

Forward Movement - A Gradual Approach

By Dan Blacharski

Voice over IP (VoIP) has matured quickly over the past few years, moving from a fuzzy, awkward connection for hobbyists, to a high-quality alternative to traditional telephony that has shaken the very foundation of the telecom industry. Advances in Quality of Service, and the increasing popularity of the "triple play" are positioning VoIP for the mainstream. VoIP has grown in popularity in the enterprise sector and is already starting to take hold in the consumer market as well.

According to market research firm In-Stat, about half of enterprise decision makers surveyed have plans to purchase emerging telecom services such as VoIP in the next year, making this the right time to focus on IP offerings to firms with over 1,000 employees. Specifically, key drivers behind the purchase of emerging IP telecom services include security, the need to connect remote workers and partners, and the need to promote collaboration between geographically separated employees.

But the "a la carte" play, according to the In-Stat research, isn't the road most traveled by respondents. While buying some of these IP services individually may have appeal to a few customers, the report notes that more decision makers are purchasing IP services in conjunction with Integrated Access. The survey noted that the number of respondents planning to buy VoIP with Integrated Access Services was more than double those who have no such plans.

Hand-in-Hand

In order to stay in business incumbent and competitive carriers will have to change their business model. "IP is a very strong player," notes Jeanette Carlsson, Communications Sector Lead, IBM Business Consulting Services. "Those with IP networks, whether they are telcos or cable companies, are very unlikely to remain focused on single player load." VoIP will increasingly be offered as part of an integrated package, and in many cases that integrated package will result from industry partnerships.

A Gradual Approach

There's no doubt that VoIP is hot. However, most businesses, especially larger enterprises, will take a gradual VoIP migration approach, and possibly integrate managed or hosted VoIP offerings, as they sort through organizational issues and security challenges -- creating an additional revenue opportunity for providers.

The major telecom players are stepping up to the plate, offering mass deployments of VoIP services that were once experimental trials limited to select markets. According to Yankee Group, in 2003 the local residential VoIP market grew ten-fold from 10,000 local subscribers at the beginning of the year to 130,000 at the end of the year. While still a mere drop in the telecom bucket, the potential is evident. Since that date, other

Pipeline

Knowledge is Power.

competitors such as Vonage have made a big splash, bringing VoIP into the mainstream and dominating the industry.

While the margin may be low for many VoIP operators, it is still a major element of their bundled offerings, and many of the incumbent carriers and cable companies are counting on VoIP to round out their triple-play promotions. Qwest, for one, is already offering a packet-based integrated access service, and was an early entrant with its softswitch-based hosted IP telephony service.

It's not just the competitive upstarts like Vonage that are getting into the VoIP market, either. Entrenched incumbents are being forced by competitive challenges to make similar offerings. AT&T, Verizon, and Quest all have VoIP offerings. Yankee Group notes that "by the end of the decade, traditional incumbent providers will begin migrating plain old telephone service (POTS) customers to their IP networks." Yankee Group also notes that these changes will result in 17.5 million consumers, in the US alone, subscribing to local VoIP services by 2008.

If VoIP is to reach its greatest potential, however, the security challenges must be addressed at the service provider level. As yet, subscriber volume is still below capacity, and consumers, though moving towards acceptance of the technology, still believe that it could be subject to security issues. Although a well provisioned VoIP infrastructure is in fact quite secure, consumer perception is what rules, and the only way to win acceptance is to provide the most rigorous security possible. According to Harris Interactive, among adults who are aware of, but are not using VoIP, 60 percent believe it could be subject to security and privacy issues. Regardless, service providers received good news from the survey. Among those who use VoIP, satisfaction levels are high, and most users are happy with the service and are projecting to achieve a considerable savings from its use.