

Multichannel News

VoIP: A New Marketing Challenge
Opinion: Readers Weigh In - By Cass Baker

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Awareness of voice-over-Internet protocol telephony is on the rise, though many consumers may not just yet have a firm grasp on what exactly it is, what it does or how it works.

According to a recent Pew Internet Project & **New Millennium Research Council** study, 27% of Internet users have heard of VoIP, and 13% of that population has considered adopting this service in their home.

Those numbers translate into 34 million Americans who've heard of IP telephony and 4 million who have considered installing it.

While awareness is building, VoIP is also the first newly introduced cable-industry product that will have to compete directly with an existing one with nearly 100% market saturation. Practically everyone in the U.S. has a telephone, and VoIP will have to prove it's a viable option to Ma Bell's landlines, which have built a loyal commitment with phone users over decades.

Mainstream VoIP isn't set to take the stage for some time, but successful pilot programs — such as Time Warner Cable's venture in Portland, Maine, which had more than double the number of subscribers sign up than originally anticipated — already show this is a product that's in demand.

On the commercial front, airline giant Boeing Corp. announced in July that it would convert its entire company's lines to VoIP — the first major corporation to make that commitment.

Potential suppliers and competitors are lining up. More than 20 companies — including traditional telephone companies like Verizon Communications Inc. and Qwest Communications International Inc., cable companies like Comcast Corp. and Charter Communications Inc., as well as start-ups like Vonage—are plotting to unleash VoIP. But the larger question remains: How will they plan to successfully market the service?

First Impressions

Those who already know of VoIP service fit the classic "early adopter" profile, according to the Pew report: They tend to be male, well-educated, well off economically, tech-savvy and willing to try new things. Most are between the ages of 25 and 34.

The most important battle in selling VoIP to those who are not as aware — nor as willing — to try it will be to convince them the service is just as dependable, reliable and, most importantly, as good as their regular landlines. As of now, VoIP still has its problems: Sub-par sound quality, due to transmission delays, and a lack of 911 service capabilities for some providers, to name a few.

But once these small hurdles are crossed, the benefits of VoIP will outweigh potential problems. The range of current services VoIP offers will include voicemail, caller ID, call forwarding, three-way calling and call-blocking, as well as the ability to choose an area code from virtually anywhere in the country.

Once VoIP marketers clearly communicate the message and position that the service will offer the same perks and sound quality as traditional landlines, price will become the focus. Everyone will enter the mix — telephone companies, cable companies and upstarts — and will have different platforms for pricing. It will take careful monitoring of the competition, and what appeals and what doesn't appeal price-wise to attract the consumers.

The bottom line: Everything will change. This will be a new environment, where separate utilities that once held monopolies in certain areas will be forced to compete with one another.

Agility Will Be Key

In this new, competitive market, companies will have to be nimble with their direct marketing plans. As of now, no one really knows where cost-per-acquisition costs will settle, so devising ways to drive it down — attracting the most customers at the lowest possible cost — will be crucial to a successful VoIP-sales program.

In order to remain as flexible as possible, and also test new services and price offers, companies should look to the Internet as their primary testing ground and sales territory. Why? The Internet's flexibility provides one of the most direct ways to find out what consumers want to hear — and don't want to hear — and is more productive and cost-effective than most other forms of marketing.

This coupled with the fact that VoIP is also the first real Internet "killer app" (outside of e-mail) that has mass-market appeal.

Companies can test which messages work when selling VoIP, as well as evaluate which pricing offers effectively receive the most bang for their cost-per-acquisition buck, without investing a lot of time and money into a direct marketing program that simply does not offer an optimum return on investment.

Via the Internet, companies can also gauge consumer feedback about quality and service — and discover where they're most likely to shop — which, in turn, will help them better market their product.

The company that stays as nimble as possible — and can adjust its programs in real time — will be one that has a clear advantage when marketing VoIP.

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