

Leadership and Technology: A Total-Cost-of-Ownership Comparison for Unified Communications and Collaboration

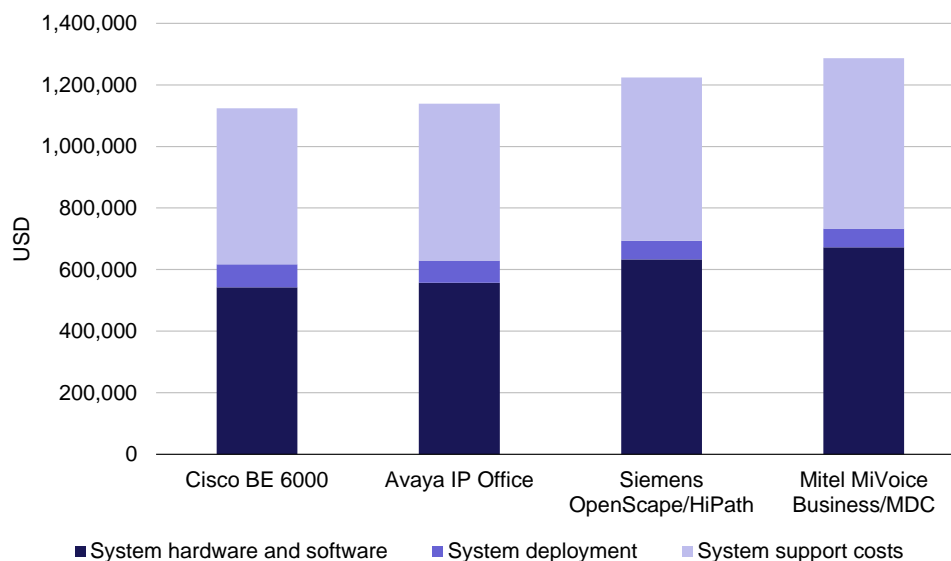
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Executive Summary

Midsized organizations strive for success. Being successful means consistently making smart decisions—including smart technology purchases. Technology should enable a midsize organization to meet the needs of its employees and customers today and also allow the organization to make simple but rewarding changes in the future. Technology must support changes that occur in a business without increasing the risks associated with providing excellent customer service, engaging with suppliers, and conducting many common business processes.

Some believe that leading technology comes at a higher price, but recently updated research from Analysys Mason has shown this assumption to be false. We found that an average 500-user organization can adopt a feature-rich, scalable unified communications (UC) solution from Cisco for less than competitive solutions. Over a 5-year period, the Cisco® Business Edition 6000 (BE 6000) solution—a unified communications solution built for midsize companies—was US\$15,000 less than the comparable solution from Avaya, US\$163,000 less than the comparable solution from Mitel, and US\$100,000 less than the comparable Siemens solution. Figure 1 shows the 5-year total cost of ownership (TCO) for these four unified communications solutions.

Figure 1 Five-Year TCO for Cisco Business Edition 6000, Avaya IP Office, Siemens OpenScape/HiPath, and Mitel MiVoice Business/Communications Director for a 500-User Organization [Source: Analysys Mason, 2013]



Recommendations for Midsize Organizations

When choosing on-premises unified communications solutions, midsize organizations must consider a range of factors, such as price, product functions, future business needs, and channel partner expertise:

