



The Demand for Voice over IP: An Econometric Analysis

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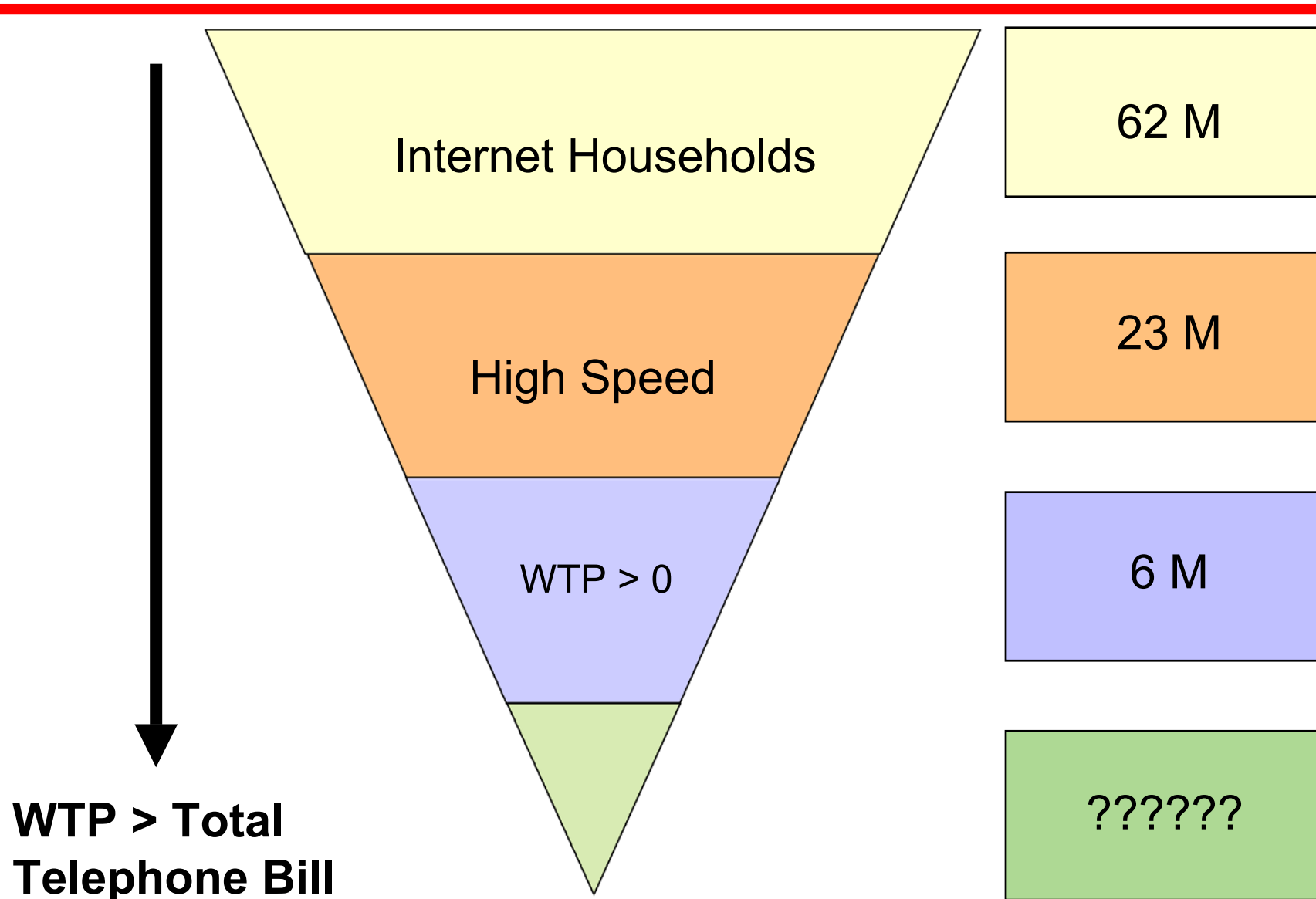
VoIP Workshop

Columbia Institute for Tele-Information

Columbia University

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Size of VoIP Market?



