

A Forrester Consulting Thought Leadership Paper Commissioned By Cisco Systems

Collaboration Services: Deployment Options For The Enterprise

Collaboration Services To Meet Your Business Needs, Whether It's Hosted, Outsourced, In The Cloud, Or A Managed Service

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Executive Summary

Collaboration services — from voice to videoconferencing and collaboration platforms — enable business agility for organizations, allowing employees to easily exchange information among themselves, as well as with clients and business partners. Forrester estimates that the size of the collaboration services market will be about \$42 billion in 2012. Exhibiting rapid and clear return on investment (ROI), demand for these solutions will continue to experience strong growth, with a compound annual growth rate (CAGR) of 8% through 2018. New delivery models will also accelerate their adoption. Most notably, software-as-a-service (SaaS) solutions now enable smaller organizations to benefit from ease of implementation and configuration, as well as from the flexibility of a pay-as-you-go business model.

Over the next six years, cloud-delivered collaboration services will grow by an average of 14% per year; by 2018, they will represent 35% of the total collaboration services market.

In the spring of 2012, Cisco Systems commissioned Forrester Consulting to evaluate the global collaboration services markets through the lens of four developed countries and four emerging markets. To thoroughly explore this trend, Forrester developed a hypothesis that tested the assertion that cloud delivery models will progressively replace the traditional managed services and outsourcing delivery models.

Forrester's in-depth survey of 631 senior IT decision-makers across eight countries found that companies will increasingly leverage the cloud to access collaboration services — including voice-, web-, and videoconferencing. However, we also found that, depending on the customer's security and performance requirements, cloud computing will *not* replace traditional delivery models; rather, old, new and hybrid models will coexist for a time.

Key Findings

Forrester's study yielded three key findings:

- **Cloud computing will act as an enabler and accelerator of collaboration services adoption.** Among the analyzed delivery models, cloud will experience the fastest growth through 2018 (a CAGR of 15%). As the delivery model of choice for webconferencing, cloud will also enable the development of new services like desktop IP videoconferencing and accelerate the adoption of other collaboration capabilities.
- **Information workers will proactively adopt collaboration services on multiple devices.** Information workers (iWorkers) access these services via a variety of devices, like smartphones, tablets, PCs, and laptops. Often, these employees are using their own devices to access services; they add capabilities by installing new software on whatever device is at hand. About half of the firms surveyed believe that the smartphone is best suited for video and mobility services, while nearly two-thirds believe that the PC is best suited for productivity, collaboration, and email. The study confirmed that smartphones and tablets are increasingly seen as viable collaboration platforms; 20% to 30% of firms rated these devices as best suited for collaboration.
- **IT professionals drive innovation across their firm with collaboration services.** IT pros believe that collaboration services can improve innovation and efficiency across business processes within their organization. They will need to optimize the acquisition of such services by leveraging different delivery models based on their

organization's maturity and IT context. Forrester found that most IT professionals preferred to acquire a logical bundle of collaboration services — such as voice, video, email, and webconferencing — from a single provider.

Assessing Global Trends In Collaboration Services

What Is Unified Communications And Collaboration?

In today's mobile, distributed, fast-paced business world, unified communications and collaboration (UC&C) is becoming standard communication infrastructure. IT executives value the ability to manage a single infrastructure, while business leaders value the ability to connect to the right people when and where they need. Last but not least, finance executives are happy with the benefits this communications technology brings for the price. Companies tend to adopt UC&C technologies in a phased approach, starting with unified communications (UC) and then complementing these capabilities with collaboration technologies:

- **UC capabilities form the basis of a UC&C strategy.** Real-time point-to-point communications are at the core of basic UC offerings. Enabling email, IM, and telephony to work together from a single user interface (often called “click-to-communicate”) and be available from a personal calendar and presence is the entry point.
- **Collaboration capabilities bring enhanced business value.** Collaboration capabilities extend basic UC capabilities to multipoint conferencing for audio, video, and web communication sessions and enable the sharing of information relevant to the business process at hand. Connecting people, information, and business processes allows teams to find and apply the right data to advance the needs of the business. Sharing or developing the right information based on the best available data across the responsible teams allows the firm to “out-innovate” their competition and seize new opportunities in the market.

What Are The Collaboration Service Delivery Models?