- **Don't assume top technology will cost more:** When a midsize organization chooses a unified communications solution, the key requirements include quality, security, and long-term viability of both the product and the vendor supplying that product. But of course competitive pricing is another important factor. As this paper shows, it is possible to acquire high-quality Cisco Unified Communications technology for less than the Avaya, Mitel, and Siemens solutions.
- **Buy a solution that will grow and change with your organization:** The solution implemented by a midsize organization today will not necessarily be the same solution it has in place 5 years from now. Over time, many organizations will choose to incorporate additional technology components in the solution, such as new contact center functions, video-based communications, web conferencing, virtualization support, and mobile enablement. Leading vendors offer these functions many years before an organization needs them, meaning that the functions are well tested and supported before an organization implements them.
- **Choose unified communications solutions from vendors that are leaders in video-based communications:** More and more midsize organizations are adopting video-based communications. Even if a midsize organization is not adopting the solution today, it is likely to adopt it within the next 5 years. Some of the best video solutions, such as the Cisco Desktop Collaboration Experience DX650 (Cisco DX650), do not have reasonably priced competition in the market today. Competitive solutions from other vendors can be double or more the cost of the Cisco DX650, and they do not have the same levels of functions.
- **Choose unified communications products that minimize the costs of management and administration:** For the four unified communications solutions analyzed and reported herein, the costs of deployment and support account for most of the TCO. It is therefore important to find a system that has automated management and administration tools that are custom designed for the unified communications solution.
- **Implement a unified communications solution from a vendor that invests heavily in R&D:** As a midsize organization's needs change over time, it is likely to add more features and functions to its unified communications solution. Vendors that do invest heavily in R&D tend to create solutions that stay ahead of their customers' needs, and so it is more likely that they will have already incorporated those valuable additions, such as web conferencing and video communications, into their core unified communications solution. Choosing vendors that don't invest in R&D in the same way adds risk that the platform will become outdated quickly and unable to leverage new technologies.
- **Look for vendors that have a holistic approach to mobility and support the bring-your-own-device (BYOD) trend.** Mobility touches virtually all aspects of a midsize organization's technology environment. As employees seek to use mobile tools in all work spaces—at home, in the office, and “on the go”—IT departments must have the management, policy, security, and support tools in place to deliver effectively and efficiently on these newer services and support all mobile device operating systems and valuable mobile applications.
- **Pick a channel partner that has excellent professional services skills:** We caution an organization to be wary of trusting technology deployments to a partner that offers the cheapest rates. It is not worth gambling on the quality of the deployment after an organization has made the decision to purchase high-quality equipment. Unified communications technology is becoming more technology-centric than voice-centric, so it is critical to find a channel partner that understands virtualization, messaging, video, mobility, and other IT disciplines in addition to traditional voice services.

Market Leadership: A Framework

Successful organizations play to win. Winning may mean different things to different organizations—to some it means growing profit, whereas for others it means to improve their communities or change the world. How do successful organizations become leaders in their industries and communities?

Successful organizations focus on three considerations—their business decisions, their employees, and their customers (refer to Figure 2):

- Business decisions:** Successful organizations consistently make smart business decisions. The best organizations pick a sound strategy, create yearly implementation plans, and devise appropriate tactics to meet their goals. In addition, successful businesses make intelligent decisions about risks: organizations must assume some level of risk, but there is a healthy balance that all organizations must achieve.
- Employees:** Successful organizations recognize that their employees are tremendous assets. Organizations use technology to improve the effectiveness of employees in two ways. First, technology makes it easier for employees to get their work done efficiently, reducing the costs for a business. Second, technology helps employees to innovate, and innovation can improve an organization’s products, services, and business processes—leading to increased revenue, reduced costs, or both.
- Customers:** Successful organizations treat their customers well in order to create loyal customers who want to purchase from them repeatedly. Technology can improve the day-to-day interactions between employees and customers, and good technology can also differentiate the services that an organization provides to its customers.

“Cisco collaboration has increased our competitive edge and is helping us transform our business while reducing costs. Another less obvious but very important result is that the Cisco platform is helping foster our next generation of IT talent.”
António Abelha
IT manager
 ATEC

