FROST & SULLIVAN

July 2010

A Look at the Unified Communications Market

Melanie Turek, Industry Principal

"We Accelerate Growth"

Frost & Sullivan recently published the latest version of its annual market study on unified communications. For the purposes of this study, Frost & Sullivan defines a unified communications application as an integrated set of voice, data and video communications, all of which leverage PC- and telephony-based presence information. UC applications are meant to simplify communications for the end user by making it easy to "click to communicate."

It's still early days when it comes to UC deployments. In 2009, vendors shipped about 16 million UC and UC-capable clients. By 2015, we expect vendors to ship between 25 and 30 million UC clients. We estimate that in 2009, the installed base of fully integrated UC solutions was about 2.1 million users, and we expect it to grow to about 50 million users by 2015.

Today, the market is dominated by IM clients that can be UC enabled (roughly 77 percent of all clients shipped), as opposed to UC clients from traditional telephony vendors (23 percent). We expect that to shift over time, so that by 2015, 66 percent of UC clients will be telephony-centric.

The market is dealing with several key trends in unified communications applications, including mobility, social media, and desktop videoconferencing. More companies are also looking at virtualization and SIP trunking as deployment options for communications, including UC, and they require application enablement capabilities, professional services, and vendor partnerships to make the necessary integration of the various components work. Finally, hosted services will likely have an impact on how UC services are delivered, especially in the SMB market.

When companies deploy UC solutions, they have two distinct business models to choose from: all-in-one suites and best-of-breed applications. Bundled suites are more likely to appeal to SMBs; large enterprises typically have mixed-vendor environments that would be difficult to eliminate even if they wanted to. Generally speaking, companies still opt to get telephony capabilities from a traditional provider (Avaya, Cisco, Siemens, etc.) and "collaboration" capabilities from best-of-breed vendors (Microsoft and IBM for instant messaging and presence; videoconferencing from Polycom, Tandberg and Avistar; and web conferencing from WebEx, Citrix Online and others). That requires integration, which, depending on the vendors involved, may or may not be achievable out of the box.

Since UC represents a complex set of voice, data and video applications, there is no single, uniform pricing structure, or even price point, in the market today. As companies buy more bundles of capabilities, rather than stand-alone applications, and as they integrate best-of-breed solutions from multiple vendors, some of which they've owned for years, it is even harder to identify the true cost of a UC implementation—or the revenue generated from it. A complete suite runs anywhere from $120 to $350.

Customers have started including UC capabilities on their RFPs for communications solutions, but mostly as a hedge against the future, rather than as a set of capabilities they intend to deploy immediately. Today, most companies start with a single technology that may be part of a bigger UC deployment in the future, such as Voice over IP or desktop videoconferencing.

Because the UC market is so new, businesses can and should leverage their communications investments to gain a competitive advantage. They need to think strategically when developing communications and IT investment plans and seek to improve internal communications and collaboration, employee productivity and efficiency, and customer relationships. Doing so now could give them a two-five year leg up on slower, less communications-aware competitors; drive revenue; and improve the bottom line.

Sponsored by: AVISTAR™

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages over 45 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.