

EXPLOITING THE GROWTH OPPORTUNITY IN HOSTED & SIP TRUNKING UNIFIED COMMUNICATIONS

NOT ALL WHOLESALERS ARE CREATED EQUAL

BT wholesale

EXECUTIVE SUMMARY

The Unified Communication (UC) propositions of Hosted and SIP Trunking Voice have been growing steadily for some time in the UK market. According to Matt Townend of Illume Consulting, 2012 will be the year Hosted and SIP Trunking UC accelerate, as the business market-place invests in more flexible, feature-rich services made possible through more reliable connectivity. The ongoing difficulties for smaller businesses in getting capital, plus start-ups wanting to move straight into a Pay as You Grow (PAYG) solution, provide further market stimulus.

The competitive telecoms landscape in the UK means Communication Providers (CP's) are moving quickly to deliver on UC services such as BT Wholesale's IP Voice

Services (IPVS) proposition. Our proposition enables CPs to gain differentiation, improve profitability and retain their business customer base by delivering a range of next generation UC services. As Andrew Newbury, responsible for BT Wholesale's solution, states:

UC services are changing the dynamics of the UK communications market. We are seeing traditional and new worlds converge. Gone are the days when one supplier provided voice, one provided data connectivity, and one sold equipment into the business customer. Instead these providers are all now competing for the same markets.

MARKET BACKGROUND

This white paper will look at the UC market opportunity from two perspectives – SIP Trunking and Hosted UC.

1. SIP Trunking UC

An SIP trunk is an IP line, DSL or dedicated access, linking a traditional TDM and/or IP PBX phone system to the public communications network. With an SIP trunk a business uses the PBX, its localised on-site asset, to provide the core communications functionality, but then reaches out to the cloud to complete calls, enhance their disaster recovery and deliver over the top (OTT) applications. The growth of IP PBXs in recent years means that businesses want to use this hardware for what they really bought it for – delivering Voice over IP (VoIP). **So SIP trunking provides the opportunity to leverage existing functionality and start to save money through lower cost calls and ISDN channel consolidation.**

This is particularly the case when compared to legacy ISDN services, where the customer could see savings* on all call costs of up to

40%

According to Illume, the SIP Trunking market is currently estimated at 456,000 trunks deployed in the UK, and this is **forecasted to rise rapidly to 1.3 million trunks by the end of 2013**. If you consider that the ISDN30 base in the UK is still over 2.7 million lines, then the replacement potential and value of SIP Trunks is huge. **The market in Western Europe alone has been forecasted to be worth over £500m by 2013**, most of that driven by small business take-up.

SIP Trunking is the first point of entry into the UC market for many providers. It is a relatively simple proposition and,

once in, the provider is able to build their knowledge and experience on the ground. This leads toward selling a range of overlay services not available on the on-premises PBX such as mobility and call recording.

2. Hosted UC

This is where the voice platform and PBX functionality is hosted and managed by a service provider. The Hosted UC service is located in the cloud, which in reality is a secure and geographically resilient datacentre environment. With Hosted UC, management of the former on-site telephone solution is done by the cloud provider; the CP just needs, to sell the service and continue to provide good service to their business users. The business rents "seats", depending on their staffing needs, and has the ability to flexibly scale the amount of call capacity they need depending on the business requirements at that time.

The market for **Hosted UC in the UK is currently estimated at 877,000 seats**. However, according to Illume Consulting it is **forecast to rise to 3.7 million seats by the end of 2015**. This rapid growth is based on both private and public organisations retiring obsolete PBX hardware as well as the movement from older shared platforms or centrex systems. **The market is worth approximately £300 million now in the UK and this is forecast to hit the magic £1 billion in 3 years time**. This is a great opportunity for a CP to gain share now and see their sales and profitability grow.

In fact, the combined SIP Trunking and Hosted UC proposition will allow CPs' to offer the most flexible UC service in order to service different business needs.

*The % of saving available to CPs and end users is dependent on a variety of different circumstances and for some deployments may be higher or lower.

BUSINESS DRIVERS

Approximately **15% of the business PBX market churns every year**. Businesses are moving from smaller analogue and key systems with limited functionality and looking to invest in a UC proposition that can improve their productivity. Of course start-up businesses will have no legacy infrastructure and will push for the best value and most flexible communications service.

