

MSOs See New Era for VoIP

Customers want reliable voice service and by offering voice as part of a triple-play or even stand-alone service, operators are see their voice revenue grow.

By Craig Kuhl

Since the dawning of the IP age, voice service has emerged as a vital competitive tool for cable operators.

Now, it is almost a must-have addition to an operator's triple play, with the packaging, marketing and operational strategies being tweaked and revised to reach a more savvy and informed residential customer.

"Voice service is now a bit of an add-on to a bundled service. Consumers will keep their landlines, but the younger generation is going wireless. About 57 percent of U.S. households still have landlines. About 40 percent don't, and most with landlines get service through the triple play. VoIP is probably not a stand-alone service, but a must-have add-on," said Amanda Sabia, principal analyst for the Gartner Research Group.

Consumers want a reliable, inexpensive phone service. Exactly what it's called and which company provides it has little relevance, industry experts say.

"A lot of people are using cells for long distance calls, so we offer a low cost, local-only service for \$20 a month and it's growing 4-5 percent annually, despite the on-going cord cutting," said Kelly Rehm, GM and technology operations manager for MCTV, an Ohio-based tier 2 cable operator.

That growth, he noted, is a result of a multi-faceted marketing and advertising campaign that ties in local VoIP service to a bundled triple play package.



Marketing is key

“We consistently advertise and market our phone service and hit it pretty hard. Much of it is our local-only phone product. They could have cancelled other services if they hadn’t taken it, so the stickier your service becomes, the less likely customers will leave,” Rehm said.

VoIP has also allowed MCTV to compete on a more level playing field with bigger players. “It gives us the opportunity to ride VoIP over our current infrastructure and on a highly reliable broadband system. It’s a real upside for us to offer voice efficiently and at a lower cost vs. our competition. We’re actually surprised at the growth of our phone business. But we’ve been very nimble with VoIP,” Rehm said.

And nimble on the operational and cap ex sides as well, he concluded. “At first, we had no revenue from our phone product and couldn’t justify a \$300,000 phone switch. But in three to four months we could pay for the switch by bringing it in-house. It was a new era for us with VoIP.”

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Don’t call it VoIP

But MCTV isn’t the only small MSO experiencing a boost from VoIP service. Buckeye Cable is a progressive tier 2 cable operator that also offers VoIP service. However, according to Joe Jensen, CTO for Buckeye Cable, the company quickly learned not to call its service VoIP.

“We never use VoIP in our marketing, but market it as Buckeye Phone, a reliable, affordable and sensible service. The idea of VoIP gets lost with customers,” Jensen said.

Others agree. “VoIP for years was associated with OTT, non-managed Internet with negative connotations regarding reliability. Cable then re-named it ‘digital voice’ and all of a sudden it was better. Now, there’s no need to call it VoIP, it’s just phone service with a lot more features and unified communications capabilities,” said Chris Carabello, director of marketing for Metaswitch, a player in the VoIP space.

Those features and capabilities require a different marketing mindset, Carabello noted. Especially for tier 2 and tier 3 operators.

“Cable is proving the whole is greater than most of its parts, and voice is the least attractive component. But they can’t divorce it or risk losing customers. So there will be as much bundling as possible, including cloud and managed services,” Carabello said.



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In fact, more tier 2 and tier 3 operators are beginning to offer VoIP as part of a cloud service.

“Many are outsourcing cloud services, but we use our own private cloud and service the entire country. Over time, we’ll offer service to tablets and smartphones,” said Kashore Reddy, VP of product development and support for CableOne, a tier 2 operator.

To bundle, or not to bundle

CableOne still markets its phone service as a stand-alone product, albeit with a growing emphasis on the bundle.



“We initially offered phone with another product, then loosened it up and offered it stand-alone. Not all customers are looking for triple play packages. With just 11 percent of CableOne homes using our phone product, and about 70 percent still with landlines, we feel we can grow that market. We plan to be more aggressive with our marketing of phone as a stand-alone service, with cross-channel ads, direct mail and more,” Reddy explained.

And that strategy is resonating with other cable operators as well. “Our VoIP service is growing fast, especially as an add-on to our Internet service on the residential side. And since we own everything in-house, not outsourced, and have invested in the right infrastructure, it’s a great value-add to our broadband services. And we’re marketing it as Wave Phone, not VoIP, which doesn’t carry the weight as our Wave brand,” said Steve Weed, CEO for Wave Broadband.

What does carry weight in the VoIP space for tier 2 and 3 operators is VoIP’s ability to retain customers and allow them to upsell to higher margin services.