One of the objectives of this study is to understand how and why companies in developed and emerging markets adopt collaboration technologies. In particular, Forrester looked at how the emergence of cloud delivery models affects how enterprise buyers adopt such technologies. For the purposes of this study, we define the delivery models as follows:

- **Self-managed.** The end user company owns and manages the entire solution (hardware and software, including software licenses and servers) itself and does not leverage third-party service providers to deliver and/or maintain the collaboration capability.
- **Managed services.** The end user company leverages a third-party service provider to manage the collaboration solution. The end user company owns and leases the hardware and software and operates it on-premises.
- **Hosted.** The end user company leverages a third-party service provider to manage the collaboration solution. The end user company owns and leases the hardware and software and operates it in a dedicated environment at the provider's site.

- **Cloud.** The end user company uses a third-party service provider to deliver the solution. The provider owns the hardware and software and delivers it from its data center on a multitenant infrastructure. The end user company buys the solution in a pay-as-you-go model.
- **Outsourced.** The end user company uses an outsourcing service provider that manages the entire collaboration capability in a dedicated environment.

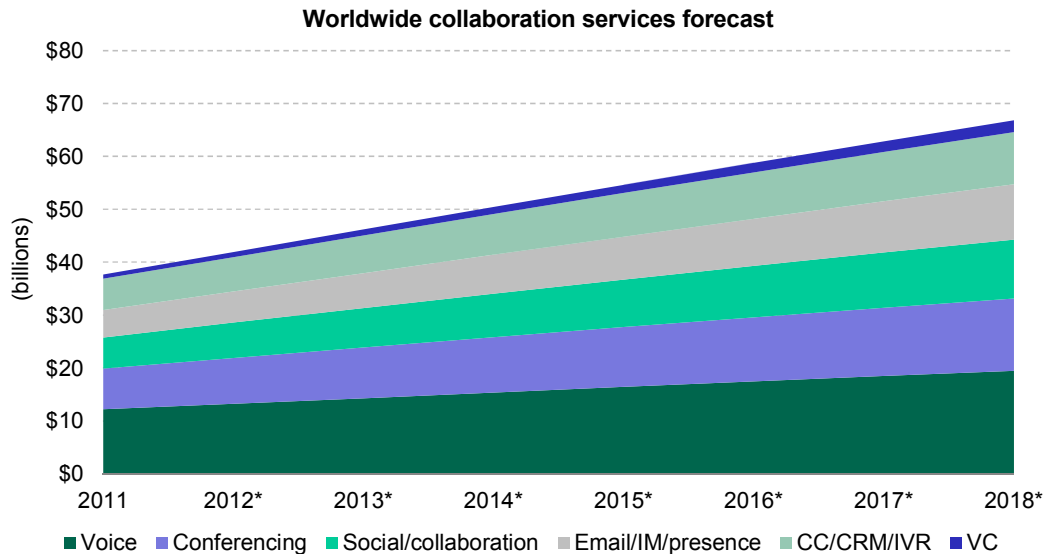
Enhanced UC&C Services Will Drive Collaboration Services Market Growth Through 2018

Forrester estimates that collaboration services accounted for about 2% of total global IT purchases in 2011. The market is expected to show differentiated development patterns as companies' investments increasingly focus on enhanced collaboration capabilities such as social software capabilities or videoconferencing services (see Figure 1). Forrester sees the following global trends:

- **Enterprises will reduce their emphasis on voice services through 2018.** Not surprisingly, voice services, including managed IP PBX, still accounted for the largest part of the collaboration services market in 2011. Basic voice services were still at the core of the "communication services" part of UC&C in 2011. That said, voice services will be the slowest-growing segment of the collaboration services market through 2018, with a 6.9% CAGR compared with 8.1% for the collaboration services market as a whole.
- **End user organizations will continue to show strong interest in email and IM/presence services.** This segment accounted for close to 14% of the total collaboration services market in 2011. Forrester estimates that the segment will grow by 10.6% through 2018, as organizations continue to migrate their email systems from on-premises, self-managed models to hosted and cloud-based models.
- **Videoconferencing services will grow the fastest, although from the smallest base.** Videoconferencing services accounted for about 2% of the total global collaboration services market in 2011. Traditional in-room videoconferencing still makes up the largest portion of such services, although Forrester sees rapid development in desktop-based IP videoconferencing services.

