

Has IP Frozen the PBX Market?

Survey of Customer Migration Plans

InfoTech
Building Client Value...

Primary Research Study on Demand for IP LAN Telephony

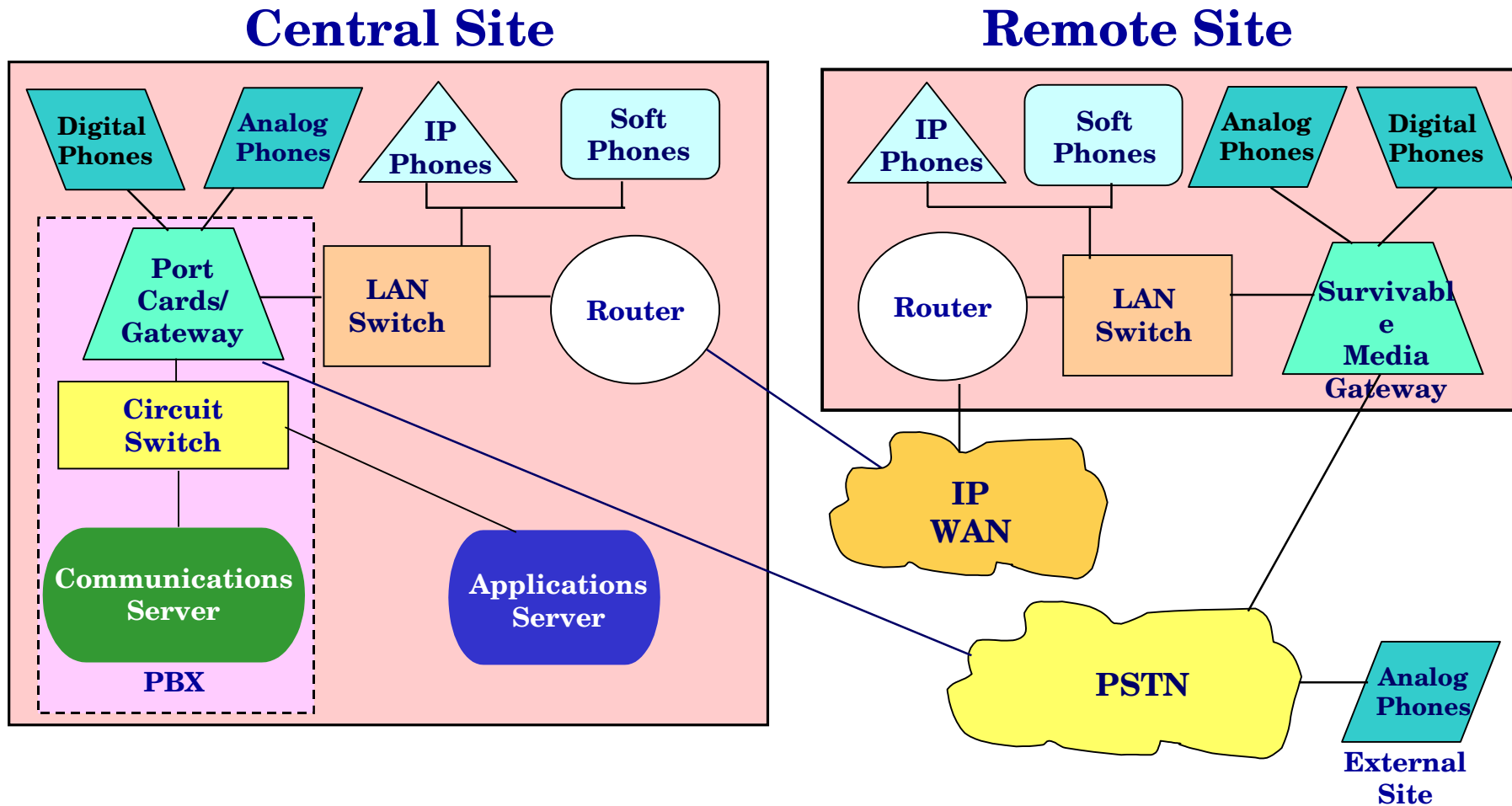
■ Conducted during 3rd Quarter of 2001

- **335 Companies Interviewed**
 - **210 Enterprises (500 to 200,000 employees)**
 - **125 Mid-sized businesses (100 to 499 employees)**
- **Both Voice and Data decision-makers**

■ Definition of IP LAN Telephony

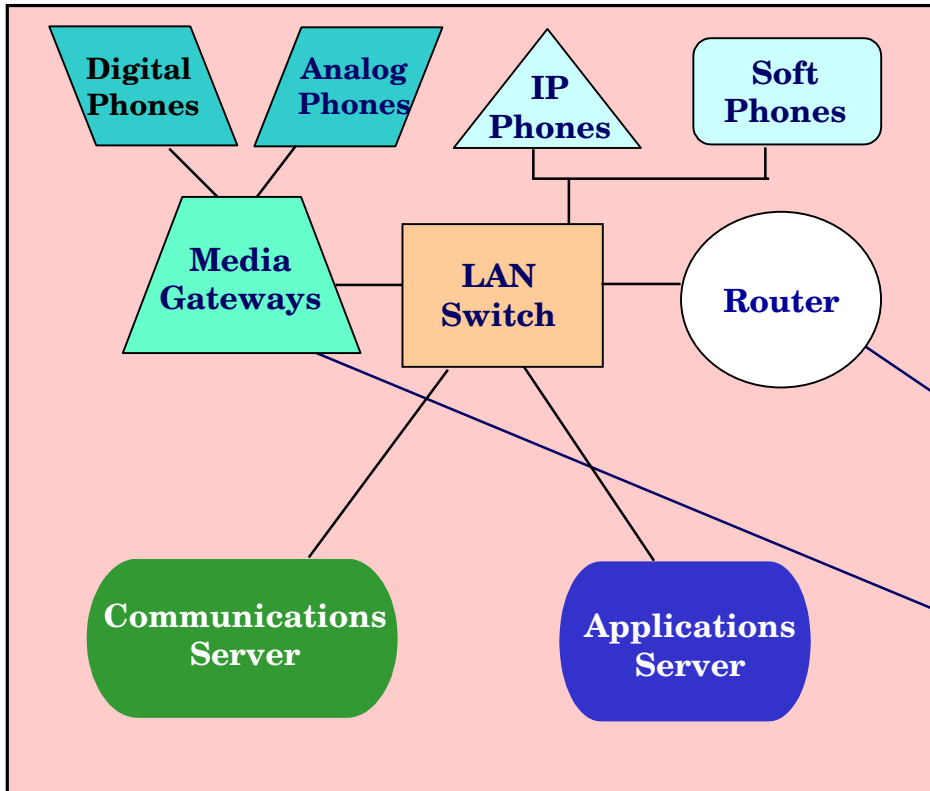
- **IP phones connected directly to your LAN**
- **Either replaces or transforms your existing phone system**

