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IntelliCom Market Dashboard Spotlight:

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What Constitutes a "System" in a UC Software Model?

As current-generation IP-PBX systems have increasingly dominated market shipments in recent years, they have methodically loosened the grip of proprietary TDM systems that have long sat as islands isolated from the rest of an organization's IT infrastructure. But while the convergence of voice and data infrastructures was not an insignificant development, in a lot of ways it was just trading one box for another. That is, in first-generation IP-PBX systems, customers were still deploying a packaged appliance that delivered the same basic functionality whether it was produced by Avaya, Cisco, Nortel or any number of others. But as Unified Communications (UC) and Collaboration applications have broadened the focus of vendors (and the competitive landscape) in recent years, and their delivery models have increasingly morphed to a software basis, that has begun to change. Customers in the market for a new voice or UC "system" today must select from a range of architectural alternatives for delivering the specific functionality they desire rather than from one single packaging model.

Many customers and channel partners still remain most comfortable with a system-like appliance acquired and deployed in the manner that they are accustomed to, and most legacy providers continue to offer this approach, at least as an option. Efforts to streamline the packaging and simplify deployment and administration appeal to those wary of the complexity of deploying potentially server-intensive software implementations. I recently attended ShoreTel's Champions partner and analyst summit, and their approach is aimed squarely at these businesses. ShoreTel essentially delivers an update of the traditional phone system packaging model but with an IP-based architecture and a well-integrated suite of standard UC applications. They have taken the current technology and application elements with the most mainstream appeal and packaged them in a way that puts a premium on ease of deployment and management. Their sales people and channels are relentlessly on message around these basic points. And it appears to be resonating, as ShoreTel outpaced legacy competitors by a wide margin in our most recent IntelliCom Market Performance Dashboard North American report with growth approaching 35% on a year-over-year basis, while most others were in single digits.

At the other end of the spectrum, you have software-only players like Microsoft and Interactive Intelligence that deliver a suite of voice and UC software applications with broad linkages to other applications in the IT environment. These solutions can be delivered on general-purpose servers and data center platforms like any of a variety of other business and user productivity applications supported by IT. In the software model, customers can still deploy the full suite of capabilities or, alternatively, just specific UC point applications integrated with existing voice solutions. In the latter scenario, however, these applications can effectively become Trojan horses sitting in the installed bases of legacy providers. Should these customers later become more comfortable with a fully software-centric model, they may opt to turn on the incremental voice features they need from the UC software platform already deployed in their environment rather than upgrading to a new, separate voice "system". Ultimately voice and UC capabilities become a set of enabling features that are accessible through a range of other applications based on the specific needs and infrastructure of a particular business rather than a packaged system delivered in the same basic way to every customer.

In the middle, most other major providers are in some stage of transition from traditional to software-centric approaches. These typically include both evolutionary and more transformational options. Mitel, for instance, allows its core voice software to be delivered in a traditional 3300 appliance, third-party server, or virtualized data center platform. NEC, on the other hand, maintains a separate product line from its mainstream, appliance-based solutions, with software-centric options delivered through the NEC Sphere subsidiary. Similarly, Toshiba just launched its server-based IPedge architecture as a complement to its line of traditional systems. And Siemens, one of the first legacy providers to aggressively pursue a software-centric approach through its OpenScape portfolio, continues to provide

both traditional and hybrid migration options in addition to its next-generation solutions. Add in the growing focus on delivering all or some of these capabilities on private or public clouds, and the notion of what a voice or UC system is becomes even fuzzier.

Based on the current market and vendor dynamics, the writing would appear to be on the wall for the traditionally packaged voice system – IP or otherwise. Yet in some parts of the world, a lot of analog key systems are still sold. And it remains to be seen how rapidly customers will actually adopt the emerging alternatives that vendors are now promoting. One thing is clear, though – unlike the IP-PBX transition, it will not be a wholesale shift into one, unifying new packaging model. The next thing will not be one thing at all. It will be a wide range of options based on the unique needs of specific businesses. Some will value the simplicity of packaged system – at least in the short to medium term. Others will value more complex, feature-level integration of voice capabilities into customized business applications where the idea of a discrete voice system becomes less and less relevant. It will become a fragmented market, where vendors have to carefully assess and target their packaging to the opportunity represented by different niches, but one that also provides more choice for the customer.

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.

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