

# How operators benefit from VoIP (and you don't)

 By [Rob Lith](#)

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Voice over Internet Protocol (VoIP) offers proven quality under the right conditions (managed access makes a big difference). It is extremely cost-effective to run and comes with rich unified communications possibilities.

So why aren't we making VoIP calls all the time?

It turns out there's something the operators aren't telling you: They're already benefiting from VoIP in their core and transmission networks. They're just not passing the benefit on to you, because this will eventually kill their established businesses models.

## Global operators' VoIP strategy

For two decades, global operators have battled price declines due to market liberalisation, diminishing revenue growth and IP-based competition.

Research firm, Telegeography further reports that total global voice traffic grew by just 5% in 2012, with traditional TDM-based voice growing less than 3%, making up 66% of total minutes, and VoIP, growing more than 25%, making up the balance.

The wholesale market<sup>[1]</sup> seems to have peaked. Since 2008, carrier-to-carrier traffic grew by 30%, but revenues have languished at \$13.2 billion ever since. Retail volume growth and price declines have likewise reached a delicate balance, and revenues may soon fall.

Clearly, the industry is in trouble. In a zero-sum game where revenue growth no longer makes up for losses, incumbents are only just surviving with strategies that vary from consolidation deals to shedding low-margin business interests to, tellingly, implementing zero-rated VoIP. "Some carriers are far along in their transition to all-IP networks," the report notes.

This being the case, why aren't they passing down the benefits to customers? Quite simply, it is because IP will undercut the cost of operating an already crippled business model. Operators are trading water and doing everything in their power to maximise cash flow. New-world models are not in their interest.

## Local picture

Locally, telcos are equally schizophrenic. On 28 August 2013, ITWeb reported that fixed-line operator Telkom had switched

on its all-new IP multimedia Subsystem (IMS) core network, as it migrates to its next-generation network. This follows a June announcement that it had cut over 240 multi-service access nodes.

The website reports that Telkom plans to spend more than R10 billion in the next two years on rolling out the all-IP network. The mobile networks operators, too, have implemented IP at the core

Will this lead to IP-based retail offerings, as it should?

Recent indications are that Telkom and the MNOs are in no hurry to do so. Packages have been announced whereby they will offer cut-rate calls to one another's subscribers, which is essentially a billing arrangement and an avoidance of the issue altogether. It is within their power to extend a properly managed IP offering to customers, which would spread the cost savings far wider and not contain them within a captive client base, but they're not doing it.

Again the question must be asked - why not? And again the answer is that it will hasten the crisis that operators find themselves in.

## **Makes no sense**

Worldwide, a billion people use MVoIP. It should be several billions more, but resistance from industry players (and market makers) with vested interests is keeping this from happening.

Operators are continuing with any number of defensive strategies rather than taking us into a new deal of unfettered, cost-effective communication. And while this serves to artificially prop up their businesses, it makes no market sense whatsoever.

## **ABOUT ROB LITH**

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