



## Magic Quadrant for North American Corporate Telephony, 2005

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2005 represents a turning point for enterprise telephony as traditional PBX software starts to become obsolete. Expensive upgrades to IP-enabled software releases create compelling opportunities for companies to use IP-based architectures for consolidation of their telephony platforms.

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#### 1.0 What You Need to Know [\[return to Table of Contents\]](#)

Companies with broad geographical telephony requirements should favor vendors with scalable, open standards-based technologies. Cost-effective solutions that demonstrate business benefits while enabling enterprises to migrate to IP telephony at their own pace are essential. Look for proven performance and satisfactory references from providers. A complete portfolio of IP telephony solutions, including business and technical consulting, and managed and security services, as well as traditional application development and integration capabilities, is mandatory.

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The migration from time division multiplexing (TDM) to IP and full-featured IP telephony environments is receiving more attention from a wide variety of companies. Price and feature comparisons are no longer the only reasons to implement IP telephony platforms. Rather, executive managers are becoming more involved with evaluating how IP telephony can add value to business processes. This significant shift requires that IT and telecommunications organizations select solution integrators that can demonstrate their ability to understand an organization's goals and that can deliver a complete solution that includes features, applications, long-term support and qualified professional services.

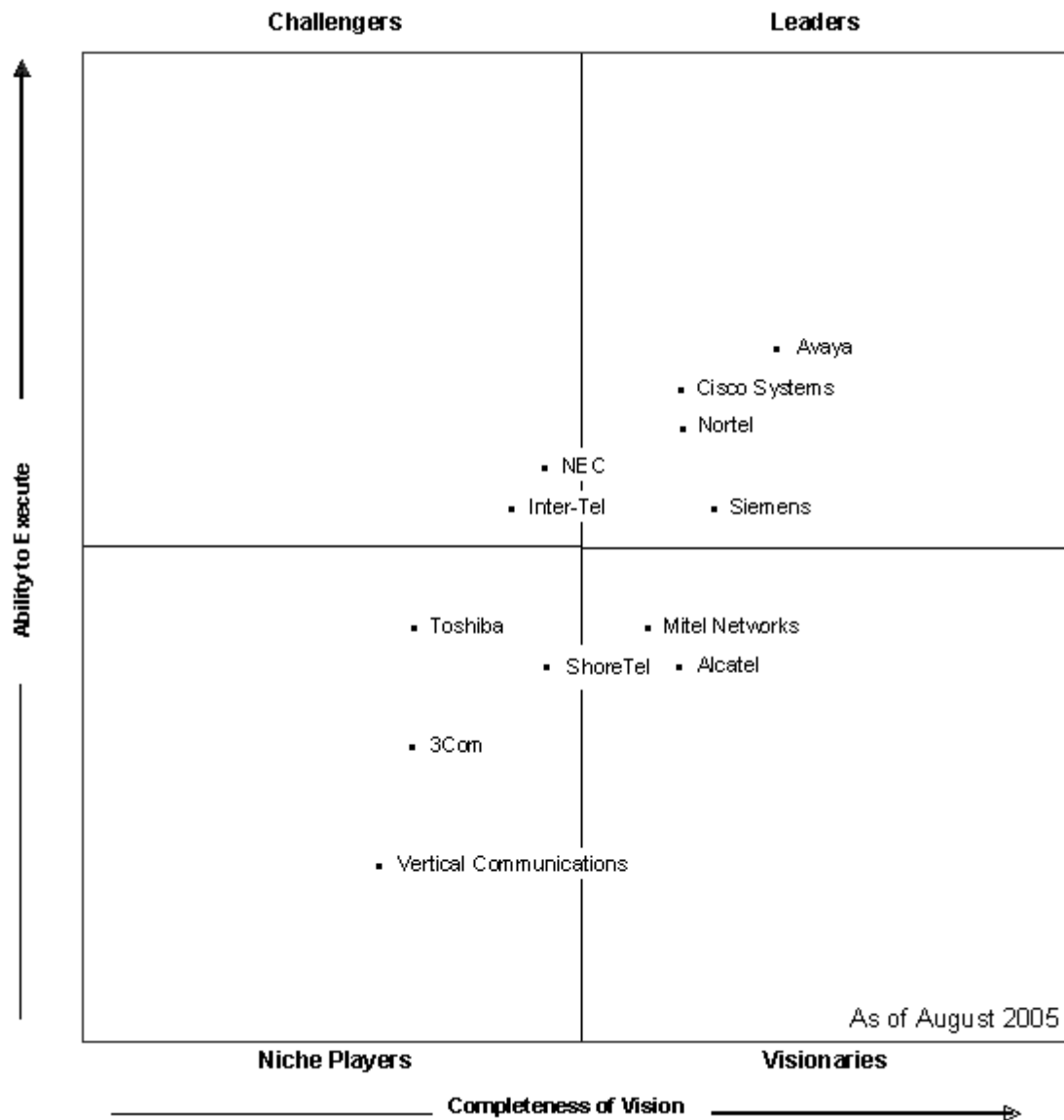
Although most companies do not yet require a complete IP environment to satisfy their voice needs, many are installing systems that can migrate to IP when they are ready. As a result, TDM technology (including support for analog and digital endpoints), in conjunction with IP, will play a significant part in telecom strategies.

