



8x8, Inc.

*Internet-based Phone
Service for Small to
Mid-size Companies*

*The easy,
economical
alternative to
traditional phone
service*





8x8, Inc.

Internet Phone Service for Small & Medium Sized Businesses

Value Proposition of VoIP Phone Service for SMBs

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“The 8x8 Virtual Office phone system brings us all together. With a virtual PBX, our customers think we’re all in the same office. They call one number and it’s like they are calling one office. They just listen to the auto-attendant and press the extension number of the person they need to talk with. Our customers need to speak to someone and 8x8 Virtual Office has made it easy for them to get in touch with us. I can be anywhere in the world and run my business. My employees can be anywhere they need to be.”

John Marcone
Sabre Marketing

I. The Telecommunications Challenge for SMBs

Small businesses are faced with a difficult task when it comes to selecting or upgrading their telecommunications system. Very often, companies will conduct research based on their current size and where they project they will be in a year. Typically, the economics of investing in a business phone system that is feature-rich and can scale to their potential growth precludes them from purchasing these powerful tools in the initial stages of their company. The same applies to companies when adding new offices or replacing outdated telephone systems.

New companies generally choose standard business phone lines from their local phone company along with multi-line phones because of the low initial cost. Limited funds and a dynamic, often dispersed, business environment make the options going forward an intermediary step until the company grows large enough to consider a premise-based PBX.

With VoIP (Voice over Internet Protocol) technology, small businesses now have a cost effective, feature-rich alternative to the traditional business phone system that facilitates geographic independence to work from homes, a powerful business feature set along with local and long distance for a fraction of the cost of both the low-feature multi-line phones or the feature-rich PBX.

II. Shortfalls of Traditional Phone Services for SMBs

Traditional telephone networks were designed solely to carry low-fidelity audio signals with a high level of reliability. Although these networks are very reliable for voice communication, they are not well suited to service today’s explosive demand for digital communication applications, because they:

- Are expensive to build – each phone must be individually connected to the central office switch, which is usually several miles away from the subscriber’s location
- Use dedicated circuits for each call, which require fixed connection and operator taxation throughout the call’s duration, whether or not voice is actually being transmitted
- Must have the capacity from day one to address potential growth, increasing initial costs and creating an under utilized investment
- Transmit data at very low rates and resolutions, making them poorly suited for delivering integrated Internet communications, entertainment-quality video or other rich multimedia content
- Cannot be leveraged to provide new or differentiated services or functions, such as a geographic independent Centrex offering or other convergent aspects of complete communication offerings.

With traditional business phone systems (PBXs), companies must first purchase expensive equipment that is scalable to their potential growth. They require phones capable of being remote, if needed, and applications such as voicemail, IVRs and ring groups. The more functionality a small business wants, the more the equipment will cost. After paying for the hardware, the traditional PBX system still requires installation, maintenance as well as dial tone charges. On top of this, a business will also need to incur expenses for local and long distance calling, a maintenance contract and annual upgrades.

The comparison of a hosted VoIP PBX is significantly different in delivery than services like Centrex systems, Key Telephone Systems (KTS), or multi-line phones. The major differences: customers must have equipment on their premises and need to bring in trunk lines; multi-line phones are basic and provide limited features; Centrex is expensive and limited by a company's location in relation to the central office service area.

Payback for a PBX phone system may never occur, preventing smaller companies from considering a traditional business phone system. Even after this investment, their customers would hear a busy signal if calls exceed the number of available lines.

Until recently, small businesses had no real alternative to regular, basic phone service that requires all users to be in the same physical location, offers a limited feature set or necessitates a large up front investment to acquire a PBX.

III. Enter VoIP (Voice over Internet Protocol)

a. Technology

Today, in the telecommunications arena, new technology called Voice over Internet Protocol (VoIP) is revolutionizing the industry by providing a cost-effective and feature-rich telephony alternative to SMBs.

VoIP technology compresses voice (audio) data into packets that can be efficiently transmitted over data networks and the public Internet, and converted back into voice at the receiving end. This is the basic architectural change that drives integration with web-based applications and the development of new features that would be impossible using traditional networks. More importantly significant cost savings can be realized by consumers as voice now becomes just another form of data.

Packet-switched networks – such as a home network and the Internet – were built to carry non-real-time data. The advantages of such networks are flexibility, efficiency, and scalability.

