SIP Trunking

Service Provider Scorecard: North America
Excerpts

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IHS Markit Technology | **Service Provider Scorecard**

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Top takeaways

In this *Scorecard* we look at the top SIP trunking providers in North America. Although much of the attention on business VoIP services is focused on UCaaS these days, SIP trunking is equally important for providers in that it is the next generation of voice connectivity and often provides a bridge to UCaaS. It does not have the glitz and glamour of UCaaS but is the fundamental backbone for businesses continuing with premises-based equipment.

The bulk of the SIP trunking installed base is concentrated with the large operators, which have continued to get larger through acquisitions in the past few years. In a service market based on lower cost, scale is necessary for a successful business. Incumbent and competitive operators have come to dominate the voice connectivity market; however, a few smaller providers have carved out a space for themselves.

Although the installed base of SIP trunks is important to the overall leadership score, financial stability through the industry standard z-score and market share momentum set providers apart. With features not a critical component of SIP trunking, there are fewer things that differentiate one provider's offering from the next. A focus on security, interoperability, pricing, and reliability all remain key attributes.

For the third year in a row, CenturyLink (formerly the Level 3 part of the business) leads the SIP trunking market with the largest installed base of trunks. Verizon came in as a strong second due to its installed base, financial scores, and market momentum. The name of the game with the large network operators is consolidation, and it has absolutely impacted the top end of the SIP trunking market, resulting in fewer options for businesses.

Twilio and AT&T round out the top five providers. Twilio, widely known as a CPaaS provider, has been a disruptor in the SIP trunking market, offering easy to provision and consume services with no contracts and pricing models that are counter to traditional providers. In this year's report, Twilio made the biggest jump because of the continued growth of its installed base and strong financials. AT&T has been a consistent mainstay in this market, steadily growing its installed base of trunks as it capitalizes on a large installed base of business customers for legacy voice services to migrate over to SIP.

This document is an excerpt; please contact IHS Markit for the full report including all vendor profiles.

Background

This tenth annual *SIP Trunking North America Service Provider Scorecard* complements our *VoIP and Unified Communications Services and Subscribers Market Report - Regional*.

The purpose of this *Scorecard* is to determine which service providers currently lead the market for SIP trunking and are best positioned to succeed in the long term based on a set of criteria.

First, we determined the top service providers in terms of the number of SIP trunks We then evaluated them based on the following four criteria:

- Financial strength

- Market share momentum

- Service development

- Support options

Please see *Methodology* for definitions and weighting for each criterion, and a full description of how we evaluated each provider.

We rated each service provider in each of the four areas on a 5-point scale and then applied a weight; see *Methodology* for the specific rating definitions for each metric and the weights we assign; the following are general definitions:

- 5 = leading the market

- 4 = advancing

- 3 = moderately positioned

- 2 = limited position

- 1 = market laggard

The combined score for each provider was then tallied to provide their leadership score.

SIP trunking service provider leadership scorecard

SIP trunking has become the de facto next-generation voice connectivity solution for businesses in North America. It has come to this point as the market evolved to IP connectivity through a series of VoIP protocols and connectivity types. The competitive landscape in North America is broad with incumbent operators, CLECs, cable MSOs, ISPs, and smaller VoIP providers.

A few years ago, there was little differentiation in the SIP trunking market. Fast forward and now there is a stark difference between traditional trunking services that have a grounding in the old world of contracting for voice networking and the new world of on-demand trunks, pay for what you use, and never worry about capacity planning. Businesses of all sizes are migrating to the more flexible and cost-effective solutions that on-demand SIP trunking provides. This is forcing traditional network operators to rethink how trunking services are delivered and consumed while sticking to their core tenants of highly reliable, highly secure services.