VoIP "Drivers"

Average WTP
for VoIP

\$37

Average Telephone Bill

\$42

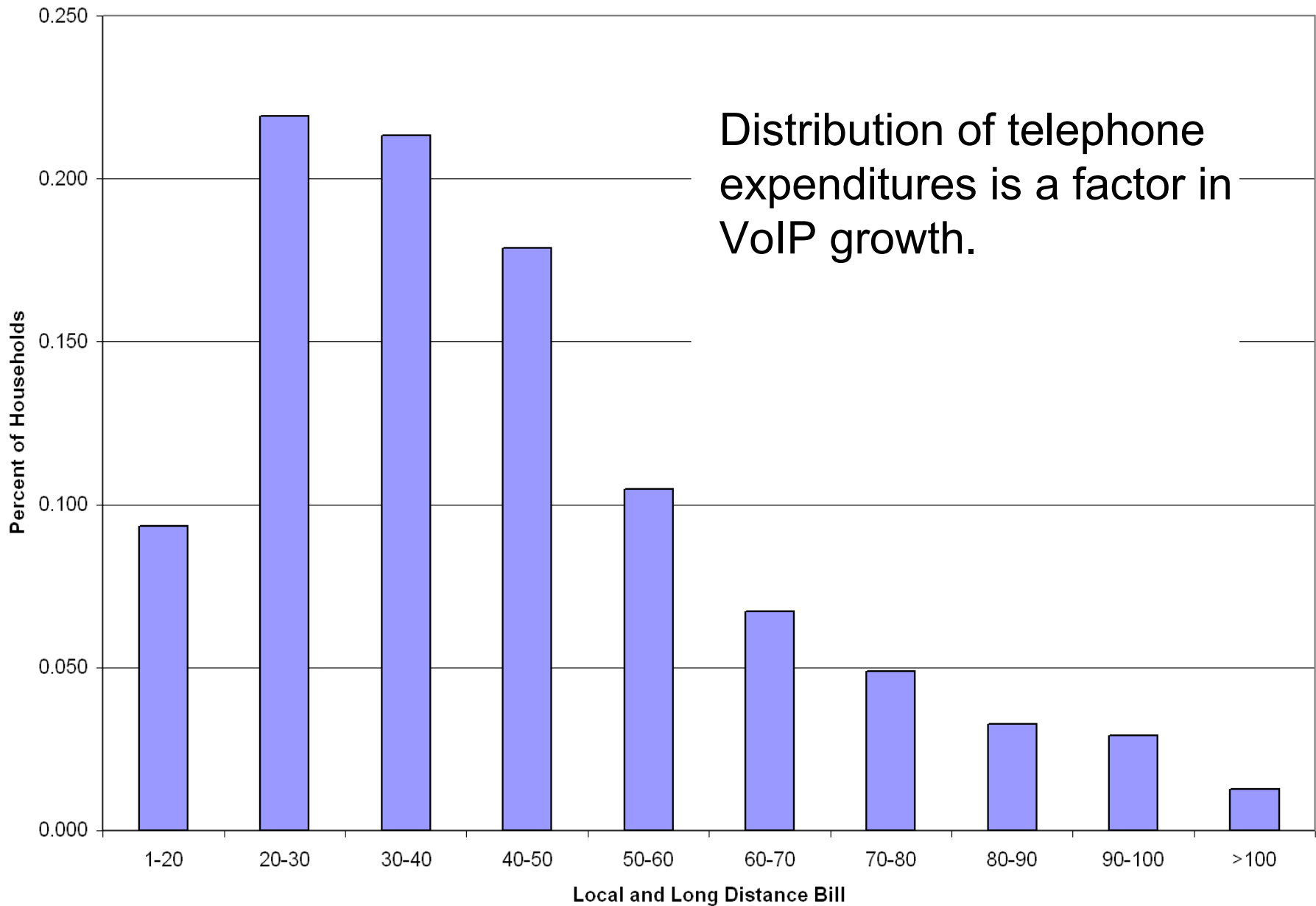
Broadband
penetration

(23 - 24%)