- ❖ Flexibility:
 - Networks can be built in a variety of configurations to suit the number of users, client/server application requirements, and desired bandwidth availability.
- ❖ Efficiency:
 - Bandwidth and network connectivity is consumed only when needed.
 - Service providers are able to converge their traditionally separate voice and data networks, and carry voice, video, fax, and data traffic over the same network.
 - Many terminals can share the same connection to the network and, as a result, significantly reduce equipment costs to deploy VoIP versus a circuit-switched telephony network.
- ❖ Scalability:
 - Users can be easily added to the network anywhere there is a connection as growth demands with minimal network costs to carriers

These advantages help create cost savings that are being passed on to consumers in the form of lower telephony rates. Organizations can also reap additional savings when staff have a phone extension in a home office, eliminating the brick and mortar cost for satellite offices. According to market data reported on Yahoo, potentially more than 25 million SMBs could realize enormous benefits by employing VoIP.

b. Market Overview

From 2000 to 2005, the U.S. broadband Internet access market grew from 4.5 million subscribers to 41.3 million subscribers. Over the next five years, it is expected to grow an additional 28 million subscribers.

VoIP providers that rely on broadband Internet access saw revenue increase from \$25 million in 2003 to \$200 million in 2004, and then top \$1.1 billion in 2005. Their revenue is projected to reach \$5.1 billion by 2009, according to the Telecommunications Industry Association's (TIA's) newly released *TIA's 2006 Telecommunications Market Review and Forecast*. TIA predicts the number of VoIP Subscribers will more than triple 2005's 4.2 Million to 18 Million by 2009. [1]

The TIA report also foresees a decline in Centrex, key telephone systems, and conventional Time Division Multiplexing (TDM)-based PBX line systems through 2008. Large enterprises have been taking advantage of these trends for the past 10 years to reduce telecommunication costs between sites. Now, SMBs have the capability to also enjoy these savings in addition to other benefits described later in this white paper.

With the adoption of VoIP, businesses are demanding that broadband providers deliver high-quality and continuous connectivity. Broadband carriers who cannot deliver an acceptable level of quality are having a difficult time retaining customers.

"We are moving into a new building and have gone with your 8x8 Virtual Office product company-wide. We are really appreciative of both the administrative support and technical support from 8x8. The features of this system afford our knowledge workers lots of flexibility that we didn't have with our old PBX. It was going to be very expensive to move our old PBX, get a new PRI, and we would still be stuck with same old PBX features.

A very simple feature, receiving voicemail via electronic mail, has helped us tremendously in communicating with each other when we are solving customer problems. Also, few things are sweeter than kissing your old phone company goodbye. Thanks for a great product. We like it so much we want our customers to install it too!" – Dave McCoy, CEO, Business Information Group, Inc.

Dave McKoy, CEO
Business Information
Group, Inc.

From a consumer perspective, broadband is a now more than just a \$40 per month portal to the Web, but a new avenue for feature-rich telecommunications, video, and television. Also, beneficial to end users is the reduction of monthly charges for access as traditional mainstream services continue to leverage broadband connections.

Low-Cost Broadband Changes the Telephony Game

The explosive adoption of broadband Internet access is aiding VoIP market growth. Since so many potential VoIP customers want features like voicemail to email notification and online account management, VoIP phone service is quickly becoming a logical alternative to costly traditional phone service solutions.

Over the past ten years, the market for VoIP has been driven by a number of factors, chiefly the promise of inexpensive voice communication. As Plain Old Telephone Service (POTS) costs have gone up, without the addition of new features, any solution that offered lower rates with significantly enhanced features was bound to create interest.

As VoIP is less expensive to deploy, the service provider can pass the savings on to its customers. Since no physical equipment other than a phone and a small adapter are needed onsite, features can be upgraded seamlessly without incurring additional charges.

Due to the cost savings and added features associated with VoIP, consumers, enterprises, traditional telecommunication service providers (telcos), and cable television providers are viewing it as the future of telecommunication. VoIP has experienced significant growth in recent years due to:

- Carriers drive to reduce costs while providing more features
- Customers desire for increased feature set without capital investments
- A more dispersed workplace driven by teleworkers and best of breed global hiring practices
- Improved quality and reliability of broadband networks enabling VoIP calls over standard broadband lines, as well as inexpensive increased bandwidth capacity
- New product innovations that allow VoIP providers to offer services not currently offered by traditional telephone products

Additionally, with the ability to port (transfer) existing phone numbers, switching a business to a VoIP phone system can be completely transparent to employees and customers.