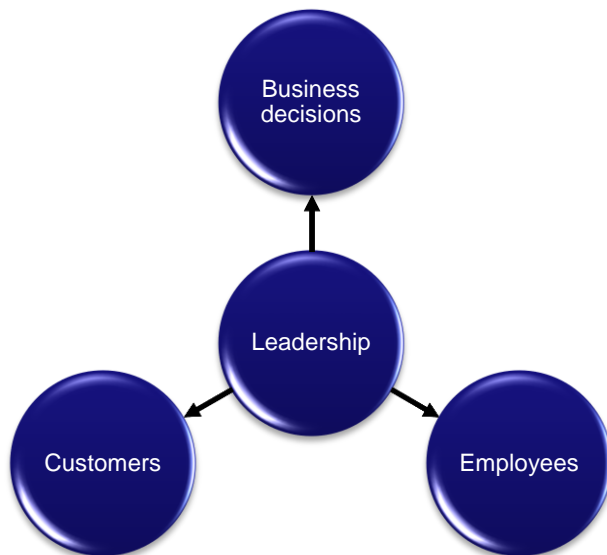


Figure 2 Three Considerations for Successful Organizations [Source: Analysys Mason, 2013]

Organizations that lead in their markets, communities, and segments should rely on technology that can enhance their performance. It is wise for organizations to choose leading technology solutions, because they provide flexibility for employees, facilitate better customer service, and—in the case of the Cisco solution evaluated—can be priced less expensively than competing solutions with more limited functions.

Details of TCO Analysis

What Solutions Did We Select for Analysis?

Analysys Mason compared the cost of four unified communications solutions: Cisco Business Edition 6000, Avaya IP Office, Mitel MiVoice Business/Communications Director, and Siemens OpenScape/HiPath. For the purposes of this analysis, we calculated the costs for a typical 500-user midsize organization. The organization was assumed to have a headquarters site and two branch-office locations. In order to make the costs of the four products directly comparable, we ensured that the features and functions of the solutions we evaluated were as similar as possible. In some cases this stipulation was rather difficult to meet, because the leading technology vendors tend to produce solutions that offer greater flexibility than those from vendors with more limited solutions.

For all four solutions, we captured the costs of hardware, solution deployment, software licensing, and ongoing support. Initially, we assumed that the 500-user organization would implement a fairly simple solution incorporating unified communications voice, voicemail, mobile-phone integration, and basic contact center functions. We assumed that over the course of 5 years the organization would implement other common unified communications solutions, including more advanced contact center functions, web collaboration, and high-definition desktop video communications for some employees. Businesses change and grow, and it is only reasonable to assume that a successful organization will make new technology available to its employees as a way to improve productivity and spur innovation.

Results are summarized in Table 1.

Table 1 Summary of Unified Communications Solutions Evaluated by Analysys Mason [Source: Analysys Mason, 2013]

Solution name	Vendor positioning of solution	Feature description
Cisco Business Edition 6000	UC platform with simple network design built and priced competitively for the midsize organization	Voice, unified messaging, mobility, presence, contact center, collaboration, and video capabilities
Avaya IP Office	IP phone solution for small and medium businesses	Voice with add-ons for messaging, mobility, UC, and simple video integrations
Mitel MiVoice Business (formerly Mitel Communications Director)	Easy to deploy and manage IP PBX platform for businesses with five to 65,000 users	Voice, unified messaging, mobility, presence, conferencing, and collaboration features
Siemens OpenScape/HiPath	Seamless UC solution synchronizing communications into the way a business operates	Voice, unified messaging, mobility, presence, contact center, collaboration, and video capabilities

Cisco describes its Business Edition 6000 solution as a unified communications platform with simple network design for the midsize organization. The solution provides customers with voice, unified messaging, mobility, presence availability, contact center agent support, and video capabilities. Cisco positions it as a cost-competitive solution that outperforms other solutions in terms of quality, reliability, features, and upgradability.

Avaya describes its product as a solution to allow small and medium-sized businesses to connect and collaborate using various devices. Its platform includes the basics of IP telephony with optional add-ons for unified communications, simple videoconferencing, mobility, and messaging.

Mitel describes its product as a highly flexible and scalable IP private branch exchange (PBX) solution that is easy to deploy and manage. The platform delivers voice, unified messaging, mobility, presence, conferencing, and collaboration features. The solution is aimed at businesses with 5 to 65,000 users.

Siemens describes its product as a solution integrating communications and collaboration into the way a business operates. Siemens' platform supports voice, web collaboration, mobility, video, unified messaging, and various application integrations.

