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Jaxtr Takes \$10M Collect Call

by **Cassimir Medford** on 28 August 2007, 10:04

Categories: Communications - Internet - Finance

Topics: voip , vonage , SunRocket , Jajah , RebTel , Jaxtr , Truphone , **Raketu** , Ooma

Internet voice startup Jaxtr on Tuesday said it raised \$10 million in funding from a group of VCs hoping to emulate the success that at least three of them had with market leader Skype.

The funding round which was led by new investor August Capital included Mayfield Fund and early Skype investors Draper Richards, Draper Fisher Jurvetson, and Mangrove Capital.

Jaxtr is one of a growing group of VoIP startups that is belatedly attracting significant funding even in the wake of SunRocket's demise and Vonage's slow-motion meltdown.

Internet telephony firms that have been around for a year or two have suddenly begun hitting the VC jackpot in 2007, two years after Internet auctioneer eBay bought VoIP pioneer Skype in a deal valued at about \$3.6 billion.

Rebtel grabbed \$20 million, while Truphone collected \$23.4 million. Jajah took \$20 million and last month newcomer Ooma topped everyone with a \$27 million haul.

All offer inexpensive phone calls as their core business, but a number of them are incorporating both online applications and mobile phones in their services.

"I think that a plain vanilla VoIP-to-the-consumer play has little chance of getting funded," said Will Stofega, an analyst with IDC. "Next, services need to look beyond the utility model and creep into areas that are not part of the legacy phone business."

Menlo Park, California-based Jaxtr embeds VoIP in social networking pages and other community oriented applications so users can add a Jaxtr widget to their social networking pages.

Visitors to the Jaxtr user's profile page can then click on a VoIP widget and initiate a phone call, which the Jaxtr user can receive on his or her home, office, or mobile phone without being online or divulging their phone numbers.

Jaxtr integrates its service into popular online destinations such as MySpace, Facebook, LinkedIn, Orkut, Craigslist, eBay, LiveJournal, and Blogger.

"Unlike Vonage, Jaxtr is not competing with the phone companies on price," said Howard Hartenbaum a partner with Draper Richards and an early Skype investor.

"Consumers are looking for something different or something that offers cost savings that are an order of magnitude different," he said.

Jaxtr faces an ultra-competitive and increasingly well-financed market where the winners could be those that acquire the most customers at the least cost.

The VoIP market, which started as a way for consumers to lower their phone bills, is beginning to splinter.

Increasingly VoIP startups are moving away from marketing themselves as telephony firms, and more as the telephony piece of popular, social media.

Last month Jajah announced a deal with dating site eHarmony in which it said it will provide click-to-call that allows dating prospects to chat by phone without disclosing their contact information.

And recently-launched New York City based **Raketu** also said it will blend social media and VoIP.