



# The Next Phase for Hosted Telephony

As the number of hosted telephony users in the UK is set to break through the million mark Comms Business Magazine takes a look at the market to see how and where it is growing and what changes are about to take place.

According to Matt Townend of analyst firm Allume the hosted voice market has been a steady burner over the last few years, growing to 877,000 seats at the end of 2011 seeing growth of around 40% annually for the last couple of years.

“The market in 2012 is due to grow by over 40% again with the market breaking through the 1 million users. However as we leave 2012 the market is due for some interesting developments with major vendor initiatives, new service provider launches and the impact of broader set of access technologies.

At the end of 2012 we will start to see the impact from new multi-instance type hosted solutions being brought to market by Cisco, Mitel and other traditional PBX vendors. In particular

we have seen Cisco has been very proactive in the corporate market with the launch of their HCS services, identifying global service providers to jointly attack the global corporate market together. So what had become really a three horse race between Genband, Broadsoft and Asterisk just got a bit more interesting. Also people are waiting to see whether Microsoft Lync will be a really viable hosted solution or will it just play the role of a PBX replacement. The role out of Cisco & Mitel's service perhaps indicate a closer alignment between traditional CPE and hosted market, and vendors using their channel power to drive hosted sales.

As well as interesting new options from the vendors, the role out of EFM and FTTC access technologies is broadening the potential market that providers can address. Traditionally the market had been polarised between very large organisations utilising spare capacity on their VPN networks to deliver Hosted VoIP and at the bottom end ADSL type technologies being used. Often in the mid-market services did not cost in as you had to use expensive SDSL services, now with EFM & FTTC the range of companies is a lot broader that can be addressed.”

*(Editor note: Allume publish its market figures every 6six months on [www.thevoiceofvoip.co.uk](http://www.thevoiceofvoip.co.uk), the next set will be available at the end of July)*

## A New Phase

Dave Dadds, Managing Director at hosted services provider VanillaIP, also believes that we are now in a new phase of services supply,

“The first phase of the introduction of hosted telephony services saw suppliers pitching their offerings against traditional CPE based PBX vendors and their channels. The next phase in the development of the market is upon us and we are now seeing hosted suppliers competing with other service providers so the type of differentiation we have to get across to users is entirely different.”

To meet this new challenge VanillaIP has introduced our new Uboss provisioning and management system which delivers total control of services for the reseller and the user alike.

Whereas in the early adoption phase of hosted telephony we were always comparing our features to that of a PBX, this second phase places far more emphasis on the needs of the reseller and how they can manage their hosted services.

Today we feel that proving the return on investment for hosted services is a lot easier, especially when you have applications such as remote branch offices and homeworkers. With Uboss users can manage their own consumption of services easily and on demand 24x7. It's a transformation for enterprises just as big as the move from mainframe computing to PCs was! A more recent analogy would be; who would have thought only a few years ago that Nokia and BlackBerry would be displaced in the mobile handset market by the likes of Apple, Samsung and HTC?

Differentiating services is key for resellers and the ability we provide channel partners to bundle our own applications – some of which are unique and provide on-demand services on highly flexible contract terms wins business. In fact some resellers find that this flexibility of often more significant than features with some users.

Another factor that we have recognised in recent times is that market segmentation is very 'old school'. What I mean by that is differentiating by product type for SoHo, SME, mid market and Enterprise users was invented by CPE based PBX



Stephen Barclay of Entanet: “We strongly believe that now is the perfect time for VoIP.”



vendors to suit their product offerings in each category. You don't have to follow 'their rules' anymore when it comes to hosted services. The newer thinking tends to focus more on segmentation by application, such as mobility and FMC.

Take DR or disaster recovery to give it its full name. We don't talk about DR any more but prefer to talk DA on the basis that disaster avoidance is a far better user proposition than recovery from a disaster."

## Doubling Up!

Commercial Director at HIPCOM Paul Aabryn says that whilst Illume report the market growing by 40% his company turnover doubled in 2011 and they are set to repeat that performance in 2012.

