

Cover Feature VoIP

YOU'RE THE VOIP, TRY AND UNDERSTAND IT

By making VoIP as simple and seamless as possible, and by understanding how to integrate VoIP services, the channel can mine a pot of gold

By David Blinning

VOIP IS EMERGING as a veritable gold mine for the Australian channel.

According to research firm IDC, Australian VoIP equipment sales for 2005 almost doubled on the previous year to \$US220 million (A\$297m) and are expected to reach \$US440 million (A\$595m) by 2010.

The figures take into account IP phones, pure IP PBXs and hybrid VoIP PBX products.

Pure IP PBX systems account for 65 percent of all IP PBX sales. Much of this growth has occurred in the key verticals of accounting and law, while education and wider government spending has increased in the area.

Also, while the fast uptake of broadband amongst residential and small business users has created fertile ground for VoIP and other applications, the arrival of super fast services like ADSL2 and ADSL2+ promises even more bandwidth for the future.

Senior IDC analyst Susana Vidal says that it is important for

resellers to understand that in many ways VoIP is a "replacement" market for traditional telephony. But she stresses that success will be determined by the cleverness and ease of use of overarching applications. Resellers must understand how to integrate VoIP services with email and other desktop systems and business applications such as CRM to deliver the most value. "This will become more interesting than simply replacing voice," Vidal says.

Canadian communications vendor Mitel has been collaborating with Microsoft on developing applications to do just this via the software company's LCS (Live Communication Server). "Any vertical where there is more than just voice tends to be where we're seeing the highest uptake," says Mitel national sales manager, Colin MacDougall.

"Rather than just providing a voice gateway, we're looking at higher integration at the application layer."

But while the possibilities may seem endless, Mitel Australia channel support manager, Anne Wrencher, stresses that training the company's channel about making VoIP as simple and seamless as possible is a major priority.

"It's all about today's worker that isn't in the office all the time but wants to be able to take and prioritise their phone calls."



The company has around 25 partners in Australia, all of whom receive free sales and pre-sales training. "Anything that we've thought of to make it easier for the channel we have a tool that they are using," Wrencher says.

She adds that while many of Mitel's existing partners are experienced in voice and data implementations, many of the company's newer partners have very little experience at all. This has seen the development of a gateway for customers to trial solutions before buying.

"That's one way the channel can start to get in there with smaller companies," Wrencher says.

Post sales, Mitel also ensures that distributors share some of the initial support burden.

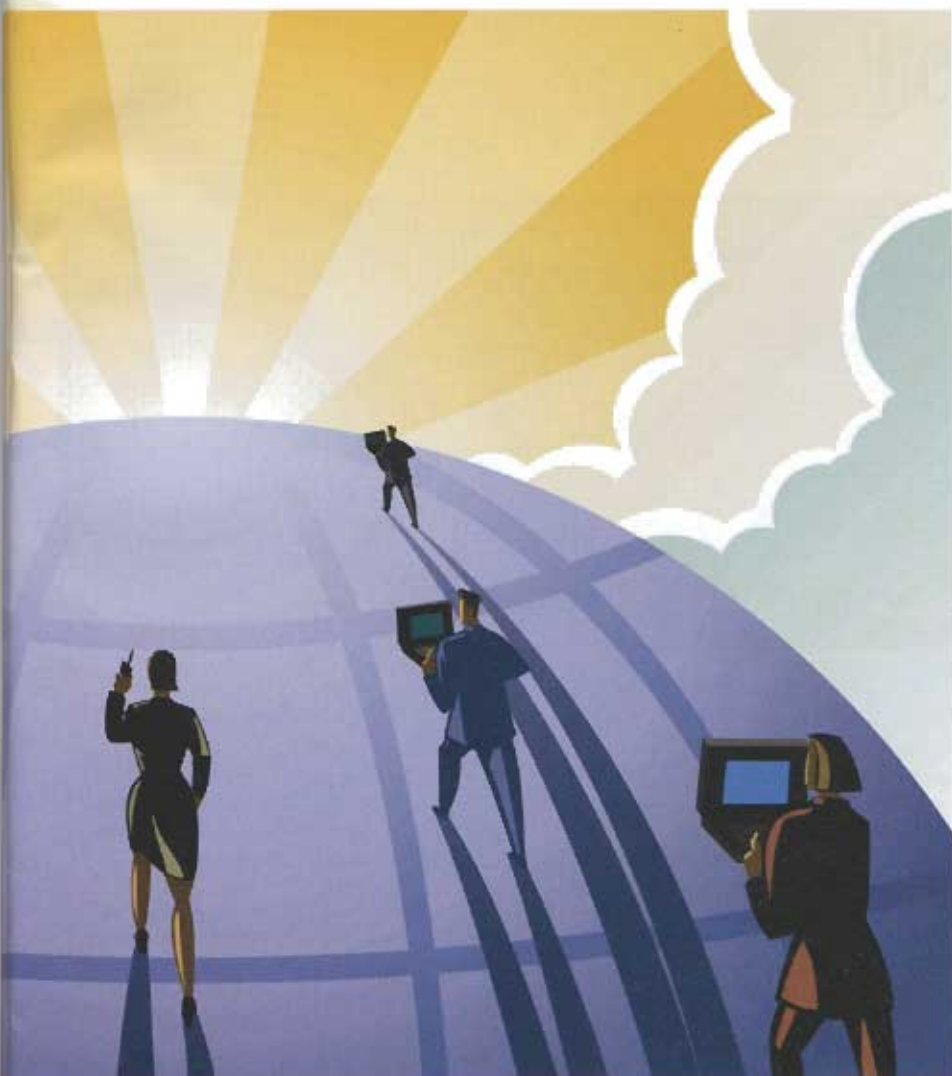
"It's not just a box drop," Wrencher says. "We are really trying to give the channel longevity with their customers."

