

Microsoft heats up Voice over Internet market

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Prospects for conventional, landline phone companies have been looking lackluster enough as more people turn to their mobiles for connection. Yet even wireless providers can no longer rest easy as they face increasing competition from software developers who are offering voice connectivity online.

On Wednesday software titan Microsoft announced that it too has joined the Voice over Internet Protocol bandwagon by acquiring Teleo, a VoIP provider that allows phone calls to be made from personal computers to traditional and cellular phones as well as to other computers.

"Teleo has great technology to deliver superior VoIP quality and an excellent overall customer experience," Blake Irving, corporate vice president of the MSN communication services at Microsoft, said in a news release about the San Francisco company. "This acquisition opens up infinite opportunities for Microsoft to enable even more relationship-centric communications experiences for our customers in the future," he added. Microsoft pointed out that Teleo's services are integrated with its Outlook and Explorer programs, and the buyout will "facilitate click-to-call dialing of any telephone number that appears on-screen, for example through a Web site or via search results or e-mail."

The acquisition certainly marks the beginning of Microsoft's renewed efforts to be a force in the fast-growing VoIP market, which has hitherto been dominated by Skype, a Luxembourg-based company that focuses solely on providing customers with Voice over Internet technology. The

company now has 51 million registered users who are not paying to get connected, while 2 million are paying subscribers.

Some analysts point out, however, that Skype's undeniable dominance in the market may be waning as major Internet companies have increased their commitment to the technology.

For instance, Internet search engine Yahoo! bought out Dialpad Communications in June, and most industry analysts expect the Sunnydale, Calif., company to be launching its own version of the VoIP system in the near future, given that Dialpad specializes in providing VoIP technology to its subscribers. Yahoo! Messenger currently allows only its subscribers to connect to one another, and only through their personal computers.

Meanwhile, Yahoo! rival Google announced last week that it was launching Google Talk, an instant-messaging program that allows cross-platform chatting both by text and voice that has had some analysts speculating about the company's broader ambitions to go beyond what it had first started as, namely a search site.

"Google Talk Further enriches our users' communications experience, whether they choose to communicate via email, (instant messaging), or a call," stated Georges Harik, director of product management at Google.

For now, though, Internet companies will continue to play second fiddle to the conventional telecommunications networks and landline phones, according to some observers.

John Delaney, principle analyst at London-based technology research group Ovum, told the Times of London that while Google has hitherto been first and foremost a search engine, "it has moved into communications. It has also become an important portal in its own

right." At the same time, he said that because both Google and Yahoo!'s communications line are limited to computer-to-computer connectivity, their growing presence in the connectivity market will not threaten conventional telecommunications companies "for the time being at least. They do not offer the same level of service as tradition telecom companies."

Meanwhile, it appears that Skype will remain the biggest player in the VoIP market since it started its global operations two years ago. Just last week the company announced it will offer its online phone-call services to anyone who has an Internet connection.

"As we enter our third year in business and as the only company totally focused on global Internet communications, we think now is a perfect time to make (Skype's services) available to anyone," said its chief executive, Niklas Zennstrom.

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