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Wholesale Voice Buyer Survey

Commissioned by Bandwidth's inetwork division
Conducted July 2012 by ATLANTIC-ACM

Background

In July 2012, inetwork hired ATLANTIC-ACM to survey U.S. wholesale voice buyers, encompassing origination, termination, Toll Free, 9-1-1, and SMS services to determine the key factors impacting their business.

ATLANTIC·ACM

We commissioned this study to verify and quantify a trend we recognized in the changing face of our customer base. Specifically, a growing percentage of customers are not simply selling dial tone. Instead, they are using our APIs to embed services into end-users' offerings; customers like those developing applications for IP-enabled mobile devices, call analytics providers, or providers of over-the-top (OTT) services.

Three examples illustrate this point, all of which are based off of end-user services available today from our customers.

Example 1

Mr. Smith decides to start a business. Rather than investing heavily in a phone system, he decides to use his smartphone at work. But it does not use a wireless network. Mr. Smith's phone uses WiFi. His is certainly not a desk phone using a voice over Internet Protocol (VoIP) or plain old telephone (POTS) line. Nor is it a cell phone. It's something different, powered by IP.

Example 2

Mr. and Mrs. Jones are considering getting a phone for their son, Bryce, who just started middle school. He has a busy schedule and they both work so they want to be able to stay in touch. Rather than incur the expense of adding him to their mobile plan, they decide to turn his iTouch into a phone by getting him a number from a free texting and calling app provider. When Bryce uses his phone, he won't be calling a number. He'll be calling a person, with the underlying phone number becoming a less visible component of the act of placing a call.

Example 3

Susan is on a business trip with an hour between meetings. She needs to grab lunch. She does a quick search on her phone, finds a Thai restaurant (four starts on Yelp) within walking distance, and clicks on the phone number that appears on her browser screen. The call goes through. She places her order and gets directions. Her Pad Thai noodles are waiting for her when she walks in the door 10 minutes later. But the call did not go through her wireless carrier's network. Instead, it was a voice service built into the search engine she uses.
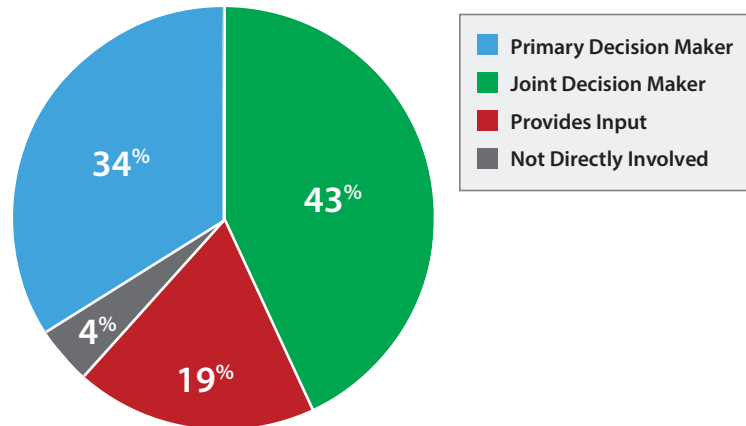
Our Theory

Because of customers offering services like these, we suspected the telecom industry was beginning a shift away from delivery of traditional services and entering an entirely new phase, built off of software as a service (SaaS) and application developer methodologies while leveraging access to a nationwide IP-based voice network.

Responders

To help us validate our thinking, we focused our energies on polling an exclusive set of U.S.-based senior executives responsible for IP-based voice, 9-1-1 and SMS services within their organization. Survey participants spanned a wide range of wholesale buyers of varying sizes to ensure data was not skewed toward a specific segment.

77% are decision makers

Decision-making Capability

- Primary Decision Maker
- Joint Decision Maker
- Provides Input
- Not Directly Involved