Consult the Magic Quadrant for North American Corporate Telephony, 2005 (see Figure 1) if you are considering purchasing a new voice server or expanding or upgrading a voice system. Although the vendors identified as leaders generally have the largest market presence, also consider visionaries, challengers and niche players because their solutions may be more economical, while satisfying specific requirements, vertical applications or regional availability.

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### **Figure 1.**

### **Magic Quadrant for North American Corporate Telephony, 2005**



Source: Gartner (August 2005)

### 3.0 Market Overview [\[return to Table of Contents\]](#)

Through 2007, companies will be faced with a number of key issues that will affect their buying decisions for enterprise telephony. In evaluating vendors for the Corporate Telephony Magic Quadrant, we recognize a number of challenges for companies that vendors will need to address to demonstrate market leadership. Our analysis of vendor positioning in Magic Quadrants will favor those vendors that address larger corporate organizations. Vendors with stronger regional or vertical specialities may not necessarily be reflected favorably. Although the Magic Quadrant provides a valuable decision tool for many companies, don't automatically exclude vendors that are not positioned as leaders, but instead, use these criteria as a basis for vendor assessment in your own business context.

The key challenges are:

**There is no "killer application" for deploying IP telephony.**

Despite attempts to prove the contrary, there is no clear cost-saving argument to justify a forklift upgrade for the voice network in more than 80 percent of enterprise networks. Although IP telephony is recognized as offering savings for the IT organization, the incremental costs of upgrading the data network and investment in IP PBX handsets far exceed savings in the majority of business cases. Consolidation of telephony enables economies of scale with reduced depreciation, administration and maintenance, as well as public switched telephone network bypass for "on net" telephone calls between large and small offices. Ensure that your vendor's architectures and platforms support cost-effective consolidation for your business.

### **Scalable hybrid solutions are critical for platform consolidation.**

Through 2010, more than 70 percent of companies will build hybrid telephony networks, comprising both traditional and IP end points. Scalability is critical as companies select primary hosting points in their networks that will centrally support many thousands of telephony users, on campus and across a wide-area network. Although some companies will adopt wholly IP telephony solutions, these are more likely to be linked to a technology refresh as part of a new office installation, managed service or outsource contract. Favor vendors that can demonstrate scalability in their solutions and strong integration with legacy PBX networks.