IP-Enabled Implementation Method

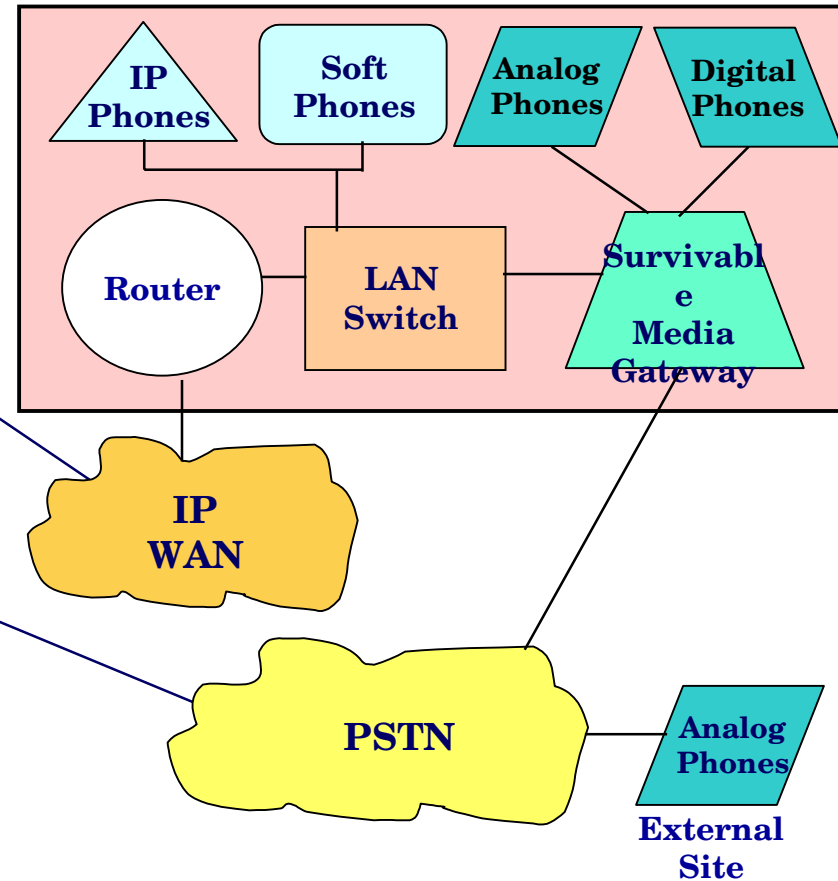


IP-Centric Implementation Method

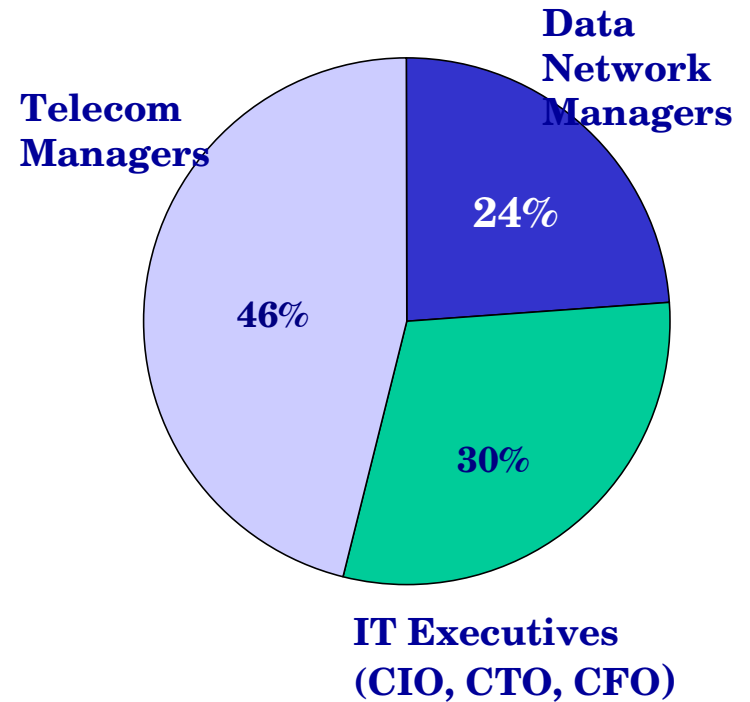
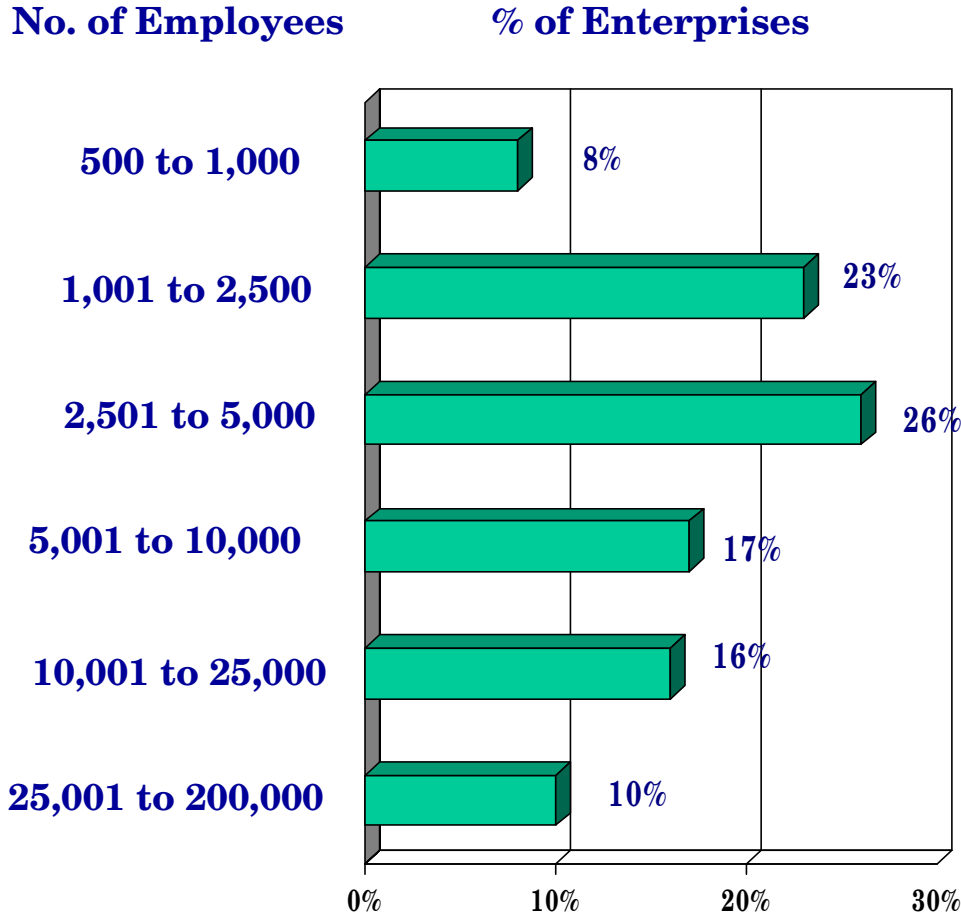
Central Site



Remote Site



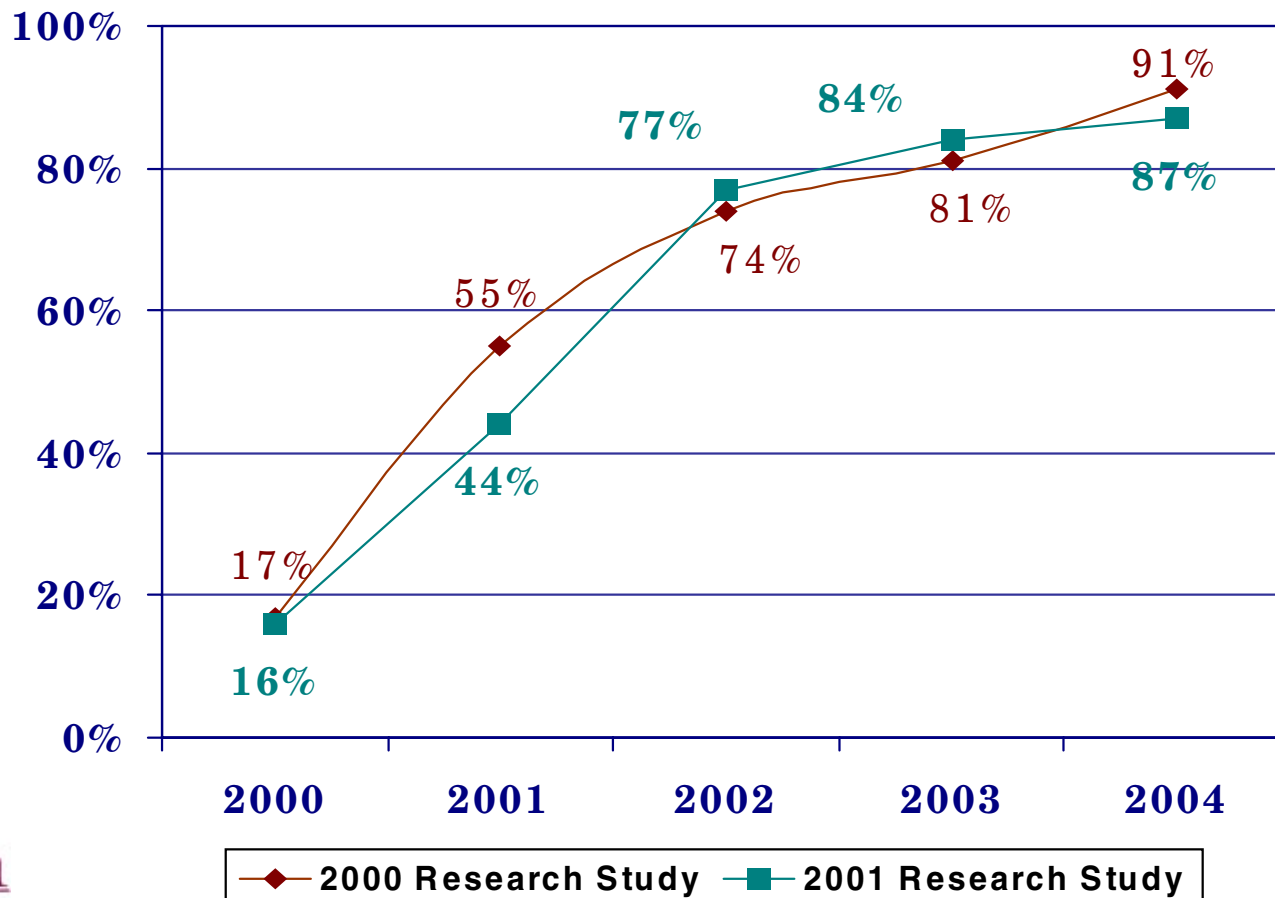
Participants Represented Good Cross-Section of U.S. Enterprises



