



Worldwide Unified Communications Product Forecast

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2009 Unified Communications Forecasts

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Executive Summary

We see tremendous activity in the unified communications product market as large and small vendors try to create differentiated offerings that appeal to a wide variety of communications, collaboration, and conferencing needs. This updated version of the unified communications products forecast covers the period from 2009 – 2013. Although there is not a consensus definition of unified communications, most vendors have created solutions that may include presence/IM, voice, messaging, and rich media conferencing. Many also provide solutions for shared workspaces and some deliver social networking capabilities. In spite of recessionary pressures, many bright spots exist in the UC marketplace showing significant resilience to the economic climate. Our goal in preparing this report is to provide a comprehensive, unified forecast, offering insights and guidance on the elements that comprise a unified communications products solution and the trends we see in the unified communications products market.

Wainhouse Research has compiled its third comprehensive, worldwide forecast for the unified communications products market. This forecast includes products from the following segments:

- Presence and instant messaging
- Telephony (PBXs—IP and TDM)
- Audio conferencing (premise-based bridges)
- Web collaboration (premise-based)
- Team workspaces (premise-based)
- Unified messaging
- Videoconferencing (bridges, group and desktop endpoints, and telepresence)

Situation Overview

Although unified communications has been in the news and many people talk about it, the fact is that most companies are still in the “try and test” stages of a UC deployment. Many companies are trying to get their arms around what UC is, how it will benefit their organization, and what the ROI will be.

Our belief is that unified communications is an idea or a concept and not a product, and how a company implements UC and which components are deployed may be different for each company.

HIGHLIGHTS

- The entire unified communications products market is forecast to decline with a CAGR of -1.5%.
- Those UC components that will be deployed as part of a UC solution as opposed to standalone components will comprise two thirds of the market by 2013.
- Bright spots significant increases in seats for IM/presence servers, Web conferencing servers, and team workspaces.
- Videoconferencing is expected to double in revenue over the forecast period.
- The PBX market is expected to shrink in revenue by nearly 40% over the life of the forecast.
- The transition to SIP is well underway, particularly with audio bridging and PBXs, paving the way to make UC truly viable.

Consequently, UC has no market size, per se: there are only communications elements that can make up a UC solution. For some companies, unifying voice messaging with email constitutes a UC solution. For others, automating emergency notification and response mechanisms via advanced conferencing technology is a unified communications solution. Still others want to unify their presence and IM engine with the calendar, PBX, directory, and other communications infrastructure via a common interface, and they call this a UC solution. There are companies that want to streamline a business process by adding some communications capabilities; for them, a communications-enabled business process is UC.

As we have tried to quantify the “unified communications market”, we have been forced by the reality of the situation to look at the elements that can comprise a unified communications solution and measure these individually. The truth is that companies don’t buy “UC systems”, they buy UC components that provide value individually, and then if it makes sense, these are unified in some meaningful fashion. An IT manager in a large pharmaceutical said it this way: “You can’t sell unified communications... within the enterprise! ...But, you can provide voice services, audio & web conferencing, video services, etc. ... It is very difficult to define UC, but there is a way around it...the capabilities come first.” This statement suggests that the value of the UC components must come first, followed by consideration of the value of integrating them. Consequently, companies entering the hosted or managed unified communications products market will need to be equipped with business process and organizational behavior teams that can clearly articulate the value proposition behind a move to UC solutions and how these can impact the customer’s business drivers, its key differentiators, and what it cares passionately about¹.

Although we see some market consolidation with Avaya buying Nortel’s assets, Cisco buying Tandberg, HP buying 3Com, and Logitech buying LifeSize, (and numerous smaller acquisitions including Cisco buying Jabber, AT&T buying Interwise, etc), we also see expansion as Google toys with UC capabilities, Skype expands its capabilities by integrating with PBXs, and SalesForce.com and SAP announce enterprise social software solutions. We see an interesting correlation between the email system a company uses and the UC client it deploys. If a company uses Microsoft Exchange/Outlook, in most cases, it will also go with Microsoft Office Communications Server. If a company is using Lotus Domino/Notes, it will go with IBM Sametime. Perhaps this is one reason why Cisco recently purchased an email company to add hosted email to its UC services portfolio.

