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VoIP Predictions for 2009 and Beyond

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Introduction

With a recession setting the tone for the New Year, 2009 promises to be the year of value for business voice over Internet protocol (VoIP.) VoIP suppliers and developers will likely focus their efforts on delivering economical solutions, say industry analysts, putting aggressive innovation on the backburner until the economy picks up in 2010. As one industry observer puts it, VoIP infrastructure suppliers “will be highly focused on execution and less attentive to innovation in 2009, striving for operational excellence critical in tough times.”

After all, tough economic times offer a golden opportunity for an industry built on unbeatable value. As companies restructure to cut overhead costs, inefficient and obsolete public-switched telephone network (PSTN) business phone systems will be among the first liabilities to be “downsized” or eliminated. Industry forecasts reflect this expectation, with analysts calling for four to twelve percent growth in VoIP deployments through 2010. As business research firm Frost & Sullivan observes, “It is becoming more expensive to resist VoIP than to embrace it.” Hosted VoIP service should perform especially well in this environment, as clients opt for low entry costs and a fast route to ROI.

As VoIP companies gear up to take advantage of new interest in high-value phone service, businesses can expect to benefit from a wider range of economical options and custom converged solutions on the market. This white paper explores the landscape of IP business telephony in 2009, focusing on benefits for small and mid-sized businesses just entering the market.

The Year of Business VoIP Value 800

The following trends promise to make VoIP more accessible and affordable to small and mid-sized businesses in 2009.

Integration

Integration captures 2009 VoIP in a word. In an effort to deliver affordable value to small to medium-sized businesses (SMBs,) VoIP providers will focus on integrating legacy and next generation hardware, voice and data, hosted and on-premises technology, wireless mobile and local network.

1. Applications. Frost & Sullivan’s 2009 technology predictions see a trend toward “application-aware” network services. In the VoIP sector, the emphasis will be on integration data applications more closely with the voice service. One leading VoIP PBX system comes standard with a call-center application that integrates historical call center data directly into a hosted CRM application.

VoIP providers will likely leverage their integrated applications capabilities in order to build a strong client base. This should translate into opportunities for small and mid-sized businesses to add call

center functionality and CRM integration at low prices.

2. Integrated Access Services. Hosted IP PBX services will attract smaller businesses by offering a greater variety of packages combining high-speed data communications and business VoIP service over the same T-1 circuit. Integrated access technology is also opening new frontiers for small and mid-sized businesses looking to leverage non-IP legacy equipment in a VoIP-enabled system. For example, Packet8 recently unveiled its Virtual Trunking service, which uses an Integrated Access Device (IAD) on the client's premises to translate traffic between Packet8's hosted IP network to any existing business telephone system. The service allows clients a direct route to VoIP's cost savings without the initial capital outlay—a win-win proposition likely to attract clients in a tight economy.

3. Unified Communications. Unified Communication (UC) is thought to be the future of VoIP. UC systems integrate all manner of business communications: voice, conferencing, collaboration and presence management, and unified messaging via email, voicemail, and fax. It is possible that 2009 may be the year for SMBs to take up unified communications technology, especially as hosted services make the advanced technology available at a discount. A leading VoIP provider Mitel recently debuted a single applications server capable of handling unified communications for small businesses.

4. Mobile VoIP. Fixed mobile convergence (FMC) is the watchword for wireless VoIP in 2009, as the industry continues to develop the network to support mobile phones capable of seamlessly switching between cellular and local networks. At least one analyst sees this as a longer term goal extending into 2010, as the emerging Worldwide Interoperability for Microwave Access (WiMAX/4G) wireless infrastructure matures to accommodate FMC technology. FMC already allows users to transfer calls between their cell phones and desk phones.

Quality and Features

5. HD Voice. Call clarity is set to take a giant leap forward as high definition voice technology becomes more widespread in the business phone sector. VoIP phones typically accommodate a 300- to 3000-Hertz range. HD phones expands the range to 14- to 20,000-Hz, allowing a better rendering of the 80- to 14,000-Hz range of the human voice.

