

UCaaS will trigger vendor consolidation

➤ Worldwide UCaaS revenue will reach \$4.1 billion by 2017

Shanghai, Palo Alto, Singapore and Reading - Tuesday, 24 September 2013

The release of Canalys' Worldwide Unified Communications (UC) Vendor Performance Index report for Q2 2013 revealed on-premises call control shipments declined 1.1% year-on-year to 12.3 million lines. End-user revenue also fell 5.5% to \$2.1 billion. This was the seventh consecutive quarter of contraction. But macro-economic conditions are providing optimism that a recovery is imminent, especially in North America and Western Europe. But any improvement will take time to filter into IT spending, particularly UC projects, which typically have six to nine month sales cycles.

The outlook for full-year 2013 is for shipments to return to growth, albeit at just 1.1%, but end-user revenue will continue to decline due to ongoing price erosion. The on-premises market is expected to recover over the next five years, though it will not return to the highs recorded in 2007. The move to UCaaS and increasing use of mobile, social networking and more consumer-centric collaboration apps will be contributing factors. These are changing the way businesses buy, deploy and use UC. The continuation of low growth in the on-premises market and increasing competition from new, disruptive cloud-based players will initiate consolidation among UC vendors.

'There are too many vendors that lack scale, which are not growing and remaining unprofitable. The market is too fragmented and will not sustain the 50-plus vendors still competing,' said Matthew Ball, Principal Analyst at Canalys. 'Over the last decade we have seen the shift from digital to IP and from hardware to software, resulting in consolidation and the emergence of new vendors. The competitive landscape will change again, especially as Microsoft Lync continues to gain traction,' Ball added. 'Some vendors will be acquired or form partnerships, and others will have to radically change their business models to focus on growth opportunities.'

For Q2 2013, the top five call control vendors accounted for 53.8% of total shipments. Cisco took first place with 17.1% of line shipments, followed by Avaya (14.5%), NEC (9.3%), Siemens (6.6%) and Alcatel-Lucent (6.3%).

'Revenue from UCaaS will grow on average by 18.8% a year to \$4.1 billion by 2017, making it by far the fastest growing market segment,' said Phillip Pexton, Research Analyst at Canalys. 'The emergence of multi-tenant platforms offering voice, video, messaging, presence and contact center capabilities from a single source will accelerate the move from on-premises solutions. It will enable channel partners to offer more innovative packages to customers,' Pexton added. 'Businesses are looking to reduce complexity and optimize budgets. They will increasingly assess UCaaS offerings that promise to eliminate CapEx and help manage OpEx by combining unlimited fixed and mobile use on a per-user, per-month basis.'

About Canalys

Canalys is an independent analyst firm that strives to guide clients on the future of the technology industry and to think beyond the business models of the past. We deliver smart market insights to IT,

channel and service provider professionals around the world. Our customer-driven analysis and consulting services empower businesses to make informed decisions and generate sales. We stake our reputation on the quality of our data, our innovative use of technology, and our high level of customer service.

Receiving updates

To receive press releases directly, or for more information about our events, services or custom research and consulting capabilities, please complete the [contact form](#) on our web site.

Copyright © Canalys 2013. All rights reserved.

Americas: Suite 316, 855 El Camino Real, Palo Alto, CA 94301, US | tel: +1 650 681 4488

APAC: Room F/G, 7/F, Jinjiang Xiangyang Tower, 993 Nanjing West Road, Jing An District, Shanghai, 200041, China | tel: +86 21 6271 1326

APAC: 1 Robinson Road, AIA Tower, #14-02, Singapore 048542 | tel: +65 6671 9399

EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading RG7 1JQ, UK | tel: +44 118 984 0520

e-mail: inquiry@canalys.com | web: www.canalys.com