

# **Top 10 Performance Improvements for VoIP Providers**

Leonid Consulting  
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## Introduction

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Don't worry- we won't bore you with an introduction that pronounces "tectonic shifts" in the telecommunications industry. We know you already know about that.

The objective of this brief is to offer you, a provider of hosted VoIP application services, a set of priorities we think will improve the performance of your business. With service providers and their enterprise (and residential) clients grappling with the influx of so many new technologies and products, one of the most critical aspects of managing the business is deciding where to invest your time and effort. Service providers' clients will ask them for many different things. Many different opportunities present themselves. But in a competitive environment where value added applications are developed and deployed by local VAR's, vendors of premise solutions, open source affiliations, and internal IT departments, where is it best to focus for long term competitive advantage?

The answers naturally differ from provider to provider. We recommend reading this brief as a kind of prioritized checklist: if you're going to take a few minutes to review the business, we think these items are a good place to start.

Leonid works with a variety of clients, large and small, in the IP communications space. We run a consultancy as well as a software business where we accumulate learned best practices. We've collected and prioritized the items below from all our different practice areas- network engineering, IT/systems development, service development, training, and business process engineering. Since each of these were selected on the magnitude of the impact we think they'll have on your bottom line, each recommendation is organized around increases in revenue and decreases in cost.

## 1 Focus

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### 1.1 Introduction

Generally speaking, VoIP application services are not a scale business to the same extent as transport is a scale business, particularly in the enterprise space. Consider the following example: you're making a sale to a grocery store then to a law office. If you're selling T1's, there is good scale to this: you've built a product and an organization that can deploy T1's. The T1 at the grocery store will be very similar to the T1 at the law office. Not so with voice applications. After assessing the requirements of the grocery store and configuring the system so that it meets their requirements (intercom, park, hunt groups), you're likely to find a whole different set of challenges at the law office (private lines, boss/admin set up's, personal mobility).

So, better to focus. Get good at the grocery stores and similar retail environments, build standards for that market, give your sales team lists to call on from that segment. Or choose law offices and similar types of professional firms (banks, etc.). Vertical markets are not, of course, the only basis for focus: a very simple solution for very small offices, or highly customized solutions (assuming the fees support it) for very large enterprises are equally valid possibilities.<sup>1</sup>

### 1.2 Increasing Revenue

Focus will increase revenue by:

#### **Increasing Your Close/Call Ratio**

Just like any other job function, your sales team is always learning. If you give them a product that's better tailored to a specific market and call lists where the prospects have much in common, you reduce the amount they have to learn to make a sale and increase the relevance of what they do learn. While there are some exceptions (certain highly desirable segments are heavily called), focus will generally increase your close/call ratio.

#### **Reducing Churn**

A more focused product is a better product. You only have so many product managers and engineers. Focus them on building a great solution for a particular market rather than an OK solution for the whole market and, predictably, customer satisfaction will increase, reducing churn. It will also be harder for your competitors to take away your customers with lower prices and aggressive calling.

#### **Increasing Word of Mouth/Referential Sales**

Find a set of customers that know each other, do a great job for them, and they'll spread the word for you. You can even incent them with rebates (but don't expect them to push with their peers if they're not well satisfied).

#### **Raising Revenue/Seat**

To reiterate, a focused product is a better product. People pay more for a better product. Plus, when your sales and care teams know your market well, up-sells are easier.

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<sup>1</sup> For more on *how* to evaluate your focus and continuously improve it, see "VoIP Service Development: Closing the Loop with Prometheus" available on <http://www.leonidconsulting.com/publications/index.php>.

### 1.3 Decreasing Cost

Focus will decrease cost by:

#### **Reducing Cost/Sale**

For many of the same reasons that focus will increase your close/call ratio it will reduce your cost/sale. Besides the obvious cost reduction from increasing the close/call ratio, your presales and install resources are likely to spend less time per deployment since they are experts on your focal segment(s). For example, the field engineer that installs ten grocers will be much more effective than the field engineer that installs five grocers and five law firms (or the one that installs a grocer, a law office, a fitness center, a seafood distributor, etc.).

