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Q3 11

Nemertes Research PilotHouse Awards

IP Telephony

The Nemertes Research annual PilotHouse Awards provide insight on the performance of technology vendors, according to feedback from IT decision-makers who use their products or services.

Table of Contents

IP Telephony 3
- **Award Definition** 3
- **Overview** 3
- **Market Classification** 3
- **Ratings** 4
- **Ratings Categories** 5
  - Technology 5
  - Customer Service 5
  - Value 5
- **Results Summary** 6

Analysis 7

PilotHouse Market Challenger Winner 10
- **ShoreTel** 10
  - Technology 11
  - Customer Service 11
  - Value 12

PilotHouse Market Leader Winners 13
- **Cisco** 13
  - Technology 14
  - Customer Service 14
  - Value 15
- **Avaya** 16
  - Technology 17
  - Customer Service 17
  - Value 18

Pilothouse Finalists: Market Leaders 19

PilotHouse Finalists: Market Challengers 20
- **Siemens** 21
- **Microsoft** 23
- **Alcatel-Lucent** 24

Conclusion 26

Methodology 27
- **Sample Frame** 27
  - Planned Sample Size 27
  - Survey Sub-Groups/Stratification 28
- **Awards** 30
- **Timing** 31
  - Incentives to Participate & Time Commitment 31
  - Future Plans 31

IP TELEPHONY

By Robin Gareiss
Executive Vice President & Sr. Founding Partner, Nemertes Research

Award Definition

The Nemertes PilotHouse award for IP Telephony recognizes vendors of IP call-control servers and handsets/softphones. They also typically offer voice messaging, auto-attendant, gateways, and audio conferencing bridges. IT professionals who use these services rated their providers on technology, value, and customer service.

Overview

- The goal of PilotHouse awards is to provide analysis of vendor and service-provider performance from the perspective of their business users.
- Many research firms offer market ranking; Nemertes' research and analysis is unique, based 100% on the views and experience of actual VoIP users.
- Research is wholly independent and not sponsored; Nemertes has no influence over vendor or service provider performance.
- Opinions are those of IT professionals who have selected, designed, and deployed the technology or service.
- By combining benchmarking (direct user interviews) and surveys, Nemertes is able to provide unique insight into why IT professionals rated vendors the way they did.

For this award, Nemertes gathered ratings on IP telephony vendors. (More detail on the program, and demographics of participating IT professionals is available in the methodology at the end of this report.)

Market Classification

We segmented providers into two categories: Market Leaders and Market Challengers, and offered awards within each category. To determine the categorizations, Nemertes' analysts evaluated IP telephony market presence (looking at revenue, device shipments, and number of customers) based on our own research and publicly available data. Analysts also examined natural breakpoints in the data, and segmented the Market Leaders as those who collectively accounted for the vast majority of each market, and Market Challengers who accounted for a smaller percentage of the overall market.

IP TELEPHONY	
Market Leaders	Market Challengers
Avaya, Cisco	Alcatel-Lucent, Microsoft, ShoreTel, Siemens

Table 1: Vendor Classification, VoIP, 2011

Nemertes classifies the IP telephony market as "segmented," and on the border of "consolidated." In a segmented market, no single vendor controls more than 30% of the market and no two vendors combined control more than 50% of the market. Avaya and Cisco combined control is somewhere between 46% and 50% of the U.S. market and about 70% of the North American market, according to analysts and Nemertes PilotHouse data. About 20 vendors share the remaining U.S. market. None of the other vendors control a large enough share of the U.S. market presence as Avaya or Cisco. The telephony market does shift globally. For example, in Europe, Siemens and Alcatel-Lucent would be Market Leaders. Microsoft is emerging in the IP telephony space, but not meteorically. Because of its Lync release, IT and telecom managers are evaluating and piloting the voice capabilities. But few are relying solely on Microsoft for voice because they are concerned about reliability.

This year, we separate hosted Voice Over IP into its own category, so AT&T and Verizon, which were included in last year's IP telephony award report, are not in this year's. Rather, they are in Nemertes' separate "Hosted Voice Over IP" report.

We almost received enough responses to include Mitel or NEC, as we did last year, but in the end, both vendors fell slightly short. Both Mitel and NEC did receive enough responses in both UC and IP contact center, indicating customers are using the vendor for more specified UC capabilities, or more holistically as an integrated UC provider—not including voice. We found some companies that were using the vendors for UC, but were still relying on the vendors' TDM systems.

Ratings

We asked IT professionals to rate IP telephony providers using a 5-point scale, where 5 is excellent, 4 is good, 3 is fair, 2 is poor, and 1 is unacceptable. Nemertes then used these raw scores to compute average scores for each category.

The maximum possible score is a 5.0 (and although some vendors did receive perfect scores from individual IT participants, none received a perfect score when all ratings were averaged).

Ratings Categories

The participants rated their technology providers in three areas:

⇒ Technology
⇒ Customer Service
⇒ Value

Nemertes averaged these three scores to determine an overall rating.

Technology

Technology ratings gauge how customers view the sophistication, features, and implementation of the IP telephony products they're rating. Additionally, this score reflects how much of a leader a vendor is in the VoIP industry, from the perspective of the customer.

Customer Service

Customer-service ratings cover how providers perform in areas such as technical support, responsiveness to deployment problems and concerns, sales support, and general customer care. Additionally, technology users considered the willingness and ability of the vendors to answer questions effectively and promptly.

Value

Value ratings are essentially the way customers perceive what they get for what they pay for. In other words, are they getting their "bang for the buck?"

Results Summary

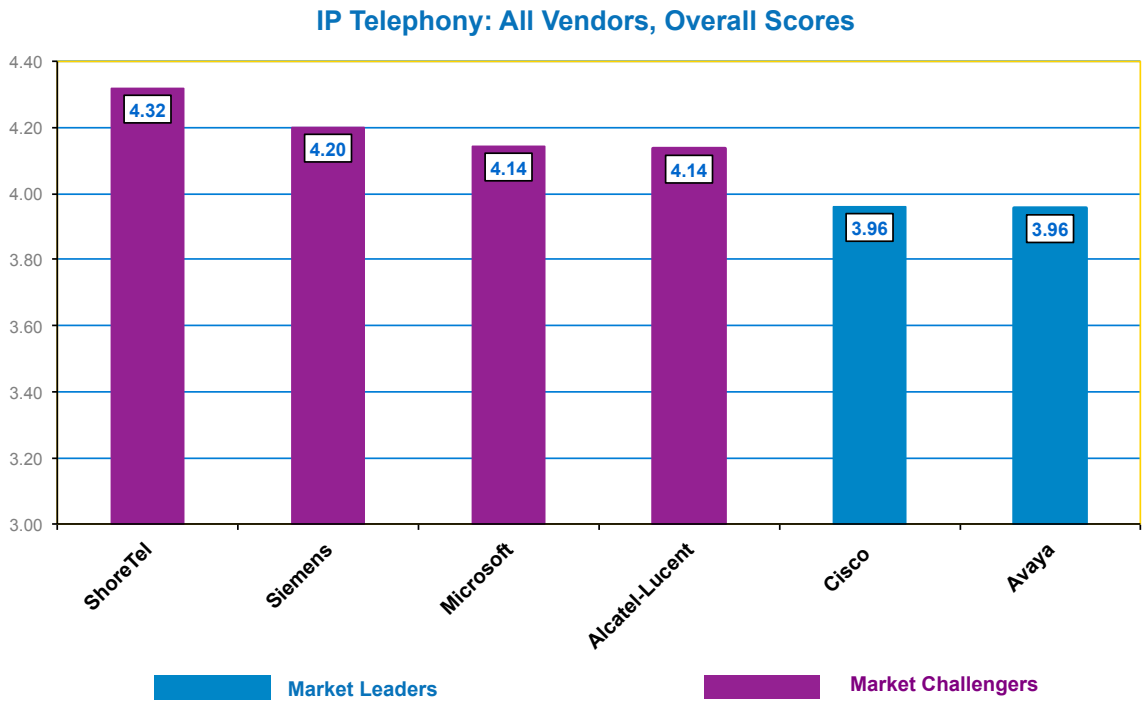

Chart 1: Overall Scores, IP Telephony, 2011

⇒ Among Market Challengers, **ShoreTel wins the PilotHouse Award**.
- ShoreTel's overall score is 4.32.