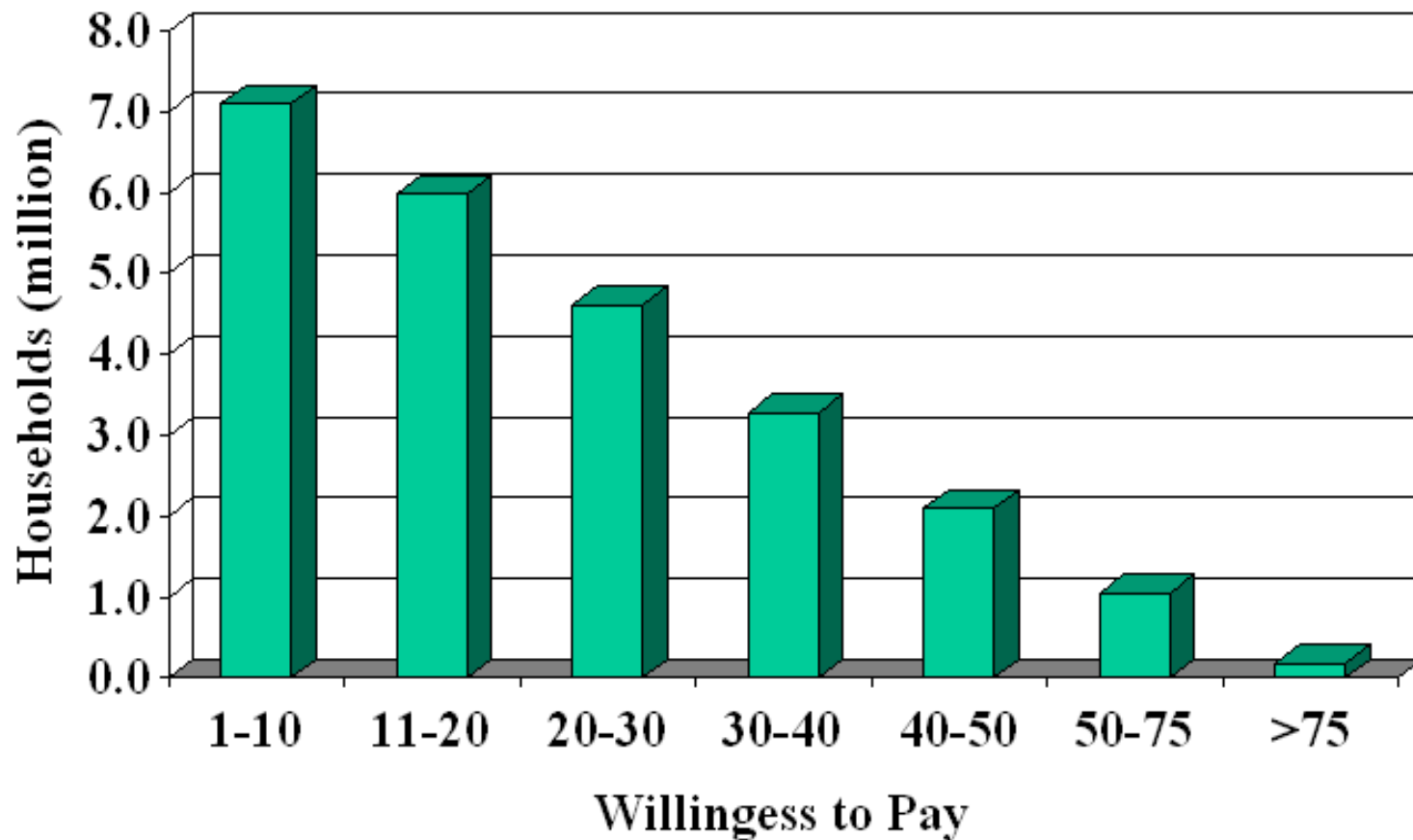
Forecasts of VoIP Depends on:

- **Broadband Growth**
- **Price versus Value**
- **Regulatory Environment**
- **Quality of Service**
- **911 and Related Issues**
- **Competitive Response**
- **Marketing**

