

# Savings Still Driving VoIP Services Adoption, Infonetics Reports

by Robert Poe | May 6, 2009

Study forecasts SIP trunking growth of 89 percent through 2013.

There are two main reasons for SMBs (small- to medium-sized businesses) to switch to IP telephony: cost savings and powerful features. A new study by Infonetics Research indicates, however, that savings remain the dominant motive. The evidence is the study's finding that SIP (Session Initiation Protocol) trunking is the fastest growing segment of VoIP services. And SIP trunking is very much about cutting telecom costs.

Global VoIP services as grew 33 percent in 2008 to \$30.8 billion, according to the study. Infonetics defines VoIP services to include hosted VoIP (or IP Centrex), hosted UC (unified communications), integrated IP access, managed IP PBXes, residential VoIP, SIP trunking and other types of IP voice access, including voice VPNs. Business VoIP services represented only 31 percent of the total, but grew faster than residential services during the year. Managed IP PBX, hosted IP PBX and hosted UC services accounted for three-fourths of the business VoIP total.

Businesses are adopting different VoIP services for different reasons, according to Diane Myers, Infonetics directing analyst for service provider VoIP and IMS. First, the flexibility of hosted VoIP makes it attractive for companies facing economic uncertainty, since it lets them add or drop user lines without worrying about major investments in PBXes. On the other hand, adding a hosted-service user does require buying a new IP phone. Yet many SMBs are holding off on any telephony investments for 12 to 18 months, Myers said. As a result, if companies aren't already using hosted service, they won't necessarily switch from their existing legacy systems. Thus the main growth in hosted services is currently coming from the relatively few companies that need to add capacity.

The move to SIP trunking, by contrast, is purely about saving money. Infonetics defines SIP trunking as services that deliver calls via SIP-based IP links, rather than conventional PSTN circuits, to premise-based IP PBXes. Such services provide SMBs with at least the same level of phone service they currently have, but typically cost less. And if boosting capacity is necessary, companies can add just the number of lines they need rather than buying entire new high-speed circuits such as T1s, which come in 23-line increments. In general, said Myers, "Most people are focused on their overall expenses, and telecom costs are a big expense." For such reasons, Infonetics projects that SIP trunking will grow at a compound annual rate of 89 percent from 2008 through 2012, faster than any other VoIP service.

Even when features rather than cost figure in companies' VoIP calculations, they often involve fairly basic considerations. For instance, one factor that is helping sell a lot of VoIP services is their ability to support network-based disaster recovery, which lets companies receive calls in different locations during emergencies. That's important in areas vulnerable to hurricanes and tornadoes, Myers noted.

Also popular is VoIP's ability to "burst" beyond a given number of concurrent phone calls by simply using more IP capacity. Such capabilities are helpful for companies with serious seasonal business spurts, such as tax preparers, and for event-oriented businesses such as florists dealing with the Mother's Day crush.

That's not, of course, to say that the fancier features VoIP can offer don't help companies' bottom lines. Some can in fact be great productivity boosters. In particular, simultaneous ringing of both desk and mobile phones saves time and increases efficiency, Myers observed. The problem is that hurried end users are most often the individuals who best appreciate the value of such functions, even as the productivity improvements are harder to pin down than hard numbers like telecom cost savings. As a result, such features get less attention from the people who make purchasing decisions.