

Magic Quadrant for Corporate Telephony

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The corporate telephony market is under increasing pressure – from new entrants in unified communications, and budget cuts in infrastructure and operations. Decide what role the Internet Protocol-private branch exchange will play in a UC strategy, then make investments to minimize cost of ownership.

WHAT YOU NEED TO KNOW

Organizations still need an Internet Protocol (IP) telephony road map today, but it should become a subcomponent of a unified communications (UC) strategy. As users' communication habits evolve, infrastructure and operations (I&O) leaders will need to consider new vendor relationships and different ways of managing communication networks. The need for the Internet Protocol-private branch exchange (IP-PBX) will vary according to current investment to date, maturity of an organization's network and incumbent vendor strategy.

MAGIC QUADRANT

Market Overview

The Telephony Market Today

The corporate telephony market is approaching a watershed, as budgets in I&O are negatively impacted by the recession, and companies invest for enhanced communications capabilities in other technologies and services. The telephony market shrunk by 2.3% last year and reduced by 23% when comparing the first quarter of 2009 with that of 2008.

By the end of 2008, Cisco had surpassed its established competitors to become the leading provider of all new telephony licenses. While convergence of voice on the LAN (what Gartner terms "IP line shipments") led by Cisco increased by 20% in 2008, it still accounts for less than 40% of the total number of licenses shipped. After nearly 10 years of marketing, less than 30% of the installed base has achieved convergence, a reflection of the fact that the IP telephony market has been driven mostly by platform replacement for obsolescence or upgrade, rather than by any key business initiative enabled by technology.

For most IT organizations, the business case for IP telephony has been too complex. In the LAN switch market, there was a clear and compelling return on investment for replacement based on the cost of ownership. The same cannot be said for IP telephony, for which the cost of ownership is not much different from traditional PBX technologies. The near-term pressures of surviving the global credit challenges mean that even well-capitalized organizations are seriously evaluating the attractive telephony financing solutions provided by leading vendors as a point of significant differentiation in intensely competitive markets.

There has been little change in vendor position in the corporate telephony Magic Quadrant from 2008. The two most-notable movements in vendor position are Nortel and Microsoft. Nortel's ability to execute on new sales and its financial strength have been impacted negatively by its filing in January 2009 for bankruptcy protection. A protracted restructuring of the company has weakened confidence in Nortel as a supplier of equipment, although there is hope in the recent announcement that Avaya has started the bidding for Nortel's enterprise assets. Whether the winning bidder of this auction is Avaya or a competitor, it will return a measure of certainty to Nortel's customers in a market that continues to be in transition. Microsoft significantly improved its ability to execute with the launch of Microsoft Office Communications Server (OCS) 2007 r.2, and strong campaigns to encourage organizations to trial and implement the platform. The product features continue to improve, making it a strong complement to the IP-PBX for collaborative workers. Microsoft has been the subject of intense inquiry into UC this year as organizations evaluate the benefits of software-powered voice over IP.

