

By Rich Tehrani

Carrier Snake Bite. Evolve or Die.

For carriers the world over, the competitive threat has shifted drastically this past decade from other telcos to a new breed of companies that didn't exist a mere 15 years ago. Disruption has no boundaries. It attacks incumbent industries like snake venom attacks the nervous system and cells of its victim – causing eventual death.

An iconic brand like Eastman Kodak, for example, was rumored to be going bankrupt a few weeks back – and this is a company that embraced digital photography as early as any company around. Kodak reminds us that seeing disruption coming, and even responding, does not guarantee survival.

The Challenge

Billions of people around the world use phones and in the past 10 years, hundreds of millions of users have adopted Skype, Twitter and Facebook as their primary method of communications. At any point last century, when a carrier lost a customer it had the opportunity to call that customer and give them a special offer or bundle and get them back.

But to someone who has “evolved” from traditional telephony to communication via social and VoIP, it is fairly obvious you can't get them back offering them a bundle on old technology. No amount of bundling would have saved sales in

the typewriter industry when Wang word processors and PCs became popular, and the same is true for telecom.

If you don't compete on the same technology plane as the new wave of disruptive competitors, you may as well pet a wild cobra on the head.

Some History

IMS was supposed to allow open frameworks so carriers could allow new apps to be distributed on their networks, and I remember the providers telling me they thought they could approve about a dozen apps per year. Consider how the market has evolved in just a few years as a result of iOS and Android devices; there are now hundreds of thousands of apps in their stores. But when the iPhone became an “open” platform for new apps, the carriers were immediately cut out of the equation. In a way, the success of smartphones with a plethora of apps is the biggest challenge our industry faces.

A huge part of the challenge for carriers is losing ownership of the address book and relationships a customer has. At one point, the address book was controlled by devices the carriers sanctioned and were linked to phone numbers that had a recurring revenue stream associated with them. Nowadays, Facebook can be the single resource for communications among a network of friends. Ditto for Skype, Twitter and others. A byproduct of new entrants and changes in user behavior has also resulted in voice revenue declining, meaning carriers need to rapidly come up with new revenue streams and ways to increase ARPU and stickiness.

Metaswitch Forum 2011

At the recent Metaswitch Forum 2011 in Las Vegas, the company devoted considerable effort helping its carrier customers compete in this brave new world. The event was the eighth put on by the company and attracted 800 global service providers. And the carriers at the event were extremely knowledgeable – I had two speaking slots and asked them a barrage of questions, and people seemed to all be on their game.

Competitors from Everywhere

And boy do they need to be. Just a few days before the event, Amazon launched its \$199 Kindle Fire – a game-changing device in that it is so cheap and powerful. Although it has no microphone or camera, it has helped usher in an era where cloud-based and e-commerce services will help defray the loss of the \$50 Amazon is said to be losing on each tablet. To show you how fast things change in a few weeks, analyst reports say the company will have the second-best selling tablet on the market. That's quite an accomplishment.

Moreover, just recently Microsoft formally announced its completion of the acquisition of Skype. Does this mean more opportunity for carriers or less? Will Redmond screw up the company or deeply integrate Skype into all of its apps? Heaven knows that while Skype was under eBay it barely progressed; but my sense is this is a



Kevin DeNuccio, CEO of Metaswitch Networks, takes the stage

much more strategic product for Microsoft and will fit in nicely with everything else.

Evolution of Industries

Mobile, social and consumer and enterprise are all becoming one – while we're at it throw in music, movies, photography, entertainment in general and search. Convergence is an insatiable monster swallowing industry after industry – a Borg-like assimilation has wreaked havoc on existing players since before the mid-nineties when the CTI market formally introduced computers to telecom systems.

Bringing it All Together

Speaking of convergence, the theme to me of this year's event was that it is all coming together. Earlier this year, the company showed me its Thrutu (video) service, which it released to allow carriers to add social features to phone calls. With apps for iOS and Android, you can make a remote phone vibrate, send a map of your location, send contact details and photos – merging some of the best features we see in social networks into the phone call.

In some cases – like the vibrate feature – I am not aware of any social networks providing the same service.

More than 250,000 people have downloaded this app and, as a result, the company has a wealth of information about which features are the most used. This information is invaluable market research for carriers looking for added revenue streams and to increase the stickiness of their voice service at a time in which OTT may as well be the noise emanating from the backside of a rattlesnake.

