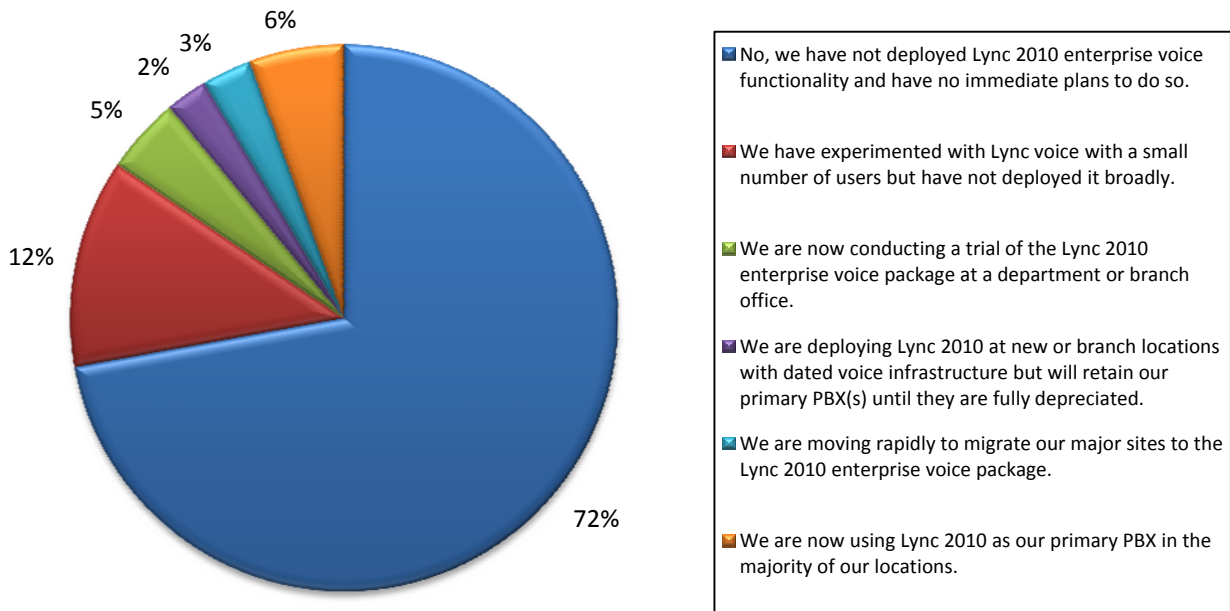


IntelliCom Market Dashboard Spotlight:
Microsoft Lync Making Inroads With Enterprise Voice Customers

Microsoft grabbed headlines at its recent Lync conference by promoting a figure of 5 million enterprise voice seats sold to date for its Lync 2010 release. Unlike most traditional and IP-PBX providers, however, Microsoft does not report quarterly shipment volumes to the press and industry analysts. The net result has been a wide range of different estimates depending on the particular assumptions one might use. So when any sort of official figures are cited by Microsoft at industry events or in executive comments, they generate a lot of interest. But how do these recent statements on enterprise voice seats sold to date translate to specific functionality activated by business customers?

An important point to keep in mind is that the Lync software licenses that are represented in such figures can be implemented in a wide variety of ways by Microsoft’s integration partners and enterprise customers themselves. Some may be conducting small-scale trials or branch office deployments, while others may be replacing a PBX that has reached the end of its depreciation cycle. Enterprise IT departments that have existing enterprise licensing agreements with Microsoft may be experimenting with just a small portion of the enterprise voice seats that they are entitled to, or they may be planning a more rapid migration of their users to Lync. To gain a better understanding of how these alternatives have played out in practice, IntelliCom Analytics and TMCnet jointly conducted a survey earlier this month to determine whether and how global businesses have deployed Microsoft Lync’s enterprise voice capabilities. (See Figure 1 below.)

Figure 1: Have you deployed the Microsoft Lync 2010 optional enterprise voice capabilities?