Most providers in the top ten fall into the traditional model today, and between them there is little service differentiation with SIP trunking. SIP trunking providers typically offer enhanced user features that put some UC capabilities in the cloud to complement premises-based PBXs that connect to the network with SIP. And to this end, many SIP trunking providers have gotten into full UC cloud services, which also give providers the opportunity to compete for hybrid deployments. We have seen innovation over the past few years in new wireless capabilities, SIP connections over LTE, and SIP connections optimized for specific cloud collaboration services such as Cisco Webex Teams (formerly Spark). Additionally, most updates providers have undertaken focus more on back-end operations and customer portals. At the end of the day with a relatively level playing field, businesses are going to choose a provider based on pricing, quality of service, geographic coverage, the ability to migrate to cloud services, and existing relationships.

Over the past year the big news in SIP trunking has been significant market consolidation. CenturyLink and Level 3 merged, creating a powerhouse in the market following Verizon's acquisition of XO and Windstream's acquisitions of Earthlink and BroadView Networks. But the most active consolidator in this area has been Fusion, which in the past year has acquired Birch Communications and Megapath. With acquisitions taking a number of companies out of the mix, the top ten in this year's report has some new companies including Voyant and Rogers.

Many of the top providers consistently continue to do the right things, but most SIP trunking providers' strategic focus is on higher margin services, particularly UC as a Service (UCaaS) and cloud contact center. In that regard, less work is going into service enhancements with SIP trunking, but work does continue on the back-end operations, especially in provisioning automation, customer portals, dynamic on-demand trunk delivery, and flexible pricing models.

The previous two years, Level 3 had been the SIP trunking scorecard leader, and with its merger with CenturyLink it retained that position because of its position as the market share leader of SIP trunks. Verizon comes in as a solid second with a strong installed base, healthy financials, and market momentum. Twilio and AT&T round out the top four providers with similar installed bases, but Twilio has a stronger financial score while AT&T has better market momentum. Twilio had the biggest jump in position of this year's report, moving from sixth to third. The two newcomers to the report this year are Voyant and Rogers with Level 3 and Birch being acquired.

Exhibit 1   2018 North America SIP trunking leaders

Source: IHS Markit   © 2018 IHS Markit
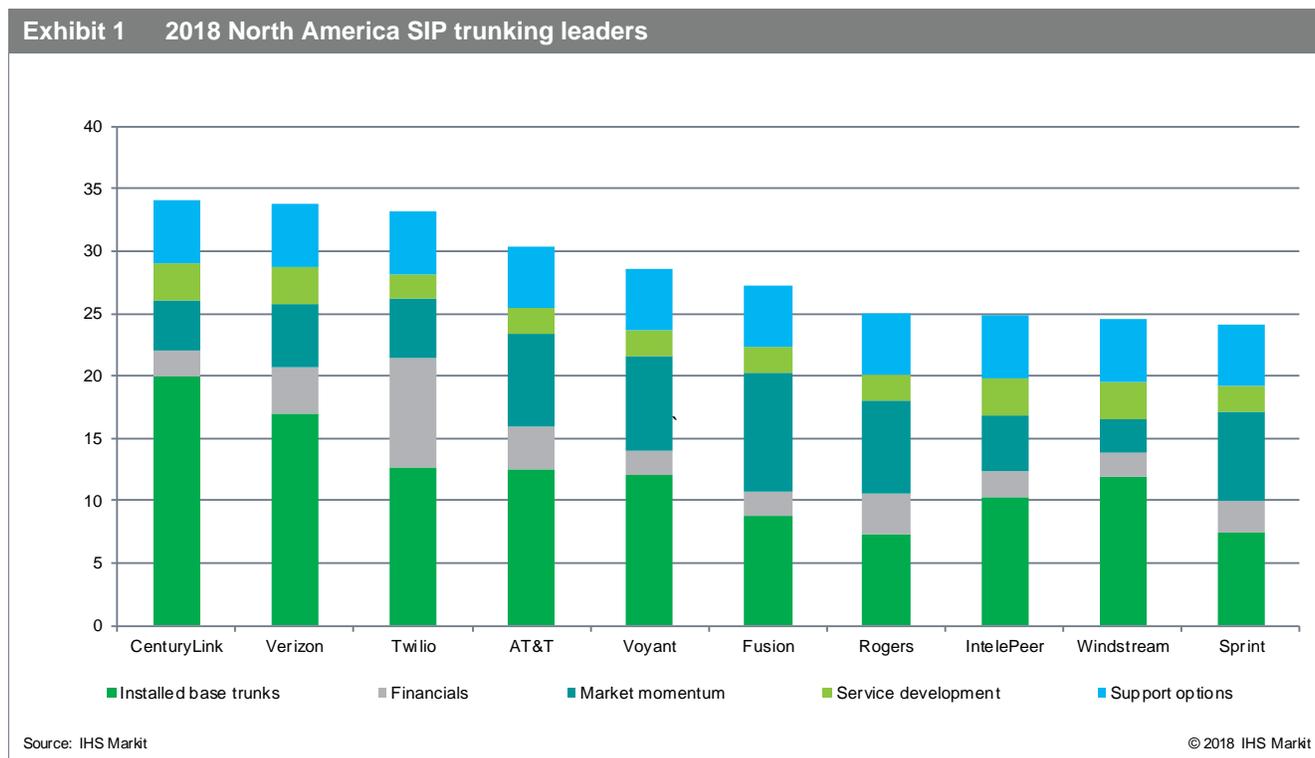
This excerpt profiles CenturyLink only—contact IHS Markit to obtain the full report.

