![IntelliCom Analytics logo]

IntelliCom Market Dashboard Spotlight:

May 20, 2011

Is Software-Based Packaging and Virtualization Finally Bringing Proper Focus to the Mid-Market?

The mid-market has long been an underserved segment by the Business Communications industry. These businesses typically have more sophisticated needs than those in the small-business space but lack the resources and IT infrastructure to support true enterprise-grade solutions. While, as reported in the *IntelliCom Market Performance Dashboard*, more than 28% of global call control platform user seats shipped last year were to organizations with between 251 and 1,000 users, this segment has typically fallen into a no man's land served not particular well by either the dedicated small-business or large-enterprise product organizations that most mainstream providers structure their portfolios around.

The growing industry momentum behind software-based solution packaging may be beginning to change that, however. We have witnessed rapid growth in support for virtualization within the voice and UC product suites of most leading providers over the past 18 months. Much of the emphasis was initially placed on supporting large enterprises intent on integrating voice and UC into their broader data center infrastructures. But, increasingly, this technology is being used to develop targeted mid-market solutions that package complete voice and UC product suites onto a common, virtualization-enabled hardware platform rather than on individual servers that otherwise would price them out of reach of the mid-market. The typical customer may not be large enough to have a broader data center initiative, and they may not know or even care that they are utilizing virtualization technology. But this formula clearly has a lot of potential for delivering the applications and specific features with highest appeal for mid-market customers on dedicated solutions priced within their reach and packaged within a deployment and management model appropriate for organizations of their size.

I had the opportunity to attend Cisco's Customer Collaboration analyst event last week, and the mid-market clearly factors into their renewed drive for market leadership in the contact center space – the last remaining major segment of the Business Communications market that they do not already lead or are in a close battle for. From a broader standpoint, Cisco's mid-market-focused Unified Communications Manager Business Edition 6000 introduced late last year is already making significant inroads in the market based on our initial view of Q1 2011 results. And new executive leadership at Mitel – one of the pioneers in enabling real-time application deployment on virtualization platforms – recently made clear that refocusing their business back on their traditional mid-market sweet-spot by leveraging these capabilities is key to their long-term plans.

As with any number of other emerging packaging models that take advantage of the growing software centricity of communication architectures, execution at the go-to-market level will be critical. Just as the solutions themselves are incorporating increasingly targeted functionality specific to the needs of the segment, channel support and marketing programs need to be built that provide the proper focus to the right profile of channels. But, assuming the vendors figure out an effective way to reach them, mid-market customers clearly have a growing variety of options to consider that have been developed specifically with them in mind.

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.

CONTACT
Frank Stinson
908-686-4066
fstinson@intellicom-analytics.com