⇒ Among Market Leaders, **Cisco and Avaya tie, both win the PilotHouse Award**.
- Cisco and Avaya's overall scores were both 3.96.

⇒ A total of six providers received enough responses for us to include in this year's analysis.
- Two providers are Market Leaders; four are Market Challengers.
- Market Leaders' overall average score is 3.96.
- Market Challengers' overall average score is 4.20.

ANALYSIS

Nemertes 2011 PilotHouse Awards *IP Telephony*				
Market Leaders		Market Challengers		
Avaya, Cisco*		Alcatel-Lucent, Microsoft, ShoreTel, Siemens		
Winners	**Overall**	**Technology**	**Customer Service**	**Value**
ShoreTel	4.32	4.18	4.18	4.65
Cisco	3.96	4.03	4.00	3.85
Avaya	3.96	4.11	3.92	3.84
Other Finalists				
Siemens	4.20	4.10	4.30	4.20
Microsoft	4.14	4.03	4.23	4.17
Alcatel-Lucent	4.14	4.18	4.36	3.86
Rating Scale: 5=Excellent; 4=Good; 3=Fair; 2=Poor; 1=Unacceptable				
**The apparent difference in overall scores is not statistically significant, it is a statistical tie. The ratings of discreet areas (technology, service, value) appearing in this table are rounded for the sake of simplicity. The overall score is calculated before rounding, to preserve statistical significance.*				

Table 2: Vendor Scores, VoIP, 2011

⇒ The big trend in this year's IP telephony ratings is the rise of the Challengers. Every one of the Challengers receives a higher overall score than the two Market Leaders—and by an impressive difference. The Challengers are blowing the Leaders away in customer service and to a lesser extent, value. In every area, the Challengers outscore Leaders, Cisco and Avaya.

⇒ Last year, the two winners (ShoreTel with a 4.22 and Cisco with a 3.90) were, in that order, the top scorers of all vendors. Avaya, the other Market Leader, landed in the middle with a 3.73 overall score. This year, both of the Leaders' scores improve, but not to the drastic extent of the competing Challengers.

⇒ The two Market Leaders tie overall, indicating there is little difference in the perception among IT professionals using these providers. In a departure from last year, Avaya beats Cisco in technology (4.11 vs. 4.03). Like last year, Cisco beats Avaya in customer-service, but the gap between the two narrows considerably (Last year's scores were 3.86 vs. 3.57 for Cisco and Avaya, respectively; this year's scores are 4.00 vs. 3.92). Value is nearly the same for both providers.

⇒ Overall, Market Leaders earn a score of 3.96, and Challengers get a 4.20.

- Reason: Challengers excel in customer service and to a lesser extent value in the 2011 ratings. The Challengers are doing a better job equipping, training, and selecting their channel partners than the Leaders. And, despite the fact that most (all with some vendors, such as ShoreTel) customers work through channel partners, the vendors do get involved. They support channel sales efforts, help with troubleshooting, and are visible with end customers. They know that to compete with the "big guys," they need to provide that extra attention. They are not necessarily less expensive than the Market Leaders (our research shows Avaya as less expensive than most of the Challengers for midsize and large deployments), but they do a better job at conveying the value proposition.

⇒ In technology, Market Leaders garner a score of 4.07, and Challengers earn a 4.12.

- Reason: Overall, both Leaders and Challengers score fairly well in technology, and they should, given how long the IP telephony market has existed. The Market Leaders have driven much of the technology innovation in the IP telephony market. Avaya's Aura architecture, mobility capabilities, and Flare user experience have captured the attention of many IT decision-makers who had written Avaya off. And Cisco continues to innovate when it comes to add-ons to telephony, such as Quad social networking and video (both telepresence and Tandberg room-based systems) and virtualization integration. Challengers, though, are keeping pace and in many cases, providing new capabilities for mobile extensions, UC dashboards, and conferencing. Typically, we find IT staffs set a higher bar for Market Leaders than for Market Challengers, and that reflects in their ratings.

⇒ In customer service, Market Leaders receive a score of 3.96, and Challengers showcase a 4.27.

- Reason: Challengers simply know this is an area in which they can different themselves from the Leaders. Being more responsive to customer inquiries and troubleshooting, being proactive with new solutions, working closely with channel partners, and monitoring customer-service ratings have helped the Challengers excel in customer service.

⇒ In value, Market Leaders post a score 3.84 and Challengers; earn a 4.22.

- Reason: Challengers generally are less expensive than the Leaders when it comes to small rollouts, and there were many ratings from small companies. Additionally, the Challengers spend the time up front working with their channels and their end customers to explain the value of the systems. In our independent IP telephony cost research, Avaya and Cisco's prices are not out

of line at all—which means the only cause for the lower value score is they are not evangelizing the value proposition.

⇒ For a few vendors, success and/or failure in specific areas makes the difference in their ranking.

- Alcatel-Lucent posts surprisingly good scores in technology and customer service, but tanks in value. If it didn't, it may have been able to out-seat ShoreTel—the top scorer in IP telephony for eight year.
- ShoreTel's customer-service score, while still strong, is not the top this year, which is a departure from the past. Its incredibly high value score is what propels the vendor to the top of the list again.
- Cisco and Avaya's value score pull down its overall score.

⇒ Challengers perform best in customer service (4.27 average), while Leaders receive the best scores in technology (4.07 average). Challengers score the lowest in technology (though still a high 4.12), and Leaders score lowest in value (3.84). In general, Challengers' customer-service and value scores are close, but their value scores are wildly apart, which is the key factor in determining the winners.