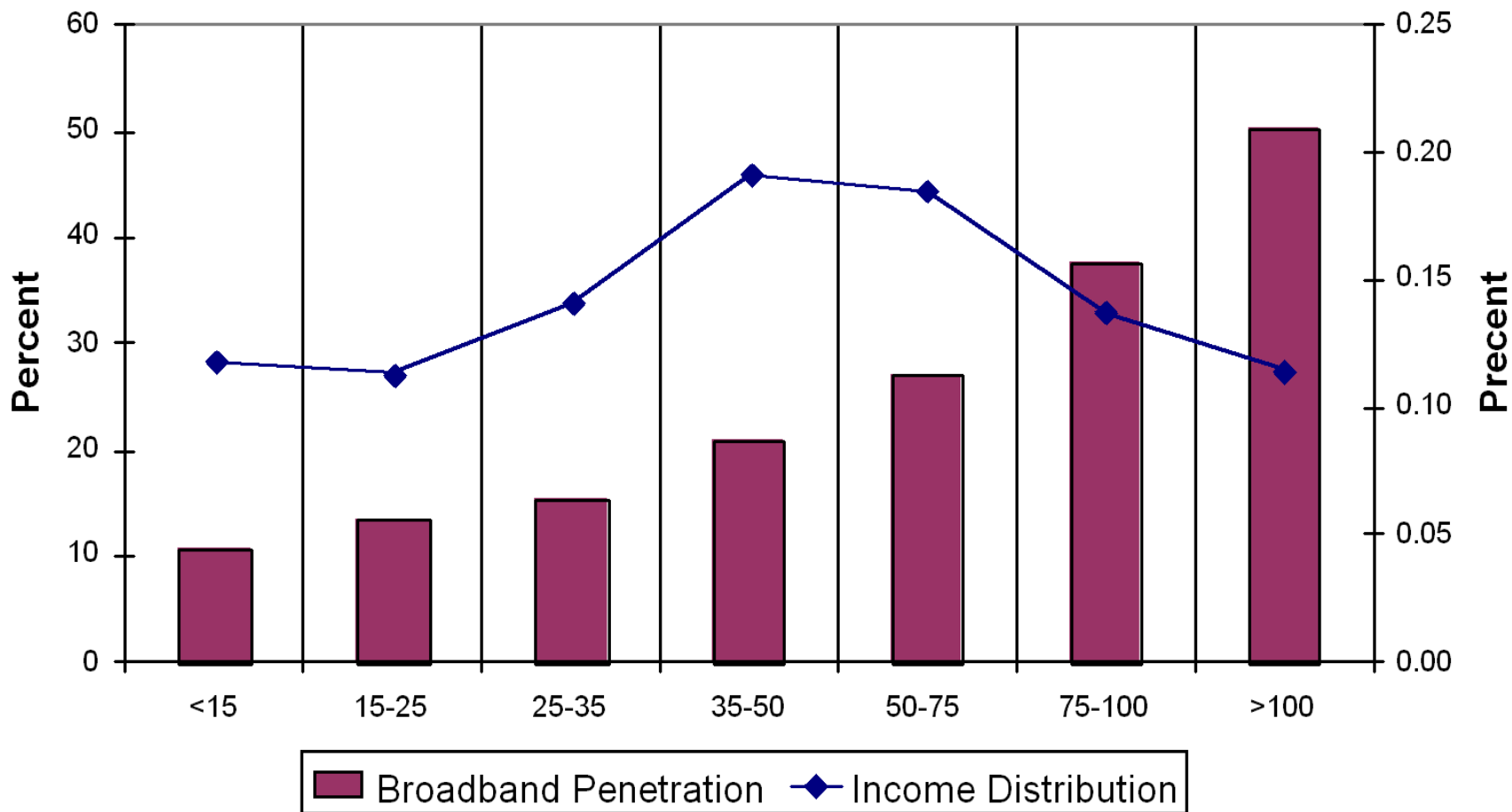
Distribution of Telephone Bill