#### **Reducing Media/Advertising Cost**

It's cheaper to reach the lawyers in Gotham than everyone in Gotham, not to mention the relevance of the message you develop.

## 2 Standardize

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### 2.1 Introduction

Standardization- it drove the Industrial Revolution, and the current lack thereof is without a doubt a major cost driver for current VoIP implementations. This makes standardizing your particular solution immensely important. Focus is the first step. The second step is making sure you have a deep, hands-on understanding of your target users' requirements. From there, standardization is relatively easy. We've described best practices in product standardization in our paper "Trends & Best Practices: VoIP Provisioning"<sup>2</sup>. A couple of highlights are that it's best to develop a set of packages around user (or line) functions (executive, mobile worker, fax, etc.). These user/line-level packages should include a specific device make/model, a set of services on your application server, and a tailor-made device configuration template to make sure the interface on the phone aligns well with the network features. Second, you should develop a similar set of templates for the office-wide configuration (auto attendants, hunting, etc.). Standardization doesn't mean no customization. There will always be deals you want to keep that require changes to your standards. Important aspects of managing custom configurations are:

- a) set bounds for possible customization
- b) make sure the customizations are worthwhile (either justified by the size of the business or recoverable in direct fees)
- c) make sure custom configurations are documented for reference by support

### 2.2 Increasing Revenue

Standardization will increase revenue by:

#### **Reducing Close to Deploy Interval**

A well standardized product allows you to streamline your presales requirements gathering, element configuration, install, and verification processes, reducing the time it takes you to turn contract into actual revenue.

### 2.3 Decreasing Cost

Standardization will decrease cost by:

#### **Reducing Engineering Time**

An engineer that can customize a phone (or device) configuration file against customer requirements, make the corresponding changes on your network application server, and verify proper operation is an expensive resource. A standardized solution minimizes the points of freedom available in the configuration, reducing engineering time spent on customization.

#### **Reducing Post-Sales Support**

The clearer it is to a customer what they're getting, the less likely you are to have questions and issues after the sale. A well standardized product allows you to streamline not just element configuration, but online help, self care interfaces, training, and collateral as well.

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<sup>2</sup> For more information on the process of standardization, please see "Trends & Best Practices: VoIP Provisioning" available on <http://www.leonidconsulting.com/publications/index.php>.

### 3 Acknowledge the Novelty and the Importance of the Business

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#### 3.1 Introduction

If you have primarily been in the business of selling traditional phones services- POTS, ISDN, etc., it's critical to acknowledge that you're entering a somewhat related but very different business. The relationship is roughly equivalent to being in the pizza baking versus the pizza delivery business. The combination makes sense, but imagine that you were going from just the business of delivering pizzas to actually creating them. When you're selling hosted voice applications, you're competing just as much with local VAR's (value added resellers) who sell and configure PBX's than you are with other communications service providers. Not only are you using an entirely different set of technologies, but you're going much deeper into the customer premise and business processes. Your product development, marketing, sales, deployment, training, and support staff are either going to have to be highly adaptable or require major training. And the playbook that worked well in the market for traditional phones services may need substantial updating.

That said, while the market for transport is not going away, VoIP is the future market for "phone service". If you want to preserve the part of your business that deals with providing application features to users, VoIP is the future of that business for the foreseeable future.

#### 3.2 Increasing Revenue

Acknowledging the novelty and the importance of the business will increase revenue by:

##### **Focusing Sales Efforts**

Half-hearted salespeople are useless salespeople. If you're worried about cannibalizing your existing services, don't pass that uncertainty along to your sales teams. Either train and structure compensation for a sales team to go after new VoIP services, or keep them focused on your existing product line. Or create an overlay sales team to focus on VoIP. A sales team that is told from one direction to sell VoIP, but is trained and incented to stick with existing products will not impress customers.