One need look no further for evidence of ballistic growth in the local retail and SMB VoIP space

"Resellers must understand how to integrate VoIP with email, other desktop systems and applications"

THE MARKET OPPORTUNITY

- VoIP equipment sales totalled \$297 million in Australia in 2005
- Expected to reach \$595 million by 2010
- VoIP a replacement market for traditional telephony



Getty Images

than the performance of VoIP service outfit, ASX-listed engin. For the December 2005 quarter the company grew its paid subscriber lines by 81 percent to 19,000.

The company's share price has doubled in the past six months to just under 20 cents.

For an international perspective, engin CEO Ilkka Tales says that engin had more customers in its first year than US-based competitor Vonage, now the world's largest VoIP service provider.

Locally this space is getting more and more crowded, with at least five other providers now competing with engin.

One of the more interesting chapters of the engin story is the growth of the company's SME business. Small businesses now make up 45 percent of engin's customers, despite the company not having an SME-specific product. Even more ironic for a company that set out merely as a residential service provider, engin has blue

"We are really trying to give the channel longevity with their customers"



Engin's Tales: Small businesses 45 percent of engin's customers

chip resource company Santos as a customer.

Tales says that engin is about to release a set of products aimed at the SME and SOHO space, and will accordingly seek to bring on additional channel partners to handle the new range. "We're certainly looking at expanding our channel to help engin put products into the SMB space."

"White label" vendor iVox offers a turnkey VoIP solution for ISPs to market to their customers and has been experiencing month-on-month revenue growth of 65 percent, according to company CEO, Romain Bonjean. And there's more to come. "We believe massive growth will come, especially in the smaller end of the market."

Bonjean envisages a world in which IP telephony is viewed, and sold, as part of a myriad of overarching solutions that mesh voice with data and access to applications for improved mobility and productivity. "We see within next four to five

IPL TELLS RESELLERS TO GET READY



DEAN JOSCELYNE, director of Australia's largest VoIP distributor IPL, says that resellers will have to make some key adjustments in order to succeed in this market. "It's a more complex space, which means a longer sales cycle and more complex installation."

There is also the challenge of convergence, which before achieving it, demands managing different expectations of what it actually means. "Everyone has a different definition and end users really don't get it at all," Joscelyne says.

So the ability to deliver applications that make this clearer will be very important. An example might be a VoIP system that enables voicemail to be received in WAV format via email. Then there are the emerging 'soft phone' applications allowing, for instance, a user to click on a name in Microsoft Outlook, or even word and active a VoIP call. "From a user perspective they're starting to get some appreciation of the technology," Joscelyne says.

IPL is the sole distributor of the Avaya IP Office Suite in Australia and is one of three local distributors for Alcatel.