What Did Our TCO Analysis Show?

In general, we found the Cisco solution to be US\$15,000 less expensive than the Avaya solution, US\$100,000 less expensive than the Siemens solution, and US\$163,000 less expensive than the Mitel solution. Our findings follow:

- Capital expenditures** (CapEx) for hardware equipment and software was 3 percent less for the Cisco Business Edition 6000 solution compared to Avaya's, 17 percent less than Siemens', and 24 percent less than Mitel's. These expenditures account for between 48 and 52 percent of the TCO of a unified communications solution. As midsize organizations add functions to their unified communications solutions—a normal occurrence as businesses' needs change—the cost savings increase for the Cisco solution. For example, a partner must integrate a separate third-party video system with the Siemens and Mitel products in order to provide a high-definition (HD) desktop video solution to a midsize-organization customer. Cisco provides the Cisco DX650, a HD-video desktop unit that currently has no other comparably featured products in the market. Priced well below all other comparable HD-video solutions, the Cisco DX650 makes a midsize organization's decision to purchase a Cisco Unified Communications solution easier—especially for those that will be adopting video solutions over the next 5 years. Cisco's pricing and existing product portfolio consider both the basic and more advanced unified communications requirements of growing midsize organizations. By allowing organizations to reuse various pieces of hardware and software licenses as they grow, Cisco aims to minimize the financial risks associated with modifications to a unified communications solution.
- System deployment costs** associated with implementation, integration, planning, and training varied by only US\$13,500 across the four vendors' solutions. These costs account for 5 to 7 percent of the TCO of the four unified communications solutions we analyzed. That being said, it is critical to find highly trained, well-certified, and experienced partners to implement the solutions. We found that the hourly rate for skilled partners was fairly consistent across the four vendors. However, we also found that some partners with higher hourly rates expect an implementation to require fewer hours overall, thereby keeping the total implementation costs broadly similar.
- System support costs** associated with maintenance, software upgrades, and general day-to-day support varied by only 9 percent across the four vendors' solutions, with the Cisco solution providing the least expensive alternative compared to the Avaya, Siemens, and Mitel solutions. System support costs account for 43 to 45 percent of the TCO of a unified communications solution. These costs are quite substantial over a 5-year period, because all solutions require some level of upkeep. As additional modifications are made to the solution, more full-featured solutions such as those from Cisco can require less time for system support, because these solutions have been specifically built to adapt to the changing needs of midsize organizations. Other solutions that are not built for midsize organizations can experience increasing support costs as the organization adds additional features to its unified communications solution. In addition, with the updated Cisco Unified Provisioning Manager, partners can reduce system setup time, provision services rapidly, and easily manage users and profiles.

"With Cisco, we're getting a better solution than we thought we could afford."

Jim Phillips
Senior Vice President and Chief Information Officer
Stanford Federal Credit Union

Conclusion

Leadership matters. Technology allows organizations to empower their employees and better service their customers. The technology chosen by a midsize organization must be able to support future business needs, because otherwise it represents an additional financial risk. It is worth investing in high-quality technology from vendors like Cisco, which strive to create solutions that help businesses succeed.

Based on our analysis, the Cisco Business Edition 6000 has a lower TCO than comparable solutions from Avaya, Mitel, and Siemens. Midsize organizations that purchase solutions such as the Cisco Unified Communications Solution are making sound business decisions, because these solutions minimize the risks to their business and provide flexibility to accommodate future business changes.

Today's unified communications technology empowers organizations for success. Solutions that bring people together—such as video communications, web conferencing, and mobility solutions—differentiate leading organizations from those that follow. These types of solutions foster rich interactions among employees, customers, and partners—interactions that lead to innovation and improvements in business processes. Jim Phillips, Senior Vice President and Chief Information Officer at Stanford Federal Credit Union, says it eloquently: “We’re the type of company that will leverage the platform beyond telephony, and use the features to find productivity improvements. With Cisco, we’re getting a better solution than we thought we could afford.”