

## Cisco Unified Communications Manager Licensing Pricing Model Q&A

**Q. How is the Cisco® Unified Communications Manager licensing pricing model changing and why?**

**A.** With the introduction of the Cisco Unified Communications family of products, the device licensing approach for Cisco Unified Communications Manager (formerly called Cisco Unified CallManager) Version 5.0 and later versions was adjusted to remain current with the trends and demands of the marketplace. Business communications systems have evolved to meet a broad set of service needs such as voice, video, and Web collaboration. Similarly, the call processing function that is the mainstay within that complex communications environment has been transformed over the years. Most of the intelligence for call processing now lies in the software component of a call-control solution. Research and development, entrepreneurial endeavor, and innovation are also shifting to the software side. With the creative energies expended on the software, the approach to pricing has logically evolved toward device licensing. Device licensing is not a new concept for Cisco, and with the release of Cisco Unified Communications Manager 5.0, the existing licensing program has been updated to keep pace with the changing times. Device licenses for Cisco Unified Communications Manager remain separate from the price of the phone, but the price of the device license component has increased starting with Cisco Unified Communications Manager Version 5.0. The price increase for licenses has been offset by an equivalent decrease in the price for endpoints (Cisco Unified IP Phones). As a result, the total amount that a customer pays for a combination of device license and corresponding IP phone remains the same as in the previous pricing model for Cisco Unified Communications Manager.

**Q. How does Cisco Communications Manager 5.0 licensing fit the industry trend?**

**A.** Private-branch-exchange (PBX) vendors have traditionally set high margins on their phones, even though the devices were little more than dumb terminals connected to the PBX. In the new world of unified communications, phones and a multitude of other devices act as clients that, when combined with sound call processing, form an integrated solution to meet the evolving needs of an organization. With features such as Session Initiation Protocol (SIP), companies are free to use an array of intelligent devices on the network to meet the varied needs of their workforces. The value of a communications network now lies in productivity features such as presence, Web collaboration, video, and location provided by intelligent call processing. Industry vendors will come to rely on superior call processing to differentiate their solutions from those of competitors, while allowing integration with third-party devices. Industry leaders will be able to continue to invest in innovation only if the pricing model of network components accurately represents the relative value of those components within a customer environment. As productivity features continue to be enhanced in call-processing applications, the industry will follow with licensing fees commensurate with those features and innovations.

- Q. How does Cisco Unified Communications Manager 5.0 pricing compare to past pricing of the product?**
- A.** Although the Cisco Unified Communications Manager pricing model has been altered to put greater emphasis on device licensing, the increase in price to the customer has been offset by a corresponding reduction in the cost of the devices. In the previous model, of the total price for a license and phone, an average of about 77 percent was the cost of the device; now the device constitutes about 69 percent on average of the total price. The shift in pricing from endpoints to licenses has been 8 percentage points on average. The total price of the device and license combined remains the same. Every server associated with Cisco Unified Communications Manager, including nodes and publisher, subscriber, and music-on-hold (MoH) servers, needs a separate license. The licensing files should be loaded on the publisher.
- Q. With users increasingly owning multiple devices, will Cisco accommodate a user-based approach to licensing instead of device-based approach?**
- A.** A recent Sage Research study demonstrated that increasing numbers of knowledge workers own multiple communications devices—an average of as many as 6.4 per user—and these devices may include a desk phone, a dual-mode cell phone, and a softphone. Cisco continues to update its licensing policies to respond to market needs. Just as the current licensing policy reflects an intention to represent the innovation and value of call processing in the customer environment, Cisco pricing policies will continue to evolve to meet the growing need for device independence and user flexibility.
- Q. Is the unit allocation in the Cisco licensing program consistent across devices?**
- A.** Device licenses are required for Cisco devices and for third-party devices, with the flexibility to replace third-party devices with Cisco devices. Device licenses are sold in increments of device-license units. Device-license units are assigned to each device connected to Cisco Unified Communications Manager 5.0 and later. Each device is assigned a unit number based on the type and capabilities of the device. Devices with more complex and high-end capabilities are assigned a higher number of units compared to devices with basic capabilities, as shown in Table 1.