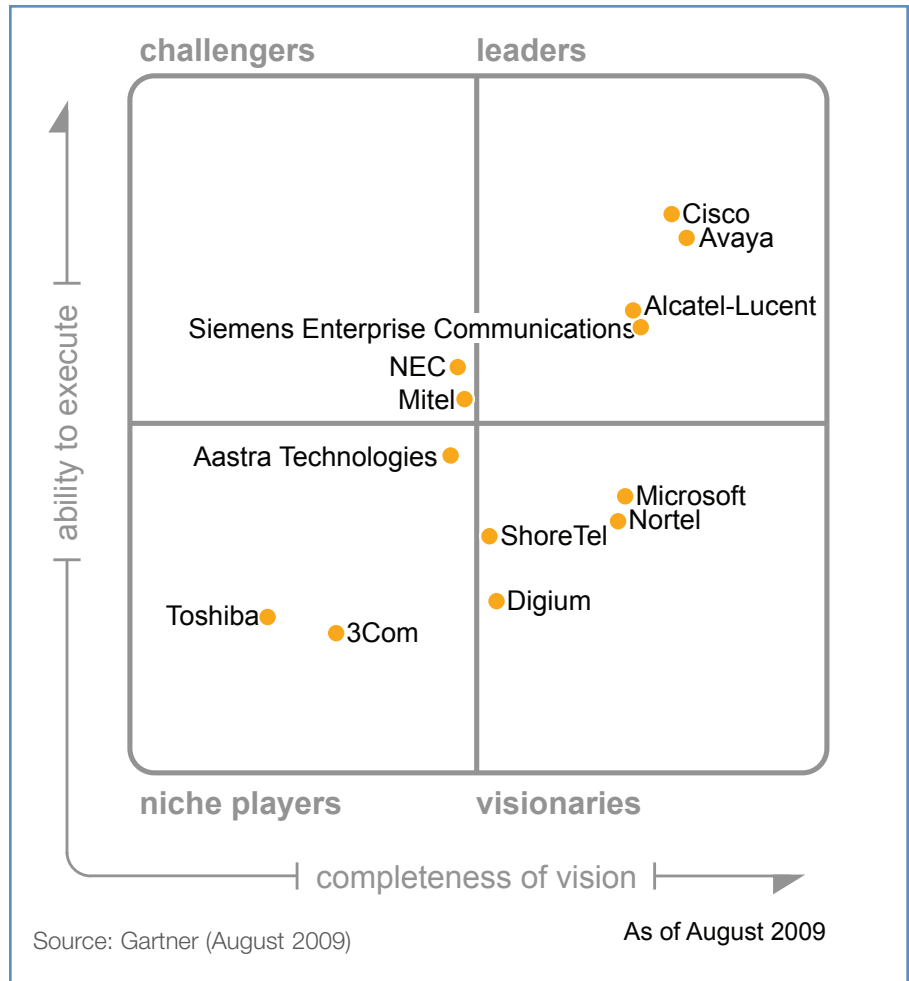
The Future for Telephony

The focus for enterprise telephony is now in UC, yet the success of vendors of telephony will depend largely on their ability to demonstrate value in their current product portfolios. Organizations can expect the value of telephony to continue to diminish as voice is increasingly embedded in UC.

Consequently, we anticipate telephony vendors will bundle advanced applications (such as multiparty conferencing, enhanced routing and mobility solutions) to increase the licenses per user and revenue per sale. Yet, with the increasing number of sources for UC technologies, organizations will need to define the role their telephony vendors will play.

Emerging service alternatives, such as hosted telephony, will continue to gain modest traction until the telephony server can be hosted and thoroughly integrated in data center environments. Corporate telephony is considered mission-critical for business; therefore, today's telephony applications sit on dedicated

Figure 1. Magic Quadrant for Corporate Telephony



servers and virtual LAN segments, to avoid contention with other applications, and they require network traffic monitoring and shaping tools to guarantee quality of service. Virtualization of telephony server functions onto large-scale, high-capacity, high-reliability servers is just beginning, and, although a few vendors are starting to offer virtualized telephony servers, most will consider this practice too high in risk and complexity until at least 2011.

Open-source software (OSS) is increasingly attractive to telephony vendors as a means of speeding their products to market, especially for the small or midsize business (SMB) segment, and OSS is obtaining a wide base of support for its programming code. Users should embrace OSS used in vendors' telephony

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solutions, but ensure that it is delivered by reliable network integrator methodologies. There are many more challenges for organizations using OSS for telephony. Unless the IT group has established a methodology for life cycle management of OSS, it can have a higher total cost of ownership (TCO) than some commercial options.

The Future for Telephony Vendors

The market for telephony will continue to be turbulent. The future direction for the players will vary, and Gartner has identified four key market opportunities. Organizations should evaluate their suppliers of telephony in terms of their ability to support one or more of the following directions and capabilities:

- All their real-time voice, video and conferencing capabilities across the enterprise network, integrated with collaboration capabilities such as instant messaging (IM), e-mail and desktop sharing. Migrating between different communication channels should be seamless for users and offer a lower cost of ownership for the IT group than managing separate communication channels.
- Demonstrated value of session management and control, and policies for how sessions are established between network endpoints across multiple technology platforms and managed for quality and cost controls. This elevates the role of communication provider to that of network management, and is an alternative option to creating a homogeneous voice platform across the business. Vendors with this approach could then also offer enhanced routing capabilities, extending contact center technologies as a value-added component of communication beyond the customer service center.
- A low-cost telephony platform with tight integrations and partnerships with software vendors for conferencing and collaboration. Vendor solutions will focus on managing voice across wired and wireless endpoints.
- A system integration and service capability of competitive UC products to complement shortfalls in their product portfolios and to supplement loss of product revenue. Increasingly, this will need to be a global capability to support knowledge worker groups that span geographies.

Market Definition/Description

The market for corporate telephony can be described as the provision of holistic voice communications for all wired and wireless users in large enterprises. Typically, this will include multiple sites in multiple locations and often in different countries. This Magic Quadrant focuses on technology providers that design, manufacture and distribute a combination of hardware and/or software products to provide telephony solutions. Their architectures include distributed on-premises solutions, as well as hosted platforms, but they are essentially dedicated for use by a single company.