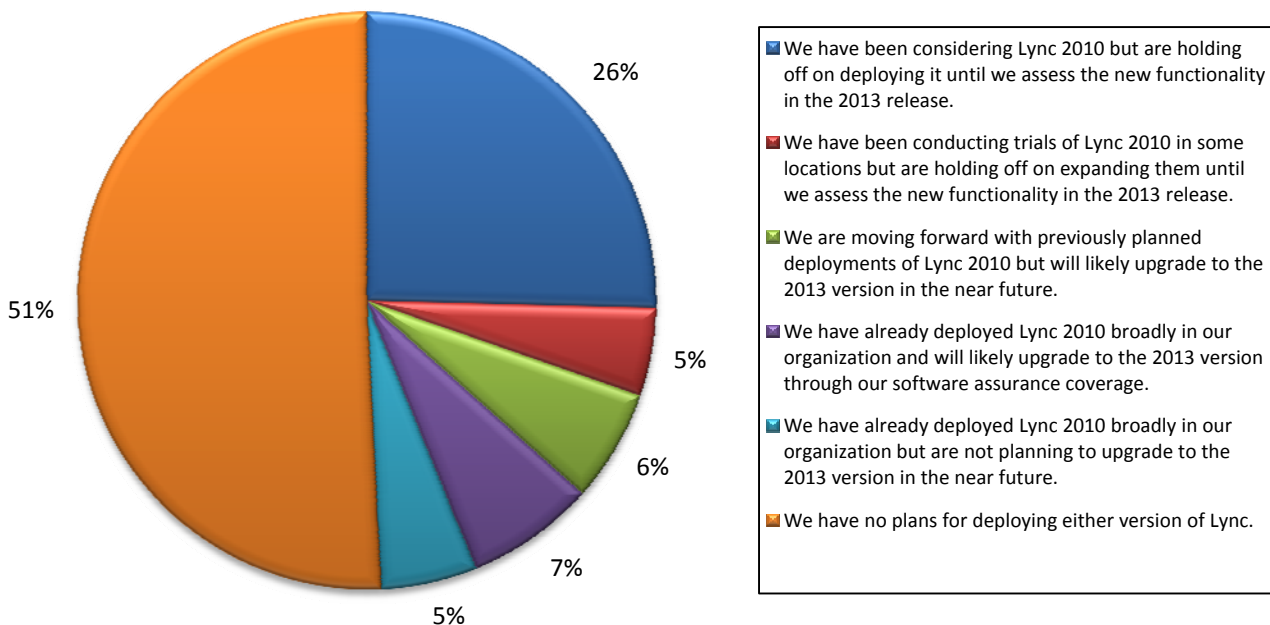
Percent of Global Businesses

Of the 445 global businesses that responded to the survey, 72% indicated that they have not deployed Lync 2010 enterprise voice functionality for any of their users to date and have no immediate plans for doing so. An additional 12% reported that they have experimented with Lync's enterprise voice functionality with a small number of users but have not deployed it broadly throughout their organizations. So at first glance, it would appear that most businesses have not made significant commitments to Microsoft Lync as a PBX alternative or replacement up until this point.

However, the remaining respondents indicated that significant, real-world deployments have actually been taking place. 6% of the survey respondents reported that they were now using Lync 2010 as their primary PBX to serve the majority of their locations. Another 3% indicated that they were now moving rapidly to migrate their major sites to Lync. A further 2% are following more of a phased migration approach by deploying Lync at new and branch locations while waiting to replace the PBXs deployed at their primary sites until they are fully depreciated. Combined, these responses make it likely that Microsoft is already making a dent in the market shares of more established rivals in the enterprise voice market, particularly those also focusing on the large global enterprises that Microsoft has been targeting with the 2010 release of Lync.

The Microsoft Lync 2013 release now hitting the market provides a number of significant enhancements with the potential to boost consideration over the existing package. These include support for Android and iOS platforms in addition to Windows Phone mobile phones and tablets supporting customer BYOD initiatives. Vastly improved video capabilities, integration with Skype, and persistent chat functionality also potentially expand appeal with a range of business sizes. Given that existing Microsoft customers have likely been aware of the broader Office 2013 enhancements for some time, we thought it important to also ask the survey respondents how the imminent introduction of Lync 2013 had impacted their recent deployment decisions. (See Figure 2 below.)

Figure 2: How will the introduction of Microsoft Office 2013 impact your deployment plans?



Percent of Global Businesses

The results of this question are likely even more troubling to legacy enterprise voice players. Nearly a third of those indicating no significant deployments of Lync 2010 to date (representing 26% of total respondents) reported that they remained interested but were holding off in order to assess the new capabilities in the 2013 release. An additional 5% of those responding indicated that they had already been running trials of Lync 2010 in some locations but were waiting for the opportunity to evaluate the 2013 enhancements in depth before deploying more broadly. And another 6% were electing to move forward with the 2010 release with the assumption that they would upgrade to Lync 2013 in the near future.

Many in that last group deploying the existing 2010 release likely had an enterprise licensing and software assurance coverage agreement in place with Microsoft entitling them to the new release when available. Another 7% of respondents reported that they were already deploying Lync broadly in their organizations and would shortly upgrade to the 2013 release through their software assurance coverage. Some of the businesses responding to this question may be intending to upgrade to Lync 2013 just for the expanded UC functionality included in the update, but a sizable portion will likely also activate the enterprise voice functionality based on the results of the first question that specifically addressed those capabilities.

That nearly half of global businesses responding to the survey are already deploying or considering implementing some aspect of Lync 2010 or 2013 raises the competitive stakes significantly for established competitors already strained by the less than robust market conditions of the past several years. While it is tempting to say that only a relatively small percentage of businesses have broadly deployed Lync to date to provide their enterprise voice functionality, only 4 players had greater than 5% market share of total call control seat shipments in North America last year based on the latest findings from the *IntelliCom Market Performance Dashboard*. Considering the pent up demand for the new release indicated by this survey, Microsoft has a good chance of breaking into this group in the near future.



Frank Stinson is a Partner and Senior Analyst with IntelliCom Analytics and leads the firm's *IntelliCom Market Dashboard (IMD)* and *IntelliCom Market Performance Dashboard (IMPD)* research programs. In this role, Stinson provides clients with ongoing strategic assessments of the positioning, direction, and market performance of leading Business Communications providers in the context of key trends transforming the industry. The rapidly unfolding shift to software-centric communication architectures now underway is central to this analysis, along with the UC and business application integration initiatives that leverage them.

IntelliCom Analytics is a professional services and business research provider focused on the rapidly evolving Business Communications and Collaboration market. With a broad set of competencies ranging from competitive assessments and benchmarking to highly targeted demand forecasts based on detailed embedded base analyses, IntelliCom Analytics brings a wealth of finely honed skills, expertise and market opportunity insights to client engagements. For further information, visit www.intellicom-analytics.com.

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