34%
43%
4%
19%

70% hold title of director or above

Respondent Titles

- C-Level
- Director/Manager
- VP
- Analyst/Staff/Planner/Engineer
- Other*

27%
31%
16%
14%
11%
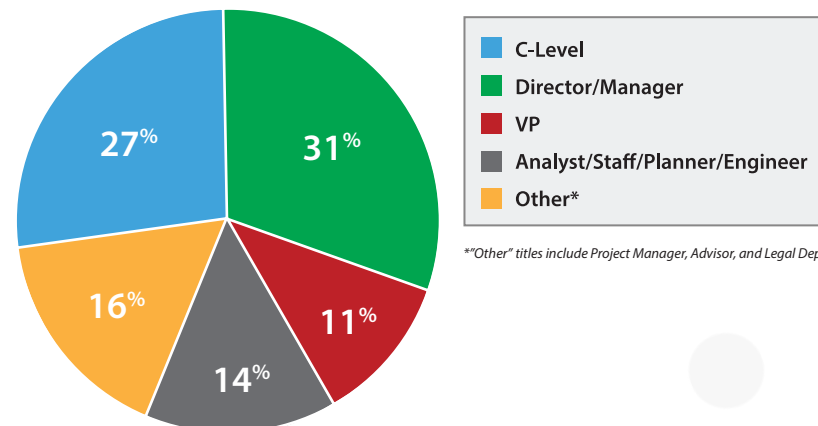
*"Other" titles include Project Manager, Advisor, and Legal Dept

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Responders represent large and small companies across a wide range of companies consuming wholesale voice services.

Monthly Telecom Spending

Respondent Company Verticals

- ■ Application Provider
- ■ Business VoIP
- ■ Carrier
- ■ Cloud Service Provider
- ■ System Integrator
- ■ Web Marketing/Advertising Firm
- ■ Other*
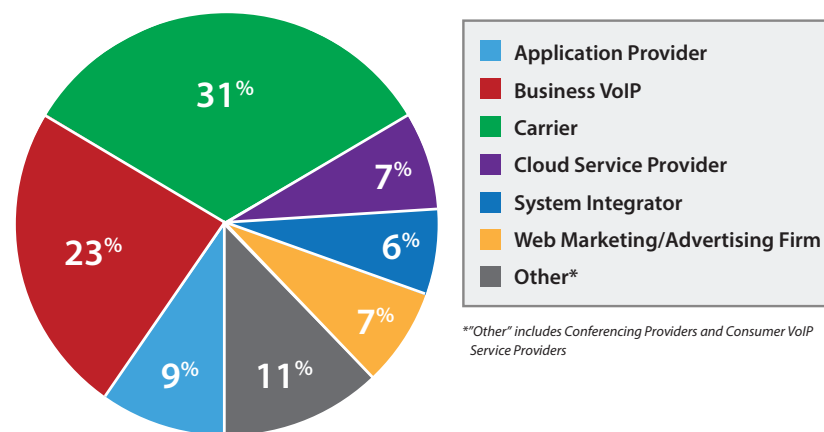