"Our established resellers are achieving greater success and they are being joined by many new partners who are getting up to speed very quickly. End users today are far better informed and technology savvy, which means they are asking all the right questions. For example, they are seeing a great deal of non-voice cloud based services being advertised and asking the question – why not voice too?"

Our biggest growth area has come from larger enterprise sales – we put 5000 users on our system in one day last month. We class these customers by the number of SIP trunks they deploy and our own Enterprise Class SIP is ideally suited to 120 trunks or more. Enterprise class and business grade deployments of hosted telephony are more often associated with 'private cloud' type service models using VPN rather than internet based connectivity to provide a truer end to end solution for the user.

At the same time we are seeing growth in our SME user base as well. Overall we would comment that users are more cloud aware, the market is maturing and the key suppliers such as ourselves, BT and Gamma are seen as credible companies."

## Platform of Choice

Paul Aabryn of HICOM continues, "Broadsoft has definitely become the platform of choice for service providers and when Illume say the market is set to expand beyond a three horse race we are not entirely sure what Genband is offering the channel in the way of service and would question Asterisk's capability in providing a business grade service. Could you as a reseller for example approach an enterprise sized business and suggest that they shift their communications to an open source platform for voice service?"

It's too big a risk for a service provider. Enterprises need a vendor backed solution with SLAs as a minimum. In our case HIPCOM offers an SLG (Service Level Guarantee) whereby we contract to a guaranteed level of service which if not delivered will result in credits being passed to the user. That is how you demonstrate confidence in your hosted telephony offering to user and channel partners.

Therefore, in our opinion Broadsoft remain

## Sound Bites

**Paul Bryce, Business Development Director, Node4**

A pain point for the industry originally was that too many providers got onto the hosted bandwagon, and not all of them were doing a good job. To some extent that reputation rubbed off onto those who those who were delivering a quality service. A quality service is an end-to-end service and takes account of each of the building blocks that build a high quality hosted telephony service.

**David White – Sales Manager of NTA**

It's commonly reported that Hosted Telephony only caters for a small percentage of the market. Typically, small to medium sized companies that meet very particular criteria, with monthly pricing being a major point that PBX lovers tend to pick up on. But again this is 2012, the market is evolving and NTA have embraced a model that allows Hosted Solutions to be sold the same way sip trunks or ISDN solutions can be sold, with lines being shared across extensions - the traditional way of selling telephony.

**Sean Taylor, Director of Content Guru**

There is a lot of confusion in the marketplace between "cloud" and "hosted". So while awareness of cloud is having a pull through effect on hosted telephony, it is important to distinguish between this and cloud telephony. Cloud is not just about putting a PBX into a data centre, it is about enabling resellers to tailor the solution to the needs of their customers. This flexibility is where the real value of cloud resides."

**Jon Nowell, Head of Communications Services Product Management at TalkTalk Business**

The lack of end-to-end SLAs for the majority of hosted telephony services in the market has gone some way to position hosted as the poor cousin to traditional, premise-based PBX solutions. While flexibility is paramount, all solutions should be underpinned by an SLA that can be relied upon in order to ensure customer confidence.

**Enzo Viscito, Managing Director of Inclarity**

Today, buyers need much more of a solution sell and every buyer's business is different. Even though it is difficult to engage and manage these multi-faceted dialogues, it is necessary to take this step in order to drive mass adoption across the SME markets. A well-aligned proposition delivered with the right sales experience is the key to differentiation now and will become even more important in the future.

the only credible show in town; it is proven in enterprise class applications, well featured and supported by all the major UK players.

Mitel and Cisco are clearly credible players in this market and the developments from them mentioned by Illume are interesting. It remains to be seen whether these applications will be open or 'lock-in' and how CPU and memory intensive such VMware based virtualized instance based applications will be.

Differentiation is key in the hosted telephony market and HIPCOM is able to provide a unique set of features and applications to the reseller and their customers. SIP trunks for SME and Enterprise class deployments and a complete, integrated set of cloud based unified communications applications are just two that set us apart from the rest."



**Enzo Viscito of Inclarity**

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## Good Timing

"We strongly believe that now is the perfect time for VoIP." explains Entanet's Head of Sales, Stephen Barclay.