### **Upgrading the data network is essential to support migration to IP telephony.**

This should be a strategic imperative for all companies. Migration to IP telephony can only be achieved as part of an integrated IT strategy, ideally linked to server consolidation programs, migrations to Multiprotocol Label Switching wide-area networking and ongoing upgrades in the local-area network. As vendors announce discontinuations of pre-IP-enabled PBX software releases, the opportunity to consolidate the number of PBX platforms and hardware upgrade fees can only be achieved if the data network is ready to run voice. In selecting strategic suppliers, favor vendors with products and programs that meet the migration timelines of their company.

### **Organizational cooperation is critical to satisfy the business case.**

To present a successful business case to the CFO, companies should recognize the incremental benefit of business efficiency through improved communications. This can only be realized by closer cooperation with the business-unit managers, to understand the challenges they face and how IT can support a more coordinated approach to making the business more agile once voice can be embedded into IT applications. Favor vendors that can help articulate and demonstrate these benefits across the business units.

### **Companies need to plan for Internet architectures in future communications solutions.**

As IP telephony matures and becomes more integrated with business process (particularly in customer service), companies will need to develop communications solutions around Internet-based architectures. Future adoption of Session Initiation Protocol (SIP) will be essential to ensuring enterprises have maximum flexibility and choice in selecting enhanced applications, such as contact center and unified communications, which interact with a range of end-user devices. Expect vendor product strategies to evolve toward supporting standards-based architectures through the next three years.

## **3.1 Market Definition/Description [\[return to Table of Contents\]](#)**

The market for corporate telephony is defined as the supply of enterprise platforms designed to meet the

needs of voice communications for large business and corporate companies. The Magic Quadrant for North American Corporate Telephony, 2005 specifically focuses on the technology suppliers that manufacture and distribute hardware and software products to provide telephony solutions.

Architectures may include distributed or hosted platforms, but are essentially dedicated for use by a single company. As the market evolves from proprietary hardware to standards-based software, companies will use IP telephony to deliver business benefits across the enterprise while consolidating technologies around a common technology provider or selection of providers. To meet the demands of this market, suppliers must be able to offer scalable solutions using architectures that leverage Internet-based architectures and the high levels of availability demanded by users.

#### **4.0 Inclusion and Exclusion Criteria** [\[return to Table of Contents\]](#)

The Corporate Telephony Magic Quadrant evaluates vendor ability to consistently support the needs of companies in key North American (NA) geographies. To be included in the Quadrant, vendors need to show the following capabilities in the North American region:

- Substantive sales and operational presence across the region
- Demonstrable telephony solutions for corporate enterprises
- Generated significant vendor interest from leading client segments in the market

#### **4.1 Added** [\[return to Table of Contents\]](#)

No new vendors were added to the North American Corporate Telephony Magic Quadrant this year.

#### **4.2 Dropped** [\[return to Table of Contents\]](#)

No vendors were dropped from the North American Corporate Telephony Magic Quadrant this year.

#### **5.0 Evaluation Criteria** [\[return to Table of Contents\]](#)

##### **5.1 Ability to Execute** [\[return to Table of Contents\]](#)

*Marketing Execution, Focusing on Mind Share (Weighting: Normal):* Companies are encouraged to consolidate their telephony suppliers to maximize the benefit from centralizing IP telephony applications and for greater economies of scale in purchase and support. This often benefits incumbent suppliers of voice and data solutions and vendors that operate across wide geographical markets. Don't automatically discount regional players, but ensure that their value propositions are very specific before considering the additional complexities of a multivendor environment.

*Product/Services (Weighting: Normal):* Vendors with strong product and service development programs have focused on migrating architectures to standards-based operating systems and commercial grade processors. These changes enable them to reduce manufacturing and ongoing maintenance costs and to focus on new product and application capabilities that may meet enterprise requirements. These new applications enable different ways of working with voice, and make some of the traditional PBX feature sets out of date. All incumbent PBX vendors need to demonstrate strong, scalable IP solutions. SIP is now sufficiently developed to be a realistic optional component of IP-based platforms.