*"Other" includes Conferencing Providers and Consumer VoIP Service Providers

Q. On a monthly basis, how much does your company spend in total on wholesale voice services?

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Key Findings

#1 How service providers will offer and how end-users will consume telephony services are changing dramatically.
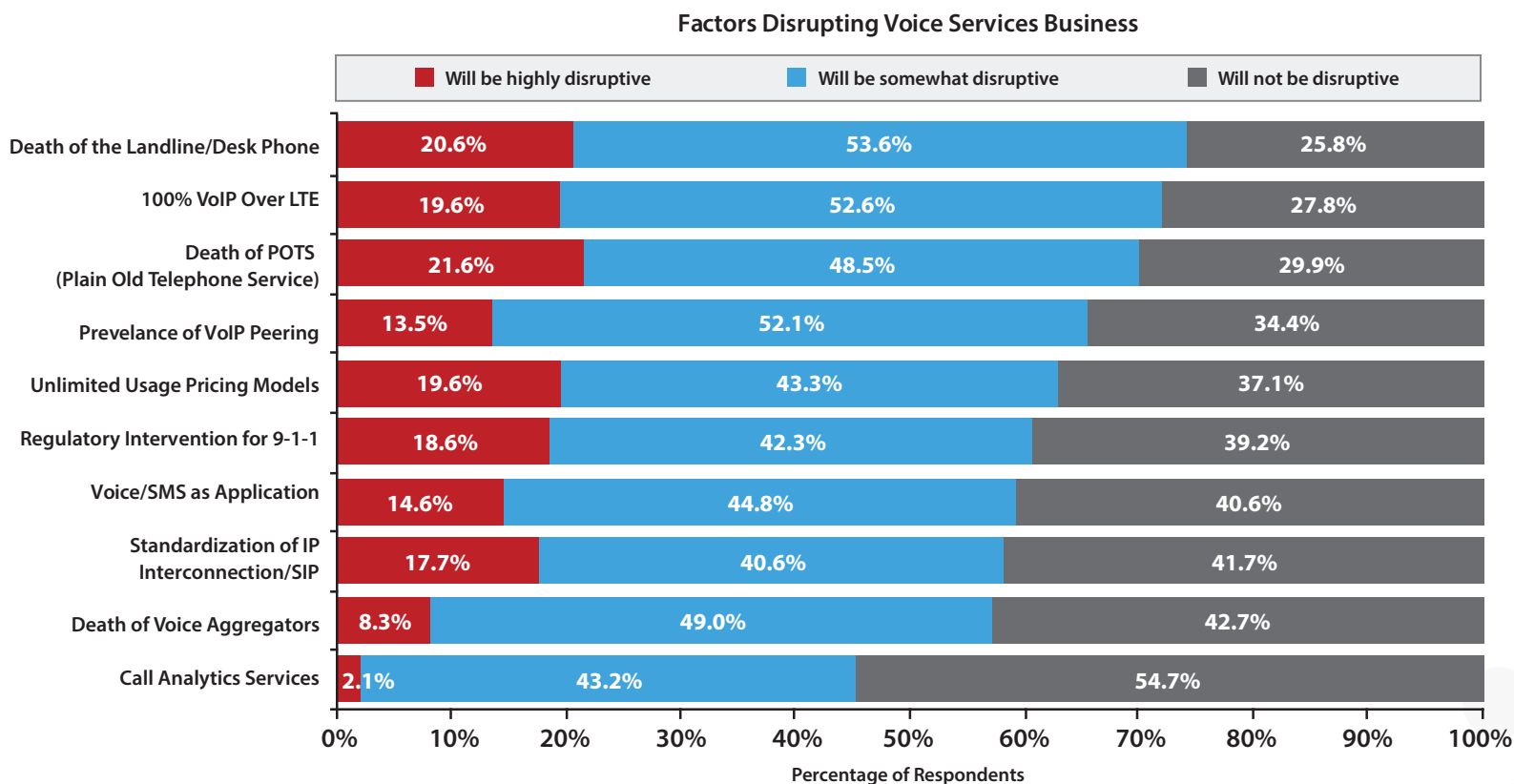
We base this finding on what our responders cited as the three most disruptive factors impacting their business, referenced in the diagram below.
1. Death of landline/desk phones: 74% of responders
2. 100% VoIP over long term evolution (LTE): 72% of responders
3. Death of plain old telephone service (POTS): 70% of responders