Actual Implementation is Lagging Projections from 2000 Research

Timeframe to Begin Implementing IP Telephony

% of Enterprises



16% of Enterprises Cancelled or Decreased Their Implementation Plans for 2001

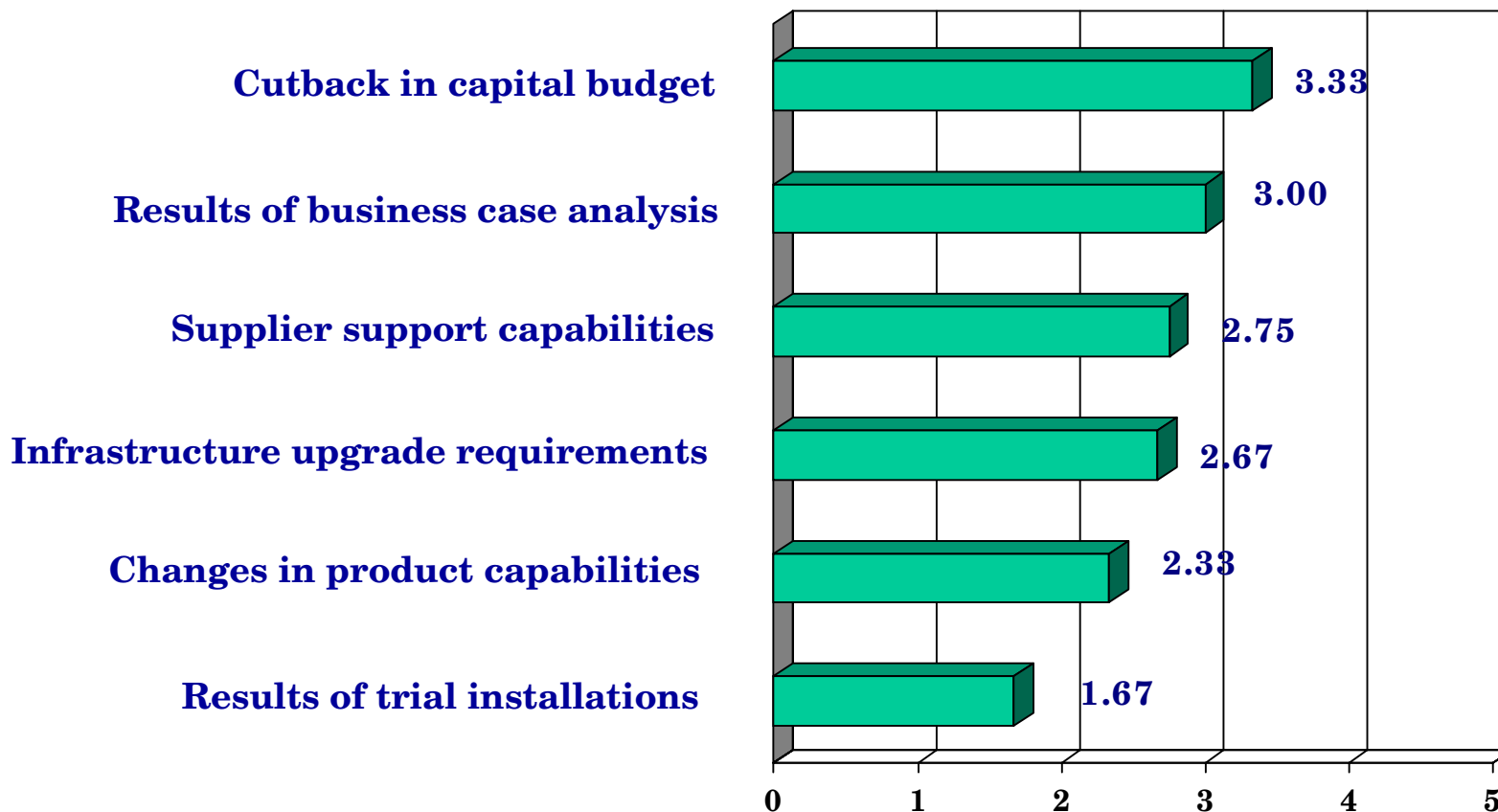
% of Enterprises that changed their plans this year for implementing IP LAN Telephony

Type of Changes	Year in which installation plans were affected	
	2001	2002
Implementation plans were cancelled	9%	1%
# of planned installations were decreased	7%	9%
# of planned installations were increased	3%	11%

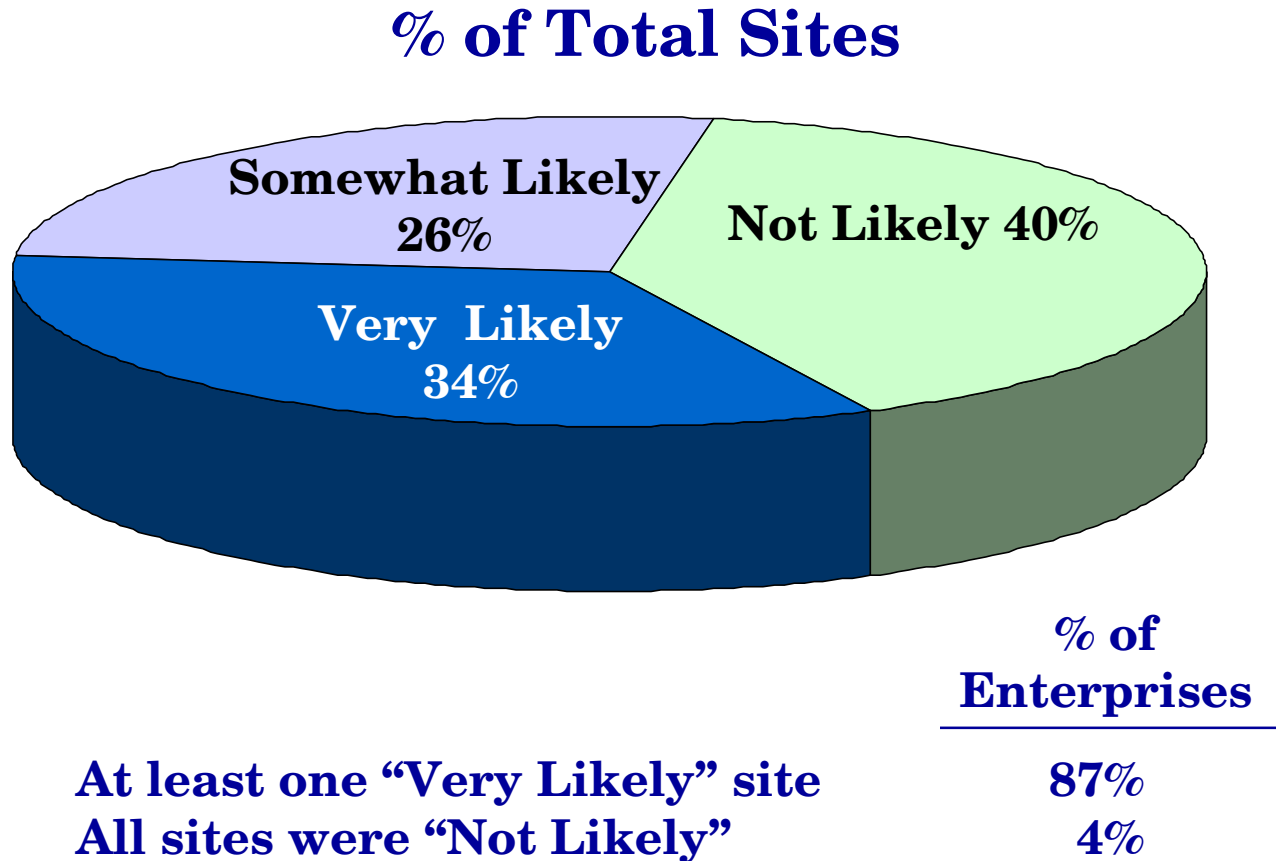
Budget Cutbacks and Business Case Analysis Impact Implementation Plans for 2001 and 2002

Importance rating of reasons for canceling or decreasing planned installations of IP LAN Telephony for 2001 or 2002

(5=Very Important; 1= Not Very Important)



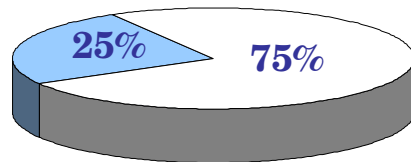
IP LAN Telephony Is “Very Likely” at One-Third of Enterprise Sites



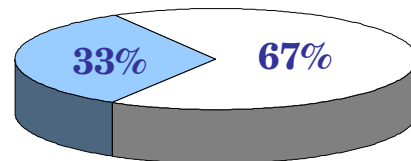
Data Decision-Makers Have Become More Realistic About the Prospects for IP LAN Telephony

