Sangoma

Becoming an Internet Telephony
Service Provider

A Guide from Sangoma Wholesale Carrier Services

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OPPORTUNITY IN THE ITSP MARKET

VoIP (Voice over Internet Protocol) has quickly replaced traditional phone service over the last couple decades. As companies strive to cut costs and get more value from their phone providers, VoIP has solidly earned customer adoption and market dominance.

Persistence Market Research estimates that by the end of 2024, the VoIP services market will reach a valuation of $194.5 billion, growing at a compound annual growth rate of 9.4%[1]. Hosted VoIP services, in particular, are growing rapidly, especially SIP trunking and hosted IP PBX.

SIP trunking, for example, is forecast by IHS Market Insight to reach 53 million SIP trunks by 2021, increasing around 26% year-over-year. All regions are growing in the SIP trunking market, especially EMEA, but North America continues to dominate the market with 59% of trunks deployed worldwide.[2]

Sales of hosted PBX and Unified Communications (UC) services are predicted to grow at a compound annual growth rate of 14.9% through at least 2023, with North America remaining the largest market region and influencer and APAC expected to demonstrate significant growth as the fastest-growing region in the hosted PBX market worldwide.[3]

Managed services are benefitting from the continued adoption of IP PBXs, a healthy number of which are sold as part of hosted and/or fully managed contracts. Analysts expect growth of 15.3% year-over-year for managed IP PBX services through at least 2024.[4]

This is a strong market with plenty of opportunity for new or existing service providers to satisfy new and growing demand for VoIP services.

So how does one get started offering such a service? It's easier than you might think. There are three components you will need in order to offer your own hosted VoIP service.

1 - CHOOSING A VOIP PLATFORM OR SWITCH

The first component to establishing a VoIP services business is choosing a VoIP platform or switch. This can be an open source solution like a custom Asterisk solution, FreePBX, or one of many others. There are also a number of proprietary commercial solutions for service providers.

The VoIP platform you choose will provide all of your Class-5 (C5) features. Class-5 includes features such as voicemail, call forwarding, hunt groups, auto-attendants and more. Some platforms are capable of supporting multi-tenant, while others can only support a single company. Some platforms are fully hosted and some are premise-based. Features and pricing vary across the board. Determine what your target market is ahead of time, so you can figure out the best one to fit your needs.

This will be explored more in the section "Starting a VoIP Services Business".

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[1]Persistence Market Research. Global Market Study on VoIP Services. April 2018.
https://www.persistencemarketresearch.com/market-research/voip-services-market.asp

[2]IHS Market Insight. "SIP Trunks to Top 53 Million in 2021". 18 October 2017. https://technology.ihs.com/596390/sip-trunks-to-top-53-million-in-2021

[3]PR Newswire. "Global Hosted PBX Market (2018-2023) Forecast to Grow at a CAGR of 14.9% - Rising Need of Enterprise Mobility is a Major Driver". 12 April 2018. https://www.prnewswire.com/news-releases/global-hosted-pbx-market-2018-2023-forecast-to-grow-at-a-cagr-of-14-9---rising-need-of-enterprise-mobility-is-a-major-driver-300628848.html

[4]Persistence Market Research. Ibid.

2 - FINDING A VOIP CARRIER

The second component is finding a wholesale VoIP carrier to provide Class-4 (C4) services.

The most important services are origination (inbound traffic that includes DIDs or phone numbers) and termination (typically referred to as long distance or outbound service). Coverage is king, so make sure your provider has the largest footprint available in your target market.

As a VoIP provider, you are required to offer e911 (enhanced 911), no exceptions. Then there are other services like 411, caller ID, directory listing, T.38 faxing, etc. As a new ITSP, you may find that it is easier to start with one carrier that can offer all of the above services. This ensures that you will not outgrow your carrier as you scale your business.

Quality is the key when choosing a carrier. Make sure they offer 24/7 support and that they can offer you real time reports to help optimize your business. Reporting is the most crucial aspect of this business, and the more information a carrier can provide, the better.

In addition to customer support and reporting, it is important to understand carrier performance metrics. These include things like uptime, completion rate, failover, forwarding, and more. You should aim to find a carrier that provides a secure, reliable, and redundant network. Partnering with a carrier that provides a dependable network will make growing your business a much smoother process.

3 - MAKING DECISIONS ABOUT END USER EQUIPMENT AND SOFTWARE

The third and final component is making decisions surrounding end user equipment or software. You can choose to offer this directly or let your customers bring their own devices and equipment.

