



## **Case presentation: Launching VoxOx – the All-in-One Communications Platform: How can a new phone company quickly become a market leader?**

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On January 20, 2010, the MIT Enterprise Forum of San Diego, hosted its first case presentation of the New Year at the Salk Institute with President Michael Faught and CEO Bryan Hertz of San Diego-based TelCentris, Inc. and a Panel of experts. An energetic and supportive audience of 165 braved the worst week of rain in recent San Diego history or as the Moderator -Dr. Martha Dennis –expressed “our one week of winter” to offer insightful and thoughtful takeaway comments. Dr. Dennis has over 20 years of experience in wireless communications and has most recently been a Venture Partner with Windward Ventures. Previously Dr. Dennis was President and CEO of WaveWare Communications, Inc., which she co-founded in April 1997.

The Panel included Mr. Anand Buch, a Founder and CEO of NetSapiens, Inc., Mr. Pete Lancia, Senior Director, Marketing, Qualcomm, and M. David Titus, Managing Director, San Diego, Windward Ventures. Mr. Buch has more than 15 years of telecom experience. NetSapiens, Inc. is a telecommunications company offering complete Voice over Internet Protocol (VoIP) solutions to ISPs, WISPs, and carriers. Mr. Lancia has over 10 years of experience in telecommunications and is responsible for content creation, messaging and corporate market intelligence activities at Qualcomm. Mr. Titus is co-founder and Managing Director of Windward Ventures. In addition to directing the overall development of the firm, he is responsible for a number of investments in the software field and is also a member of the Executive Committee for the CONNECT program in San Diego.

TelCentris, the creator of VoxOx, is an innovative San Diego-based unified communications and telecommunications provider, developing advanced communication solutions and serving the needs of carriers, enterprises and consumers. The team at TelCentris had a vision: to combine all telephone, instant and text messaging, fax and e-mail into one platform. The result is VoxOx, which combines all key communications channels & contacts into single interface, for free

According to Michael, Telcentris and its VoxOx Communicator was initially targeted at Millennials and Gen X-ers. The company allows the VoxOx communicator to be downloaded and installed for free, even providing the subscriber with a free phone number. The Current Beta Group has hundreds of thousands of users, collectively having 5 million or more total contacts.

The Company forecasts a 40% referral rate for 2010, which translates into four friends converted per user. Under these assumptions, the Company expects 7 million downloads of the VoxOx Communicator in 2010 and hopes to see that number grow to over 200 million by 2014.

The Company's viral marketing strategy has fueled the creation of a VoxOx online community that has bloggers asking when VoxOx will be available for corporate applications, and has the larger Telcos calling everyday looking to partner and license the technology, according to Michael. The Company expects to generate revenue from free users converting to per minute and/or unlimited calling plans generating \$100+million in revenue by the third year. Michael also presented the following sources of revenue.

- Inbound Calling Revenue – \$0.007 Per Minute
- Outbound Call Revenue – Per Minute and Monthly Subscription Plans
- Texting Revenue – Per Text and Monthly Subscription Plans
- Phone # Revenues – Vanity Nos. and Specified Area Code Nos.
- Advertising Revenue – Cost Per Action, Top-Up Calling Minutes

There is no question that Telcentris and its Universal Communicator - VoxOx - is a disruptive, potentially game changing technology. It continues to confirm the technology prowess of VoxOx during its Beta Program. The Company is currently preparing for its first institutional round of financing and is being aggressively approached by strategic partners. Thus, the Company now faces the “go to market” decisions. In particular, the Company identified to following questions.

- Question #1: Should We Private Label VoxOx?
- Question #2: Should We Roll Out a Separate VoxOx Brand for Businesses?

Referring to Question 1, Mr. Buch started the panel discussion asking Michael “what is your exit strategy?” Michael responded that the Company had two options. The first option would be to “Private Label” VoxOx by joining forces with a large carrier or Telco. The most obvious exit strategy would then be acquisition according to Michael. Mr. Titus then offered the following comment: “Too many times we see small companies taking the easy way out. Why then did they start in the first place.... don't give into [the TelCos] just because they promise big things...”

Michael then expressed that the investors are looking to make their investment back and “want to know the plan.” Mr. Titus suggested that the investor expectations were too accelerated and that a product offering, such as VoxOx, needs a 5 to 7 year runway to make “it big.” He urged patience on the part of the Company and its investors. The Panel and Dr. Dennis agreed that it may be too early for Private Labeling. However, Mr. Buch did offer the view that if the Company was “done” and wanted to “move-on,” then management should consider Private Labeling now.

TelCentris is also contemplating entering the corporate market and rolling out a separate VoxOx Communicator for businesses. Mr. Lancia opined that such a move would be difficult because companies would be slow to adopt the technology in favor of incumbent technology and that focusing on such a market would dilute the branding of the company. Mr. Buch agreed and further offered the view that it would take a significant amount of time and resources for the Company to be successful with both the online subscribers and in the corporate world. Mr. Titus opined that the Company should avoid all of the other vertical markets. Instead, he concluded that the Company should “stabilize [the Current Beta Product] and let it fly.”

Dr. Dennis concluded the Panel discussion echoing the theme that the Company had several significant decisions to make as it goes to market. She then turned the Forum over to the audience for comment. The audience was lively and complete with relevant commentary. One person suggested that TelCentris needed to take an inventory of the Company and its long term growth potential and align it with the expectations of the Investors for success. Another member made clear that it was important for the company to protect its Intellectual Property and continue to innovate.

At the end of the presentation, Michael was asked about his takeaway and experience. He stated that it was “fruitful” and brought “clarity” to some of the presented issues.

The MIT Enterprise Forum is a non-profit educational organization with 25 chapters worldwide. The San Diego chapter seeks to educate entrepreneurs in an informative and entertaining environment in front of a diverse audience of San Diego business leaders and technologists, as well as capital and service providers. The local programs are managed by CONNECT.

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