Market Demand (% of Sites) by Type of Decision Maker

Voice Decision Maker

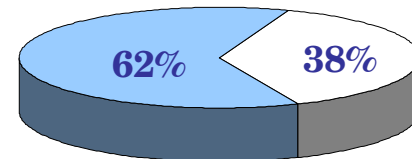


% of Sites

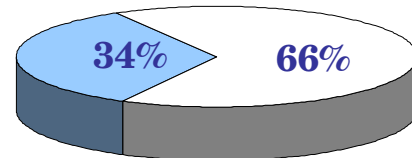


2000
Study

Data Decision Maker



% of Sites



2001
Study

Likelihood of Implementing IP Telephony



Very Likely

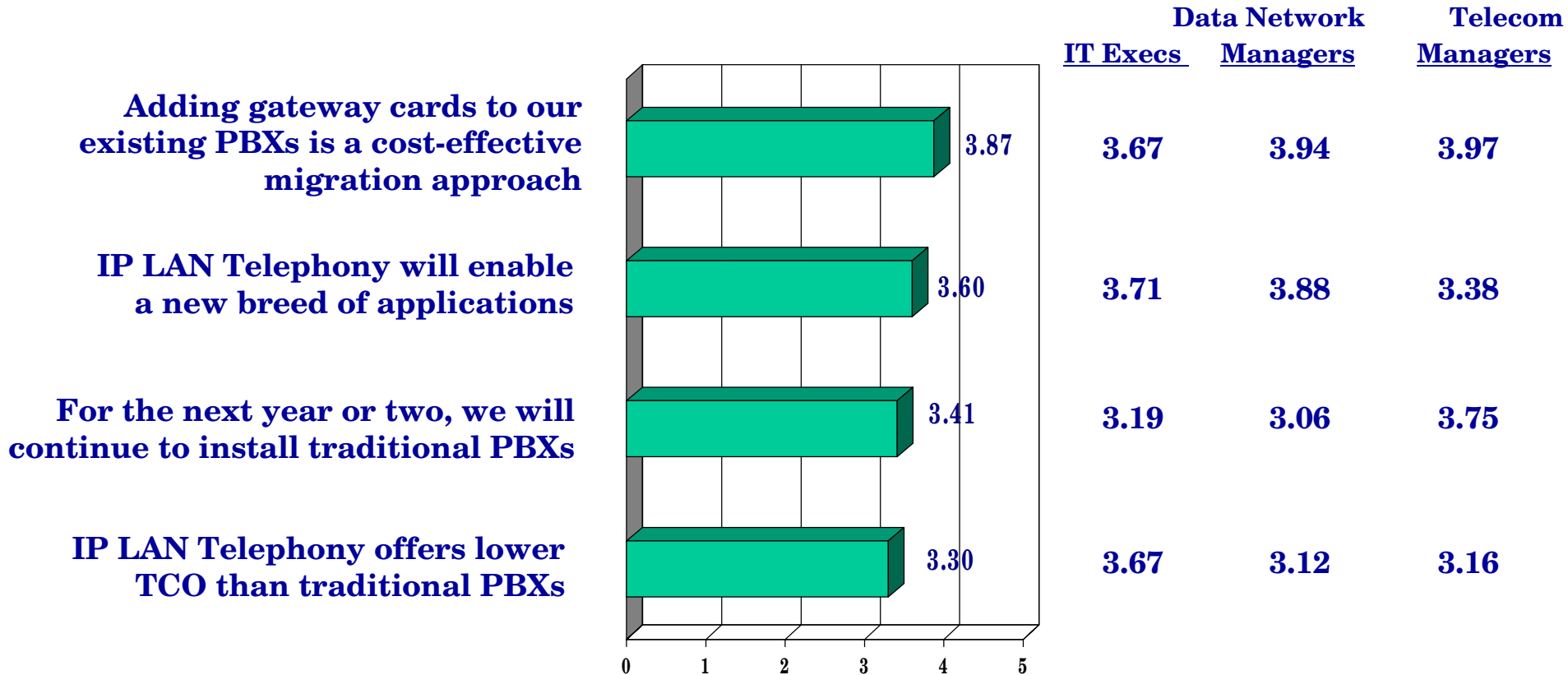


Somewhat Likely or Not Likely

Even Data Network Managers Support IP-Enabling the Existing PBX

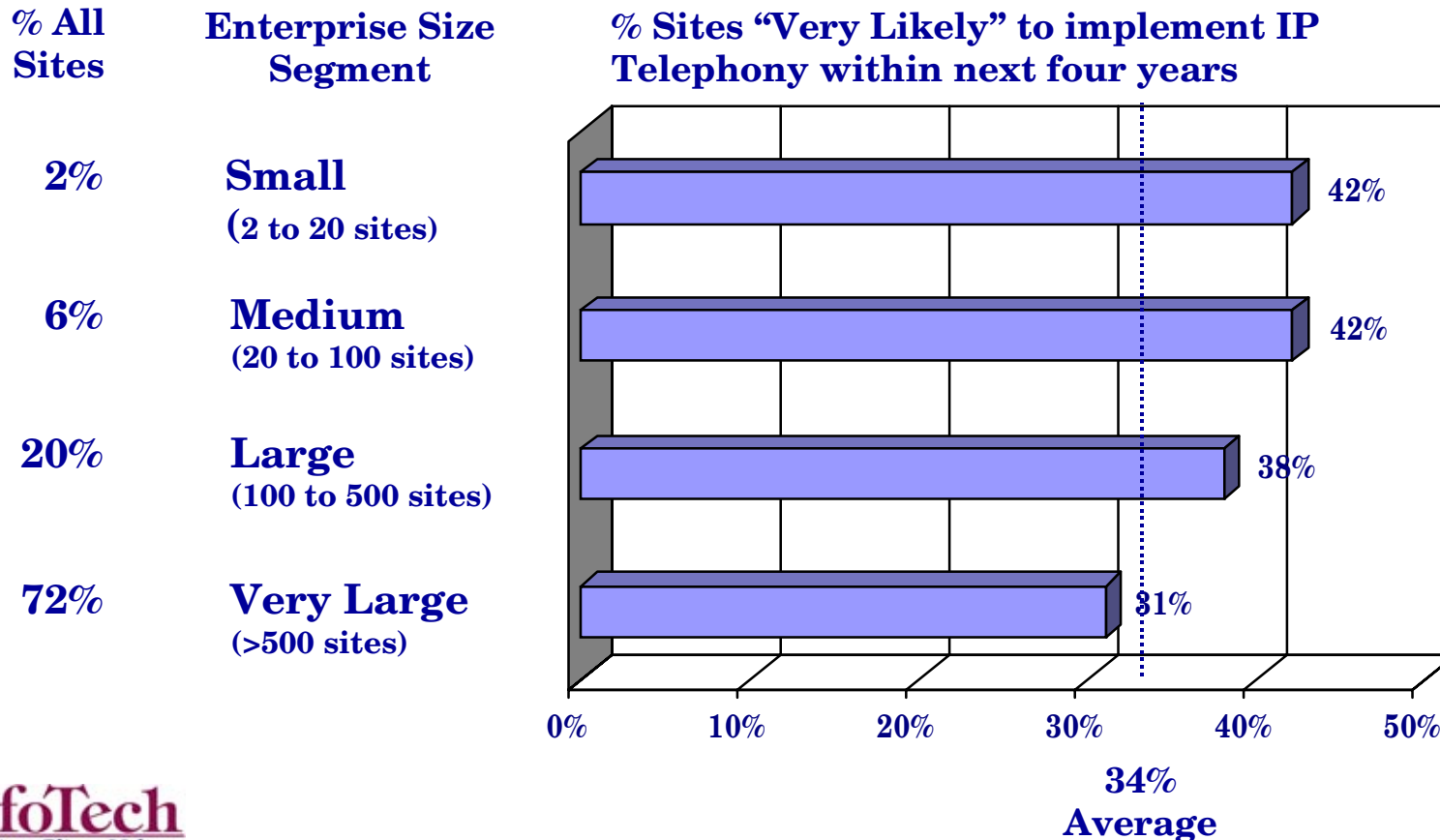
Rationale for implementation decisions regarding IP LAN Telephony

(5=Strongly Agree; 1= Strongly Disagree)



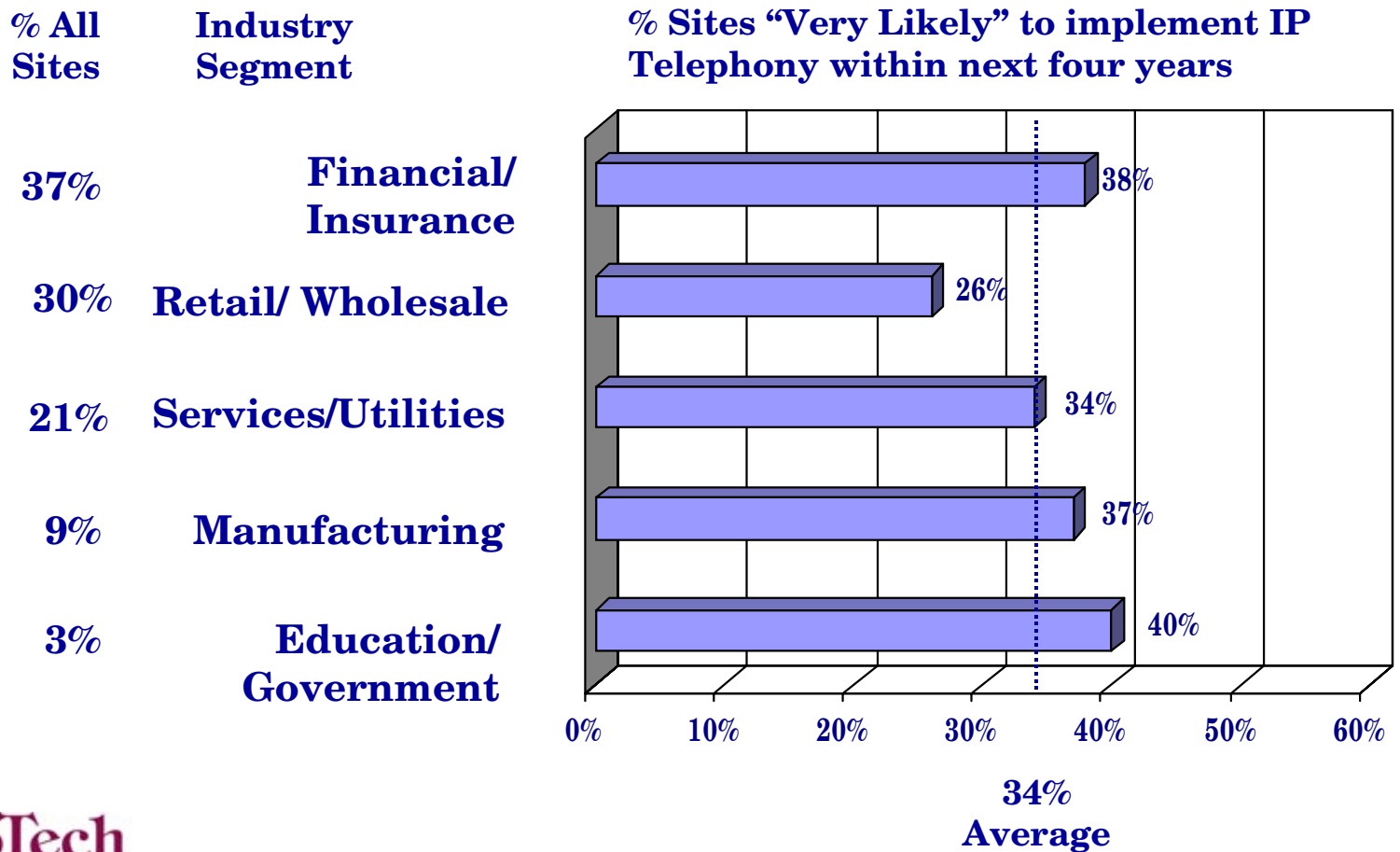
Enterprises with Up to 100 Sites Have the Highest Demand

