

Over the pain barrier

VanillaIP founder David Dadds is well known for his work as an industry voice within trade pressure group the Federation of Communications Services. Perhaps less well known is the story behind his plunge into hosted IP where the watchwords 'no gain without pain' rang very loud.



David Dadds

Dadds started his main trading company DRD Communications in 1986 as a traditional systems reseller offering Avaya and Panasonic solutions to the SME market, but by 2003 he saw the writing on the wall and later introduced two brands, VanillaIP.com and Qudo.com, to give a new focus on the hosted business. He recalled: "We had ended up with a large cost base tied up in technicians and operations people to support the on-site systems, and with margins on minutes and hardware getting squeezed we decided to change our business model. We operated a service office and this planted the idea of a hosted business offering recurring revenues. We were also conscious that voice was clearly becoming another application on the IP network, so having a core hosted IP-based system seemed natural to us."

Dadds bought a BroadSoft Switch but soon discovered that riding the hosted wave was not all plain sailing. He stated: "BroadSoft has a strong platform plus excellent R&D but no provisioning or billing. These elements are

the most difficult in building a truly saleable and scalable solution. It's one thing to have the platform but it's more difficult to productise that and get it to market.

"The first year was a nightmare with problems occurring on almost a daily basis. But being privately owned we did not need to force sales at any cost and were able to develop the business model on a sustainable basis. The one thing we had to learn was patience, as everything takes longer than expected and costs more money. And we have had to learn not to over promise on delivery dates for new products."

Culture change

There also needed to be a change of culture and staff had to learn a new way of working. "We downsized in headcount as the requirement changed from having lots of sales people and PBX engineers to software development and network engineering staff," said Dadds. "Our model has always been to directly employ the core staff around network design and support, software design and customer service and to outsource everything else."

VanillaIP is a white label offering enabling resellers to create bespoke service bundles and price points. Dadds added: "Qudo is

an end user facing brand for agents that want to sell hosted VoIP but we manage the support and billing direct. We also use Qudo for product and service development as working directly with clients on new initiatives is easier than through a reseller, who is rightly concerned about upsetting a client if something does not go quite right. For resellers, our white label options extend beyond having a logo on an invoice and a portal. They are able to completely bespoke the BroadSoft offering and create their own price points along with adding complementary services."

It's been said before, and Dadds agrees, that the transition to hosted is evolutionary rather than revolutionary, but he does not regret making the move. Today more than 90 per cent of his revenues come from hosted business and Dadds is urging more resellers to take the plunge. "Telecoms resellers are risk averse and rightly so," he commented. "Once they have had a bad experience with one provider they sometimes write off the concept as a whole. On the flip side, we have some resellers who added our hosted VoIP to their portfolio and it now dominates their new business sales. Also, existing voice resellers often see hosted playing in small markets and anything

larger is a PBX opportunity. If that complements their existing portfolio then no problem, but it's a common misconception that hosted will not scale up."

There is no doubt that CPE and hosted solutions will co-exist for some time, says Dadds. "We don't suggest that hosted will win every deal but it can give resellers a big point of differentiation. Over time it is always going to be more cost-effective to deliver an application as opposed to hardware, just like the record industry has found," pointed out Dadds. "There is more chance of finding a killer app with hosted than with CPE. As the customer's workforce changes and becomes more mobile, the ability to delivery services on-demand lends itself well to the hosted model."

Despite the economic climate Dadds believes 2011 could be a seminal year for his business and, having broken through the hosted pain barrier, he's looking forward to a bright future. "We are shifting our focus more toward reseller recruitment rather than system development," he said. "We now see the Uboss portal having 100,000-plus users running on it in the coming years, split across multiple services. We are confident for the future but never take anything for granted." ■

“Minimum touch is the only way that the hosted model works”