

Hosted Business VoIP: The Next Wave in Revenue

**Cisterna
Networks™**

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Hosted Business VoIP Now Mainstream

It is only recently that Hosted Business VoIP (HBVoIP) has become a viable alternative for delivery of telecom services to small and medium businesses. In fact, it has become the mainstay of many service provider offerings. Indeed, there are now a large number of service providers that explicitly work with IP-based offerings and develop comprehensive solutions for business users.

According to recent research by In-Stat:

- U.S. hosted VoIP seats in service will continue to grow steadily to more than three million in 2010, up from 373,000 in 2006.
- Cost savings remains the primary attraction for hosted VoIP solutions, but the value associated with business-grade solutions is resonating at a higher rate among businesses that are willing to invest.
- Multi-location businesses and those with mobile or distributed employees are most attracted to hosted VoIP solutions.

However, the HBVoIP industry remains at a crossroads. In order to meet the increasingly sophisticated needs of businesses, providers need to bridge the “application services gap.”

Application Service Gap Remains

In today's market, customer premise equipment (CPE) for IP telephony solutions are sold not only for PBX functionality, but also for business communications solutions beyond standard call control features. For example, customers are seeking sophisticated communications solutions including quality assurance and compliance, and event alerting and notification, as well as unified messaging and collaboration.

The aforementioned applications services gap creates a legitimate challenge for hosted business service providers. Although many new features have been incorporated into the hosted PBX platform, such as extension mobility, the provider

is frequently unable to offer customer service management, contact management, security, compliance or other advanced business process solutions. Thus, this gap results in the loss of significant revenue opportunities.

ABI Research recently released a study focusing on “The Evolution of Enterprise VoIP: Shifting Trends for PBX, IP Phones, VoW and Hosted Services.” In the report, Stan Schatt, vice president and research director noted, “increasingly, hosted services will interest larger organizations and will be offered by a greater number of service providers — as premises-deployed, small-business VoIP solutions become more cost-effective targeting advanced features and applications.” Specifically, in North America, ABI is forecasting a 110 percent annual growth rate in hosted IP services for the enterprise sector between 2006 and 2012, from \$136.8 million to \$11.5 billion. They expect a similar increase in Western Europe, from \$113.3 million to \$9.9 billion.

To benefit from this growth, HBVoIP providers must work with partners to offer an entirely new set of application services that target key business processes within vertical markets, such as education, healthcare, retail and local government.

Application services consist of telephony applications that integrate into business processes. These solutions include communication and collaboration systems, such as presence and instant messaging; event alerting and notification to share information during a security threat; and quality assurance and compliance to assist in customer relationship management.

Each of these application services provide solutions based on the communications infrastructure, with elements of workflow reporting and archiving. This provides management with a much higher degree of visibility into customer and partner interactions.

“Convergence will drive additional classes of communications-enabled business applications and cause the greatest upheaval in the telecommunications industry since its inception.”

Five Hottest IT Topics and Trends
Gartner Group

The Importance Of Application Convergence

Gartner Group explains “Convergence will drive additional classes of communications-enabled business applications and cause the greatest upheaval in the telecommunications industry since its inception.” IDC believes that potential for enterprise hosted IP voice is compelling especially when delivered and integrated with other applications such as IP contact centers...”

The reason why converged applications are important is that they create a comprehensive rationale for VoIP itself. The underpinning of IP in VoIP is in essence the integration capabilities which traditional telephony lacks. Without vendors exploiting this unpinning, the argument for VoIP is weakened. Obviously this includes bundling telecommunications services such as broadband, video etc., but it is most exemplified by application services and as noted before, how IP based CPE telecommunications solutions are sold.

