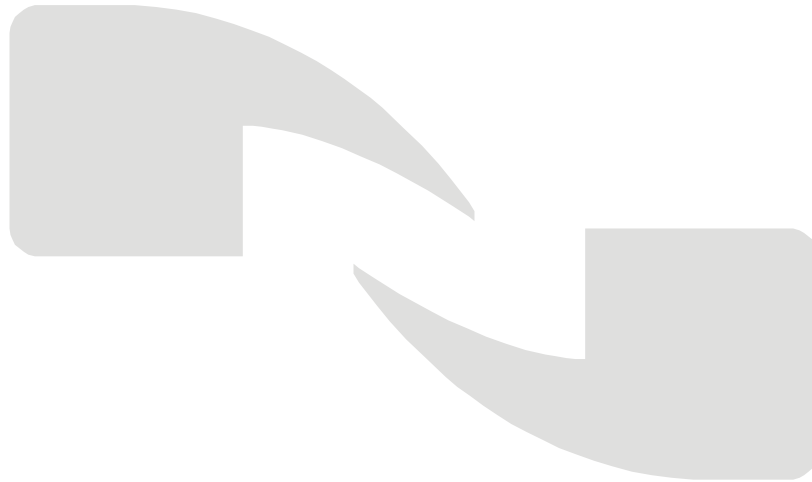




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Service Providers

Business Opportunities on the Voice Web



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Introduction

The requirement to increase network usage and customer loyalty, attract new market segments, and differentiate service offerings is driving telecom service providers to seek new business opportunities on the Voice Web.

What is the Voice Web?

The Voice Web is a single interconnected, voice-driven network where Internet content and personal communications services are accessed from any phone and interacted with using human voice.

People will use the Voice Web every day to access the people and information they want. Voice Web services enable consumers and business people to intuitively interact with applications that are highly personalized and even location specific. Voice portal services are emerging to target consumers, traveling professionals, mobile sales forces, and families.

According to the Kelsey Group, a leading voice and mobile commerce consulting firm, U.S. voice portal users will top 45 million by 2005.

Voice Web Market Drivers

A number of forces are shaping the Voice Web landscape for service providers. Following are just a few of the business and market drivers motivating network operators to get on the Voice Web.

Convergence of Telecommunications and the Internet. Tremendous growth in the number of telephone subscribers and Web surfers who use the Internet on a daily basis demonstrates a dramatic shift in consumer needs and preferences.¹ Consumer demand for mobile access to Internet information and services is mounting and service providers are addressing this “anytime, anywhere” trend with personalized voice-enabled services that consumers can access from any phone.

Demand for Content. Due to rapid growth of Web sites in the last five years, today consumers and businesses can find almost anything on the Web.² Addicted to having instant access to information, consumers and business people want telephony access to public and proprietary Web site information. Standards based technologies and products are paving the way for enterprises and e-commerce companies to voice-enable their Web content as “voice sites”.

¹ 1.3 billion phones are in use today (830 million wireline and 470 wireless), and wireless is expected to grow to 1.2 billion by 2005. Additionally, there are 260 million on-line users globally and this is expected to grow to 428 million by 2005. Sources: Yankee Group, IDC, and European Information Technology

² 9.5 million Web sites. Source: Iconocast Winter 2000 report

Revenue Sustainability. Competition (prompted by deregulation and new license auctions) is driving down margins on landline toll and wireless phone usage.³ While overall revenue is still increasing, it is largely due to first time wireless subscribers and higher speed Internet access installations. Thus (especially in the mobile environment), network operators must look at increasing average revenue per user by developing value-added services like those found on the Voice Web. Delivering healthy call lengths of 4-7 minutes, voice portal services can aide a service provider in achieving rapid minute growth on the network — especially since there is no end user requirement to purchase new equipment to access voice portal services.

Increasing Telecommunications Regulation. In over 20 markets around the world, new regulation is mandating that service providers promote safe use of wireless services and offer equal access to services for the disabled. Hands-free dialing and other voice-driven services will help service providers meet these regulatory requirements.

Valuable Assets. Service providers already have telephony and Web infrastructure to partner with businesses and offer complete Voice Web solutions. Within the next one to three years, service providers will brand their own voice portals, host content and applications, and offer a large number of value add services across both landline and mobile networks.

Churn prevention. Combating customer churn is a number one priority for many CEOs of service providers. According to Arthur Anderson Consulting, reducing the churn rate by five percent can increase shareholder value by 15 to 20 percent. Voice portal services, like other value-added services, will play a critical role in keeping customers from going to competitor networks. Additionally, these services will help service providers protect multiple lines of business by creating branded services that are accessible across both fixed and mobile networks.