Figure 1

The Worldwide Collaboration Services Market Will Reach \$67 Billion By 2018



*Forrester forecast

- ❖ **Voice** includes basic voice and voicemail.
- ❖ **Conferencing** includes audioconferencing and webconferencing.
- ❖ **Social/collaboration** includes collaboration platforms, productivity application services, social software capabilities.
- ❖ **Email/IM/presence** includes email, IM, and presence services.
- ❖ **CC/CRM/IVR** includes IP contact centers, CRM-as-a-service, and interactive voice response.
- ❖ **VC** includes traditional in-room, HD in-room, immersive, desktop videoconferencing and multipoint bridging.

Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

The Cloud Enables And Accelerates Collaboration Services Adoption Globally

The cloud delivery model will drive the worldwide growth of collaboration services through 2018. Forrester estimates that cloud-based collaboration services will have a CAGR of almost 15% (see Figure 2). This means that cloud will grow about three times faster than the managed service delivery model (where the service provider manages the collaboration technologies on the customer's premises) and twice as fast as the hosted delivery model (where the service provider hosts and manages the collaboration technologies in a dedicated off-premises environment). Over the next six years, the cloud delivery model will enable and accelerate the development of an array of enhanced collaboration services like desktop IP videoconferencing. End user organizations will choose different delivery models depending on their performance, financial, and security requirements. Forrester sees the following developments through 2018:

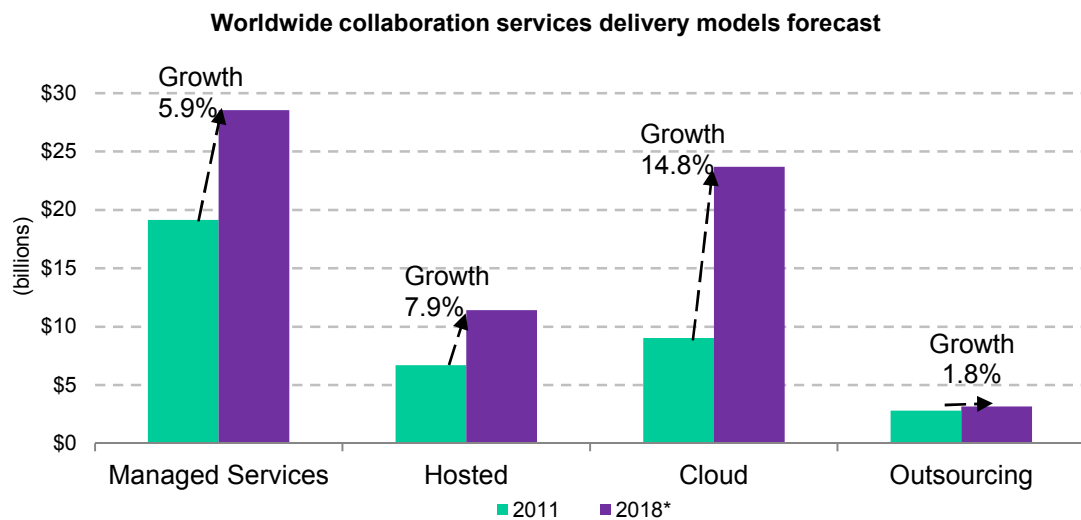
- **Cloud will enable and accelerate collaboration services.** End user organizations are increasingly replacing or complementing their exiting collaboration technologies with cloud-based SaaS collaboration solutions. SaaS enables business transformation and makes businesses more agile and responsive by allowing employees to easily

share information among themselves, as well as with partners and clients. Forrester sees cloud accelerating the development of enhanced collaboration services in the videoconferencing space.

- Hosted services will cater to higher performance and security requirements.** The hosted delivery model will grow at about 8% per year through 2018. The main value proposition of hosted services lies in the dedicated infrastructure that hosts the collaboration technologies. This enables the customer to demand more stringent service-level agreements (SLAs) and improved security features. In fact, the hosted and cloud delivery models are two sides of the same coin; hosted services provide a more deterministic performance than public cloud services. Customer organizations need to understand their specific security and performance requirements before selecting one model over the other.
- The managed services and outsourcing models will slowly lose market share.** Cloud models will slowly but surely replace the traditional outsourcing model, as the shared infrastructure architecture delivers true economies of scale that outsourcing providers were never able to generate for their clients. At less than 6% per year, growth in managed services will be slower than the overall collaboration services market through 2018. However, Forrester believes that managed services will not disappear overnight, as some organizations will continue to prefer the comfort of owning the technology and having it on site over the flexibility and cost benefits that cloud delivery models provide.

