benchmark-it performance

This new 207-page report examines the market for VoIP (Voice over Internet Protocol) services and their impact on the telecoms and related sectors.

The report includes the following:

- Market analysis – identifying key trends, drivers, analyst forecasts and market developments;
- Segment analysis – overviews of 38 representative service providers offering VoIP by segment (Wholesale, MNC, Corporate, SME and Consumer).

Who should buy the report?

- Service providers interested in the VoIP market;
- Companies investing in or supplying the above.

Key benefits:

- Independent market analysis and insights into the impact of VoIP on the telecoms sector;
- Insight into service providers' VoIP strategies and products by customer segment;
- Gives customers time to concentrate on analysing implications and to formulate action plans.

Key conclusions:

- The VoIP market is growing rapidly in terms of users, but remains immature and fragmented, especially in the consumer and small business segments;
- Many barriers to adoption remain, including recent service problems at a number of providers, legal challenges over patents that threatened the very existence of a leading player, and the failure of a VoIP service provider in the USA;
- Service providers need to be more enthusiastic about the possibilities offered by VoIP in terms of value-added functionality rather than focusing on cost savings as their differentiator.

Pricing is £995 for a corporate licence (intranet licence).

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Voice Over IP (Internet Protocol)

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SME Segment

Consumer Segment

Executive Summary

The VoIP market is growing rapidly in terms of users, but remains immature and fragmented when compared to the global telecoms market. At the lower end there is a plethora of service providers targeting consumers and smaller businesses, but when it comes to corporates and multi-nationals the market is more established and tends to be served by those players that have traditionally been strong with these customers.

Analyst estimates for the installed base of users vary a great deal and most are significantly below the 220 million users that Skype claims. What is clear is that most VoIP users in the mass market use it in addition to fixed or mobile communications, rather than as a substitute, although the example of the French market indicates that growing numbers of users will make that switch over time. Take-up is greatly influenced by the existing market regime – in highly competitive markets like the UK customers would not see a great deal in terms of savings for domestic calls. Other barriers to adoption include often inconvenient devices for exploiting VoIP, although these are improving.

At the same time, consumers are likely to have been put off by three other key recent developments. Most recently, the Skype network went down for 24 hours due to a software problem; U.S. (independent) market leader Vonage has been having to develop software ‘workarounds’ due to patent infringements; and the failure of SunRocket in the USA is probably a pointer towards more VoIP service providers not being able to make ends meet in future.

The market for business customers appears far more stable and take-up is steady, albeit still in the relatively early stages in many market areas as the decision to move to VoIP is a commitment which requires absolute confidence in the reliability of the service.

When it comes to the wholesale segment there is a strong indication that a great deal of the world’s voice traffic is moving to IP and the trend is immutable with operators all over the world looking to move to all-IP networks over the coming years.

VoIP services still tend to be sold using cost savings as the differentiator, even though they also offer enhanced functionality which potentially adds value to the consumer and business user alike. The telecoms industry, as ever, needs to make an effort to move away from the cost argument and to educate and enthuse customers about how VoIP-enabled services can improve their communications experiences.

In the coming years there will be consolidation amongst VoIP companies and it is unclear whether any VoIP-only companies have a sustainable future as the migration to all-IP will see VoIP services increasingly bundled with other capabilities – already there is a trend to offer VoIP as an add-on to cable TV and broadband services as a cheap commodity. With a market this immature, but with so much potential, plenty of twists and turns are likely to lie ahead.

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Skype

Company Background

Skype was founded in 2003 and its software is now available in 28 languages, with the company claiming that it is in use "in almost every country in the world." The company is based in Luxembourg and has offices across Europe, Asia and the USA. It describes itself as follows:

"Skype is the world's fastest-growing Internet communications offering, allowing people everywhere to make unlimited voice and video communication for free between the users of Skype software."

Skype was acquired by Internet auction company eBay on 14th October 2005 for about $2.6 billion. Since then, Skype functionality is being added to eBay sites to make it easier for buyers and sellers to communicate with one another.