Clearly video is being pushed very hard by Cisco, which has raised the fortunes of most vendors in the enterprise video space, and it helped video grow, even in the midst of a serious recession. We estimate the video endpoint and infrastructure markets will increase from double in size over the forecast period.

Likewise, IM and Presence servers are resilient to the economic climate. This market segment shows a shift from baseline presence/IM to feature rich IM with clients from Microsoft, IBM, Cisco, Avaya, and others. These clients have many more features and capabilities versus the computer presence and text messages one typically gets with consumer clients. We also more companies investing in these feature rich solutions, so the market is expected to grow from nearly four fold over the forecast period.

¹ See the “Technology Accelerators” chapter of the book “Good to Great” by Jim Collins for a discussion of when companies should adopt leading edge technologies.

Furthermore, the average selling price will increase not just because the products are more expensive, but also because the mix of the market is changing to the more feature-rich environments.

We also see growth in the premises-based Web conferencing server market. In spite of falling ASPs, we estimate there will be many more premises-based Web conferencing seats over the forecast period.

The audio bridging market saw a significant increase in ports sold, with many conferencing service providers increasing their capacity in response to overall growing demand for unattended minutes and replacing their legacy TDM bridges with SIP-based gear. Enterprises also bought more audio bridging ports because they see their underlying infrastructure changing to IP with network service providers able to offer SIP trunking services, which enables less expensive premises-based audio bridging. Thus, while ASPs fell, more ports sold will keep revenues growing through the middle of the forecast period, followed by some revenue decline by 2013.

Team workspaces is another bright spot in the unified communications market, particularly Microsoft SharePoint. This is a growing segment, and we anticipate it will double in revenue by 2103.

The PBX market took a beating entering 2009, and we expect 2009 to be 12% - 15% below 2008 in units shipped. Revenues have also fallen off sharply as ASPs declined concurrently with slumping lines sold. The majority of the PBX market is a replacement business, and with the global recession, businesses could delay a replacement without serious business impact. Some companies are also delaying upgrading their PBXs as they wait to see if Microsoft OCS can really act as a PBX replacement and as they try to get their arms around a coherent UC strategy. We believe the PBX market will see some line growth in 2010, but we predict revenue decline throughout the forecast period due to falling ASPs. We note that Microsoft OCS Release 3 will enter the market in 2010, which should make OCS a real contender for PBX replacement. We also believe we will see continued global financial uncertainty due to the huge public deficits and debt in the USA and Great Britain. We forecast the PBX market to decline by nearly 40% over the life of the forecast.

The unified messaging market showed more resilience than we had estimated in our previous forecast, but we anticipate it decreasing in revenues by approximately over 20% by end of the forecast period.

Table of Contents

Executive Summary	2	Videoconferencing Products Component Forecast	42
Situation Overview	2	Videoconferencing Endpoint Product Segments	43
HIGHLIGHTS	2	Enterprise Group Products	43
The Emergence of Unified Communications	6	Enterprise Personal Products	44
Driving Toward UC Solutions	7	Videoconferencing Infrastructure	44
UC by the Slice.....	7	Videoconferencing Market Segments	44
The Impact of Free	8	2009 Video Forecast Assumptions	46
How Enterprises Buy UC	9	Enterprise Group Forecast.....	47
Methodology, Definitions, and Assumptions	11	Multi-Codec Videoconferencing Systems	47
General Forecast Assumptions	12	Single-Codec Videoconferencing Systems...	49
Conferencing-Specific Forecast Assumptions ..	14	Executive Desktop Videoconferencing	
IM and Presence Server Component Forecast	17	Systems	51
PBX Component Forecast.....	21	Enterprise Group Videoconferencing Forecast	
The PBX Market Took a Beating in 2008/2009.	21	Summary	53
Trends in the Telephony Market	21	Enterprise Personal Videoconferencing Forecast	
PBX Forecast Through 2013.....	23	55
The Global Transition to IP Telephony	24	Video Endpoint Forecast Summary	58
Global PBX Revenue Forecast	24	Video Infrastructure Forecast.....	58
Audio Bridge Component Forecast	26	Total Video Revenues.....	59
Web Conferencing Server Component Forecast ..	33	How Much of Each Component Forecast is Actually	
Unified Messaging Component Forecast	37	UC.....	60
Unified Messaging Market Forecast Through		Glossary.....	62
2013	38	List of Tables	65
Team Workspaces Component Forecast.....	40	List of Figures	66
		Related Reports.....	68