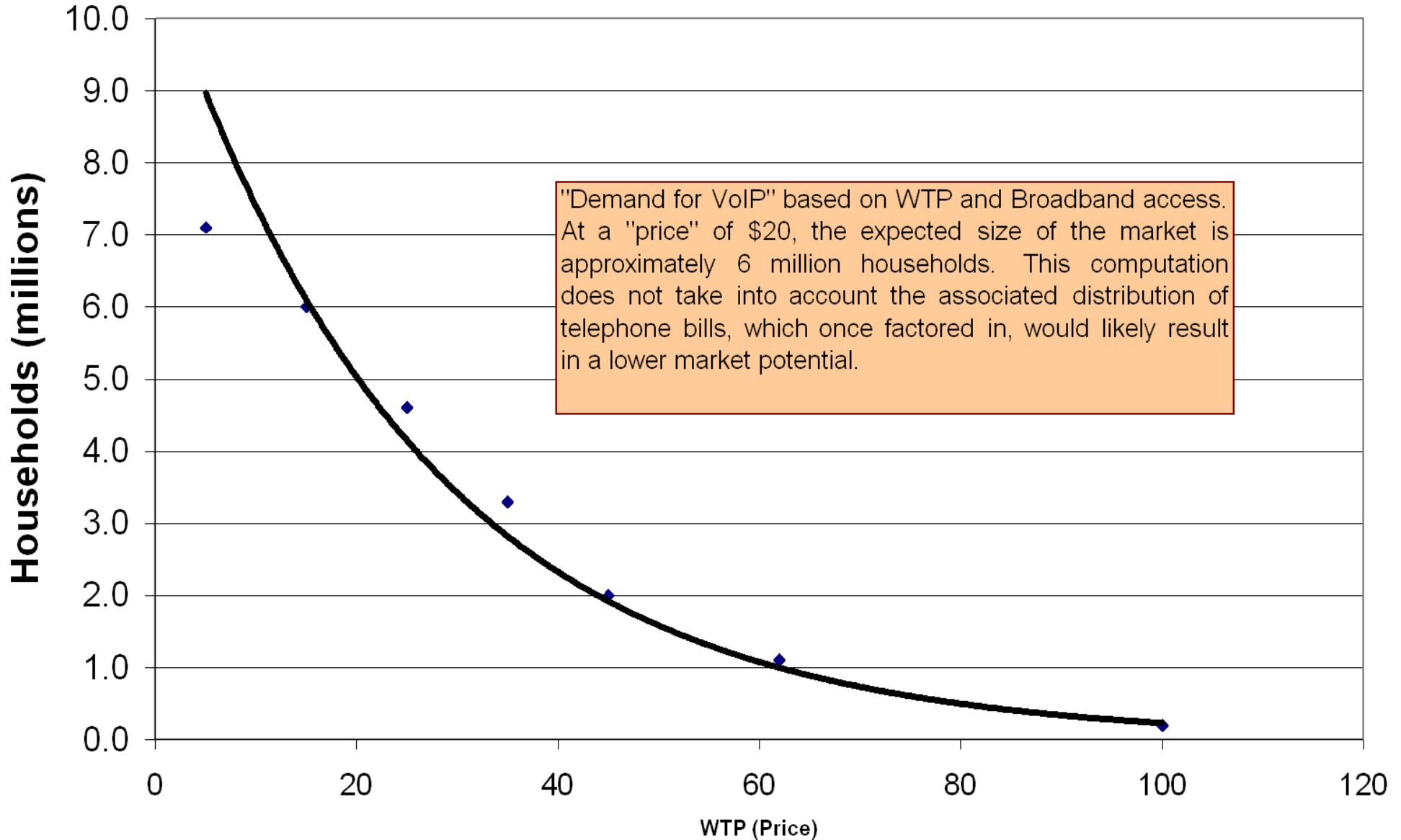
Distribution of Households by Willingness to Pay for VoIP



