

# Leadership and technology: a total-cost-of-ownership comparison for unified communications

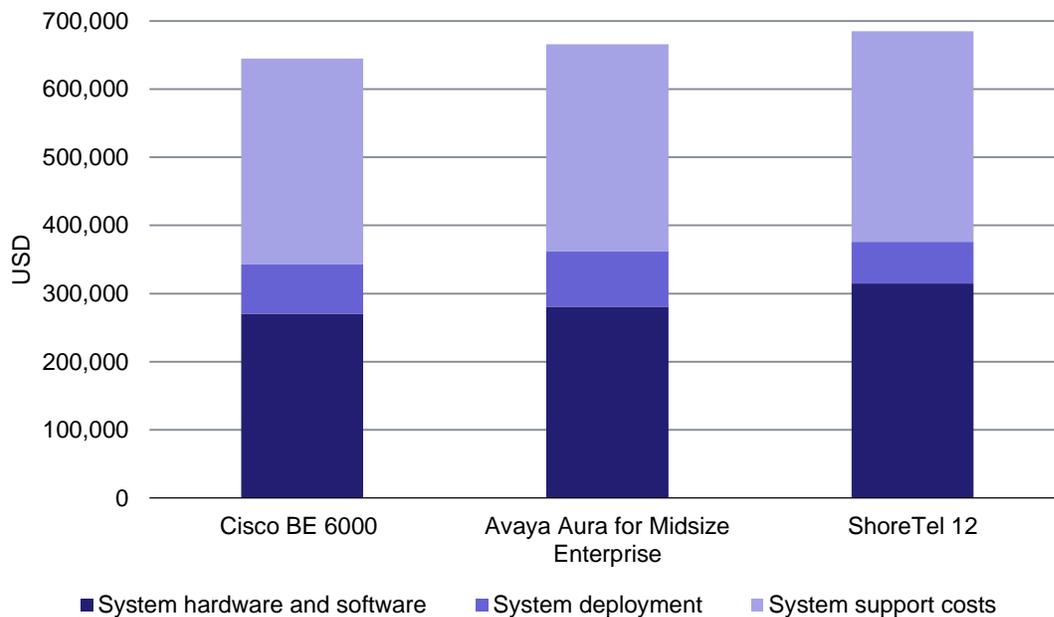
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## Executive summary

Mid-market enterprises strive for success. Being successful means consistently making smart decisions – including smart technology purchases. Technology should enable a mid-market enterprise to meet the needs of its employees and customers today, and also allow a business to make simple but value-rich changes in the future. Technology must support changes that occur in a business without increasing the risks associated with providing excellent customer service, engaging with suppliers and conducting many common business processes.

Some believe that leading technology comes at a higher price, but recent research from Analysys Mason has shown this assumption to be false. We found that the average 500-user business can adopt a feature-rich, future-proof, mid-market enterprise unified communications (UC) solution from Cisco for less than competitive solutions. Over a five-year period the Cisco Business Edition 6000 solution – a purpose-built mid-market UC solution -- was USD40,000 less than the comparable solution from ShoreTel and USD21,000 less than the comparable solution from Avaya. Figure 1 shows the five-year total cost of ownership (TCO) for these three UC solutions.

Figure 1: Five-year total cost of ownership for Cisco’s Business Edition 6000, Avaya Aura Midsize Enterprise and ShoreTel 12 for a 500-user enterprise [Source: Analysys Mason, 2012]



## Recommendations for mid-market enterprises

When choosing on-premises UC solutions, mid-market enterprises must consider a range of factors, such as price, product functionality, future business needs and channel partner expertise.

