

Unified Communications

Study cycos mrs: Market Positioning

Version 1.1



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Management Summary

Communication systems are being deployed more and more as a means of optimizing business processes. On a technical level, this strategy is supported by the increasing integration of communications into business applications, a development that is currently summarized by the term "Unified Communications" (UC). Telephony and classic Unified Messaging are certainly among the core components of systems of this kind, but almost all suppliers offer a much more comprehensive portfolio of functions. An integrated communications environment can also include CTI, conferencing, instant messaging and presence, as well as other telecommunications applications. However, the concept of Unified Communications goes far beyond merely linking individual communications applications. An acceleration of business processes is achieved above all by deep integration of CRM, ERP and other business-critical applications with the communications environment of an enterprise.

The basic prerequisite for comprehensive application integration in what is perforce a heterogeneous IT landscape is an open UC solution or the willingness of a supplier to use open interfaces and follow standards. Not all participants in the market are willing to do so. Since there is such a large number of providers, the market for Unified Communications products currently lacks transparency, and UC products differ, sometimes considerably, in the range of functions they offer. However, a decision to invest should not only be based on the functionality of a product, but also on the aspects of openness, scalability, whether it is future-proof and the long-term costs.

As one of the few wide-ranging suppliers of Unified Communications, cycos AG addresses the requirements mentioned to an equal degree. With mrs, cycos offers a comprehensive software package for enterprise communications. Up to now, the company has focused on the areas of Unified Messaging (UM), Computer Telephony Integration (CTI), Interactive Voice Response (IVR) and contact centers, looking back on many years of experience in this sector. In ComConsult's view, the spectrum of functions offered by the current version, mrs 7.11, still has some gaps. However, the new instant messaging, Web conferencing and application sharing features to be introduced in version 8.0 (mrs Vanguard™), due for release at the end of 2008, show that cycos is willing and able to make its product grow with the demands of the market.

With mrs, cycos AG offers a very balanced solution whose strengths clearly lie in heterogeneous scenarios. Due to a wide range of functions in the core areas of Unified Communications (UM, CTI, contact centers, etc.) and the large number of business applications supported, cycos is able to offer suitable solutions even for enterprises with a very mixed workforce structure. This is especially true if existing infrastructure or industry-specific software is to be integrated. The open design of mrs and its wide support of third-party products mean that it can be adapted to the most diverse requirements. These characteristics make cycos mrs an ideal base for developing future-proof Unified Communications platforms.

1. Unified Communications

The Gartner Group ranks Unified Communications (UC) among the top three topics of 2008. Without doubt, the market for Unified Communications is growing just as steadily as the interest of enterprises from all industries and of all sizes in introducing appropriate solutions. Yet there is still no generally accepted definition of UC. There is merely agreement that UC provides an integrated communications environment for optimizing business processes. Telephony and classic Unified Messaging are certainly among the core components of systems of this kind, but almost all suppliers offer a much more comprehensive portfolio of functions.

An integrated communications environment may therefore also offer the following elements:

- Computer Telephony Integration (CTI) links telephones with PCs and servers, enabling contacts to be called with one click from Outlook or Notes, for example. Or information concerning a call participant (such as that stored in a customer database) is displayed to the user of a CTI application.
- Presence and instant messaging allow brief messages to be exchanged between employees, and the online status of employees to be displayed. This means that short queries can be quickly and efficiently addressed to the right people who are also actually available.
- Audio, video and Web conferencing enable training, project meetings, support services etc. to be carried out effectively, at the same time helping to reduce travel costs and speed up international projects.
- Contact center functionality, such as routing incoming calls according to criteria like workload, responsibility or know-how, is used in most enterprises for helpdesks and customer support.
- Fixed mobile convergence (FMC) offers reachability under one phone number, and seamless switching between the fixed network, mobile network and corporate WLAN while a call is being conducted.