CenturyLink Analysis

CenturyLink finalized its merger with Level 3 in November 2017, creating a strong provider of enterprise communication services, including SIP trunking. The combination brought together two strong providers in the space, strengthening its position as the largest SIP trunking provider in North America. The combined company's SIP trunking portfolio is one area where there was significant product overlap, and rationalization has been a priority in order to have a consistent product set moving forward.

CenturyLink's premier SIP trunking service targeted at global enterprises comes from the Level 3 portfolio, Voice Complete. Voice Complete works with an extensive list of PBXs including Avaya, Cisco, and Microsoft and supports local and LD calling with local numbers and emergency services. Voice Complete is available in the US and select countries in Western Europe, with additional SIP trunking services in Latin America and Asia. Businesses can simplify their voice networks by centralizing their traffic through a single connection. CenturyLink supports direct ISDN connections to non-IP devices and offers optional feature packs for its customers including mobility. The provider's SIP trunking comes with business continuity and disaster recovery built in, as well as the flexibility to use the majority of US domestic numbers at nearly all CenturyLink service address. There is an array of enhanced calling services, along with failover and emergency calling offered on top of Voice Complete services.

Pricing for Voice Complete is based on the number of concurrent call paths that can be pooled globally and shared across Voice Complete locations. For access, CenturyLink offers MPLS/IP VPN, SD WAN, dedicated Internet access, or public Internet peering. Alternatively, customers can bring their own bandwidth and purchase just the SIP trunks from CenturyLink.

Post-merger, the CenturyLink IQ SIP Trunk offer remains in place for the SMB market (companies with fewer than 500 employees) and is an integrated service running over CenturyLink's IP network with multiple business continuity options offered in centralized and decentralized deployment options. Fiber+Data bundle customers can add from 1 to 300 concurrent calls without the need for additional CPE. There are federal, state, and local governments that have adopted IQ SIP trunk scaling well above the sub-500 employee sweet spot. The company offers an over-the-top option to allow customers to use third-party network connections. Additionally, CenturyLink has launched a service evaluation offer wherein customers can use the IQ SIP trunk service to test equipment and features, including IQ Networking services, and get a no questions asked refund if not satisfied.

From an enhanced options perspective, CenturyLink provides users with CenturyLink Business Communicator, a UC client that includes a set of different features to extend mobility from the cloud to IQ SIP Trunking. In addition, customers have the option for a hybrid option of IQ SIP and Hosted VoIP on the same dial plan and can easily migrate between both solutions. Like a lot of providers, CenturyLink has made improvements to its administrator and end-user portal to provide improved self-administration and end-user functionality including real-time provisioning of sessions, seats, new phone numbers, and features that pass to billing in near real time.