Figure 2

Cloud Growth Will Outpace That Of Managed Services And Eventually Surpass It In Market Share



*Forrester forecast

Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

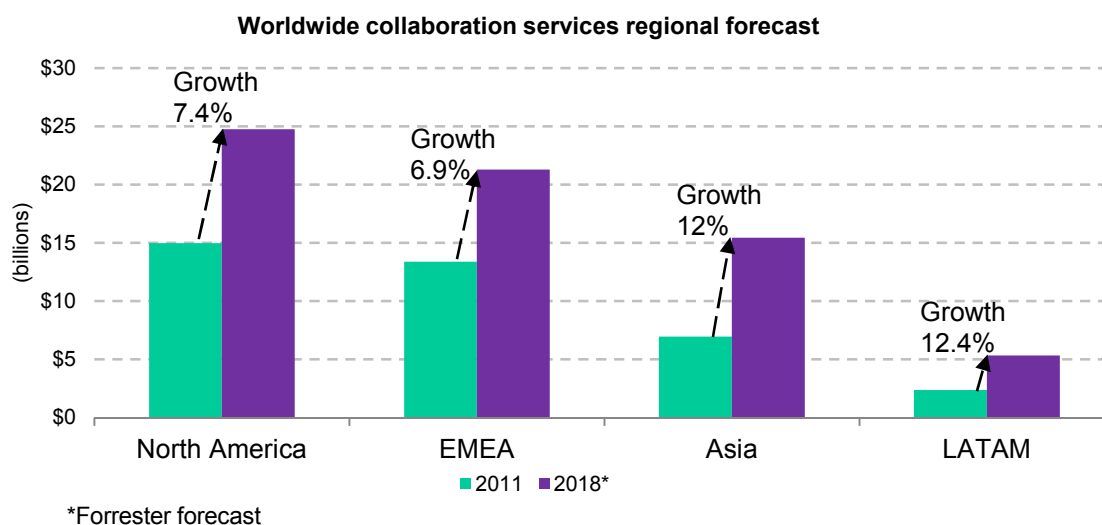
Developed Markets Lead, But Emerging Markets Are Catching Up

Forrester sees different adoption patterns of collaboration services depending on where end user organizations are located (see Figure 3). While adoption characteristics also vary from country to country and industry to industry, major differences exist between developed and emerging markets. The IT services sourcing maturity level of end user organizations and the local ecosystem of collaboration solution vendors in each region helps explain some of these differences:

- **Developed markets lead in overall adoption of collaboration services.** With close to 40% of the global market, the US is by far the largest collaboration services market in the world. End user organizations in developed markets have a higher maturity level when it comes to leveraging external service providers. A higher level of confidence and experience also makes them early adopters of cloud-based collaboration services. Adoption of enhanced collaboration services such as videoconferencing, collaboration platforms, webconferencing, and social software capabilities is also much higher than in emerging markets.
- **Cloud usage in emerging markets accelerates the adoption of enhanced collaboration services.** Basic voice services still make up more than 50% of collaboration services spending in emerging markets like Brazil and Mexico. End user organizations show a strong interest in email and IM/presence services in these markets; Forrester expects that the availability of cloud-based offerings will act to accelerate the adoption of enhanced collaboration services such as webconferencing, especially in Asia Pacific. Demand for videoconferencing services is expected to strengthen through 2018, although the adoption level for these services will remain low due in part to cost concerns and a lack of adequate network infrastructure.

Figure 3

North America Remains The Largest Market, But Asia And Latin America Show Increasing Demand



Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

What Are Companies Doing Today?

Basic voice, email, and webconferencing will be the most widely used collaboration services across geographies and company sizes through 2018; 29%, 16%, and 12%, respectively, of total global collaboration services spending in 2018. Spending on voicemail and IM/presence services will remain limited over the 2012 to 2018 time period. The marginal cost to access such functionalities is usually low and they are increasingly being embedded into basic UC packages. Outside of these functionalities, adoption trends will vary depending on region and organization size (see Figure 4):