PILOTHOUSE MARKET CHALLENGER WINNER

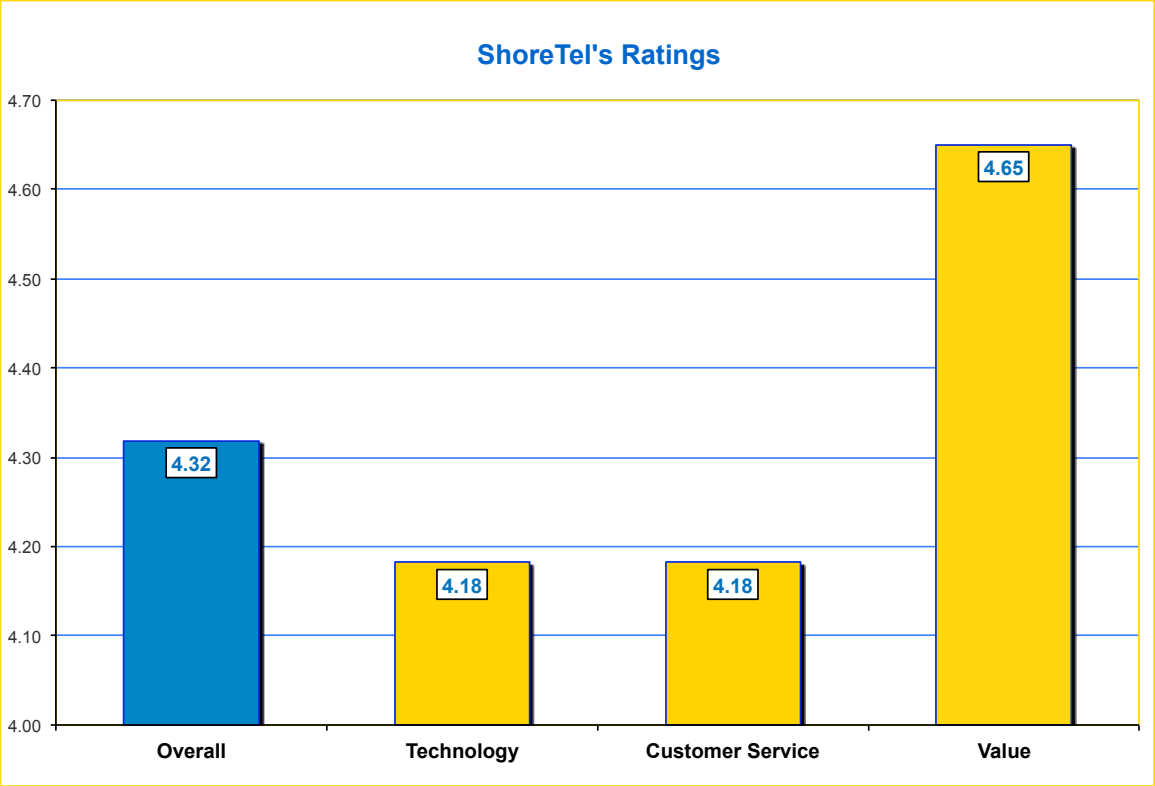

Chart 2: PilotHouse Market Challenger Winner: ShoreTel, IP Telephony, 2011

ShoreTel

⇒ Summary:

- For the unprecedented eight straight year, ShoreTel walks away with the top prize in IP telephony. The vendor obviously is doing something right in the IP telephony space. No vendor ever has consistently won the same category multiple years as ShoreTel has in IP telephony. ShoreTel's high value score is its ace in the hole this year. But it cannot rest on its laurels. The vendor is pushing uphill with solid growth on its way to reach the $1 billion annual revenue mark by focusing on larger businesses and expanding globally. Making that transition is often when many companies lose their focus and their roots. ShoreTel has some other Challengers trailing not too far behind, and all of them score better in customer service—ShoreTel's hallmark area. ShoreTel's latest release, v 12.0, likely will help bolster the technology rating next year, with capacity improvements, support for Mac OS, and integrated conferencing and IM servers. It must keep a focus on affordability (we have heard rumblings of aggressive pricing evening out), marketing the value

proposition, and providing exceptional customer service to keep the top spot yet another year.
  - "We like ShoreTel. The stuff just works," says the architect for a $100 million professional-services firm.

⇒ Then and Now:
- ShoreTel's overall score improves from last year (4.22 last year vs. 4.32 this year). Technology drops from 4.33 to 4.18, while customer service increased 4.10 to 4.18, and value blows through the roof, going from 4.24 to 4.65.

⇒ Future Direction:
- ShoreTel has won the top spot for eight years, but this year marks the first time rival Challengers have narrowed the gap. As stated, ShoreTel must focus on customer service and value in the coming year, while continuing to improve it's product as it recently did with the 12.0 release.
  - "They continue to provide easy-to-use technology that's priced appropriately," says the CIO of a professional-services company.

Technology

⇒ ShoreTel's technology score is its lowest, although still impressive at a 4.18. It ties with Alcatel-Lucent for the top technology score among all vendors. Though a smaller vendor than the powerhouse Leaders, ShoreTel has kept pace with technology innovation, invested in and integrated mobility into its platform through its Agito acquisition, and provides the integrated UC functionality including conferencing and high-quality desktop video that its IP telephony customers want.
- "We'll deploy newer version later this year. We decided to go with ShoreTel because the user interface for an administrator was so easy, there is a much lower learning curve than Cisco, and it's less expensive," says the IT director of a small healthcare company.

Customer Service

⇒ ShoreTel has built its brand on solid customer service. And although the customer service increased from 4.10 to 4.18 this year, it does not keep pace with the high scores of the other Challengers (though it beats the Leaders). IT professionals say ShoreTel must work more diligently to set higher standards with its channel. As ShoreTel continues its growth as a public company with a new CEO, it must not lose sight of the stellar customer service that is its foundation and a big reason for its success. Though a strict, channel-only GTM strategy has its benefits, it can be detrimental to the ShoreTel brand if the VARs are not meeting ShoreTel's standards.
- "Their VARs are trying to sell a commodity and are not good. I'm more in the market for: 'You've got this thing that can do X, Y, and Z.' They don't take the

time to tell the customer. It's marketing, and Cisco blows them away at this," says the IT manager for a midsize healthcare company.

- "Our partner is very good and nice to deal with for many years. They have good, well-trained people who think deeply about what products they are going to support and sell," says the architect for a professional-services firm. "But they get busy and want us to come to them. They aren't proactive and don't respond fast. ShoreTel direct support is only break/fix."

Value

⇒ ShoreTel's value score, at a 4.65, is by far the top score of any IP telephony vendor in any area. IT professionals say it's not only affordable from a capital standpoint; it's also not expensive to implement or operate. And, respondents say they get a good bang for their buck in terms of what's included in the ShoreGear product line, which grows with the company and does not require a platform change.

- "I like the simplicity. The administration is all Web-driven. It's so much easier than Cisco. It just works. You can go there, and someone who is not versed in telephony can look at it, see it, and understand it. You don't need a $200-an-hour person to tell you why it's misconfigured," says the IT director of a midsize transportation company.

PILOTHOUSE MARKET LEADER WINNERS

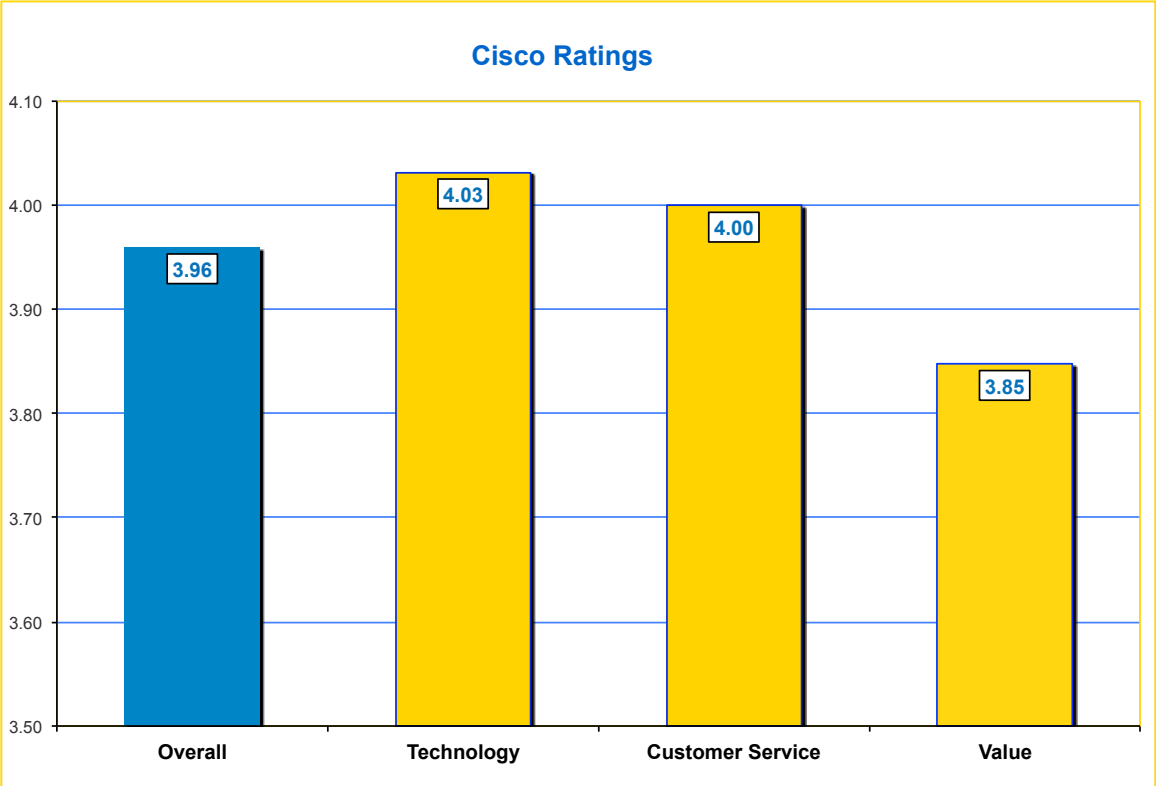

Chart 3: PilotHouse Market Leader Winner: Cisco, IP Telephony, 2011

Cisco

⇒ Summary:

