

Talk Gets Cheaper

Voice-over-Internet service comes of age

Like many other staffing and recruiting companies, Smyth Solutions in Parsippany, N.J., does a good deal of its business on the phone. But its phone system was hardly good for business. Each time the 100-person company made a new hire, CFO Richard Trapp knew he could face a three-week wait for a phone company technician -- billing \$80 an hour -- to come out and set up the new employee's phone service. So Trapp switched the company's phone service to M5 Networks, which uses voice-over-Internet protocol, or VoIP. Now all it takes is a few entries on a Web page to add a new phone line or move an employee to a different office. "It has been very helpful when hiring people out of state," says Trapp. "We can get them up and running immediately." The cost savings are helpful, too: Smyth estimates VoIP has cut his company's yearly local and long-distance calls to \$80,000, down from about \$100,000.

There's no doubt that using VoIP can slash a small company's phone bill by 20% to 30%. New York-based researcher Access Markets International Partners predicts that 250,000 small businesses will be using VoIP by the end of 2005. Whether your company should join them depends on how many employees you have and how long they stick around, the cost of your current phone service, and your tolerance for the occasional lost call.

VoIP is certainly more practical for small companies now than it was just a year or two ago. But drawbacks remain: The sound quality and reliability of VoIP won't match your old service, and you'll have to recoup your setup costs before you save money. "If I had three people in a restaurant or warehouse, I frankly wouldn't bother," says Dan Hoffman, CEO of New York-based M5, whose clients typically have 20 to 40 phones. "This is best for information businesses that have big phone bills."

Such companies could see significant savings. VoIP providers charge as little as \$39 per user per month for local and long-distance calls, compared with an average of \$50 to \$80 for traditional phone service. Plus, VoIP subscribers escape the government surcharges they would otherwise pay on telephone service, which can account for one-third of a small business' phone bill. But because of setup costs, it can be 6 to 18 months before most businesses see savings.

VoIP also allows a business to operate multiple phone lines with different area codes from one spot, making a small business seem larger. Customers dialing Boston, Denver, and Dallas area codes, for instance, could unwittingly all reach a single office in New York.

Dropped Calls

Ready to sign up? Hold the phone. First, there's the issue of sound quality. If you use VoIP on a dedicated network -- say, a T1 line that connects branch offices -- the sound can be crystalline. Call someone not on the network, and it may seem as if you're dialing from Pluto.

That's because VoIP converts your voice into a digital signal, which travels through your broadband connection, the Internet, and often over traditional phone lines. In the best-case scenario, neither party notices a difference between a call placed over VoIP and one using traditional technology. But it doesn't always work that way, as most VoIP providers don't own their own networks. Instead, they send data along different carrier networks, and not all carriers use the

same equipment. Incompatibility between them means that your call may be dropped, delayed, or sound jittery. Providers such as Covad that have their own digital network, or those that use a combination of their own networks and traditional phone lines, such as M5 Networks, tend to have the best sound quality.

If you're using VoIP as a secondary line or don't mind a dropped call every now and

then, you might try a less expensive service such as Vonage that routes calls through multiple carriers. Pulsecast, a developer of online corporate training programs, cut its monthly phone bill for each of its five employees to \$52 from \$175 by switching to Vonage. "You're hard-pressed to beat that," says Robert J. Knox, executive vice-president and COO of the Boca Raton (Fla.) company. "We feel it's very good, even though there have been some problems with routing calls and accessing features."

Even if you're getting consistently high sound quality, it's important to remember that VoIP won't be as reliable as traditional phone service. You won't be able to make calls if your computer crashes or gets a virus. If your Internet service provider is down, your phone service will be, too.

Setting up VoIP is easy. Once you choose a provider, they'll send you a free adapter, although you can buy a fancier phone for \$200 to \$400 and get speakerphone or caller ID. You can make calls as soon as you plug in the phone and get online.

Companies with more than 10 staffers may want to install an Internet-based private branch exchange, or IP PBX, which is a digital version of the multiline phones often used by receptionists. A basic IP PBX, including the main phone and eight additional ones, will run about \$4,000.

If you're not sure that VoIP is right for your company, consider testing a provider by first using VoIP for interoffice calls. Or you can keep your current PBX system and buy a pbx gateway that lets you use either VoIP or your traditional system. Gateways run from about \$140 for a no-frills system for two people to \$15,000 for one for up to 120 users.

And be sure to get a guarantee from your VoIP provider. "Before small businesses sign on the dotted line, they should ask what would happen if they were not happy with the service," advises Lena West, CEO of technology consultants xynoMedia Technology in Yonkers, N.Y. "Do they get switched back for free? And how are service outages handled?"

If you find your VoIP service isn't what you had expected, don't just cross your fingers hoping it will improve. Instead, let them do the walking to one of the hundreds of other providers eager for your business. ■

By Kevin Ferguson

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