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Feature

By Richard "Zippy" Grigonis

The Year in Review... The Year Ahead

2006 was a pivotal year in the history of IP Communications. Practically all greenfield installations are now IP-enabled, and many existing circuit-switched phone systems are being modified or replaced with systems that can deal with both the PSTN and IP networks. 2007 will give us more of the same, along with new technological advances in wireline and wireless communications, and applications having myriad new features.

With the new IP technology came a new crop of buzzwords and terms. Web 2.0 was joined by the somewhat more nebulous Web 3.0. As one online commentator wrote, "Web 3.0 is Web 2.0+... more of what we have now, but faster and more ubiquitous." It was also linked with another term, the Semantic Web, according to Dave Linthicum. (Wikipedia says that, "The Semantic Web is a project that intends to create a universal medium for information exchange by putting documents with computer-processable meaning [semantics] on the World Wide Web." It uses XML, XML Schema, RDF Schema and OWL.) And SOA, or Service-Oriented Architecture, was on everyone's lips (though not everyone knew why).

Despite this multiplicity of acronyms and interesting terms, we saw more of the same in 2006: More Skype users, more open source (Asterisk-based) phone systems, more sophisticated wireless devices, more WiFi and dual band phones, more broadband, and more SIP-based systems, thus cementing the position of this important call control/signaling protocol.

The public continues to clamor for broad-

band, despite the fact that many U.S. carriers have been slow to respond by changing their infrastructure, at least by European and Asian standards. Call/contact centers began to take IP Communications seriously, even though VoIP adoption rates in such centers had just barely entered double digits toward the end of 2006.

Business-wise, we saw one IP IPO that fizzled big time (that of Vonage) and another that did extremely well but stayed under the public's radar (that of Acme Packet). One bellwether company in this industry, Cisco Systems, revealed terrific revenues — see Rich Tehrani's Publisher's Outlook on page 8 of this issue.

Video mania took hold in 2006. The public eagerly awaits IPTV, the classy, interactive PayTV version of IP video. In the meantime, however, it seems that everybody from well-known motion picture and network TV companies to teenagers and an assortment of lunatics have generated zillions of Internet videos of varying quality. Blogs have been supplanted by video blogs or vlogs. Video is even going mobile. Indeed, cell phones are becoming personal mobile multimedia and

information stations, as established media companies try to repackage existing content for new delivery environments and, therefore, new distribution channels. For example, Hearst Magazines struck a deal with Volantis, a leading supplier of Intelligent Content Adaptation™ solutions, to launch mobile device-savvy versions of Hearst Magazines' *Cosmopolitan*, *Seventeen*, and *CosmoGIRL!*. The magazines will be mobilized utilizing Volantis' Mobile Content Framework™ and will soon be available on both the Cingular Wireless and Sprint-Nextel networks.

In related news, America began to fall in love with mobile broadband and the AirCard, though existing over-air connections may seem anemic when compared to upcoming WiMAX deployments in 2007.

IMS, the IP Multimedia Subsystem, destined to yield a common service architecture for both wireless and wireline, and promising the ability to easily create and deploy a multitude of new services, stayed mostly in the interoperability laboratories. More extensive trials and deployments will appear in 2007. As they do so and the world's communications infrastructure is renewed, you'll see heavy duty computing platforms appearing in the network based on AdvancedTCA and MicroTCA form factors and running switch fabrics such as 10 gigabit Ethernet, PCI Express, and Rapid I/O. You'll even see some workhorse media servers in the form of older CompactPCI and PCI-bus technology.

Of course, the above verbiage is just one person's observations. Yours Truly decided to take his inquiry to the next level by talking to a number of well-known and respected companies in our industry, gathering together and distilling their opinions on what really happened in 2006 and how IP Communications will bode in 2007.

Covad Communications

Perhaps the best-known of the CLECs, Covad (www.covad.com) has been 'riding the wave' of improved IP Communications quality and a diversification of services that SMBs increasingly find tempting.