- Cisco receives a 3.96 overall score, which is high enough to tie for the Market Leader award. It's higher than last year's 3.90 score, but the key concern for Cisco is two-fold: Avaya, which trailed significantly last year, has caught up. Plus, all of the Challengers receive higher overall scores and individual scores than the Market Leader. Given Cisco's reputation as a solid technology company that knows how to market its products, we would expect to see higher postings in technology and value. Cisco never has been a low-price leader, but it's always been able to extol the value of its products regardless of the price. Cisco must focus on technology innovation, since it declined from last year. Customer service and value did both increase, but it needs to improve in value.

⇒ Then and Now:

- Overall, Cisco's score improves from 2010, going from 3.90 to 3.96. What drives that score up is improved customer service (3.86 to 4.00) and value

(3.66 to 3.85) ratings. Cisco won the IP telephony Market Leader PilotHouse award last year, and shares the spotlight this year with Avaya. Technology took the biggest hit. An area Cisco historically has commanded, Avaya now leads 4.11 to 4.03, and for Cisco year over year, it's dropped from 4.18 to 4.03.

⇒ Future Direction:

- The Market Leader space is for grabs with IP telephony. Avaya technology has surpassed Cisco's, according to IT decision-makers, and that's a precarious position for Cisco. For Cisco to continue its top spot, it must fire on all cylinders by marketing value, continuing to improve customer service, and most importantly, breaking new ground in technology innovation, as well as improving integration.

Technology

⇒ Cisco's 4.03 technology score is its highest, but it ties with Microsoft for the lowest technology score among all of the vendors rated. Clearly, Cisco has innovated over the years in the IP telephony space, and what we often find with Market Leaders is that IT professionals consistently raise the bar. If they don't see significant improvement from one year to the next, they score them tougher, as is the case here considering Cisco drops from a 4.18 in 2010. Specifically this year, some customers raised the following specific problems: wireless handsets weren't working; phone displays had problems, feature availability was lacking, and contact-center product integration was problematic. What's really become an issue, though, as companies forge into unified communication is Cisco's ability (or in some cases, lack thereof) to integrate with other vendors' products.

- "Cisco hasn't kept pace with innovation," says the IT manager of a large manufacturing company who gave Cisco a 3.0 for technology. Likewise, a VP and managing director for a large financial-services company says, "They are out in front, but everyone is catching up."
- "It's good stuff; Cisco just doesn't play well with others," says the information security manager for a transportation company.
- "The solutions are unwieldy and complex, but they usually have a solution for everything," says the IT manager for a professional-services firm.
- "We're challenged by scalability with Wintel server-based limitations," says the director of telecommunications for a very large pharmaceutical.

Customer Service

⇒ Cisco's 4.0 customer-service score is a solid "good," but it's second to last when compared to the other vendors rated. Cisco has been focusing on this area, and it shows from its improvement over 2010. But, it's not as solid as the Challenger competitors. IT professionals who favor Cisco's support say the vendor is

"extremely responsive," and provides "great support and service." As with many vendors, much of the ratings depend on the performance of specific account teams.

- "The support is very good, but I have some concern around how quickly they are acquiring and integrating other companies," says the director of telecom for a $15 billion manufacturing company. "We're struggling to get clarity from Cisco as to the Tandberg roadmap; we're not sure what products survive and what don't."
- "Implementing VOIP is deceptively complex—more than you think," says the CTO of a state/local government agency. "At the end of the day, though, it's all been good."
- "I've seen a downward trend with customer service," says a manager for a $2 billion manufacturing company.
- "We struggle with them because we're not cutting edge enough, and we aren't deeply involved with Cisco compared with SAP or IBM. We aren't on advisory boards and we struggle with delivery lead times. We can't get strong recommendations and real guidance as to how we should deploy," says the telecom director for a manufacturing company.
- "It started with RFP/RFI process. We were time-limited because of a new building going in. Cisco turned on a dime and did presentations, gave us quotes, worked with us, and when we did select them, we got some of the really in-depth technical expertise," says the telecom manager for an educational institution.

Value

⇒ Cisco's 3.85 value score is better than last year's and is about even with Avaya and Alcatel-Lucent's. But the other vendors scored much better. Not only do IT professionals view Cisco's prices as too high, they also don't see the value proposition as clearly as they do with competitors. Further, Cisco—like Microsoft—must simplify its pricing and licensing structure.

- "If I had to do it over again, I would pick another vendor because there are others who can do it just as well for a lot less," says the CIO of a midsize manufacturing company. "I would have selected ShoreTel."
- "Competitors are coming up with more value; we're starting to do more and more non-Cisco stuff," says the IT manager for a large manufacturing company.
- "Cisco is overpriced. They have some good products, and they work. Call Manager and the applications are solid and run well but when you get into the pricing, it's outrageous," says the IT director of a $43 billion manufacturing company. "The pricing/licensing schemes are very complicated, confusing, and hard to manage."

