

IntelliCom Market Dashboard Spotlight:

Cisco Sees Establishing Business Relevance Key To Narrowing UC Adoption Gap

Unified Communications (UC) has reached a crossroads. While the industry has had more than half a decade to coalesce around a unifying definition, the term still means very different things to different people. At the vendor level, some position UC as a product in the same way as they did their traditional PBX systems, while others position targeted solutions with customizable elements based on individual customer needs. These mixed messages even extend to measuring market penetration where UC client seats have been growing rapidly over the past 2 years according to the *IntelliCom Market Performance Dashboard*, but end customer surveys continue to indicate low activation levels by individual business users. A leading factor driving this discrepancy, in our view, is that vendors and channels still struggle to make the new functionality provided by their UC solutions business relevant.

Many providers have implemented aggressive software licensing strategies in recent years that bundle a full suite of horizontal UC applications at a substantial discount compared to buying separate licenses on an a la carte basis for all users. For a large number of businesses with aging PBX infrastructures, these deals have been too good to pass up when moving to next-generation architectures. But because these customers have been reacting to the deal rather than recognizing incremental business value potentially provided by the included applications, many entitled UC capabilities do not get activated throughout these organizations. Often, only one or two of these incremental applications are needed to support the business case for the investment while the others included in the bundle go unused.

No vendor has used this licensing approach more effectively to date than Cisco, with the company's Unified Workspace Licensing having played a central role in building and extending its market share leadership position over the past several years. I recently attended Cisco's annual Collaboration Summit in Los Angeles, and the company clearly recognizes the disconnect between entitlements included in this type of packaging and activations of specific productivity and business process enhancing applications at the individual end user level. While ongoing efforts to simplify the packaging of its portfolio remain an important focus, Cisco indicated at the event that it plans to place greater emphasis on positioning its UC and Collaboration applications in a way that makes them more relevant to the specific business drivers impacting individual customers. This will be no small task.

While the enterprise benefits of an IP-PBX are nearly universal and well understood among Cisco's traditional IT buyers, UC and Collaboration solutions deliver unique value based on the individual customer's specific business processes and functional organizations. As a result, internal stakeholders are broader and more variable from customer to customer. And these potential beneficiaries of UC may have only a passing knowledge that these new capabilities even exist, as they have generally not been engaged in the sales process for traditional voice and infrastructure solutions. On the other hand, existing IT stakeholders that Cisco's channel is accustomed to selling into may lack the context to readily identify business processes that could be created or enhanced through being communication or collaboration enabled. This disconnect has been and remains a leading barrier to broader usage of UC applications across all major providers.

Making UC and Collaboration more business relevant requires a much different sales approach. Because customers may not fully grasp the possibilities these solutions potentially enable, sales channels need to adopt a more consultative model that develops a deeper understanding of the customer's business processes ahead of proposing what will likely be a highly customized solution. But only a small subset of enterprise customers and/or the channel partners serving them can afford to engage a major business consulting firm like McKinsey or Accenture for such an endeavor. Cisco itself also has an internal organization, the Customer Business Transformation team, that builds business cases for collaboration and other advanced solutions, but it typically is involved in only the largest enterprise opportunities. So once you get below the top tier of enterprise customers in most cases, the channel partners serving mainstream customers have limited ability to do the upfront due diligence to effectively make UC and Collaboration business relevant.

Recognizing that there is no silver bullet for addressing this challenge, Cisco is attempting to chip away at it on multiple fronts:

Cisco believes that its ability to deliver a common architecture blending premise and cloud provides it with a key competitive advantage in lowering some of the technical and go-to-market barriers to broader

investment in collaboration solutions. New third-party services based on the Hosted Collaboration Solution launched over the past year combine with existing premise- and WebEx-based solutions to provide a number of fulfillment modes that may not necessarily reach the individual employee directly, but they definitely provide potential opportunities with specific lines of business and functional areas of an organization that may have targeted needs and budget independent of IT.

With Cisco standardizing on Jabber as its primary collaboration user client, the company aims to extend the collaboration user experience to any device, accessed from any location. Given surging acceptance of BYOD strategies among enterprises over the past year, business users are bringing the smartphones and tablets of their choice into the work environment in large numbers. The success of these consumer devices has also altered user expectations within the enterprise, as employees often find the capabilities provided in the consumer space more advanced than what the enterprise has deployed to date. This puts pressure on IT to support expanded user applications, pressure that Cisco and other leading UC providers hope to tap into to boost deployment of their enabling solutions.

For customers expecting truly transformational benefits from implementing collaboration solutions, Cisco has built out a practice of proactive change management services. These include upfront assessments of how specific collaboration capabilities might fit into an organization's business structure and culture, development of strategies for implementing them to different parts of an organization and managing their use, and establishing vehicles for promoting these capabilities to different stakeholders in an organization that may realize unique value from their use. So these services are essentially aimed at addressing the disconnect discussed earlier between those who traditionally makes voice infrastructure deployment decisions and those who ultimately realizes the business value of UC and Collaboration in an organization.

Cisco's strategy for closing the UC adoption gap clearly focuses on the areas that it can most directly influence as a manufacturer – architectural approach, more user-centric solution packaging, and services helping channels and customers evolve how they think about these technologies. And over time, they may begin to make a dent in the problem. But like both its established and emerging competitors, Cisco will be largely dependent on the ability of its mainstream channel partners to change their sales approach and truly drive this forward. Some are up to the task, and some are not. This leaves a complex equation in place for Cisco and other leading enterprise providers to solve in developing tools and packaging that will help those that can and are willing to move forward to get there, and effective means for weeding out those that are not. This, more than anything else, may ultimately determine who comes out on top in this space.



Frank Stinson is a Partner and Senior Analyst with IntelliCom Analytics and leads the firm's *IntelliCom Market Dashboard (IMD)* and *IntelliCom Market Performance Dashboard (IMPD)* research programs. In this role, Stinson provides clients with ongoing strategic assessments of the positioning, direction, and market performance of leading Business Communications providers in the context of key trends transforming the industry. The rapidly unfolding shift to software-centric communication architectures now underway is central to this analysis, along with the UC and business application integration initiatives that leverage them.

IntelliCom Analytics is a professional services and business research provider focused on the rapidly evolving Business Communications and Collaboration market. With a broad set of competencies ranging from competitive assessments and benchmarking to highly targeted demand forecasts based on detailed embedded base analyses, IntelliCom Analytics brings a wealth of finely honed skills, expertise and market opportunity insights to client engagements. For further information, visit www.intellicom-analytics.com.

CONTACT
Frank Stinson
fstinson@intellicom-analytics.com