These components of Unified Communications have already been offered and deployed as individual products, some of them for decades. What is new about Unified Communications is the deep integration of these functions in a complete system. One example of this is the seamless transition from a phone call to a Web conference, or the display of presence information in call journals.

However, the concept of Unified Communications goes far beyond merely linking individual communications applications. An acceleration of business processes is achieved above all by deep integration of CRM, ERP and other business-critical applications with the communications environment of a company, as shown in Fig. 1. A typical example of the integration of a CRM system would be displaying the presence information of all employees who have already been in contact with a specific customer, and the possibility of inviting these to a Web conference with just one click of the mouse. However, this too is just the beginning of what, in future, will be an even more comprehensive enterprise UC solution – a solution that also integrates facility management, time recording or process automation, for example.

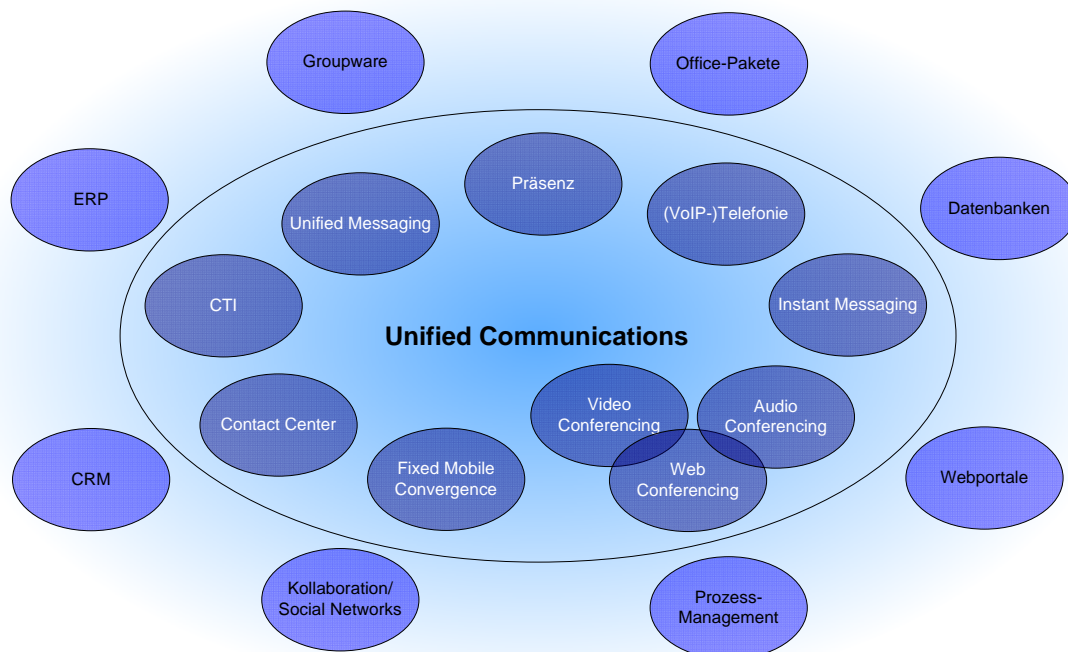


Fig. 1: Components of Unified Communications, and integration-relevant applications

Regardless of functionality or application considerations, it is only the integration of different communication options, products and applications – as seamless and as comprehensive as possible – that makes for the added value of Unified Communications. With UC, finding relevant and available contacts is much more effective, and there is a greater flexibility in choosing communication and collaboration options. This means that a suitable communications medium, ranging from instant messaging to telephony, right through to Web or video conferencing, is available to the user at any time, in any location and via almost any terminal device in the optimum case. This alone makes communication more efficient, resulting in a significant acceleration of business processes.

However, the basic prerequisite for comprehensive application integration in what is perforce a heterogeneous IT landscape is an open UC solution or the willingness of a supplier to use open interfaces and follow standards. Not all participants in the market are willing to do so.