Some Internet Telephony Service Providers (ITSPs) will offer an ATA (analog telephone adapter). This allows end users to simply plug their existing analog phone into the device, which then plugs into their data network.

The most popular choice for businesses is to offer a more complete solution by providing IP phones. Many of these IP phones have built-in buttons to support some of the advanced Class-5 features offered by some of the platforms.

Another option that is quickly gaining popularity is the implementation of soft phones that can control calls on either a computer desktop or mobile device. This is a popular option for some businesses and can be implemented either alone or in tandem with desk phones.

Consideration to make when finding a VoIP carrier and deciding on what end user equipment and software to offer will be treated at greater length in the section "Choosing Equipment and Vendors."

STARTING A VOIP SERVICES BUSINESS

Getting into the VoIP business has never been easier. There are now plenty of platforms and

business models to help you get a piece of the ITSP action. Starting a VoIP company may seem overwhelming at first, but it is actually quite simple once you understand the basics.

VoIP services have quickly moved from breaking into the mainstream to becoming the industry standard in the last decade. The growing adoption of SIP trunks and Cloud services has only accelerated this momentum.

The first step in starting your business is to decide what type of VoIP company you want to build. Once that is established, you can start evaluating vendors and equipment and choose the types of services you want to provide. You may choose to go with one type of service or a combination of a few.

Here is a list of VoIP service ideas for your new venture:

RESIDENTIAL SERVICE

A declining market by volume[5], there is still some opportunity in providing residential VoIP service to

those who desire to keep a "landline" instead of relying solely on cellular devices. In most cases, this type of VoIP business can provide an alternative to the often high cost, low quality VoIP option that is offered by incumbent local exchange carriers (ILECs). However, ILECs are losing their local power because competitive local exchange carriers (CLEC) are continuously being introduced into the market. This creates more opportunities for businesses serving residential customers. One key way to leverage this market is to partner with a CLEC that offers a robust set of additional features at an aggressive wholesale cost. This gives you control and flexibility over the vast services you can package and resell to your customers.

HOSTED PBX

Hosted (or Cloud) PBX has quickly become the main choice for many organizations, especially small

and medium size businesses. It allows for even very small deployments to take advantage of a powerful phone system with great features without the high upfront costs associated with purchasing the hardware, software, and accessories required for an on-site PBX. Since it is not tied to a particular site, it is a very flexible option for businesses with multiple locations and a dispersed workforce. Not to mention, hosted PBX is a very popular option for organizations with little or no IT staff as these deployments are fully maintained by the service provider.

5Bureau of Labor Statistics. "Are most Americans cutting the cord on landlines?". May 2019.
https://www.bls.gov/opub/btn/volume-8/are-most-americans-cutting-the-cord-on-landlines.html

ENTERPRISE SIP TRUNKS

SIP trunks have seen phenomenal growth that continues to provide opportunity for new providers.

SIP trunks, very basically, replace the traditional PRI/BRI lines used in many analog PBX systems to connect to the public switched telephone network. Businesses can do this by deploying an analog to digital gateway and realizing massive savings by doing so. It is important to partner with a provider that offers a wholesale SIP trunk option. This allows for flexible and cost-efficient scalability as your business grows and begins running a high volume of traffic.

CALLING CARD

The Calling Card business is a smaller niche, but a very profitable one. This type of platform typically

requires a specialized switch that can handle the authentication and transactions associated with calling cards. These types of services may involve physical calling cards you would buy at a store, pinless calling authenticated by Caller ID, ringback services, mobile phone apps, and many other new services.

UNIFIED COMMUNICATIONS

Unified Communications (UC) refers to any phone system platform that merges many or all of the communication methods a business uses into a single system. A revolutionary idea, UC is now the de facto standard for communications workflow in business environments. The convergence of voice, mobile, and cloud services into a single platform is helping replace multiple logins to different sites and vendors.

While this may not include all of the potential verticals in VoIP, it encompasses the majority of the services you might offer. Whichever service you decide to market, remember that you should focus on your strengths and market differentiators.

If you can do it better or cheaper than the competition, you are in a great position to offer something unique and provide a solution to common pain points. This type of solution-oriented business planning will provide the best foundation for establishing your VoIP business.

CHOOSING EQUIPMENT AND VENDORS

Once the decisions have been made as to which VoIP services to provide, the next step is deciding what equipment and which vendors will be necessary. Your overall cost will vary depending on which services you hope to provide and how much time and capital are available to invest.

