



## **Advantage Incumbents: IP is Built on Trust**

By Barbara Lancaster

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Because consumers have many choices, the battle for VoIP revenue will be fought with service innovation and great consumer experience. Thus far, marketers haven't pushed service innovation much beyond predictable bundles of dial tone, basic call management features and various low- or no-cost long distance packages. Consumer experience is where the opportunity to win customers, generate loyalty, and grow revenues rests. Incumbent telcos are the reigning champions when it comes to reliability, scalability, availability and quality. Virtually all incumbents have announced IP Telephony offerings, and consumers will turn to them because of their reputation for reliability. All other VoIP and would-be IP application providers should take note.

### **CLECs Struggle to Match Incumbents**

Over the past 8 years, competitive local exchange carriers (CLECs) in the United States have struggled to match incumbents' services and service orientation. Many CLECs failed to meet the standards incumbents set in the past. Orders were often not processed accurately, installation dates were missed, promised features were not available, invoices were delayed and payments were slow in posting.

As service provider operations experts, our firm was ready to assist. We offered to help create operating capabilities that would make customers happy when they chose to leave "the big guys." But in those heady bubble days, CLEC management teams and their investors were not interested in "carrier class" processes, policies, tools or management skills. In the end, the incumbents didn't have to work all that hard at adding obstacles to the CLECs' paths - they crippled themselves. Operational complexity even plagued cable operators as they ventured into switched voice services and Class 5 networks. A few CLECs and most of the cable operators got it right, but there were 1,500 competitive providers at one time and between one third or one fifth that number today.

Like many other firms around the OSS sector, LTC is keenly interested in a successful competitive environment. As a result, we have made it a company policy to acquire our telecommunications services from competitive carriers. The service we've received has been at various times amusing, competent and absolutely dismal. VoIP is supposed to make everything much simpler however, and some assume that competition will thereby flourish, with the incumbents fighting to stay in business. This is not a safe assumption.



Voice over IP specialists like Vonage, 8x8, and ICG have carved some inroads. They have capitalized on early adopters' interest in novel technology, cheap calling, and features like voice mail delivered as email and global number portability. With less than a million lines in service, however, these companies collectively pose little threat to incumbents. In order to gain greater significance, they must reach beyond the early adopters that are willing to take a few bumps. After all, mistakes make for great pioneering stories at parties. But as VoIP goes mainstream with incumbents and cable operators, consumers won't accept anything less than bulletproof service and a responsive consumer experience.

### **Be Willing to Fix the Details**

LTC is on its third IP telephony supplier. With each we have faced significant problems with implementation, number management, and on-site support. Making our fax lines work has often been beyond their technical capabilities. One of the underlying reasons for these hassles may be that they have no repeatable cutover process or project plan. Each time we listen to a sales pitch, we end up asking questions the sales person cannot answer well. As operations specialists, we've told them specifically how we can help solve their problems, introducing them to processes, policies, key performance indicators, cutover plans, even on-site support.

In every instance, the sales people leapt on our offer and said "we need that." When we would speak with product managers, however, their attitude was negative. They'd say that they had everything they needed. The truth came and went with our cutover deadlines and showed that the salespeople were right.

Slap-dash approaches to cutover planning, provisioning, and on-site support will not stand up to mainstream demands. In LTC's case, we happen to have the skills to do most of our service configuration ourselves and talk through the remaining issues with the provider's team. The broadest numbers of target customers - where the real money will be made - cannot and will not accept service chaos from any provider - competitor or incumbent.

### **Incumbents Have Work to Do**

It is easy to forget that the incumbents' ordering, provisioning, maintenance and billing processes took decades to achieve the level of reliability customers have come to expect. Even the best of the incumbents is still working to deliver IP telephony services with the same level of quality and reliability with which they provide telephony on circuit networks. Incumbent telcos have their work cut out for them in carrying their reliability over into the IP world.



Telcos today are focusing on eliminating the issues surrounding provisioning and managing VoIP networks, but they are just getting started. Most don't yet offer web sites with the self-management tools many consumers expect. Web-initiated queries and orders don't typically "flow" all the way to activation. The linkages between new applications and legacy data have not been made yet. Incumbents still suffer problems in their residential broadband networks where users are left without connectivity for days at a time. Incumbents, however, believe in and pay attention to process, policy and continuous improvement. They will find and fix failures much more quickly than competitive carriers who think they have novel ideas when they say that processes "stifle creativity and innovation."

Incumbents' customers have faith in them, which gives them perhaps the greatest advantage for winning in IP. People know that every time they pick up their handsets, there will be dial tone. This trust, which is largely taken for granted, is the single biggest obstacle for any company competing with the incumbents. As long as the incumbents move rapidly to underpin their VoIP offerings with the same service capabilities and quality as the switched network, they will hold off most comers. VoIP may be new and bleeding edge, but when it comes to customers and who they trust, 100 years of experience matters.