SMBs more than small talk

by Craig M. Clausen

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SMBs represent some 5 million businesses with 40+ million employees and more than \$100 billion in spending on communications services. Consider the demand dynamics of other segments: Consumers go with what's least expensive and still works. Large enterprise technological demands vary and are more sophisticated. Some 75% of this segment has IP deployed in their network, so they are comfortable with voice-over-IP (VoIP) services.

SMBs, which sit in between these segments, have the most to gain from a packet-based network. VoIP represents a way for SMBs to realize true cost efficiencies and take advantage of advanced services previously available only to enterprise users.

The most obvious benefit is a reduction in telecom costs. Initially, VoIP carriers overpriced their offerings. Since then, carriers have significantly reduced prices, and SMBs can now obtain VoIP service (flat-rate service with advanced features included) for \$10 to \$40 per station. Now, SMBs have begun to embrace VoIP offerings with roughly 3% to 5% of SMBs signing up for service by 2006.

On top of the essential out-of-pocket cost reductions are true operational efficiencies. Adding and dropping users (there are no more "moves"), deploying new features and monitoring the network become almost costless tasks for SMB managers. Also, through VoIP, one less hurdle exists for embracing remote working arrangements, as remote employees fitted with a VoIP phone are seamlessly integrated with the mother ship. No more 10-digit dialing, or worse, more costly Centrex services. Intercom and four-digit dialing render these obsolete.

Although tremendous progress has been made over the past year, service providers and equipment vendors can't rest on their laurels, hoping that fancy VoIP services are enough to snag new business. Providers must frame VoIP as a slice of a bigger set of services in the packetized, broadband world.

It's clear that there are other offerings that emerging providers can add to enhance their attractiveness to prospective SMB customers. Some providers, such as Geckotech and XO Communications, are offering VoIP bundled with other products in attractive packages that include dedicated Internet access, dynamic bandwidth allocation, unlimited local calling, unlimited inbound and outbound domestic long-distance calling, Web hosting and an administrative Web portal for making real-time changes to service. To some extent, creative services will dictate which service providers survive in the SMB market.

What should service providers be preparing to provide the SMBs? They need to start with the assumption that SMBs are always cost-conscious. Combining voice and data traffic on one pipe and reducing monthly recurring costs from previously separate public network and data connections is a boon.

The future lies in pushing other services over this pipe. In addition to VoIP and dedicated Internet access services, the new basket of services must include managed services (including hosting application servers), desktop maintenance (via online maintenance tools), Web hosting, Web design and mobile VoIP service. This last service promises to be a catalyst in realizing true integration. SMBs eventually will expect mobile phones to be integrated as another extension of the customer's VoIP system. All the features and benefits of an IP wired phone will have to be available on mobile phones. The key for service providers, of course, is to look at the bigger picture — communications service.

It will take a different mindset that truly embraces the integrated service provider concept. In the end, telecom carriers must become service providers to survive.

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