Flexible Business Models in the Unified Messaging Market

In today's high-tech world, communication is everything. According to Forrester Research, "More than one billion personal messages—[including] non-real-time voice, text [and] graphic communication between individuals or groups—arrive daily through mailboxes, answering machines and PCs in U.S. homes." At the same time, "[a] torrent of affordable communication devices, the rise of e-mail and pressures to respond quickly are combining to make message management a concern for most consumers." (Messaging Moves to the Web, Forrester Research, Inc., 1998.)

Unified Messaging Revenues to Reach $35 Billion!

Consumer

Medium and Large Business

Small Business
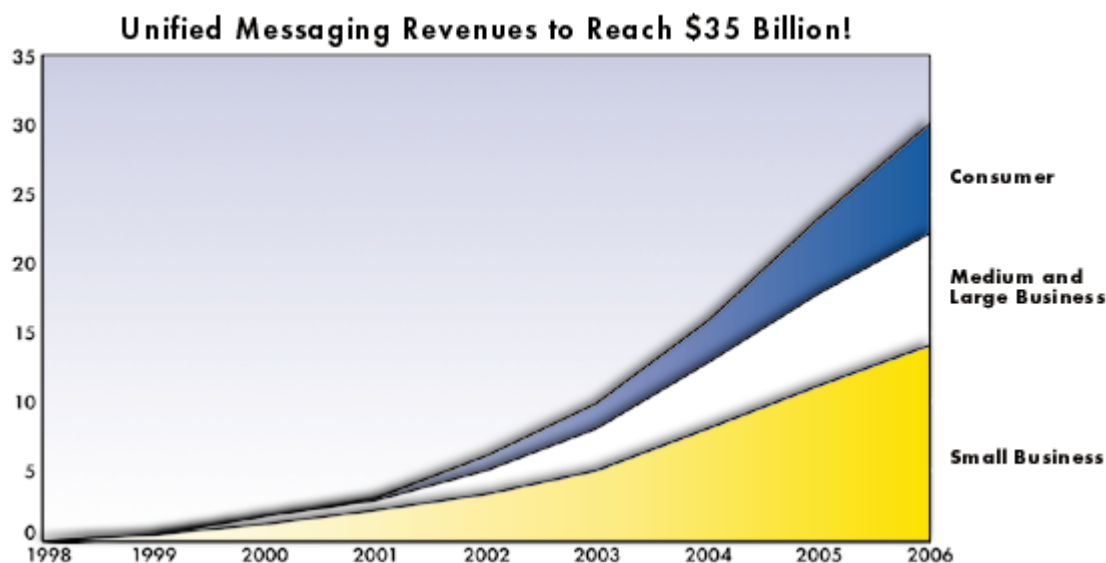
The result is a global society of expanding message chaos. To manage increasingly complex messaging demands from many communication sources, millions of consumers are turning to Unified Messaging. This revolutionary technology seamlessly integrates voice mail, e-mail, pages and faxes into a single mailbox that can be easily accessed from any touch-tone telephone, or any Internet-enabled computer or PDA device, from anywhere in the world.

By 2006, Unified Messaging services will be well on their way to universality, according to Ovum Ltd. Over a third of households in advanced countries will subscribe to telecommunication services that include Unified Messaging, while three-quarters of businesses will either use Unified Messaging services, or deploy their own equipment to provide equivalent capabilities. (Introduction to Unified Messaging Services: Market Strategies, Ovum, Ltd., 2000.)

Hosting vs. Licensing: A Comparison of UM Opportunities

Until now, service providers looking to enter the growing UM market have found their options severely limited. The vast majority of business-to-business UM companies only offer hosting services—not UM ownership. Since all equipment and software is owned by the UM provider (ASP) in this scenario, hosting clients pay a per-user monthly and/or annual fee which, in the long run, can cost more than complete ownership of a UM system. While up-front capital costs are eliminated in the ASP model, the more successful a service provider becomes, the more per-user operational costs increase.

Other business-to-business UM providers offer only licensing, or complete UM ownership. Licensing requires an initial capital investment of $1 million or more in software, hardware, telephony platforms and data storage. While initial capital investments are significant, per-user costs significantly decrease the more successful a licensee becomes.

Since UM companies that offer hosting services do not offer licensing and vice/versa, UM has been considered an inflexible, "all or nothing" proposition. Service providers have been forced to either host indefinitely with no hope of ownership, or make a million-dollar "leap of faith" capital investment.