- Large organizations will continue to invest in IVR and audioconferencing services.** Larger organizations are interested in collaboration technologies that provide a rapid and clear ROI. The adoption of interactive voice response (IVR) services — 10% of total collaboration services spending in 2018 — will continue to grow over the next six years as a challenging economic environment forces companies to cut costs and hosted and cloud delivery models offer firms the necessary functionality at an attractive price. Audioconferencing services will also benefit from similar macroeconomic trends, with a move toward converged conferencing services that unite audio, web, and video formats. Given their high unit price point, immersive videoconferencing managed services are still concentrated at larger organizations. Forrester expects the demand for collaboration and productivity applications solutions delivered via hosted and cloud models to rapidly increase through 2018.
- Small organizations' investments in developed markets focus on collaboration platforms.** Forrester has identified strong demand from small and medium-size businesses (SMBs) for collaboration platforms delivered via cloud models in North America and Europe (a CAGR of 18% through 2018). Business agility is a key investment driver for companies that value the SaaS model, which allows them to focus resources on more important projects. In comparison, audioconferencing will experience higher demand from SMBs in emerging markets in Asia and Latin America over the 2011 to 2018 period (CAGRs of 14% and 17%, respectively). Smaller firms' demand for videoconferencing services should remain low, except for desktop IP videoconferencing services, which will develop strongly over the next three to five years.

Figure 4

Firms In Asia And Latin America Will Adopt Collaboration Services Quickly, But Start From A Smaller Installed Base

CAGR if collaboration services adoption, 2012 to 2018

Firm size	Region			
	North America	EMEA	Asia Pacific	Latin America
20 to 99 employees	10.0%	11.3%	17.4%	18.2%
100 to 249 employees	10.0%	11.8%	17.1%	17.7%
250 to 999 employees	9.0%	9.6%	14.7%	16.2%
More than 1,000 employees	8.9%	9.2%	13.7%	15.5%

Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

The Opportunities And Benefits Of Collaboration And Cloud

Cloud and collaboration are mutually reinforcing technology trends in today's economy. As more companies strive to achieve better business results with fewer resources, they are driven to innovate more rapidly — creating more new products, engineering or re-engineering more efficient processes, and recruiting more talented, creative, and diverse workforces.

Information Workers Proactively Adopt Services To Devices

This distributed employee body — driven to innovate — is more likely, and more able, to adopt personal cloud services to achieve its ambitious objectives. Business networking services; file storage, sharing, and backup services; voice and video over IP services; and webconferencing are just the tip of the iceberg as highly empowered and resourceful employees (HEROes) do whatever it takes to achieve their objectives and beat the competition.¹ Up to 25% of iWorkers access these services via a variety of devices like smartphones, tablets, PCs, and laptops; often, these are employees' personal devices. They work around the clock, fluidly mixing work and personal life by using both synchronous and asynchronous communications paths, and collaborate more fluidly with a broader set of colleagues and peers. How are today's workers achieving these results? iWorkers do whatever it takes to get a job done, including (see Figure 5):

- **Using diverse devices for collaboration.** Devices used by information workers range from desktop PCs and terminals to mobile devices like smartphones, tablets, and laptops. While PCs are best suited for creating content, tablets for consuming content, and smartphones for ad hoc communications, iWorkers' desire for simplicity drives them to the "Swiss army knife" model. They add capabilities to whatever device they have handy by installing software, but seem to feel that laptops are most adept at performing a wide variety of communications and collaboration tasks. Between 33% and 66% of information workers rate laptops as well-suited to every common communication and collaboration task, while only 20% to 50% rate smartphones similarly.
- **Adopting personal cloud collaboration services.** Many enterprises are struggling with the trend of iWorkers bringing their own devices to work, while largely ignoring their penchant to adopt services on their own. Some popular services meet the need for distributed and mobile workers to communicate and collaborate — like using an over-the-top VoIP service to communicate when out of the office, a web-based conferencing solution to collaborate with peers or partners, and cloud-based storage and backup services to maintain and secure important electronic files. iWorkers are adopting cloud-based collaboration, and the 22% of them who visit unauthorized websites and the 16% who use unauthorized software will force IT's hand to either provide equivalent services or secure the services and software currently in use.
- **Demanding company support to integrate cloud collaboration services into business processes.** As iWorkers strive to achieve business objectives with personal cloud services, they will demand IT support beyond acquiring and securing the services. iWorkers will need IT to connect personal collaboration services to the company's directory and presence services so that they can seamlessly connect with peers. These workers will demand open addressable schemas, or federated directories, so that they can connect with customers and suppliers. Once these HEROes find, use, and achieve benefits from personal collaboration services, their organizations will want to leverage those tools to accelerate process improvement and innovation.