#### 3.3 Decreasing Cost

Acknowledging the novelty and the importance of the business will decrease cost by:

##### **Avoiding Incomplete Investment Plans**

Half Measures Give you ~100% of the Cost with Little of the Benefit. Rolling out hosted voice applications is not inexpensive, which, if you're reading this, you almost certainly know already. Investing in the equipment is not enough- gear up for the fundamental changes in your business that success here will require or invest elsewhere.

## 4 If you're not interested in the way people use their phones, focus on transport

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### 4.1 Introduction

The July 2008 edition of Inc Magazine published an article about Roger Berkowitz, the CEO of Legal Seafoods.<sup>3</sup> The short version of the article is that he *loves* fish. He knows how they should look, smell, taste, be cooked, and be caught. He's dedicated his whole life to the topic. Voltages and LATA's are not the critical success factors in today's telephony applications business. The critical success factor is providing a superior user experience. Even your star IP and Unix engineers who understand the necessary technical topics may not have the zest for user experience that is required to run the business successfully. Find people who have a genuine enthusiasm, interest, and aptitude for discovering how individual users benefit from the next generation of voice applications and put them in the driver's seat.

If you just don't think such an interest exists in your organization, focus on transport. In addition to the market for basic IP data transport, there is the business of SIP trunking/integrated access. While much of the upside in this business is providing cross-sells and up-sells to more sophisticated services, there is a highly desirable business in providing SIP trunks.

### 4.2 Increasing Revenue

Focusing on user experience will increase revenue by:

#### **Leading on Product Quality**

Turning the latest technology innovations into deployable, enjoyable user experiences is the key competitive advantage in the hosted voice applications business. Having this is what will provide you industry leading acquisition and retention metrics. Having people who live and breathe those user experiences is what will provide you the metrics.

### 4.3 Decreasing Cost

Focusing on user experience will decrease cost by:

#### **Refining and Focusing the Operation**

Knowing is Doing. Driving your voice applications business from a strong understanding of user requirements will help you avoid false starts and indecision that can cost millions across capital expenditure, sales, product development, IT, field engineering, and training.

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<sup>3</sup> As of this writing, the article is available at the following URL: <http://www.inc.com/magazine/20080701/the-way-i-work-roger-berkowitz.html>. If you don't find the article there, a Google search with terms "inc magazine article on legal seafoods CEO" will probably get you there.

## 5 Don't Give Away Things Your Competitors Sell

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### 5.1 Introduction

Hosted voice application services are a substitute for premise based applications services- IP PBX's, etc. Value added resellers providing PBX's are the primary competition to any provider in the hosted voice applications business. While there is substantial variation in the market, most of these VAR's charge for routine setup and maintenance operations like password resets, updating configurations, etc. However, there is a prevailing giveaway mentality among many service providers that should be reexamined when entering the hosted application market. Investigate competitive VAR's carefully and find out how they charge for routine operations. Sympathetic customers are a great source of information. Then update your price book accordingly.

### 5.2 Increasing Revenue

Not giving away things your competitors sell will increase revenue by:

#### **Offsetting Costs**

Charging for specific setup and maintenance operations will allow you to substantially defray your costs.

### 5.3 Decreasing Cost

This item has primarily to do with increasing incremental revenue to offset costs. A good way to reduce costs further in the area is superior IT integration that allows for efficient customer self-care.

## 6 Don't Pay Expensive Staff to Do Simple Things

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### 6.1 Introduction

Wanting to get to market and defer/reduce capital dollars, many service providers do not automate core business processes like adding accounts to the application servers, creating message store accounts, and adding trunks/DID's. This may be prudent during a pilot when you're working to refine your operational practices prior to automation. But don't push off the automation perpetually. Most of these platforms require relatively senior staff (often engineering) to operate. The many options on the equipment often require extensive configuration and having relatively highly paid staff even partially involved in these operations can drive cost to the point where margins are thin.

### 6.2 Increasing Revenue

This item has to do primarily with cost. However, a well-standardized and automated process will reduce the contract to deploy interval and generally speed time to revenue.