Joscelyne says that the volume of sales of VoIP gear has exploded in Australia but the market for applications is nowhere near being fully realised as many SMEs that have bought VoIP PBXs are still running over PSTN and are "future proofing. Now what's happening is you have a technology that has so many other benefits on top of basic toll-bypass that it makes it compelling for organisations to invest in developing it. Now every man and his dog is doing it."

years a lot of small businesses running their PBX over Microsoft servers," Bonjean says.

Then there are features like full number portability, something iVox claims to have been the first in Australia to offer. In the consumer space, resellers will eventually be selling bundled voice solutions to people who do not even have computers. "The day that you can tap into 60 or 70 plus people that don't know how to switch on a computer you are going to clean up," he says.

And like all truly disruptive technologies, their success does not necessarily depend on people fully understanding them. Transparency is important.

"I don't think there's going to be a need for the community to understand the technology — the market will migrate to it naturally," Bonjean says. "The best way to sell VoIP is to not actually pronounce it," he adds.

He laments, however, that growth would be even more spectacular in

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Australia if it were not for Telstra's leased line charges.

"Stopping the VoIP revolution is the fact that Telstra owns the last mile of the network." By contrast, VoIP providers in the US and Europe are able to offer services without customers having to pay a levy to the incumbent.

Along with many in the VoIP market, Bonjean believes that a big part of the solution lies in wireless. "You can now bypass the toll that Telstra is imposing on Australia; wireless allows bundling that doesn't involve the copper line."

IDC predicts that this year will be the year of "trials and proof-of-concepts" for wireless VoIP in Australia.

Sectors like healthcare have already seen the deployment of VoIP over wireless LAN (WLAN) and the trend is expected to gain pace in this and other industries.

Driving it further is the broader availability of dual GSM/Wi-Fi-enabled PDAs and handsets. IP telephony vendors have also started integrating Fixed Mobile Convergence (FMC) features into their PBXs.

Further, the deployment of IP telephony systems has already surpassed those of traditional systems, while WLANs are being increasingly installed at company sites. IDC sees combining the two as logical, especially for industries with roving staff like healthcare, education, retail and manufacturing.



Fast track's Bednal: Convergence delivery is happening



Vox's Bonjean: Massive growth coming in smaller end of the market

"Enterprises are moving beyond cost saving to focusing on applications available through VoIP systems as their key reasons for deployment; this implies that there will be increased interest in ensuring that their WLAN and VoIP systems are ready for future wireless VoIP deployments," says Vidal.

WLAN deployments can be decentralised in design with Wi-Fi handsets interacting with several 'thick' access points, or more centralised models with 'thin' access points joined by a wireless switch. IDC says that over the past 12 months wireless switches have become cheaper, more secure, scaleable and manageable, making the centralised model the preferred choice.

Communications reseller Fast Track is banking on VoIP and wireless to converge in Australia. "Certainly the younger generation wants mobility and we are seeing the wireless space grow," says general manager Geoff Bednal.

"For a long time people had been talking about convergence and over the last 12 months there's finally been some delivery."

The company sells VoIP products from Californian company Zultys and secure wireless vendor Aruba.

Like many in the VoIP space, Fast Track has profited from stellar growth in VoIP sales to the legal and financial services sectors. "This surprised us because they're what we consider conservative," says Bednal. However, the fact that both professions require secure mobile

connectivity between multiple locations has proved to be a boon for the company. Fast Track expects to hit \$5 million in turnover this year based on 40 to 50 percent growth.

"That's by choice - we could grow faster."

Networking vendor Netgear only entered the VoIP market last year and admits that it has some catching up to do. However, according to engineers Ryan Parker and Andrew Trickett, harnessing the company's strengths in data networking has seen it develop products that have endeared it to leading service providers, not least of which being engine. "As a networking company we sought to develop a fully switched product," Parker says.

Security plays a big role in the VoIP products coming out of the major networking companies today and most of Netgear's VoIP products ship with firewall capabilities as well as improved QoS. Such features, as well as pre-configuration, are critical, the company believes, in establishing partnerships with ISPs and the wider channel. "It requires less service and support," Trickett says.

Already established in the consumer area, Taiwanese equipment

"The best way to sell VoIP is to not actually pronounce it"

WIRELESS VOIP

- VoIP and wireless will converge
- 2006 is the year of "trials and proof-of-concepts" for wireless VoIP in Australia
- Health sector has already seen the deployment of VoIP over wireless LAN
- Broader availability of dual GSM/Wi-Fi enables PDAs and handsets

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manufacturer D-Link expects to launch a range of SME-targeted products in the next six months. These will include 16-port and 32-port devices with SIP (Session Initiation Protocol) servers targeting companies with 30 to 50 users.

