

Hosted IP Telephony – is it real yet?

Tony Brook, MD for HIPCOM, looks at the challenges faced by the partner community when it comes to making decisions about Hosted IP Telephony. Not just from a 'who to partner with' point of view, but even more basic than that - 'do I need to bother at all?'

“The whole concept of Hosted IP Telephony was never really going to take off in the UK until the Broadband market matured and became financially and geographically viable for the majority of businesses. That time has now come and suddenly it's a Hosted IP free-for-all. At a recent industry event seven companies launched Hosted IP Telephony solutions to the channel at the same time and all are maintaining that theirs is the one to go for. It's no wonder the reseller community is confused and it's easy to see why many partners might choose to take a back seat until all the hype has settled a little - and then see which players are left in the marketplace.

What's the reality?

The reality is that resellers do need to act now to maximise the opportunity available to them. In the US where the Broadband market is significantly more advanced, Hosted IP Telephony has been a part of the industry for nigh on two years. Over there it's not something new and scary, it's just another offering which IT and telecoms resellers have available to them - to give customers even more choice about how they manage their telecommunications services. The proof of that is when you see new providers coming into the market and signing up 19,000 users in just six months. That's around \$275,000 per month in margin that someone is making! Here in the UK we need to catch up – and fast.

The strength of this offering is underpinned by the fact that traditional UK vendors and telcos are already developing products and services around a hosted proposition. Nortel, Siemens, Lucent and Telstra as well as a number of European players are skilling up for the task ahead, so no-one can afford to be complacent. I've been listening carefully to what's being said in the industry at the moment. Opinions seem to vary from those who think it will all be dead and gone in a year, to those who know they have to get involved but don't really have the hours in the day to wade through all of the different options out there.

I know from experience that it takes years, not months, to develop a solid Hosted IP Telephony platform that really does deliver a viable proposition for partners. It's clear that business decisions about becoming a Hosted IP Telephony partner need to be made very carefully as sadly, the reality is that a number of the new providers are marketing services which don't even exist yet, so you just can't be too careful.

How to decide

There are relatively few Hosted IP vendors in the UK at the moment and most offerings to date run on one of three platforms - Broadsoft, Sylantrio or Tekelec. The bottom line is that there's not much to choose between them and your choice of vendor should not be made on this basis. It's not just the soft switch vendor that you need to think about - it's the complementary technologies, like network and applications deployment, that will really make the difference to your business.

Getting the right service wraparound and the right provisioning application is vital. What's also key is ensuring that your chosen partner has the correct skills in house to make it simple for you to get up and running quickly and efficiently. These skills will ultimately underpin your entire offering, so they have to be rock solid. Over the last year there have been a number of vendors who have already come and gone in this space and the main reasons for failure have been poor technical skill or simply a complete underestimation of just how complex and finance-hungry the whole process can be.

Make provisioning a priority

Of all the factors to consider, getting this right is the most vital and will definitely emerge as a key differentiator as the market matures. A common option for new vendors is to build a provisioning solution in-house, which may seem like an attractive option, particularly for vendors who have previously developed systems for provisioning basic connectivity services. However, the need to

introduce hosted telephony and other new IP services quickly - combined with the inherent complexity of these services - makes the task considerably more difficult.

For example, many IP-based services are typically highly configurable and feature rich – and have to be delivered to the desktop. All characteristics which further increase their complexity. In addition, given their relative immaturity, Hosted IP Telephony services are subject to excessive change. This includes the development of new vendor devices and new releases of device software – as well as new protocols which are sometimes not even standardised. Even the services themselves are in a state of flux, while customer needs evolve and can have very short in-service lifecycles. Without the proper tools, keeping pace with this amount of change can be a costly proposition for vendor who takes the in-house provisioning route.

Given this complexity, I believe that an effective solution must allow rapid creation of new services, to hit critical market windows, whilst also providing cost-efficient introduction of new services. In addition a provisioning solution must also be able to handle the inherent complexity of advanced IP services, yet still make it simple enough for service users. Lastly it also has to provide standards-based integration with other OSS vendors and systems as well as supporting extensive customisation.

Developing an in-house solution that meets these requirements is a challenging undertaking - and the risk of delays and cost overruns is high. But the development costs alone don't tell the whole story. Operations, maintenance and upgrade costs all factor into the total cost. Based on market studies, the total cost of ownership of building a provisioning solution, along with a suite of IP services, is more than double the cost of buying, operating and upgrading a specialist third party provisioning solution.

Getting the right support

From a partner perspective it doesn't matter whether you're planning to set up your own wholesale distribution platform, or to sell Hosted IP Telephony services direct to customers. Either way you need a provisioning tool which you can integrate into your own website and fully brand as your own - and which is not just a logo stuck on the corner of a generic set of screens. You also need a tool which makes it simple for you to provide the necessary implementation and support. Delivering Hosted IP services to the desktop is incredibly complex, so you need to choose a provider who can handle this complexity for you - and ensure that the margins you make are not eroded by time-consuming technical issues.

Finally, the partner you choose must also be able to deliver skilled and experienced sales and marketing support to assist you in identifying new customers. Or if you are planning to set up your own reseller channel, identifying and supporting new partners. Find a vendor who can deliver all of this and your really can take the Hosted IP Telephony market by storm”.

Tony Brook has 15 years experience in the IT and telecoms channel. He sees the emergence of Hosted IP Telephony from the customer perspective, having worked client side for Abbey National where he was head of IT for their international division and IT manager for their network of 700 branches throughout the UK. Tony was also responsible for implementing a 1,000-user IP switch across six countries just three years ago and would definitely have taken the Hosted IP telephony route had it been available at the time.

For more information please visit www.hipcom.co.uk or email tony.brook@hipcom.co.uk.

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