



By Dennis
Stoutenburgh

Is LEC Billing the Next E-Wallet?

PHONE+ invites you to air
your views.

Call us at
+1 480 990 1101
or e-mail khenderson@vpico.com

Round TABLE

... On the challenges facing VoIP
service providers from executives
attending Internet Telephony
Conference & Expo East ...

"We all love Vonage because they're out there promoting VoIP. ... It's just we're not all looking forward to going to zero on the service exemption."

—**Greg Welch, GlobalTouch Telecom chairman and CEO**

"Simply making the audio quality better."

—**Mark Fedor, Sunrocket CTO**

"The most important element is maintaining price at a level that you can support your quality."

—**Bryan Renner, BandTel vice president of sales and alternate channels**

"VoIP is complex, but security makes it all the more complex."

—**Kevin Moroz, snom Technology AG spinoff's pbxnsip Inc. vice president of sales**

"Regulators and legislators are going to have a tremendous role in how quickly these technologies get into your hands, I'm sad to say."

—**Bryan Martin, 8x8 chairman and CEO on rollouts of new IP-based products and services, such as video**

"Companies like Vonage are setting the profitability bar so low ... when they're satisfied with losses of \$140 million a quarter, it's really hard to compete with that."

—**Kevin Rohnstrom, RNK Communications salesperson**

DESPITE THE INCREASED SOPHISTICATION of the online marketplace, and the staggering growth in the number of e-commerce transactions conducted in 2006, payment acceptance limitations remain a significant issue to the digital merchant community.

The large majority of transactions conducted online are performed via credit card. Yet, according to countless consumer surveys, the security of personal information when conducting online payments remains a major concern for consumers when performing digital transactions. With the rise of identity theft, they continue to perceive serious shortcomings with today's online payment options.

As this concern grows, reliable and safe online payment options become ever more important for digital merchants. Most consumers now think twice before paying with a credit card over the Internet, and argue that many merchants are not doing enough to protect customer information. This new consumer market is setting the stage for a change in e-commerce payment methods, creating a demand for alternative payment options.

Realizing that the Internet is an important vehicle for reaching consumers, local exchange carriers are stepping outside of traditional telephony and embracing digital content, like digital TV, ISP services and a variety of entertainment services. The evolution of LEC billing has moved beyond traditional long-distance and telecommunications services to the digital marketplace. Given these changes, it begs the question, is LEC billing a viable payment alternative for the digital content community?

As a LEC billing clearinghouse, we, at ILD, think so. A chief problem with the Internet and for digital merchants remains the limitations around payment acceptance. With more than 150 million U.S. wireline subscribers reaching across all demographics, the traditional telephone bill appears to be a likely solution for certain online purchases and subscriptions. LEC billing provides substantially less consumer risk than credit card payments and is, therefore, a more viable option among consumers who have a legitimate fear of credit card fraud and those concerned about identity theft. With risk-management measurements in place, including validation and authentication services, fraud to the phone bill is less likely. The bill page then becomes a vehicle for digital content providers to reach those consumers who elect to not use a credit card for online payment and to those consumers who are considered "unbanked."

According to the U.S. Federal Reserve, 23 percent of U.S. households do not own credit cards. Additionally, there are approximately 10 million U.S. households without credit cards that are online. This means there is a clear need for secure and reliable alternative payment methods for this demographic. It also means there is a market of 10 million households that, should they wish to make an online purchase, have no other option than to disclose their personal banking information, when available. In the limited cases where it is available by the merchants, these households pay for services via an automated clearinghouse (i.e., e-checks) or a service like PayPal. Ultimately, these statistics show the market for online payment alternatives, like the phone bill, are viable.

Traditional LEC billing is evolving as a feasible option for e-commerce. The largest LEC in the United States is now allowing businesses to use the phone bill page to invoice certain pre-approved information and entertainment services over the Internet. This opens up the reliable phone bill page to include payment for online services, such as music, movie and software downloads, gaming and

Once perceived to be declining along with traditional wireline long-distance service subscribers, LEC billing is proving to be a viable payment option to new growth markets with substantially less consumer risk.

Personality

Tom Wheeler

Four Score and Seven Forwards Ago?

By Cara Sievers



Most people would agree that in the past two decades, e-mail has forever changed the way people communicate. However, industry pundit Tom Wheeler might argue that this instantaneous communication was used in its purest form more than a century ago — not to mention the shaping effects these early correspondences had on our nation's core values and geography.

In 2006, Tom released a book about it. "Mr. Lincoln's T-Mails: The Untold Story of How Abraham Lincoln Used the Telegraph to Win the Civil War" explores the previously undeveloped record of Lincoln's telegrams and what made him the first "online president."

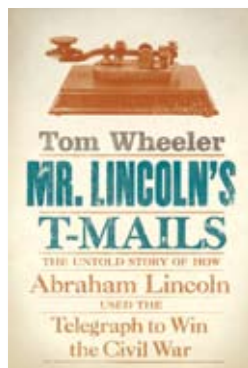
"I was standing in the vault of the National Archives looking at the telegrams handwritten by Abraham Lincoln when my telecom vocation and history buff avocation collided," Tom explains. "These are Mr. Lincoln's T-Mails," I said, and the book was born.

