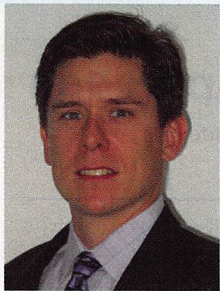


By Hunter Newby



Cutting Through The VoIP Confusion

In this rapidly growing and changing market there still exists much confusion. The absence of a clear picture being communicated by service providers is having an impact on the adoption rate of a basic VoIP implementation model. Understanding what logically comes first could accelerate the development and acceptance of the other services not yet ready for prime time.

In the next few years it will be made clear that there are three major service segments:

- Layer 1: physical layer network interconnection points;
- Layer 2: transport providers (Ethernet and wavelength);
- Layers 3–7: application service providers.

Aside from services there will be hardware and devices. Service providers will be best served themselves if they realize this and focus on their strengths, which probably sit within one of those sections, but not try to do too many. This will only cause them to dilute their message, complicate their branding, and potentially lose one piece of business that they could have won because it was bundled together with another piece that was inferior, or too costly.

VoIP is not Voice over the Public Internet. It is Voice over Internet Protocol. VoIP may ride over the public Internet, but it does not have to and in many cases the users (enterprises) specifically do not want it to. The Internet and IP are two different things. Similarly, it is not necessary to have a VoIP phone, or handset to have calls connected using IP whether on the public Internet, or on a private IP network. VoIP does not require a VoIP device at each far end point in order for it to work. Additionally, the hard dollar savings in VoIP is realized from the trunking side (PBX out) and simply IP enabling an existing TDM PBX gives the user access to many wonderful benefits of VoIP related to reducing costs for minutes and other capabilities. This fact seems to elude some journalists and it is evidenced in their reporting... “VoIP (A.K.A. voice on the Internet) is changing the world...” or “...The business case for VoIP is not clear when you factor in all of the costs for the handsets...” These inaccuracies perpetuate misleading information about many important aspects of VoIP, namely security and a CFO hot button: total cost of ownership (TCO).

While this is most likely not intentional and probably due to the speed at which the industry is moving, the lack of investigation and, or comprehension of the way it all works keeps the industry and particularly certain service providers from moving forward at a faster pace because of other things that get lumped together and slow them down. It is easier to understand if we separate the issues and break them up in to smaller pieces. First: the public Internet versus private, purpose-built Internets. Second, VoIP econom-

ics — hard dollar savings versus soft savings, or another way to say it, operational expense savings versus functionality and features that improve business process.

Many enterprise IT directors are evaluating VoIP. That in and of itself is telling as the responsibility for voice has shifted to the IT department. For many in IT, voice is a new application, so they read up on the subject and perhaps assume that in order for VoIP to work it needs to be end to end. In most cases they are looking at a combination of equipment including an IP PBX and handsets along with a VoIP service provider. Usually, due to the cost of the handsets, the initial scope of work includes only one or two sites to “see how it goes.” For those that know they want to link their offices and run voice over IP between them to eliminate toll calls they all prefer private (non-public Internet) connections. Here we can already see the great business case divide between not wanting to do too many handsets because of expense versus trying to connect every site and run VoIP because of savings. All of this is falling under the VoIP umbrella.

Let’s take a closer look at the savings side of the issues. VoIP is generally perceived to be a new type of service that saves money. This is evidenced in the retail side by companies like Vonage that offer flat rate, unlimited calling plans. Basically you pay a port fee and you’re in, you are on-net. In the enterprise market this perception is validated by the “shocking” articles being published that say that VoIP isn’t “cheaper” when taking in to consideration all of the costs (TCO) associated with it. Well, if the CFO has to factor in throwing out the big fat TDM PBX they just bought three years ago with a five-year payback and then the cost of the new IP PBX and all of the nifty phones that just have to go with it for it to work to its fullest value then, yes, it’s probably going to be a while before the ROI happens.

What the enterprise buyer thinks and wants are what the service provider should be saying and selling to them. The question is which service provider can offer them the right solution? It depends on the enterprise and their specific application of course, but for sure, capital expense in the form of a new IP PBX and phones will be examined and delayed, barring some “must-have” features that improve business process whereas clear savings realized from IP enabling an existing

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TDM PBX and phones is almost a no-brainer. The service provider segment in the best position to enable the immediate savings are the Layer 2 transport providers working in conjunction with a hardware vendor that IP enables the edge of a legacy PBX and phone system. Rallying around the elimination of toll calls is a sound business strategy because it is what makes the immediate business case for the buyer. This is simple, clean, and the first logical step to any VoIP analysis.

Now let's look at the network side. The enterprise buyers want private Layer 2 VoIP networks for security reasons. They have heard of SPIT (Spam over Internet Telephony), want no part of it, and have the ability to build their own network to avoid it. Once they have made the business case and seen the savings of VoIP over Layer 2 they want to buy data pipes and link their sites. Once the VoIP WAN is built they are in a position to be sold on additional services such as VoIP enabled IXC (long distance "off-net") minutes, public IP transit, and VoIP Peering with other enterprises. The provisioning of these services can be very easily accomplished from a major interconnection point, such as a carrier hotel. This is another sales opportunity for the

transport providers. Educate the buyers about what is available to them from these wholesale marketplaces and show them the savings and they will add a node on their WAN at the local carrier hotel. It is at this point that the Layer 2 service providers can begin to refer business to the Layer 3

providers. It is best that they do not try to be all things to the buyers, but rather deliver them to the shopping mall and let them shop.

Hopefully this paints a clearer picture of what's under the VoIP umbrella. It's not that there is anything wrong with IP phones on the desk, but a recent article indicated that IT directors are

apprehensive about putting an IP phone on the CEO's desk. This is out of a perceived fear that it won't work and they'll get fired. Maybe it's just that some of the aspects of VoIP need a little more development. That shouldn't keep them from saving money by using VoIP trunking though. Carriers have been doing that for years. Don't let VoIP confuse you. It can be as easy as 1, 2, 3-7. ■

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