The market has evolved from one of proprietary hardware toward one of standards-based hardware and software largely designed to support the next generation of communications. While not wholly there yet, the new developments are encouraging. Companies can use IP telephony to deliver business benefits across the organization, while consolidating technologies around a common technology, solution provider, or selection of providers and their partners. To meet the demands of this corporate telephony market, successful suppliers offer scalable solutions using technologies that leverage Internet-based architectures such as Session Initiation Protocol (SIP), but that still provide the necessary levels of resilience, functionality and integration into IT applications with the voice quality demanded by users.

As UC solutions mature and collaboration becomes more pervasive, organizations will no longer source telephony as a separate application. For a large percentage of their workers, the mandatory subset of the current features offered by IP-PBX will be available in a UC portfolio. While organizations may still source telephony for discrete business applications, the value of the telephony market will have diminished significantly from what it is today.

Inclusion and Exclusion Criteria

To be included in the Magic Quadrant, technology providers had to satisfy the following requirements:

- Have a demonstrable telephony application that provides holistic call routing and management for large numbers of enterprise voice users, including, but not exclusive to, front-office switchboard operations across multiple wired and wireless networks.
- Have a solution that includes the management of media gateways, the connection of IP with circuit-switched-based networks, and functions such as call admission control, survivability, codec management, echo cancellation and access to emergency service agencies.
- Show evidence of sales, marketing and operational support for corporate organizations, consistently across the globe. Vendors with stronger capabilities in a smaller number of regions qualify for consideration, but limited market appeal will affect their ability to execute for many Gartner clients.
- Show evidence of quantifiable market share in large organizations, specifically information sourced through Gartner Technology and Service Provider Insight analysis.
- Demonstrate the ability to generate significant interest and inquiries from Gartner client segments in the market.

Added

There were no vendors added to the Magic Quadrant this year.

Dropped

No vendors were dropped from the Magic Quadrant this year.

Evaluation Criteria

Ability to Execute

- **Product/Service:** Core products providing telephony capabilities, provided by vendors that compete in and serve the large-enterprise market segment. This includes current product capabilities as defined in the market definition, as well as the future direction in UC.
- **Overall Viability (Business Unit, Financial, Strategy and Organization):** Includes an assessment of the overall organization's financial health, as well as the financial and practical success of the business unit, especially under current market conditions. Also included is the potential of the business unit to continue to invest in the product, offer the product and advance the state of the art in the company's broader portfolio of products.
- **Sales Execution/Pricing:** The vendor and channel capabilities in all presales activities and the operational structure that supports them. This includes deal management, value selling, pricing and negotiation, presales support, and the overall effectiveness of the sales channel, direct and indirect.
- **Market Responsiveness and Track Record:** The ability to respond to current market conditions and the disruptive influences of UC. It assesses how a vendor might change direction or modify the portfolio to achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of market responsiveness as tracked in our market share and sizing research.
- **Marketing Execution:** The clarity, quality, creativity and efficacy of marketing programs designed to deliver the organization's message to influence all markets, promote the brand and business, increase product awareness, and establish a positive identification with the product, the vendor and the channel in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotions, thought leadership, word of mouth and sales activities, as well as Gartner's inquiry process.
- **Customer Experience:** Sales and support relationships, products, and programs that enable customers to be successful with the products evaluated. This includes the availability of technical and account support, and the number of channels through which this is available. Also included are customer support programs (and the quality thereof), and the availability of user groups and service-level agreements. Gartner's feedback from clients through the inquiry process is included in our analysis.
- **Operations:** The ability of the organization to meet its goals and commitments, especially in the current climate. Factors include the quality of the organizational structure, especially global operations, skills, experiences, programs, systems and other vehicles that enable the vendor to operate effectively and efficiently on an ongoing basis.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product/Service	High
Overall Viability (Business Unit, Financial, Strategy, Organization)	High
Sales Execution/Pricing	Standard
Market Responsiveness and Track Record	Standard
Marketing Execution	High
Customer Experience	High
Operations	High
Source: Gartner (August 2009)	

