
THE WALL STREET JOURNAL.

U.S. EDITION

Web Phones Go Unplugged

By Shawn Young

1,227 words

12 January 2006

The Wall Street Journal

J

B1

English

(Copyright (c) 2006, Dow Jones & Company, Inc.)

A SLEW OF NEW PHONES are heading to stores aimed at the millions of people who might like to try Internet calling but are put off by the prospect of sitting at a computer to make calls or hooking a phone to an adapter.

Some of the new phones from makers like Panasonic, Motorola Inc. and Uniden America Corp. have built-in adapters and are preset to connect to popular Internet-calling services like Vonage and Skype. They communicate cordlessly with a base station that's plugged into a computer or modem. Other devices will be able to shuttle automatically between operating as cellphones, cordless home phones or phones capable of working over the wireless Internet connections at many coffee shops and hotels.

Internet-based phone service, also known as voice over Internet protocol, or VOIP, turns voices into bits of digital data and sends them over the Internet. Internet phone calls are typically less expensive than conventional ones and the quality of the service has been improving.

The new phones could help broaden the appeal of Internet phone service to mainstream households. They might also encourage existing Internet phone customers to ditch their conventional lines entirely by making it easier to have familiar-feeling phones throughout the house.

"The cellphone industry has taught us that consumers really like nifty handsets that are fun and feature-rich," said Jeffrey Citron, chief executive of Vonage Holdings Corp., the nation's largest provider of Internet-based phone service.

Many of the new handsets include cellphone-like features, such as ringtones, color screens, contact lists that appear on the handset and caller ID that can show a picture of whoever is ringing. Panasonic, a unit of Matsushita Industrial Electric Co., is coming out with a Vonage phone that will announce the name of the caller in an electronic voice so customers don't have to dash to the phone to see who is on the line, said Frank Lasorsa, Panasonic's vice president of consumer products.

Last week's Consumer Electronics Show in Las Vegas brought at least a dozen announcements by Vonage, the Skype Technologies unit of eBay Inc., and phone manufacturers about new handsets that are available now or will be released by the end of the year. Most cordless household models cost between \$80 and \$200 and can accommodate multiple extensions, which cost extra.

In November, Sprint Nextel Corp. teamed with cable giants Time Warner Inc., Comcast Corp., Cox Communications Inc. and Advance/Newhouse Communications in a \$200 million joint venture aimed at linking wireless and cable services and creating multipurpose phones that will function as both home and mobile handsets. Consumers could also use it to do things like remotely program their cable service to record shows while they're stuck at work. An integrated service that puts cellular, home phone and cable on a single bill with customized calling plans could be a powerful lure for consumers. It would also be a strategic opportunity for cable companies to reach consumers outside their homes, said Time Warner spokesman Mark Harrad.

Internet companies are also getting into the act. Yahoo! Inc. recently began selling a VTech Holdings Ltd. handset that plugs into a computer to work with its Yahoo Messenger service, but can also plug into a regular phone line for conventional calls.

Roughly 5 million U.S. consumers now have Internet-based phone service from cable companies, Internet service providers or independent carriers like Vonage and 8x8 Inc., according to Jon Arnold, an independent analyst based in Toronto. That's a very small share of the roughly 118 million residential phone lines the Federal Communications Commission estimated were in service as of the end of 2003.

But VOIP is growing rapidly, and over the next two years Mr. Arnold expects the number of VOIP users to rocket to 20 million. In addition, 66 million people world-wide use software from Skype to make free or low-cost calls from their computers.

Having phones to go with its service is particularly useful for Skype. "It takes Skype off the desktop," said Henry Gomez, general manager of Skype North America. "My mom is not in front of her computer all day."

As Internet-based calling becomes more popular, convenient and familiar-looking phones will help blur the lines between standard service and new technologies. That could increase the competitive threat the technology poses to conventional phone carriers and pose a fresh challenge to wireless carriers if consumers take to new wireless phones that can easily send calls over the Internet instead of cell phone networks.

The blurred distinctions have a potential downside for Internet-based companies because they could increase the growing pressure on them to provide the kind of reliability and safety features that many people take for granted with conventional service. Internet phone companies, with the exception, so far, of computer-based services like Skype, are under intense pressure from the Federal Communications Commission to insure that customers can automatically reach a local 911 operator who can see their location.

The 911 problem has been relatively easy for cable companies to solve because they link the service to the customer's home address and don't let customers pick their own area codes or plug into different Internet connections when they travel or change residences. But it has been tricky for Vonage and other companies that allow consumers to move around or choose, say, a Chicago area code even though they live in Des Moines. The technological challenge could increase dramatically with handsets that function as both cellphones and home phones.

There may also be new glitches as phones shuttle between standard, Internet and wireless networks -- possibly requiring service providers to cooperate in new ways. Analysts at Sanford Bernstein & Co. in New York encountered some of those headaches recently with a Vonage phone that works over wireless Internet connections. They found it tough, even in New York, finding a wireless hub to connect to, though they said the phone worked well once it found a network.

Many of the new cordless models operate on the 5.8 gigahertz frequency, making them less vulnerable to interference from microwaves and wireless computer networks, which can be a problem with some 2.4 gigahertz cordless models.

An Internet phone won't work, however, if there's an interruption in Internet service or a power outage. And those can be the times when a user is most in need of making a call.

And it is unclear if consumers who use Internet phone service to save money will be willing to offset some of those savings by buying new phones. Phones that work over wireless Internet connections in hotels, cafes and airports might have limited appeal to the many people with virtually unlimited cellphone plans, said Andy Castonguay, an analyst at Yankee Group, a consulting firm based in Boston.

Mr. Castonguay thinks the new cordless home phones may be most appealing to existing Internet phone customers who want to extend the service beyond one phone hooked to the Internet connection by an adapter. Panasonic sees a ripe market among such people, said Mr. Lasorsa. "Once a consumer uses a VOIP service, it doesn't take long for them to drop the landline," he said.

[License this article from Dow Jones Reprint Service](#)

Document J000000020060112e21c0002a

Search Summary

Text	
Date	All Dates
Source	Newspapers: All
Author	All Authors
Company	8x8 Inc
Subject	All Subjects
Industry	All Industries
Region	United States
Language	English
Results Found	56
Timestamp	17 July 2018 13:05