RingCentral lets people work in a virtual office

April 21 2009, By John Boudreau

Andrea Chavez works for a law firm with nearly 40 other attorneys. But she rarely sees her colleagues, because Virtual Law Partners isn't based anywhere -- it's everywhere.

The firm relies on technology from San Mateo, Calif., startup RingCentral, which uses cloud computing software to create a communications system that ties everything together while giving the impression of a traditional practice with a central location and phone number.

"When our clients call, they want to know they are calling a law firm, a reputable business, not someone in their pajamas and bunny slippers," said Chavez, whose office is in her San Francisco house.

While the communications system frees Chavez and fellow attorneys at the 1-year-old law firm from having to show up every day at a brick-and-mortar office suite, it also provides something for their clients _ seasoned lawyers at cheaper rates.

"Our attorneys don't make less money," Chavez said. "We just don't spend money on secretaries, fancy offices, those kinds of things."

RingCentral, a 6-year-old company, aims to provide small and medium-size companies -- or perhaps even large families or social groups -- with a sophisticated communications system without the expense of a PBX phone exchange, which can cost tens of thousands of dollars.

After signing up, RingCentral customers design their system through the company's Web site. They pick out a phone number that can connect with any number of telephones and devices with different numbers. They can create a phone tree that allows callers to choose which employee they wish to speak with. The call is then routed to the individual and can ring on multiple devices -- cell phone, home line, PC "soft phones." Employees can change the configuration whenever they want.

"We are the switching station," said Mohan Gyani, former CEO of AT&T Wireless, who is a RingCentral board member. "Essentially, what we are doing is helping a small business create a virtual PBX. They don't have to own any new hardware."

The company is one of a handful introducing to the telecommunications industry the software-as-a-service model pioneered by Salesforce.com, which allows corporate clients to rent some business applications over the Web rather than buy and install them. Fees for the system, which comes with an array of features, including voice mail and voice mail sent via e-mail as an audio attachment, are as little as $10 a month.

"Each company is using just a slice of our infrastructure, so it's very cost-effective," RingCentral Vice President Praful Shah said. "But each company thinks the system is its own."

RingCentral's system -- a bank of servers located in the Bay Area and in Sacramento, Calif., -- virtually straddles global phone networks. It processes incoming and outgoing calls for its nearly 100,000 small-business clients before sending them out across a phone network.

"We are connected with multiple telephone company networks," Shah said. "So we are part of the global network."

This "on demand" telecommunications system is a disruptive technology and business model in the telecom industry, said Jeffrey Kaplan, managing director of consulting firm ThinkStrategies. Among those who have noticed is Google. In summer 2007, it acquired GrandCentral Communications, a service that, like RingCentral, lets people use one number for all of their phones.

"This is the kind of instantaneous provisioning and flexible programming that companies of all sizes are going to need in order to survive in an increasingly turbulent world," Kaplan said.

But Michael Suby, an analyst with global market research company Stratecast, believes that while such technology might work well for small operations, many large companies won't want to take on the task of managing their far-flung and complex telecommunications operations.

Also, RingCentral's sound quality is not as good as that of traditional phone services, Suby said. He's also experienced synchronization glitches -- such as when the person picking up a call starts talking before the caller is switched to that line.

Another issue that could cause some companies to hesitate is that new outfits like RingCentral lack the "brand equity" of a large, established telecommunications company that gives users confidence it will be around for many years, Kaplan said, noting that many startups fail. He added, however, that the global recession has shown that even the most venerable corporations can experience meltdowns.

Chavez and her colleagues have no complaints.

Michael Ferrel, vice president of network operations at Virtual Law Partners, said the system's simplicity allows individual partners to manage their own settings. And it has helped the firm attract attorneys

happy to eliminate the daily commute to the office.

"The majority of the partners are in the Bay Area," he said. "But one is in Colombia. He lives in Colombia and practices Silicon Valley law. He went there on vacation and won't come back."

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