Voice Web Revenue Models

A closer look at revenue models on the Voice Web reveals lucrative opportunities for service providers just waiting to be explored. Service providers can play multiple roles in the Voice Web value chain. Facing the market, they will offer voice portal services as well as offer content and application hosting in the network.

The following table highlights revenue opportunities for service providers by business-to-business and business-to-consumer sources, respectively.

	Subscription	V-Commerce	Hosting (ASP)	Advertising/Sponsorship	Network Minutes
B2B		√	√	√	√
B2C	√	√			√

³ In wireless, average revenue per user in the U.S. is expected to be US\$54 in 2000 (down from \$70 in 1997), and US\$42 in Europe in 2000 (down from US\$54 in 1998). Source: Yankee Group Mobile

Subscriptions. The Kelsey Group estimates that in the United States, approximately \$1 billion in revenues will be forthcoming from monthly subscriptions by 2005. Here service providers will follow Internet access models, offering flat rate “all you can eat” voice portal services, additionally/alternatively charging monthly subscriptions for individual services. Example: \$1 a month for daily jokes.

V-Commerce. By 2005, The Kelsey Group predicts that 18 million V-Commerce shoppers will produce \$30 billion in purchases, driving \$2.8 billion in transaction revenues for voice portal providers operating in the United States. The V-Commerce model has two major revenue streams: the transaction-processing fee (percent of purchase price) and the transaction itself. Processing fees are estimated to range from 8-10%, depending on the transaction. V-Commerce will grow out of current telephone and e-commerce sales. Today, over 198 billion dollars of goods and services are sold over the telephone and over 40 billion dollars of goods and services are sold over the Internet.⁴

Hosting. The Kelsey Group estimates that the U.S. Voice Web hosting market will be worth 1.6 billion dollars (excluding software and maintenance revenues) in 2005. Service providers with a trusted brand and well-developed infrastructure for call center and Web hosting will be aptly positioned to host Voice Web voice sites for enterprise and dot coms.

Advertising/Sponsorship. According to the Kelsey Group, a total of \$1.9 billion in revenues (1.6 billion dollars in advertising and 300 million dollars in sponsorships) is expected by 2005 in the United States. ShopTalk (www.shoptalk.com) is an example of a company pursuing an advertising revenue model. Merchants such as Blockbuster, EarthLink, FTD and Geico Insurance pay ShopTalk 15 cents to 40 cents for each audio advertisement played.

Network Minutes. The Kelsey Group estimates that by 2005, \$3.8 billion in network revenue will be derived from connections to voice portals across wireline and wireless networks in the United States. Services providers have a competitive advantage to offer branded voice portal services bundled with existing service plans, making adoption attractive for consumers and business people on the go.

Competitive Advantages

Service providers have several competitive advantages over other players on the Voice Web.

- A trusted brand
- An established billing relationship
- Verified consumer information (credit rating, location, age, etc.)
- Network infrastructure
- Control of default settings and access codes on the handset

Service providers also have the future opportunity to embed a standard voice browser user interface (Nuance Voyager™) into the network thereby providing consumers and business people continuous access to everything on the Voice Web

⁴ Forrester Research

with one simple phone call. Callers just tell the browser where they want to go and it will promptly link them to the desired voice site or phone number.

Key Success Factors on the Voice Web

Players are moving quickly to insure they have a place on the emerging Voice Web. Telecom service providers must learn to internalize the Internet way of doing business, where speed and creative marketing are paramount. The following key success factors are relevant to service providers getting on the Voice Web.

- Develop a roadmap (customers, content, business models, positioning, etc.)
- Create sustainable partnerships to develop applications and revenue-generating content
- Be first to market with aggressive service launches

Conclusion

In the early days of the Internet, telecom service providers were caught napping and when they woke up, they found Yahoo and AOL in their backyard. With the coming of the Voice Web, network operators will not let that happen again. Around the world, service providers are transforming their businesses to take the best of the Internet and combine it with the power of ubiquitous telephones — with the ultimate goal of delivering a new type of dial tone that asks, “What would you like to do?”

For more information on the Voice Web or Nuance products, please contact your Nuance account manager.

About Nuance

Nuance develops, markets and supports a voice interface software platform that makes the information and services of enterprises, telecommunications networks and the Internet accessible from any telephone. Every day, millions of people interact with Nuance systems at marketing leading companies like American Airlines, Charles Schwab, The Home Shopping Network, Lloyds TSB, Sears, Sprint PCS, Verizon and United Parcel Service. Nuance is also driving the creation of the Voice Web and delivering software for V-Commerce (voice-enabled e-commerce) services and applications. Nuance is headquartered in Menlo Park, Calif. with global sales offices and partners supporting solutions in multiple languages around the world. For more information about Nuance, visit www.nuance.com or call 1-888-NUANCE-8.

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