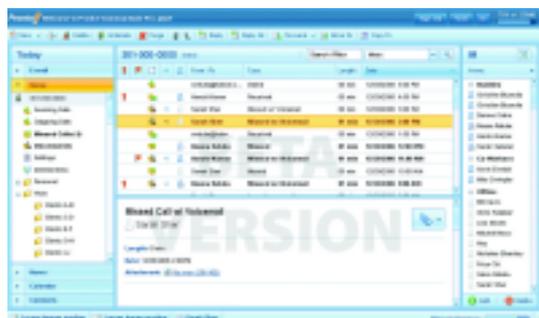


If your broadband connection is just a commodity and you can get email and other services for nothing from search engine and advertisement based providers, carriers will need to be imaginative in offering new rich media services that will make subscribers stay with them, says Jon Doyle of CommuniGate Systems

The plumbing is cheap, so make the services count



Add rich media to your internet communications services and give all your subscribers a domain to call home, or you will loose them to Google

CommuniGate Systems empowers video and file sharing for the consumer broadband and mobile market

If you're a carrier, your business model is changing rapidly: most of the revenue you make comes from minutes or a so called "toll and location based" model of voice calls. The arrival of voice over IP means that is vanishing before your eyes.

You have to do something different, warns Jon Doyle, VP of business development at CommuniGate Systems.

"Yes, operators have expanded their business to include things like DSL and web services. AT&T for example has partnered with Yahoo!" But that hasn't solved the problem.

In fact, all their customers are over at yahoo looking at cool free services too.

What VoIP is going to do is make the business model change even more rapidly, says Doyle.

"If telephony is the bread and butter of these big companies, and telephony all of a sudden becomes commoditised, what do you do? What are you going to do as a broadband or mobile service provider? Sell cheap VoIP traffic? How about providing rich media services?"

The percentages are worrying, he adds. Even with the rise of data services, voice "toll fees" still commands a good three quarters of many operators' income. Prices are being squeezed and commoditised almost monthly.

"The carrier is moving into new markets, providing broadband to the house, buying up wireless operators and spectrum, but what will they provide, just connectivity? Most carriers used to be just telephone companies in the past and now they're all becoming these hybrid companies trying to sell different 'network access' services. They're going to have to change very fast as voice over IP starts to take a big hold on the market. It will make their revenue go

down very quickly, and the investments painful to cope with the smaller providers."

What Netflix, Vonage, and Fastweb did is really just a warning shot over the bow of several large boats that think they are un-sinkable too, he says.

Five years ago fixed broadband access was typically charged by time or by quantity of data, especially in Europe "and then it became unlimited, for a set monthly fee", says Doyle. "My argument is that, if that hasn't already happened, it will happen to telephony as it is just another form of access to a network in this case the internet network."

Already several operators offer unlimited calling — AT&T in the US charges \$29 a month for calling across the country; in France, Club Internet, owned by Deutsche Telekom, charges 29.90 for calls to fixed line phones in 40 countries, on top of IPTV and 24 megabits of broadband.

"The 'new provider' is becoming a hybrid because the 'plumbing' is so cheap. If you have the connection, you can put broadband over it, telephony over it, and TV and other media content over the connection. That connection will just be a flat fee for all the services. So how are they going to start making more revenue or maintain what they have?"

Doyle sees that future income will come from content and applications. "If you're a consumer, applications will be things like on-demand video, buying music from services such as iTunes, sharing games — and people will pay for those. It's already evident in the cable networks that people pay to see movies that aren't released yet, so called "pay-per-view movies."

Applications will be different outside the home, he says. "Businesses will be willing to pay for things that mould into the business process." There are already examples of these, such as salesforce.com's online CRM. What if applications like these were sold by the carrier?

"Other services will be based on communications adapted to the business model," says Doyle. "That's where we come in."

CommuniGate Systems has identified markets in areas such as doctors' and dentists' offices and law firms.

"Each of these types of businesses have specific business processes that can be enhanced with the CommuniGate Pro platform."



Jon Doyle: Adapt the VoIP platform to provide extra services

Take the law firm as an example: law firms bill their lawyers' time for dealing with clients, either in person or by phone. "We can adapt our voice over IP platform to account for billable minutes automatically."

The lawyer doesn't have to fill in a form to log the time: "It can automatically be done inside the voice over IP technology that we provide," says Doyle. "That's an application that's specific to a law firm that they would be able to pay for, because it does something productive."

