Cisco’s Performance in the Enterprise Communications Platforms and Endpoints Markets

Cisco System’s Performance in Enterprise Media Gateway Market
Market Share Leadership Award
Enterprise Communications Platforms and Endpoints
Global, 2012

Frost & Sullivan’s Global Research Platform
Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company’s research philosophy originates with the CEO’s 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2012 Global Market Share Leadership Award in the Enterprise Communications Platforms and Endpoints markets to Cisco.

Significance of the Market Share Leadership Award

Key Industry Challenges
Frost & Sullivan independent analysis concludes that the world enterprise communications platforms and endpoints markets have been undergoing various challenges that have limited its overall growth potential throughout the years.

On one hand, the emergence of and interest in hosted cloud communications deployment and delivery models are progressively challenging the dominance of enterprise premises-based communications systems. The hosted IP telephony and UC services market is growing steadily, driven by maturing technologies and vendor business models, and increasing market awareness of both the availability of such services and their specific benefits. A recent Frost & Sullivan end user study of more than 200 C-level executives revealed that 25 percent of surveyed companies utilize hosted services. Out of these current users, 76 percent plan to increase their usage in the coming 12 months; and of the non-users sample, 47 percent definitely or likely will implement the technology within the next 12 months. The hype around cloud technologies has also contributed to growing customer interest in hosted/SaaS services, in spite of, or perhaps even due to, some customer confusion about the meaning of these terms. All this has posed a challenge to many premises-based communication systems vendors that must rethink their implementation strategies in order to address changing customer demands.

In addition to the evolving hosted delivery model, economic uncertainty still lingers in certain regions of the world (e.g. the Euro-debt situation), restricting technology investments by enterprises. Today, many businesses are delaying or reducing technology spending to project-specific investments. Frost & Sullivan notes that this “belt tightening” is having a significant impact on the purchasing decisions for both enterprise communications platforms and endpoints.
Continuous price erosion due to new technological advances and competitive pressures are also sizably limiting overall premises-based communications platforms and endpoints revenues. Fierce competition is forcing many vendors to lower prices significantly through bundling, free upgrades or other discounts. Today, the traditional value proposition of a converged voice and data network by itself is no longer a sufficient driver for IP telephony deployment. Vendors seeking to stay competitive need to promptly reposition themselves by offering innovative solutions, yet at compelling price points.

Owning a market share leadership position in an intensely contested and evolving market provides a vendor with a competitive advantage in terms of visibility. A leadership position provides a strategically important, stable base of customers in which to establish new solutions and from which to draw revenues. Thriving during periods of transition is validation that the market leader has successfully adapted its offerings and market strategies to address challenging market conditions. Increased visibility builds company awareness and helps position solution portfolios more successfully among decision makers and end users. Customers evaluating new evolutions of communications solutions frequently choose the market leader as they perceive it as the most reliable and trustworthy partner. Furthermore, a market share leader is often more capable of handling competitive pressures due to greater resources, accumulated experience and better developed partner support strategies.

**Best Practice Award Analysis for Cisco Systems**

The Frost & Sullivan Market Share Leadership Award is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

**Cisco’s Performance in the Enterprise Communications Platforms and Endpoints Markets**

Frost & Sullivan recognizes Cisco Systems’ as the leader in the enterprise communications platforms and endpoints markets in terms of total market revenues, total IP line license shipments, and total IP endpoint shipments. In 2011, Cisco accounted for 22.6 percent of the total enterprise communications platforms and endpoints market revenue, 19.5 percent of the total IP line license shipments, 36.7 percent of the IP desktop phone unit shipments, and 37.0 percent of the desktop client units sold (per Frost & Sullivan confirmed estimates).

