Unified Communications Market 2007-2012

Executive Summary

Unified Communications (UC) is all the rage. Companies of all sizes, and in all vertical markets and geographies are exploring how they can take advantage of the many benefits that UC provides.

Unified Communications is defined as *Communications integrated to optimize business processes.* It integrates real-time and non-real time communications with business processes and requirements based on presence capabilities, presenting a consistent unified user interface and experience across multiple devices and media types. UC is not a single product~~;~~, it's a solution made up of a variety of components and elements, including: messaging (email, instant messaging, voice, video), calling (audio, video), conferencing (audio, web, video), presence (online and telephony), device awareness, and information sharing (web chat, file sharing, document sharing), tied together with a common user interface. By integrating UC with business processes and applications, communications is streamlined, human latency is reduced or eliminated, and workers can be more productive, efficient, and responsive. Communication both inside and outside of the enterprise is enhanced, resulting in shorter project times, quicker time-to-market, improved worker and workgroup productivity, and organizational efficiency, which in turn improves customer service, reduces costs, and increases revenues.

Under the "UC Umbrella" are two types of UC solutions and benefits – those that focus on the user or user productivity (UC-U) and those that focus on the business or business processes (UC-B). There are significant benefits of each type, although it is more difficult to measure and quantify the benefits of UC based on user or personal productivity, because in many cases, these benefits are in soft dollars. The real ROI comes from when UC is tied to business processes, and communications becomes a part of the business, reducing human latency and time lags, thus helping companies transform their businesses and changing the way work is completed, which can save thousands, or even millions of dollars.

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, there is currently a general lack of understanding of UC, what it is, and what it can and cannot do; migration and evolution from existing platforms and infrastructures may be difficult; complex integration is needed to ensure interoperability between all of the various UC components and elements; and it may be difficult to prove a hard return on investment. 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. There is no one way or the “right” way to implement UC, and the way in which companies approach UC will be based on their specific needs and environments.

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 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.

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. All of the switch/telephony vendors are transitioning to become software vendors, evolving their products to be more flexible and open in a UC world. These vendors are being challenged as companies like Microsoft enter the telephony world, providing partnership opportunities, but also creating new competitors in some cases. The telephony landscape in five years will be significantly different than today, as Microsoft and IBM build upon their enterprise IM/presence platforms. Vendors are facing new pricing pressures on elements such as switching, unified messaging, and speech access, impacting expected revenues in the short and long term. The switch vendors are re-evaluating their roles, as some embrace a vertical application focus, and others move toward professional services. Partnerships have already been formed, with others on the horizon.

Quantifying the UC market is extremely difficult, as there are various ways of defining UC, and each definition brings with it a different way to measure the market. The UC market is still in its infancy, but it is rapidly growing. For the purposes of providing market data on the current and future UC market, COMMfusion has analyzed the enterprise UC market in several different ways. One way is by examining the individual components that make up a UC solution, and forecasting the total growth of each component in terms of revenues and seats, resulting in a Total Gross, or UC-Capable forecast. Based on this data, the Net or “True” UC market is determined using a formula to identify the percentage of the gross UC sales and seat shipments that are expected to be used for UC solutions (rather than as a standalone or non-integrated product). In addition, as it is too early to determine market acceptance of UC, we have provided a High-Growth and Medium-growth scenario for seat and revenue growth.

For the high-growth scenario, the worldwide Total Gross or UC-capable market for Unified Communications was $9.52 billion in 2007, based on end-user revenue, growing to $15.9 billion by 2012. The components or elements included in this forecast are Enterprise Instant Messaging/Presence (including servers, clients, and mobile UC clients), IP PBXs, Unified Messaging, Conferencing/Collaboration, UC PBX Integration or Gateways, and other (including softphone, IM federation, integration software, etc.). Revenues associated with professional services are provided in addition to the product data. The components showing the strongest growth in terms of Net or True UC during the forecast period are enterprise IM/Presence, and UC PBC Integration and Gateways, as these currently have low installed bases and are necessary elements of a UC solution.

The Net or True UC market (or the portion of the Total Gross UC sales that are expected to be used for UC solutions rather than as a standalone or non-integrated product) was $200.8 million in 2007, growing to $2.433 billion by 2012.

The future looks bright for vendors, customers, resellers, system integrators, and professional services organizations, as unified communications moves beyond the innovator stage and is adopted by more and more enterprise and small- and medium-sized businesses. But it is important to remember - Unified Communications is a vision or philosophy that leads to solutions. End user companies need to begin planning for UC now, as those who wait will be at a competitive disadvantage, and those who begin on the path to UC today can soon begin reaping its many benefits.

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Blair Pleasant is President & Principal Analyst of COMMfusion LLC, and a co-founder of UCStrategies.com, an industry resource on the growing UC arena. She provides consulting and market research analysis on voice/data convergence markets, applications, and technologies, aimed at helping end-user and vendor clients both strategically and tactically.

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