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# 2012 Guide to Hosted VoIP for SMBs

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## Hosted Voice over IP (VoIP): Trends for SMBs in 2012 and Beyond

As budgets for most businesses have been contracting in recent years, a growing number of SMBs have turned to IP technology to lower telecom costs to improve their bottom line. Moving voice traffic to the data network allows SMBs to cut--or eliminate entirely--the costs associated with the maintenance of a dedicated voice network, including staffing and equipment, especially when they choose to deploy a hosted model.

As authors Jon Arnold and Dave Michels explain in the [“Ziff Davis B2B Experts’ Guide: Enterprise Phone Systems”](#) on-premise phone systems have declined steadily over the past decade. In traditional deployments, each phone connected back to the system, and vendors developed various strategies to scale the number of ports needed. Today, enterprise systems with thousands of phones can be served with just one Ethernet cable, and SMBs can gain enterprise-like functionality at a fraction of the price they would pay for traditional telephony.

The market has shifted to the point where most PBX vendors offer Internet Protocol PBX (IP PBX), allowing businesses of all sizes the ability to move beyond the core functionality of yesterday’s basic desk phone. As a result, Voice over IP (VoIP) continues to gain market share, and many businesses are making the switch from Plain Old Telephone Service (POTS), especially in the SMB space. For SMBs, “hosted VoIP is becoming popular because it is low-cost, low-risk, and low-maintenance,” explains [says Nicole Hayward](#), marketing director at hosted PBX provider OnSIP.

With hosted VoIP, a customer pays for a service (usually a monthly per-user fee), and thus transitions the capital expense of ownership into an operating expense. Hosted VoIP has been “gaining significant traction with SMB users,” according to Arnold and Michels. With their low financial barrier to entry, hosted solutions “allow SMBs to enjoy the modern functionality of their enterprise peers.”

OnSIP’s [Hayward echoes](#) those sentiments: “For SMBs, budgets are much more constricted, and cheaper alternative providers that aim to emulate those services are probably the way to go.” She predicts that a growing number of SMBs will opt for hosted solutions “which have no up-front cost on infrastructure, no maintenance costs, and often have pay-as-you-go plans.”

As a result, hosted VoIP providers will begin offering new hosted solutions “from numerous vendors, including IBM, Cisco, Mitel, Microsoft, Interactive Intelligence, as well as lots of smaller SaaS vendors,” [says Blair Pleasant](#), president and principal analyst, at market research firm COMMFusion. In the coming years, SMBs will “start

migrating from premise-based solutions to hosted and hybrid (premise and hosted) solutions.”

## Market Landscape

According to Infonetix Research, the number of seats for hosted business VoIP services is on track to more than double between 2012 and 2016. “The revenue that service providers derive from their residential and SOHO [small office/home office] VoIP subscribers still eclipses what they get from businesses, but the business segment is growing about twice as fast, due in large part to the surging popularity of SIP trunking and hosted VoIP and UC [United Communications] services,” [says Diane Myers](#), directing analyst for VoIP and IMS at Infonetix Research. “Adoption of VoIP services across both the residential and business segments continues to grow, and we expect strong global growth in VoIP service revenue over at least the next five years.” Myers surmises that “demand for cloud-based services helped push hosted PBX and UC service revenue up 33 percent and seats up 44 percent” last year alone.

“The larger players focused on hosted VoIP also contribute to an expanding market,” [says MSPmentor contributing blogger John Moore](#). Moore notes that VoIP market leader 8x8 Inc. earlier this year reported its hosted communications service revenue grew 42 percent year over year in its fiscal third quarter ended December 31. Another push, Moore continues, “comes from vendors playing the role of master MSPs [managed service providers] and offering hosted VoIP services that smaller service providers can market.”

## VoIP Goes Mobile

“While so far, VoIP has been driven largely by the likes of cable companies that want to disrupt the incumbent phone companies, the next big VoIP boost is going to come from mobile [VoIP],” [according to Om Malik](#), executive editor of the GigaOM technology blog.

Market research firm In-Stat backs up Malik’s sentiment, estimating that, by the end of 2013, mobile VoIP users will number 288 million. In its recently published report, [“Mobile VoIP—Transforming the Future of Wireless Voice,”](#) In-Stat projects that more than half of these users will be associated with online mobile VoIP providers; less than one-third will utilize mobile VoIP with 3G MVNOs or mobile operators; and 11 percent will engage WiMAX/LTE operators.

Helping to drive adoption will be mobile VoIP dual-mode handsets (WiFi plus cellular) with well over 400 million units projected to be shipped in 2013. “This will enable a lot of

people to use VoIP over WiFi, which will guarantee a great audio quality and a faster connection,” [says Andrei Piftor](#), communications manager at Nimbuzz. “All the technological improvements will make it more and more natural for everybody to use mobile VoIP rather than [to make] a carrier call.”