**Table 1.** Device Licensing Units for IP Communications Endpoint Devices

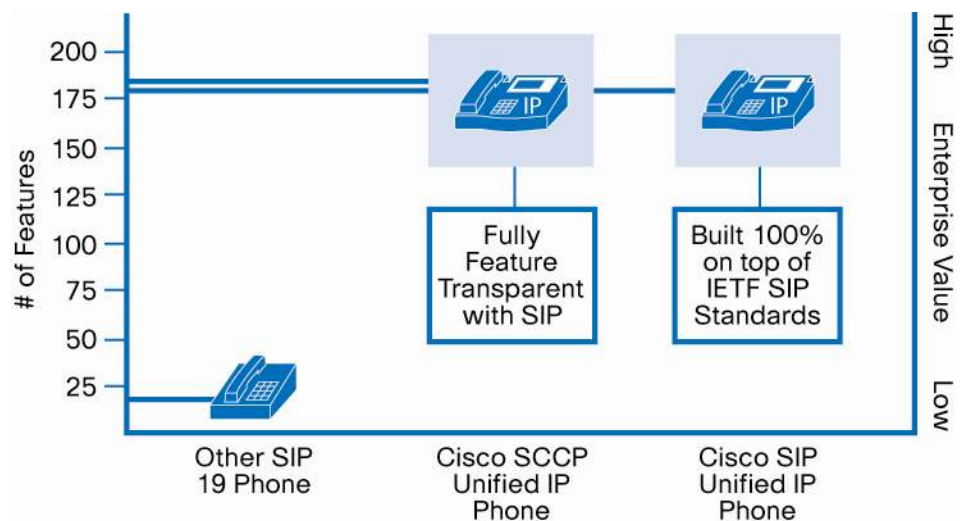
| Device or Feature                                 | Number of Units |
|---|-----------------|
| Cisco Unified Presence (user)                     | 1               |
| Cisco Unified Mobile Communicator                 | 1               |
| Cisco Unified IP Phone 7902G                      | 1               |
| Cisco Unified IP Phone 7905G                      | 2               |
| Cisco Unified IP Phone 7906G                      | 2               |
| Cisco Unified IP Phone 7910                       | 2               |
| Cisco Unified Mobility                            | 2               |
| Cisco ATA 186 Analog Telephone Adapter            | 2               |
| Cisco Unified IP Phone 7911G                      | 3               |
| Cisco Unified IP Phone 7912G                      | 3               |
| Cisco Unified IP Conference Station 7936          | 3               |
| Cisco Unified Wireless IP Phone 7920 (no battery) | 4               |
| Cisco Unified Wireless IP Phone 7921 (no battery) | 4               |
| Cisco Unified IP Phone 7940G                      | 4               |

|                                   |                 |
|-----------------------------------|-----------------|
| Cisco Unified IP Phone 7941G      | 4               |
| Cisco Unified IP Phone 7941G-GE   | 4               |
| Cisco Unified IP Phone 7960G      | 4               |
| Cisco Unified IP Phone 7961G      | 4               |
| Cisco Unified IP Phone 7961G-GE   | 4               |
| Cisco Unified IP Phone 7970G      | 5               |
| Cisco Unified IP Phone 7971G      | 5               |
| Cisco Unified IP Phone 7985G      | 6               |
| Third-party SIP device (basic)    | 3 (third-party) |
| Third-party SIP device (advanced) | 6 (third-party) |

**Q. Why does Cisco charge for device licenses as well as the devices themselves when third-party SIP phones and applications are becoming readily available at lower prices for use within enterprises?**

**A.** Cisco charges for the device and for the associated value that Cisco call control represents. Device licenses for Cisco phones and for phones from third-party vendors are perpetual and independent. Cisco devices support a robust feature set, and their support of both SIP and Skinny Client Control Protocol (SCCP) makes them compelling tools in an enterprise’s productivity efforts (Figure 1). Because of their enhanced feature set, over time users can expect Cisco devices to provide better return on investment (ROI) than third-party SIP devices with limited feature sets. Third-party devices with limited feature sets may nevertheless offer suitable options for certain users within a network to complement high-end devices for other users.

