EMEA enterprise telephony market finishes 2005 with a flourish

– Vendors focus on channel programmes and initiatives to drive growth in 2006

Reading, UK – Wednesday, 19 April 2006
For immediate release

- Total EMEA enterprise telephony line shipments up 6.3% year-on-year in Q4 2005
- Alcatel moves into number one position with 17% market share
- Siemens falls to second place as speculation over its Com business continues
- Nortel, Aastra and Avaya battle for third position
- The channel accounted for 87% of total shipments in the region

EMEA Q4 2005 – highlights from the Canalys research

Enterprise telephony line shipments in EMEA increased by 6.3% in Q4 2005 compared to the same quarter in 2004, according to the latest Canalys market estimates. In total over 21 million CPE lines were shipped last year, up 4.0% over 2004 volumes. Growth in line shipments, however, slowed from the annual rate of 7.1% recorded in 2004. The first half of 2005 started slowly, with shipments rising by only 1.9% year-on-year, but the second half of the year finished strongly, up 6.1%. Overall, shipments in Belgium, France, Italy and Sweden declined by more than 6% in 2005, while the emerging markets of the Middle East & Africa and Russia remained the most dynamic, growing by more than 20% year-on-year.

Europe, Middle East & Africa CPE line shipments
Market shares Q4 2005, Q4 2004

Vendor (top 5)	Q4 2005 shipments	% share	Q4 2004 shipments	% share	Growth Q4'05/Q4'04
Total	**5,766,200**	**100.0%**	**5,426,010**	**100.0%**	**6.3%**
Alcatel	984,180	17.1%	967,860	17.8%	1.7%
Siemens	917,470	15.9%	888,150	16.4%	3.3%
Nortel	612,240	10.6%	492,060	9.1%	24.4%
Aastra	589,230	10.2%	457,120	8.4%	28.9%
Avaya	502,000	8.7%	505,170	9.3%	-0.6%
Others	2,161,080	37.5%	2,115,650	39.0%	2.1%

Source: Canalys estimates, © canalys.com ltd. 2004-2006

Alcatel finished Q4, its fiscal year end, as market leader with 17% share. It grew strongly in Central & Eastern Europe, the Middle East & Africa and Spain. Siemens was second with 16%, but its strongest quarter and end of fiscal year was in Q3. Nortel, Aastra and Avaya completed the top five vendors. Overall for the year, Siemens was the number one vendor in EMEA with 17% share, followed by Alcatel at 16%. The battle for third place is intensifying with Aastra, Avaya and Nortel all competing. Nortel finished the year with a flourish, especially with its CS1000 in Austria, Finland, Russia and Spain. It was the third largest vendor, followed closely by Avaya, which completed the integration of Tenovis during the year and saw a strong upturn in shipments in Germany in Q4. Aastra moved up the rankings into a top five position in 2005 following its acquisitions of EADS Telecom and DeTeWe, adding to the original purchase of Ascom's PBX business.

Investment in converged voice and data infrastructure accelerated in Q4, continuing the upward trend seen throughout 2005. Shipments of IP lines grew by 54% year-on-year in the last quarter, while shipments of TDM lines declined. "In total, IP lines accounted for 19% of all lines shipped, which is still relatively low considering the hype surrounding convergence over the last few years," said Canalys analyst Matthew Ball. "A restrictive factor has been the slow convergence of buying points within organisations, with a continuing split in responsibilities between ICT and facilities departments in the procurement of voice and data," he added. This issue was highlighted by a panel survey conducted by Canalys among EMEA telephony resellers in December where 45% "agreed" or "strongly agreed" that voice and data convergence onto a single IP network is driving the merging of buying points.

Overall, indirect channels accounted for 87% of line shipments in Q4 2005. "Developing the channel is now a top priority for vendors in EMEA. Vendors are aiming to increase volume and value through the channel in 2006 with new incentive schemes, marketing, recruitment and training initiatives," Ball said. "New routes to market will emerge as vendors have signalled their intent on extending coverage by using IT volume and security channels to sell more IP-centric product bundles, as well as using online resellers for emerging peer-to-peer offerings. Only 23% of the channel partners we surveyed, however, said that it was a "good" or "great" idea to use online resellers to sell enterprise telephony as they do not typically have the support capabilities and that this would drive equipment prices down further."

The Canalys enterprise infrastructure panel survey provides a quarterly snapshot of channel opinion on a variety of key market issues. Views are taken from senior staff across a wide range of countries and companies, including resellers, integrators and distributors. Full results are delivered to clients of the Canalys enterprise services and to the survey participants. Channel representatives can join the panel via http://www.canalys.com/paneljoin.

Terms explained

EMEA: Europe, Middle East & Africa

CPE: Customer Premises Equipment

The figures discussed in this release are Canalys estimates, copyright canalys.com ltd. 2004-2006.

About Converged Telephony Analysis

Canalys tracks and analyses the changing market for enterprise telephony solutions (encompassing pure-IP, hybrid-IP and voice PBX technologies) in its Converged Telephony Analysis continuous service – the leading-edge programme designed specifically for telecoms and networking vendors and service providers active in the enterprise telephony market. The research programme studies product, channel, regulatory and end-user issues for converged telephony within EMEA and the wider global markets. It delivers advice and analysis of market trends through regular reports, provides quarterly estimates of customer premises equipment shipments by technology, key vendor market shares and forecasts. Clients also receive direct access to Canalys analysts. More information is available from the Canalys web site.

About Canalys

Canalys specialises in delivering high quality market data, analysis and advice to the world's leading technology vendors. It is recognised as a key provider of continuous advisory services and confidential custom projects for marketing managers and strategists within blue-chip IT, telecoms and consumer electronics companies. It has unrivalled expertise in European routes to market for all kinds of high technology products and services, and provides worldwide market data and trends analysis.

Receiving updates

To receive releases directly, please complete the form on our web site. This release is available from http://www.canalys.com/pr along with low- and high-resolution photos of the analyst(s) quoted.

Canalys
100 Longwater Avenue, GreenPark, Reading, RG2 6GP, UK
Tel: **+44 118 945 0173** **Fax:** **+44 118 945 0186**
E-mail: press@canalys.com **Web:** http://www.canalys.com/