Completeness of Vision

- **Market Understanding:** The telephony market is becoming quite specialized. We evaluated vendors for their understanding of how customer needs were changing, for users as well as the IT group responsible for managing telephony. It was especially important to see how vendors proposed to complement, or compete with, the collaboration solutions in UC.
- **Marketing Strategy:** A clear, differentiated set of messages for telephony and enhanced communications consistently delivered by executives and senior employees, and externalized through websites, advertising, customer programs and positioning statements.
- **Sales Strategy:** The strategy for selling telephony products that uses an appropriate and profitable balance of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach to selective markets. The understanding of the shift toward value selling was especially important.
- **Product Strategy:** The vendor's approach to product development and delivery, with road maps for consolidation, where necessary. Important factors here were the migration to software, support for SIP and the ability to build scalable solutions consistent with the needs of target markets.
- **Business Model:** The logic of the vendor's underlying business proposition for the communications market.
- **Vertical/Industry Strategy:** Some vendors articulate a specialization for vertical markets, by leveraging intellectual capital, technology, or an alignment with a sister or parent company. The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, especially in the current climate, where the propensity to spend varies between segments.

- **Innovation:** The IP telephony market has reached maturity and vendors need to demonstrate the innovation to capture market share and grow in associated markets, with a combination of technology and services in order to grow revenue beyond the market average.
- **Geographic Strategy:** The telephony market has historically been fragmented, with most players attaining income from their traditional home market. The requirements for many of Gartner's end-user clients are global. A vendor should demonstrate how it directs resources, skills and product offerings to meet the needs of international clients, directly or through channels, to market to the needs of Gartner's clients.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	High
Sales Strategy	Standard
Offering (Product) Strategy	High
Business Model	Standard
Vertical/Industry Strategy	Standard
Innovation	High
Geographic Strategy	High
Source: Gartner (August 2009)	

Leaders

Market leaders demonstrate strength and can affect market trends in all the criteria on which they are evaluated. Leaders tend to have broad geographical coverage across the globe, or particular strengths in one or more key global markets.

Challengers

Challengers demonstrate an understanding of the market and 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.

Visionaries

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 the leaders.

Niche Players

Niche players often offer strong products for particular geographical or vertical market subsets, but they demonstrate weaknesses in one or more important areas.

Vendor Strengths and Cautions

3Com

3Com has good telephony capabilities in its VCX Enterprise solution and a clear vision for the development of its products, along with integration with Microsoft and IBM desktops. However, the vendor has not succeeded in creating significant market share in large organizations or in 3Com's channels to market.

Strengths

- 3Com has positive financials and a good cash balance in the current strained credit market conditions, and has a strong focus on enterprise networking, including telephony and its data communications products.
- 3Com's flagship telephony solution VCX Enterprise is a cost-effective, Linux-based IP-PBX platform for large organizations, which natively supports SIP as the underlying communications protocol across its IP telephony applications. 3Com was early to virtualize its telephony software for IBM Power System servers, and is the only telephony vendor with its own security capability through its Tipping Point acquisition.
- 3Com continues to be a player in the SMB market globally. Its strength in telephony is in SMBs and in vertical markets like education, local and federal governments, healthcare, and retail finance, as well as with price-sensitive buyers.

Cautions

- Although H3C sales are effective in China, 3Com has struggled to successfully execute and maintain a go-to-market strategy for telephony in the large-business segment globally, especially in regions outside the U.S., where its brand visibility is low.
- Although the vendor is winning business with its data center and data networking portfolio, 3Com is not achieving penetration of larger enterprises with its telephony portfolio.
- 3Com relies on partner technologies for contact center solutions, which are essential for adding value to an IP telephony portfolio. Organizations need to ensure sufficient sales and operational support for their regions. 3Com is introducing its own contact center software in the VCX platform in the next release.

Aastra Technologies

Aastra has a fragmented approach to addressing global market requirements for telephony, due to disparate product acquisitions from EADS and Ericsson Enterprise, and due to its being an OEM for Broadsoft in North America. While the vendor has articulated a multiyear consolidation strategy, organizations should evaluate its telephony portfolio on a regional basis.

Strengths

- Since the acquisition of Ericsson's Enterprise business, Aastra has ramped up its investment in the MX-One portfolio. It has also presented a long-term consolidation strategy for all three of its telephony platforms for large organizations, leveraging common investment in contact center and mobility solutions.
- To address the needs of its global customers, Aastra has created a global sales management function to coordinate in-country sales teams.
- Through prudent financial management, and more-favorable foreign exchange rates, Aastra has weathered the first quarter storm of 2009 better than many of its competitors.

Cautions

- Aastra has many product platforms to support through acquisition. Continuous innovation may be challenging when development funding is split between a number of different platforms.
- Despite the creation of a global marketing function and investment in increasing its visibility, Aastra's brand recognition with corporate and major enterprises is not as strong as its primary competitors.
- Without a stronger UC portfolio, Aastra faces the risk of losing market share to competitors with more-comprehensive capabilities, and to its channel partners promoting software-based voice solutions as part of collaboration.

