



Competing with Hosted Solution Offers

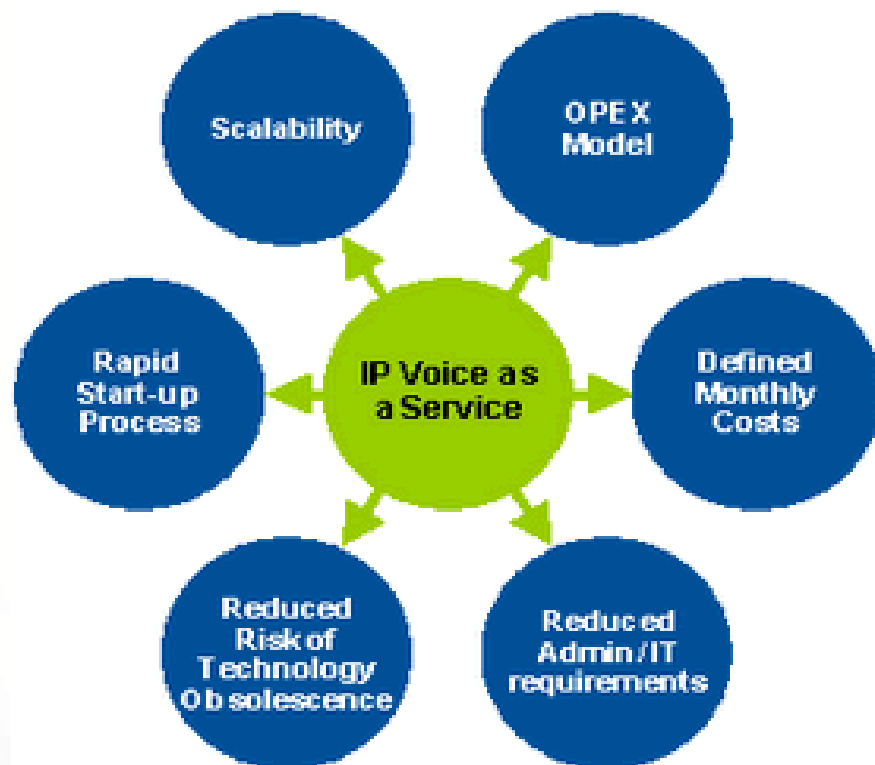
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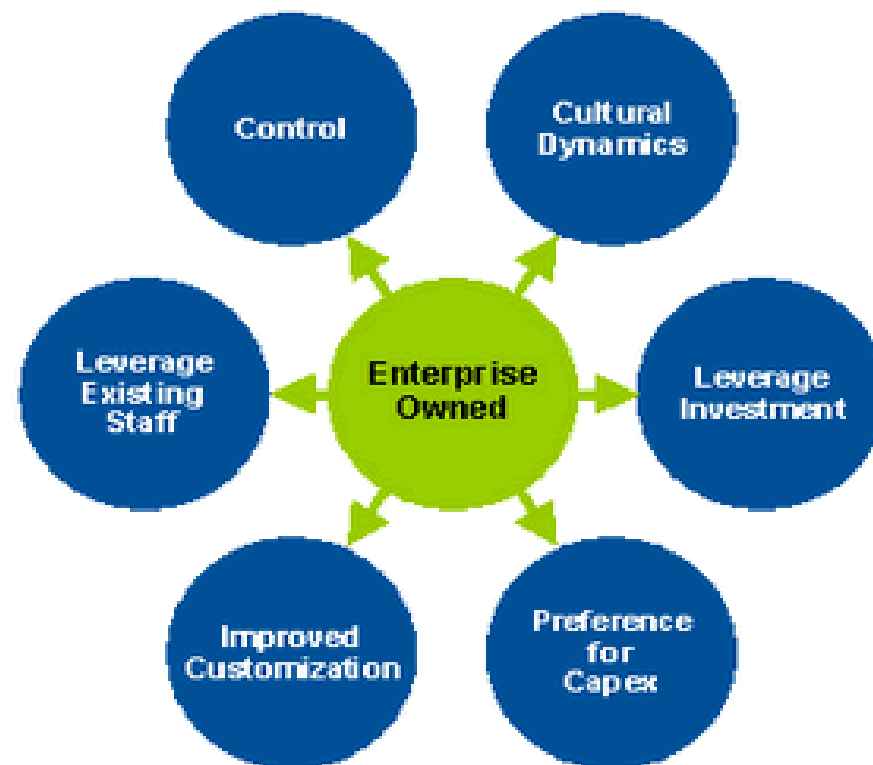
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Perceived Drivers

IP VaaS Drivers



Premises-Based Drivers



Hosted IP Telephony

Typical Base Offer Content

- Network Services/Management – Data, Domestic Local/LD/Toll Free
- Telephony/VM – Calling/admin features
- Presence/Secure IM
- Auto Attendant
- Telephone sets (rental)
- Networking equipment (router rental)
- Design/planning; site readiness
- Installation/ implementation / integration
- Web-based User/Administrator Portal
- TAC support (24x7x365); MACDs
- HW maintenance – Monitoring, on-site dispatch
- SW support, SW upgrades
- SLA guarantees (99.9%-100% avail.)
- HW upgrades (obsolete equipment)