2. The Market Situation of Unified Communications

The market for Unified Communications products currently lacks transparency. As the classic telecommunications industry gradually grows closer to the IT world, a wealth of enterprises of various sizes and with various focuses, that previously had little to do with Unified Communications, are pushing their way on to this market. Some of these companies have some traditionally sound telecommunications know-how, while others have their roots in application or network component development. This has led to a strongly fragmented market in the last few years – more than two dozen suppliers, for example, serve the German-speaking region of Europe in the area of Unified Messaging alone.

The suppliers differ, sometimes considerably, in the range of functions they offer. In many cases, the differences can be traced back to the market segments the suppliers originally

addressed. Table 1 gives a rough overview of some of the enterprises operating on the market and the spectrum of UC solutions they offer.

	Unified Messaging	CTI	Presence	Instant Messaging	Conferencing	Contact Center	FMC	Comments / Limitations
Alcatel-Lucent	X	X	X	X	X	X	X	FMC in cooperation with Nokia
Avaya	X	X	X	X	X	X	X	-
C4B	X	X	X	-	-	X	-	Contact center functionality in the sense of a telephone exchange
CAE	X	X	X	X	-	X	-	-
Cisco	X	X	X	X	X	X	X	FMC in cooperation with Nokia
cycos	X	X	X	(X)	(X)	X	-	IM, conferencing and application sharing available as of the upcoming version (Mrs Vanguard™)
IBM	X	-	X	X	X	-	(X)	SmartFMC as a product for the carrier market
Microsoft	(X)	X	X	X	X	-	-	MS OCS 2007 is not a PBX in its own right; UM with Exchange 2007 has restricted functionality
Siemens	X	X	X	X	X	X	X	UM with XPressions: OEM version of cycos Mrs
serVonic	X	X	-	-	-	-	-	-

Table 1: The Unified Communications portfolios of selected suppliers

As a rule, the lesser-known software houses restrict their activities to individual areas of Unified Communications. This is mostly due to the limited development capacities of small suppliers that make large-scale new developments more difficult. For this reason, these suppliers frequently concentrate on individual elements such as Unified Messaging or CTI. The question as to whether specializing in subareas of UC has a future or whether UC solutions can be created from a number of small solutions, will be discussed later.

It is the large telecommunications suppliers above all who offer a very comprehensive portfolio, covering a large proportion of all UC functionality. The functions offered by solutions of this kind are usually well integrated and give the impression of a unified whole since their user interfaces follow a uniform design. These are certainly important arguments in favor of this sort of homogeneous UC system. Yet, from the strategic point of view, they raise a crucial question: How well can products from other suppliers be integrated into a complete solution or is the solution based on open standards? This question is of tremendous significance since UC is also about integration into business applications (see Table 2). With this aspect in mind, support of standard protocols and interfaces, as well as cooperation between telecommunications suppliers and providers of the many different CRM, ERP and industry-specific applications are imperative.

	MS Outlook/Exchange	IBM Lotus Notes/Domino	Novell GroupWise	SAP R/3	MS Dynamics NAV	MS Dynamics CRM	MS Sharepoint	SAP Netweaver	IBM Websphere	MS Office Communicator	IBM Lotus Sametime	MS Office	Octohelp	Helpline	Remedy ARS	Citrix
Alcatel-Lucent	✓	✓								✓	✓					
Avaya	✓	✓								✓	✓					
C4B	✓	✓			✓	✓										
CAE	✓	✓	✓	✓												
Cisco	✓	✓		✓		✓				✓	✓	✓				
cycos	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓ ¹		✓	✓	✓	✓
IBM	✓	✓					✓	✓	✓		✓	✓				
Microsoft	✓				✓	✓	✓			✓		✓				
Siemens	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓
serVonic	✓	✓		✓	✓							✓				✓

Table 2: Integration options of the UC products of selected suppliers

It has always been essential for the survival of small suppliers to guarantee the compatibility of their products with infrastructure components that control the market. These suppliers are not, therefore, in a position to create de facto standards and develop proprietary systems. Large enterprises, especially those with roots in the classic telecommunications market dominated by proprietary technology, find this way of thinking much more difficult. Even software companies such as Microsoft have to put up with the reproach of not keeping to open standards on a regular basis to ensure customer loyalty.