Until now, that is. Today, Tornado Development, Inc. is the only Unified Messaging provider on the market that offers not only Hosting Services and Full License Agreements, but a Partial License option as well. By providing flexible and low-cost entry into the carrier-grade UM market, Tornado is the only UM company that offers seamless migration from a hosting environment to complete ownership of a carrier-grade UM system with minimal financial risk. Tornado is the "brand behind the brand" of several successful UM systems, including Global Crossing, Office Max and Vivao.

Only Tornado Offers Three Flexible Business Models

Only Tornado offers three flexible business models: Full License, Partial License and Hosting, allowing service providers of all types to easily and cost-effectively enter the vastly expanding UM market. With Tornado, large carriers and ISPs are able to thoroughly test their markets in a secure hosting environment before investing considerable time and money in a complete UM system. And for ASPs and portals, Tornado's unique approach allows minimal up-front investment followed by a "step-by-step" migration to full UM ownership. Plus, Tornado allows service providers to brand and market UM services using their own logo and corporate identity. From Hosting to Full License, Tornado works with clients to develop customized UM platforms and feature packages individually designed to meet specific goals and market requirements.

Full License—Complete UM Ownership

Under a Full License Agreement, Tornado partners with clients from beginning to end in the creation and successful launch of a fully operational and independent Unified Messaging system. Full Licensees own and host all of their own equipment. While this licensing option requires the most significant initial investment, it also represents the most cost-effective, long-term approach to UM. Once the system is fully operational, Full Licensees are charged only a nominal fee based on the total number of subscribers.

Benefits:
• Designed for service providers that are fully committed to integrating Unified Messaging
  into their short- and long-term business models
• Creation of a customized Unified Messaging system based on unique business goals
  and requirements
• Development of a fully branded end-user interface for the phone and web
• Purchase, delivery and installation of all required hardware and equipment from recognized
  suppliers at extremely competitive prices
• Expert Project Manager consulting services, including business need analysis and strategic
  goal development
• Service Level Agreement guaranteeing 24/7/365 system monitoring and support
• Extensive one-on-one training and thorough documentation of all materials
• Only 3-4 month window from project initiation to system launch
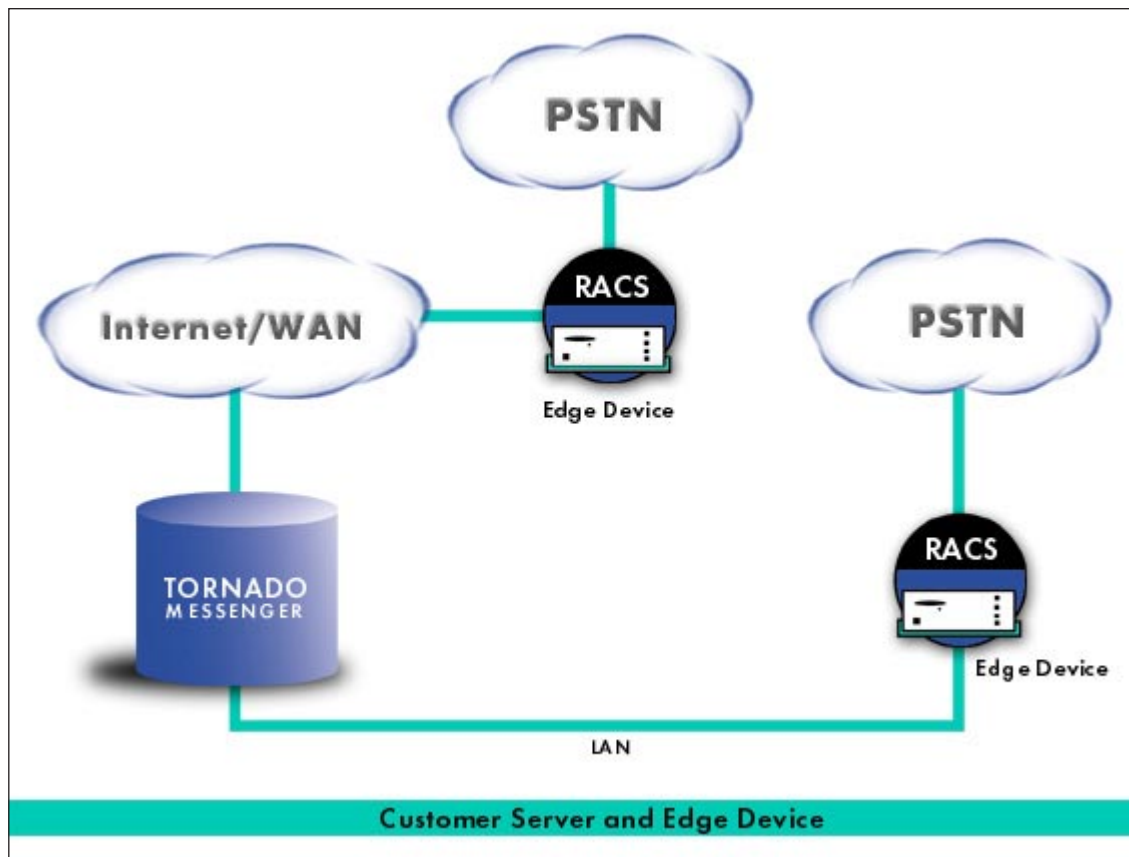
Partial License Agreement—Reduced Cost Partnership