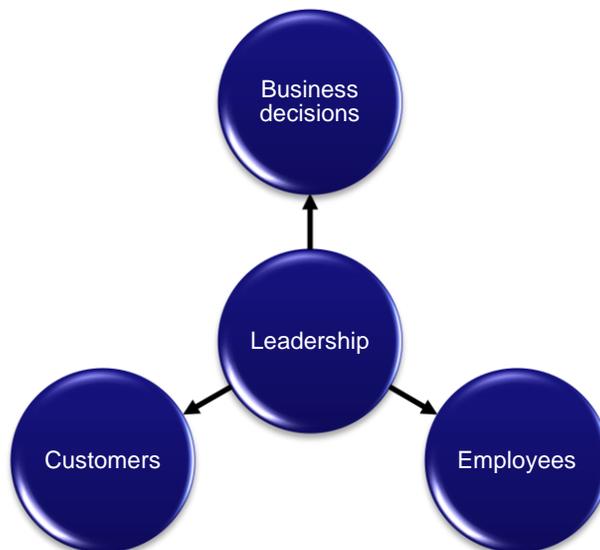
- **Don't assume top technology will cost more.** When a mid-market enterprise chooses a UC solution, the key requirements include quality, security and long-term viability of both the product and the vendor supplying that product. But of course competitive pricing is another important factor. As we show in this paper, it is possible to acquire high-quality Cisco UC technology for less than ShoreTel and Avaya solutions.
- **Buy a solution that will grow and change with your business.** The solution a mid-market enterprise implements today will not be the solution it has in place five years later. Over time, many enterprises will choose to incorporate additional technology components in the solution, such as new contact center functionality, video-based communications, web conferencing, virtualization support and mobile enablement. Leading vendors offer this functionality many years before an enterprise needs it. This means that the functionality is well tested and supported before an enterprise implements it.
- **Choose UC products from a vendor that builds solutions specifically for mid-market enterprises.** Vendors like Cisco create solutions – the Cisco Business Edition 6000, in this case – expressly for mid-market enterprises and the channel partners that support them. These are unique, secure and reliable solutions for businesses with 100–1000 users.
- **Choose UC products that minimize the costs of management and administration.** UC system deployment and support costs account for the majority of the TCO for the three UC solutions we analyzed. It is therefore important to find a system that has automated management and administration tools that have been custom designed for the UC solution.
- **Implement a UC solution from a vendor that invests heavily in R&D.** As a mid-market enterprise's needs change over time, it is likely to want to add more features and functionality to its UC solution. Vendors that invest heavily in R&D tend to create solutions that stay ahead of their customers' needs, and so it is more likely that they will have already incorporated those valuable additions like web conferencing and video communications into their core UC solution.
- **Look for vendors that support multiple mobile devices and operating systems, especially if your IT department has to support a bring-your-own-device (BYOD) environment.** Mobile devices are pervasive and many employees rely heavily on them. Implementation of mobile device functionality across all major mobile operating systems should be supported and cost effective for an enterprise to deploy as part of its chosen UC solution.
- **Pick a channel partner that has excellent professional services skills.** Professional services and project management skills matter. We caution an enterprise to be wary of trusting technology deployments to a partner that offers the cheapest rates. It is not worth gambling on the quality of the deployment once an enterprise has made the decision to purchase high-quality equipment. UC technology is becoming more technology-centric than voice-centric, so it is critical to find a channel partner that understands virtualization, messaging and other IT disciplines in addition to traditional voice services.

## Market leadership: a framework

Successful businesses play to win. Winning may mean different things to different businesses – to some it means growing profit, while for others the goal is to improve their communities or change the world. How do successful businesses become leaders in their industries and communities?

Successful businesses focus on three considerations – their business decisions, their employees and their customers (as shown in Figure 2):

- **Decisions.** Successful businesses consistently make smart business decisions. The best businesses pick a sound strategy, create yearly implementation plans and devise appropriate tactics to meet their goals. In addition, successful businesses make decisions that minimize all manner of risks. Businesses must assume some level of risk, but there is a healthy balance that all businesses must achieve.
- **Employees.** Successful businesses recognize that their employees are tremendous assets. Enterprises use technology to improve the effectiveness of employees in two ways. First, technology makes it easier for employees to get their work done efficiently, which reduces the costs for a business. Second, technology helps employees to innovate, which can improve an enterprise's products, services and business processes – leading to increased revenues, reduced costs or both.
- **Customers.** Successful businesses treat their customers well, in order to create loyal customers who want to purchase from them repeatedly. Technology can improve the day-to-day interactions between employees and customers, and good technology can also differentiate the services that a business provides to its customers.



*Figure 2: Three considerations for successful businesses  
[Source: Analysys Mason, 2012]*

Enterprises that lead in their markets, communities and segments should rely on technology that can enhance the performance of their businesses. It is wise for enterprises to choose leading technology solutions, because they provide flexibility for employees, facilitate better customer service and – in the case of the Cisco solution we evaluated – can be priced less expensively than more-limited ShoreTel and Avaya solutions.

## Details of our TCO analysis

### What solutions did we select for analysis?

Analysys Mason has examined the cost of a Cisco Business Edition 6000 solution versus Avaya Aura for Midsize Enterprise and ShoreTel 12. For purposes of this analysis, we created cost calculations for a typical 500-user mid-market enterprise. The enterprise was assumed to have a headquarters site and two branch office locations.

In order to make the costs between vendors directly comparable, we ensured that the features and functionality of the solutions we evaluated were as similar as possible. In some cases this was rather difficult to achieve, since the leading technology vendors tend to produce solutions offering greater flexibility than those from vendors with more-limited solutions. We captured the costs of hardware, solution deployment, software licensing, and ongoing support for all solutions.

Initially, we assumed that the 500-user enterprise would implement a fairly simple solution of UC voice, voice mail, mobile-phone integration and basic contact center functionality. We assumed that over the course of five years the mid-market enterprise would implement other common UC solutions, including more-advanced contact center functionality, web collaboration and high-definition desktop video communications for some employees. Businesses change and grow, and it is only reasonable to assume that a successful business will make new technology available to its employees as a way to improve productivity and spur innovation.

**Avaya** describes its product as an end-to-end platform solution on a small footprint. Its platform includes the basics of IP telephony with optional add-ons for contact center, UC, video conferencing and messaging.