The result of this self-interest is limited support for heterogeneous IT and telecommunications environments by these suppliers. If a customer nevertheless opts for a “closed” proprietary solution, they run the risk of a supplier lock-in in the medium term, i.e. the customer becomes dependent on a supplier and is unable to change without incurring substantial costs.

Another important question – not only for steadily growing enterprises – concerns the scalability of a product. UC functionality does not necessarily have to be introduced at one fell swoop. Companies should therefore be able to expand a solution in line with their current requirements. Many suppliers make heavy weather of this aspect too. Owing to their focus on small and medium-sized customers, the solutions offered by a number of small software houses reach their capacity limits relatively quickly. The cycos AG solution, discussed in the

¹ As of the upcoming version (mrs Vanguard™).

section below, is one of the few exceptions in this area. The subject of scalability even causes problems for some large suppliers. The Unified Messaging products from Cisco can be named as an example. Three products, differing considerably in their functionality, are offered for different sizes of enterprise. However, it is not cost-effective for small and medium-sized companies to use the solution for large enterprises that offers the most comprehensive functions. What is more, from the point of view of planning, employee training and operation, a later switch of Cisco solutions is tantamount to making a new acquisition.

These aspects will have the following consequences for the further development of the UC market:

- A market shakeout will take place since many small suppliers do not have the development capacities to offer a comprehensive spectrum of UC functionality. They will therefore be unable to meet the growing demands of customers.
- The solutions of economically strong suppliers, such as Cisco and Microsoft, will, without doubt, continue to exist over the long term, and be further developed and enhanced. However, it can be assumed that, in the future too, suppliers like these will attempt to create a lock-in situation through proprietary expansions or similar means.
- The future of a number of large telecommunications suppliers is more than uncertain owing to the technological change from classic telephony to VoIP that is currently taking place. There is a risk that suppliers of this kind will concentrate on market niches, such as call/contact centers, and slim down their portfolio as a result.

Against this backdrop, investments in Unified Communications solutions need to be carefully considered.

3. cycos AG: Position and Potential

As one of the few wide-ranging suppliers of Unified Communications, cycos AG addresses the requirements of functionality, openness, scalability, cost-effectiveness and being future-proof to an equal degree. With mrs, cycos offers a comprehensive software package for enterprise communications. Up to now, the company has focused on the areas of Unified Messaging (UM), Computer Telephony Integration (CTI), Interactive Voice Response (IVR) and contact centers, looking back on many years of experience in this sector. In ComConsult's view, the spectrum of functions offered by the current version, mrs 7.11, still has a number of gaps nonetheless. However, the new instant messaging, Web conferencing and application sharing features to be introduced in version 8.0 (mrs Vanguard™), due for release at the end of 2008, show that cycos is willing and able to make its product grow with the demands of the market.