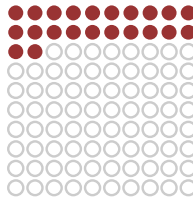
Figure 5

Employees Get The Software And Services They Want, Even If They're Not Authorized To

Non-authorized websites



22%

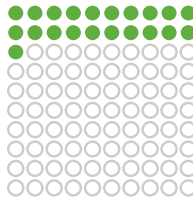


or 47 million information workers are using non-authorized websites or Internet services to help them do their jobs. Eight percent or 16 million information workers are using four or more non-authorized websites or Internet services to help them do their jobs.

Social networking



21%

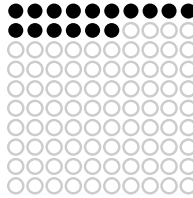


or 44 million information workers are using social networking sites for work at least once a week.

Rogue software



16%

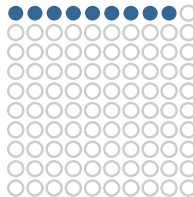


or 34 million information workers have installed unsupported software in the past year to help them do their job.

Microblogging



9%



or 19 million information workers are using microblogging for work at least once a week.

Base: 5,102 North American and European technology end users from SMB and enterprise companies with 20 or more employees
 ("Usage in millions of information workers" is based on Forrester's estimate of 212 million total information workers in North America and Europe in 2011)

Source: "Consumerization Will Erase Boundaries Between Corporate And Consumer Technology Markets," January 9, 2012, Forrester Research, Inc.

IT Professionals Will Drive Innovation Across Their Firm With Collaboration Services

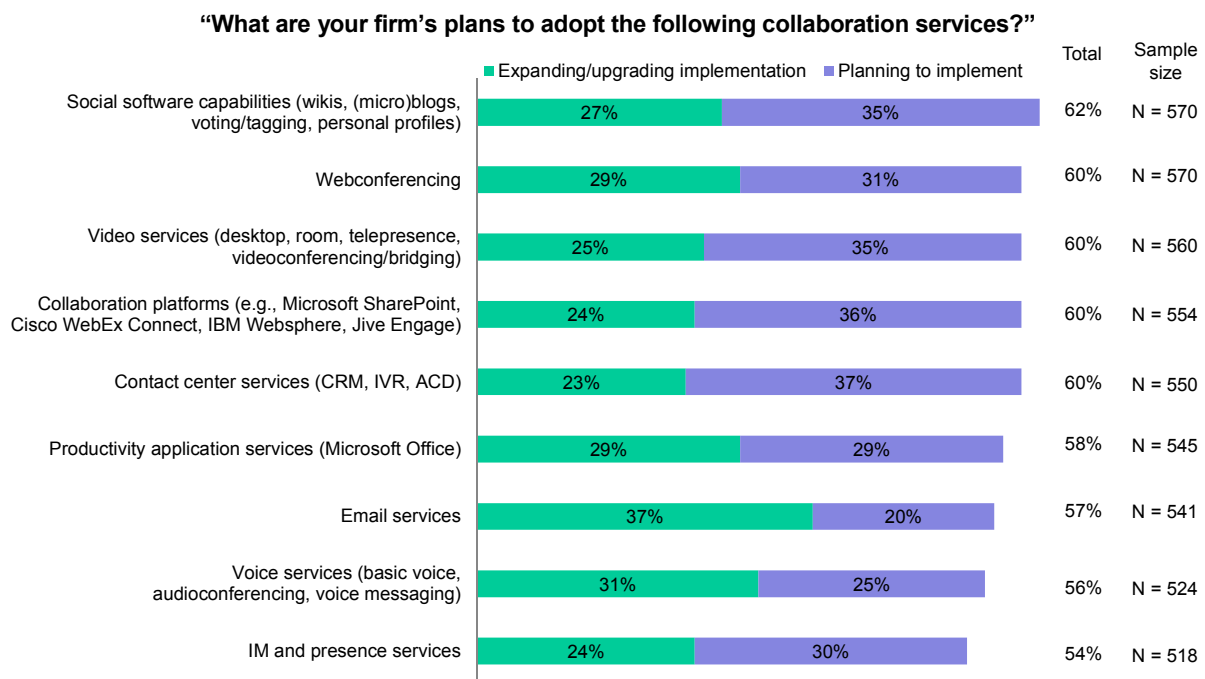
IT pros can seize the opportunity to support their HEROes by adopting and optimizing new collaboration services to fit their firm's business processes and drive innovation (see Figure 6). As more service providers rush to market to meet this growing need, Forrester sees various service models emerging: single-purpose, one-off services; bundles of linked services; and integrated collaboration service platforms that can be delivered on-premises or from the cloud with a wide