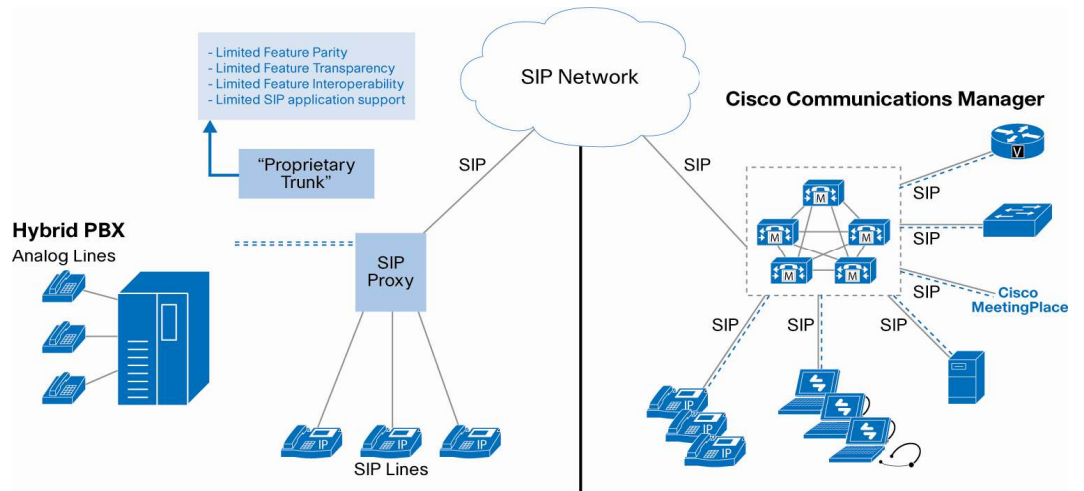
**Figure 1.** Cisco SIP Devices Demonstrate Near Feature Parity with Cisco SCCP Devices Compared to Other SIP Devices on the Market



**Q. How does Cisco pricing compare with that of competitors offering hybrid solutions?**

**A.** The total cost of ownership (TCO) works out to be less with the Cisco solution. Because of its native SIP implementation, Cisco call control offers a definite cost savings over hybrid solutions available from other vendors. The cost of adding a SIP proxy server in the case of a hybrid implementation model increases the complexity of administration and the cost of ownership in both the initial cost of the adjunct server and its maintenance. A native SIP implementation with Cisco Unified Communications Manager 5.0 facilitates interoperability of features and eliminates the need for an additional server for each cluster (Figure 2).

**Figure 2.** Cisco Unified Communications Manager 5.0 Native SIP Model Compared to a Hybrid SIP Model with an Adjunct Server



**Q. Why does Cisco use variable device licensing instead of fixed device licensing?**

**A.** Cisco device licenses are priced in accordance with the capabilities of the device. Basic devices that deliver basic services are weighted less than advanced devices delivering more services. Some competitive solutions offer a flat-rate device charge that does not account for the capabilities of the device. Most customers use a mixture of devices: for instance, putting basic phones in common areas, but providing a color phone for the CEO. In mixed environments, customers typically pay the same for device licensing whether the licenses are fixed or variable. Only customers who purchase large numbers of high-end or low-end devices may find it financially beneficial to use one solution instead of the other (that is, a customer who uses more low-end devices may benefit from variable device licensing; a customer who uses more high-end devices may benefit from fixed licensing). Most organizations implement a mixture of endpoints, however, so it does not matter whether licensing is fixed or variable.

**Q. Why is Cisco changing its licensing model at this time?**

**A.** With the release of the Cisco Unified Communications family of products, customer needs for flexibility, performance, and versatility are now being met with SIP-enabled devices. As the industry enters this new phase, the pricing models reflect the trends. The licensing approach adopted by Cisco reiterates the company's commitment to delivering customer value and innovation over the long run through responsive products, programs, and pricing.

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