Worldwide Unified Communications Services Forecast

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2009 Unified Communications Forecasts

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Executive Summary

We see tremendous activity in the unified communications services market as large and small providers try to create differentiated offerings that appeal to a wide variety of communications, collaboration, and conferencing needs. This updated version of the unified communications service forecast covers the period from 2009 – 2013. Although there is not a consensus definition of unified communications, most providers have created services offerings that may include presence/IM, voice, messaging, and conferencing. Many also provide solutions for shared workspaces and some deliver social networking capabilities. With so many technology components, there is vast variety in the possible service offerings, spanning the gamete from fully hosted to fully managed premises-based solutions. This complexity is a boon to service providers who can leverage their networking, IT, telecom, and conferencing expertise to develop compelling unified communications and collaboration solutions for large and small companies alike. Our goal is to provide a comprehensive, unified forecast, offering insights and guidance on the elements that comprise a unified communications services solution and the trends we see in the unified communications services market.

For this UC Services Forecast, Wainhouse Research includes the following components:

- Audio bridging, web conferencing, and video bridging services originating from hosted collaboration service providers (CSP).
- UC solutions offerings emerging from traditional hosted voice and IP Centrex solution providers.
- UC solutions offered by conventional hosted messaging providers.
- UC solutions that offered by traditional networking carriers/operators.
- UC solutions offered by systems integrators (SI).

HIGHLIGHTS

- The unified communications services market for component services is forecast grow with a CAGR of 21.1%.
- The UC services forecast for component services is composed of hosted audio, web and video conferencing as well as hosted and managed unified communications services.
- The standalone hosted conferencing services market will continue to thrive, with significant contribution to UC bundles forecast by the end of 2013.
- By 2013, hosted and managed UC services will eclipse traditional conferencing services in revenue.

In the 2009 unified communication Services Forecast study we have refined our forecasting elements from the 2008 study. In 2008, our approach was to analyze the hosted market for IP-based voice and messaging providers who add unified communications capabilities and licenses to their basic email or voice offerings; this year we added two additional segments, which are those UC services offered by traditional carriers/operators as well as those managed services provided by systems integrators. We see significant UC services activity among many of the large, globally-capable networking providers and SIs. As a consequence of increased activity, the total size of our forecast has increase for 2013 as compared to the forecast produced last year.

WR views the unified communications, collaboration, and conferencing markets integrally linked and believes that considering the market for unified communications and collaboration as a single opportunity is a more appropriate and accurate method of understanding and sizing the opportunity.

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. 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 services 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 services and how these can impact the customer’s business drivers, its key differentiators, and what it cares passionately about[1].

The size of the market to be served coupled with the complexity of the solutions gives UC services providers significant opportunities for developing differentiated services offerings. At SMB end of the market, providers can offer a fully hosted solution with a specific set of UC capabilities, and they can often charge a premium for the integrated, hosted solution over what these capabilities would cost in a premises-based offering. This is because SMBs often do not have nor do they want to have the

[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.

different skill sets required to own and manage their own UC solution. At the LMB end of the market, companies could put in fully-loaded premises-based UC solutions themselves, yet we are beginning to see significant movement toward hosted-hybrid-managed solutions in which the enterprise can own, manage, and operate some elements of the UC solution while inviting the service provider to deliver the other elements in either a hosted or on-premises fashion, but with service provider owning full management responsibility for those additional capabilities. Large companies are looking for significant cost savings from a service provider over what it would cost them to deploy UC capabilities on their own; no premium will available since if the total cost of ownership of the service from the service provider is higher, large companies will simply deploy these services on their own.

As we predicted, Microsoft's entry into the services market is having a significant impact. The company recently turned the messaging-enabled UC market on its head by lowering the price for its Business Productivity Online Suite to $10/user/month for hosted email (Exchange), shared workspaces (SharePoint), presence/IM (Office Communications), and web conferencing (Live Meeting). Several large services providers are integrating with Microsoft Online Services to offer the networking, voice, and PSTN connectivity required for a fully-loaded UC solution. These large services providers have already begun working with their largest customers on this type of hosted/hybrid solution. We see a significant downward trend in the seat cost for hosted UC solutions as a result of lower priced hosted services.

We are also seeing a number of companies who have their own enterprise voice solutions from Cisco, Avaya, and others, who desire to integrate with hosted email messaging and hosted Microsoft Office Communications Server. At the small end of the market, some providers offer fully-loaded UC solutions which are typically based around a hosted Cisco, Avaya, or Siemens voice platform coupled with Microsoft Exchange, SharePoint, and Office Communications Server. Large companies typically select service providers from whom they can chose the services they need á la carte.

Our 2009 – 2013 UC services forecast clearly predicts significant growth. The compound annual growth rate (CAGR) over this period is forecast at 21.1%, with double- or triple-digit compounded growth rates in hosted and managed UC services. However, not all components will end up in a UC bundle – specifically, standalone audio, web, and video conferencing. In this study we have calculated the portion of these services that will comprise a UC bundle. The compound annual growth rate (CAGR) for UC bundled services offerings over this period is forecast at 107.1%.

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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.

About the Research Team

E. Brent Kelly is a Senior Analyst and Partner at Wainhouse Research specializing in unified communications applications and enabling infrastructure. Brent has authored numerous reports and articles on unified communications including unified communications as a service, mobile unified communications solutions, detailed reviews of Microsoft's UC strategy as embodied by Office Communications Server, IBM Lotus Sametime and IBM Lotus' UC^2 Strategy, and Telephony-Based Unified Communications, which is a thorough description of PBX vendor unified communications offerings. He has also written reports about migrating to IP communications, video network service providers, and the collaborative reseller channel. Dr. Kelly has authored articles for Business Communications Review Magazine, NoJitter.com, and he has taught workshops in North and South America, Europe, and Australia as well as at major industry events such as VoiceCon. With over 21 years experience in developing and marketing highly technical products, Brent has served as an executive in a manufacturing firm where he developed and implemented a manufacturing, marketing, and channel strategy that helped land national accounts at major retailers. Previously, he was part of the team that built the devices Intel used to test their Pentium microprocessors. He has also led teams developing real-time data acquisition and control systems, and adaptive intelligent design systems for Schlumberger. Brent has worked for several other multinational companies including Conoco and Monsanto. Dr. Kelly has a Ph.D. in chemical engineering from Texas A&M and a B.S. in chemical engineering from Brigham Young University. He can be reached at bkelly@wainhouse.com.

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