### 6.3 Decreasing Cost

#### Reduce Cost/Site

Automating some of most intensive processes on the application server and message store can reduce costs by roughly 80%.<sup>4</sup> The reduction has to do simply with reducing the number of steps required to add an account.

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<sup>4</sup> See time study (Loki ROI Model) on <http://www.leonidconsulting.com/loki/index.php>

## 7 Invest in Achievement-Oriented Training

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### 7.1 Introduction

As we mentioned previously, the transition from a traditional phone business to hosted IP telephony applications requires a major updating of skill sets. The key is to find the right people in your organization to make the change and give them the means to update their skill sets. Investing in measureable achievement-oriented training is an inexpensive way to increase performance.

If you're going with training from your vendors, request the training materials and evaluate the percentage of the training that is vendor-specific/proprietary versus industry standard. This is the best way to determine the optimal training for your staff.

### 7.2 Increasing Revenue

#### **Increasing VoIP Competitiveness**

The right training can benefit virtually every part of your customer facing organization making them better able to address customer requirements. Being the person your customers call to get the right answer is the best way to ensure customer retention and positive references.

### 7.3 Decreasing Cost

#### **Increasing Productivity**

By the same token, the right skill set will increase your productivity per employee in virtually every directly related cost center: product development, engineering, operations, training, etc.

## 8 Nail QoS

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### 8.1 Introduction

Every problem has a solution. All QoS problems are solvable. If subscribers complain about call quality in your early rollouts, stop, drop, and roll: put out the fire before you propagate it to additional deployments. Nothing drives cancellations like poor voice quality. And it's a problem that's entirely solvable with the right resources. Make sure you have the skill sets and systems available to solve the problem. It is critical to both make sure you're seeing consistent call quality and have a solution in place to monitor it on an ongoing basis.

### 8.2 Increasing Revenue

#### **Be the Gold Standard**

While the recent improvements in communications technology have greatly improved the overall price/performance of the core technology, voice quality has taken a dive. VoIP and cellular both have a general reputation for less than stellar call quality. Customers are ready for quality communications. Being the provider that focuses on quality is a great way to differentiate yourself in today's market.

### 8.3 Decreasing Cost

#### **Can you hear me now? What about now?**

Complaints about poor voice quality almost always require escalation to the top tiers of your support/engineering organization. Avoid them.

## 9 IT: Begin Again

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### 9.1 Introduction

One of the most under exploited advantages of current generation of voice application servers is their provisioning interfaces. Virtually every leading platform offers a web services/XML based interface for much simpler provisioning, not to mention remote call control. The leading providers have rebuilt their systems from the ground up to take advantage of these interfaces, simplifying operations, maintenance, and increasing the life of their investment.

### 9.2 Increasing Revenue

#### **Compete with Google**

Customer expectations have been (justifiably) raised. They expect a simple web-based interface and/or toolbar or widget to update their account and initiate communications. They expect to be able to easily see calls they've placed and received. Building such an interface puts you on a strong footing for the current competitive environment.

### 9.3 Decreasing Cost

#### **Don't throw good money after bad**

While it may defer pain, perpetuating investment in legacy IT systems will substantially increase your spending and reduce your flexibility over the long term. Many experienced carriers have accumulated a menagerie of somewhat interconnected systems over the years. Now is a good time to start anew: create a requirements driven update to your infrastructure, if only for the VoIP business, that you can rely on in the future.

## 10 Plan for Improvement

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### 10.1 Introduction

No one has all these changes 100% right. The best thing you can do is invest against an incremental success-based plan and plan for improvement. Establish your target metrics, execute, and see where you end up. If you're not where you want to be, figure out why, and revise. One thing is for certain: it's virtually impossible to get everything right on the first iteration.

### 10.2 Increasing Revenue, Decreasing Cost

#### **In a Time of Change, the Most Adaptable Prosper**

Plan for improvement, plan for change, and you're likely to end up ahead of the pack. The rate of change in the industry is fast than ever before and a certain amount of change and unpredictability have to be part of the business plan. On the flip side, don't over invest on the assumption certainties because they're not here yet.