

Raising VOIP Consciousness

By Ellen Muraskin , July 21, 2004

Opinion: VOIP technologies may be invisible to the masses by name, but whatever you call it, some big-name players are going to where the customers are—retail superstores, reseller channels and electronic kiosks—to gain influence.

Those of us in the technical media hear an almost deafening VOIP drumbeat. Newsletters on Internet telephony seem to appear every month. The general business media, and even the general interest media, are devoting a growing number of column inches, pixels and air time to the subject.

That's all well and good, but the industry still needs to realize how Greek—or invisible—this technology and service are to most.

VOIP's relative obscurity is born out by a June 28 report from the Pew Institute, which finds that just 27 percent of Internet

users in the United States—or 17 percent of all Americans—have heard of Internet telephony, and 3 percent of Internet users have considered adopting VOIP technology in the home.

Eleven percent of Internet users, or about 14 million Americans, have made at least one VOIP phone call. The survey, conducted in February 2004, drew 2,204 respondents, of which exactly one was using VOIP in the home.

Indeed, a few weeks spent freelancing at a travel magazine this spring—for a change of scenery, from SIP-component network diagrams to pink-sand beaches—was illuminating. I asked six or seven young, intelligent and presumably literate writers assembled in the lunch corner if they'd ever heard of Internet telephony. Only one writer nodded. She

was the departmental tech guru, and the only editorial staffer who knew how to make Quark CopyDesk type a tilde.

The good news is that VOIP vendors and service providers are beginning to get this point and are reaching out to the less technically current. These are potential customers with great interest in saving money and with short purchasing chains of command, but without staffs large enough to include someone conversant in voice-and-data convergence.

Cases in point: Sprint's plowing virgin VOIP turf by arming its wide network of resellers with a Sprint-branded IP phone system at key system (read: small-business) scale. Vonage and the VOIP-offering cable companies have set up shop in retail electronics stores, where customers can pick up terminal adapters and see the

\$19.95 pitch, right next to the TDM (time-division multiplexing) phones and telco service they were thinking of buying.

The DSL modem-selling branch of Siemens is also setting up kiosks in retail stores, in three-way partnerships with carriers and electronics chains. Vonage, along with VOIP service provider Packet8, is selling through mass-market e-commerce sites.

Sprint's distribution and logistics arm, Sprint North Supply, is attacking the small-business VOIP space by coming out with a VOIP switch branded with its own name, to be sold by its wide network of resellers.

It calls the device, an all-in-one, combination router-phone switch, the Sprint i4 Key System. The "key system" term, applied to small phone systems that typically pool eight to 12 analog lines among 25 or fewer employees, is known and unthreatening to office managers. It requires no pre-existing LAN.

Having gotten past the VOIP fear factor, Sprint resellers can then go on to sell the add-ons that the i4 can affordably support because, at least internally,

it's IP. These include one-inbox e-mail/fax/voice mail, dialing-by-directory, multisite networking and remote IP phone extensions to teleworkers.

OEMed from Mitel Networks and able to run Mitel's excellent Your Assistant call-handling, contact-popping software, this is the first SMB IP PBX I've seen to carry a carrier's name.

Tim Hammack, business product manager for Sprint North Supply, says it will be priced comparably to high-end digital key systems. The i4 line will be promoted through Sprint ads in the trade media, and through dealer ads placed in local media with Sprint coop dollars.

Some VOIP carriers and equipment makers have figured out that one place to find customers is to go where they shop for high-tech toys: retail superstores.

Notice the kiosks in your local Circuit City, staffed with carrier personnel, selling broadband and voice over broadband. They are typically selling cable or DSL broadband data service, local and long-distance voice service and the device you need to

hook it all up. No truck rolls, no FedEx, perhaps not even a free access device with your contract (but usually a rebate).

This business model was brought to my attention last fall by Paul Reitmeier, president of Siemens Subscriber Networks, a Siemens ICN (Information and Communication Networks) subsidiary that makes DSL modems and small-network routers.

Siemens established a three-way retail kiosk partnership together with SBC—the regional Bell operating company—and with Best Buy and other electronics stores. Last fall, Reitmeier told me, it was yielding SBC 2,000 to 3,000 new subscribers per month, signing up for bundled DSL broadband and long-distance services.

Vonage, the VOIP service provider with the highest subscriber count at 200,000, has followed this model by selling its terminal adapters, along with pointers to its sign-up Web site, in Best Buy, RadioShack and Circuit City.

According to Vonage spokeswoman Brooke Shulz, subscribers can sign up for the service in

the store right after purchase, or later at home. If you bought your adapter at, say, Radio Shack, the sign-up site would be www.vonage.com/radioshack. There, you will pick your rate plan and input your credit card number.

Shulz says about 12 to 15 percent of its users are opting for the \$40 or \$50 small-business plans, which include a fax line in addition to either 1,500 monthly minutes or unlimited calling anywhere in the United States and Canada.

Vonage also sells through Amazon.com, and may have thought of the online retail channel first, but 8x8, a rival VOIP service provider, brought the idea to my attention in a joint July 8 announcement with Buy.com.

This site, which claims to admit 300,000 browsers per day, features 8x8 as a Buy.com "premier partner." This simply means that a square display ad for the company's Packet8 VOIP services pops up at the bottom of any page of search results related to telephones, or even if you click the "cellular" product category. Click on it and

read the all-you-can-dial pitch to buy the adapter for \$69.95, with a \$60 rebate. It offers only the \$19.95 residential-rate plan, with low per-minute rates to other countries.

What's important here is that the e-customer doesn't need to know a thing about VOIP; he just needs to be interested in telephone service, cell phones or just telephones. Here's an opportunity to win a totally new convert. In contrast, type "telephone" into Amazon's search engine, and you just get all sorts of telephones and books about telephones.

You need someone savvy enough to at least type in "telephony" to get back a link to Vonage. Folks who know how to spell—or pronounce—this word probably already score above average on the VOIP awareness test.