

# No more *waiting*

Steve Tutt, Marketing Manager at VanillaIP, says the waiting is over for hosted VoIP and the time is right for the channel to profit from all the experience gained by suppliers over the last few years.

With Hosted VoIP we are now well beyond the 'let's wait and see what happens' stage. Many of the hosted providers are profitable and self sustaining with only a few suppliers still dependant on external funding. Hosted is now a proven, battle tested and credible option. This greater adoption is primarily down to four factors;

- 1. Business Trend Toward Hosting** – There has been a general adoption of hosted services, such as Exchange, storage and CRM. Once customers have embraced a SaaS model in other parts of their business, hosted voice becomes a natural step. Customer ownership of assets in itself has no value; the real value is in the utility they bring.
- 2. Hosted VoIP Just Works** – Both hosted VoIP extensions and SIP trunks are mainstream solutions. Most Hosted VoIP providers have a number of case studies under their belt and there is an acceptance by customers that the service delivers.
- 3. Customer Demand for Integration** – Globally, a lot of the innovation impacting telecoms is a by-product of developments in another realm. Specifically, FMC, IM, presence and collaboration etc. While PBXs can knit together elements of the UC mix, they are typically priced out of reach of smaller companies, who often have the greatest need for this nimbleness and flexibility.
- 4. Connectivity** – Any hosted solution is only as good as the access and in the UK we have benefited from a number of unbundled providers offering high speeds with low latency and at low cost.

The telecoms market has traditionally been segmented by number of extensions or SoHo,

SME, Enterprise etc. With the advent of UC and integrating telecoms into other areas of the business, this model doesn't hold true anymore. Increasingly we see the market segmented by functional user requirements. That is where hosted VoIP resellers can sit across niche customer requirements without carrying a portfolio of different PBX options.

**Sub-15 Seats** – These customers fall into 2 categories; cheap and cheerful or power users. The latter type often wants to look 'bigger' and to benefit from flexible/remote working and UC solutions without a large Capex. In our experience, these customers will often provide a higher average monthly seat price.

**SME – 200 Seats** – As the customer size increases there is less emphasis on individual user features. Perhaps this is why BT has been able to sustain a large Centrex base. System admin, scalability and cost control are the hot buttons. For a long time now customers have been able to admin their PBX. As a hosted provider you can now provide real-time, single-entry self management including call logs, call recordings and invoice history all within the same portal.

**Multi-Site** – For any business that has mobile staff, home workers or multiple sites, Hosted VoIP will be a strong contender.

It is clear that Hosted VoIP and PBX systems will co-exist for a while yet – possibly forever. At the same time we do not necessarily see other hosted providers as primary competition and at the point of sale a SIP trunk or competing hosted VoIP option help to reinforce the concept to the customer.

With PBXs, it is not often that you will have an absolute competitive advantage. Hosted VoIP gives resellers more differentiation and greater gravitas with the customer by presenting your own-branded solution, rather than a brand X PBX that they



Steve Tutt

can potentially get elsewhere.

The biggest challenge for potential resellers is how they change their business and incentive schemes from cash upfront to a recurring revenue model. From the customer viewpoint however, the Opex advantage can be decisive. Customer telecoms budgets are often under pressure from IT spend on laptops and operating systems, particularly as these have a shorter upgrade span than the average 7 years' PBX lifecycle. A Hosted VoIP system will never become obsolete.

What is clear is that telecoms resellers now have to compete with non-traditional rivals. Any sales organisation with a business customer base can potentially offer Hosted VoIP. The sale is usually non technical and there is very little proprietary knowledge required. A basic understanding of networking is sufficient to deploy most sites. Broadsoft, VanillaIP's platform provider, cite the example of ADP in the US as a new entrant in the voice market. ADP provides back office systems to a large number of car dealerships across the US and has made serious gains by layering Broadsoft VoIP across this.

In summary, why are customers buying Hosted VoIP? Options – All the features they need. Simply turn it on. For resellers, how many PBX extensions do you have currently installed? Multiple that by £19/month (average revenue including calls).

How does that compare?