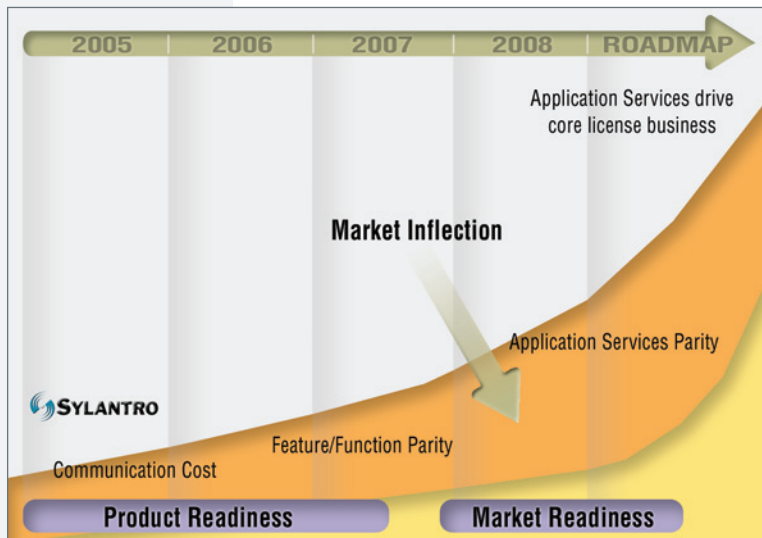
It is this convergence (first at the network layer and now at the application layer) that provides the foundation for the next wave of comprehensive application services that will drive revenue for hosted service providers.

Market Inflection Point For Application Services

The HBVoIP market is currently moving towards a market inflexion point. This is where the adoption rate will increase in response to increasing application services becoming available.

- Service providers for the first time will be able to tackle the “Application Services Gap,” rather than just the “Feature Set Gap”
- Independent Software Vendors (ISV) will need to share risk with ASPs
- Solutions sets need to offer business owners clear benefit to the “Managed Services Model” without sacrificing functionality and services
- Business services will be first and eventually propagate as consumer services

However there are some challenges...



“In order to deliver consistent and reliable services, improving the capability of the APIs used in handsets for hosted VoIP is essential.”

GREG ROYAL
Executive Vice President
Citera Networks

Consistent, Repeatable And Reliable

Delivering application services and their inherent user-flexibility requires a level of discipline that is best served by centralized services delivery. This is because of the need for a telecom discipline for delivering these services, which must be consistent for each customer.

Centralizing applications on a single server also helps companies leverage their existing hardware investments—infrastructure which tends to have an extended lifecycle. Plus, moving voice to a data infrastructure significantly cuts down on the number of managers needed to run the IP system.

Consistent Delivery

When delivering application services via the phone, the user demands a set of consistent services that are delivered 24 hours per day. It is very interesting that many small businesses rely on subscription-based email services for their day-to-day business. Recent email outages in the Yahoo and Microsoft “freemail” systems, as well as Skype, have shown just how vulnerable users are to the partial failure of these systems.

Repeatable For Users

Users are also looking for a consistent delivery of services and interfaces. If there is one lesson from the success of the Apple iPhone, it is that the quality of the experience is important for adoption. In terms of the phone interface itself, there has not been much progress, but it will be an important component in delivering the next wave of revenue for service providers.

Telecom Reliable

Because CPE-based equipment faces challenges delivering into a multiplicity of environments with different switches and gateways, it suffers from a less than perfect record of delivery and reliability. However, service providers have less room to move when delivering consistent solutions. Dial tone is almost defined as an inalienable right amongst users, and thus is a mission-critical need.

No business can operate long without voice services. It is the lifeblood of an organization and keeps the wheels turning. Voice as an application means recognizing its mission-critical nature and then helping businesses solve communications problems by enhancing voice application services with new capabilities and delivering these solutions reliably and consistently.

The call for application service providers is consistent, repeatable and reliable. In the next section, we will look at how we can deliver repeatable interfaces.

Delivering Repeatable Interfaces

Part of the challenges in delivering application services that are the next wave of revenue is finding a mode that will increase the experience, functionality and usability for business consumers, without adding to the cost and complexity of delivery.

We can look no further than the cellular telephone industry as an example of how you can deliver real value into the market while maintaining centralized administration.

Today, we have numerous choices in carriers, as well as handsets and capabilities. For example, it is uncommon for an average cell not to have text messaging, e-mail, camera and increasingly, music capabilities. Also, with Google Mobile Apps, you can include G-mail, calendar and Google Maps even with the least expensive phones.

It is taken for granted that all cellular phones have some degree of dual mode or multi mode capabilities, the simplest being text capability. Indeed, it would be hard to imagine a cell phone not having text capability, a must-have feature to support the youth market.

