IP telephony investment remains strong

– Overall shipments fell year-on-year, but IP line penetration rose to 40% in Q3 2009

Palo Alto (US), Singapore and Reading (UK) – Wednesday, 9 December 2009
For immediate release

- Enterprise telephony shipments totalled 4.8 million lines in Q3 2009
- Total volume fell 17.5% year-on-year, but increased 4.4% sequentially
- IP line penetration increased to 40%, compared with 35% one year ago
- Alcatel-Lucent, Siemens and Aastra made up the top three again, but Cisco continues to gain ground

Q3 2009 research highlights

Investment in enterprise telephony remained restricted in EMEA in Q3 2009, with call control line shipments down 17.5% compared with the same period in 2008. The rate of contraction, however, is slowing when compared with previous quarters. Volume declined 21.5% in Q1, while Q2 was down 18.6%. In total, 4.8 million lines were shipped in the quarter, a 4.4% sequential increase. IP line penetration increased to 40%, up from 35% one year earlier, as businesses continued to replace aging TDM infrastructure and expand trial projects. Aggressive cash-back, fixed price, minimum spend and competitor trade-in promotions, as well as 0% financing offers have helped prevent greater reductions in shipments during 2009.

EMEA unified communications call control line shipments
Market shares Q3 2009, Q3 2008

Vendor	Q3 2009 shipments	% share	Q3 2008 shipments	% share	Growth Q3'09/Q3'08
Total	4,847,550	100.0%	5,876,110	100.0%	-17.5%
Alcatel-Lucent	670,170	13.8%	878,840	15.0%	-23.7%
Siemens	652,670	13.5%	832,450	14.2%	-21.6%
Aastra	631,920	13.0%	645,590	11.0%	-2.1%
Cisco	560,560	11.6%	605,740	10.3%	-7.5%
Avaya	481,430	9.9%	560,560	9.5%	-14.1%
Others	1,850,800	38.2%	2,352,930	40.0%	-21.3%

Source: Canalys estimates, © Canalys ltd. 2009

Alcatel-Lucent, Siemens and Aastra continue to lead in EMEA, with Cisco gaining ground. 'Alcatel-Lucent has been a stable performer in the region over the last eight quarters, overtaking Siemens as the market leader in 2008,' said Alex Smith, a Research Analyst at Canalys. 'During the recession, it has managed to maintain its market share, though its Q3 shipments were hit by the holiday season in its core markets,

particularly France, Spain and Italy,' Smith added. Siemens, which is now jointly owned by the Gores Group and Siemens AG, remained the second largest vendor with a market share of 13.5%, though this has steadily eroded over the last two years. Overall, Siemens is continuing to invest in growing its indirect business, but shifting direct accounts to the channel will take time. In September, it announced plans to accelerate this process by selling its direct sales organisations in 27 non-core countries to Netlink, a deal worth €204 million ($308 million), more than the original €175 million ($275 million) the Gores Group paid Siemens AG for its 51% stake in the overall business. Aastra was the third largest vendor in the region, with a market share of 13.0%. During the quarter, Aastra benefited from competitor cash-back trade-in promotions in France, while investment in direct-touch activities helped it improve its German business.

Cisco continued to grow its market share during the recession, primarily driven by gains in Western Europe, particularly in Germany where it has invested heavily in marketing and sales resources. Cisco has not been immune to year-on-year declines. It accounted for 11.6% of total shipments, compared with 11.2% in Q2 and 10.3% in Q3 2008. Its entrance into the server market, and the resulting moves by IBM and HP to expand their own networking, security and UC portfolios through acquisitions and vendor alliances, will present it with some difficult challenges around routes to market in the future. Avaya, which grew its shipments by 4.2% over Q2 with strong sales in the UK, catalysed by the release of IP Office R5, won the auction for the Nortel Enterprise business. The new entity has the potential to emerge as the leading vendor in EMEA, though very rarely do the combined shipments of two companies post-merger equal those of the separate entities pre-merger.

'Optimism is gradually returning as macroeconomic indicators show positive trends. Stock markets have surged, the rise in unemployment has slowed and many countries, including those in the Eurozone, have officially come out of recession,' said Matthew Ball, a Senior Analyst at Canalys. 'Shipments for the final quarter of 2009, typically the largest in EMEA, are expected to grow sequentially but will still be down annually as many businesses set budgets earlier in the year when economic conditions were worse. Year-on-year growth is expected to resume in 2010, though volumes will still be lower than in 2008 as economic recovery is expected to be slow after the worst recession for decades,' Ball added.

About the Unified Communication Analysis service

Through the Unified Communications Analysis service Canalys tracks and analyses the transition of enterprise telephony from traditional to IP-based solutions, as well as the uptake of video telephony, messaging, conferencing and contact centre applications, and changes in distribution trends and end-user devices. It advises vendors on the best approaches for different markets, delivers forecasts and analysis of market trends through regular reports and presentations, and provides quarterly estimates of enterprise telephony shipments by vendor, technology, size and channel. Clients also receive direct access to Canalys

analysts in order to answer their specific enquiries about market development. 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, navigation and consumer electronics companies. It has unrivalled expertise in routes to market for all kinds of high technology products and services and provides worldwide market data and trends analysis.

Receiving updates

To receive press releases directly, or for more information about our services or custom research and consulting capabilities, please complete the contact form on the Canalys web site.

Americas: Suite 280, Town & Country Village, 855 El Camino Real, Palo Alto, CA 94301, US | t: +1 650 681 4488
APAC: 137 Telok Ayer Street, #04-08, Singapore 068602 | t: +65 3106 2330
EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading, Berkshire RG7 1JS, UK | t: +44 (0) 118 984 0520
www.canalys.com