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## Voice over IP systems moving into mainstream

By Joe Gardyasz

Jim Masterson can easily gauge the interest Greater Des Moines businesses have in Voice over Internet Protocol telephone systems by the crowds his company, LightEdge Solutions Inc., has attracted to recent lunch-and-learn sessions.

"Within just the past two weeks, we have held several lunch-and-learn seminars and we have had 185 customers attend from that simple invitation, because they want to know what's going on with this," said Masterson, chairman and CEO of the Des Moines-based data and communications company.

"In the marketplace, we're truly at the inflection point of Voice over IP," said Masterson, who cited one estimate that VoIP phones are replacing business handsets at a rate of 76,000 a day. "We are beyond the early-adopter stage, just entering the primary adoption stage. It's still quite early on, but the adoption rate is increasing exponentially, and the same applies to our [company's] market."

With Voice over IP, companies can replace their conventional business telephone systems with a system through which voices are converted to digital signals that are carried as packets of data. However, unlike consumer VoIP systems, which carry the digital data over the Internet, most systems designed for businesses are using dedicated networks to carry the voice data to ensure consistent quality.

"With the Quality of Service gateways that are now being built into systems, it's truly a business-grade service," Masterson said. "With our system (and other systems using QoS gateways), you're not touching the Internet like you are with Internet telephony services such as Vonage."

According to the 2006 Market Review and Forecast published by the Telecommunications Industry Association, "VoIP carriers are now moving beyond the residential market to address the small-business market."

Vonage Holdings Corp., for instance, is testing a service called Business Plus that will bundle a number of lines and minutes for a flat price. Other companies, among them Volo Communications Inc. and DSL.net, are bundling VoIP with broadband services, according to the TIA report. Qwest Communications Inc. has announced it is partnering with Microsoft Corp. to provide VoIP services to small businesses starting this year. AT&T Inc. and Verizon Communications Inc. are also providing VoIP services to businesses but are targeting larger companies, the report said.

Some companies, among them LightEdge, provide the service on a hosted basis, providing access to a network and equipment maintained by the host company. Other companies, such as RSM McGladrey Inc., customize systems made by national vendors such as ShoreTel Inc., Cisco Systems Inc. and Avaya Inc. that they

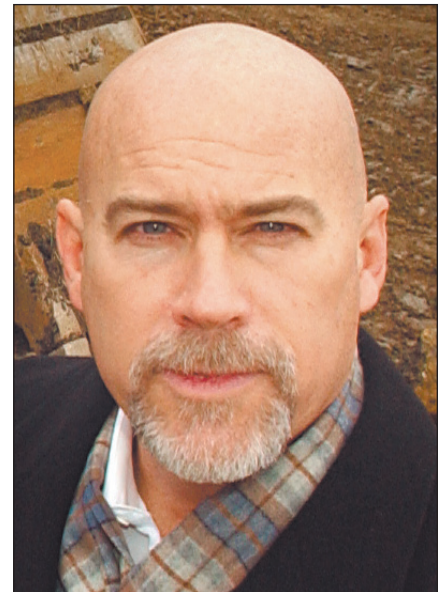


Photo by Duane Tinkey

Jim Masterson

install at the place of business.

Ron Beck, director of RSM McGladrey's tele-communications practice, said the discussion of VoIP has shifted away from a focus on reducing long-distance costs and more toward the business advantages it can provide to companies through added features and applications.

"I think that people need to understand how the technology can really help their companies be more efficient and do business better," he said. "If you implement it as just a new phone system, you're missing all the possible benefits. It becomes another device that gives you the same ability for inputs and outputs as a computer."

Beck said his company always recommends conducting a voice-data overlay study as an initial step toward considering a VoIP system.

"If you don't understand your voice traffic along with your data traffic, you could potentially wreak havoc with your organization," he said. On the plus side, "that call that used to go out over your phone line, now you're using your internal data communication, so in theory you've already saved money."

Typically, bandwidth capacity is not an issue for most companies that have a T1 data line because they're not fully using that capacity, Beck said.

Beck said RSM McGladrey supports about 250 telecommunications clients on a daily basis, of which about 20 percent have installed a VoIP system to some degree. By the end of 2006, it's estimated that 35 percent of businesses nationally will have implemented Voice over IP, he said. "This is a key year for businesses to evaluate and select their Voice over IP providers."

West Des Moines-based Heartland Co-op began transitioning to a VoIP system through LightEdge two years ago for its remote elevator locations, said Randy Sunderman, Heartland's vice president of information technology.

"We looked at other Voice over IP systems as well," Sunderman said. "They would have required more management on our part because we would have had to set it up. I didn't have to do any of the configuration of the routers or switchers. (LightEdge) already managed our network, so it made it very easy to transition."

Heartland initially chose VoIP for its larger locations that had adequate bandwidth and many phone lines, Sunderman said. "So we were able to take a location that had six or seven phone lines and make it one line," he said. "So that's where most of our savings came from, from eliminating those lines."

For most of the locations Heartland

switched to VoIP, the company has realized a net savings or at least broken even when the costs are considered, he said, and it plans to transition two more offices this summer.

Those offices have also gained efficiency by being able to more easily transfer calls to salespeople who operating from several locations, Sunderman said. "A salesman can also set up his phone so it will direct the call to where he's at. He has a variety of ways he can answer the call, so the front desk doesn't have to worry about how to route the call."

Beck, whose company specializes in small to medium-sized companies requiring up to about 500 handsets, said most hosted solutions tend to cap out at about 50 handsets, above which point they lose some functionality.

"You also have to look at the cost per phone," he said. "It really doesn't make sense not to have your own system when you get above 40 to 50 phones."

However, with a hosted system such as LightEdge, Masterson said, "(businesses) don't have the cost of buying the equipment, and they don't have the technology risk."

Next on the horizon, Masterson said, will be systems that allow companies to integrate their VoIP systems with customer relationship management software.

"We've had lots of people asking for it," he said. "We have not begun the programming effort for it yet. One reason is that Microsoft delayed their release of Microsoft CRM 3.0. When that's out, we'll begin programming efforts."

Until then, it's a sure bet that Voice over IP providers like Masterson will remain busy installing new systems.

"I've been in this business for 25 years," he said, "and Voice over IP is as large a marketplace as I've ever seen in telecommunications." □

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