Plugging into the future

By Peter J. Howe, Globe Staff | March 7, 2005

You're going to plug my phone into . . . what?

When it comes to marketing new Internet telephony services to consumers outside the
first wave of bargain-hunting technophiles, figuring out a way to answer just how "voice over Internet protocol" works is just one of a host of questions carriers are grappling with.

Besides offering unlimited calls around the United States for $25 a month or less, and dirt-cheap calls abroad, Internet phone service opens the gates to a host of cutting-edge services that few people even have at the office. One computer mailbox for voice mail and e-mail, software for making phone calls from a laptop, and "find me" and "follow me" services that ring home, work, and wireless phones from one number are just three of dozens of innovative -- but sometimes incomprehensible -- services Internet telephony enables.

As companies from AT&T Corp. to Zoom Technologies Inc. take up the challenge, their pitches generally fall into one of three camps: It's cheap. The features are cool. Or a mix of both.

As Philip L. Asmundson, US national managing partner with technology consultants Deloitte & Touche, puts it: "Are they a cost play? Or are they going to be a features and functionality play?"

The current leader in US Internet phone companies, start-up Vonage Holdings Corp. of Edison, N.J., has garnered more than 500,000 customers. Almost exclusively, it hammers away at price savings. Catchy television ads with dumb men skiing off roofs, smashing windows, and crashing snowmobiles push the theme that "People do stupid things, like pay too much for phone service," instead of buying unlimited calls for $25 a month.

By dubbing itself "the broadband phone company," Vonage explains a key complexity of Internet phone service: It requires a high-speed, broadband Internet connection through a cable modem or digital subscriber line, which can add $30 to $50 to the cost of monthly phone service. Unless consumers know how to rewire their home circuits or will pay for a multi-handset cordless phone system, Internet telephony also limits them to using the one phone that's plugged into the modem.

When AT&T began to walk away from conventional residential long-distance service last summer, to focus on its CallVantage Internet phone service, executives said the legendary Ma Bell brand added complexity to the service launch that a Vonage would never face.

But "when we go out to market, there's a higher benchmark of quality, because we are AT&T,"
said Katherine Bagin, vice president of marketing for CallVantage. "You're introducing a service that has such a radically different profile" from what AT&T's 30 million-plus residential customers have known, Bagin said.

AT&T had more than 1,000 recruited consumers test its service for seven months before it began launching it. "It paid for itself in gold" in catching and identifying glitches and stumbling blocks for consumers, Bagin said, and showed how "you can't overwhelm consumers with all of the features."

In the rollout, AT&T held back some services, such as personal conference calling, nonlocal secondary phone numbers (so Mom in Florida can call you at home in Boston for local charges), and a feature that lets people record voice-mail messages to send to 20 recipients. It saved them for later, after the overall concept behind CallVantage had been established.

At the other extreme: Cable giant Comcast Corp. won't even use the phrase "voice over Internet protocol" when it launches its Internet phone service in Boston and a handful of other big markets between now and next winter.

Strictly speaking, Comcast's $40-a-month unlimited phone service will transmit voice calls in the same digital-packet form as e-mail and Internet traffic -- but on its own network, not on the Internet at large. And it will offer what it touts as better-than-Bell-System reliability.

"We're actually trying to make sure that we never use 'VoIP' in any of our advertising and communication to customers, because we don't want to be confused with a product that may or may not work," said Comcast Cable's president, Stephen B. Burke.

"We're also not going to be competing solely on the basis of price, or even primarily on the basis of price."

Rather, Comcast is looking at video phone service and special features like cellphone-style "ring tones" for home customers.

For now, in telecommunications' version of the "Tastes great/less filling" rhetoric war, many industry observers doubt that stressing the rich set of features Internet phone service enables is the way to wow consumers.

"That's something that generally is not being explained well, and I don't think that will resonate as well as lower costs," said Rich Tehrani, chief organizer of the Internet Telephony trade show. "Saving money is what everybody wants to do."

One stark version of that philosophy is Dialpad Communications Inc., a Milpitas, Calif., company that charges $12 a month for unlimited domestic calls through the equivalent of plain-black-phone service. Its chief executive, Craig Walker, accuses big companies like AT&T and Comcast of "trying to justify a high price with a bunch of features that most consumers won't use.

"They're trying to take what is, in effect, a commodity product and package it in ways that make people pay more."

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