variety of services to complement or complete the capability. Forrester found that buyers prefer to acquire a bundle of services that meet their unique needs from service providers, as they're perceived to have the technical skills and local presence to help them succeed. IT pros must work with business units and iWorkers to redefine their service catalogs to secure and configure collaboration capabilities. They will need to:

- **Leverage cloud adoption to empower collaborators.** In our study, 60% of IT decision-makers intended to adopt collaboration services — most likely social, webconferencing, video, and collaboration platforms. IT pros believe that they can leverage these services to improve innovation and efficiency across their firm's business processes.

Figure 6

Future Buyers Show Preferences For Social, Webconferencing, Collaboration, And Video Services



Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

- **Leverage the best delivery model to optimize service acquisition.** Around the world, managed services and cloud delivery are the most popular options for acquiring collaboration services, but variations can be seen by both country and firm size (see Figure 7). As with smaller businesses, cloud service adoption will expand rapidly in developing economies where it may be harder to find local IT management talent. Dedicated deployments (either managed on-site or hosted) will grow more slowly than cloud; growth rates for dedicated models in developed economies will only be half of that in emerging markets, primarily because firms in developed countries have already adopted many of these services.

Figure 7

Cloud Delivery Will Grow Fastest Globally; Demand For Managed Services Will Rise Faster In Developing Economies

Delivery model	CAGR of collaboration services adoption, 2012 to 2018							
	Country							
	Germany	UK	Japan	US	Mexico	China	India	Brazil
Hosted	7.1%	8.6%	7.7%	6.9%	15.9%	20.5%	17.3%	15.6%
Cloud	17.7%	15.6%	17.2%	16.0%	19.7%	22.6%	20.9%	19.0%
Managed	8.4%	8.7%	8.2%	8.9%	15.8%	17.0%	15.4%	15.9%
Outsourcing	1.4%	2.2%	1.6%	0.9%	11.7%	15.8%	12.9%	11.4%

Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

- **Choose service providers that meet their specific requirements.** Forrester expects that IT pros will want to understand the capabilities of the service providers they choose and which services most need to work together.
 - **Developed countries.** IT buyers in developed countries prefer telcos for synchronous services and systems integrators (SIs) for asynchronous services. Our survey found that 34% preferred telcos for synchronous services, compared with 24% for SIs. But respondents didn't have a clear preference when it came to asynchronous service delivery; 27% preferred SIs while 25% preferred telcos.
 - **Emerging markets.** Only 20% of IT buyers in developing countries preferred telcos for either synchronous or asynchronous services; 34% preferred SIs for synchronous services and 30% preferred them for asynchronous services.
- **Choose service bundles to meet their unique situation.** Most IT buyers (55% to 62%) prefer a single vendor for communications and collaboration services, whereas it is slightly more even for services like contact centers or social software, where 52% prefer a single vendor and 48% prefer to select best-of-breed. Forrester has found that many IT pros prefer to acquire a logical bundle of collaboration services — for example, choosing to acquire real-time services, UC services, or social and collaboration services from single provider.

What It Means: Collaboration Service Accelerate Business Results

Enterprise buyers must understand the value of collaboration services to determine what capabilities best fit their business needs, and then determine which service delivery model will optimize their total cost of ownership and provide collaboration services reliably to their users. Based on the maturity of their service provider, the sophistication of their users, and their own ability to manage the platforms and contracts, each business will likely adopt a unique set of collaboration capabilities. Service providers today are offering bundles of capabilities — like a UC&CaaS offering that includes voice, video, email, webconferencing, IM, and presence — to enable more seamless communication and collaboration. A service-led strategy allows IT to balance the effort required to determine the business impact of the

adoption of collaboration services and the effort to manage and maintain the infrastructure supporting collaboration. Going forward, IT pros must:

- Map which business processes and users will benefit most from collaboration services, including conferencing, mobility, video, and information-sharing, to prioritize deployments.
- Navigate the myriad services and capabilities offered by a wide range of service providers and match offers to the way their iWorkers want to adopt and use collaboration services.
- Work with users to create a unique service catalog of collaboration capabilities that is linked to existing services, from identity and security to business applications.
- Communicate corporate capabilities and procedures in the context of iWorkers' daily tasks and goals so that they can utilize collaboration to drive improved results and greater innovation.