“When we bundle phone service with video and data it really reduces the cost to customers and has allowed us to grow our residential phone business. Especially local-only,” Rehm said. ●

CLEAR CHOICE FOR VOICE: EMBRACING THE CLOUD

There are two initiatives that many MSOs are considering for the future of cable digital voice:

- 1) Residential VoIP transformation** - aligning the service delivery costs with the ARPU realities of today while also delivering more value with innovative features like OTT extensions and virtual numbers
- 2) Hosted UC Launch** – rapidly address the fast-growing SMB market with new high-margin hosted unified communications services

The fixed voice market remains huge—totaling nearly \$80 billion in North America last year—and multi-play is the best way to win. But given challenging market dynamics and future uncertainties like take rates and regulatory landscape, voice needs to be delivered in the lowest cost, least risky way possible to assure profitability. Residential voice is becoming a check-list feature and the cost to deliver voice must align with that reality.

Both the underlying expenses and opportunity costs need to be studied. Examining not just the CAPEX and OPEX required to keep the voice network running but also the strategic initiatives with high impact potential that may be sacrificed due to the resource drain of the VoIP network.

With aging VoIP networks and the need to transform and innovate, MSOs are asking: what solution best addresses both initiatives?

The answer is to embrace the cloud. The next-generation service delivery solution for communications is the cloud voice platform. This wholesale solution means all the technology is provided, managed and hosted. Cable companies can then focus purely on managing the voice business.

With the cloud voice platform cable providers can take advantage of the pay-as-you-grow SaaS model, which eliminates CAPEX and significantly improves the business case and risk profile for VoIP. It means leveraging NFV and elasticity without the significant capital investment and organizational resources to build the next network. It means a rapid, easy, low-risk way to expand footprint or launch new services. The end game is reduced total cost of ownership, accelerated time to revenue and the ability to focus on growth instead of building a voice network.



Click on the image above to enlarge

While the technology is hosted, providers have full control over their voice business. With APIs and extensive management tools, cloud voice platforms are an extension of how service providers manage and monetize their networks. The tools to define and package services, provision subscribers and provide customer care are part of the solution.

The cable provider gets a success-based model that aligns with its revenue streams. The end customer gets high quality and feature-rich services. The product and marketing team makes the voice cash cow more profitable and crafts new cutting-edge VoIP services for the portfolio. The engineering and operations groups end up with more money and resources to fund other high-growth projects.

Market dynamics and the realities of today's aging networks mean that cable providers should consider new options for voice service delivery. Service providers are demanding not just the latest and greatest technology, but also a transformation of the business model. Cloud voice platforms provide that answer with a future-proof technology solution that is easier to manage, less expensive, and more scalable than traditional infrastructure approaches.

Kevin Mitchell
Vice President, Marketing & Product



CABLE VoIP SERVICE THRIVES IN SMALL BUSINESS MARKET

Small businesses welcome innovative new voice services, but the service must be marketed and packaged differently from residential voice service.

By Craig Kuhl

Cable MSOs of all sizes are finding the small to mid-size business market a fertile ground for VoIP service. A recent Frost & Sullivan report forecasts there will be 33.9 million VoIP users by 2015, with VoIP and SIP trunking earnings spiking to \$9.35 billion by 2019.

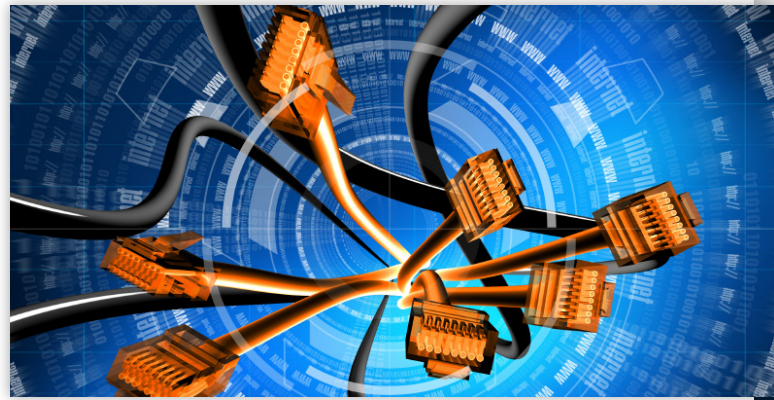
For cable operators this is good news as they migrate the once residential-only VoIP service into the more lucrative SMB market. However, there are challenges – such as limited geographic footprints.

“We’re changing our packaging and marketing approach and selling specific products to the SMB market. The purchasing patterns and behaviors look very similar for the residential and SMB markets, but marketing to the small business community is very different.”