Tornado's Partial License Agreement is designed for service providers who will eventually transition to a Full License Agreement, but temporarily need an option that requires less up-front capital investment. Under a Partial License Agreement, service providers own, deploy and operate their own edge device (RACS) while Tornado owns and operates the message server. With RACS, service providers can deploy local-number access to multiple markets anywhere in the world. The RACS connect, via IP, to the single message server, hosted by Tornado.

Benefits:
• Offers Full License customer benefits with significantly less initial investment
• Creation of a customized Unified Messaging system based on unique business goals
  and requirements
• Development of a fully branded end-user interface for the phone and web
• Tornado-owned message server that is operated on client's behalf
• Purchase, delivery and installation of edge device (RACS) and related equipment from recog-
  nized suppliers at extremely competitive prices
• Ability to establish local-number access for any market
• Expert Project Manager consulting services
• Service Level Agreement guaranteeing 24/7/365 system monitoring and support
• Comprehensive training and documentation of all materials
• Only 1-2 month window from project initiation to system launch
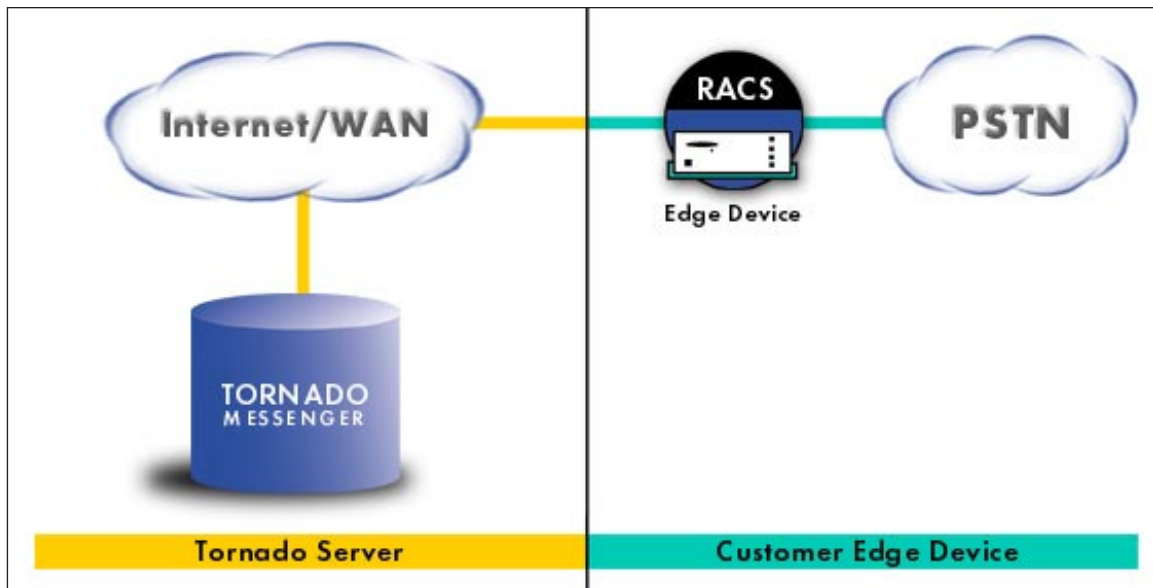
Hosting Agreement—Low-Cost Entry