*Overall Viability, Focusing on Financial Capabilities (Weighting: Normal):* Restructuring and a greater control on costs has enabled fiscally prudent vendors to lead further industry consolidation through the acquisition of marginal players. Vendors with strong financial positions will be better placed to support

the sales and marketing initiatives essential to increasing market share through 2009 and commitment to continued research and development toward standards-based platforms.

*Sales Execution, Focusing on Market Share and Channel Distribution (Weighting: Normal):* Companies deploying IP telephony should recognize that the task of combining voice and data is more than just network convergence and, in many cases, it is a bigger challenge than an enterprise can manage. Service providers and network integrators with skills in business and technical consulting, as well as systems integration, application development, management and security services, are increasingly likely to play an important part in deploying IP telephony solutions. Consequently, vendor success will increasingly depend on the strength of their relationships with successful IT services companies.

## 5.2 Completeness of Vision [\[return to Table of Contents\]](#)

*Market Understanding (Weighting: Normal):* As telephony moves to become IP and based on open standards, the market for emerging software solutions to coexist with established hardware-oriented solutions expands markedly. Incumbent players will find it more difficult to justify premiums for proprietary devices and licenses. As the boundaries between enterprise and carrier, and wireline and wireless become more blurred; look to vendors to provide coherent strategies to address the broader communications market, incorporating fixed-mobile convergence as well as network convergence.

*Innovation, Specifically Focusing on Technical Innovation (Weighting: Normal):* The business case for IP telephony is often difficult to prove, especially if it is not clear how new technology can enhance business processes and improve productivity. Support for traditional telephony functionality is important; however, vendors must also be able to show how innovative functions such as presence management can benefit enterprises beyond traditional telephony. Gartner's analysis will favor vendors with a clear vision of how the market will evolve in support of open voice standards and business process integration.

*Marketing Strategy (Weighting: Normal):* The traditional PBX evolved through 30 years of development in an engineering-led industry. In the IP telephony generation, the resources required to sell solutions need to be supplemented by strong marketing-led business development strategies. No matter how strong their product sets are, vendors that do not focus on actively stimulating demand with users will find sales channels unenthusiastic about including those solutions in their portfolios. Gartner expects vendors to communicate market propositions that meet the needs of particular geographical and vertical markets.

*Sales Strategy; With an Emphasis on Services Strategy (Weighting: Normal):* The development of IP telephony in standards-based architecture offers new opportunities for integration and customization. At the same time, convergence with data networks leads to more-complex operating environments. Gartner looks for vendors to create strong services organizations to support sales channels, systems integrators and customers. Servicing companies directly can lead to channel conflict, so vendors must be able to demonstrate how their professional services strategies are consistent with the needs of their channels and their users.

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Leaders demonstrate market strength and can affect market trends in all criteria categories on which they are evaluated.

## 5.4 Challengers [\[return to Table of Contents\]](#)

Challengers demonstrate an understanding of the market, and they often possess a complete product portfolio and a strong market presence. However, they have not shown an understanding of market direction, or they are not well-positioned to capitalize on emerging trends.

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Visionaries display healthy innovation and a strong potential to influence the direction of the market, but they are limited in execution or track record. Typically, their products and market presence are not complete or established enough to challenge leaders.

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Niche players offer strong products for market subsets or complete portfolios, but they demonstrate weaknesses in one or more important measures.

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#### **Avaya**

Avaya has embarked on a development program that links enterprise business communications applications to industry-specific applications. The goal is to enhance business processes using IP technology. Within a product architecture that offers scalability, a consistent user interface, call-processing power and investment protection, Avaya continues to expand its Communication Manager portfolio with cost-effective gateways, media servers and redundancy options. In addition, Avaya is combining wireless with IP and multimedia messaging technologies to support unified communications. A portfolio of professional services from Avaya Global Services is aimed at improving Avaya's market responsiveness and reducing customer risk. However, Avaya's distribution strategy has, at times, created a conflict between its direct sales force and its business partners that users could find frustrating, but which Avaya is working to resolve. The financial status of Avaya continues to be positive.