Factors Disrupting Voice Services Business

	Will be highly disruptive	Will be somewhat disruptive	Will not be disruptive
Death of the Landline/Desk Phone	20.6%	53.6%	25.8%
100% VoIP Over LTE	19.6%	52.6%	27.8%
Death of POTS (Plain Old Telephone Service)	21.6%	48.5%	29.9%
Prevelance of VoIP Peering	13.5%	52.1%	34.4%
Unlimited Usage Pricing Models	19.6%	43.3%	37.1%
Regulatory Intervention for 9-1-1	18.6%	42.3%	39.2%
Voice/SMS as Application	14.6%	44.8%	40.6%
Standardization of IP Interconnection/SIP	17.7%	40.6%	41.7%
Death of Voice Aggregators	8.3%	49.0%	42.7%
Call Analytics Services	2.1%	43.2%	54.7%

Percentage of Respondents

Q. Which of the following do you feel will be disruptive to the voice services business?

Phrases like death of POTS, death of landline, and 100% VoIP over LTE are certainly nothing new. What is new is responders of this caliber finding consensus on what is at its core the same issue. Namely, these responders all see the traditional paradigm of a service provider selling dial tone and related services to business and residential end-users undergoing a dramatic shift.

What does death of landline/desk phones or POTS mean? What does a 100% VoIP over LTE world look like? Thinking back to our three examples referenced earlier, it does not mean phone service will go away. Of course people will continue to talk to each other over great distances. Of course these users will expect they can contact 9-1-1 for help.
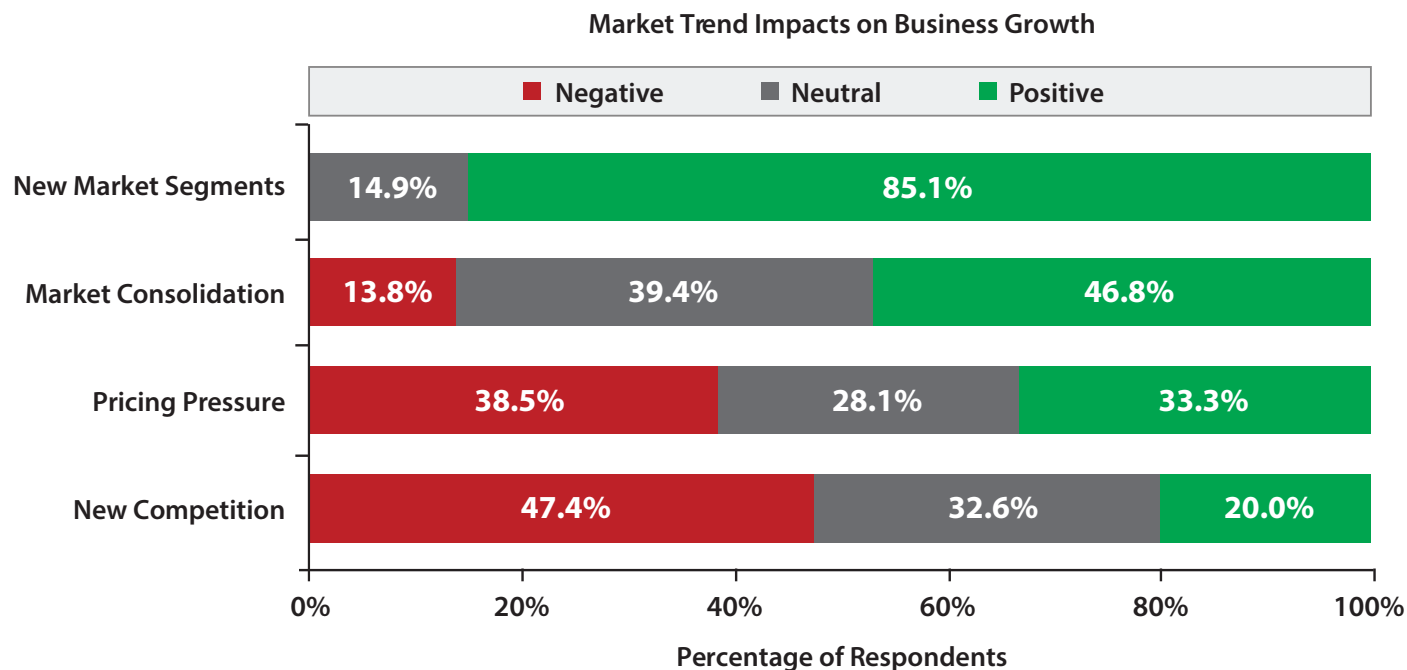
What is different is the way people will use, and service providers will sell, their services with our three examples providing a directional view of what this future may look like. These conversations will continue the migration toward occurring on mobile, IP-enabled devices. A phone will become less of a single object used for the single purpose of sending and receiving calls, and more of a capability within a larger context. Users will enjoy a growing number of features such as messaging (which until fairly recently had only been an option for wireless users) and voice/SMS-enabled applications from providers like Sidecar or ÜberConference. Which leads us to our second key finding.

> A phone will become less of a single object used for the single purpose of sending and receiving calls, and more of a capability within a larger context.

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#2   The biggest threat will come from new competition.

Our survey responders site new competition as having more of a negative impact on their operations (47%) than price pressure (39%) or market consolidation (14%).

Market Trend Impacts on Business Growth

■ Negative   ■ Neutral   ■ Positive

New Market Segments	14.9%	85.1%
Market Consolidation	13.8% / 39.4%	46.8%
Pricing Pressure	38.5% / 28.1%	33.3%
New Competition	47.4% / 32.6%	20.0%