Distribution of Income & Broadband



Willingness to Pay for Voice-Over-IP



Elasticities

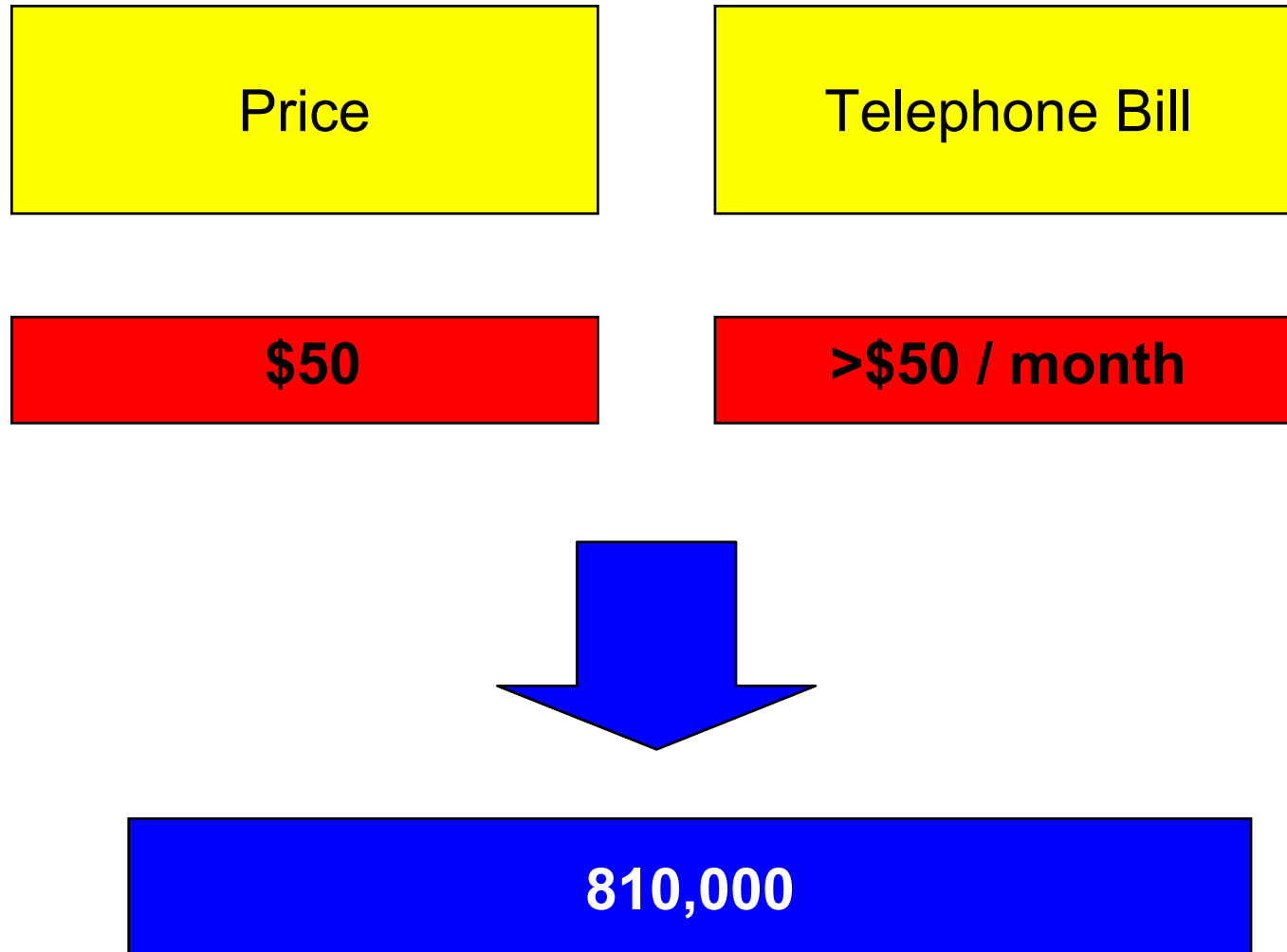
WTP	Broadband Households	Non Broadband Households*
\$1-\$10	-0.20	-0.80
\$11-\$20	-0.59	-1.12
\$21-\$30	-0.98	-1.44
\$31-\$40	-1.37	-1.76
\$41-\$50	-1.76	-2.08
\$51-\$75	-2.54	-2.72

