



The SME VoIP Business Case



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Australians as consumers are historically quick to adopt technology in an initial phase with a subsequent slow growth to any real mass. What adoption rates have shown is that there is and needs to be a strong correlation between the benefit received and the actual technology. Too often the features are the drivers as technologists show off their ability to deliver on research. The very major missing aspect is benefit - Is it a “nice to have” or a “need to have”?

In relatively recent times, the mobile phone and Internet quickly became a “need to have” purely due to the core benefits it delivered. Pay TV, depending on the audience, wavered between the nice to have and need to have.

For business, technology needs to answer one of two basic questions – will it make me money or will it save me money? If you can’t answer either of these with a yes, then adoption of a “nice to have” becomes a lot harder and the time frame to adoption extends out. The other impact is price elasticity; as justification for expenditure is harder to achieve. In saying this, we also need to drill down to direct and indirect outcomes. Technology delivering efficiencies can have indirect savings or revenues through allocation of resources or creating efficiencies in customer delivery. Typically the people then most impacted become the champions to adoption.

A single overriding factor is also simplicity of adoption. Does the business ‘get it’? What hoops do they have to jump through to implement effectively? To what degree is it plug-and-play and to what degree do they really need to know? Any SME of more than 4 people will probably have some kind of IT network allowing sharing of files, printing, Internet and mail but it is unlikely that they have real understanding of the machinations of the network. The thousands of IT consultants is testament to this and the anecdotal stories of help desks support the lack of knowledge in the market. But it works, often, and it delivers tangible benefits. The link between purchase and need is strong.

Enter VoIP. In essence VoIP is a logical progression in telecommunications but it is also a good example of technology that should have been quarantined until the final product was complete. Varying “prototypes” have forecast what could be and at the same time frightened prospective users and given ammunition to those most likely to suffer in its success. Technology has delivered the ability to compress and prioritise voice to deliver traffic over data networks.

Much of the attention in the earlier phases was to the enterprise market and the residential market. At the top end, companies have the resources and budgets to engage specialist IT companies to deliver the elements that combined deliver VoIP effectively and efficiently. This has meant significant savings in traditional voice costs. At that end of town, the solution is complex for an SME to implement but the ROI makes business sense. At the residential end, internet calls using a handset connected to your pc have been around for years and poor quality is accepted in return for free or cheap calls. Residential Broadband and DSL upped the ante in these stakes to deliver better quality but this model is price driven and the land grab we are



experiencing now in the media presents an interesting ROI. The adage that you get what you pay for applies and the residential market is a volume game in a homogenous market – one size fits all. It allows you to streamline your offer and the related support. Making it simple to understand and to implement – plug this in, and away you go saving on calls. But when you do the maths, what is the ROI to the customer taking into account the cost of the box. Is marketing blinding the true cost by simply highlighting the saving per call? With reduced call costs from PSTN companies and initiatives such as call capping, what is the real pay back period on the purchase of the VoIP box? There are sections of the market which are high volume users and will benefit, but what percentage is that - and is the touted model viable in the long term? Mobile phones for years were free with connection but falling call costs made that untenable to the extent that often a monthly hardware fee is now factored into the consumer deal.

The ground in the middle of enterprise and residential is the SME market. Some 500,000 business fit into this category in Australia, and this presents multiple needs and scenarios. This presents a quandary with regard to providing a deliverable product that meets the needs of the business. At this stage of the VoIP life cycle and indeed the technology itself, SME requires a solid business case that addresses the questions asked earlier – How will this save or make me money? As a VoIP provider, there is a requirement to educate the market and clearly explain the benefits to business of the converged platform in the light of “need to have” and not “nice to have”. It is also required to differentiate the product offering to reflect the need of business with regard to backup and support.

Differentiation also extends to quality of service. Where the phone is an important part of the business, SME cannot afford to have line dropout, crackly reception or latency. All communication impacts the perception of a company and something as simple as quality of line can change that, whether it is the first contact or an established customer. Business grade VoIP means low latency, PSTN quality reception.