#### **Siemens**

Siemens' HiPath 4000 and HiPath 3000 platforms offer transition paths to IP for small, midsize and large businesses. Targeted at very large organizations, its innovative HiPath 8000 solution enhances Siemens' IP portfolio and migration strategy. A new product development strategy sees the consolidation of HiPath telephony around the 8000 platform, enabling Siemens to offer enterprise-class capabilities in a common carrier-grade platform as defined by the Siemens Lifeworks proposition. The addition of Verizon to its dealer network positions Siemens to pull through the sale of communications systems by leveraging its corporate diversification in vertical markets, such as healthcare, finance and manufacturing. The relationship should help Siemens reverse its recent decline in market share. Companies with established Siemens investments and multinational companies looking for a global telephony solution should consider Siemens on their shortlist of vendors.

#### **NEC**

NEC's Univerge SV7000 platform supports backward and forward compatibility with NEC's series of NEAX platforms, while offering various levels of converged IP capabilities, a multitude of features, scalability and investment protection. These platforms have earned an excellent reputation in the education, hospitality and healthcare vertical markets, with attributes that should attract other organizations with distributed environments. NEC Unified Solutions also offers a menu of services that

supports the planning, implementation, network readiness and ongoing needs for users of IP telephony technology. As a result of its large dealer network, NEC has most often gained recognition with users in the small and midsize business (SMB) market segment. However, NEC is adding dealers specifically certified to represent NEC's enterprise product portfolio, which should draw the attention of large-scale users.

### **Alcatel**

Alcatel's OmniPCX Enterprise platform supports traditional and IP-based telephony configurations that can satisfy the requirements of organizations seeking a full IP communications system, a traditional TDM-based PBX or a combination of the two. A choice of survivability options can support small locations of large organizations. Alcatel's OmniPCX Enterprise is an especially good fit for its global installed base of customers with locations in North America. Alcatel products are mainly available in major metropolitan areas through a small network of dealers. However, to combat its slow growth of market share in North America, Alcatel must increase the number of qualified voice and data value-added resellers in its distribution channel or enhance its direct sales organization in the U.S. Alcatel has created product suites for specific vertical markets, such as education and healthcare, which should help these new channels gain customers.

### **Inter-Tel**

Inter-Tel's product line provides cost-effective single-site solutions, as well as solutions for connecting multiple sites that can form a larger single-system image. New and established users can employ the Axxess platform and Inter-Tel 5000 Network Communications Solution, which both support IP telephony, networking, call center and messaging applications. For organizations seeking conservation of capital and a fixed monthly bill, Inter-Tel offers turnkey managed service programs that include equipment, applications, local and long-distance services, and planning and provisioning consultation. Enhancements available to all Inter-Tel customers include Web conferencing, multimedia collaboration tools and SIP-based presence management. However, the lack of standards-based QSIG signaling limits the ability of the Axxess platform to interoperate with disparate TDM-based PBX systems that support QSIG. Inter-Tel has consistently maintained profitability throughout market downturns and uncertain economic conditions.

### **Toshiba**

Although late to the IP telephony arena, Toshiba has been regaining market share among its traditional base of customers. Its Strata CIX IP telephony system supports up to 672 end points per system; multiple systems can be networked to satisfy the requirements of larger businesses with numerous locations, as well as SMBs with only a few sites. The product design enables users to blend the amount of TDM and IP end points that best suit their requirements, which fulfills Toshiba's goal of preserving investment protection. In lieu of having a direct sales force, a national accounts program offers volume-pricing plans through authorized regional dealers that can demonstrate knowledge of IP technology and related issues, such as interoperability with the LAN or other LAN applications. The plan has standard uniform pricing for products and services and has succeeded with customers in the retail and education vertical markets. Toshiba also has a separate Government Services Administration (GSA) plan that has succeeded with federal, state and local government customers.