Dave Cunnison, director of product management for business voice services at WOW!

Interconnection is key

“Cable is very focused on the SMB market, and offering a tweak to triple-play solutions and in some cases offering VoIP as a stand-alone service to small businesses. But cable’s challenge is geography. They’re trapped in regional footprints and marketing areas, so interconnects are vital. For tier 2 and 3 operators, they either deploy VoIP in-house with local support or find a reliable QoS VoIP provider. Either way, it must be architected



right,” said Mike Brandenburg, industry analyst for communications and technology for the research group, Frost & Sullivan.

Nevertheless, Tier 2 and 3 MSOs are getting serious about VoIP in the SMB market. “The Tier 2 and 3 operators are stronger on the residential side with digital voice (VoIP). But we are starting to see them move up market to SMBs. That will require a shift in sales people and some challenges in the back office. And the hosted voice market is still pretty nescient, with just 10 percent of business lines. Yet there is tremendous opportunity for cable operators to extend services going forward with VoIP and hosted voice,” said Leslie Ferry, vice president of marketing and branding for BroadSoft, a provider of hosted voice services.

But big MSOs are also getting into the VoIP space. Comcast as well as other Tier 1 providers are in this mix. “We took our core competencies to run our SMB phone service, which is all VoIP. And it’s proven to be very valuable. We’re offering cloud-based PBX and it’s the fastest growing part of our phone business. The SMB market is embracing best technology and we’re connecting them to the cloud,” said John Guillaume, vice president of product market and strategy for Comcast.

Targeted marketing is essential to success

Not only must SMB voice services be architected properly, but they also have to be packaged, marketed and sold with a different mindset and strategy than traditional residential service.

“We’re changing our packaging and marketing approach and selling specific products to the SMB market. The purchasing patterns and behaviors look

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very similar for the residential and SMB markets, but marketing to the small business community is very different. It's broad—from micro to large—and bandwidth intensive. However, it's a very significant market for us and our overall core competencies dovetail very well with the SMB market," said Dave Cunnison, director of product management for business voice services at WOW!, a Denver-based VoIP service provider with 155,000 SMB customers.

"Voice service is still an absolute imperative for the SMB market, and most don't care, and in fact may be unnecessarily confused, if providers talk about voice services as VoIP, digital phone or any other variation."

Stephanie Senner, director of B2B marketing for BendBroadband

For WOW!, the packaging of VoIP even means a different name for the service. "We're packaging and launching VoIP as a new service in some of our key larger cities like Chicago, Cleveland and Detroit, and re-naming the product formerly called "Matrix" to "Hosted VoIP." And it's all done in-house with an engineering team dedicated to voice," Cunnison said.

But WOW! is not alone. Even big MSOs like Comcast are finding the marketing of VoIP service to be a tricky proposition.

"VoIP is more of an acronym, so we don't push it to SMBs. The underlying platform is voice and we don't market it as VoIP. It's all VoIP for us, but the SMBs don't care. They care about price points, reliability and features. And they often want them from one source," Comcast's Guillaume said.

Vendors benefit as well

For relatively new vendors such as Alianza, the VoIP to SMB market is a boon to both the vendor community and to the VoIP/SMB market.

"We're seeing it as one of the fastest growing markets and cable has a great footprint. It can leverage its voice platform to address the growing needs in the SMB market," said Kevin Mitchell, VP of marketing and products for Alianza.

And leverage counts, WOW!'s Cunnison said. "When you deploy VoIP service to the SMB market, you need flexibility and good configurations up front and in back of the network. We learned that you need a team that can address those issues and bring depth of experience and bench strength. It helps that our roots are in the SMB market."

BendBroadband, a tier 2 operator based in Oregon, is deepening its roots in the SMB market as well, driven by a growing market demand.

"Voice service is still an absolute imperative for the SMB market, and most don't care, and in fact may be unnecessarily confused, if providers talk about voice services as VoIP, digital phone or any other variation. They just want reliable service, flexible features and scalability to grow or shrink as they balance growth. And it really makes sense to put Internet and voice together in a bundle," said Stephanie Senner, director of B2B marketing for BendBroadband. ●

Alianza radically transforms communications delivery so that service providers thrive with superior economics, feature set and control. Alianza's Cloud Voice Platform provides a zero-CAPEX, high-margin, low-risk solution and is designed specifically to meet the full range of voice requirements for service providers. The turnkey wholesale solution means lower total cost of ownership and a clear business case for VoIP. Learn more at www.alianza.com.

