

## Interview with Jonathan Taylor, Voxeo

*In addition to hosted solutions, over 25,000 customer-premise ports installed*

*Jonathan Taylor, President, CEO and co-founder, **Voxeo Corporation**, was interviewed by Bill Meisel in late July. Jonathan combined his experience in both business operations and technology innovation to found Voxeo in 1999. Under his guidance, Voxeo has seen triple-digit revenue growth for four consecutive years and has been profitable since January 2004. Prior to Voxeo, Jonathan founded and helped bring three additional software and infrastructure service companies to profitability.*

*Meisel:* I view Voxeo as a telephone speech application hosting service that offers an on-premises version of its hosting environment. Is this an accurate characterization, and, if so, what are its advantages to customers?

*Taylor:* Great question. It might help if we step back a moment to answer that. When we founded Voxeo over seven years ago, we had a focused, but challenging mission—to make it easy for anyone to create and deploy voice applications. At that time we were appalled by the cost and complexity of deploying speech, IVR, and even call-control and Computer Telephony Integration (CTI) solutions. We knew these were huge problems for customers to overcome.

Our solution to that problem was to launch Voxeo Evolution, a fully hosted, standards-based voice application platform. Evolution uses the power of Internet open standards, VoiceXML, web technologies, and a Software-as-a-Service (SaaS) model to make it easy to create and deploy voice applications. Today the market for hosted VoiceXML is established, but this wasn't the case in 2000. Voxeo was actually the first to market with enterprise VoiceXML hosting back then and faced considerable skepticism. Thanks to that early launch, Evolution has grown to be one of the most successful hosting services on the market. Today nearly every company knows firsthand the benefits of an open-standard telephony solution.

After a few years of running the Evolution service, some of our customers and partners were telling us that they loved the hosting service, but they also desired a Voxeo premise solution. They wanted to use our platform for all of their voice application requirements, including applications that simply could not be hosted due to issues of PBX integration, information security, or end-customer preference.

We analyzed the premise market and found that existing solutions were still extremely complex and expensive. We felt we could introduce a significantly better product. We spent two years, from 2003 to 2005, investing in customer-premise research, development, and field trials. We launched Voxeo Prophecy, our premise voice platform, in 2006.

So to answer your question, yes, Voxeo is known in the industry as a hosted service provider that also offers a premise solution. Today, 70% of our business is in hosting. However, Prophecy is growing at an amazing rate. In the last 18 months, over 25,000 customer-premise Prophecy ports have been installed. As a result, we anticipate that our business will be equal-parts premise and hosted by 2010. We are completely unbiased as to which option our customers choose, and we help them figure out which solution, or combination of solutions, makes the most sense for them. In fact, our fastest growing market segment is among customers who use both our premise and hosted offerings.

Please describe your hosting environment and services, including development resources.

Prophecy is an IVR and speech platform that's as easy and simple to use as retail end-user software. You can download, install, and configure Prophecy in less than 15 minutes. Within another 15 minutes you can create and deploy a basic speech application using Prophecy Designer, our Visio-like VoiceXML development tool that is integrated into Prophecy. I know that sounds unbelievable, but it's truly that easy for Prophecy users to do. In fact, we'll be demonstrating exactly how anyone can do this at SpeechTEK later this month.

Prophecy gets its speed and simplicity from our focus on streamlining, pre-packaging, and integrating the required technologies. Prophecy 8, for example, is a single 150mb download with built-in VoiceXML, CCXML, speech recognition, and text-to-speech engines. It also includes Prophecy Designer, a SIP softphone, a full Java J2EE deployment server, a SQL database and open source auto attendant, conferencing, and voicemail applications. Simply put, Prophecy users don't need to obtain or install any third party engines or components to get going. They also don't need to pay their speech platform vendor to install and integrate everything for them. This sharply contrasts with platforms from other vendors in our industry. Pre-packaged integration is simply the cornerstone of Prophecy's ease and speed of deployment.

At the same time, Prophecy is extremely open. Don't want to use our pre-integrated engines? No problem. Prophecy works with any MRCP-compliant speech engine, including those from **Nuance** and **IBM**. Prophecy is completely SIP-based and works with hundreds of SIP devices and services. Prophecy also supports any web development language including PHP or .Net, and works with comprehensive VoiceXML tools from companies like **Vicorp** and **VoiceObjects**.

Finally, Prophecy is incredibly scalable. The downloadable version of Prophecy includes two ports and can run on a four-year-old notebook. Or you can install it on a server farm and run thousands of ports. For example, we just finished a single customer deployment of 15,000 Prophecy ports.

What are typical pricing and options for application hosting?

The Prophecy premise platform is sold on a per-port basis. Pricing starts at \$779 per port, including VoiceXML, CCXML, speech recognition and TTS engines, and Prophecy Designer. Discounts are available in volume and for our VAR and developer partners.

Popular Prophecy add-on options include a 20% per year support and software upgrade fee and Nuance speech recognition or speech synthesis engines, which we sell and support extensively. Customers can also purchase a turnkey Prophecy server, which is packaged and supported directly by Voxeo.

