducts neither minutes nor MBs from an allotment. We'll see what happens – but consider this anecdote.

A close friend of mine— let's call him Mr. Touchdown— called me recently from Crested Butte where he was skiing with his family. Mr. Touchdown is a real early adopter; he's had an iPhone since day one of its release and he uses it to stream video from his slingbox. He had a MiFi device as soon as it came out. He always pushes the mobile devices' and networks' limits. He asks me, "guess how I'm calling you." I say, "uhh...on a phone?" He says, "Yeah, but I'm calling you with Skype, on my iPhone, over the Verizon 3G network through my MiFi. How's the quality?" It was crystal clear. So, AT&T – technically speaking, your exclusivity just went out the window thanks to Mr.Touchdown...and Skype.