* Assuming \$20 month for broadband

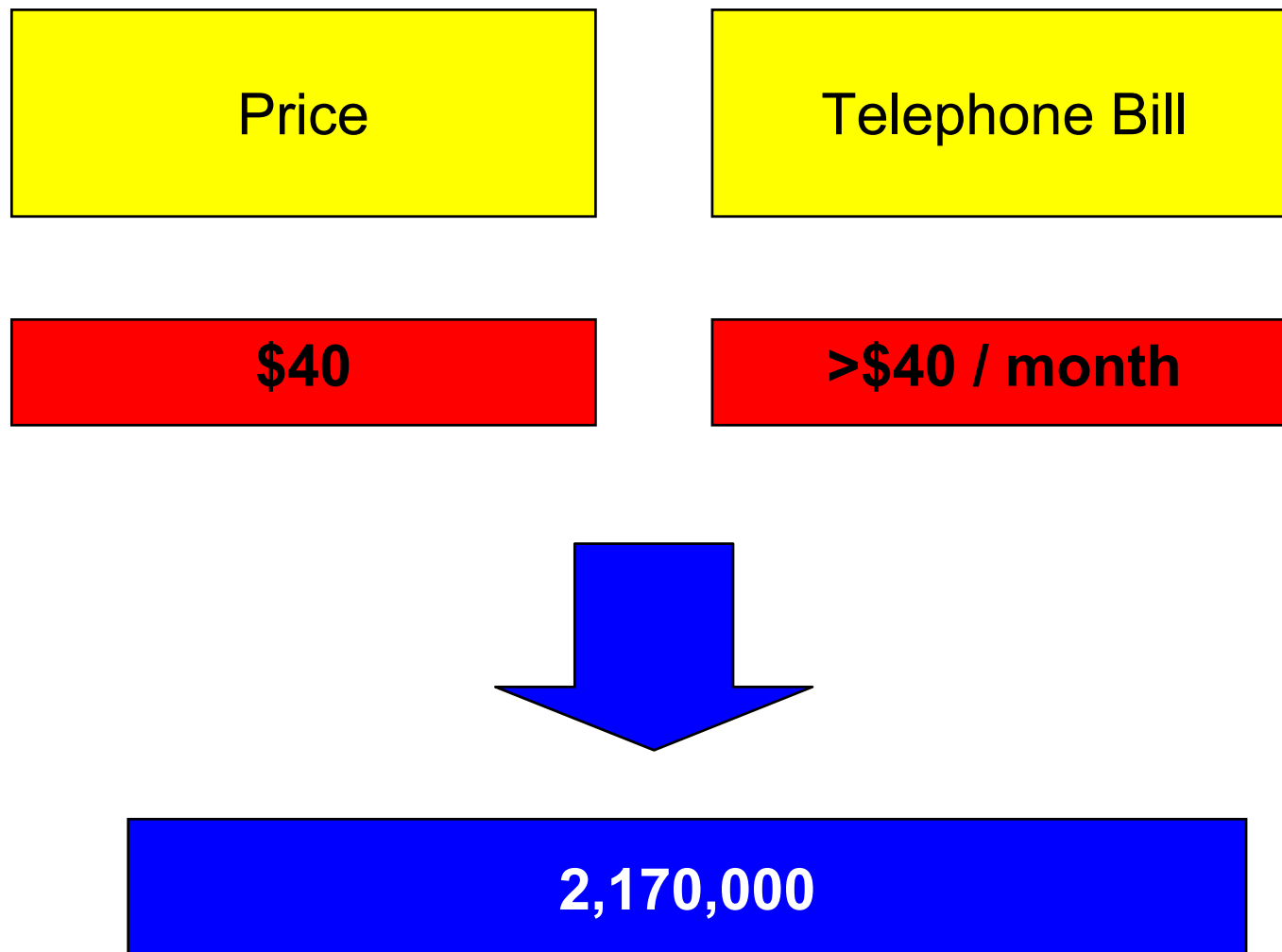
Market Potential

The first simulation assumes a "price" (p) of \$50. Based on this price, the associated distribution of households meeting the criteria (Telephone bill > p and WTP > p) is estimated, which represents an estimate of market size (potential). Subsequent simulations are made by changing price.

