

Microsoft-MCI deal heats up VoIP market

December 13 2005

Microsoft and MCI announced Monday that they will work together to develop a network to allow people to place phone calls from personal computers to virtually any landline phone by using Windows Live software with its Voice over Internet Protocol capabilities combined with MCI's global phone network.

For now, Luxembourg-based startup Skype Technologies continues to lead the VoIP market, but many analysts have argued that Skype's dominance was more due to the fact that major corporations were not interested in mining VoIP's potential, rather than an inability on the part of existing players to enter the market. Over the past year, however, Internet phone calls have become increasingly popular, and more users worldwide are signing up for the service not just for personal use, but for business purposes as well.

Online auction house eBay's decision to buy out Skype in September for a whopping \$2.6 billion, meanwhile, made clear just how much potential companies are now regarding Internet phone networks, and online giants including Yahoo! and Google have already bought out smaller VoIP-focused companies to get in the game. None, however, has made any significant advancements in the industry, and Skype remains the most popular choice for those who are looking to make free PC-to-PC calls, especially for overseas connections, while the number of subscribers paying to make PC-to-landline phone calls continues to rise steadily. Indeed, part of the attraction of Skype for potential bidders including eBay was the sheer size of its tech-savvy paying subscribers, who now number over 2 million worldwide.

Still, Skype's position could be shaken if Microsoft's joint service with MCI takes off. The MCI Web Calling for Windows Live Call will be available to MSN Messenger subscribers, of which there are over 185 million worldwide, the companies said. The service is currently available on a pilot basis in the United States and should be available in Britain, France, Germany and Spain over the next few weeks.

Microsoft said that once subscribed, users can make calls to and from over 220 countries with rates starting at just over 2 cents a minute to the United States, Canada and Western Europe.

"This is a terrific example of the expanded MCI and Microsoft strategic relationship as the two companies continue to develop and deliver next-generation services for our customers," said Patty Proferes, senior vice president of mass markets and corporate advertising for MCI.

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