



Q & A

Cisco Unified CallManager Licensing Pricing Model

Q. How is the Cisco® Unified CallManager 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 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 Systems®, and with the release of Cisco Unified CallManager 5.0, the existing licensing program has been updated to keep pace with the changing times. Device licenses for Cisco Unified CallManager remain separate from the price of the phone, but the price of the device license component has increased starting with Cisco Unified CallManager 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 CallManager.

Q. How does Cisco Unified CallManager 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. 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 soft phone. 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 CallManager 5.0. 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.

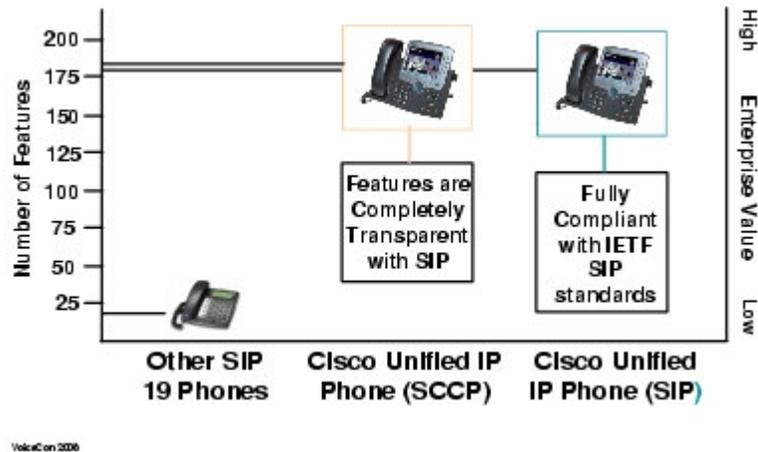
Table 1. Device Licensing Units for IP Communications Endpoint Devices

Endpoint Device	Number of Units
Cisco Unified IP Phone 7902G	1
Cisco Unified IP Phone 7905G	2
Cisco Unified IP Phone 7911G	3
Cisco Unified IP Phone 7912G	3
Cisco Unified Wireless IP Phone 7920 (no battery)	4
Cisco Unified IP Conference Station 7936	3
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) make them compelling tools in an enterprise's productivity efforts (Figure 1). Because of their enhanced feature set, in the long run 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.

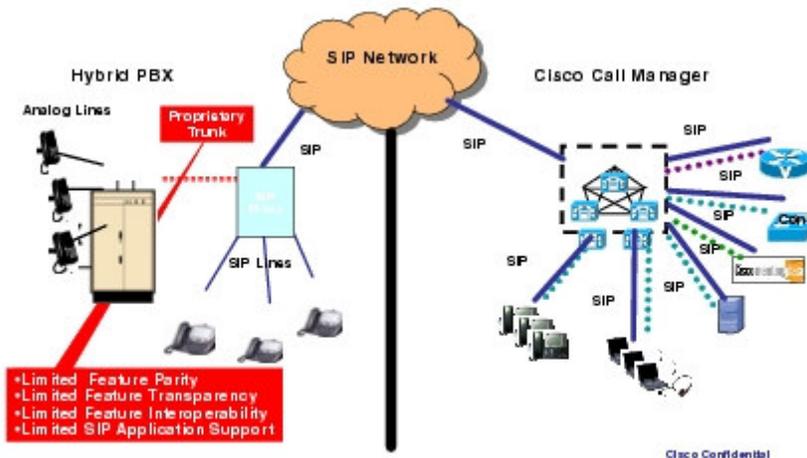
Figure 1. Cisco SIP Devices Demonstrate Near Feature Parity with Cisco SCCP Devices Compared to Other SIP Devices on the Market



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

A. The total cost of ownership 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 CallManager 5.0 facilitates interoperability of features and eliminates the need for an additional server for each cluster (Figure 2).

Figure 2. Cisco Unified CallManager 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 will 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, 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.

FOR MORE INFORMATION

For more information about Cisco Unified CallManager, visit <http://www.cisco.com/go/unified> or contact your local account representative.



Corporate Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 526-4100

European Headquarters

Cisco Systems International BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com
Tel: 31 0 20 357 1000
Fax: 31 0 20 357 1100

Americas Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com
Tel: 408 526-7660
Fax: 408 527-0883

Asia Pacific Headquarters

Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com
Tel: +65 6317 7777
Fax: +65 6317 7799

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