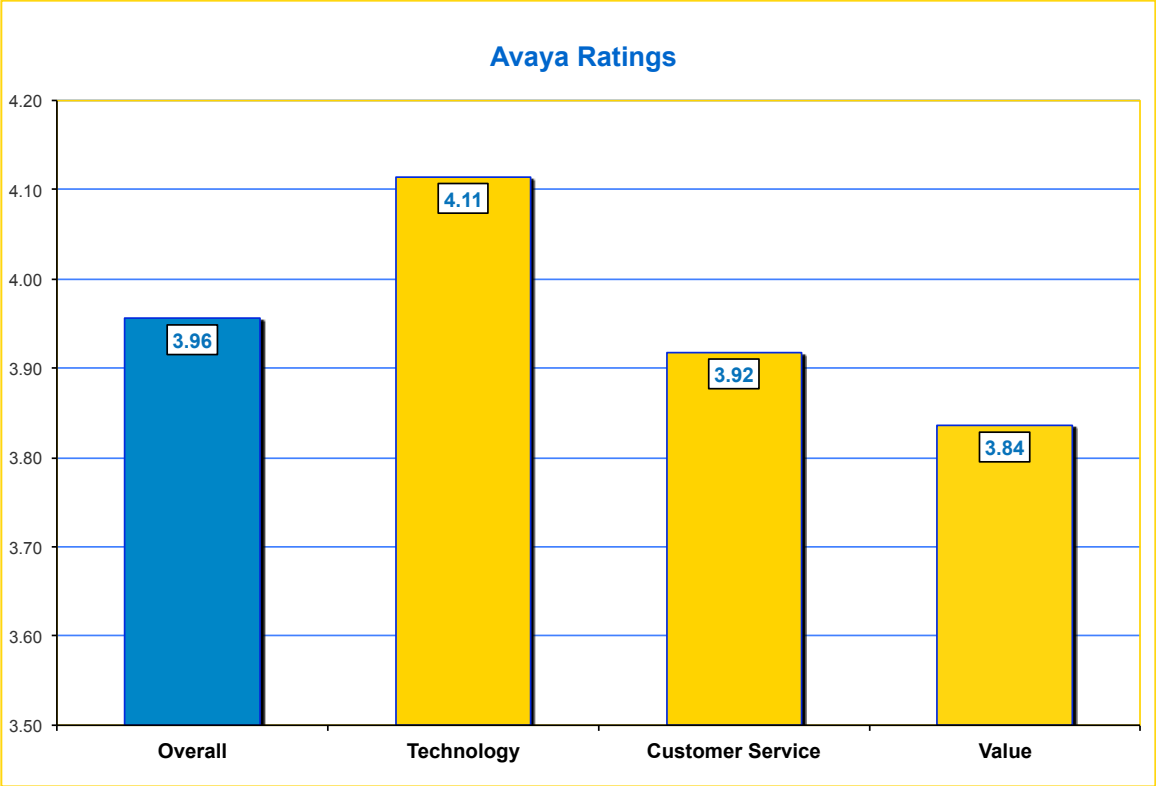

Chart 4: PilotHouse Market Leader Winner: Avaya, IP Telephony, 2011

Avaya

⇒ Summary:

- Avaya ties with Cisco for the top overall score among Market Leaders with a 3.96, a decent improvement from last year's 3.73. Avaya's best score is technology and its worst is value, which is concerning because in Nemertes 2010 analysis, Avaya's pricing is the lowest for midsize and large rollouts. Overall, IT professionals are pleased with Avaya's products, but they have some complaints about channel partners, support, and value.
  - "It's hard to imagine that someone has it more nailed down than them," says an architect for a $7 billion retailer.
  - "We have experience with Cisco, Nortel, and Mitel. Avaya is as advanced as any of them. Their edge is parallel to Cisco but they know phone systems better," says manager of an $11 billion financial-services company.

⇒ Then and Now:

- Avaya improves its scores in all areas from 2010 to 2011. Technology improves from 3.95 to 4.11; customer service rises from 3.57 to 3.92; value increases from 3.68 to 3.84. So, clearly, the vendor is headed in the right

direction, particularly given the massive challenge of integrating Nortel and Avaya products, channels, and employee base.

⇒ Future Direction:

- Avaya should continue to focus on technology innovation with Aura, Flare, and Agile Communications Environment (ACE), its platform for communications-enabled business processes, along with continued enhancements in mobility. Clearly, respondents see Avaya's technology as a key benefit. Avaya must focus heavily on improving channel performance with better training, more stringent certification programs, and better overall support. Finally, Avaya does not need to reduce pricing but it does need to convey its value proposition better.

Technology

⇒ Technology is the big story for Avaya this year. It's surpassed Cisco's technology rating, at least in part due to its new Flare user experience and Aura platform for SIP-based session management. ShoreTel and Alcatel-Lucent are the only vendors with a higher technology score.

- "It's usable technology, it works, and it's easy to implement and operate," says the IT manager for a $3 billion energy company.
- The senior architect for a non-profit organization rated Avaya's technology a 5.0, "especially seeing that Cisco followed Avaya with Cius, Flare is more open, and it's been available. We have a Cisco network infrastructure and tried their voice products, but they couldn't compare."

Customer Service

⇒ Avaya's 3.92 customer-service score is better than last year's, but it is the lowest score of all vendors this year (tough competition). Several IT professionals complain about Avaya's partners. "We work through an Avaya partner and can't deal with Avaya directly. The partner has been problematic," says the IT manager for a $5 billion media company. Others say the direct Avaya expertise is is waning. Some of this is likely the fallout of the Avaya/Nortel integration, combined with a new architecture. Like its customers, Avaya technicians have a learning curve.

- "The technical support is terrible. That's the big issue. My people know the Avaya system better than Avaya. In most cases, it just works and is intuitive. Very easy for us to setup and deploy," says a manager for a $2.4 billion high-tech company.
- "They used to be a '4,' but they are struggling to understand new technology, and the workforce doesn't understand SIP. There are varying levels of expertise," says the IT director for a $15 billion financial-services company,

which uses the Avaya Aura architecture. He now gives Avaya a 2.0 for customer service.

- "The go-to-market strategy is problematic. We used to buy direct. They couldn't give us a good global partner and referred us to IBM, who didn't care enough to put anything behind it. Regional providers have caused problems because they're not flexible," says the architect for a $6 billion financial-services company. "We spend way too much money for the level of support we get. They claim it's changing, and they are bringing HP to the table. We don't feel like we've got value out of upgrades for what we spend."
- "There are a lot of questions after putting the technology in. What can we do next? We need more follow-up on how to use the system better," says a manager of a manufacturing company.

Value

⇒ At a 3.84, Avaya's value score is the lowest among Avaya's scores and compared to all other value scores (though just slightly behind Cisco and Alcatel-Lucent). But, Avaya has improved its score this year. It simply must do more and shout louder about the value of the product line. Response is mixed as to whether the products are too expensive, but clearly, IT professionals need a better perspective on value as Challengers are doing a better job conveying this message. One respondent, a Nortel CS1000 customer, says it would cost millions to move to Avaya Aura, while Microsoft Lync would offer a more compelling value.

- "They are very expensive, but they're the only vendor that meets our needs," says the senior architect for a $500 million professional-services firm.
- "Compared to Cisco, the value is great," says the IT manager for an energy company.
- "I'm not convinced they are too expensive, but it feels like they nickel and dime you to death," says the director of IT for a media company.
- "The products are great; that's why we buy them," says the IT director for a financial-services firm.
- "They aren't the cheapest ones out there, but we get our value," says an architect for a non-profit.