But we have now become accustomed in the mid market for standard contacts, Google mail, games, etc. as standard features. At the top of the market (now characterized by the successful Apple iPhone), mobile application services are what define the market of consumer and corporate smartphones. Smartphones, both consumer and corporate, are defined by core capabilities that include email (both push and pull), contact management, calendaring synchronization, Instant Messaging, Google Mapping, Web browsing and multi-media capabilities.



Cell Phone Dual Mode Capabilities Now The Standard On IP Phones

Whereas the wireless world refers to dual-mode phones as cellular, in fixed line phones, dual-mode phones are capable of both voice and data services, such as the Astra 57i

and Cisco 797X handsets. These handsets offer an out-of-band API that allows a much higher degree of functionality and capability than had been possible

before and has resulted in new class of converged application services. Indeed, without this functionality, the user experience would be significantly limited. This is because many of the functions require a structure representation of data and services that require a screen. Others services require that the service work in conjunction with a phone conversation so you need to use other methods of delivery (i.e. screen-based) in order for the service to make sense to the user.

It is the use of these services, in concert with the call control platform, that make compelling application services that companies (including Cistera) deliver.

Cistera also offers an Enterprise Application Platform called the Cistera ConvergenceServer™ that delivers key solution sets to hosted service providers; including:

Event Alerting And Notification

Cistera Networks recognizes the need to integrate and unify government communications. In response, Cistera has developed the first Enterprise Application Platform for IP Communications that fully addresses the need to use multi-messaging modes in emergency situations.

Cistera's Event Alerting and Notification (EAN) solutions enhance the ability of organizations to deliver actionable information quickly and reliably. Cistera's unique multi-mode communication platform combines IP, mobile and analog phones, as well as two-way radios, providing a powerful solution to meet the needs of progressive organizations.

In doing so, Cistera has developed a unique approach to how organizations can view and ultimately deploy an EAN solution—using IP as the “glue” to bind these systems together.

This comprehensive EAN solution provides many key benefits, including:

- Improved public safety—Cistera solutions provide government and public safety agencies greater operational and situational awareness to make good decisions and deliver actionable information, while also securing critical networks.
- Increased service effectiveness—Organizations can dramatically improve existing employee and public services by providing online access, allowing agencies to automate, consolidate and eliminate resource-consuming processes, while at the same time offering innovative new services.

Quality Assurance And Compliance

Cistera is the leading provider of Converged Application Environments to enhance the capability of Unified Contact Center solutions. By providing core recording, monitoring, quality assurance, campaign dialing and supervisory features among others, Cistera and Cisco offer a compelling solution for contact centers in the enterprise, as well as small business.

Features include:

- Continuous high capacity recording systems
- Ad-hoc recording systems
- Advanced Monitoring solutions via Web browser or phone
- Quality Assurance Systems
- Outbound Dialing and Campaign Management
- Enhanced Supervisory Systems including “Dashboarding”
- Enhanced Screen Capture, and Desktop takeover
- Integration of Event Alerting and Notification Systems

“The next wave of service provider revenue is all about application services. We believe it is the fundamental path to increasing Average Revenue per user “

GREG ROYAL
Executive Vice President
Cistera Networks

How To Deliver On These Services

Part of the paradox of telephony application services is that most software vendors are preoccupied with the features or attributes of application services. The issue is that business consumers already understand the services needed to support their business. Rather, they are seeking innovation in delivery, and are not necessarily concerned with the features.

A good example is again the Apple iPhone. All of the functionality of the iPhone has been delivered in different packages numerous times before. Rather, what is different and successful is the way these services are delivered to the consumer and how they are packaged. It is innovation such as this that Cistera brings to the Hosted Business VoIP Market.

Cistera has developed an innovative method to deliver consistent, repeatable and reliable solutions for telephony application services that have delivered real value to business consumers. These proven solutions have been translated to work in the hosted business VoIP market, and provide real value to both users and service providers.

Deliver Increasing Value

We have learned from our customers that they are looking for what can be best described as “overwhelming value.” Like all businesses, they are seeking value for their money.