“The near-term opportunity for mobile VoIP is closely linked with the growing success of dual-mode phones and other Wi-Fi connected devices,” [says In-Stat analyst Frank Dickson](#). “However, mobile VoIP still poses a direct threat to operator voice revenue and operators are navigating how to balance new opportunity with the threat.” On the financial front, In-Stat projects that by 2013, mobile VoIP applications will generate annual revenues of \$35.2 billion. The EMEA region currently has more mobile VoIP-related revenue, but the Asia Pacific region will be the largest regional market in revenue terms by 2013.

## Real Statistics for Virtual Offices

Greg Brashier, COO of hosted PBX provider Virtual PBX, [sees the growing trend](#) of virtual workers fueling the move toward hosted VoIP solutions. His company surveyed more than 600 SMB owners and employees about their use of virtual offices, and found that more than 60 percent of respondents work from a virtual office almost all the time, while another 27 percent work two to 10 days per month outside the office. Fifty-seven percent of survey-takers indicated that half or more of their workforce uses a virtual office during a typical month.

The survey revealed that today’s virtual worker is tethered to his or her cell phone, with 87% of respondents saying they use their mobile devices for business communications. Also popular are VoIP phone lines, used by 25%; and computer-based VoIP soft phones; used by 20% of respondents. As Brashier interprets the data, this means vendors will move toward support for a blended portfolio of devices that includes VoIP phones, mobile devices, traditional analog phones, or a blend of all three.

Rate plans are tougher to trend, however—especially for calls that are “off-net” to an analog or mobile device—as Brashier explained to [Network World](#). While most providers allow incoming calls to ring a subscriber’s VoIP number on a virtual landline or a mobile phone, others require that subscribers purchase a physical device with a reserved VoIP number to enable so-called follow-me/find-me functionality. Further, some providers consider the entire duration of the off-net call as a “concurrent session” while others do not.

## BYOD and Security

Mobile VoIP is also getting a boost from the Bring Your Own Device (BYOD) trend. Workers are demanding advanced enterprise VoIP services for their smartphones and tablets as well as video and collaboration functionality, regardless of whether those devices are corporate-issued or personally owned, [says Infonetics' Myers](#).

As the BYOD trend continues, IT departments will need to develop strategies for securing rogue mobile devices on campus. Infonetics predicts that the mobile segment of the security client market will grow at a compound annual growth rate (CAGR) of 35 percent through 2016, growing five times as fast as the larger desktop segment. "The emergence of the BYOD phenomenon has forced companies to re-evaluate the types of computing devices their employees can and will use, and how they will be securely connected to corporate networks," [notes Jeff Wilson](#), principal analyst for security at Infonetics. "This will have a major impact on the growth of the traditional client security market, the mobile device security market, and the relationship between the two."

## A Healthy Future for VoIP—Thanks to UC&C

TechNavio's analysts forecast the global carrier VoIP market will grow at a CAGR of 16.6 percent over the period 2011 to 2015. As demand for VoIP services increases, according to TechNavio's "[Global Carrier VoIP Market 2011-2015](#)" report, the market will witness a continuing shift away from legacy voice networks to VoIP equipment. However, the decline in prices of VoIP equipment and competition from managed service vendors could pose a challenge to the growth of this market.

Still, hosted VoIP adoption will continue to rise steadily, as greater numbers of business users increasingly demand unified voice, video, data and collaboration capabilities in order to perform their jobs—and bring their own devices to work to accomplish their tasks. According to IDG Enterprise's "[2012 Unified Communications & Collaboration \(UC&C\)](#)" survey of more than 1,100 IT and business decision-makers, more than half of organizations (51 percent) are currently using a UC&C solution, and a majority of organizations (90 percent) plan to invest in UC&C in the next 12 months. Social media and collaboration are contributing to the uptick in investments but the onslaught of consumer devices in the workplace is seen as the biggest trigger with 74 of organizations accelerating UC&C plans because of this growing consumerization of IT.

IP telephony, in all its varieties, will be riding along with the predicted wave of UC&C adoption. The IDG report finds that at least 55 percent of organizations are planning to invest in IP telephony in the coming year. The report also found that SMBs will

experiment with free software, such as Skype, at a much higher rate than their larger counterparts (59 percent of SMBs vs. 37 percent of enterprise organizations). “As the proliferation of consumer devices in organizations continues, organizations need to investigate communication platforms that increase productivity and flexibility to be successful,” says Bob Melk, SVP, group publisher and CMO, IDG Enterprise. “Unified communications and collaboration tools, whether a paid or free service, need to unite employees and foster an environment of seamless communication.”

### About the Expert



Dayna Delmonico founded Advanced Information Concepts, Inc. in 1993 after ten years in the technology information industry where she worked for Ziff-Davis and McGraw-Hill. While at Datapro/McGraw-Hill, Dayna spearheaded the industry's first competitive product database for IBM and oversaw product content for forty print and electronic publications. Dayna has developed channel reviews for Computer Reseller News; researched and generated product content for Motorola, US Department of Labor and others; and, served as a content consultant and project manager for clients as diverse as American Express and Microsoft. With AIC, Dayna oversees day-to-day operations as well as strategy and creative direction.