

Voicemail as a Competitive Weapon

Mpathix Inc.

© 2004. All Rights Reserved.

Introduction

Voicemail is a must-have feature in every telecom network. After dial tone in wireline networks or airtime in wireless networks, it is one of the most important features in terms of revenue, subscriber retention, and cost of operation. Clearly, treating voicemail as a competitive weapon makes sense. The question is...**how?**

Carriers treat adjunct services such as voicemail in two distinct ways – either as a cost center or as a revenue center. Under the cost-centric view, voicemail becomes a commodity and commodity pricing rules apply. Under the revenue-centric view, voicemail becomes a branded service where targeted feature sets and differentiation become a key to market share and revenue growth. In this model, vendors can charge a premium for their voicemail service.

Voicemail companies benefit when the brand approach works – equipment prices are higher, vendors can charge more for upgrades, and service providers tend to be locked into proprietary business models. Therefore, it is in the best interest of voicemail companies to argue that voicemail is not a commodity but rather, the favored branded service.

Voicemail as a Competitive Weapon

The Reality: Voicemail as a Commodity

The reality is, voicemail is a commodity. Subscribers don't sign up for one operator versus another because of their voicemail system; they assume that all carriers offer the service. And once they've selected a network, they expect voicemail, just like their voice calls, to work...every time, all the time. So that's it. It's that simple. And as a service provider, making sure your voicemail works consistently is straightforward: invest in a carrier-grade system that is widely deployed. There are only a handful of companies that provide such systems, including Mpathix Inc., and while the pricing among these companies varies widely, they all offer a reasonable voicemail product with at least a dozen clients and several million operational mailboxes. However, the price per mailbox deployed can vary from \$2 per mailbox to as high as \$12 per mailbox.

Two Approaches

In the branded, revenue-centric model, there is only one way to use voicemail as a weapon: operators market their features and hope that highend subscribers will churn to their network. The problems with this approach are twofold: first, carriers will pay more for their voicemail system and marketing and secondly, the competition will catch up very quickly since there is no true long-term differentiation in the voicemail industry.

In the commodity, cost-centric model, there are two ways to use voicemail as a weapon. First, service providers can simply reduce their costs and increase earnings, thereby becoming more profitable and increasing shareholder value. Secondly, operators can use their reduced costs to lower prices and subsequently, use this pricing advantage to increase market share. In this situation, a better cost structure not only makes it difficult for competitors to catch up, but also ensures a carrier's survival in any prolonged price war.

The Cost-Centric Approach

This cost-centric approach will always work when the item being sold is truly a commodity. Wal-Mart uses cost structure to dominate its industry and as part of its turnaround in the 1990's, IBM used commoditized computing power to drop its prices and costs far more rapidly than its rivals. Today, as the technology evolution has slowed, most hi-tech suppliers are trying to differentiate proven products with services and packaging. What's more, they are increasingly falling into price-based competition.

For example, HP and Sun have reduced their prices by at least 25% below already low levels and are beginning the process of reducing prices for services as well. **In short, as high technology becomes more commodity-like, pricing power moves to the customer.**

In the voicemail industry, the cost-centric approach can be equally successful. For example, by accepting that voicemail truly is a commodity, and refusing to pay extra costs for bells and whistles, one regional carrier cut its voicemail capital costs from \$7 per mailbox to under \$3 per mailbox. And with the advent of open systems, it has become much easier for service providers to make the commodity switch.

Despite the promise of this model, there are challenges that operators must be aware of and these include:

1. It's not sexy.
2. You'll be fighting your own marketing department.
3. You'll be fighting with your voicemail vendor who believes their product is different and that you should pay more for their bells and whistles.

Conclusion

While carriers that compete using the brand approach cannot easily switch to the commodity approach, they do need to consider it if they want voicemail to be as pervasive and lucrative as the basic voice call.

Although it is true that brand awareness, differentiation, and customer loyalty are key to the long-term success of any service provider, the brand model should only be carried out in a differentiation battleground that can be won. This means that it should not - and cannot - be played out in every feature and facet of the company since it will invariably cost the company too much and sink all but the richest.

Today, most companies are led by their marketing teams towards newer and greater numbers of customers. While this principle is tried and true, marketing-led companies tend to believe that everything must be branded, and vendors fuel this belief because they too are branding themselves and trying to sell their products as somehow being different and better.

In reality, some features of a network such as voice and now voicemail are mature products offered at a premium quality by the reputable vendors previously mentioned. And while most marketing departments do not see these services in this light, their subscribers do – they simply expect their voicemail to work consistently. As such, marketing departments should adopt their customers' viewpoint and move their efforts, budgets and vendors towards newer services. Only then will operators demand to pay the true market value for this commodity and in turn, make it as ubiquitous as voice in their networks. This bold step will subsequently open the tap to higher revenues per subscriber.

About Mpathix

Mpathix is a pioneer in providing open system, carrier-grade messaging solutions across MF, SS7, and VoIP networks, including voicemail, faxmail, auto attendant and unified messaging. Based on open architecture, the Mpathix MX platform consistently meets the stringent requirements of telecom and enables service providers to reduce costs while driving new revenue. Unlike competitive legacy systems, the platform is a "future-proof" investment, easily integrating with the latest technologies to evolve with customer needs over time. Mpathix didn't invent the future. Just the future of voicemail.