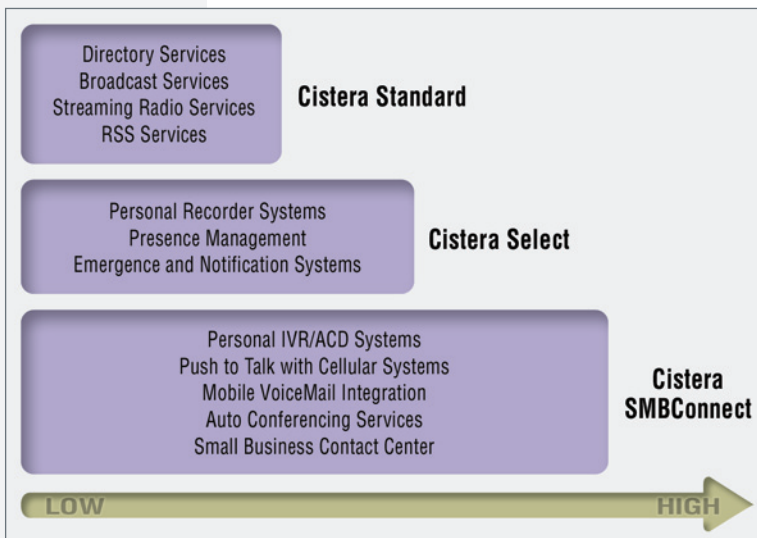
To support this, it is imperative that hosted VoIP service providers not only deliver value, but overwhelming value, to attract the attention of customers in the face of competitive offerings from CPE-based suppliers.

Because the Cistera platform offers over 12 different engines for Event Alerting and Notification, Quality Assurance and Compliance and Unified Communications solutions, service providers can mix-and-match solutions based on their needs and the needs of their customers. This offers the most comprehensive package and capabilities available for hosted environments on the market today.

Share Risk Together

Independent Software Vendors (ISVs) need to rise to the challenge of delivering these solutions into the hands of hosted customers. They need the flexibility to tailor offerings to the needs of individual service providers and the markets they serve. For example, there may be a need for packages that tailor to the education market, some in healthcare and some in financial services, including contact centers.

Cistera has responded to the challenges of not only providing a mix-and-match packaging for service providers, but also Cistera is the only ISV that offers both purchase and revenue/risk share model for service providers.



About Cistera Networks

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Cistera is a leading global provider of enterprise and small business communications solutions and services. The company focuses on blending powerful application infrastructure to deliver the benefits of voice, video and data convergence to the user. Cistera's broad portfolio of Convergence Servers and application solutions provide advanced voice, video and data communications platforms and applications for customer contact management, event notification and alerting, recording and monitoring and collaborative solutions.

The Award Winning Cistera Convergence Server™ (CCS) is the leading platform for the delivery of Enterprise Application Engines for IP Communications. The CCS delivers enterprise scalability and performance all the way to the desktop and the phone. Couple that with a Unified Administration for the lowest Total Cost of Ownership (TCO).

Based on open standards and a proven server technology foundation, the Cistera Convergence Server enables customers to create a robust and scalable environment that is flexible enough to adapt to their changing needs over time. The CCS platform scales up to support organizations with thousands of users and scales down for offices with fewer than one hundred users, making it a viable alternative for a broad range of organizations.

Cistera Networks makes Application Driven Telephony a reality by setting the new standard in advanced IP phone application platforms and engines for the Enterprise VoIP Telephony environment. The Cistera ConvergenceServer™ (CCS) uses the industry-leading Cistera Enterprise Platform for IPT to provide Unified Application Administration as well as Fault and Performance Management for enterprise IPT Application deployments. Cistera provides next-generation solutions for numerous vertical markets including education, finance, healthcare and government. Cistera Networks maximizes IP phone capabilities -- taking the communications platform to an entirely new level.

Cistera focuses on three core application services solution sets:

- Event Alerting and Notification
- Quality Assurance and Management
- Unified Communications

Glossary

Cistera Networks describes our core platform as "Enterprise Application Platform for IP Communications". On that platform we have a number of tools and engines that provide application services, both fixed function and individual configurations for clients.

Application Platform for IP Communications – platform that provides core underlying components that allow application services to exist. They are Security, Provisioning, Fault and Performance Management and Billing (OSS & BSS services)

Application Services – Feature function that manifests itself in the hands of the user

Application Engine – Function specific software component that reside on the Application Platform

Application Services Layer – Software and hardware layer where application services are provisioned within the

To learn more about Cistera Networks and Enterprise Application Platforms and Engines for IP Communications please visit us online at <http://www.cistera.com>, call us at 1-866-965-8646 or email info@cistera.com