Variable Components

- Unified Messaging, Email (e.g. Hosted Exchange)
- Collaboration (e.g. Hosted Sharepoint)
- Conferencing – Audio, Web, Video (e.g. Office LiveMeeting; WebEx)
- Call Center
- Mobility (e.g. Hosted Blackberry, Good, Softphones) – VoIP Twinning
- Telephone handsets (purchase)
- Optional enhanced Exec, Conf Room phones
- Remote Users
- International Calling Plan services
- Back-up of classified data
- Additional storage (exceeding defaults)

Typical Service Provider Offer

- **Targeting SMB/Mid-market customer with dispersed geographic locations**
- **Start with basics of IP Telephony and Voice Messaging; SPs then choose from the following to create a subscriber-specific offer: Presence/IM, Email, Conferencing, Video, Collaboration, Contact Center, Mobility**
- **Extensive services are provided with most contracts**
- **Payments are made monthly based on the number of users on the system that month and the network/management services in place**
- **Typical contracts terms are 36 months with full/substantial liability (facility and per station termination fees) for early termination or downgrades**
- **6-weeks implementation timeframe from date of agreement**
- **SLA guarantees (based on availability) with defined penalties for non-performance**
- **Hardware upgrades for obsolete products**

Hosted IP Statistics

Number of Companies in the Market	Over 50
Types of Competitors	Traditional telecom operators Competitive Local Exchange Carriers (CLECs) Pure-play VoIP vendors Resellers, SIs, providers of other hosted services (email, UC, etc.), IT service providers
Hosted IP Telephony seats/users (2009)	1.4 million users

Market: Market Share by Lines (North America), 2009

Hosted Service Provider	Market Share (Lines) %
AT&T	3
Alteva	3
Broadview Networks	3
Covad	3
Cox	2
Cypress	1
M5	3
NG Telecom	9
Pingtone	2

Market: Market Share by Lines (North America), 2009

Hosted Service Provider	Market Share (Lines) %
Postrack	1
SimpleSignal	1
Smoothstone	7
8X8	9
Telesphere	1
Vantage	2
Verizon	4
Vocalocity	4
Others	42

Other Hosted Providers

Others include:

- ▶ **ADP, Apptix, Apptela, Accessline, Broadcore, Broadvoice, BroadvoxBandwidth.com; Bresnan, CallTower, Cablevision, Charter Comms, Consolidated Technologies, Commpartners, Callis Comms, DSLi, Fonality, Engage, I-core, IPfone, level3, LightEdge, Paetec, Primus, Qwest, Telekenex, Panterra, RingCentral, Savvis, Shift, Skywi, Speakeasy, Telus**

Disadvantages of Hosted IP

- ▶ **Broadband data links may need to be updated to handle the new telephony traffic**
 - *Adds cost*
- ▶ **Monthly costs for using Hosted VOIP, usually higher ongoing fees; cost is usually priced per extension which can often be expensive for low volume users; additional features usually add to the monthly fees**
 - *Never ends, reminiscent of Centrex*
- ▶ **Handsets need a small amount of power from either Power over Ethernet or a small power pack per phone**
 - *Increases TCO*

Disadvantages of Hosted IP

- ▶ **Network switches and routers require QoS quality of service to give VOIP telephony priority on the network**

Most customers with limited IT resources do not know if their equipment supports QoS – most Hosted providers rely on the word of the customer

According to a Phone+ article: [Hanging up on Hosted IP](#)

“QoS is as much a problem on the customer access side as it is over the public Internet. Unfortunately, many providers do a wholly inadequate job in assessing their customer’s networks, insisting on a quality converged network, but not on the LAN and router/carrier level. It appears that the most common approach by hosted providers dealing with QoS is, ‘Let’s plug it all in and see how it works.’ Although some of them do a bit of pretesting, the tests are lightweight in nature and measured as a ‘snapshot’ versus doing an industrial-strength VoIP readiness assessment. The hosted provider has no eyes and ears in the field to do a complete analysis of the customer’s network, so they take the customer’s word, and in a small environment the typical IT admin person is ill-equipped to provide a proper assessment. If you are a small CPA firm, you don’t even know what QoS is, much less how to test it. And it’s not easy to test QoS on a system that isn’t implemented into your office yet. People are making decisions based on marketing promises, and they are often then disappointed when the reality doesn’t match up.”

Disadvantages of Hosted

- ▶ **VOIP may not have the battery backup operative life span in a blackout compared to traditional PABX's**
Creates downtime
- ▶ **Analog device like faxes and modems will require adapters to operate with**
Increases costs
- ▶ **Many banks will not allow credit card readers to be used with VoIP due to security issues**
- ▶ **VOIP Routers need careful programming to maintain security**
 - *Who will be responsible for this?*

Disadvantages of Hosted IP

- ▶ **If your VoIP provider is down, your phones are down**

From Phone+:

“Central site outages also can be devastating. SynerTel (Company) has collected numerous letters from providers apologizing for multi-hour service outages and issuing credits.”

