The Platform Companies

Introducing a series of interviews with key executives at the service providers that are making the circuit to packet voice shift happen.

By Hunter Newby

Editors' note: *In the coming packet world there will be three things: the physical layer (essentially real estate and hardware), transport (links between the essential points) and the applications that ride above it all. Basically, we're talking about Layers 1, 2 and 3 to 7. This series will identify and feature two service provider groups and highlight their respective roles in the VoIP world. The first group are those that enable VoIP at the transport layer, but don't have a VoIP service per se. The second group includes all VoIP service providers that actually switch calls. The purpose of the series is to recognize those that are bringing VoIP to market and the different challenges they face and benefits they offer. The fact is, it's happening. This is True VoIP.*

It's really nice to have a purpose in life and in your business plan. Net profit helps too. If you build a delivery mechanism for your digital products and services that drives your profit by eliminating costs and risks and gets you closer to your customer, actually directly connected to them, you've got a winning strategy. That is precisely the plan for some of the largest and most viable entities in business today.

The notion of a platform in telecom is an interesting one. It's not based on the Internet at all, but rather Internet protocol – which is quite logical. Since there are inherent security risks with the public cloud and given recent de-peerings, such underlying uncertainties regarding the business aspects of the Internet and how that may impact performance, a few of the progressive and clued-in application layer online businesses have come to a conclusion. They say, "If I am the ultimate destination for what my user wants, why should I risk that experience and my revenue on an access provider that I don't control or have an interest in?" In other words, cut out the middleman.

The companies that think this way see their business models as magnets that drive users to ISPs (Internet service providers). One example would be an online retailer. They may have stores, but the path of least resistance and highest profitability is online. With a few technologies woven together (fiber – not so tech, Wi-Fi, Ethernet, VoIP, sessions initiation protocol, HTML) those stores can become Wi-Fi hotspots. Imagine the retailer giving away free access to not only the store portal but also imbedded VoIP capabilities. Retailers do like people making the trip out to the store. If customers could do all of their transactions online out in the parking lot and make a few phone calls for free at the same time, that's not such a bad thing. But, this sounds silly. Why would anyone drive to the store but not go in?

Well, it's all about access. If the retailers start to band together, you wouldn't have to go to the store itself but to any one of many partners' stores. The point, in a business sense, is branding and marketing. The retailer gets to control the user experience and collect all of that ultra-valuable data every step of the user's way. Think about real-time coupons, think about push movies on demand. Plus, it enables the retailer to create and virally spread a massive community of interest throughout all of the other people who buy retail things.

The point, in a networking sense, is that the user hits a private Layer 2 wireless network, which is brought back to a private Layer 2 Ethernet transport node, which is then connected to the router and then the server with the retail site hosted on it. With proper security on the wireless link, there are very little additional "public" hacking threats. This idea varies only slightly from what many enterprises are currently doing – building out their own IP, packet-based wide area networks.

Just as there is a community of interest within retail shopping at the end-user level, at the enterprise level there are communities of interest, or verticals, which all can be integrated into this networking model to facilitate all sorts

of IP applications. There are hospitals buying dark fiber and interconnecting to each other for medical imaging purposes and large financial institutions also lighting dark fiber to inter-exchange sensitive data in ever-growing quantities. In both instances and many other private verticals, the needs to move away from a public Internet infrastructure to a secure platform range from and include speed and security. Cost is also a factor. In some cases building a platform for applications may require some new capital investment, but when taking in to consideration the savings on the application side, most or all of the investment is returned in short order. Even if it did require a sizeable investment with a long return, it is well worth it for the enterprises whose businesses rely on networks.

Defined control, specific rules for performance and business relationships and clearly articulated remedies for faults and/or breach of agreements of the underlying network are as critical to the business operation as the products and services that are bought, sold and traded over those networks. For end users, moving to a platform company will mean getting more value out of things they do on a regular basis anyway. In addition, it also will mean doing those things in a more secure and controlled environment. The end user can decide how beneficial or oppressive that control ultimately is. For enterprises, creating a platform for the delivery of goods and services eliminates risks and uncertainties and brings a better quality product and brand to market.

The existence and growth of the "Platform Companies" in no way represents the end of public, shared networks, but rather they begin to put public networks in their proper place in the value chain. The platform model is an evolution from the broadly applied public network model. The public Internet was a proof of concept, essentially, that multiple, disparate networks can be commonly interconnected. The common space now evolves to private space for specific "members" within the community. The common space of the public network will continue to exist for those who wish to prove application concepts in the market without having to invest in significant infrastructure to reinvent all of those end points. Everything has its place and purpose in the new packet world. **FAT**

Hunter Newby is chief strategy officer of telx. He can be reached at hnewby@telx.com.