Advanced Call Control

The future of the carrier business, according to Metaswitch, is in part being driven by advanced call control – the ability to do many of the things Thrutu already does and eventually allowing communication sessions to migrate between devices – let's say from a tablet to a phone and perhaps a TV.

The company believes the ultimate differentiator is quality of experience – and they know that carriers are uniquely positioned to provide the best quality video, voice and advanced services. Moreover, its experience in IMS, experience in developing consumer apps and history providing

Steve Gleave, vice president of marketing, CSD at Metaswitch Networks



core IMS components makes it believe the company is uniquely positioned to help carriers move to the future.

Does this make sense? Yes, absolutely. And it seemed so obvious when I had a chance to catch up with Steve Gleave, the vice president of marketing at the company, and he mentioned how ridiculous it is that the screen goes blank when we make a phone call (referring to when we hold it to our ears). We live in a collaborative, multimedia world, but phone calls are generally voice only – until now. Perhaps this is why at the conference the company referred to Thrutu as “impulsive in-call sharing.”

Metaswitch has clearly decided it is in the software business and will compete delivering end-to-end telecom solutions from applications servers to SBCs and switching solutions. Its recent acquisition of Colibria brings tremendous engineering expertise in the world of IM/SMS, presence, centralized address book solutions GSMA RCS or Rich Communications Suite.

Prescription for Carrier Success

I firmly believe you can't know where you are going if you don't acknowledge the past. To that end, here are some key points from presentations at the event:

- The global middle-class is growing rapidly, meaning more opportunity for mobile devices and apps. There are under 2 billion today, and they are projected to increase to 5 billion by 2030.

- Apple is the biggest competitor to the carriers.
- It took only six quarters for Google Android to become the No. 1 OS.
- Every decade a new list of tech winners emerges, generally displacing leaders from the past decade – think DEC, Honeywell, NCR, Prime and Wang.
- Apple got to be the biggest company in the world by market cap by charging for stuff that makes people look cool.

What Sets Metaswitch Apart

In an uplifting keynote session, company CEO Kevin DeNuccio made the pitch about the fact that consumers will pay for advanced services and, moreover, that Metaswitch is the carrier partner to help provide them.

He further touted the company's ability to design user interfaces and scale to billions with the ability to manage and secure – from provisioning to network visibility. He explained how his company can help carriers change network dynamics in a dramatic fashion, in part due to a flexible architecture that can be deployed on appliances, routers or in a distributed fashion.

He continued by saying Metaswitch is on the road together with customers for the next 5-10 years, and as partners on a journey they will achieve greatness. He closed, explaining that we are at the Sputnik moment, referring to the fact

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that the Russians got to space before the U.S. – basically a reference to the fact that Apple and Google have the lead. He continued, “Together we can get to the moon first.”

Disruption really is like a venomous snake attack, but the honey badger is one of the animals which has not only evolved immunity to snake venom, it actively hunts venomous snakes and if

it gets bitten while killing the snake, it takes a nap for a few hours, awakens and eats the snake. This animal should be the role model for any company in any industry facing disruption. **IT**

What Customers are Saying

I had a chance to listen to lots of customers talk about Metaswitch at the show. (It is amazing how open show attendees are when you put your press badge in your pocket.) In general, many customers talked about how the company’s incredible support and constant improvements to their products set them apart in the market.

I had a more formal meeting with Jeff Willoughby of Sure-West, who told me his company’s biggest challenge is to maintain margin and the competitive advantage of his own company’s network while challenging others (outside their physical footprint). When asked about what he thinks of Metaswitch he said, “Metaswitch continues to innovate and as a customer we need to know what is going to happen.” Regarding why he

attends the forum he replied, “If we wait for anecdotal updates we may be at competitive disadvantage.”

I also spoke with Stephen Hon and Jared Grugett of Hawaii Telecom, who told me, “Metaswitch has a very progressive stance on feature development relating to carrier-class telecom services.” The trend they see in Hawaii is similar to the rest of the world – the move to IP. The only difference is there is less competition in their state, and they feel they have a huge head start because the company is a Metaswitch customer. They went on to say, “They have an excellent support organization, which helps facilitate small company growth.”

– R.T.

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