Cisco has achieved leadership in all these various categories due to its strong technology, its broad end-to-end communications solutions portfolio, by staying on the cutting edge of industry innovation, and by successfully leveraging its name and brand recognition in the IP telephony, unified communications and collaboration (UC&C) market segments.
Key Performance Drivers for Cisco

A Broad End-to-End Communications Solutions Portfolio

From an enterprise perspective, Frost & Sullivan feels that Cisco maintains one of the industry’s broadest communications solutions portfolios. Combined with internal development, the company’s acquisition and investment strategy has enabled it to evolve into an end-to-end enterprise communications and collaborations vendor. Today, it provides a one-stop shop for enterprises with regards to numerous components of their UC&C architectures, including an array of products such as routers, switches, wireless technologies, voice solutions (e.g. communication servers, IP desktop phones, desktop communication clients), unified communications applications (e.g. conferencing, messaging, presence, mobility), and collaboration tools (e.g. enterprise social software, immersive telepresence, audio, video and Web conferencing).

From an enterprise communications platform point of view, Cisco Unified Communications Manager (UCM) is a robust, scalable, reliable and distributable enterprise-class IP communications system that has been deployed by thousands of enterprises around the world. It is the core platform that delivers all the major collaboration services including voice, video, mobility, IM, presence, web conferencing. Cisco Session Management is another service available on Cisco UCM that centralizes dial plans, applications and aggregates PBXs and IP PBXs to enable a simplified and more manageable architecture. Cisco Session Management is a flexible foundation that speeds deployments and minimizes changes during times of evolution. Its latest edition introduces myriad improvements such as providing standards-based integration with Tandberg video endpoints, enhanced interoperability with third party PBXs, extended scalability to 80,000 users per server cluster, and the addition of the Cisco Unified Communications Manager Business Edition 3000 and 6000 that effectively address mid-sized organizations.

Cisco has also enhanced UCM, its core communications solution, with the introduction of new virtualization and cloud deployment methods. Today, all Cisco’s UC applications can be run on virtualized servers via Cisco’s Unified Computing System (UCS) servers or other specified commercial third-party servers, and its desktop applications can be deployed in the datacenter via Cisco’s Virtualization Experience Infrastructure (VXI) solutions. Finally, and with the rise of hosted/cloud communications, all Cisco’s collaboration solutions have been enhanced to be delivered via the cloud, through Cisco’s partner-delivered Hosted Collaboration Solution (HCS) platform.
To complement its core communications systems Cisco offers a broad array of endpoint options including wireless devices, conferencing phones, desktop and mobile clients, and a wide range of IP desktop phones ranging from entry-level devices with basic functionality to high-end executive phones. Cisco consistently enhances its portfolio in order to offer its diverse customers a choice of devices that best fit their needs. New endpoint improvements include the expansion of video support on all endpoints; the introduction of Cisco Virtualization Client (VXI) endpoints to deliver voice and video collaboration capabilities in desktop virtualization environments; and the launch of Cisco Jabber, the company’s next-generation UC&C soft client that can be accessed from a variety of devices such as smartphones, tablets, PCs and MACs.

Whether deployed with premises-based telephony platforms or hosted IP telephony/UC services, Cisco’s endpoint portfolio features diversified capabilities to address the distinct functions required within different customer organizations, departments and lines of business.

**Staying On the Cutting Edge of Industry Innovation**

Cisco’s strategic vision is based on anticipating and readying its solutions for the latest market trends and conditions, and striving to address the evolving requirements of enterprises around the world by pushing the envelope in the latest of technology development.

Since achieving its leadership in the IP telephony space, Cisco has set its sights on new UC&C technologies. Multiple acquisitions in the space, coupled with a strong investment in technology innovation have given Cisco a leg up on many growing markets such as video communications, virtualization of communications applications, mobile UC, private/public cloud solutions, and enterprise social networking.

Cisco’s strong commitment to customer-centric innovation has been the key to concentrating its efforts towards flexible deployment and consumption of UC solutions. Cisco has always listened to its large customer installed base for emerging requirements and their strategic implications in the market. Before many competitors were getting acquainted with technological buzzwords, Cisco has been long working to enabling its solutions to support “The Post PC-era, “The Consumerization of IT”, “Mobile/BYOD”, the cloud, ubiquitous video, virtualization and enterprise social software realms. The ultimate objective of this never-ceasing effort has always been to offer customers the most complete and integrated communications and collaboration experience.
Within the last two to three years, Cisco has impressed the market with the launch and commercialization of various innovative solutions such as Quad, Virtualization Client endpoints (VXC), Jabber, and Hosted Collaboration Solution (HCS) – among others. As a result, Cisco’s name is synonymous with innovation and technological advancements in the enterprise communications market.