0%   20%   40%   60%   80%   100%

Percentage of Respondents

Q. What impact will the following market trends have on your business growth opportunities?

The companies providing the types of services noted in our examples represent the new breed approaching telecom from the software as a service (SaaS) and application developer perspective. As an industry we can expect these new entrants to more aggressively compete in what has historically been the domain of a relatively small number of traditional dial tone providers. Which leads to our third and final key finding.
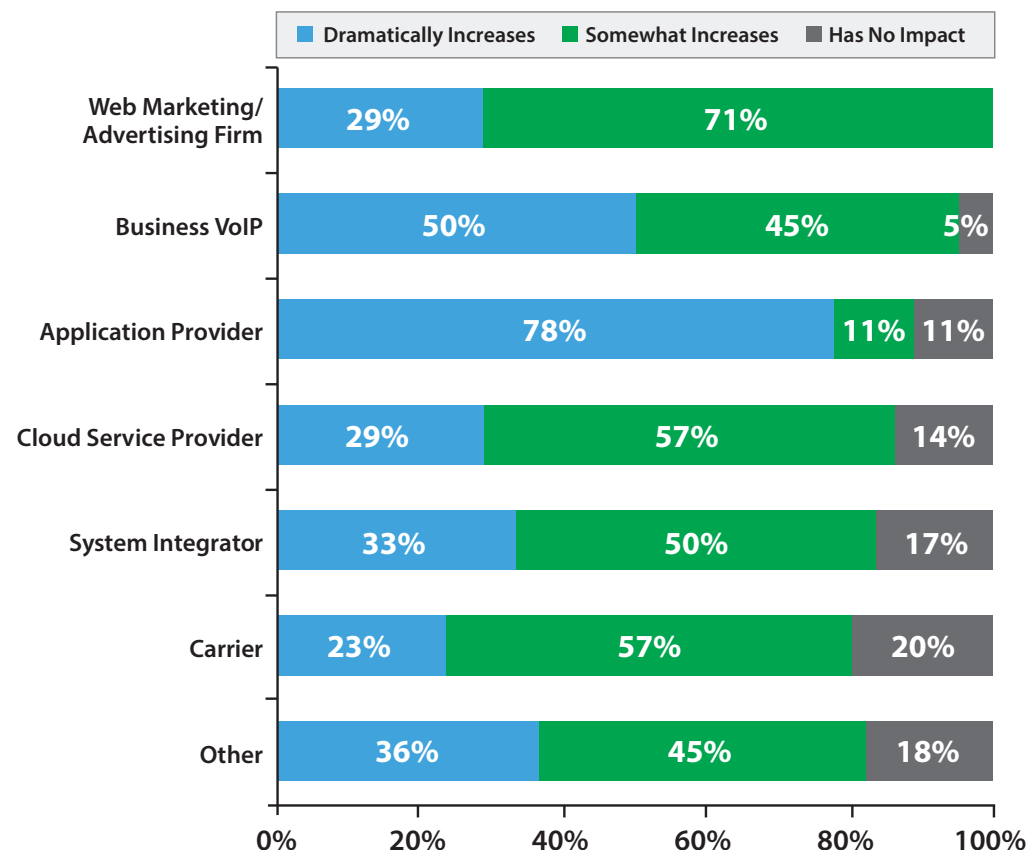
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#3

APIs are becoming the the prefered method for wholesale customer to access services.

Across all customer segments, wholesale providers that enable customer to access services via application programming interfaces (APIs) have a better chance of winning the deal.

The trend was particularly strong among application developers, in keeping with the manner in which these buyers are accustomed to working. Noteworthy though is the importance of APIs within the other segments, exemplifying the continued adoption of SaaS methodologies and an application developer mindset into even the traditional carrier community.

Prior to the emergence of APIs, customers were required to build out and dedicate staff toward maintaining internal telecom systems and procedures in support of their specific operational needs. With voice, 9-1-1 and SMS APIs from Bandwidth's inetwork division, for example, customers are able to spend more time, capital and human resources on revenue generating pursuits and less on back office support. APIs represent a more efficient way to conduct the business of wholesale telecom, for customers of any size.

API Influence on Purchasing Decisions

Legend: ■ Dramatically Increases ■ Somewhat Increases ■ Has No Impact

Segment	Dramatically Increases	Somewhat Increases	Has No Impact
Web Marketing/Advertising Firm	29%	71%	
Business VoIP	50%	45%	5%
Application Provider	78%	11%	11%
Cloud Service Provider	29%	57%	14%
System Integrator	33%	50%	17%
Carrier	23%	57%	20%
Other	36%	45%	18%

X-axis: 0% 20% 40% 60% 80% 100%

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Conclusion

We suspected the industry to be at a nexus based on the changing face of our customer base. The ATLANTIC-ACM survey confirmed our suspicions based off of three key findings:

#1 How service providers will offer and how end-users will consume telephony services is changing dramatically;

#2 The biggest threat will come from new competition;

#3 APIs are becoming the the preferred method for wholesale customer to access services.

As an industry, we should expect to see more providers emerge interested in doing more than offering traditional dial tone as an end unto itself. There is new breed of provider looking to embed voice and messaging as capabilities into the services they provide to include emerging markets such as call analytics and advertising services, voice and messaging applications, and rich media services.

To learn more about this survey, our APIs and web-based tools, and the other services we provide to help you take advantage of the findings presented here, please contact us at sales@inetwork.com or 1.855.864.7776.

ADDITIONAL RESOURCES:

- Case Study: How Pinger became the top texting & free calling app

- eBook: 9-1-1 Demystified: What Voice App Developers and Service Providers Need to Know

- eBook: How to Avoid the 10 Biggest Mistakes in Voice Application Development

- eBook: Your Essential Guide to SMS-Enabled Numbers

- eBook: Making the Most of your Wholesale VoIP Provider

- eBook: What VoIP Providers Should Know about Text to 9-1-1

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