The technology looks at the phone number. "Or if you call your lawyer, they would press a key on the phone and it will start timing the call. Sometimes they might not want to charge, so there's flexibility."

CommuniGate Systems is also building an application for its VoIP platform to add functions for doctors' and dentists' offices, he adds. "It deals with all their patient appointments."

Take a small medical practice of 10-15 doctors and a number of support staff. "One of the tedious things they do is making appointments and cancelling appointments. And often patients will forget about the appointments — or appointments for their children. It's a big problem for the practice because they have a tight schedule."

The application that CommuniGate has built "allows patients to self-serve themselves", says Doyle. "We've created a web page that talks to the calendar in our platform. You can create the appointment. Then the telephony part of the system will call you 24 hours before the appointment happens and will say: 'press 1 to keep the appointment, press 2 to cancel or press 3 to talk to an operator'."

This takes "VoIP and moulds it to the business processes in an enterprise", says Doyle. "It does something which has a value in addition to the minutes that are being used. Our vision is that, as the minutes are becoming commoditised, just for making a phone call, telephone companies can find new sources of income."

CommuniGate System's internet communications platform has the intelligence to handle those business functions, he adds. "The application is talking to the calendar, inside CommuniGate Pro, and passing the information to the voice over IP engine used for making the calls, and plays some sound files for the voice response, that says 'press 1 to keep', and so on."

And the system takes the input from the patient, and modifies the calendar where necessary. "It's a very advanced application and it's tailored to those businesses. There's value there way beyond two cents a minute for a phone call."

The intelligence that's in internet communications systems can be used to make new revenue streams for telcos, he adds. "This is the future. These are the things that are going to make the telcos survive into the future."

CommuniGate Systems is mainly business-oriented. "The consumer market will see quite a different set of applications, such as music and video, community games and so on. We do provide the facility and capabilities to share videos and music on the platform. An operator would still have to buy the digital rights."

CommuniGate Pro is a carrier platform that pro-

vides the infrastructure for the foundation that allows users to make calls and has features such as instant messaging, presence capabilities and mobile services, plus email and calendar services. "Many of these have already become commoditised and voice over IP is also becoming commoditised, so we have to offer rich media applications available to that carriers can make money."

Among CommuniGate System's existing customers for VoIP are Tele2 in Europe. "They've had our platform for four years, using it for email and signalling, and they're using it for voice over IP roll-out this year and next year. We are the platform for Tele2's internet communications."

Other customers include Verizon Wireless in the US — for voicemail — and Softbank BB in Japan.

CommuniGate Systems was founded in Germany in 1991, though is now headquartered in California. "We are financially stable," says Doyle: the company has been profitable for nine years and has zero debt.

Systems are installed on 10,000 sites worldwide, with 125 million users, including 45 million voice users. "We run on all the main carrier platforms, such as Sun Solaris, IBM's AIX, and HP-UX," says Doyle. The company's software also runs under Linux, Windows and OS X for enterprises.

CommuniGate started in carrier class messaging, but moved to SIP-based communications several years ago. "A carrier can use our platform for all these services. It can provide scalable email services, voice over IP and instant messaging, because they're all internet-based."

It focuses on open standards: "That's the future of internet communications. Voice over IP will become standardised, and that's the fear for telcos, because once you can make a phone call to anybody's network anywhere in the world, voice over IP traffic will become really commoditised. They have to do something very fast to account for that."

Skype "is already putting a big dent" into telcos' business, "and that isn't even standard", he notes. "Imagine if you had a Skype system that anybody can use with any kind of client and any kind of phone. It will be 10 times more frightening for the telcos than Skype is today."

The number one fear is "free services", he adds. A provider may supply DSL to its customers, but its services — email, instant messaging, even VoIP — are replaceable.

"Nobody cares about you, because all you're doing is providing a connection to the Internet, and your subscribers are going over to Google or Yahoo and not using any of your stuff. If you could convince all of your users to use your services, to stay inside of your network, you will be solving a big part of the churn rate," he says.

"It's all about stickiness. Give them a domain name space, a place — rich media storage — to put their 'stuff', so they can call it home, and then you can provide the additional services which you can charge for."

The telcos that move and do something in the next couple of years "will be the ones that derive the massive potential of these new internet communications technologies", he adds. ■