The ISPhone model reflects all requirements. SMEs of all types refer issues of technology and features and benefits to their IT consultants or ISPs for advice or even reassurance. The breadth of IT implementation in business means even those with in-house expertise typically will not have the answers to everything and refer to colleagues or suppliers for advice. As a result, knowledge of the existence of VoIP is not true education. Experts, or deemed experts play a key role in influencing decision at the customer premises. These experts can then implement the service to suit their knowledge of the client needs. This efficiency in market delivery increases the ability to provide a complete solution that can be adjusted or tailored to meet the needs of the SME. As much as plug-and-play is a delight, a one size fits all is not the answer. Control over implementation and installation ensures systems are running correctly and increases the customer satisfaction. While VoIP is in early adoption, this is critical to gaining mass support.



Any solution is only as strong as the weakest link. As a VoIP provider, ISPhone delivers business grade dedicated VoIP networks monitored on a 24/7 basis. The three variables that can impact service delivery are the equipment, the customer DSL connection with their ISP and the ISP's connection to their broadband wholesaler. Using recommended VoIP equipment ensures minimum standards in voice compression and delivery to the networks. Equally so, increased bandwidth allows greater call volume capacity.

So what are the benefits that directly impact the customer's bottom line and what benefits have the indirect impact? And what are the VoIP myths that need to be debunked?

By running VoIP over a customer's DSL or equivalent, a business can directly:

1. Reduce call costs per call. VoIP rates are significantly cheaper than standard PSTN/ISDN calls. A typical business call lasts 90 seconds and savings can be half the cost of the call.
2. Reduce fixed line rental costs. Business can potentially eliminate phone lines by carrying inbound and outbound traffic on VoIP. We do recommend maintaining one PSTN line as backup should the network go down although mobile can also fill that need. However, number portability does not exist at present so typically SME would retain some lines to handle inbound calls and route all outbound on VoIP. Customers using 1300 or 1800 numbers can totally dispense with PSTN lines as the number can be routed to the VoIP number. '000' calls need to be placed on PSTN.
3. Eliminate costs of calls between offices. Multi site SMEs can call between sites at no cost. Equally so, calls to other ISPhone customers are free so should supplier groups or industry groups all connect, then traffic between users is free. This model is very effective for retail chains or franchises where traffic between stores and Head office is a large component of their spend.

From an indirect perspective, the benefits are:

1. Convergence of voice and data. SME can potentially have their existing provider deliver voice and data maintaining the local support rather than relying on a multinational phone company. ISPs and IT consultants have a solid relationship with SME based on expertise and more regular communication.
2. Added features available from IP PBX and equipment add-ons providing features such as voicemail to email.
3. Technology proof. US research forecast that 74 per cent of business will be using VoIP by 2009. Globally, VoIP is experiencing enormous growth as bandwidth becomes both available and cheaper



Finally, we debunk some myths:

1. SME do not need to replace phone systems. A gateway is placed behind any existing phone system which can route calls to IP.
2. Call quality is poor. Business grade VoIP provides PSTN quality voice.
3. Installation is complex and costly. Gateways are preconfigured prior to installation and take only a few hours to install. ISPhone provides financing for all equipment so Capex can be avoided.
4. Savings are not so great. Such a generic statement is not possible. Savings depend on call patterns. Multi site locations can see significant savings. Businesses making local or national calls also benefit from reduced call rates and untimed calls for some call types.

SMEs have been largely ignored in the roll out of VoIP. This is largely due to the diversity of needs and the requirement to provide a range of solutions. Provision of a solution is not a simple plug and play model.

ISPhone recognises both the needs of SME and the services required to meet those needs. ISPhone is focused on the delivery of business grade VoIP and educating and training the market on the features and benefits of VoIP to the SME market. Our wholesale model places the skills, products and services in the hands of an industry that delivers IT & T solutions to the SME in an effective and efficient manner. It enables everyone to profit from the telecom revolution and therein lies the ISPhone difference.