



# Big VoIP Revenue for Small Potato Providers

By Rich Tehrani, President and Editor-in-Chief

Located just a few miles from the San Diego Convention Center (the home of the upcoming Internet Telephony Conference & Expo) is NetSapiens, a company that makes the lives of smaller service providers much easier.

I spent some time with Anand Buch, Co-Founder & CEO of the company, and learned more about what they are up to. I last saw Anand in June of this year at the IMS Party TMC had at Globalcomm (in conjunction with Siemens and the IMS Forum).

Anand picked up where we left off but before we got into business talk I got to discuss the good old days of VoIP when Nuera was in its heyday. Much of the NetSapiens team came from Nuera and we discussed what the future of the company might be under their new AudioCodes parent.

According to Anand, the company simplifies the delivery of voice and multimedia services for smaller providers. Their core business is turnkey solutions for startup or small providers that don't have the bandwidth or resources to go after VoIP market themselves. In addition, and this is a quote from Anand, "They are an integrator with a core competency in product development."

They see their ideal customer as smaller providers with a captive audience for VoIP services but who don't have the ability to get their voice services out quickly. Generally this means 10,000 or less subscribers.

Some of NetSapiens' company's potential customers are outsourced Web hosting companies or an outsourced information technology shops for small businesses. The service providers who purchase from NetSapiens can either buy equipment or a hosted service. The company's platform also functions as a call center with automatic call distribution (ACD) functionality if needed. In addition, the platform can handle prepaid calling card applications.

We spent some time discussing the domestic Internet service provider (ISP) market which is about 4,000 or so in size. Anand has noticed that many of the ISPs who have survived the consolidation of the past few years have found niches and and/or served a local community very well.

We also discussed how the Internet telephone service provider (ITSP) market will

likely see the same events unfold. Successful ITSPs will concentrate on productivity-focused individuals, small businesses, and e-community sites like those in the online dating or gaming field. Even a soccer league could be a potential customer.

Anand was proud to discuss the engineering built into NetSapiens' solutions—technology developed by former Nuera engineers, who are some of the best in the business. He told me the system has built-in IMS pieces that are required but he is careful not to over-hype his solutions and noted the common practice of calling SIP-enabled interfaces "IMS-ready."

I asked what he is seeing in the market and said that, what's essential to success for his customers is the ability to provide the best quality voice applications and most variety to meet the productivity needs of the customer—and do this in an efficient manner from an operation standpoint

Service providers further have to be able to make rapid changes for their customers in a cost-effective manner.

He went on to say his customers find there are so many different services they can provide for their end users. The challenge is packaging it. What PBX features will sell to which group? "They need to provide the two or three that are very valuable," he said.

"Service providers have to pick off what their targeted customer base really wants," he told me. "Bombarding them with 20 features dilutes the offering." He asked, "What differentiates you? Is it QoS? What are the 2-3 things that are core to you?"

He mentioned ISPs serving a local community. He explained that one such company is a current customer and they are not the cheapest provider—but they have an excellent engineering team, a great network and their uptime is great. He shared some fairly impressive revenue numbers with me.

There is an opportunity for the smaller service provider—but if such companies don't take advantage of that opportunity, larger companies will get the business by default. When this happens, customers lose out due to inferior customer service, quality, etc.

We then had a candid discussion about competition from Asterisk. To my surprise, Anand was complimentary of this competitive platform but pointed out that it requires a redundant carrier grade carrier platform. This means OPEX, CAPEX, and testing, plus an engineering team to develop it. He continued by saying this approach takes six months results in losses associated with delayed time-to-market.

No talk about the future of IP communications, or any technology for that matter, can get very far without focusing on killer apps. Anand believes these come from innovations on the part of the end user. He cites the fact that one company he is aware of uses their platform for major voicemail broadcasting internally—the company doesn't talk very much and voicemail takes the place of e-mail.

NetSapien's pricing model is quite interesting—they use concurrent licensing, not seats. The reason for this is they see new applications coming and don't want to inhibit their customers from getting users by charging per-seat prices.

We spent a few minutes talking about labels for different types of audiences. Anand said that "carriers" are best described as "competitive communications providers" rather than ITSPs or Tier 3/VoIP providers. Certainly this term is not unflattering and CCP is another acronym I will gladly commit to memory.

The question is: do service providers care if we call them Tier 3, rural or something else that might be considered unflattering? In my experience they generally aren't upset with these designations. In the end, perhaps those few service providers I have offended at the onset of this article with the "small potato" designation will get over it slowly when they put to use the concepts discussed here and start earning big VoIP revenues.

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