Alcatel-Lucent

Alcatel-Lucent presents a strong portfolio for telephony and migration to UC. It is an obvious shortlist selection for pan-European organizations, and through channel partner relationships can address the needs of international organizations.

Strengths

- Alcatel-Lucent's OmniPCX Enterprise (OXE) is a well-designed, highly scalable and commercially attractive platform for IP telephony. The SIP architecture supports a strong migration for multimedia, and helps with the dynamic enterprise strategy to bridge enterprise and carrier markets.
- Partnerships announced this year with HP and IBM are promising ventures for midsize and large organizations with requirements for UC that leverage Alcatel-Lucent's telephony base.
- The vendor has a complementary portfolio of UC solutions, including creating packaging for IM and role-based requirements, as well as for a number of vertical markets.

Cautions

- The financial challenges of Alcatel-Lucent Enterprise are more obvious without the inclusion of Genesys. The lucrative customer services and applications business has moved to the application software group as part of the application-enablement strategy spanning carrier and enterprise environments. Coupled with the broader financial challenges of the vendor as a whole, weaker financials could impact R&D investment and growth plans.
- Despite extra investment in a direct-sales presence in North America, Alcatel-Lucent is faced with creating brand recognition that challenges the incumbents of Avaya, Nortel and Cisco for new business.
- Without more promotion of the specific benefits of conferencing in its UC portfolio, the vendor is at risk of losing telephony market share to Microsoft and IBM collaboration portfolios.

Avaya

Avaya is a global leader for telephony with a strong portfolio of voice solutions. Having addressed issues of premium pricing and the evolution of a more-robust and less-conflicting channel program, Avaya should be a shortlist contender for most large organizations' communications strategies.

Strengths

- Avaya's shift to a high-touch, indirect model in all markets is positive. The Service Delivery Specialization (SDS) program, launched in early 2009, is also a positive step, enabling channel partners to demonstrate advanced expertise in implementation, maintenance support and integration services. It will also help customers identify those channel partners with the most-appropriate skills for their projects. This program is backed by Avaya's professional services, to augment partner capabilities or fulfill customer requirements.
- Avaya's Session Manager, part of Aura, which became generally available in May 2009, is a programmable solution that uses SIP-ISC (IMS Services Control) to enable organizations to uniformly deploy telephony and UC applications and services throughout the organization, rather than as separate applications specific to servers or to geographic domains. The design includes high capacity, high availability and N+1 active-active georedundancy, and complements the scalability in the Communications Manager portfolio.
- Since mid-2008, Avaya has introduced pricing and bundling initiatives that reduced prices for many products and services, as well as simplified the pricing structure. Additional work is under way to streamline the order fulfillment process and reduce costs.

Cautions

- Despite some improved packaging with the vendor's UC bundles, a lack of consistency in how the message is delivered sometimes prevents customers from fully understanding the value propositions of Avaya products and services.
- The transition to an indirect model takes time to mature. While there is increased choice for customers in where they source their support and upgrades, the legacy of Avaya's direct control and influence will take time to erode. Organizations, including named Avaya accounts, are encouraged to take advantage of the open market to source support through competitive tender.
- While the SDS program is positive, it also is very new, and Avaya partners are still working toward certifications. Where services are being provided by Avaya on behalf of partners, pricing tends to be premium, but organizations should note that Avaya's introduction of wholesale services to the channels means they have more room for negotiation on price.

Cisco

Cisco now leads in global market share in enterprise telephony and it has an effective presence in most countries. The vendor has credibly positioned itself to provide the critical data and voice communications infrastructure necessary to be a contender for the UC and collaboration (UCC) market. Cisco is an obvious contender for any organization's telephony shortlist, but organizations should be cautious of product bundling.

Strengths

- At a time of global financial crisis, the overall viability of Cisco as a company is a critical strength when others in the telephony market are struggling. It has the financial and intellectual resources to continue to develop its telephony products reliably and to credibly assert its road map for UC. With a strong cash balance, Cisco is able to strengthen its financial offering Cisco Capital with its own money, representing more financing opportunities for its channels.
- Cisco's channels largely remain stable, productive and loyal, despite the impact of the global recession. The vendor has a strong go-to-market proposition via system integrators, service providers and network outsourcers, backed by a strong technology specialization and certification program.
- Unified Communications Manager is a scalable, SIP-based telephony platform, complemented with a portfolio of products to provide a complete UC solution. It also has a wide range of partner products to provide some of the largest installations of IP telephony.