IV. The 8x8 Virtual Office Solution

a. Description

8x8's Virtual Office service is taking VoIP to a new level for SMBs, by offering a complete, full-service business telecommunication platform without the high expense of traditional small business phone systems. It is simple to install, even easier to use and reduces telecommunication costs while providing powerful new features.

8x8 Virtual Office is a hosted VoIP phone service that replaces the need for private branch exchanges (PBXs) for companies in the same building or in regional offices spread across the globe. In addition to PBX-functionality, Virtual Office service plans provide unlimited local and long distance calling for a flat-rate, unlimited extension dialing regardless of location, as well as international calling at rock bottom prices.

This 21st Century solution also offers more premium features without the cost of premise-based PBX systems, while enabling the same business processes enjoyed by large enterprises.

Another benefit of 8x8 Virtual Office is the ability to move with your office phone, an obvious limitation of traditional PBXs. All that is needed to enable the service is a high-speed Internet connection to plug the Virtual Office phone into, whether in a home office or in a hotel room thousands of miles away.

Utilizing existing high-speed Internet connections – such as Digital Subscriber Line (DSL), cable, or T1 – 8x8 Virtual Office also connects employees to each other via extension-to-extension dialing (whether staff is in the same building, spread across the nation or even across the world), eliminating all intra-organization local and long distance calling expenses.

By using the Internet to deliver VoIP PBX services to SMBs, 8x8 Virtual Office allows companies to have endless scalability and add extensions without loss of functionality.

When a company's customers call into 8x8's VoIP PBX, they have the impression that they are calling one central location, though they have actually called the Virtual Office service that links all employees through one system, no matter where they are located.

All a user needs to link to Virtual Office is access to a broadband Internet connection, a 8x8 Virtual Office phone and a service plan. This enables real telecommuting and removes the need for expensive brick and mortar overhead costs to a company.

"I am estimating that during the course of a year we will save 60 percent on our telecommunication costs. I would confidently recommend the 8x8 Virtual Office solution to any business like ours that wants to cut their telecommunication costs and obtain business-class features along with the tools to help manage their phone traffic more efficiently."

Al Silverberg,
President and CEO
Ristal Inc.

b. Functionality/Applications

Virtual Office has many powerful features including auto-attendant, ring groups, or direct dial numbers associated with each extension, regardless of the extension's geographical deployment.

Virtual Office's powerful auto-attendant connects groups of extensions that could be located in the same building or spread out over the globe, offering functional options such as: dial by name, dial by extension or even a company directory for callers. Also included (at no extra charge) with the 8x8 Virtual Office subscription is a feature-rich conference bridge (capable of supporting 20 callers) and business-class voicemail for every extension.

With the 8x8 Virtual Office business-class telephones, the numerous features are accessible through one-touch controls. No matter who answers the phone - or where the phones are located - the user behavior to transfer, conference or search for other team members remains the same.

Every extension has a powerful suite of included features (normally found only on high-end, premise-based PBX systems) that are easily administered through the web, by phone, from inside the voicemail prompts, or by simply calling 8x8, Inc. The 8x8 Virtual Office Unlimited Extension service plan includes unlimited calling anywhere in the U.S. and Canada for a flat monthly fee, as well as low per minute international rates.

As a measure of its innovation and value, the 8x8 Virtual Office solution for small businesses received Network Computing magazine's "Editor's Choice" award[2] over competitive offerings from Covad Communications and Velocity Networks. Each company's solution was rated on features, price, and quality of service. 8x8 Virtual Office received the highest overall rating for its rich feature set, call management tools and low subscription price.

Hosted services like 8x8 Virtual Office nearly eliminate the upfront investment while covering the local and long distance calling costs. A business must purchase only the phones. 8x8 Virtual Office phones cost starting from \$99.99, in comparison to other business phone equipment and applications that range from \$400 to \$1500 before installation or dial tone.