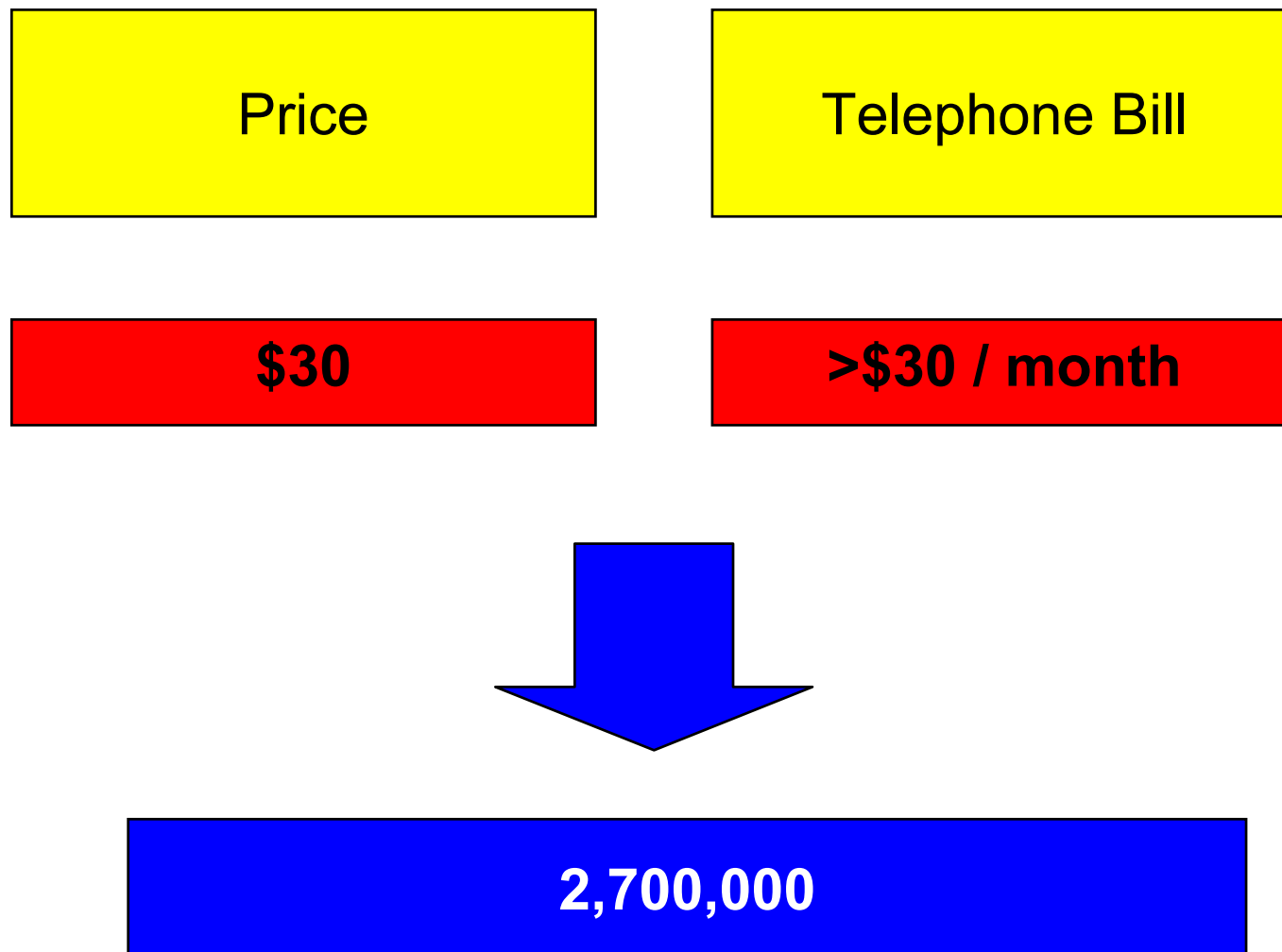
Expected Number of Customers I



Expected Number of Customers II



Expected Number of Customers III





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