CenturyLink has a set of managed and private cloud UC and contact center services, particularly around Cisco and Microsoft, which build on its SIP trunking services. Additionally, the provider has a strategic focus on expanding its higher value UCaaS services, particularly for the SMB and government markets.

An area CenturyLink has made improvements in over the past year is in its delivery and customer experience that expedites service installs and simplifies the number portability process.

CenturyLink has the advantage of a global direct sales force and channel partner program. The company maintains over 100 master/agent/VAR partners. The VARs and select global system integrators provide professional services in migration to the cloud for UC, particularly for Cisco and Microsoft implementations.

Exhibit 2   CenturyLink's scores versus average scores of all 10 SIP trunking providers
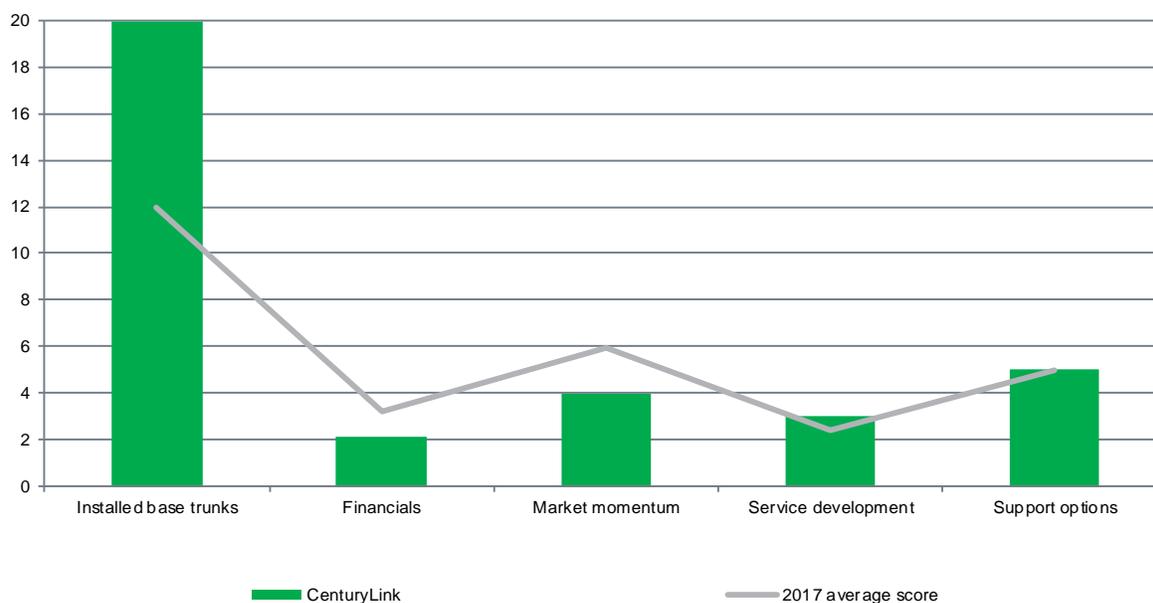
Source: IHS Markit

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Leadership metric definitions

The leadership metrics are defined as follows:

Installed base: Determined the top service providers based on number of trunks reported as of the end of calendar year 2017.

Financials: An analysis of a provider's financials; a strong financial position improves long-term viability and allows a company to stay ahead of the competition by investing in R&D and/or acquiring other companies/technologies; this score is based on the Altman Z-score non-manufacturing model.

Market share momentum: A provider's growth in the SIP trunking market based on trunks.

Service development: Continued service development provides the ability to maintain and attract new customers while staying relevant to the market; we look at the degree to which the service provider is enhancing services, upgrading network capabilities, and/or improving backend operations for improved customer ordering, onboarding and management

Support options: Business customers' top buying criteria include reputation, reliability, and service and support. Comprehensive service and support policies are critical in maintaining customers and reputation of high quality services will position providers in maintaining customers.

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