Cautions

- With its Unified Computing proposition for the data center market, as well as branding for UCC, Cisco is more at odds with two of its major channel partners, HP and IBM Global Services. This is changing channel partner alliances, and is likely to introduce support conflicts for current and new contracts.
- Most organizations will find that Cisco Unified Workspace Licensing (CUWL) increases the cost of ownership, especially for those organizations that have yet to define a road map for UC, a partner strategy and to carry out user profiling to identify the value of each package. The addition of Entry Edition extends the choice for CUWL, but organizations should insist that channel partners provide proposals for a la carte licensing to make a direct comparison of cost of ownership.
- Although Cisco's emphasis on shifting to value selling is positive, its success lies in partnering with major consulting providers, such as Accenture, to develop approaches to communications-enabled business processes. Since these processes are at an early adopter phase in the market, budget cuts this year will demand a more-tactical cost-cutting approach, which will hamper the success of the consultative approach.

Digium

Digium's flagship solution, Asterisk, is targeted at organizations with strong IT operations and a culture for developing and customizing applications in-house. An alternate, less-mature approach is to have a third party build and support a custom solution.

Strengths

- Digium's Asterisk application server is a strong brand of open source for IT groups that want to build their own IP-PBX solutions. Asterisk is SIP-based, and comes in a variety of packaging options that include free download of core code and AsteriskNOW, a free open-source package bundled with Linux and a graphical user interface for configuring Asterisk.
- For an organization that is well-versed with open source and has in-house communications expertise, Asterisk can be a cost-effective way of deploying telephony to a large number of users.
- Digium's ecosystem includes in-house 24/7 technical support, training and professional services, plus a strong partnership with Polycom for handsets.

Cautions

- As a relatively small and privately held company, viability is always an issue. It is recommended that potential buyers ask Digium for accounting data to support the company's financial position.
- It's important that users understand Digium's pricing models, which, in the case of Switchvox products, requires an annual software subscription per user. When evaluating TCO, consider pricing for technical support, training options, professional services and future requirements for Asterisk hardware.
- Telephony, and especially UC, as open-source technologies still have some years to mature and gain greater acceptance. To be used as a valuable integration tool between communications and business applications requires extensive involvement and management by the enterprise.

Microsoft

Microsoft is a leading player in the market for UC, and customers are finding the voice functionality good enough to displace some desk phones, and to integrate with mobile devices. Organizations already committed to planning and implementing OCS should evaluate the telephony options as a complement to the IP-PBX, especially for knowledge and traveling workers.

Strengths

- Microsoft has a strong vision for the future of telephony embedded in UCC, coupled with an improving portfolio of functionality in OCS to displace the desk phone for knowledge workers and collaborators.
- This is a financially viable company, with the mind share, marketing and resources to disrupt the adoption of the legacy telephony market as organizations migrate users to UC solutions.
- The vendor has a strong track record in securing scalable partner references through existing channels, and new channel partners at all tiers for the provision of UC. The strategic partnership with HP is the most notable recent asset.

Cautions

- OCS has not yet matured to a total replacement for the IP-PBX. Organizations will likely have to assess the ability of the network to handle wideband audio and video enhancements.
- Organizations will find OCS licensing expensive if they are considering it for voice-only requirements that do not include presence, IM and conferencing.
- Microsoft's enterprise licensing can be complex; I&O leaders need to ensure that they understand packaging, discounts and software support to optimize user licenses and the overall cost of ownership.

Mitel

Mitel's strength has been as a supplier to the midsize market, but the recent alliance with Sun Microsystems enables it to serve larger organizations. Mitel has greater scale with the acquisition of Intertel, but is still developing geographic reach outside of North America and the U.K.

Strengths

- Mitel has taken the initiative as a communications supplier to move its solutions into open IT and communications architectures. The vendor is gaining attention for its active partnering with Sun for the joint marketing of their thin client (SunRay) and with VMware for communications server virtualization and business centralization into data centers.
- Mitel has a diversified distribution capability, comprising a combination of direct and indirect sales and support operations that is large enough and skilled enough for midsize organizations and many large enterprises.
- The Mitel flagship 3300 IP Communications Platform (ICP) and its associated applications and management suite are complemented by the Mitel Communications Suite (MCS), a preintegrated UC solution that runs the 3300 ICP and Mitel Communications Director call control software. Integration with Microsoft OCS, IBM Sametime and salesforce.com have made Mitel more acceptable in enterprise telephony markets, with ambitions in UC that its size wouldn't otherwise indicate.

