

The Voice Long Tail

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Industry forecasts for VoIP generally describe the market opportunity in one of two ways. The first is by customer segment such as residential and small business. The second is by provider type such as ILEC, MSO, ISP, and Independents. The true VoIP opportunity is difficult to frame when described in terms of traditional customer segments or vertical industry providers because it does not reflect the true value created with many new IP services. And further, it also limits the boundaries in which new products and services that don't exist yet can be defined, funded, and delivered.

Another approach to describing the VoIP opportunity is to classify the market in terms of the situational contexts in which voice communications can occur and add value. When doing so, a different market of needs appears with a different set of opportunities. Further classification into the behavior of customers within these contexts, how these customers achieve their needs today and how they can be helped, helps to provide a framework for the product constructs that be created across the entire consumer VoIP opportunity. The Voice [Long Tail](#) represents the markets for voice conversations and provides a foundation for framing the VoIP opportunity set.

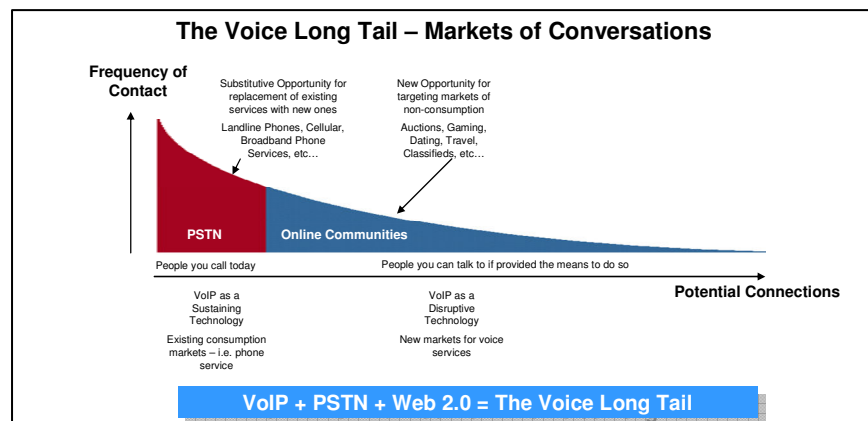


Figure 1
Voice Long Tail Illustrative Description

VoIP is a horizontal opportunity that spans across different customer needs and market contexts. Replacement products for vertically constructed voice services are clearly one approach to the VoIP opportunity. These services fit easily into existing assumption sets and can be constructed on known, backward looking business models and are therefore easier to define, fund and deliver. Looking forward, the market for horizontal voice capabilities that enable the Voice Long Tail are far more ambiguous, but also quite interesting. They come with new forms of value creation built on business models that are not traditional to telephony as we know it. A simple example to demonstrate this phenomenon is the integration of eBay and Skype. Most recently, eBay reported Skype revenue of \$24.8M for the 78 days in the fourth quarter that eBay owned Skype. The interesting aspect is that eBay did not report how many auctions we closed as a result of a

voice conversation between buyer and seller that took place over the Skype service and was brokered by eBay. If a \$10,000 car is sold on eBay and the sale was helped by a voice conversation, then the value of that call is far greater to eBay than whatever revenue was derived directly from Skype usage. A second example is Microsoft's Xbox Live. At \$15/month and with over 1.5MM subscribers, does anyone believe that Microsoft has not found a non-traditional way to monetize VoIP? One provider cannot provide all of the vertical solutions within the Voice Long Tail. As such, horizontal pieces are also necessary to provide the bridges between them so that customers may manage their communications across these different contexts in ways that are relevant to both their preferred experience and also whatever commercial model that the vertical voice solution is embedded into. In effect, voice becomes a feature of an adjacent service, not a service itself, and thus gets distributed, priced, and purchased in ways that are very different from traditional voice services. These nontraditional attributes make it a challenge for incumbent providers and analysts to define and assess the VoIP opportunity, often limiting it to only those services which fit into existing assumption sets and leaving out the incremental opportunity for new value creation.

VoIP products and capabilities that enable horizontal integration across different contexts of use, and therefore different vertical products, will allow users to connect into whatever online communities and commercial services they want, with whatever phone they want. This has already happened with other modes of communication such as email and instant messaging, and before that, the 900 business proved the commercial viability of high margin contextually relevant telephone calls that generated new minutes of use with new business models. The lucrative 900 business was ultimately brought down by fraud and abuse, both of which can be addressed with today's technology, not by the lack of an available market. There is no reason that integration of voice and web cannot bring new, incremental benefits beyond simple technology substitution. This is the premise of the Voice Long Tail, to turn [Purple Minutes](#) into Green Minutes that create new forms of monetization as voice becomes embedded into online platforms of community and commerce. Once that occurs, an explosion of new types of connections between people occurs and with it will come new and incremental value creation whose scope transcends well beyond basic substitution of one type of voice service for another. The VoIP opportunity is currently being understated, but new companies are emerging to make Long Tail services a reality. [Iotum](#), [thinkingVoice](#), and [Vivox](#) are all examples of Voice Long Tail companies seeking to create value by enabling new and incremental usage of voice communications. Vonage, for example, is not a Voice Long Tail company in so much as it is positioned as a low cost replacement for traditional telephone services. Stated differently, some VoIP firms are targeting the existing pie and others are creating a new and larger pie. Both approaches represent wonderful opportunities for both startups and incumbents. Anyone wishing to truly understand the consumer VoIP opportunity will need to look both horizontally and vertically to address the Voice Long Tail and all of the incremental value that it will create.

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