Tornado's Hosting Agreement is designed for service providers who will eventually transition to a Full License Agreement, but temporarily need an option that requires less up-front capital investment. Designed for service providers that are "just getting their feet wet" in the Unified Messaging market, Tornado offers a fully operational UM system using its own internal hardware and equipment for a very reasonable fee. The Hosting Services option is a preferred UM solution for service providers interested in researching and testing their markets before moving to a Partial License or Full Licensing Agreement–which means Tornado carries an inherent obligation for its UM product to work and perform to its full potential. Tornado doesn't "hide" behind a hosting smoke screen. Instead, the company prepares all of its clients to move to a Full License Agreement from day one, and backs up all of its hosting services with user manuals, training, maintenance programs, documentation, diagnostic programs, a Global Support Center and more.

Benefits:
• Month-to-month agreement creates low-cost "window of opportunity" for market research
  and testing phases before moving to longer-term commitment
• Low risk to gain high rewards
• Tornado-owned edge device (RACS) and message server that are operated on
  client's behalf
• Development of fully branded end-user interface for the phone and web
• Option to leverage client-owned telephony infrastructure
• Service Level Agreement guaranteeing 24/7/365 system monitoring and support
• Initial training and documentation of all materials
• Only 2-3 week window from project initiation to system launch
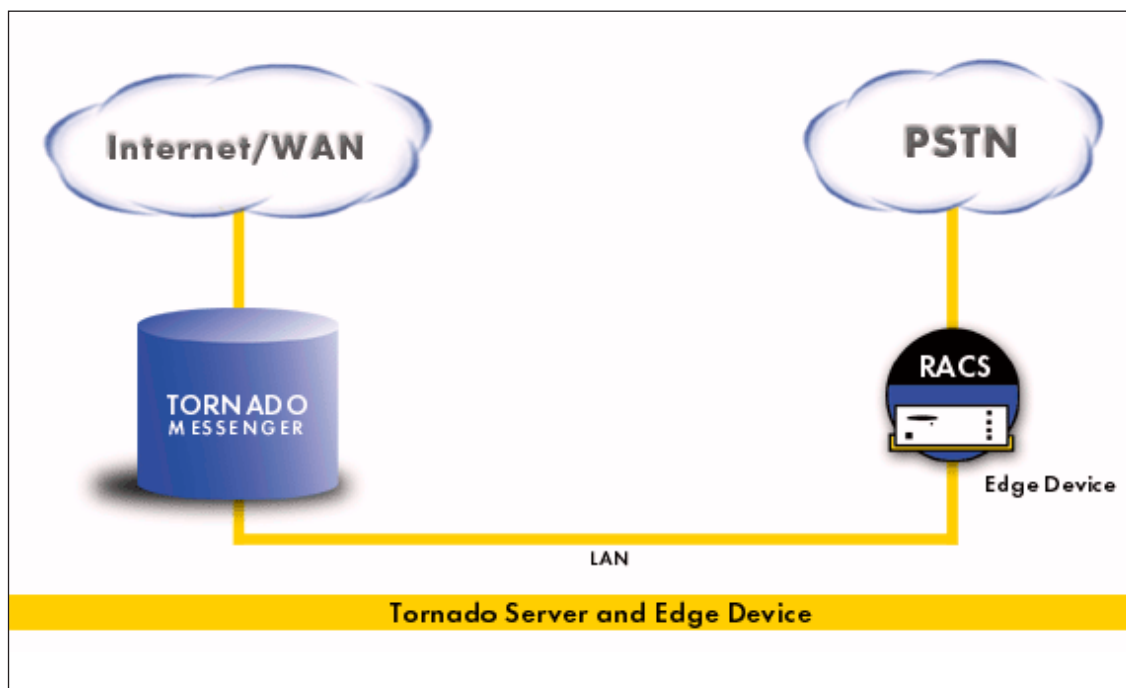
Capital Investments vs. Operational Costs

By strategically balancing capital investments and operational costs, Tornado's flexible business models allow service providers to economically and efficiently enter—and profit from—the growing Unified Messaging market.

With Tornado's Hosting model, service providers new to UM have a unique opportunity to "try out" UM services—including market testing, development of demographic models and the creation of customized service packages—before making a substantial capital investment in licensing UM software, hardware, telephony platforms and data storage. Service providers hosted by Tornado pay only a one-time Hosting fee and a per-user, monthly operational fee.