- ▶ **If the VoIP provider has exceeded their maximum number of concurrent call sessions you will not be able to make an outbound call**
 - *Inability to call out affects productivity*

Disadvantages of Hosted IP

- ▶ **If a custom feature or experience is require this can be expensive or impossible to add**
 - *Custom applications are typically developed for IP PBX systems using the SDK – not available for Hosted IP*
- ▶ **More difficult to switch between Hosted VoIP providers especially if your internet connection is provided from the VoIP company**
 - *May cause a customer to be “locked in”*
- ▶ **Extension to extension calls routed over your internet connection unnecessarily using bandwidth**
 - *Expensive bandwidth may need to be added*

Disadvantages of Hosted IP

- ▶ **In-house Conferencing is important to many businesses as a way to cut expenses. Hosted IP offers typically charge for calls on a per minute, per-user basis**
 - *Adds cost and reduces ROI; Use your ROI tools to prove this*
- ▶ **A connection between the Service Provider and the customer is required for a monthly fee. When the connection goes down, what happens?**
 - *Be sure your customer is clear about call resiliency and coverage*

Disadvantages of Hosted IP

- ▶ **Hosted customers have a very limited choice of telephone sets, usually Cisco or Polycom and they are IP only**
 - *IP Office customers can choose what type of phones they want to use from a large portfolio*

Cisco and Polycom phones are very limited in the number of buttons they support

Many customers prefer buttons on their phones; it is often what they are used to and it makes transitioning to a new system easier

Disadvantages of Hosted IP

- ▶ **Often, on a Hosted solution, calls will often not ring at the desk phone and the mobile device simultaneously**
 - *Standard on IP Office with Power User and Mobile Worker solutions*
- ▶ **Hosted Providers may offer a limited selection of support for mobile clients**
 - *Wide array of mobile devices supported with Power User and Mobile Worker solutions*
- ▶ **Hosted services typically do not support IP DECT or multi-line wireless sets; only single line cordless phones**
 - ▶ *Affects user productivity and ease-of-use*

Disadvantages of Hosted IP

- ▶ **Customers will often have to purchase the phones even though they are paying a monthly fee for the service; if they decide they want to move back to a premise-based system, they may end up with a lot of phones they don't need and can't use**



REALIZATION

POSSIBILITY IS ONE THING AND THE REALIZATION OF THE POSSIBILITY IS QUITE A DIFFERENT THING.

Advantages of On-Premise PBX Systems

- ▶ Multiple call routes can be created to provide redundant ITSPs
- ▶ Multiple internet connections can be used to provide connection redundancy
- ▶ Total control over the user experience. With the wide availability of tools on the market, companies with engineers can write custom applications to build a complete custom experience

Advantages of On-Premise PBX Systems

- ▶ Can interface with existing “legacy” phone connections for either primary or backup service
- ▶ Easier to switch between ITSPs
- ▶ Allows for integration with Unified Messaging platforms such as Exchange 2007
- ▶ Usually lower ongoing fees
- ▶ Extension to extension calls stay on your LAN or WAN

Quotes

“If a CLEC or hosted VoIP company goes out of business, porting the company’s phone numbers to another provider, even the LEC, can be difficult to impossible. Certainly not a quick process, and in the meantime the company is dead in the water. This isn’t theoretical. Norvergence and Sunrocket left tens of thousands of businesses without phone service when they suddenly went out of business a few years back (in a better economy than this).”

Quotes

“Some of the most desired features missing from hosted VoIP systems:

1. Square key system features, where each line has its own button and light on each phone (to see which line is idle, on-hold or ringing).
2. Handsfree intercom, which allows one employee to call another employee on the intercom, and the called employee to answer handsfree.
3. A BLF (Busy Light Field) on the phone to indicate whether an employee is on the phone, or not.
4. Internal paging where an employee’s voice can come over the speaker in all, or just a group of phones.”

Quotes

- ▶ “A provider's website was operating and so were the phone numbers. No one answered my call so I went to voice mail. Both the sales and technical support voice mail boxes were full and there was no other option for my call.
- ▶ The phone number on the website was not correct. I connected to a hot (sex) line instead.
- ▶ Several providers seemed to not be in business; their lines were disconnected. However, their websites were still up and running.
- ▶ When I connected to operators, many did not know if the provider offered hosted services. “

Quotes

- ▶ “At several providers, leaving multiple voice mails did not generate a return call or an e-mail.
- ▶ One site posted a nine digit phone number.
- ▶ One contact phone number would never ring.”

Summary

- ▶ The Hosted IP Telephony market is expected to rise over the next 5 years, so now is the time to understand how to position IP Office as the offer of choice
- ▶ According to Gary Audin:
 - “I am surprised that some providers who want to support enterprises and SMBs present such poor images of their services.
 - The first contact for a company that is looking for hosted voice service is probably the Internet. I expect the website information selling the service to be accurate.
 - If this is how some of the providers operate, then I anticipate that their customers are in for a rough ride, poor service, incorrect billing and questionable technical support.”

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THANK YOU

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