Barclay says there are many drivers for the continuous growth in VoIP and SIP trunking that researchers such as Illume and IDC refer to. "It's not just about cost savings, although it is true that most businesses make significant savings in terms of monthly rental, installation and calls through the implementation of a VoIP solution. VoIP also provides a business with more flexibility, enabling it to scale its application of the technology up or down as required, connect multiple remote offices and/or home workers easily and even implement a useful disaster recovery solution which can easily be switched to alternative terminating numbers.

These factors, coupled with the increasing popularity of 'cloud computing', mean that business users' acceptance of hosted solutions such as VoIP has grown and demand is increasing rapidly. We've seen strong interest in and take-up of VoIP among our own channel partners as they strive to add more value to their existing customer relationships and their service offering. Their experience of the market is sometimes limited and so, through direct support and training, we help them to gain confidence in positioning and selling it successfully. They're able to resell our established business class hosted VoIP and SIP trunking services or even a simple pre-pay product. In addition they have the flexibility to provide the service completely under their own brand with comprehensive white label documentation; flexible billing options; unbranded

## Sound Bites

**Matthew Hibberd,  
Channel Marketing  
Manager for Frontier.**

Cloud awareness has defiantly had an impact on hosted IP but one aspect of Cloud technology that delayed the SME market jumping on board was the limitations and cost of a reliable connectivity source. With the launch of EFM, FTTC and more competitive pricing on Ethernet products the SoHo and SME market are now a lot more confident to move to cloud based applications. Moving to the cloud will still take some time for certain customers but with the advance in new technology's Frontier forecast the pace will very quickly pick up.

**Mark Curtis-Wood ,Head  
of Networks, Nimans**

We recognise that (hosted telephony) is still a steep learning curve for some who prefer just to continue doing what they know. That's why we place great emphasis on training and provide customers with all the support they need as it can initially seem a bit daunting. Confidence is an important factor so we provide resellers with a couple of trial handsets to use in their offices to get familiar with the technology before they go out to market.

**Charles Aylwin,  
Director, Channel and  
Public Sector, Voicenet  
Solutions**

A lot of our resellers are making money with the most dedicated making extremely good money. Previously a big issue for the reseller has been the commercial move from upfront revenue to a long-term recurring revenue model. It takes a concerted effort to change old habits and move out of the comfort zone and build a recurring hosted base, but more and more resellers are seeing this as worthwhile as it enhances the value of their business.

**Tamsin Graney, Product  
Manager for IPT at Nine  
Group**

When we run accreditation training it's great seeing that light bulb moment, when partners see for themselves just how much flexibility hosted can offer. With affordable, reliable connectivity now available, I think the future of hosted is looking very bright. Analysts predict that there will be a 40% growth in this area over the next twelve months and I'm confident that this will be a reality."

technical support; and even a white label management portal. Resellers not providing VoIP as part of their service portfolio are missing out on valuable opportunities.

## Reseller Comments

Larry Dutton, product manager, Redstone: We are seeing that awareness of 'The Cloud' is having a pull through effect on hosted telephony, but it is much more than that. Organisations now have a greater awareness of the new billing models that have been opened up thanks to virtualisation. Hosted telephony removes the expensive upfront hardware costs, allowing users to be paid for on a more cost effective per month basis. This has been one of the driving forces behind Redstone offering voice in this manner, just like we have seen across other utilities through the virtualisation of servers,

operating systems and rack space. While cloud technology is underpinning this change, the real awareness is of the long term cost benefits from adopting this type of solution and the realisation that all areas of technology can be consumed as a utility.



Paul Aabryn of HIPCOM: "Enterprises need a vendor backed solution with SLAs as a minimum."

## EdSays

Is putting a multi-instance PBX in a data centre really hosted telephony? Some people are asking the question but what is the significance compared say to having a Broadsoft platform in the same data centre? Well we're about to find out later this year as the likes of Cisco, Mitel and NEC roll out their offerings for the channel. Significant for me right now is the fact Illume will report as we go to press that one million users are now served by hosted telephony.



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