It will also vary depending on what vertical or verticals you have decided to focus on. The main components necessary to start will include your VoIP carrier(s), switch equipment, and end user equipment or software.

There are several options for both equipment and VoIP carriers. Finding vendors can involve getting on user boards, searching the Internet, attending trade shows, and other methods. A great way to research is to talk to other VoIP companies and learn their experiences when dealing with vendors and equipment. Most importantly, when talking to vendors, they should be able to provide a list of referrals for you to contact.

SELECTING A VOIP PROVIDER

The VoIP provider is probably your most important vendor as they will be providing your DIDs (phone numbers/origination), local and long distance (termination), as well as ancillary Class-4 services like e911, CNAM, Caller ID, and other services.

The carrier's footprint is an important factor. Some carriers focus on regional while others can provide nationwide and even global coverage. Be sure to get the right carrier for your requirements.

Many new VoIP business owners assume you have to go with a large Tier 1 carrier to buy DIDs and termination. This may not be the best course of action as this presents a few challenges for a startup. These include high monthly minimums, long term contracts, minimum quantity purchases per rate center, no online portal for ordering, among other things. However, if you have the capital, the staff, and a higher volume, you may choose to go this route.

An alternative to selecting a Tier 1 carrier is to go with a hybrid carrier like Sangoma Wholesale Carrier Services. They aggregate services from the leading Tier 1 providers into a transparent list and allow customers to choose the specific carrier[s] they want to use. This model opens the door for the ITSPs to access these companies, without having to manage multiple agreements or meet high monthly minimums. Sangoma Wholesale Carrier Services also provides their own network with access to domestic and international DIDs at aggressive rates. Carriers like this also provide a management portal allowing you to purchase and edit DIDs in real time, manage all of your VoIP services, view reporting metrics, and more.

You should also consider from whom you will be purchasing ancillary services. If you choose to go with a Tier 1 provider, it is very likely they will only be able to support their own DIDs with ancillary services like e911, CNAM (Caller ID Name), etc. They may not even be able to provide those ancillary services directly and advise that you would need to purchase them through a third party.

A hybrid carrier like Sangoma Wholesale Carrier Services, on the other hand, will be able to offer you all the ancillary services and even allow you to bring your DIDs from outside carriers to use with services like e911 and SMS.

PREMISE-BASED OR HOSTED SWITCH

After selecting your provider, the next most important step in starting a VoIP business is deciding what kind of switch to use. The switch is basically the brains of your operation. It handles the core functionality of routing and call termination, as well as accommodating features like voicemail, call forwarding, auto attendants, etc. The feature set will depend on the target vertical[s] for your services.

There are specific manufacturers and versions for specific market verticals. For example, if you are looking to resell hosted PBX, you will need a system that supports interactive voice response-enabled auto-attendants, extension dialing, group dialing, voicemail, call parking, and a list of other similar features.

However, you must also ensure that the switch is a multi-tenant platform that allows you to create an instance or partition for each specific client. The reason this is important is that you need to make sure that each one is separate from the others. Without this partitioning, it may be possible for clients to have access to the auto-attendants or extension numbers for other clients on your switch. Also, the global settings will probably vary from client to client. Most of the multi-tenant PBX switches can be premise-based or hosted.

To determine whether to buy the equipment outright or buy the hosted version, look at the overall costs and determine your breakeven point based on customer count. The premise-based option will require upfront capital expenditure as well as monthly fees for collocation. The hosted option typically requires a smaller or no upfront setup fee but a slightly higher monthly hosting fee. Additionally, the hosted version is usually fully managed, eliminating the cost of hiring someone to maintain the switch. Many new VoIP businesses choose to start their business with the hosted method, taking advantage of the lower initial investment and maintenance requirements.

END USER PHONE/SOFTWARE

After choosing vendors and switching technology, it's time to determine what end user phone or software you will be supporting. Most switch vendors will have recommended phone brands and models that are supported. Although you could probably use any kind of SIP phone, it is recommended that you use the supported phones for a variety of reasons.

For example, if your switch vendor determines your end user phones are not supported, they may not be able to assist in troubleshooting issues. When software upgrades are sent to the IP phones, if those phones are not the correct type, the update may not work correctly or may not work at all. Additionally, the end user portal typically relays certain programmable information back to the phone, and while this information can probably be manually programmed, you lose the ability to do it in real time if the phone is not compatible.