"What was both exciting and interesting to me was to watch Abraham Lincoln as he learned to use the kind of electronic communications we take for granted today," Tom continues. "It is not possible to watch him learn to read or write, but reading his telegrams, it is possible to watch him learn something which is just as much second nature to us today."

Tom published another Civil War work back in 2000 titled, "Take Command: Leadership Lessons from the Civil War," which deals with the leadership similarities between Civil War commanders and modern business leaders.

Tom adds these tomes to an already-impressive telecom resume. As managing director of Core Capital Partners, he manages a portfolio of technology company investments; but his past is peppered with stints at the helm of some of our industry's most influential organizations. His association credits include CEO, Cellular Telecommunications & Internet Association (1992-2004); CEO NuCable Resources Corp. (1985-1992); CEO, NABU: The

Home Computer Network (1984-1985); and CEO, National Cable Television Association (1976-1984). Tom also was appointed a trustee of the John F. Kennedy Center for the Performing Arts by both President Clinton and President Bush. Those terms with the center recently have expired, and he now is serving as chairman on the Kennedy Center's subsidiary Very Special Arts, the arts equivalent of the Special Olympics.



Tom's latest release

Home Computer Network (1984-1985); and CEO, National Cable Television Association (1976-1984). Tom also was appointed a trustee of the John F. Kennedy Center for the Performing Arts by both President Clinton and President Bush. Those terms with the center recently have expired, and he now is serving as chairman on the Kennedy Center's subsidiary Very Special Arts, the arts equivalent of the Special Olympics.

Tom's first job: Tom made his foray into the working world by selling greeting cards door to door as a boy. In fact, he was door-knocking again in college as a Fuller Brush man.

Who ya rootin' for? Tom counts among his pastimes an obsession with Ohio State University, and calls himself a "rabid Ohio State fan." (So sorry about the national championship, Tom.)

Words to live by: "Doing things the same way we did them last year is just an excuse for not thinking."

Thoughts on telecom: "Telecom is back! The exciting thing for me is that the development activities that used to be centralized at Bell Labs have (like the network) been decentralized and are now being done by VC-backed companies. The future of telecom is those companies and that is where I spend most of my life."

Do you know someone who has Personality+? We're looking for kooky characters in telecom to take the spotlight! Please send nominations to Cara Sievers at csievers@pico.com.

other online communications-related services, in addition to local and long-distance telephone services.

The challenge to businesses, however, is the cost of LEC billing when compared to traditional credit card billing. On average, LEC billing can cost a merchant 1 percent to 3 percent more than a credit card transaction. However, given that these customers most likely would have abandoned the cart during the check-out process due to limited billing options, the minor incremental cost associated with such sales is reasonable.

LECs are growing aware that by accepting nontraditional charges on their invoices, there may be an opportunity for their bill page to do more — ultimately creating a stickier customer by bundling multiple services on the same bill. Even today, certain LECs let consumers pay for their satellite television through the LEC bill and offer discounts for doing so. The bundled bill page makes it less likely that the consumer will change providers or give up their dependable home phone.

We're looking at a world of unique new marketing opportunities ahead of us as we expand the way we choose to pay for services. It certainly allows content providers, like e-entertainment (ringtones, gaming, dating, software, music, movies), e-marketing (online directory assistance, local searches, national searches) and e-business solutions (Internet service, Web hosting, voice mail) to reach the widest audience possible. In turn, this increases the stickiness of the LEC bill page, making a wireline consumer think twice before giving up that landline.

Once perceived to be declining along with traditional wireline long-distance subscribers, LEC phone billing is proving to be a viable payment option to new growth markets with substantially less consumer risk.

With the consolidation of telecommunications providers, and realignment of business models over the next five years, we will see the convergence of voice and data take shape, as VoIP and IPTV continue to evolve. Phone companies will place more focus on utilizing the billing page as a marketing and retention tool by offering multiple services on one integrated invoice. As such, we will see the addition of various communications-related paid content services billed to what was once the traditional phone bill. Like voice and data, wireline and wireless will converge, and as such paid wireless communications content like ringtones, games and cellular multimedia will be billed what will become the "communications" bill.

Dennis Stoutenburgh is president and COO of ILD Telecommunications Inc., a provider of LEC billing and alternative payment options, such as e-checks (ACH) and micro payments -- all designed to accelerate the purchasing process and enable merchants to retain more users. He can be reached via e-mail at soapbox@ildmail.com.

IN BOX

Please discontinue sending PHONE+ to us.

While I expect jabs of a political nature (and know the publisher makes a disclaimer about views), I find the Lance Sterling cartoon to be misleading and unfortunate.

While personally I do not love any one political party, I would think it best not to be too slanted one way or the other. You could be a unique member of the media world and just report, rather than incite, but you've chosen not to follow that course. Sterling's depiction is neither factual nor informative ... therefore doesn't lend itself to humor. Government, in general not specific, is rarely the friend of the marketplace. Both political sides have harvested on the telecom confusion, it is unfair to depict it otherwise.

Perhaps I'm overreacting ... perhaps not.

—Mark Wilson, M.H. Wilson & Associates