**Leveraging its Name and Brand Recognition in the IP Telephony and UC&C Markets**

Cisco uses both its formidable reputation and its increasing brand recognition in the IP communications market to its advantage in commercializing its products and solutions.

Cisco has always focused its efforts on marketing strategies promoting its brand as “the IP communications and collaborations vendor of choice” and has thus managed to gain substantial mind share among enterprise decision makers. The recent Frost & Sullivan study of more than 200 C-level executives revealed that Cisco was named among the top three companies to deliver the best unified communications and collaboration capabilities.

Cisco’s continuous transformation over the past decade has granted it the well-deserved recognition as one of the key developers associated with best-of-breed data networking solutions, IP communication systems, and next-generation unified communications and collaboration solutions. This is why Cisco is the technology partner of choice for most of the world’s top service providers, independent software developers, resellers and enterprises alike.

Business partners have also helped to grow Cisco’s image and reputation. One of the largest channel ecosystems in the world helps to ensure extensive service offerings and sustained innovation. Recognizing this, Cisco continuously supports its partners to further expand its domain and commercial reach. For example, Cisco recently announced a USD 75 million investment into partner-led programs and channel incentives to solidify its dominant position in the market. These efforts further help to re-enforce Cisco’s image among the partner community and expand its name and brand recognition in the communications industry.

Undoubtedly, Cisco has invested considerable time and resources to publicize its vision, direction and overall strategy, gaining the trust and confidence of a large portion of enterprise communication customers and partners across the world.
Conclusion

Frost & Sullivan is honored to name Cisco as the recipient of the 2012 Global Market Share Leadership Award, which recognizes Cisco’s leadership in terms of total market revenues, total IP line license shipments, and total IP endpoint shipments. The company’s broad end-to-end communications solutions portfolio, its continuous innovation, and its strong name and brand recognition in the IP telephony and UC&C markets have been among the factors that have helped the company to achieve this distinguished world leadership position.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan’s global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a “must-have” requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies’ growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.
Critical Importance of TEAM Research

Frost & Sullivan’s TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan’s research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.
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 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.
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Significance of the Market Share Leadership Award

Key Industry Challenges

The largest challenge in the Enterprise Media Gateway market is garnering attention for a vendor’s product line. In terms of the overall unified communications architecture, media gateways are usually considered a tactical decision, in that the typical enterprise customer only considers purchasing a media gateway when an interface challenge presents itself, such as connecting remote branch locations, delivering legacy PSTN access to unified communications solutions, or delivering service provider session initiation protocol (SIP) trunking services to PBX. In many cases, the provider of VoIP or SIP trunking services will either provide or sell a media gateway to the enterprise customer, effectively removing the enterprise from the decision making process. Therefore, media gateways have failed to gain the status of a strategic asset within the enterprise unified communications infrastructure. A strategic deployment of media gateways provides additional enhancements to the unified communications platform, such as branch survivability or multi-service integrations with routing and firewalls. The common tactical deployment for media gateways, however, can limit the opportunities for these integration synergies to be explored.

A market share leader in the Enterprise Media Gateway market is in the best position to take on the challenges of this unique market. Market share leadership in a mature market, such as Enterprise Media Gateways, typically translates into greater name recognition and mindshare that can help the vendor ensure continued customer loyalty, develop new business, and more easily secure partnerships for further growth and greater customer value. As enterprise media gateways are typically considered tactical decisions, being known as the market share leader puts the vendor at the top of the short list in most evaluations.

Likewise, the market share leader in the Enterprise Media Gateway market has the opportunity to provide thought leadership within the market and guide enterprises as well as service providers to rethink how enterprise media gateways are deployed and what
strategic value they add to the unified communications infrastructure. The market share leader has an established customer base from which to draw best practices and deployment strategies and can leverage those against new opportunities and customer deployments.