PILOTHOUSE FINALISTS: MARKET LEADERS

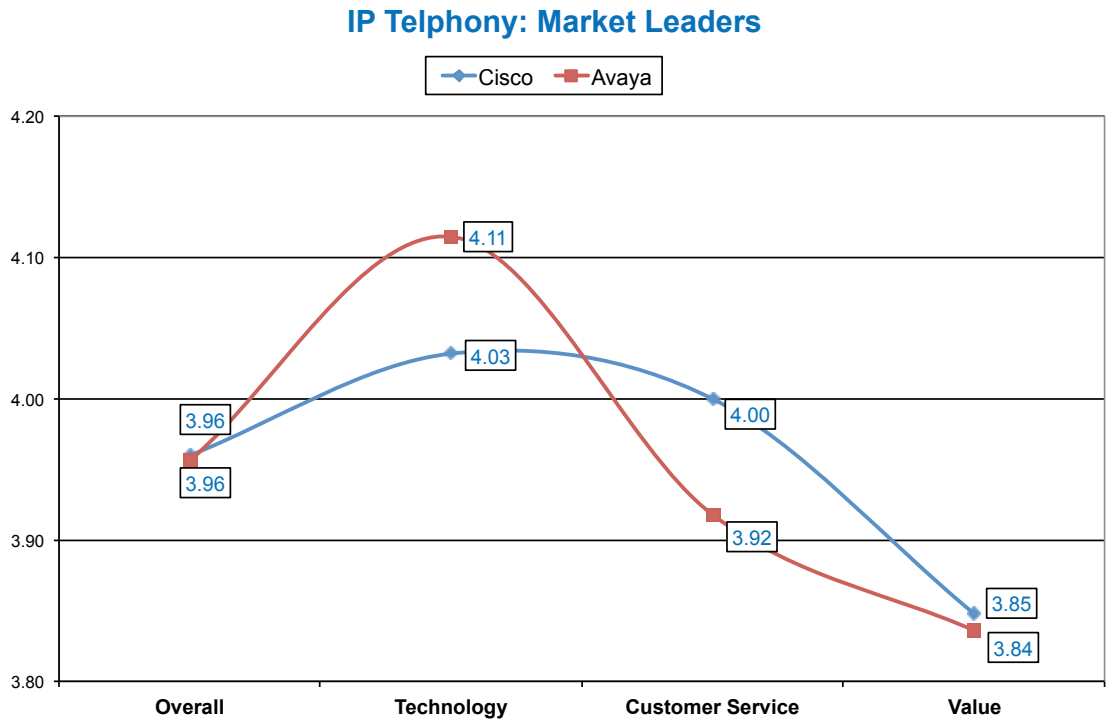

Chart 5: PilotHouse Market Leaders: IP Telephony 2011

PILOTHOUSE FINALISTS: MARKET CHALLENGERS

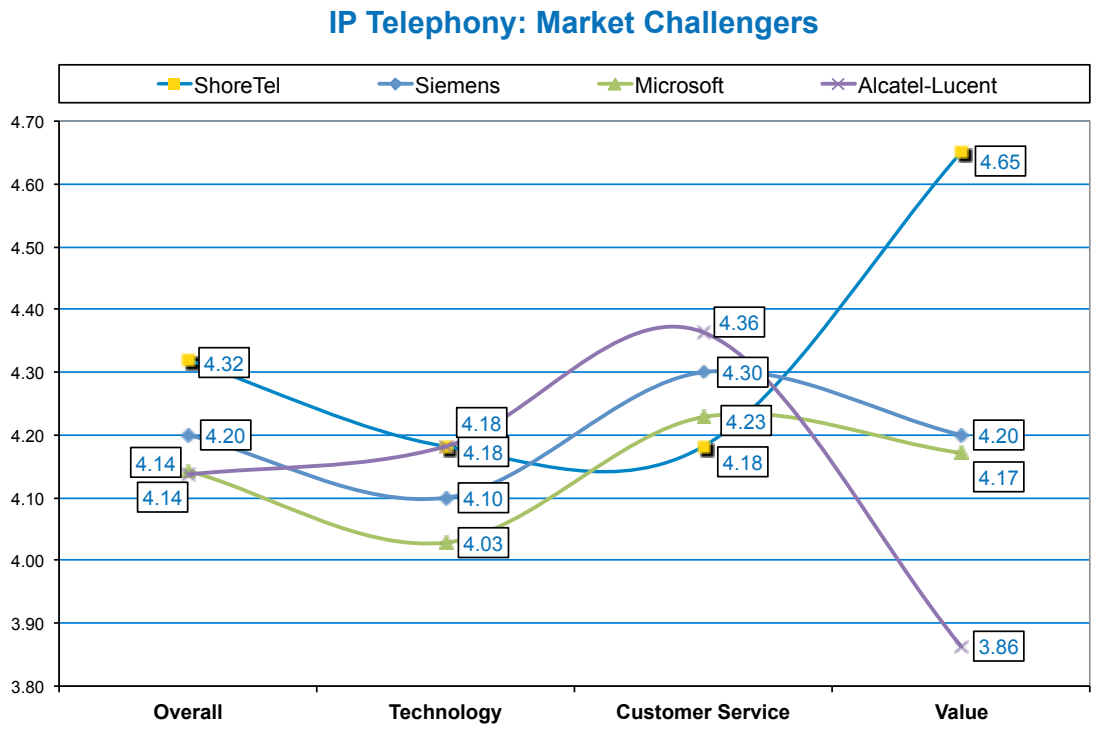

Chart 6: PilotHouse Market Challengers: IP Telephony, 2011

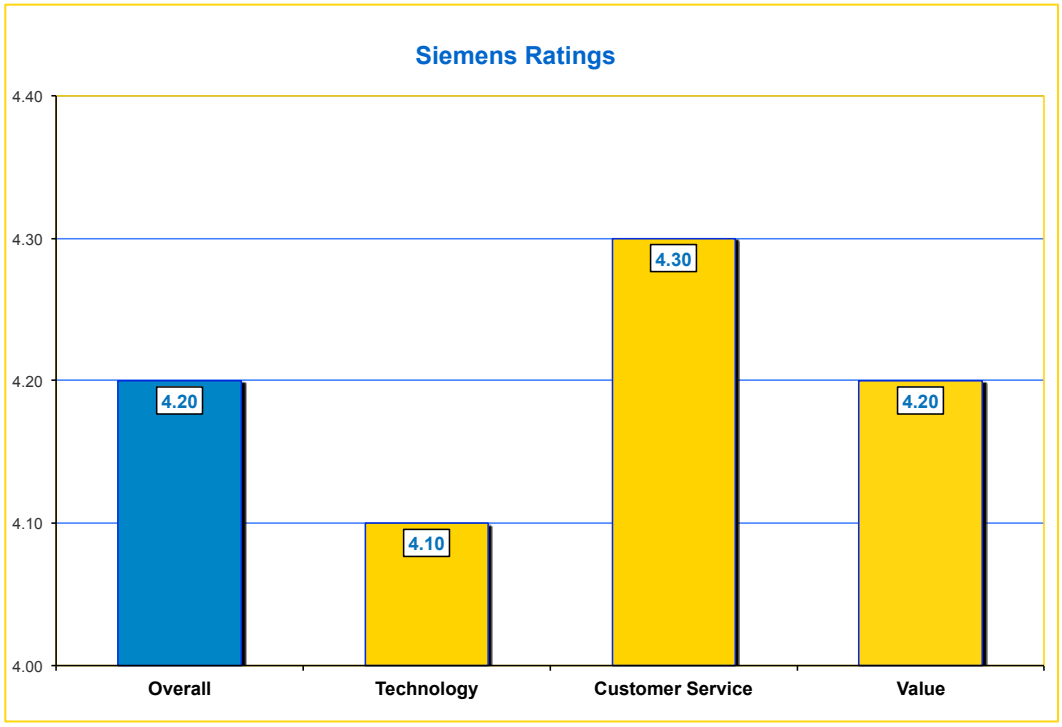

Chart 7: Market Challenger: Siemens, IP Telephony, 2011

Siemens

⇒ Siemens and Overall Scores

Siemens' 4.20 overall score is impressive as the second-highest score among all vendors. Siemens improves from last year, when its overall score was a 3.85. It also improved its scores in technology (3.89 vs. 4.10), customer service (4.00 vs. 4.30) and value (3.66 vs. 4.20). Customer service is the area IT professionals like the most.

⇒ The average overall score of all Market Challengers is 4.20; Siemens' is 4.20.

⇒ The average technology score of all Market Challengers is 4.12; Siemens' is 4.10.

⇒ The average customer-service score of Challengers is 4.27; Siemens' is 4.30.

- "We have no complaints. Siemens has good service," says the director of IT for a healthcare company.
- "The team always makes a big difference. You don't just buy a product, you will have an ongoing relationship with the company. We checked references, observed how they worked with their customers and were impressed," says the IT director for a manufacturing company.

⇒ The average value score of all Market Challengers is 4.22; Siemens' is 4.20.

- "We were initially assuming we would go with ShoreTel, but they fell short in two areas: They were more expensive than Siemens, and they couldn't

support our contact-center needs. Siemens had impressive value all around," the same IT director says.

