

Advantages and Disadvantages of the Voice Over Internet Protocol Business

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Expansión

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VoIP services are shaping up to be the successors to traditional telephony. Although their success will depend on the regulation applied to this new but growing business.

Making local and international calls through the Internet –the so-called Voice over Internet Protocol (VoIP) –is now a reality. Vonage, an IP communications services company, has been able to get over 135,000 customers in just 18 months with its package of local and long-distance calls over the Internet. For its part, Cisco has more than 13,000 customers for IP telephony products, while Skype has managed to get 8 million users to download its VoIP software.

In-Stat/MDR foresees that, on a global basis, the subscribers to this technology will grow from 380,000 in 2004 to 4 millions by 2007. In Spain, IDC, the consulting company, reckons that the volume of business from VoIP will reach 81 million euros this year. The advantages of the VoIP technology over the traditional telephony are unquestionable. VoIP allows you to phone up to four people at the same time, exchange files while you are speaking, divert office calls to any place (without restrictions if the connection is wireless), create a unified system of telephony, electronic mail, instant messaging and videoconferences in one platform. It also enables you to listen to e-mail messages by telephone or leave copies of voice messages in your e-mail account.

However, VoIP still has a few problems to work out. A recent study, carried out on one thousand IP telephony consumers in the United States and the United Kingdom by Mercer Management Consulting, detected that the sound quality and the reliability of the service are the weak points of this technology. The lack of security is another difficulty to overcome, given that all calls over the Internet can be easily intercepted.

Repercussion

Beyond the advantages and disadvantages, in the short term VoIP will bring about major transformations in the telecommunications business and in the mid term it will take over from fixed-line calls.

An example of how VoIP will have a strong impact on the sector is the ongoing debate in the United States, where the FCC (Federal Communications Commission) must decide whether to classify this technology as communications or information. This is by no means trivial. If it is eventually considered as an information service, the national telephony companies that use VoIP will be exempt from paying the tariffs that the local telephony companies impose on them for the use of their local communications infrastructures. If, on the other hand, it is considered as communications, then the tariff system will be applied and the growth of IP telephony will be slowed down.

Recently, the FCC rejected the application of AT&T, one of the largest American telephony companies, to be exempt from payment of these tariffs on long distance calls made over the Internet. According to the company, had the measure prospered something between 8,000 and 9,000 million dollars would have been saved. In this case the FCC considered that VoIP is a communications service. However, other applications presented before the FCC are still awaiting a verdict so the decision is not completely closed and it will depend on each case.

VoIP may be the first step towards major changes in the telecommunications market. If they eventually consider VoIP as an information service, the local telephony companies and the traditional sellers of communication equipment will be the ones most severely hit. On the other hand, the new generation of equipment sellers, the TV cable companies and the long distance telephony companies will stand to gain most.

The keys to the future of VoIP lie in the type of regulation applied to the development of new applications around this technology and the alliances forged between hardware and software companies so that they can enter this market in a big way. Undoubtedly, VoIP represents a huge business opportunity that few companies are going to let slip through their fingers; it also poses a serious threat to traditional telephony.

Can VoIP turn into a serious competitor for traditional telephony?

The Limitations of the Protocol

Brian Subirana, IESE professor

I am sorry to say that in my mind VoIP will not become a serious competitor to traditional telephony in the short term.

Just like the use of wireless phones can be deemed to be an intermediary step towards the success of cellular telephony, the internal use that many companies make of VoIP and the growing use of portable computers (laptops, notebooks, etc) and wireless Internet are configuring an environment that makes it is more and more attractive to use this technology. But the Internet protocol and the main associated standards provide serious limitations: they cannot guarantee broadband, they do not allow the change of wireless cell without losing the session, they do not support micro-payments, and they do not integrate fax/voice/mail/instant messaging / data / image or multi-conference. The problem is not the technology available, but the one the market chooses as leader. It is time to forget the IP protocol, which has been in use for half a century, and make use of a latent demand that is asking for a drastic innovation, not just voice over “the usual”

Improving the Quality of Service

Juan Pérez Vilaplana, Director of PwC

It seems quite clear that VoIP is a viable solution, which is already operating through some private networks, and which will turn into a serious competitor for traditional telephony. However, it will only be competitive when much better quality at a smaller price is provided, and when the services and associated applications are the same or better than those provided by traditional telephony.

At present, users are suffering from the problems associated with the heterogeneousness of the networks that manage the standardisation and the integration of the services.

In short, the growing demand for better quality must be met. The minimal required conditions are to find the technology that enables voice and data without affecting quality and to eliminate the mess of applied technologies. Legal points must be tackled; free competition, convergence and the range of products on sale are all vital to face the “revolution” that VoIP now means.