The only installation required for Virtual Office consists of plugging the phones in and having call routing set by the service provider. With 8x8 Virtual Office, configuration and maintenance are handled by the service provider and included in the initial start up price. In any price comparison, an SMB must look at all these costs and consider the entire total cost of ownership (TCO) associated with an on-premise system versus a hosted solution

To encourage new customers to try 8x8 Virtual Office, 8x8 offers a 44-day, money back trial. Customers simply pay the start up costs and 8x8 handles everything else, so switching to VoIP service is now as easy as plugging in a traditional phone.

Implementation of 8x8 Virtual Office and transition from the old system is seamless. New subscribers can use, test and change Virtual Office right next to their existing communication platform or from their homes before crossing over completely. After completing the testing, companies can contact their current provider and have calls forwarded over. 8x8's Virtual Office team places a high value on customer service, which may be one reason why – with hundreds of companies signing up for 8x8 Virtual Office every month – almost all keep the new service after 44-day trials.

In addition to the cost savings previously discussed, a hosted IP PBX also saves time – an extremely valuable commodity to most SMBs. Many traditional phone companies require 45 to 60 days to install a new phone network in an office building. However, it takes just five to seven days to deliver 8x8 Virtual Office equipment, and only five minutes to make it fully operational. Configuration is done by 8x8, and all special phone features can be pre-configured anytime, so no special training is required.

A business could even set up a virtual PBX and have calls routed to cell phones instantly, until the rest of the phone equipment arrives. Changing the phone configuration or moving employees is easy, without reconfiguration or service calls. A 8x8 Virtual Office phone can be picked up and connected anywhere else in the office, region, across the country or around the world.

c. Case Studies

Rosesource.com is a farm-direct business selling flowers into the United States. The company has an administrative office located in Miami while the main operations take place in Quito, Ecuador in South America.

The 8x8 Virtual Office hosted PBX service has allowed Rosesource.com to cut costs and implement a unique business strategy. Prior to finding 8x8, Rosesource.com had a traditional PBX system with no means of communicating internally by phone between the farm and the administrative office.

8x8 Virtual Office was the perfect solution for Rosesource.com. In addition to making use of the unlimited extension-to-extension dialing between Florida and Equador, the small organization has a cost-effective toll-free number for its customers.

Implementing the Virtual Office solution has lead to roughly a \$25,000 yearly savings for the flower company. In addition to saving money, Virtual Office is saving the organization time. The staff is more efficient since they are interacting much more frequently as there is no expensive meter running when they call each other from different hemispheres.

John Marcone's **Sabre Marketing** is a small business with staff spread throughout California. John lives in the Bay Area, working out of his home office and traveling frequently to Europe. Sabre Marketing has three employees working in a Los Angeles office, another individual in the field working from a home-based office in Southern California as well as an employee based in San Jose.

When Sabre's customers call in, they are greeted professionally by an auto-attendant that provides them with access to each staff member's extension number. If the Sabre

Marketing staff member is not available on their 8x8 phone, they can direct callers straight to voicemail or employ the “Follow Me, Find Me” feature that will ring a cell phone or any other number that is pre-programmed into the web-based account details page. Sabre Marketing employees can be anywhere they need to be and still be accessible.

Marcone can check his voicemail messages that are automatically sent to his email account without having to make a phone call. When he is not in Europe, he is phoning there using 8x8’s rock-bottom international rates (like three cents a minute to many major cities in Italy) to realize even greater savings.

V. Conclusion

The Right Solution for Your Small Business

8x8 Virtual Office offers all the features an SMB organization needs to be productive. SMBs can quickly and easily lower total cost of ownership (TCO) with 8x8 Virtual Office.

The upfront investment is extremely low and monthly costs are predictable and flexible as extensions can be added or removed on a monthly basis (there is no long term contract requirement, only month to month), making it easy to balance the budget. 8x8 Virtual Office eliminates large long-distance telephone costs for intra-organization calling. For the small and medium-sized business organization, the choice is clear: 8x8 Virtual Office.

For More Information

To order 8x8 Virtual Office and start saving money on VoIP phone service, please call 1.866.879.8647 or visit http://8x8.com/about/Virtual_Office.asp

Footnotes:

[1] TIA Online, P.A. Release 06-19/02.27.06, February 27, 2006, www.tiaonline.org/business/media/press_releases/2006/PRO6-19.cfm

[2] “Cheap Talk--Affordable IT: VoIP for SMBs,” Network Computing Magazine, January 19, 2006, www.nwc.com



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