Market Demand by Size of Enterprise



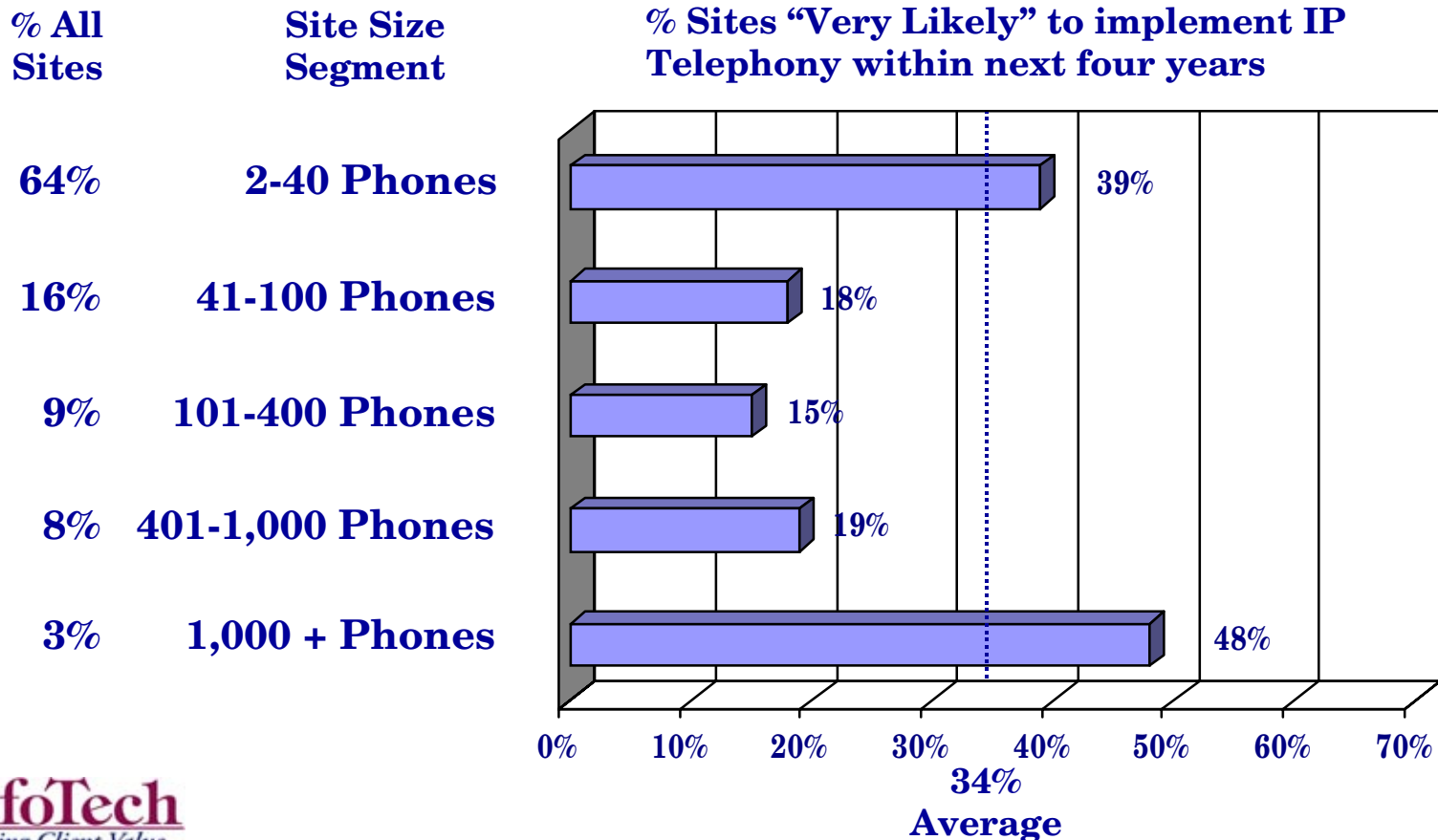
Adoption is Relatively Consistent Across All Industries

Market Demand by Industry Segment



Very Large Sites and Small Sites Are Prime Targets

Market Demand by Size of Site

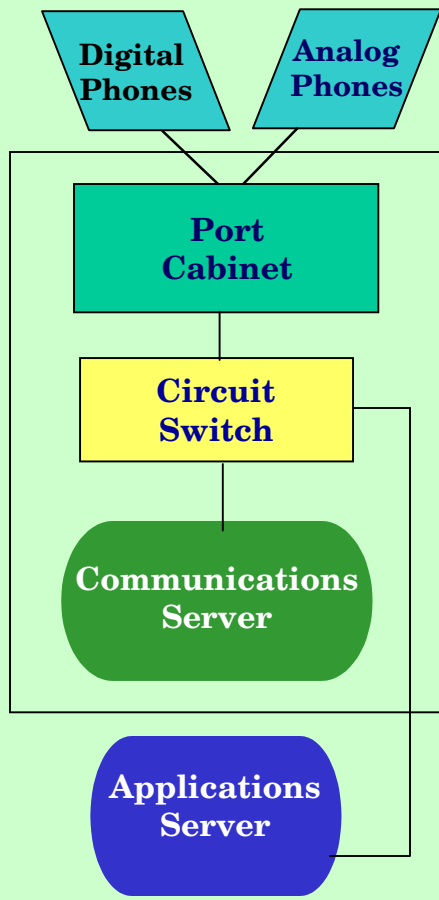


Certain Segments are Frozen due to Indecision over IP LAN Telephony

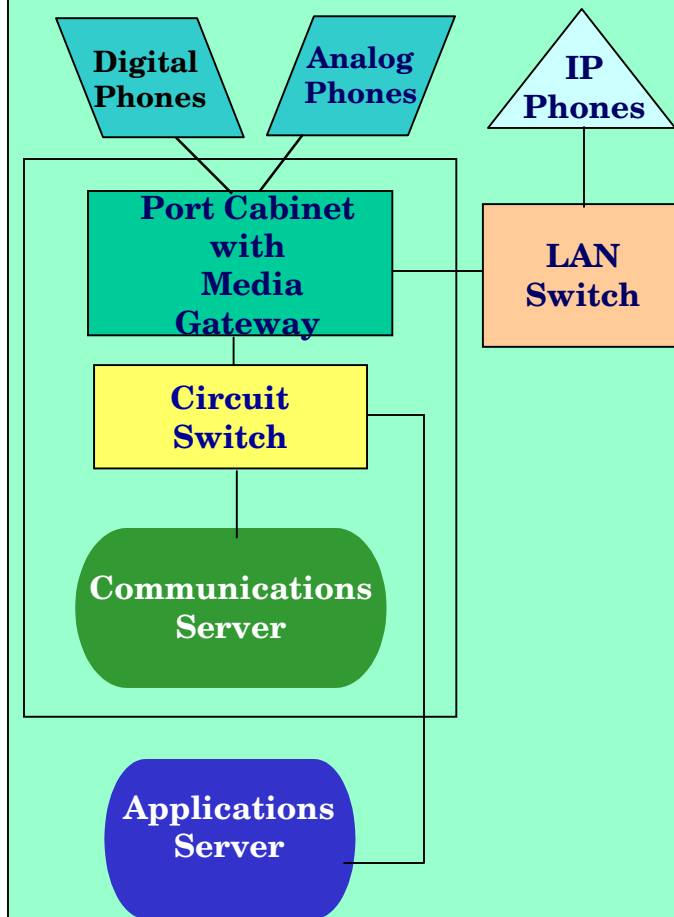
	<u>Existing PBX</u>	<u>New Site</u>
Large Locations 1,000 + phones	IP-enable over time	Undecided/FROZEN
Mid-Sized Locations 41 to 1,000 phones	Undecided/FROZEN	Prefer IP-centric
Small Locations <40 phones	<ul style="list-style-type: none">• Replace with Remote LAN• Upgrade IP WAN?	<ul style="list-style-type: none">• Install Remote LAN• Upgrade IP WAN?

PBX Vendors are Enhancing their Architectures to Facilitate Migration From IP-Enabled To IP-Centric

