Unified Communications & Collaboration Market
2011-2016

Executive Summary

Unified Communications (UC) has come of age. People are no longer asking, "What is UC?," but rather, "How should we develop our UC strategy?" and "What are the best ways to deploy UC?" The next step in the evolution of UC is Unified Communications and Collaboration (UCC), or what we call Collaborative Communications. For many organizations, collaboration between workers, customers, suppliers, and other is the goal, with UC as the enabler to these collaborative endeavors.

The need for UCC has never been greater, as the growth of the mobile workforce has led to the need for workers to communicate regardless of their location or device, and the rise of video communication and tools such as social software have created new ways for people to interact. The days of silos are over; UC tools such as email, voice, text, video, presence, IM, click-to-communicate, mobility, and unified client; collaboration technologies such as shared workspaces, meetings and conferencing; as well as social tools such as communities, user profiles, microblogging, and activity feeds are all coming together. With an integrated UC or Collaborative Communications solution, users can access the tools they need from whatever application they're in, without having to switch out from one to another. When tied in with a company's business processes, the result is optimized business processes.

Trends such as the consumerization of IT and "bring your own device" are also helping to propel the UCC market. The next opportunity for UCC is in hosted services, where small- and mid-sized businesses, as well as some larger organizations are turning to services that can be deployed quickly and enable companies to focus on their core business rather than on their communication technologies. Many customers will opt for a hybrid of premises telephony and CaaS peripheral application solutions, and these hybrid solutions where premise and cloud solutions co-exist will be the norm for the foreseeable future.

While there are clearly many benefits to UC, there are also significant challenges that must be overcome in order for the market to reach its potential. For example, migration and evolution from existing platforms and infrastructures may be difficult, and complex integration is often needed to ensure interoperability between all of the various UC components and elements. UC can have a transformational impact, but, in order to do so, enterprises need to figure out how it can be used to optimize their business processes.

Despite these challenges, we expect to see UC adoption happen gradually and steadily. UC adoption generally starts with the people who need it the most, and then spreads throughout the enterprise once the benefits become more apparent. Initial adopters of UC are usually geographically-dispersed workers who need to collaborate with team members and colleagues. Organizations must look at their specific operational justifications and requirements for UC, which should come from the business management and end-user side of the house, not from IT.

Quantifying the UC market is extremely difficult, as every vendor counts their UC shipments differently, and many components are now being bundled in with the UC server, and clients are often given away for free. There is no concurrence as to what should be included in any market analysis, as UC is not a "product." For the purposes of providing market data on the current and future UC market, COMMfusion has identified the individual components that make up a UC solution, forecasting the total growth of each component in terms of revenues and seats, resulting in a Total Gross, or UC-Capable forecast. From that, we identify the Net or "True" UC market, which identifies the percentage of gross UC sales and seat shipments that are expected to be used for UC solutions rather than as a standalone or non-integrated product. Revenues associated with professional services are provided in addition to the product data.

The worldwide Total or UC-capable market for premise-based UC was $12.23 billion in 2011, up 8% from 2010, growing to $20.76 billion by 2016. The component with the highest growth is conferencing/collaboration, with a 17% CAGR.

Turning to the Net or True UC market, revenues were $2.7 billion in 2011, up 20% from 2010, and expected to grow to $8.47 billion by 2016. The conferencing/collaboration component remains the fasted growing, with a 50% CAGR.

The difference in revenues between the Total UC-capable market and the Net or True UC market means that there is a huge opportunity for UCC vendors and resellers to seize upon. There is a large untapped market for UCC products and services, with many customers that have elements of a UCC solution but not complete solutions.

The UCC ecosystem is huge, and includes many different types of vendors, as no one single vendor provides all of the UC elements for a complete UC solution. Key UC players currently include all of the switch/telephony vendors, desktop application vendors such as Microsoft and IBM, mobility vendors, unified messaging vendors, and conferencing/collaboration vendors. Many of these companies are forging alliances in order to bring complete solutions to their customers. Each vendor has strengths and challenges that potential customers need to evaluate and understand. When evaluating vendors, some stand out from the others in specific categories, such as openness, innovation, vertical expertise, etc.

The telephony landscape in five years will be significantly different than today, with new technologies and services, new competitors, acquisitions, pricing pressures and more. The traditional switch vendors are re-evaluating their roles, as some embrace a vertical application focus, and others move toward professional services.

After a rough start, UC is becoming more mainstream, especially as it morphs to UCC. End user revenues will continue to increase for the next few years, while vendors jockey for leadership positions.

Looking to the future, expect to see the continuation of some trends that are gaining speed, such as the dominance of the hybrid cloud model, a fallout of hosted services in favor of managed services, the growth of mobile client deployments for tablets, integration of UCC with social software as well as contact center capabilities, embedded presence, vendor specialization, and an evolving channel.

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