### **Cisco Systems**

Cisco continues to displace traditional PBX systems from the incumbent vendors; its dealers have been

extremely effective in selling to IT organizations. Users with established Cisco data network infrastructures should consider Cisco when opening new facilities or when needing to replace older PBX systems, especially if they want to be aggressive in deploying new technology, such as pure IP telephony. Cisco has been particularly strong in vertical industry markets, such as government, financial, education and manufacturing. Cisco CallManager's feature set and functionality are still not as extensive as its enterprise competitors, but the company has been consistent in rolling out CallManager enhancements with each new release. Although Cisco currently lacks the advanced features and applications available from its competitors, it boasts significant resources and numerous partners available to support customers.

## **Nortel**

We think highly of Nortel's core technology and products, as well as its large customer base, but it must be successful in dispelling uncertainty about its executive leadership, organizational structure and financial issues. The company offers a broad IP telephony product portfolio for new prospects, as well as a strong migration path for its large and established customer base, with its range of call servers, IP phones and applications. Nortel has recently expanded its portfolio with the new BCM 50 platform, which also serves as a Survivable Remote Gateway for enterprise branch offices. Evaluate Nortel when investment protection is a consideration for moving to IP telephony, along with strong redundancy and survivability features. Nortel's messaging and contact center are strong portfolios to consider in conjunction with the Nortel telephony platform.

## **Mitel Networks**

Mitel Networks targets stand-alone and distributed enterprises with fewer than 2,000 users per location and is particularly focused on vertical markets, such as education, government, healthcare, retail and hospitality. Users in these target markets in particular should consider Mitel when good technology and cost-effectiveness are requirements. Mitel also targets small businesses looking for advanced key system functionality or an all-in-one voice/data solution. Mitel has protected its installed base with migration paths to its 3300 ICP platform, where Mitel's Applications and Services Gateway solution is instrumental in enabling customers to evolve to IP telephony. The 3300 ICP competes well at the larger end of the SMB market, and Mitel's Networked Business Strategy has positioned it for more visibility and penetration in enterprise telephony — a segment of the market where Mitel has had difficulty penetrating and gaining traction.

## **3Com**

3Com's Convergence Applications Suite not only includes a range of SIP-based applications running primarily in conjunction with the new 3Com VCX system for larger customers, but also includes modules for the smaller 3Com NBX system. The range of applications includes IP messaging; mobility or wireless LAN; IP contact centers; audio-, video- and data conferencing; and presence. 3Com must execute its plan to win large customers with the VCX system and demonstrate that it deserves to remain a viable choice among enterprise solutions vendors. 3Com's VCX platform is appropriate for mid- to large-scale users looking for a SIP-based, distributed enterprise IP telephony system that scales up.

## **ShoreTel**

The ShoreTel product architecture gives organizations distributed call control across multiple locations through an IP backbone that supports the use of IP telephones for enterprises with up to 10,000 users per single system. Benefits include redundant call processing, centralized management of multiple locations

and an intuitive user interface. A distributed architecture is one of ShoreTel's major strengths (no single point of failure). Compared with many incumbent suppliers, relative newcomer ShoreTel offers price competitiveness; emphasis on ease of system installation, management and use; and a reputation as a smaller vendor with a growing installed base and very good customer satisfaction ratings. ShoreTel is a privately held company.

### **Vertical Communications**

Vertical Communications resulted from the merger of two companies in the IP-PBX market — Artisoft with its MS Windows-based TeleVantage solution for smaller customers, and Vertical Networks with its embedded MS Windows-based InstantOffice solution for distributed enterprise customers. Vertical Communications still offers both solutions in its current product portfolio. Enterprise users should consider InstantOffice for environments with numerous small, distributed locations, especially in the retail, financial and healthcare markets. It's particularly appealing to networked corporate branch offices and retail stores (with 15- to 35-user locations). Artisoft and Vertical have been in the market for several years and have their niche customers, but have struggled to gain visibility and traction. It's still too early to tell whether the synergy between the two companies can generate more momentum in the IP telephony space.

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