Cautions

- Mitel's use of Communications Director and developments to scale the architecture of the 3300 ICP to cost-effectively serve large campus environments is still a work in progress that will be aided by its release of a hosted version of Director by 2010.
- Although the vendor should be commended for its development of open business communications software as the path to reinventing its telephony business, its channel partners are currently primarily network integrators, rather than IT system integrators with skills in IT architectures. Mitel's partnering skills are likely to be adequate for this transition task, but users should satisfy themselves about the prospects for service delivery beyond telephony.
- While the Sun partnership is a promising example of scale, it's not yet clear which of Sun's products are considered of value by Oracle.

NEC

NEC is a financially strong global player with a multicountry marketing approach to branding for telephony products and solutions sold through its global Enterprise Solutions business units: NEC in Japan, Asia and Australia; NEC Unified Solutions in North America and Latin America; and NEC Philips Unified Solutions in Europe, the Middle East and Africa (EMEA). NEC has credibly moved from basic telephony delivery into more-sophisticated integration with the IT world.

Strengths

- NEC's strengths remain in its focus on vertical sectors in the hospitality, healthcare, government, education, manufacturing and service industries as markets for basic telephony, from small-scale to the largest enterprise deployments.
- NEC's investment in a software-based communications platform (UNIVERGE/Spherical) is promising. Its SV8000 series (SV8100, SV8300, SV8500) communications servers and OW5000 development platform deliver an open Web services architecture, in addition to corporate telephony. NEC is an early adopter of virtualization for data-center-scale deployments.
- The UNIVERGE 360 approach to marketing telephony infrastructure from NEC is designed to leverage a far larger services income. Channel partners can leverage Unified Infrastructure into UC and unified processes. Hosted and managed services promoted via NEC's Network Operations Center (NOC) is a distinctive service provider solution for telephony and higher-level IT application delivery.

Cautions

- NEC has a large installed base of legacy telephony platforms that need upgrading to IP or that necessitate the addition of OW5000 to fulfill the UNIVERGE 360 vision. This can be a limitation for organizations trying to minimize additional investment in voice platforms.
- Although the "Unified Process" marketing for custom solutions is promising, organizations should ensure NEC and its channel partners understand the challenge, and can meet the performance and delivery expectations that match business process requirements.
- NEC's operating model – with multicountry (as opposed to global) distribution – limits its appeal to multinational corporations, because there are insufficient global channel relationships for effective account management and support.

Nortel

Nortel has a strong global installed base of telephony and a committed set of channel partners that will continue to support the installed base of Communication Server. However, its financial position has weakened confidence with enterprise buyers, and is limiting investment by customers.

Strengths

- Nortel has a strong portfolio of large-scale telephony solutions that includes the Communication Server (CS) 1000 and CS 2100, which support IP telephony for corporate and branch office applications.
- Nortel's Agile Communication Environment (ACE) software extends capabilities like voice, click-to-call, IM and presence into business applications. Nortel ACE is integrated with the IBM WebSphere Application Server, and leverages service-oriented architecture and Web services to facilitate the development of communications-enabled applications (CEA).
- With a strong international footprint of telephony and contact center, the communications portfolio has sufficient value to see continued development and support through the next three to five years.

Cautions

- On 14 January 2009, Nortel announced it was seeking creditor protection in Canada, under the Companies' Creditors Arrangement Act (CCAA). Its subsidiaries have also filed voluntary petitions in the U.S. under Chapter 11 of the U.S. Bankruptcy Code. Failure to execute a swift restructuring has severely eroded the brand and customer confidence in the company.
- While the short-term future of Nortel's voice products are largely safe, the long-term future will very much depend on the outcome of the auction that was initiated by Avaya on 20 July 2009 with its bid for the enterprise assets.
- Currently, Gartner advises Nortel users to prepare contingency plans for migration to other vendors should Nortel's future plans prove incompatible with its strategy. Include Nortel in the bidding process for new-equipment purchases and upgrades, but factor in an additional risk criterion, such as using a shorter depreciation cycle for Nortel solutions than for other vendors under evaluation. Enterprises without Nortel investments should delay any Nortel purchases until the auction has closed.

ShoreTel

ShoreTel's success is in the SMB market, but its technology is also well-suited for midsize organizations that have distributed communications requirements. However, the vendor's channel reach is largely with partners that sell to small businesses, and, although growing, ShoreTel is not as well-represented outside of North America.