Those numbers become increasingly important in a global business context, when the ability to hear subtle nuances in pronunciation can facilitate communication among native and non-native English speakers. HD voice also improves clarity in a conference call, reducing the reverberation and distortion of multiple voices communicating via speakerphone.

Cost

6. VoIP Virtualization. Virtualization ranks at the top of most companies' IT priority lists this year,

according to projections from Forrester, Gartner, and IDC. InformationWeek reports that budgetary concerns are driving 31 percent of IT managers to put resources toward server virtualization (not including the forty percent who would have prioritized virtualization in any economy).

What does all this have to do with VoIP? More and more vendors are offering non-proprietary IP PBX software that runs on standard Windows or Linux systems, making virtualization a possibility for VoIP systems. This means companies just getting into the market can virtualize their call management servers, optimizing the use of these resources and reducing the number of VoIP servers needed. In addition to improving performance, virtualization can reduce server sprawl, IT administration responsibilities, and server maintenance costs. CTO Vince Biddlecombe explains, “Virtualization has allowed us to save on power and cooling costs as well as the amount of time our IT staff spends on server admin. It provides us with more efficient use of capital as well as increased flexibility during challenging times.”

7. Hosted VoIP. Hosted VoIP will accelerate its bid for business telephony market share, offering low entry costs and affordable monthly plans. “The core benefits of hosted solutions are annualized and upfront capital reductions,” explains William Bumbernick, CEO of enterprise hosted VoIP provider Alteva. “These core benefits drive customers to this solution rather than to competing solutions in a downward economy.”

8. More Favorable VoIP Contracts. Last but not least, 2009’s recessionary economy should allow VoIP clients to negotiate better terms in hosted contracts. In recognition of the cash flow issues plaguing many businesses these days, service providers are lowering initial costs even further. Equipment leasing and low upfront cost programs are two of the strategies available to businesses interested in taking advantage of VoIP’s efficiency and savings without impacting their cash reserves.

Case Study: Performance and Value

A VoIP deployment offers a win-win situation for most clients—in addition to cutting costs, businesses boost productivity through the system’s efficiency and advanced features. FranklinCovey, a leading provider of productivity and time management products, saved nearly \$350,000 by opting for a software-based IP phone solution rather than a PBX upgrade. In addition, the company’s 1500 employees are taking advantage of mobile network access and productivity-enhancing features such as enterprise messaging, presence awareness, and web conferencing.

Leveraging the Legacy

In these cash-strapped times, IT managers can take inspiration from FranklinCovey’s money-saving strategy. Rather than scrap its legacy private branch exchange (PBX) infrastructure, the company developed the VoIP solution around its Avaya Definity Generic 3r PBX system. IP software allowed the company to leverage the call center functionality of its old phone switch while taking advantage of VoIP long-distance cost savings and integration features.

Unified Communications

In addition to the hard savings in initial capital expenditures and ongoing phone service bills, FranklinCovey realizes significant gains from its unified communications solution, which integrates voice, enterprise IM, audio and video conferencing, and email within a single IP communications server. Remote users can log in to this server directly, without the use of a virtual private network. Meanwhile, the software-based system allows for more efficient IT management and as such, reduced maintenance costs.

FranklinCovey's story is likely to be repeated many times over in the coming year, as more and more companies embark on a phased migration to VoIP. Hosted and software-based options for IP communications are lowering the initial capital expenditure for a VoIP deployment. And companies can look to service providers for low entry-level pricing on next-generation unified communications solutions.

Conclusion

VoIP holds plenty of promise for the New Year, a rare silver lining in an otherwise gloomy economic forecast. After a period of rapid innovation, the VoIP industry is prepared to cash in on the technology by making advanced IP features accessible to the broader business VoIP market. The real winners of 2009 will be small and mid-sized businesses, as VoIP service providers focus on capturing their business through aggressive pricing and custom communications packages.

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About the Author

Dr. Clare Kaufman is a freelance writer who covers business and education topics.