

More Than a Niche

Prepaid conferencing holds promise in SMB channels

By Jim Barthold

The prepaid calling card business is getting a sibling: prepaid conference calling. Aimed specifically at small and medium-sized businesses (SMBs) with conference calling needs, the cards should infiltrate retail locations this year, according to a couple companies that are chasing the space hard.

While this might seem like a niche market offshoot of big-money business, it has the potential to be pretty huge on its own, says Scott Walters, director of conference services for multi-application converged services company NetworkIP. The market's growth starts with the assumption that conference services providers must branch out and target small business customers that can't afford to buy traditional conference services but would like to play in the space.

"Conferencing companies spend large amounts of effort fighting over the same customers. They are not going after creative new business in any real way," says Walters, noting there's new business in the SMB space and "prepaid is clearly the solution."

The trick is getting the cards into the hands of consumers. NetworkIP has a retail partnership arrangement with Costco. While a good source for traditional prepaid calling cards, the Costco model doesn't fit tongue-and-groove with business-based conferencing services.

"It's not the ideal environment, like a grocery store wouldn't be ideal," Walters concedes. "It's certainly not a place where I'd expect the bulk of customers to be business people."

That's more likely to be a business center like Kinko's or

an office superstore like Staples, he says.

"We're in active pursuit of business in chains right now. We've envisioned environments like Staples, Kinko's, Office Depot, OfficeMax, etc.," he says. "We back it up with some consumer awareness campaigns, and they realize they can have a value added service that was typically enjoyed only by the major corporations for their small business for a bargain price."

Typically NetworkIP, which co-brands with the retailer, charges about 10 cents a minute for a conference call. A conventional AT&T conference call can cost as much as 72 cents a minute per connection, and MCI would run around 51 cents, Walters says.

Another entrant into the space, Premiere Global, is working with Sam's Club to get its product in front of small business consumer eyes, charging about 7 cents a minute for the calls.

"Right now it's only on the (Sam's) Web site, but eventually it will be in clubs," says Randy Salisbury, Premiere's executive vice president of marketing, who adds the company is "calling on Office Depot and OfficeMax" and running a trial with UPS.

The key to selling prepaid conference calling cards, he says, is to target small business operators where they "go for fax paper, copy paper, maybe telephones and fax machines and scanners and printers."

For the retailer, it "provides an opportunity to resell a service and get a commission on it," he says.

Prepaid calling is a new gig for Premiere, which is a

conferencing and Web collaboration services company.

"We're trying to attract new users to conferencing, attract the user who doesn't make conference calls but would if he could and doesn't know today that he can," says Salisbury.

Both NetworkIP and Premiere are taking the route of least resistance by pre-selling the cards and letting the users make them work through an automated numbering system, although both offer a form of "live" assistance in the event something goes wrong.

"It's terribly intuitive," says Salisbury. "You buy the card and get some minutes and a toll-free number and a passcode

that you disseminate to the people you want on the call, and a meter starts running while you're talking."

Walters agrees that the prepaid concept, in addition to continuing to pay off as users recharge the cards, is a profitable business with very little after-the-sale hassle.

"They paid the value of that card upfront, and it's their onus and prerogative to use the value of that card at their own pace," he says. "With the prepaid format, you're not waiting for the return on the investment; you've reaped the return up front, and you're now servicing that customer reliably with the intent of them coming back ... and recharging the card."

NetworkIP encourages its value added resellers to pursue their own business partnerships, says Walters.

"They're certainly encouraged to go out and pursue creative partnerships with, for example, Hallmark," he says. "You buy a Mother's Day card, and it has a conference card in there, so all the kids and mom get on a conference on Mother's Day."

That, of course, pushes the envelope past the small business conferencing model, he says, but also is evidence that this is no easy-to-slot niche product.

"Over time this is going to prove to be a massive market," he says. "When the right partners with the right push get behind this offering, that market is going to start to mature, take on a life of its own and become very significant in size. It's not a niche market at all."

It is, says Salisbury, a market on the cusp of readiness, fueled by the success of standard prepaid calling cards.

"If we had tried this a while ago, we might have found that the market wasn't ready because it didn't know what prepaid was, but I think a lot of these small business guys have come across prepaid calling cards, so the next logical step in the business arena is to give you the opportunity to make a conference call under the same kind of methodology," he says. **FAT**



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