**ShoreTel** describes its product as an all-in-one, low-price solution. Its platform includes the basics of IP telephony and simple contact center functionality. ShoreTel makes a particular point of highlighting its TCO guarantee, claiming that its products have a lower TCO than comparable solutions (see Figure 3).

Figure 3: Summary of the three UC solutions evaluated by Analysys Mason [Source: Analysys Mason, 2012]

Solution name	Vendor positioning of solution	Feature description
Cisco Business Edition 6000	UC platform with simple network design built and priced competitively for the mid-sized enterprise	Voice, unified messaging, mobility, presence, contact center, and video capabilities
Avaya Aura for Midsize Enterprise	End-to-end UC platform solution on a small footprint	Voice with add-ons for messaging, contact center, UC, and video
ShoreTel 12	All-in-one, low-price UC solution, TCO guarantee	Voice and simple contact center with add-on for mobility

**Cisco** describes its Business Edition 6000 solution as a UC platform with simple network design for the mid-sized enterprise. The solution provides customers with voice, unified messaging, mobility, presence availability, contact center agent support, and video capabilities. Cisco positions it as a cost-competitive solution that out-performs other solutions in terms of quality, reliability, features and upgradability.

## What did our TCO analysis show?

All in all, we found the Cisco solution to be USD40,000 less expensive than the ShoreTel solution and USD21,000 less expensive than the Avaya solution. We detail our findings below.

- **Capital expenditure** for equipment and software was 14% less for the Cisco Business Edition 6000 solution compared to ShoreTel and 4% less than Avaya . These capital expenditures account for between 42% and 46% of the TCO of a UC solution. As mid-market enterprises add functionality to their UC solutions – a normal occurrence as businesses’ needs change -- the cost savings increase for the Cisco solution. For example, a partner must integrate a separate 3<sup>rd</sup>-party video system with the ShoreTel 12 product in order to provide a high-definition desktop video solution to a mid-market enterprise customer. The ShoreTel 12 product does not offer high-definition desktop video communications, whereas the Cisco Business Edition 6000 product does. Cisco’s pricing and existing product portfolio takes into consideration both the basic and more-advanced UC requirements of growing mid-market enterprises. By allowing enterprises to re-use various pieces of hardware and software licenses as they grow, Cisco aims to minimize the financial risks associated with modifications to a UC solution.
- **System deployment costs** associated with implementation, integration, planning, and training varied by only USD10,700 across the three vendors’ solutions. These costs account for 9% to 12% of the TCO of the three UC solutions we analyzed. That being said, it is critical to find highly trained, well certified, and experienced partners to implement the solutions. We found that the hourly rate for skilled partners was fairly consistent across the three vendors, although partners of ShoreTel were slightly less expensive. However, we also found that some partners with higher hourly rates expect an implementation to require fewer hours overall, thereby keeping the total implementation costs broadly similar.

“With Cisco, we’re getting a better solution than we thought we could afford.”

**Jim Phillips**  
Senior Vice President and Chief Information Officer  
Stanford Federal Credit Union
- **System support costs** associated with maintenance, software upgrades and general day-to-day support varied by only 3% across the three vendors’ solutions with the Cisco solution providing the least expensive alternative compared to ShoreTel and Avaya. System support costs account for 45-47% of the TCO of a UC solution. These costs are quite substantial over a five-year period, as all solutions require some level of upkeep. As additional modifications are made to the solution, more full-featured solutions like that from Cisco require less time for system support since these solutions have been specifically built to adapt to the changing needs of mid-market enterprises. Other solutions that are not purpose-built for mid-market enterprise can face increasing support costs as the enterprise adds additional features to its UC solution. In addition, with Cisco’s updated Unified Provisioning Management (UPM) partners can reduce system set-up time, provision services rapidly, and easily manage users and profiles.

## Conclusion

Leadership matters. Technology allows enterprises to empower their employees and better service their customers. The technology chosen by a mid-market enterprise must be able to support future business needs, because otherwise it represents an additional financial risk. It is worth investing in high-quality technology from vendors like Cisco, which strive to create solutions that help businesses to succeed.

Based on our analysis, the Cisco Business Edition 6000 has a lower TCO than ShoreTel 12 and Avaya Aura products. Mid-market enterprises that purchase Cisco UC technology are making sound business decisions, because these solutions minimize the risks to their business and provide flexibility to accommodate future business changes.

Today's UC technology empowers businesses for success. Solutions that bring people together – like video communications, web conferencing and mobility solutions – differentiate leading businesses from those that follow. These types of solutions foster rich interactions among employees, customers and partners – interactions that lead to innovation and improvements in business processes. Jim Phillips, Senior Vice President and Chief Information Officer at Stanford Federal Credit Union says it eloquently, “We’re the type of company that will leverage the platform beyond telephony, and use the features to find productivity improvements. With Cisco, we’re getting a better solution than we thought we could afford.”