Strengths

- ShoreTel switches are independent appliances, with software that supports built-in gateway and server functions. Growing system capacity for software, trunks and users is accomplished by adding switch modules that can be administered from a centralized interface, regardless of where switches are physically located. Remote sites can be deployed with a minimum of local assistance.
- The ShoreTel telephony system has a cost-effective IP architecture that can support many users in a widely distributed environment, is inherently redundant, and includes intuitive user interfaces for system managers and users.
- ShoreTel has made significant progress growing its installed base of small to midsize customers, which it is leveraging to penetrate larger organizations. In the U.S., channel partners include AT&T, Black Box, Qwest and CDW. ShoreTel is starting to win business from the international operations of large North American businesses.

Cautions

- ShoreTel has yet to migrate its telephony architecture to SIP to support standards-based communications and greater scalability. Larger, multisite organizations will find the distributed architecture approach costly to deploy.
- SIP is not available in the vendor's IP phones, nor are these phones capable of being upgraded to SIP in the future, although various third-party SIP telephones have been certified by ShoreTel.
- While ShoreTel has impressive customer satisfaction ratings, these are largely derived from its installed base of small businesses. Organizations considering ShoreTel should evaluate the ratings from its larger client base.

Siemens Enterprise Communications

Siemens has a strong portfolio of telephony and UC solutions for international organizations, presented through its direct sales as well as via a growing partner channel. The software-oriented direction is positive, but organizations need to negotiate on product costs.

Strengths

- Since the merger between Gores Technology and Siemens AG, Siemens Enterprise Networks (SEN) has embarked on a strong marketing and communications campaign, especially in North America, to increase its visibility with large organizations.
- SEN has a strong global services organization to support international companies that standardize on Siemens technologies for telephony and UC. This can be beneficial in building confidence with customers in transition to UC.
- At the same time, SEN continues to execute on its partnership strategy. The IBM relationship for Openscape is maturing as companies consider IBM Sametime as their collaboration platform. The recently announced partnership with Amazon for cloud-based services is visionary, and leverages the Openscape architecture.

Cautions

- Initial pricing for Openscape can be expensive, especially for smaller initial deployments. However, organizations should take advantage of economies of scale to reduce the costs in larger deployments. The pricing framework for Openscape is less rigid than HiPath 4000, so organizations should benchmark with competitive tender.
- While SEN has fared better through the first quarter of 2009, with a less-than-average reduction in sales volume when compared with competitors, it is more difficult to make adjustments to the workforce to match revenue decline, so the vendor may have less opportunity to be aggressive with discounting.
- The strategic relationship with IBM is countered by a less-defined partnership with Microsoft for integrating voice from OCS. SEN has been slow in completing testing and communicating its strategy for integrating with Microsoft's Mediation Server.

Toshiba

In the U.S., Canada, U.K., parts of the Asia/Pacific region and Japan, Toshiba continues to build on its long-established reputation for providing reliable system performance, cost-effective price points and clear migration capabilities to IP technology.

Strengths

- All Toshiba Strata CIX series systems use the same applications, endpoints, cabinets and interfaces, providing investment protection for growing organizations. A wide range of wired and wireless devices, as well as softphones, are available.
- Toshiba has introduced a range of UC-related offers that includes a level of interoperability with Microsoft OCS 2007. The vendor's large base of predominately SMB customers is concentrated in the retail, automotive, banking, financial and government vertical markets.
- Toshiba has a large selection of authorized dealers that cover the U.S. and other markets. In the U.S. and Canada, a unique national accounts program, centrally managed for customers by Toshiba, offers uniform pricing of products and services for applications that require deployment across multiple sites, which will appeal to organizations with retail locations and branch offices.

Cautions

- Although parent company Toshiba is a large, diversified manufacturer and marketer of electronic and electrical products, the communications business does not have any presence in the large-enterprise market in EMEA, nor does it have a global strategy that focuses on IP telephony requirements outside the U.S., Canada, U.K., parts of the Asia/Pacific region and Japan.

- Toshiba's Linux-based Strata CIX IP telephony series only supports up to 1,000 users and 440 trunks. Although multiple systems can be networked for additional capacity and distributed configurations, the CIX platform has limited redundancy options to support system failures.
- Without a strong marketing presence in large organizations, Toshiba risks losing its market share of branch office implementations to enterprise communications vendors. Organizations could also find integrating platforms, such as Microsoft OCS, with multiple Strata CIX locations a challenge.

Vendors Added or Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

Note 1 Disclaimer

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Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability (Business Unit, Financial, Strategy, Organization): Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness and Track Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word-of-mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services, and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.