List of Tables

Table 1.	Global Unified Communications Products Forecast Summary, 2008–2013 (US\$ in Millions)	6
Table 2.	A comparison of major UC vendor product stacks.	12
Table 3.	IM and Presence Server Market Sizing and Forecast, 2008-2013, (US\$ in Millions)	18
Table 4.	Line Shipment Forecast, Traditional + IP PBX, (Thousands) 2008–2013	25
Table 5.	PBX Average Selling Prices (ASP – US\$), 2008–2013	26
Table 6.	PBX Revenue Forecast, (US\$ in Millions), 2008–2013	26
Table 7.	Audio Bridge Market Sizing and Forecast, (US\$ in Millions), 2008 - 2013	28
Table 8.	Audio Bridge ASPs (US\$), Market Size by Port Type, and Revenue Forecast (US\$ in Millions)	32
Table 9.	Web Conferencing Server Market Sizing and Forecast 2008 – 2013, (US\$ in Millions)	34
Table 10.	Worldwide UM Port Shipments (in Thousands) and Revenue Forecast (US\$ in Millions), 2008–2013	39
Table 11.	Team Workspaces Market Sizing and Forecast, 2008–2013, (US\$ in Millions)	42
Table 12.	Multi-Codec Group Video Forecast Summary by Region, (US\$ in Millions), 2008-2013	48
Table 13.	Single-Codec Systems Forecast Summary, (US\$ In Millions), 2008-2013	50
Table 14.	Executive Desktop Forecast Summary, (US\$ In Millions), 2008-2013	52
Table 15.	Enterprise Group Systems Forecast Summary, (US\$ In Millions), 2008-2013	54
Table 16.	Enterprise Personal Videoconferencing Systems Forecast Summary, (US\$ In Millions), 2008-2013	56
Table 17.	Enterprise Personal Videoconferencing Units by Geography, (in Thousands), 2008-2013	58
Table 18.	Enterprise Videoconferencing Endpoint Summary, (US\$ In Millions), 2008-2013	59
Table 19.	Video Infrastructure Forecast Summary, (US\$ In Millions), 2008-2013	59
Table 20.	Total Videoconferencing Revenue Forecast All Sources, (US\$ In Millions), 2007-2013	60
Table 21.	Percentage of Each Component that Will be in a UC Solution, 2008–2013	61
Table 22.	Revenue Forecast for Components that Will be Sold as Part of a UC Solution, (US\$ In Millions), 2008-2013	62

List of Figures

Figure 1.	Global Unified Communications Products Forecast Summary, 2008–2013.....	5
Figure 2.	Global Unified Communications Component Forecast Summary, 2008–2013 (US\$ in Millions).....	5
Figure 3.	Global Unified Communications Collaboration Component Forecast Summary (No PBX Component), 2008–2013 (US\$ in Millions).....	6
Figure 4.	Web conferencing platform usage among end users as of 12/2008.	10
Figure 5.	How enterprises buy UC components.	11
Figure 6.	IM and Presence Server Major Vendors Revenue in 2008 (US\$ Mil)	19
Figure 7.	IM and Presence Server Revenue (\$Mil) and Cumulative Users (Mil)	20
Figure 8.	IM and Presence Server ASPs (US\$) and New Named Users (Mil)	21
Figure 9.	Quarterly Telephony Shipment Variation 2008 – 2009.....	22
Figure 10.	Line Shipment Forecast TDM and IP PBX (Thousands), 2008-2013.....	25
Figure 11.	PBX Revenue Forecast, (US\$ in Millions), 2008–2013.....	26
Figure 12.	Audio Bridge Revenues by customer Type (US\$ in Millions).....	28
Figure 13.	IP and PSTN Audio Bridge Port Shipments (000) and ASPs (in US\$).....	31
Figure 14.	Audio Port Shipments by Market Segment (000)	32
Figure 15.	Audio Bridge Port Revenues by Port Type (\$Mil).....	33
Figure 16.	Web Conferencing Server Forecast (US\$ in Millions).....	34
Figure 17.	Major Web Conferencing Server Vendors Revenues (\$Mil) and Market Share (%) for 2008	36
Figure 18.	Web Conferencing Server ASPs (US\$) and Number of New Named Users (in Millions)	37
Figure 19.	Worldwide UM Port Shipments (in Thousands) and Revenue Forecast (US\$ in Millions), 2008–2013	40
Figure 20.	Team Workspaces Market Forecast Revenues, 2008–2013 (US\$ in Millions).....	42
Figure 21.	Quarterly Videoconferencing Revenues (\$Mil) and Units.....	43
Figure 22.	Telepresence Experience versus Product Definition	44