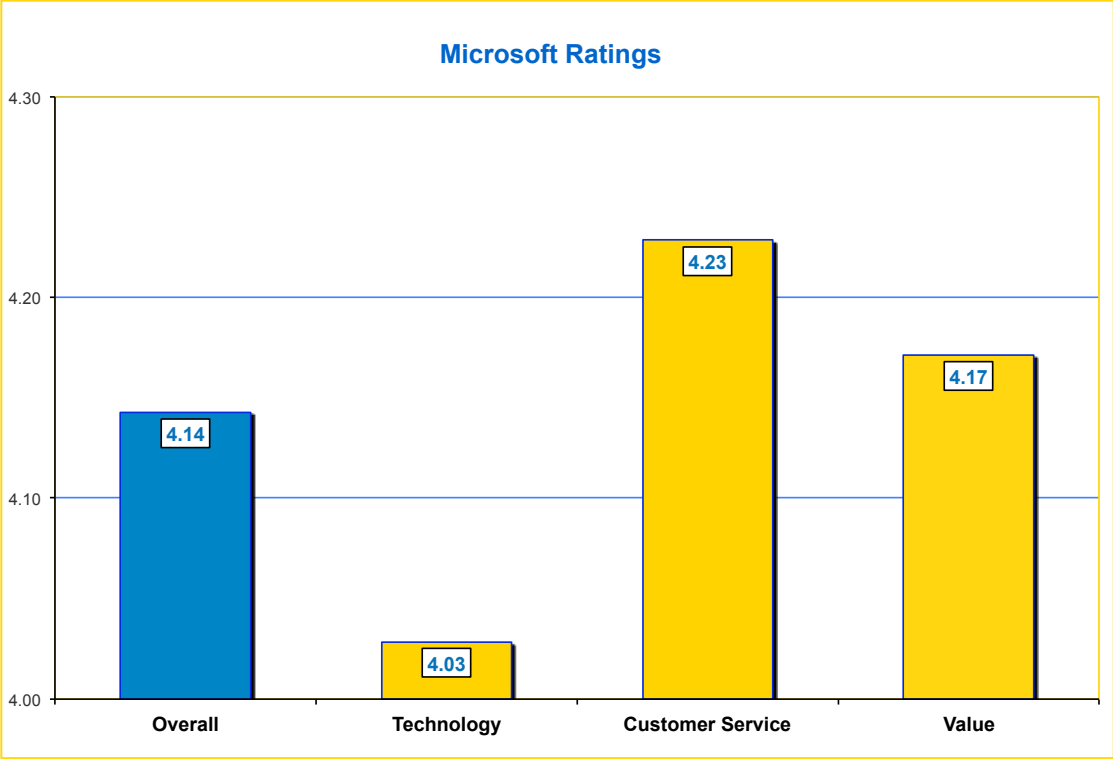

Chart 8: Market Challenger: Microsoft, IP Telephony, 2011

Microsoft

⇒ Microsoft and Overall Scores

Microsoft also improves its scores this year, going from a 3.86 in 2010 to a 4.14 overall this year. In individual areas: Technology, 3.94 to 4.03; customer service, 3.89 to 4.23; value, 3.75 to 4.17. Few organizations use Microsoft IP telephony as their primary product; most are limited deployments or pilots. Nearly two-thirds of the companies who report using Microsoft for IP telephony are small- to midsize organizations (some are customers of Microsoft's now defunct "Response Point" SMB IP telephony system). Several companies pointed to good value and low price as their driver to select Microsoft for voice. Its key challenge is to convince IT decision-makers its voice products are as reliable and functional as traditional telephony vendors.

⇒ The average overall score of all Market Challengers is 4.20; Microsoft's is 4.14.

⇒ The average technology score of all Market Challengers is 4.12; Microsoft's is 4.03.

⇒ The average customer-service score of all Market Challengers is 4.27; Microsoft's is 4.23.

⇒ The average value score of all Market Challengers is 4.22; Microsoft's is 4.17.

- "Microsoft has the best overall price over time," says the director of IT for a transportation company.

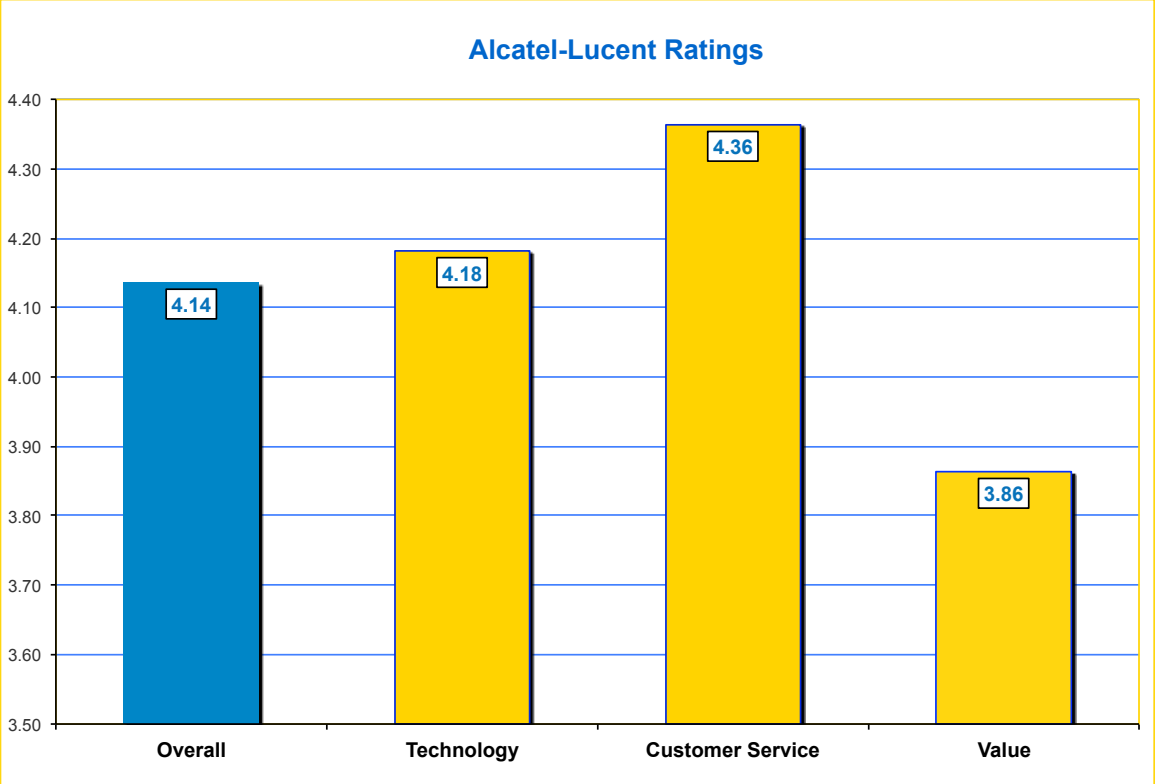

Chart 9: Market Challenger: Alcatel-Lucent, IP Telephony, 2011

Alcatel-Lucent

⇒ Alcatel-Lucent and Overall Scores

Alcatel-Lucent ties with Microsoft with a 4.14 overall score—vastly improved from last year's 3.64 overall score. In individual areas: Technology, 3.57 to 4.18; customer service, 3.62 to 4.36; value, 3.72 to 3.86. Clearly, Alcatel-Lucent is heading in the right direction in all areas. It ties with ShoreTel for the best technology, and wins the customer-service category. Value is the main problem and the key reason it was unable to take the top prize from ShoreTel.

⇒ The average overall score of Market Challengers is 4.20; Alcatel-Lucent's is 4.14.

⇒ The average technology score of Challengers is 4.12; Alcatel-Lucent's is 4.18.

- "Voice clarity is top class," says an engineer with a high-tech company.

⇒ The average customer-service score of Market Challengers is 4.27; Alcatel-Lucent's is 4.36.

⇒ The average value score of Market Challengers is 4.22; Alcatel-Lucent's is 3.86.

- "They have been very competitive in pricing," says the telecom director for an educational institution. "The full complement of solutions, their portfolio of technologies, their willingness to come to the table and work as a

partner…it's night and day compared to other vendors," says the telecom director for an educational institution.