In moving from Hosting to Partial Licensing, service providers own and operate their own UM edge device (RACS), while all data services are owned and operated by Tornado. Partial Licensees are then able to offer local-number access to their customer base anywhere in the world. While there are capital costs associated with partial licensing, the annual cost per user is less than with the Hosting model, thereby decreasing operational costs. The more successful Tornado clients are, the more economically viable it becomes to move to a Full License model. As previously stated, the Full License approach requires the most significant up-front capital investment. However, per-user operational costs also decrease significantly when compared with both the Hosting and Partial License options. As the number of users continues to grow, the savings in operational costs quickly pays for all capital investments. Plus, all data, user accounts and private labeling features developed during the Hosting and Partial Licensing phases are seamlessly integrated into the Full License model, further maximizing the client's previous investments.
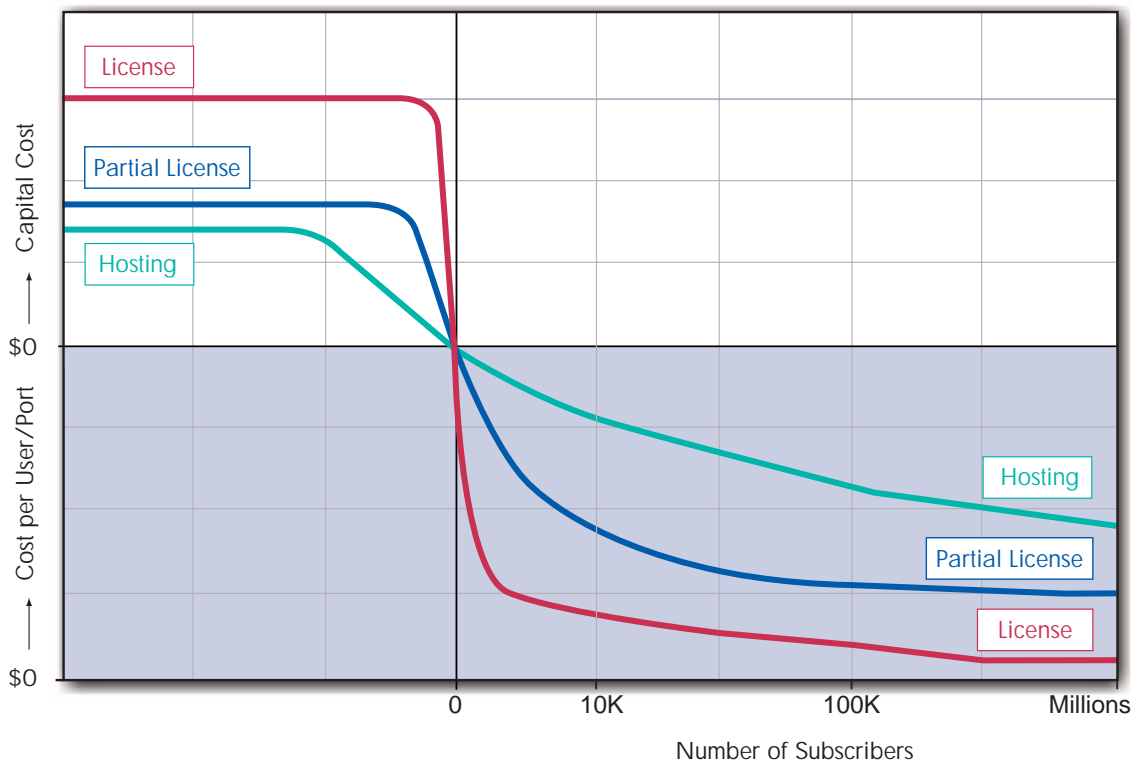
Only Tornado offers three flexible business models that allow efficient and cost-effective entry into the UM market, and seamless migration to complete ownership of a carrier-grade UM system. Fueled by five years of successful system installs and customer satisfaction, Tornado delivers a flexible set of partnering programs tailor-made to fit the unique needs of large telco carriers, ISPs, ASPs, portals and wireless providers.

From the planning stages to product launch, Tornado delivers turn-key UM expertise, including analyzing business needs, defining the scope of the project, purchasing the right hardware, creating customized system architectures, orchestrating successful launches and offering 24/7/365 operational support.

To learn more, contact a member of the Tornado sales team at sales@tems.com
or 310/760-5035, or visit us at www.TornadoDevelopment.com.