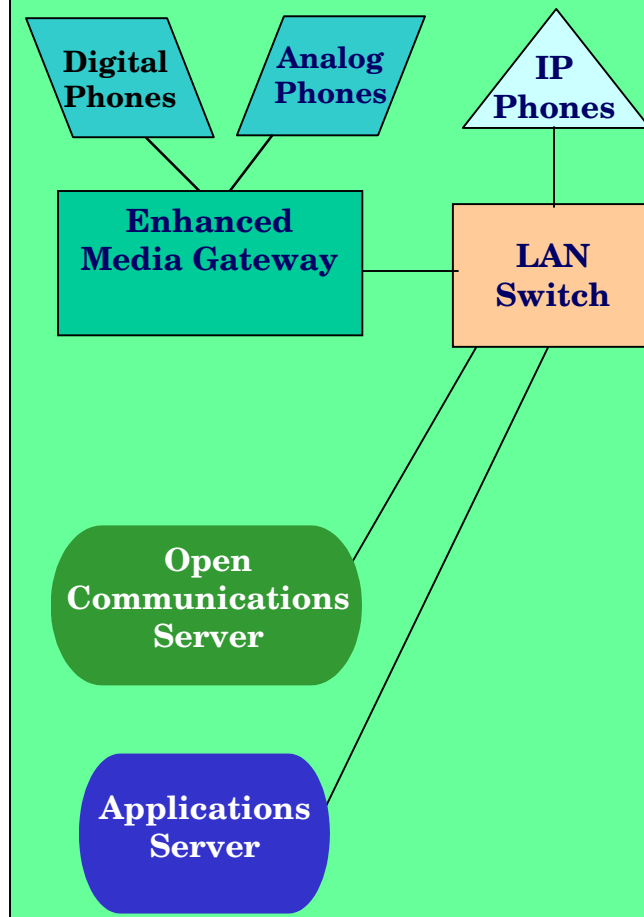
Traditional PBX



IP-Enabled PBX

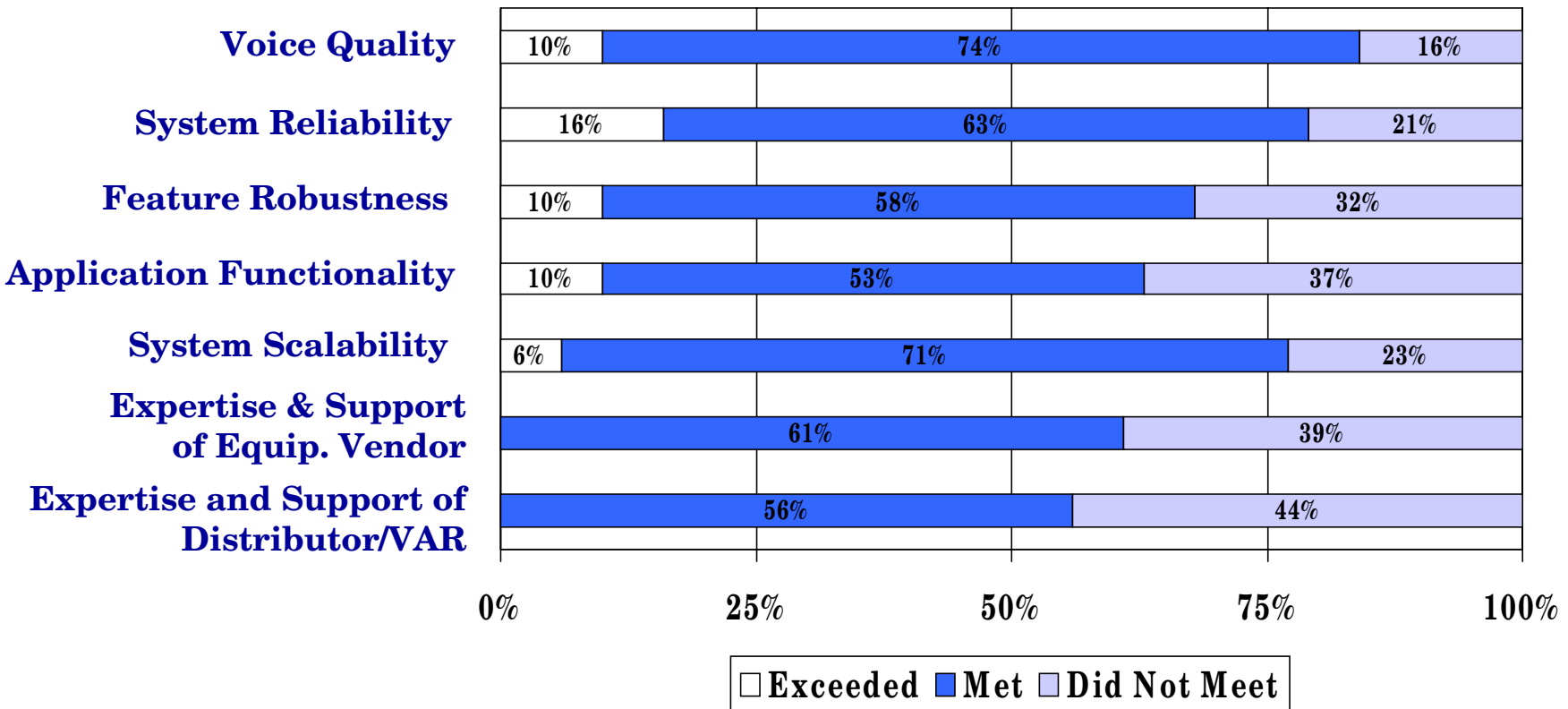


IP-Centric LAN Telephony



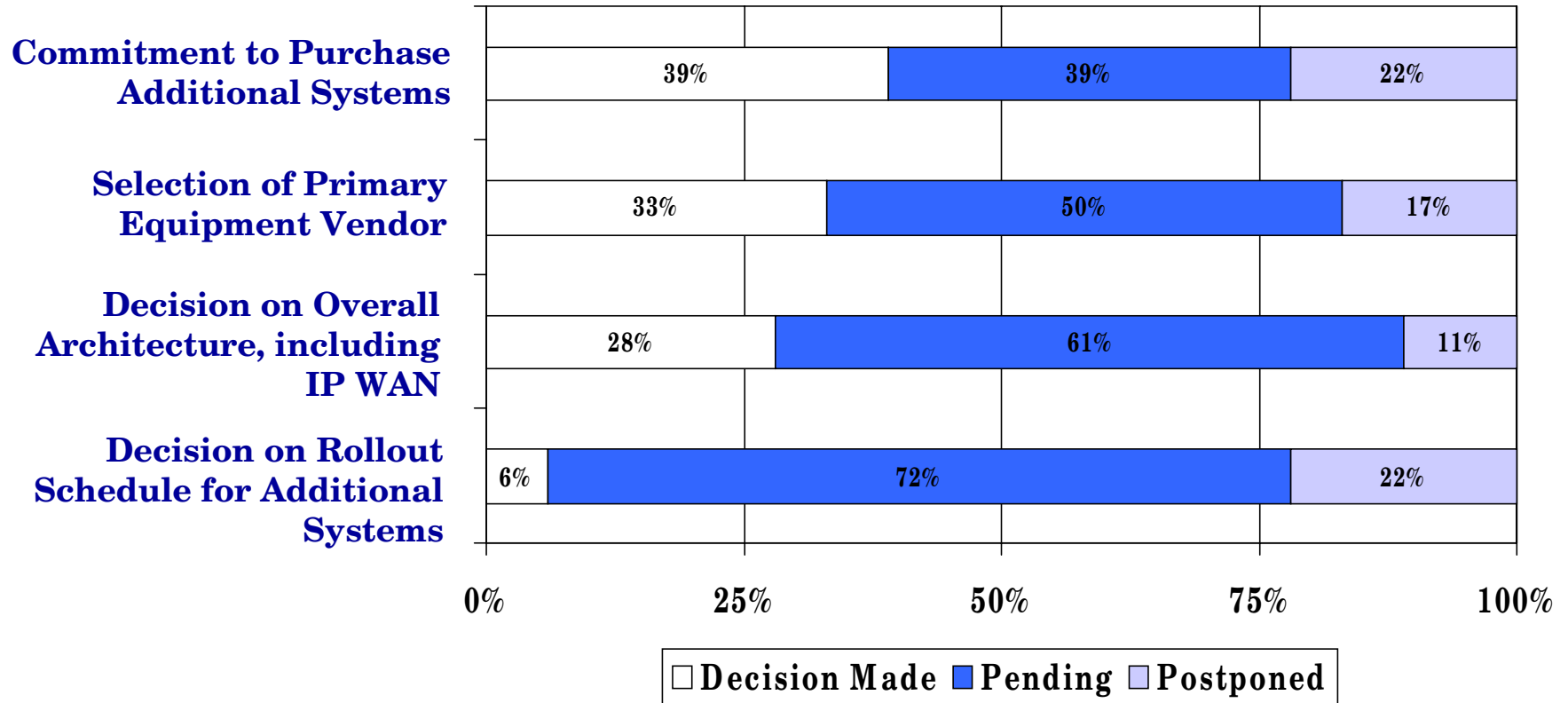
Vendors, VARs and Distributors Need To Improve their Expertise and Support

Evaluation of Initial Implementation Results vs. Expectations



Almost 40% of Initial Implementers Have Committed to Purchase Additional Systems

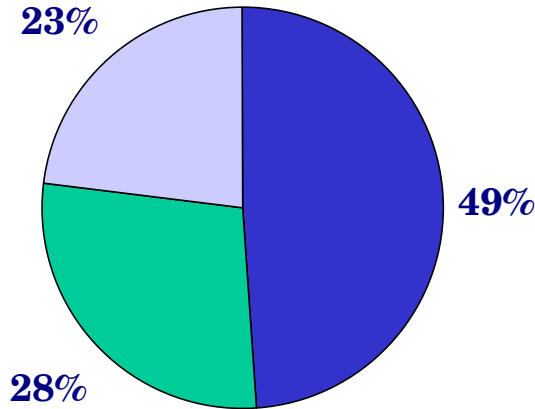
Decisions Regarding Further Implementation



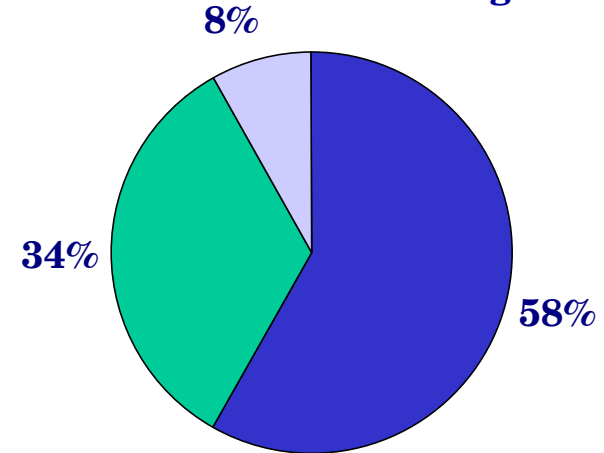
All Three Decision Maker Groups Favor PBX Distributors for Supporting IP LAN Telephony

Decision Maker Preferences for Supplier to Support IP LAN Telephony

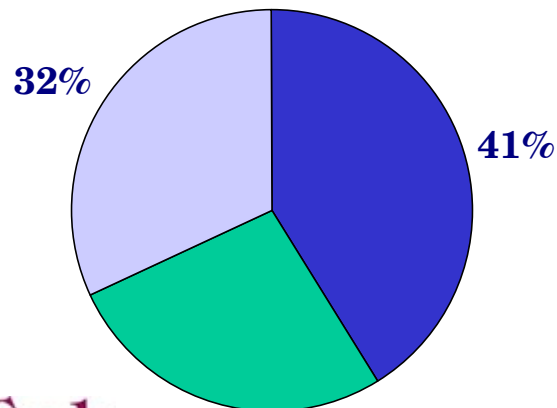
Telecom Managers






Data Network Managers



IT Executives (CIO, CTO, CFO)