CONCLUSION

⇒ IP telephony services continue to stabilize and grow, as companies expand or upgrade existing rollouts and in some cases, start new rollouts. The Market Leaders have their work cut out, as the Challengers boast more satisfied customers based on ratings that are higher than the Leaders across the board. Moving forward, we expect to see IP telephony morph into UC, and we anticipate more IT staffs will evaluate both managed and hosted Voice Over IP services.

⇒ Vendor Selection: Based on the outcome of the PilotHouse program, here is Nemertes' guidance (with vendors listed in priority order):

- Evaluate a minimum of four of providers. ShoreTel, Avaya, Cisco, and Siemens are solid options. Consider a hosted provider, as well, such as AT&T or Verizon.
- If technology is your key concern, consider ShoreTel, Alcatel-Lucent, and Avaya.
- If customer-service is your key decision criteria, consider Alcatel-Lucent, Siemens, and Microsoft.
- If value is your key goal, consider Shoretel, Siemens, and Microsoft.

⇒ Differentiation of Leaders and Challengers: As stated, Challengers score higher than Leaders across the board. ShoreTel, the top scorer, historically has focused on small and midsize companies, but it's quickly emerging as a serious player among large organizations. Other Market Challengers serve all segments. The two Market Leaders must evaluate how to more effectively compete with the Challengers in the U.S. In other global regions, they already have challenges (ie, Alcatel-Lucent and Siemens in Europe).

⇒ Advantages of Adding During Technology Refresh: There may be advantages to adding IP telephony during technology refreshes—if the company can justify the business case. Often, this requires a full UC rollout, rather than an isolated IP telephony rollout, to provide a compelling business case.

⇒ Improvement Outlook: The landscape for this technology will change moving forward as organizations integrate IP telephony with a more feature-rich UC environment. IP telephony itself is fairly advanced already, with future focus likely on mobile extensions, improved softphones, and integration with other products and other vendors.

METHODOLOGY

The population includes individuals primarily from U.S. companies (based in the U.S., but many of which are global multinationals) who are responsible for selecting, or influencing the selection of, suppliers of data-center and communications products and services.

Sample Frame

In selecting the sampling frame, Nemertes has asked individuals in the following populations to rate their providers:

- U.S. business subscriber lists, including individuals who have opted to participate in surveys and who have been pre-screened to determine responsibility for selecting or influencing relevant products and services.
- Nemertes Research IT executive database, limited to individuals who meet the criteria for the representative population. Individuals from this list represent primarily U.S. companies, but also include companies based elsewhere that have presence in North America. The database includes individuals who have participated in, or who have expressed interest in participating in our research, or with whom Nemertes' analysts have established a business relationship.

Individuals participated in this project using three methods:

- Web-based survey. This is the largest percentage of the respondents. Those who meet the sample frame randomly received invitations to participate in the survey.
- Visitors to Nemertes' Web site, and recipients of Nemertes' blogs and columns in third-party media partners' Web sites. They must meet the criteria to participate.
- Benchmark interviews. This is a smaller percentage of the respondents. Nemertes' analysts asked numerous detailed qualitative questions to gauge why they rated their service providers the way they did, as well as gathering other information about their usage of communications services.

Benchmark participants spent one to three hours on the phone or in person with a Nemertes analyst discussing issues relating to their use of products and services. The Web-based survey participants answered a subset of the benchmark questions that focus on rating the providers, stack-ranking important criteria, providing financial data, open-ended comments, and demographics.

Planned Sample Size

According to U.S. Census Bureau figures, there are 2,306,070 companies with five or more employees. Our goal was to receive responses from a minimum of 1,000 individuals, which would give us a 95% confidence level and 3% margin of error—if

every individual rated every vendor in every technology area rated. We received substantial ratings for each technology category (several hundred per category), but each vendor in each area did not receive a rating from every research participant.

About 4,000 individuals accessed the survey or participated in a benchmark interview. Of those, about 2,000 meet Nemertes' standards to be considered "valid." Our survey tool automatically exited individuals employed by IT vendors and providers. Analysts reviewed all other ratings (survey and benchmark) line by line, and categorized as "invalid" those who demonstrated inconsistencies or inaccuracies in their responses as part of Nemertes' complex qualification methodology.

We achieved validity across the survey and interviews by ensuring the questions we asked were the same and that the interview group and survey group represent discrete samples of the same population. Nemertes achieves survey and interview consistency through the use of pre-scripted interview forms and peer review of interview protocols. Analysts also relied upon their own knowledge of the technology areas, natural breakpoints in the data, and interview notes from the survey participants to further validate ratings.

Survey Sub-Groups/Stratification

Nemertes' analysts researched which providers offer products and services in each category and created lists from which participants identified their primary service providers. Participants also were able to select "other," and identify a service provider they use that may not be included on the explicit list provided.

The challenge is that some providers (Market Leaders) have thousands of business customers and significant market share, while others (Market Challengers) have a few hundred or few thousand customers and smaller market share. We realized some providers would garner a relatively large number of ratings, based on the number of customers they have, while others would have a relatively small number of ratings.

Therefore, we created the two distinct categories for the awards, Market Leaders and Market Challengers, and compared providers within each category. Nemertes placed providers within each category based on its own research and publicly available data. Analysts also examined natural breakpoints in the data. Market Leaders typically have >10% of market share, based on these analyses. Market Challengers typically have smaller market shares. In some categories, there were not enough ratings to issue an award in the Market Challenger category, or the

market is so new that all vendors are considered Challengers. In these cases, Nemertes issues an award only in the appropriate category.

Nemertes reserves the right to address acquisitions occurring during the benchmark and survey period on a case-by-case basis. Unless otherwise noted, an acquisition merging two companies in the same award category must be complete before the start of the survey and benchmark interview period to be counted as one company in the ratings.

Awards

Nemertes is issuing awards in the following categories:

Nemertes PilotHouse Awards, 2011		
Award Category	**Market Leaders**	**Market Challengers**
Advanced Communications Services		
MPLS Services	✓	✓
Carrier Ethernet Services	✓	✓
Internet Access Services	✓	✓
SIP Trunking Services	✓	No award
Managed Router Services	✓	✓
Managed Internet Services	✓	✓
Wireless and Mobility		
Wireless LANs	✓	✓
Wireless Voice & Data Services	✓	✓
Application Delivery		
Application Delivery Optimization	✓	✓
Virtual Desktops	✓	✓
Voice Communications		
IP Telephony	✓	✓
Managed IP Telephony	✓	✓
Hosted Voice Over IP	✓	No award
Data-Center Technologies		
Servers for Virtualization	✓	✓
Storage for Virtualization	✓	✓
Data-Center Colocation	✓	✓
Unified Communications		
Unified Communications	✓	✓
IP Contact Centers	✓	✓
Security		
Managed Firewall/IDS/IPS	✓	✓
Data-Center Firewalls	✓	✓
Small Branch Firewalls	✓	✓
Cloud		
Software as a Service: Office	✓	No award

Timing

The Web-based survey was conducted between March and May 2011. The benchmark research was conducted between January and April 2011.

Incentives to Participate & Time Commitment

Participants of the Web-based survey received a small incentive for participating in the survey. Participants from Nemertes' database receive the findings and are invited to participate in a Webcast, in exchange for their time. The Web-based survey takes about 15 minutes to complete; the benchmark requires one to three hours of participants' time.

Future Plans

Nemertes plans to conduct its PilotHouse Awards program annually, though it retains the right to cancel the project at any time.

About Nemertes Research:
Nemertes Research is a research-advisory and strategic-consulting firm that specializes in analyzing and quantifying the business value of emerging technologies. You can learn more about Nemertes Research at our Website: http://www.nemertes.com