Check with your switch provider on software as well. Many businesses are now switching to softphones. These allow them to basically ditch the desk phone and just use their computer or mobile device to make and receive calls.

While you may limit the brands you offer a client, you can give them the option in perhaps choosing an entry model, standard model, or executive model. By offering the same brand but different models, you are reducing the number of brands your staff is supporting while continuing to provide options to clients.

Before the official start of business and taking on paying customers, there is one very important last step

to perform: testing! After selecting your vendors and equipment, make sure to test all services, billing systems, and support processes rigorously. Any time you make systemic changes, retest your systems and processes in a staging environment. You don't want to test your services on real paying customers.

MARKETING AND SELLING VOIP SERVICES

Many new VoIP businesses are founded by incredibly talented engineers and developers who are extremely focused on the technical operations of the business. Often, there seems to be an unspoken assumption among new tech business owners that by providing the best solution to a need or pain point in their target market, the business will build itself.

Unfortunately, hope is not a valid business strategy. If your target market is not aware of your solution, they have no way of knowing that it is the best solution for their needs. Product development and marketing go hand in hand for making sales, growing your customer base, and thriving as a VoIP business.

In an ideal world, your business would just start with an existing customer base that you could simply start providing a new product or service. But that's not how starting a new VoIP business works. If you are starting from scratch, here are some ideas to get you started.

First, determine if you have access to a niche market, and which methods of marketing and sales will be most effective. To maximize return on investment for your marketing efforts, your goal is to find a market that has not been bombarded with VoIP services or where you can market more cost effectively than your competitor. In other words, you measure the effectiveness of your marketing by customer acquisition cost, and the goal is to reduce the cost per customer.

The key is to get as specific as possible with your plans, budget, and audience, while making sure that your product and marketing resonate with the needs of your target audience. You can test the market for your services by starting with one or two groups, then as your marketing is refined and sales increase, you can expand your marketing to other groups. There are hundreds of niche markets that you can target, defined by any combination of industry, region, and business size.

Once you know your market niche, determine which marketing delivery methods will be most effective for that audience. There are hundreds of marketing tools and techniques for lead generation.

These can include outbound efforts like:

- ⊙ Direct mail
- ⊙ Radio or television advertisements
- ⊙ Search engine advertising
- ⊙ Email campaigns
- ⊙ Trade show booths
- ⊙ Publishing articles or advertisements in trade journals
- ⊙ Business partnerships
- ⊙ And so much more.

Your marketing efforts should also include inbound efforts such as a well-designed website with clear

and accurate information about your business and services, optimized as much as possible for search engines (SEO) to rank your site highly for search terms and phrases relevant to your business.

The bare minimum for marketing a new VoIP business would be a professional website and regularly maintained accounts on business-relevant social media. From there, you can research and test which types of marketing resonate with your audience and result in the highest number of sales for the lowest amount of investment.

Determining budgets and tracking your results are essential parts of the marketing process. This information will help you determine the most efficient and cost-effective marketing program for your business.

The most important advice is to think outside the box when choosing your niche group. The most successful and highest growth companies have been those that have focused on a vertical market and provided features and benefits specifically for that vertical.

Sometimes the best vertical is the one you have had experience with. One such success story is a local ITSP in Phoenix, AZ, that decided to focus on delivering hosted PBX services to real estate agents. As a former real estate broker, the owner decided to provide features that helped brokers keep track of agent phone times, incoming call tracking, time of use, etc. Since most agents are independent contractors, he focused on selling the brokers first, which then resulted in the other agents adopting the system. In addition to calling and emailing lists of local brokers, he also advertised in real estate trade journals geared toward brokers. The result has been steady growth in a niche industry.

The bottom line is that pricing is not the only factor when creating your product. Remember that value is benefits minus cost. As an entrepreneur, your focus is to identify the pain points that exist in the market and address them. Then, as a business owner, your focus is to spread the word about your solution in the most efficient, cost-effective way possible. Remember, the more people you can help, the more successful you will be.

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JUST GETTING STARTED?

Contact a helpful specialist at Sangoma Wholesale Carrier Services. We are happy to guide

new and growing VoIP businesses through the decisions and strategies necessary to thrive in the modern service provider marketplace.

Sangoma Wholesale Carrier Services is the only telecom vendor that provides startups and small businesses with billing and end user solutions that are tailor-made for their needs. Taking advantage of our solutions can save you months of research and development time.

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+1 (814) 800-0020 or **+1 (877) 478-6471**

VISIT US ONLINE AT:
carrierservices.sangoma.com