

Making a Net Call to Firms; Internet phone service Skype looks to lure workers in small and mid-size businesses from companies such as SBC.; [HOME EDITION]

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Full Text (757 words)

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The world's most popular Internet telephone service said Wednesday that it planned to offer inexpensive calling features to workers in small and medium-size businesses, putting pressure on the big phone companies.

Skype Technologies, which has 12 million users, will begin offering the plans early next year, co-founder Niklas Zennstrom said.

Zennstrom and partner Janus Friis are the duo behind Kazaa, the most widely used online file-sharing network. And Skype is widely viewed to hold the same disruptive potential for the telecommunications industry as Kazaa did for the music business. By targeting small and medium-size businesses, Skype is trying to lure away some of the most lucrative customers from traditional phone companies such as SBC Communications Inc.

"We've been targeting Skype to the individual, not to the residential or the business markets," Zennstrom said during the semiannual Internet Telephony Conference & Expo in Los Angeles. "But what we found in a recent survey is that 48% of our customers are people using it for business."

Zennstrom delivered his remarks via a video connection from London, in part because entertainment industry lawsuits against Kazaa -- which he and Friis sold two years ago -- make it problematic for him to travel to the United States. Skype's headquarters is in Luxembourg.

Skype uses file-sharing technology similar to Kazaa's to send phone calls over the Internet. Users need a computer and a high-speed Internet connection. Calls to other Skype users are free.

Two months ago, the company introduced Skype Out to charge for calls to regular phone lines -- 1.7 cents a minute for calls to North America. That program has picked up 200,000 paying customers.

The small-business offers will include one bill for multiple individual accounts, voicemail, more individuals in conference calls and telephone numbers anywhere in the world.

"This is not about replacing plain old telephone service," Zennstrom said. "It's about personal service."

SBC, California's dominant local carrier, welcomes the competition, company spokesman John Britton said.

"Competition is in the evolving technologies, and we've got robust products and services that are going to help small business succeed," Britton said.

One such product is a service that can work with regular business phones to provide calls over the Internet and other data services.

Analyst Brian Riggs at Sterling, Va.-based telecom research firm Current Analysis Inc. said that with its new offerings, Skype has a "good chance of acceptance" in the small-business market,

even though its customers still must have a computer to use the phone service.

Skype is adding 70,000 new users a day in 211 countries, and the U.S. has become its largest market with 1.3 million users. The free service has helped raise public awareness of voice over Internet protocol, a technology that breaks sound into packets and sends it like e-mail.

The small-business market is ripe for such a technology and products to turn telephone service on its head, said Katherine Bagin, AT&T Corp.'s marketing vice president for the long-distance giant's VOIP product, CallVantage

"Small business is paying through the nose for telephone service," Bagin said. "They can't get the discounts that the big enterprises command and they can't get the benefits of residential service."

Some analysts were skeptical of Skype. "You get what you pay for," said Michael Khalilian, chairman of the International Packet Communications Consortium, a Fremont, Calif.-based nonprofit organization dedicated to the rapid adoption of VOIP.

But Zennstrom's talk Wednesday convinced Khalilian that Skype was on the right track.

"Until now, when I listened to Niklas, he was trying to passionately push the technology out to make it usable to consumers," Khalilian said. "Now, he's migrating from free services. He's got a revenue plan."

More important, said Neal H. Shact, chief executive of telephone services and equipment vendor CommuniTech Inc. in Elk Grove Village, Ill., Skype's unusual focus might turn out to be its strength.

"To Zennstrom, there's no such thing as market segments like residential and enterprise. It's just individual users," Shact said.

What has generated so much buzz about Skype is that, for a free service, sound quality is very good. Even Federal Communications Commission Chairman Michael K. Powell has praised it.

Although Zennstrom says Skype is as much about personal service as it is about low cost, Shact found the rates particularly appealing.

"I went to Paris a month ago and spent \$1,000 on cellphone calls," he said. "Two weeks later, I went to Sweden and used Skype through my laptop for even more calls and I didn't spend the whole \$12 I had paid for."

Credit: Times Staff Writer

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