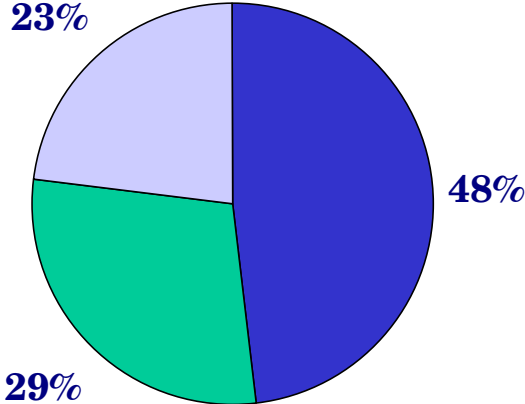


-  Current PBX Vendor or distributor
-  Current data network equipment vendor or VAR
-  Other--Systems Integrator, New Convergence VAR, Service Provider

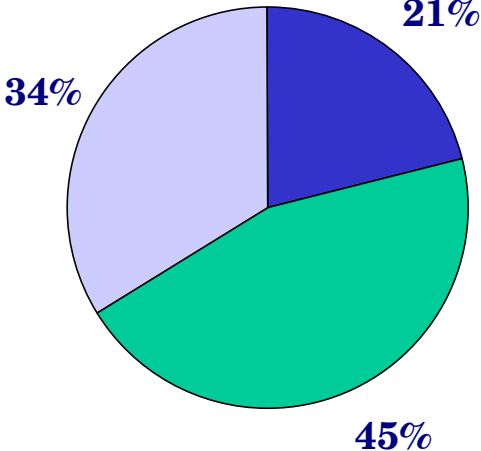
Enterprises Question Professional Services Skills of Current PBX and Data Suppliers

Preferred Supplier for Providing Different Types of Implementation Support

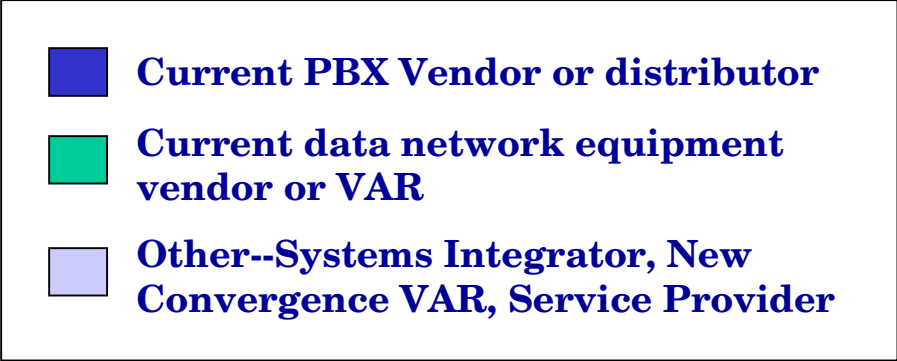
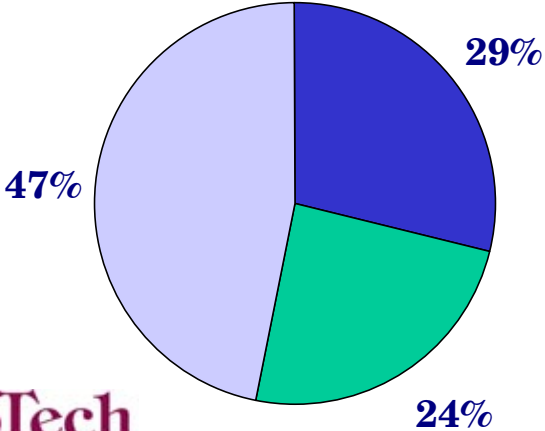
IP LAN Telephony Systems



Related IP WAN

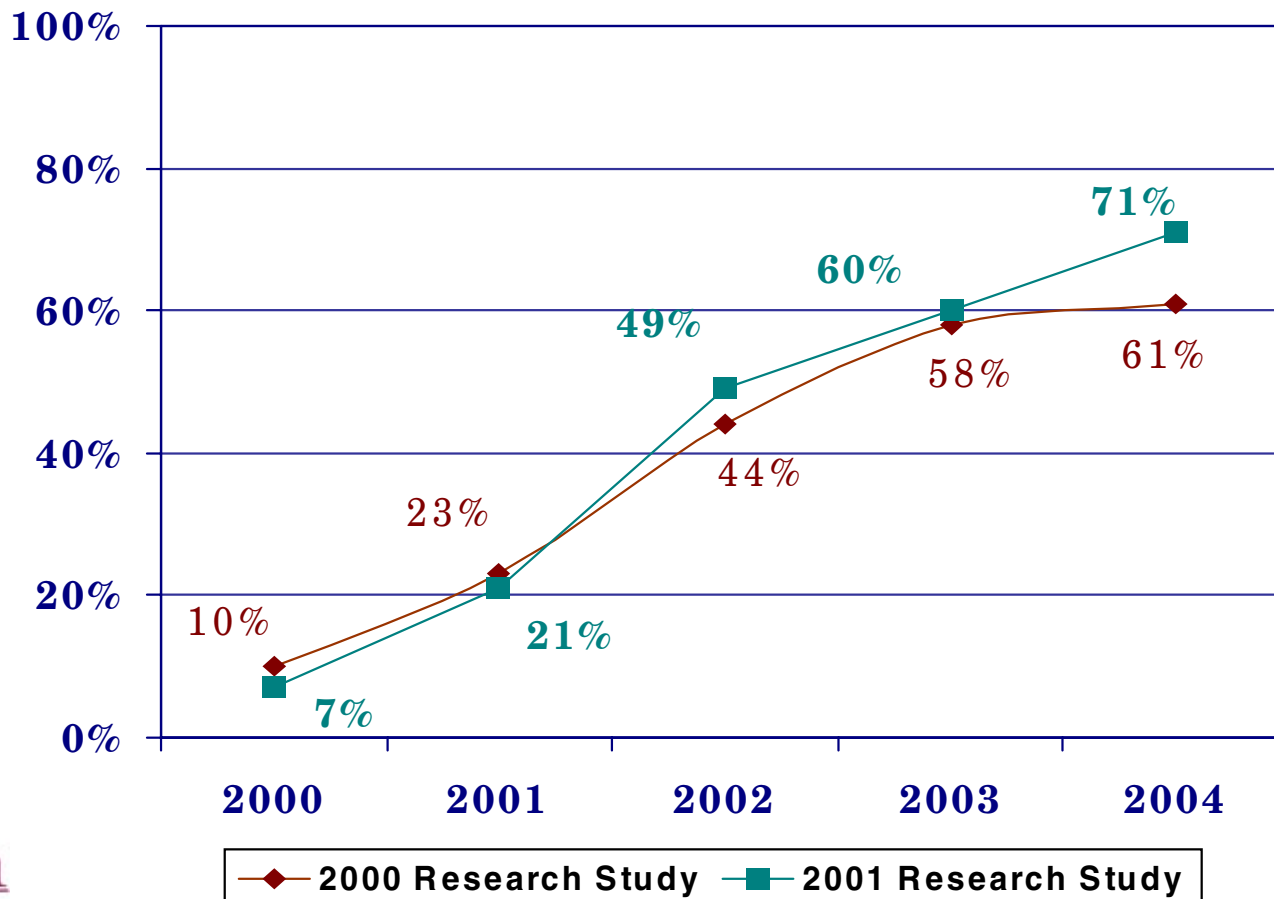


Related Professional Services



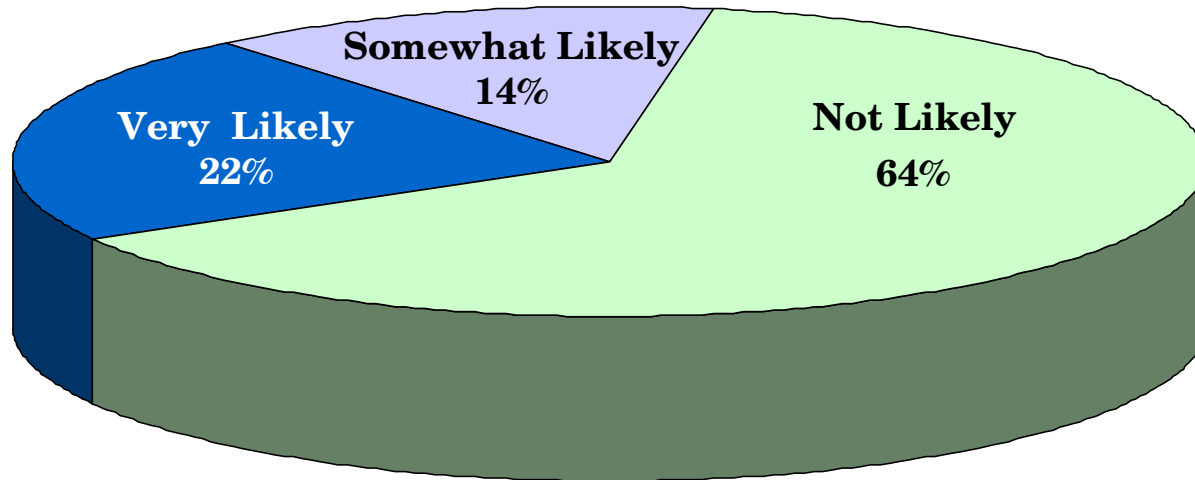
Implementation Plans of Mid-sized Businesses are On Track, but Lag Enterprises