KEY RECOMMENDATIONS

IT pros need to work with business units and service providers to identify the optimal mix of collaboration services, cost, security, differentiation, business value, and other considerations. Before implementing collaboration services, IT pros must:

- **Interview business unit heads and iWorkers.** Determine which collaboration services are needed to drive business results and what iWorkers are willing and able to use. Soliciting their input when designing a collaboration service catalog will drive acceptance and adoption of the services.
- **Issue an RFP for capabilities that will drive desired outcomes.** Based on what business unit leaders want to accomplish and existing communications and collaboration patterns, create an RFP that asks your vendors to create a solution that delivers defined business results. Leverage the creativity and capabilities of a variety of service providers.
- **Improve vendor management processes.** IT pros must hone their ability to negotiate and manage service provider relationships in order to take advantage of the flexibility advantages of collaboration services. Enabling these service bundles to interoperate with existing and self-managed capabilities will require more expertise in integration and management, and less time will be required for routine platform management.
- **Insist on managed interoperability.** Make sure that core corporate services like identity, security, availability, and presence can be shared across all collaboration platforms and be wary of multiple-client applications for end users. Demand overt simplification of the process of accessing collaboration services so that your end users can concentrate on business problems.
- **Choose service providers whose strengths complement your organization and serve your users.** If you have built even modest applications and capabilities based on certain business applications, look for service providers that will leverage that investment and capability, not those which expect you to rip out and rebuild capabilities. This will not only save time and effort, it will ease the burden on your users when adopting new collaboration services.

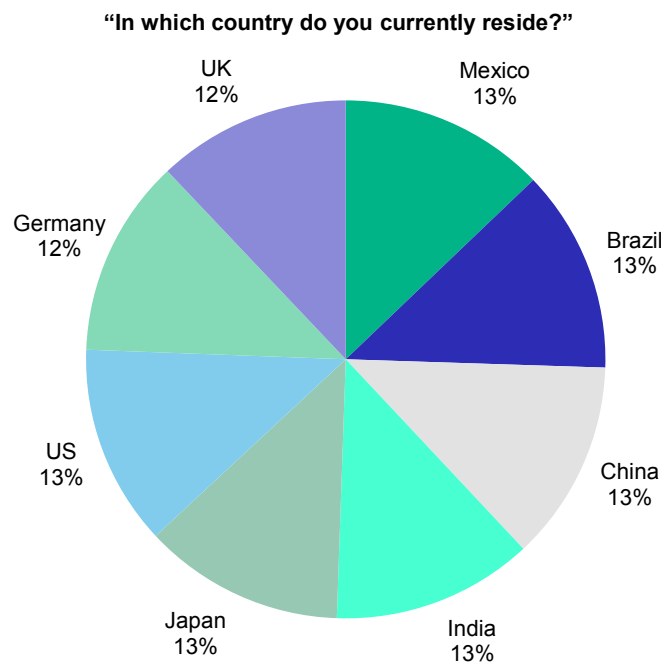
Appendix A: Methodology

Forrester conducted an online survey of 631 senior IT decision-makers across businesses in Brazil, China, Germany, India, Japan, Mexico, the US, and the UK to evaluate their current usage, expected adoption, and preferences surrounding collaboration technologies and services. Survey participants included decision-makers in the following roles: CEO, CMO, CTO, CIO, vice president of IT or operations, and director of IT or operations. Questions provided to the participants asked what collaboration technologies they currently used or anticipated using, what delivery model the technology was delivered via, and how much was spent per year. Questions also centered on buyer behavior, shifting preferences, and demand drivers. Forrester combined these demand-side results with existing supply-side data to forecast the future size and shape of the global collaboration services market. Respondents were offered a small monetary incentive as a thank-you for time spent on the survey. The study began in May 2012 and was completed in July 2012.

Appendix B: Demographics/Data

Figure 8

Respondents Were Evenly Split Across Eight Countries



Base: 631 global IT decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of Cisco Systems, August 2012

Appendix C: Endnotes

¹ Source: “The HERO Index: Finding Empowered Employees,” Forrester Research, Inc., June 18, 2010.