Eric Weiss, Covad's Chief Marketing Officer, says, "In 2006 Internet telephony and IP Communications really graduated to Business Class. Some examples of how we tried to contribute to that would be that we rolled out and scaled things such as voice prioritization and the ability to prioritize real-time applications over all of the other data-type applications. With the YouTubes of the world out there taking a lot of bandwidth, we've got to make sure that the real-time business class applications such as VoIP still maintain their business 'grade'. So, we have a technology and service called VOA [Voice-Optimized Access] that gives you voice priority over data, and we have a number of features available through our Covad Dashboard and our Portal that enable a whole suite of applications such as Find Me/Follow Me, Unified Communications, Unified Messaging, Rich Conferencing, and so forth. We enable those features bundled with the voice."

"This, in turn, speaks to where things are going in 2007," says Weiss, "which is not to market these solutions as 'VoIP', but to market them as IP Communications. It's integrated communications, and the fact that it's called VoIP just means that IP enables all of the features; take for example, what we put in our Dashboard and Portal."

Weiss elaborates: "So, in 2006 we graduated to Business Class with those features, with QoS as per VOA, but I still think that 2006 was primarily about the well-funded enterprise users, the early-adopters and the people either moving or doing greenfield deployments. That's what really characterized IP Communications in 2006. That's going to transition in 2007 where we'll basically be done with the early adopters. We'll stop calling it, marketing and selling it as VoIP, and instead we'll start marketing it as what is really is: as

communications, as collaboration. That may sound simple and 'vanilla', but that's what the broader market of SMBs wants and needs. And we're going after that market."

"Business Class IP Communications is now a better alternative — even for the installed base — in terms of cost, productivity gains, the features, and the need to replace Y2K PBXs, and not just for moves, greenfields and early adopters," says Weiss. "Our focus on SMBs drives us toward providing tools that help people sell more widgets, bill more hours, see more patients, and so forth."

"We found that SMBs don't tend to buy technology," says Weiss, "but they do want communications to help them. If they're a law firm and their top customer calls them, they want to be able to have that client find them wherever they are and similarly automatically block a caller who's merely trying to sell them more paper clips. They want to grow their business, and the only way they can do it is with advanced tools, which is what we've built into our offerings."

"So, that was the primary transition: from early adopters to practical users who are not buying technology — namely, VoIP — they're actually buying 'communications' that helps them get their job done and grow their business," says Weiss.

"Also, in 2006 there was a lot of confusion in the market about 'who to go to for what,'" says Weiss. "There was no category leader in the SMB communications market. Vonage was out there, as well as Skype, and cable companies, traditional telcos, PBX manufacturers who even sold in the retail chain, and then competitive providers such as Covad. The buyers were pretty confused about who to approach. That will change in 2007. There will be a clear category leader, particularly in SMB VoIP and IP Communications. To be such a category leader, the company must exist nation-wide, so that as SMBs grow and establish branch offices they can be served by the nationwide option. Second, the category leader must offer services or technology with high QoS. Third, it must be an innovative company, which generally doesn't describe phone companies. Fourth, it must be flexible enough to address the needs of SMBs. In fact, it should preferably be someone focused on SMBs, since it's difficult to deal with both SMBs and enterprises, and that means that you're not actually focused. Fifth, it should support both a hosted model and a model that allows for integration with customer



premises PBX equipment. Both models are valid."

"There will be category leaders in each market segment," says Weiss. "Obviously, we at Covad think we'll be the category leader in SMB VoIP. We're already the Number One provider in hosted PBX solutions and we think we're well-positioned. That's good for us because there will be a shakeout — more mergers and acquisitions. It's hard to make a transition from wholesale to direct sales. One very large wholesaler that just made a very large acquisition talked recently about how they're now moving into the SMB market. That's easier said than done. We now have close to 40 percent of our business derived from the direct Covad-branded service for SMBs, and to achieve that took a great deal of time and effort — we've been working on it for two years now. You have to really make an effort to transition your business from wholesale to direct. It's nontrivial. But we're over the hump now."

"Yet another trend appeared that's also interesting," says Weiss. "It concerns the channel. In 2006, agents and dealers, for example, really proved that they could handle both the telecom and IT sides of the business. The channel converged just as the technology had converged a couple of years previously. We have several hundred channel partners out there and we're seeing really strong growth. Our channel partners can deliver on the promise of IP voice and data and combined services. That really positions us well for growth in 2007."

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