% of Mid-Sized Businesses



Among Mid-sized Businesses, Demand for IP LAN Telephony is Increasing

% of Total Mid-Sized Business Sites



*% of
Mid-Sized Businesses*

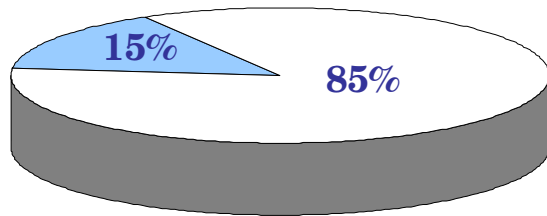
At least one “Very Likely” site
All sites were “Not Likely”

71%
18%

But there is still a Major Gap between the Voice and Data Decision Makers

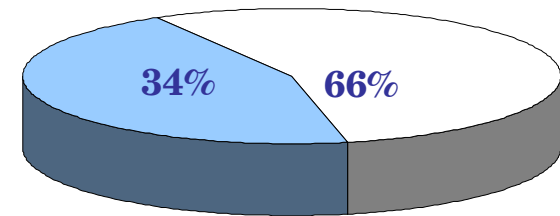
Voice Decision Maker

% of Sites





Data Decision Maker

% of Sites

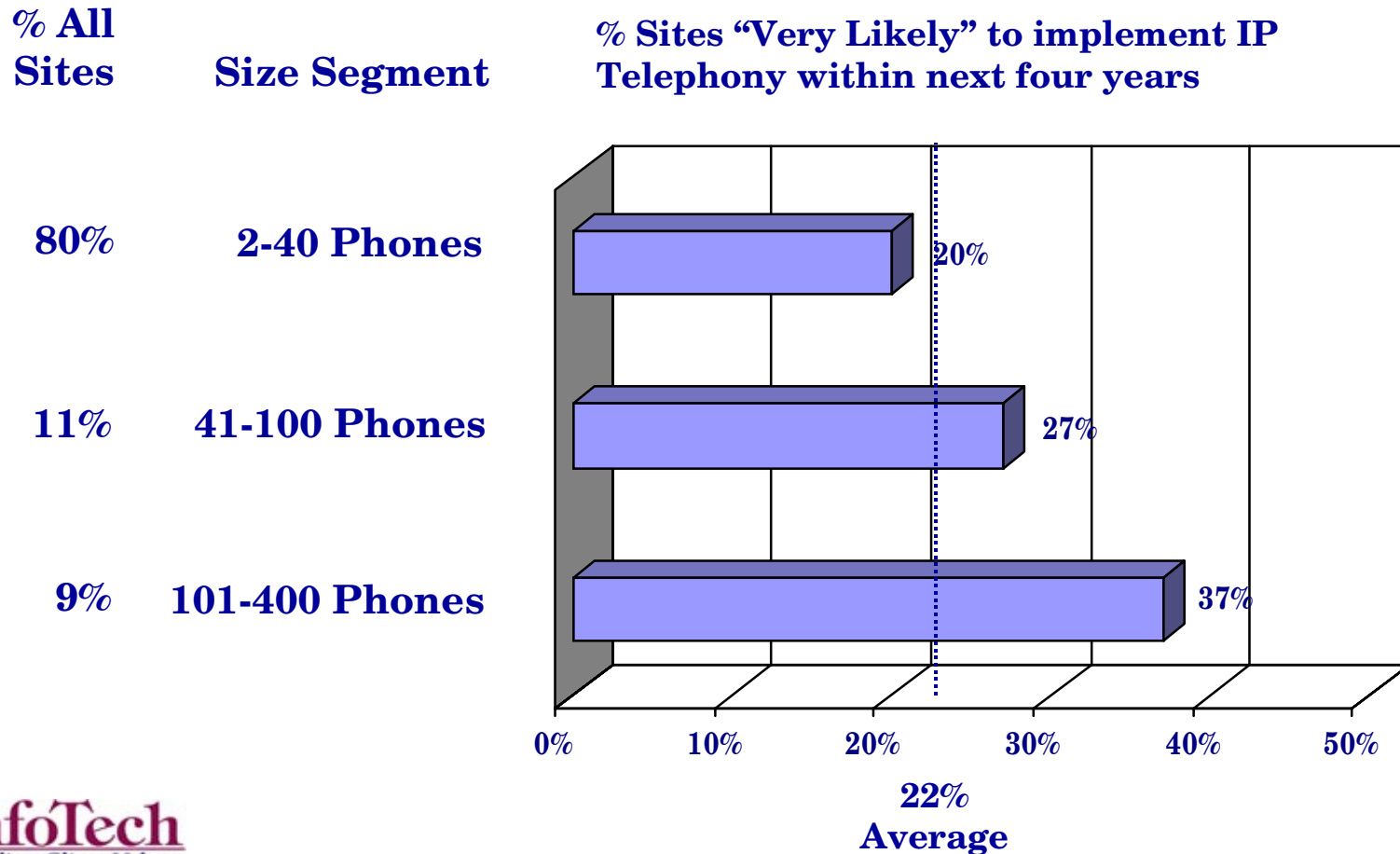


2001
Study

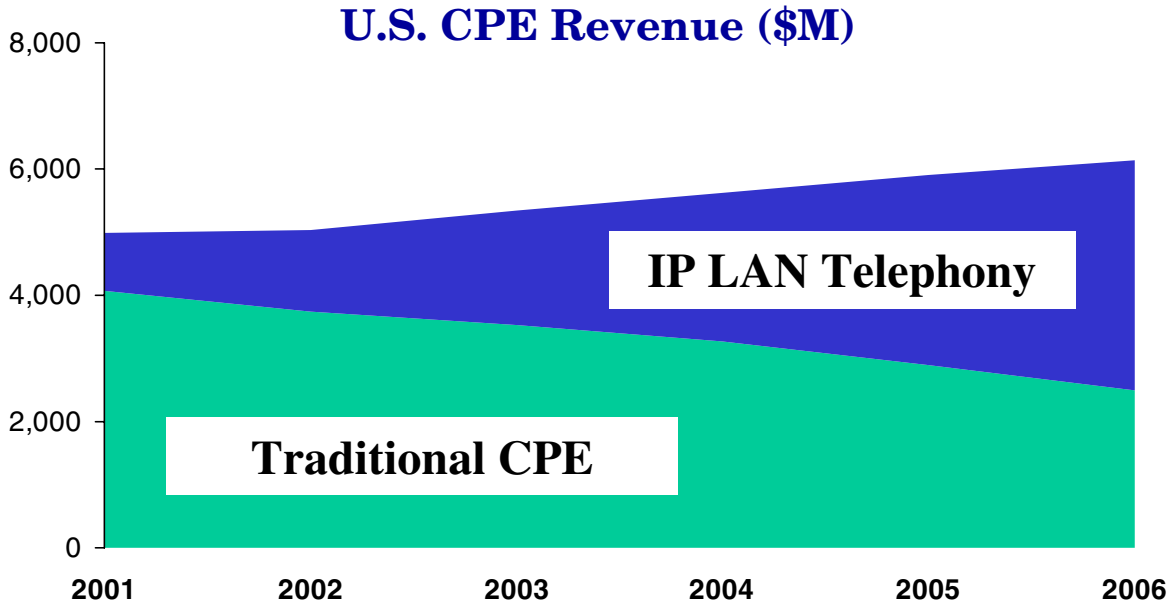
Likelihood of Implementing IP Telephony

-  Very Likely
-  Somewhat Likely or Not Likely

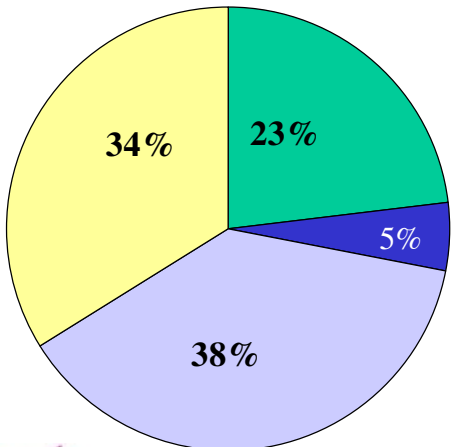
Small Sites are Constraining the Overall Mid-sized Business Demand



By 2006, IP LAN Telephony Will Be 60% of U.S. CPE Revenue, But 13% of Total Revenue

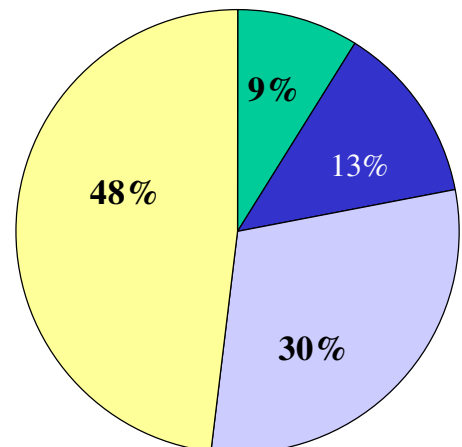


Total Revenue



2001
\$18.0 B

Total Revenue



2006
\$28.5 B

- Traditional CPE
- IP LAN Telephony
- Applications/Adjuncts
- Services

Conclusions

- **Actual implementation is lagging earlier estimates, amid shifts in market demand**
- **Voice and data decision-makers are closing the gap on their different perspectives of IP LAN Telephony**
- **Current implementers are evaluating the pros & cons of the initial systems and support and are generally committing to purchase additional systems**
- **Outlook for IP LAN Telephony remains positive in spite of uncertainty regarding lower TCO**
- **Enhanced architectures will facilitate IP migration and defrost frozen market segments**