



VOIP SLOWLY GAINING GROUND AS RESIDENTIAL PHONE SERVICE, WITH VONAGE EXPANDING ITS SHARE TO NEARLY HALF OF THE TOTAL MARKET, ACCORDING TO TELEPHIA

Nearly 90 Percent of VoIP Early Adopter Households Claim the Same or Better Voice Quality and Service Reliability than Traditional Landline Service

SAN FRANCISCO—March 14, 2005—VoIP penetration as a home phone service solution is slowly gaining traction within U.S. households, reveals Telephia, the leading provider of performance measurement information to the converging communications and mobile industries. Overall penetration for VoIP (voice over Internet protocol) increased to 3.5 percent or nearly 3.9 million households in January 2006, up from 2.9 percent in June 2005. Vonage led the VoIP market, which includes all pure-play VoIP companies and providers who actively promote their VoIP service as Internet telephony. Vonage secured a 47.5 percent market share or nearly 1.9 million households in January 2006, up from a 40 percent share in June 2005 (see Table 1).

Table 1: VoIP Provider Market Share by Household Subscribers (U.S.)

VoIP Provider	Jan. '06 Market Share (%)	Subscribers by Household (000)
Vonage	47.5%	1,861
Skype	11.8%	463
AT&T Call Vantage	5.6%	218
Verizon Voice Wing	5.0%	196
Google	2.5%	97
8x8 (Packet 8)	1.7%	67
Other VoIP Providers (excluding cable companies)	25.9%	1,013

Source: Telephia EPCO Survey, January 2006

***Note: Data in table includes VoIP providers who actively promote their service as Internet telephony. It excludes cable companies who offer “digital phone” services since they are not promoted as VoIP.*

According to the Telephia Emerging Personal Communications Options (EPCO) survey, Skype posted an 11.8 percent market share, translating to more than 463,000 households who subscribed to the service in the U.S. during January 2006. AT&T Call Vantage claimed a share of 5.6 percent, representing 218,000 households, while Verizon Voice Wing followed closely with a five percent share, accounting for nearly 196,000 households.

“The combination of voice quality, reliability, and price could be a potent blend in attracting mainstream consumers. With more of the population converting to high-speed Internet connections, it opens up an opportunity for VoIP providers to gain a significant foothold in the market,” said Kanishka Agarwal, Vice President of New Products, Telephia.

VoIP Voice Quality and Service Reliability Score High with Early Adopter Households

Telephia data shows that 67 percent of VoIP early adopter households felt that the voice quality they experienced with the service was equal to traditional landline service, while 19 percent noted that the voice quality was better than wired phone lines (see Table 1). According to Telephia’s EPCO survey from June 2005, ninety-one percent of Vonage early adopter households said that the company had equal or better voice quality, while 99 percent of Skype early adopter households felt that Skype scored equal or better than landline phones.

In terms of overall service reliability, 71 percent of VoIP early adopter households reported Internet telephony as having equal reliability to conventional wired phone lines. Sixteen percent considered VoIP to have better service reliability. Vonage also scored high on service reliability, with 91 percent of its early adopter households noting the company’s reliability was equal or better than landlines. Nearly three out of four of Skype’s early adopter households (74%) thought that Skype had equal or better service reliability.

Table 1: Early Adopter VoIP Experience for Voice Quality and Service Reliability (U.S.)

	Worse Than Wired Phone	Equal to Wired Phone	Better Than Wired Phone
Voice Quality Total	14%	67%	19%
Vonage Voice Quality	9%	70%	21%
Skype Voice Quality	1%	64%	35%
Service Reliability Total	13%	71%	16%
Vonage Service Reliability	9%	71%	20%
Skype Service Reliability	26%	68%	6%

Source: Telephia EPCO Survey, June 2005

The Telephia Emerging Personal Communications Options (EPCO) Survey aims to understand the attitudes of households towards emerging communications services, providing integrated insights into household use and preferences across converged landline and wireless phone, VoIP, Internet and TV services.

About Telephia

Founded in 1998, Telephia provides syndicated performance measurement information to the leaders of the converging communications and mobile industries, including carriers, device manufacturers, content and application providers, retailers, infrastructure vendors and investment analysts. Telephia is the industry standard measure of subscriber share, customer satisfaction, device share, network quality, revenue share, advertising effectiveness, content audience and many other key performance indicators. For further information, please visit our website at www.telephia.com or call 415-395-0500.

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