In contrast, our Evolution hosting is priced by the minute. Plans are similar to those of mobile phone providers where we offer pre-paid or annual contract options. Both plans are based on a per-minute cost. Smaller customers use the pre-paid service to purchase minutes in \$1,000 "blocks." Larger customers, or those needing lower per-minute rates, sign a multi-year contract with a monthly minimum charge. Voxeo's monthly minimums range from \$500 to \$500,000 with lower per-minute rates for higher minimums.

Popular Evolution hosting add-ons include Nuance engine usage, encrypted call recording, and conferencing, which have nominal per-minute fees. Hosting customers can also pay for dedicated data or telephony lines into our hosting platform, or co-locate their back-end application, database or storage servers directly within our facilities.

Some voice hosting services focus on large accounts and don't provide many options for smaller accounts. What is Voxeo's policy regarding the size of accounts?

We welcome smaller customers.

First of all, everything Voxeo offers is available for free. Customers can download a two-port version of our premise-based Prophecy platform for free, and can use up to \$100 per month of our Evolution hosting service without signing a contract or paying us anything.

"We work hard to avoid the 'Speech Country Club'"

We also work hard to avoid the "Speech Country Club" mentality that can be pervasive in our industry. Often our competitors work hard to get Non-Disclosure Agreements (NDAs), screen leads, and hide their software behind password-protected web sites. It's as if our competition wants to keep new, smaller customers and opportunities out of their "club."

In contrast, if you go to <http://www.voxeo.com/free>, you can openly download our premise software or sign up for our hosting service. You don't have to sign an NDA. You don't have to talk to a sales guy. It's all just right there on our web site, open and free for you to try out and use.

When you do want to buy more ports or launch a larger hosted service we make it very easy to get started. Customers can buy four ports of our premise software for \$249. That's \$249 for all four ports, not for each port. You can use our hosting for as little as \$500 per month, or purchase a pre-paid hosting plan with no monthly fees.

You might wonder how and why we support the lower end of the market. The *how* is simple: We've invested extensively in making our products and services really easy to use. Customers and developers can install, use, try, test, and deploy our products and services without any interaction with a Voxeo employee whatsoever. As a result of this investment, the cost for us to support smaller customers is very low. This investment also significantly reduces the cost for us to support our larger Fortune 500 customers.

The answer to *why* we do it is even simpler: It's very profitable. Small customers grow to become large customers. Some grow to become very, very large customers. We have one customer who started using our free hosted service and now spends over \$3M a year with us. Another premise customer downloaded our free software a year ago and is now signing a \$2M purchase agreement. I sincerely believe this is a big part of why Voxeo is one of the few profitable companies in the speech industry.

What is your approach to professional services?

This is another place where we differ significantly from the rest of the industry. We do not do any application development or professional services work ourselves. Because we set customers up for success on their own, most of our customers deploy their applications and services without any professional services costs whatsoever.

"We do not do any application development or professional services work ourselves"

When customers do desire professional services we bring in one of our partners to perform the work. We serve as a general contractor for the entire project so the customer has one vendor to pay and hold accountable. We never compete with our partners for the development work itself. Our partners know this, and, as a result, they are very loyal to us. In fact, most of our business comes to us from our partners.

Please describe some typical deployed applications.

One of the neat things about Voxeo is that due to the versatility of our platform there are almost no "typical" applications. Since we enable customers to deploy any type of application they need, we don't discriminate or focus only on certain industries or application types. That said, here are a few examples of Voxeo deployments:

- The five largest cable operators in the United States all use our platform for call center automation, specifically for appointment scheduling, notification, and dispatching.
- One of the world's largest cargo container shipping companies uses our platform to enable their customers to schedule pickups and track cargo container shipment and delivery.
- One of the largest online dating sites uses our platform to provide users the ability to screen and accept calls from other members without disclosing their personal phone numbers.
- In the hours after the 2005 London bombings, our platform was used to call over 250,000 employees that worked in offices throughout London. We are one of the leading providers of platform technology for the emergency notification industry.
- One of the largest U.S. providers of notifications for elementary, middle, and high schools uses our platform to provide outbound calls to parents and inform them of meetings, events, school closures, and absent children.

These are just a few examples. There are over 50,000 applications running on Voxeo platforms today.

Any final comments?

One of the most interesting developments this past year has been the reaction Voxeo has received in Europe, where we have a headquarters and data center, as well as sales and support staff. Because the European market is just now starting to embrace open-standards platforms, Voxeo has found itself the center of attention as enterprises begin to adopt. We offer local phone numbers in all European countries and support every major European language, so we're really making inroads across Europe in both hosted and premise.

I'd again like to thank our customers and partners for our growth and success over the last seven years. As I mentioned earlier, much of our business comes to us through our partners and developers, who are not only using Voxeo products and services themselves, but also have *their* customers using Voxeo. We owe a large part of our success to them and look forward to growing with all of them for years to come.