From an end-user perspective, workers in both small and larger businesses as well as public sector have a less office-bound role, with more time spent at other sites, on the road or at home. Their need is for more flexible communications. Smaller independent CPs have the agility and motivation to advise their business base on the movement to UC, thereby winning new business away from larger telcos. This is particularly relevant in the SME market

– a recent survey of SMEs by YouGov found that **66% of small businesses were willing to take up a UC service**. Secondly, the survey showed that VoIP services were more likely to be provided by smaller CPs. Additionally with the on-going economic uncertainty, where access to capital and credit is much more difficult, the move to a more scalable, pay as you go platform is preferred. A final reason is that UC provides the business benefit of re-assurance in a disaster recovery scenario. If a serious event occurs at one site causing the building to be closed for a period, then by using UC, the organisation can continue to trade or serve customers.

WHAT WE'RE SEEING SO FAR

Structure for success – Our experience to date suggests that the most successful UC providers correctly align their business to selling these new wave technologies. What we mean by this is that they ring-fence dedicated sales teams to focus on selling UC services. For those who sell a mix of old and new voice services, they need to ensure the compensation package in place is better off in the long run from positioning these new services. As Andrew Newbury states: **“If you make the deal right for the sales person, then they will want to sell this; and once they have one or two deals under their belts, then it becomes an easier sale.”**

Sell solutions not products – The sales person needs to understand what communication issues the business has, and what they are looking to do in the future. They should then position the best solution, which may be Hosted, SIP Trunking or a hybrid proposition. A successful CP will look at Hosted and SIP Trunking and see them as equal UC services that simply offer an alternative way of meeting business users' current needs. **Deals are lost when products are pushed to customers before they understand what the user requires.**

Go in Over the Top – A new buzz word in industry is OTT (Over the Top) selling. Quite simply this means going into a business and over-laying your service on to an existing one that is possibly with a competitor, or may be your own incumbent service. An excellent example of this is where a CP goes into a customer who buys all their broadband connectivity from one company and, instead of trying to replace this service, the provider over-lays voice onto the existing infrastructure. This gets the CP in the door and then prepares them for future sales opportunities, which may include the opportunity to win the broadband business.

Belief in connectivity – In the early days of Hosted and SIP Trunking, connectivity was always a potential bottleneck. Now connectivity has moved on in leaps and bounds with the prioritisation of voice being offered on ADSL broadband and the advent of fibre broadband being able to support more and more calls. More importantly, and something BT Wholesale has embraced, is to allow CPs who have their own connectivity services to use these in conjunction with IPVS using our “Bring your own Network” proposition. This allows CPs to use our UC service as an OTT application onto their data connectivity service.

WHAT DO CUSTOMERS THINK OF THEIR NEW IPVS UC SYSTEMS?

In a series of case studies, we asked a number of different business customers what they thought of their UC services. Three aspects shone through:

- **Cost reduction**

“We’re seeing some tangible cost saving benefits by moving to IP Voice services – with call costs reducing by up to 15%. The assured call quality and reliability the system offers has also been a big plus point for our business”

- **Peace of mind**

“IP Voice services offer a resilient and stable infrastructure, giving us complete peace of mind. We like the flexibility it gives our business – being able to easily upgrade as and when we need it”

- **Working flexibly**

“IP Voice services has given our employees more freedom to do their jobs more effectively and flexibly. Additionally it offers our company a cost effective way to make and receive calls.”

THE FUTURE BEGINS RIGHT NOW

The really exciting thing is that by moving to UC, the CP and their end users are building the foundation for future services. By using a service that is controlled centrally, in the cloud, CPs and customers are always on the innovation curve.

The market is hungry for new innovations that can be used to enhance communications services. As an example, BT Wholesale has launched two innovative cloud applications, Mobile Office and CRM Connect. The Mobile Office application allows users to use their iPhones, Android, iPad or PCs to make and receive fixed line IPVS calls over WiFi using their one IPVS number. The other application, CRM Connect, allows businesses to integrate their CRM system directly into their IPVS service. So you can automatically pop up a customer’s CRM file when inbound calls are received, and also control and make calls directly from the CRM system.

Thank you for reading our white paper. If you are interested in learning more and working with us, please get in contact:

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The growth in Hosted UC across Europe presents a unique opportunity for communication providers to tap into a billion dollar market. BT’s IP Voice service delivers a rich feature suite combined with the quality and dependability of the BT operations.

Communication Providers need to act now to seize this opportunity as the land grab is happening now.



Mike Wilkinson – Senior Director BroadSoft

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Registered office: 81 Newgate Street, London, England EC1A 7AJ.
Produced by BT Wholesale.
Designed by Jacob Bailey.