Figure 23. Videoconferencing Market Segments	46
Figure 24. Multi-Codec Units and Revenue Forecast, (US\$ In Millions), 2008-2013	49
Figure 25. Multi-Codec ASP Forecast, (US\$ In Thousands), 2008-2013	49
Figure 26. Single-Codec Units and Revenue Forecast, (US\$ In Millions), 2008-2013.....	51
Figure 27. Single-Codec ASP Forecast, (US\$ In Thousands), 2008-2013	51
Figure 28. Executive Desktop Units and Revenue Forecast, (US\$ In Millions), 2008-2013.....	53
Figure 29. Executive Desktop ASP Forecast, (US\$ In Thousands), 2008-2013	53
Figure 30. Worldwide Enterprise Group Videoconferencing Unit Forecast Summary, 2008-2013	54
Figure 31. Worldwide Enterprise Group Videoconferencing Revenue Forecast Summary, (US\$ in Millions) 2008-2013	55
Figure 32. Enterprise Personal Videoconferencing Units Forecast, (K Units), 2008-2013.....	57
Figure 33. Enterprise Personal Videoconferencing ASP Forecast, (US in Thousands), 2008-2013.....	57
Figure 34. Enterprise Personal Videoconferencing Market Size Forecast, (US in Millions), 2008-2013.....	58
Figure 35. Video Infrastructure Revenue Forecast, (\$ in Millions), 2008-2013	60
Figure 36. Revenue Forecast for Components that Will be Sold as Part of a UC Solution, (US\$ in Millions), 2008 - 2013	62

[Return to Table of Contents](#)

Related Reports

- #RE-UCaaS *Unified Communications as a Service: Hosted UC Market Strategies, Solution Offerings, and 6-Year Forecast, June/2009* <http://www.wainhouse.com/ucreports>
- #RE-MOB *Mobile Unified Communications: Mobile Workforce Communications Choices for CXOs and Managers, May/2008* <http://www.wainhouse.com/ucreports>
- #RE-RMC *Rich Media Conferencing Volumes 1 - 3, June - December/2009* <http://www.wainhouse.com/rmc>
- #RE-MSUC *Microsoft's Software-Powered Unified Communications Strategy: A Critical Assessment of Office Communications Server 2007 and its Fitness as an Enterprise Communications Solution, October/2007* <http://www.wainhouse.com/ucreports>
- #RE-IBMUC *IBM's Unified Communications and Collaboration Strategy: Big Blue's Big Bet on Eclipse and Sametime, May/2007*
<http://www.wainhouse.com/ucreports>
- #RE-TBUC *Telephony-Based Unified Communications 2007: Improved Enterprise Efficiency versus the Perceived Pain of Adoption, November/2006* <http://wainhouse.com/ucreports>
- #RE-TELPR *Telepresence 2007: Taking Videoconferencing to the Next Frontier, February/2007*
http://www.wainhouse.com/reports/WRWainhouse_Research_TelePres07.pdf
- #RE-MCU07 *Video Bridge Evaluation Q2 2007: An In-Depth Look at Leading Stand-Alone Entry-Level MCUs, May/2007* <http://www.wrplatinum.com/Content.aspx?CID=7284>
- #RE-CSP *Local CSP Markets: North America, Europe, Asia/Pacific, 2008* <http://www.wainhouse.com/csp/>
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About Wainhouse Research

Wainhouse Research (www.wainhouse.com) provides strategic guidance and insight on products and services for collaboration and conferencing applications within Unified Communications. Our global client base includes established and new technology suppliers and service providers, as well as enterprise users of voice, video, streaming, and web collaboration solutions. The company provides market research and consulting, produces conferences on technology trends and customer experiences, publishes a free weekly newsletter, and speaks at client and industry events.

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