Skype generates revenues through its premium offerings such as making and receiving calls to and from landline and mobile phones, as well as voicemail and call forwarding. It has over 220 million users worldwide and the software has been downloaded more than half a billion times (March 2007).

At peak usage times Skype has over nine million users on-line. The company carries over three billion call minutes per month and accounted for 4.4% of total international long-distance minutes in 2006.

Skype generated revenues of $192.756 million in 2006, up 677% on 2005's $24.809 million.

Skype lists the following as business benefits from using its software:

- Save money;
- Increase productivity;
- Improved customer contact;
- Have a local presence;
- Skype for Business is free and easy to set up;
- Built-in security.

Skype estimates that business customers make up over 30% of its global community.

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VoIP Service

IPfonie basic:

- Available to customers using a broadband Internet connection (needs a minimum access speed of 80kbps);
- Availability covers almost all of Germany;
- Free calls to other QSC-IPfonie users;
- When sold with Q-DSLmax or Q-DSLpro broadband packages, customers get 500 free minutes of calling a month to national fixed numbers;
- Available in packs of one, five, 10, 25, 50 or 100 accounts (or larger on request);
- Calls to fixed numbers in Germany cost €0.014/minute;
- Calls to the D1/D2 mobile networks cost €0.144/minute;
- Calls to the E-Plus/E2 mobile networks cost €0.164/minute;
- International call charges start at €0.0349/minute;
- Monthly charge of €5 (single account), €20 (5 accounts), €35 (10 accounts), €50 (25 accounts), €75 (50 accounts) and €100 (100 accounts);
- Set-up charge of €19;
- Per-second billing;
- Can be used with a soft client, an IP-enabled handset, an existing telephone using a terminal adapter or a PC/laptop with a headset;
- Customers download the software and receive their own number, user name and password;
- Customers can ask to have their existing telephone number ported;
- Features include voicemail, CLI, call-back, call hold, three-way calling and accounts can be managed on-line using the ‘myQSC’ portal;
- Can be used from any PC, whether at home, on holiday or travelling with a notebook;
- Compatible with both Windows and Linux operating systems;
- Emergency calls cannot be made using QSC-IPfonie;
- Uses SIP, H.323;
- Bandwidth per voice channel: 24kbps-85kbps;
- Backbone network availability of 99.75%;
- Backbone latency: <90ms;
- Backbone jitter: <20ms;
- Packet loss on backbone: <1%;
- Launched June 2006, the new Client IPfonie includes:
    - Video telephony for Windows XP users that have a Web cam (ideally suited to 2,560/512kbps connection);
    - Automatic co-ordination of Outlook Express contacts with the telephone book;
    - People listed in Outlook can be called using a simple mouse click;

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Other Information

Vonage's service is sold on the Web and through national retailers including Best Buy, Circuit City, WalMart and target. About 87% of 2006 sales were generated using Vonage's direct sales channel and 13% through the retail channel.

Since Vonage's inception in December 2006, the company has raised about $1.1 billion of capital and spent about $678.8 million for on-line, TV, print, radio and promotional marketing campaigns designed to build the Vonage brand and to attract and retain customers.

The table below illustrates key operating data at Vonage over the last three full years:

Y/E 31st December	**2006**	**2005**	**2004**
Gross subscriber line additions	1,470,138	1,099,641	364,214
Net subscriber line additions	955,073	878,472	304,849
Subscriber lines (at period end)	2,224,111	1,269,038	390,566
Average monthly customer churn	2.5%	2.0%	1.8%
Average monthly revenue per line	$28.98	$27.03	$27.89
Average monthly telephony services revenue per line	$27.76	$25.93	$26.55
Average monthly direct cost of telephony services per line	$10.65	$8.44	$8.12
Marketing costs per gross subscriber line addition	$248.51	$221.35	$153.96
Employees (at period end)	1,790	1,355	648

A quick analysis of these numbers is not particularly reassuring, with high (and growing) churn rates, high subscriber acquisition costs and a growing cost of service provision.

To order your copy of this Report
Voice Over IP (Internet Protocol)

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