"We want to take that next step and move into the SME space," says product strategy manager with D-Link Australia, Dean Williams.

D-Link is planning an extensive channel training program to get its partners up to speed with selling VoIP to businesses.

This will likely involve a handful of leading voice service providers. D-Link is currently talking to about bundling deals. "We will be doing joint training schemes with voice providers as well as resellers," Williams says.

D-Link rival ASX-listed NetComm announced last November that it had struck an alliance with Oxtel Communications to jointly develop and market a range of new VoIP products to the Australian SME market. A spokesperson for NetComm said that the new

products were only one to two months away.

VoIP is a lot more than a dial tone, according to Peter Hughes, national manager convergence business, Cisco Australia New Zealand.

It is something that Hughes admits he has struggled to communicate to such a data-oriented company, but the message, he says, has finally sunk in.

Hughes says that Cisco and most of the other major VoIP players had not expected to see what has occurred over the past 18 months for another five years, especially the fast rate of adoption at the high end. Cisco was recently forced to rebuild much of its dedicated voice channel in Australia and now has around 40 partners in this area.

"One of the main changes over the last few years, although we've had solid success with traditional data partners, is that we're seeing a lot of traditional voice players coming on board," Hughes says.

Not so surprising for him, however, has been the growth in the small end of the market, which Cisco sees as

"We've been pushing IP telephony for a while"

well overdue. Cisco-owned Linksys announced last month a range of new, low-end, SIP-based IP phone products targeting SME and SOHO users.

Hughes believes that this emergence of the low-end market will ram home for the channel some of the immutable laws of VoIP, namely: "Try to make products simple to install as well as stable and secure enough without being too complex".

But beyond digital voice and its ability to work with software applications, Hughes sees far more exciting possibilities for true convergence.

Cisco has already sold in Australia full voice and video streaming solutions running over a LAN and expects this part of the VoIP market to expand quickly.

"There's an onus now on Cisco to invest in our channel to make sure that we can articulate the value around these applications."

Cisco reseller EDC started out only five years ago, but according to founder and director Andrew Lowy, revenues are doubling month-on-month while profit margins are increasing. This financial year – the company's fifth in business – EDC expects to gross \$4 million.

"We've been pushing IP telephony for a while and now we're trying to keep up with demand," Lowy says.

Driving the market in Australia he says is the add-ons to the voice component.

"We work with partners who provide applications that improve customer service as well as making sure that we improve productivity within the business." This includes the integration of voice solutions with databases and other software applications.

However, before resellers drift far into the next phase of converged VoIP solutions, they must first nail the niggly issue of quality.

"To achieve carrier-grade VoIP and get SLAs you need to ensure that the IP available to use is controllable, otherwise you can't guarantee a service level," advises iVox's Bonjean.

Otherwise, one might ask, why get VoIP in the first place? "There's no point in getting VoIP if as soon as you make a call you then can't get email," warns Netgear's Trickett. □

BARNET STITCHES UP SILKY VERTICAL



BARNET WAS FORMED in 1999 by tech-savvy barrister Michael Green after he became sick and tired of the poor standard of communications throughout Australia's legal chambers.

"I started with the desire to have faster connection on the desktop," Green says.

A non-profit entity, BarNet now supports an enterprise-grade network delivering services like VoIP and wireless to some 30 chambers and almost 1000 barristers throughout Australia. All revenues are reinvested back into the network.

With the phone so vital throughout the legal profession, Green quickly identified the value of VoIP in helping barristers stay in touch while on the move.

"VoIP and videoconferencing all create an opportunity for barristers to work more intelligently and support their clients," he says. The fact that barristers often accept detailed briefs from solicitors also means that law firms increasingly expect a "degree of technological sophistication", Green adds. While many chambers have sought to offer networking services, BarNet says that its distributed WAN offering is unique.

Demand for the flexibility offered by technologies like VoIP is also increasing more broadly throughout what BarNet terms "knowledge professions". BarNet expects to start marketing its services beyond law to the education, finance, design, media and other sectors within the next 12 months.

Further down the track it expects to deliver fully integrated VoIP and video services initially in the hopes of improving efficiencies for barristers and others in the legal profession. BarNet expects to hit \$1 million in turnover this year.