Finally, the market share leader in the Enterprise Media Gateway market can tap into its existing customer base to up-sell additional services and feature functionality, including router, firewall, and enterprise session border controller services. This up-sell adds value for the customer by providing more functionality in the same physical footprint, while creating additional revenue for the market share leader.

**Best Practice Award Analysis for Cisco Systems**

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**Cisco System’s Performance in Enterprise Media Gateway Market**

Cisco Systems’ family of enterprise media gateway products maintained market share leadership in 2011, garnering 54.7% market share based on revenue. In terms of enterprise media gateway ports shipped, Cisco also held the top spot with a 54.1% market share. With an increase of 8.4% in the number of enterprise media gateway ports shipped, Cisco sold almost 1.5 million more ports in 2011 than in 2010.

**Key Performance Drivers for Cisco Systems**

Cisco Systems’ family of enterprise media gateway products leverages three of the company’s core competencies to great effect. As a component of Cisco’s wide-ranging unified communications and collaboration portfolio, its enterprise media gateway products have significant attachment opportunities as part of an overall unified communications infrastructure deployment. Likewise, most of Cisco’s enterprise media gateways are offered as modules for the company’s highly successful Cisco Integrated Services Router (ISR), offering a simple choice for customers who already have the branch router deployed on their network. In addition, Cisco's interoperability with service providers and other PBX vendors around the world make this an easy to deploy solution across the enterprise.

**High-profile Unified Communications Suite**

Cisco Systems is a leader in the overall Enterprise Communications market, comprising of IP telephony platforms and endpoints, messaging, conferencing and collaboration solutions. Cisco’s heritage in the Networking space drives much of its success in IP-based services, including telephony and conferencing. In 2011, Cisco competed head-to-head with Avaya for a leadership position in the global Enterprise Communication Platforms market. It also
captured over 35 percent of the market in both the Enterprise IP Desktop Phone and the total IP Endpoints markets. Not to mention that Cisco has a strong presence in the Videoconferencing market, with nearly 50 percent market share. This strong market presence creates a ripe environment for attaching enterprise media gateways to unified communications deployments. Customers can be assured that Cisco’s media gateways will be interoperable with the rest of the company’s UC portfolio and enjoy the convenience and functionality benefits of one-stop shopping.

**Integrated Services Router Integration**

Cisco’s enterprise media gateways are deployed as a module within the extremely popular Cisco Integrated Services Router (ISR). As the go-to router for branch and remote office deployments, the ISR lets enterprises mix and match the services offered in a single appliance. Media gateway services are a natural fit for the ISR and the simple addition of a hardware module for the needed interfaces makes Cisco’s solution a no-brainer for enterprises with a fleet of Cisco ISRs already deployed throughout their enterprise. The Cisco ISR and media gateway module will also likely have a role to play as Cisco’s cloud-based Hosted Collaboration Solution (HCS) gains traction in the market, serving as an on-premises interface to the cloud UC offering.

**Channel Strength**

Cisco has developed a leading network of distributors, VARs, systems integrators, service providers, and other partners that raise awareness for its products, facilitate product sales and provide a full range of services. Cisco’s partners provide a much greater global reach and superior customer support capabilities then those of other vendors. These channel partners are qualified in a variety of Cisco IP communications products and promote its audio conferencing bridge as part of the broader Cisco portfolio.

**Conclusion**

Cisco Systems has clearly earned the market share leadership position in the Enterprise Media Gateway market by leveraging the best elements of its entire product portfolio to deliver a comprehensive unified communications offering to its enterprise customers. By utilizing its most popular routing line as the base hardware and assuring compatibility with its unified communications and collaboration platforms, Cisco capitalizes on up-sell opportunities while giving enterprise customers an opportunity to make media gateways a strategic component of their UC infrastructure. Based on Frost & Sullivan’s independent analysis of the Global Enterprise Media Gateway market, Cisco Systems is recognized with the 2012 Market Share Leadership Award.
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**Chart 1: CEO's 360-Degree Perspective™ Model**
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Chart 2: Benchmarking Performance with TEAM Research

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