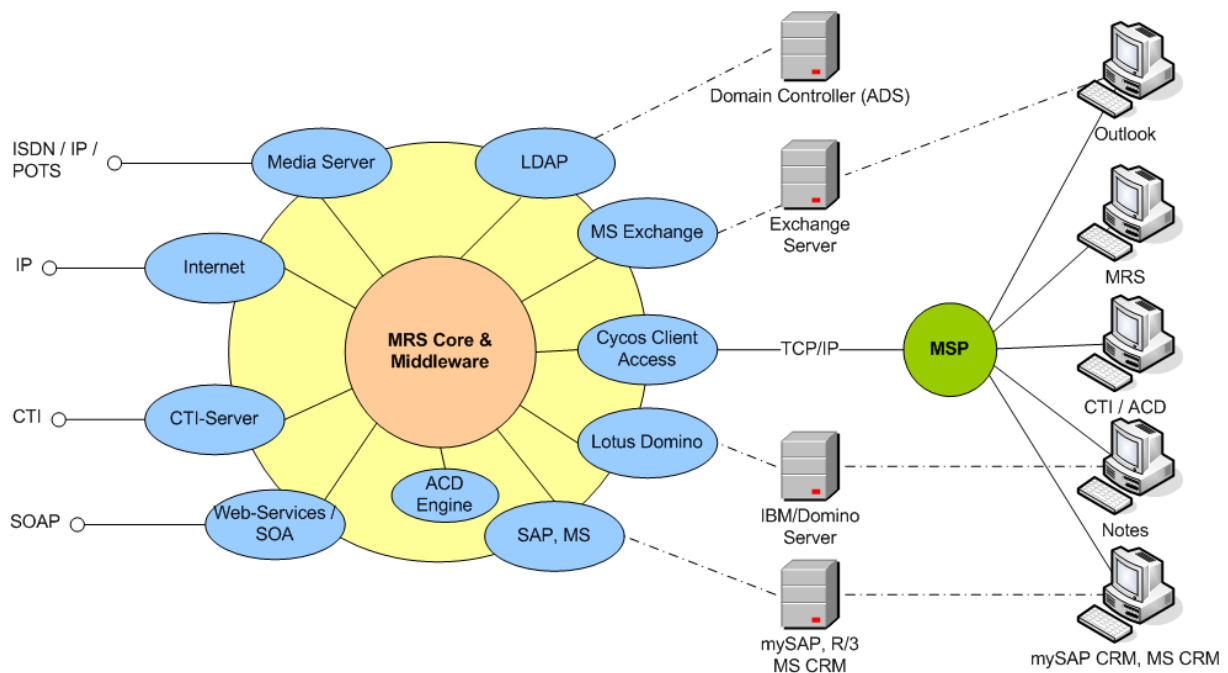


Fig. 2: Components and interfaces of cycos mrs

cycos's roots in the classic telecommunications market ensure traditionally wide support of a great variety of telephone systems. cycos brings this advantage into today's communications market and builds on it through the certification of many current PBX systems. Native support of SIP-based telephone systems broadens this spectrum still more. With Exchange, Domino and GroupWise, the groupware systems dominating the market are also supported. The Unified Messaging functions can be deeply integrated into these products without problem – even in mixed environments where a number of groupware systems are deployed for different user groups. This is of benefit when a new line of business is acquired, for example, as it facilitates the consolidation of locations. Diverse interfaces to databases and CRM/ERP systems are offered for linkage to business applications. The modular software design of mrs, shown in Fig. 2, enables an existing installation to grow with the increasing requirements of the enterprise. mrs also offers a range of SDKs (XML service, cyPhone X-Kit) that allow any individual integrations into the customer's infrastructure to be implemented. These technical aspects are supported by a licensing model whose modularity ensures that no barriers are erected – either with regard to the number of users or to functionality – to the growth of a communications solution once it has been introduced.

The last release of mrs was fundamentally revised in the direction of Service-Oriented Architecture (SOA). This modularization improves the scalability of mrs, now allowing far more than the 150,000 users that could previously be reached. In addition, the SOA approach simplifies the integration of mrs services into existing applications and computer-supported business processes. SOA implicitly supports the strategy pursued by cycos of enabling functionality to grow hand-in-hand with customer requirements.

A further aspect should be considered with regard to an enterprise-wide increase in efficiency: the connection between SOA and UC. Both concepts are used to optimize business processes. UC can be viewed as the interface of an SOA-based enterprise IT to the users. It is only through embedding the communications options in applications with the aid of Unified Communications that business processes automated by SOA develop their full potential. Without this integration, processes are unnecessarily slowed down by the user communication required (see Fig. 3). This connection underlines the significance of cycos's

decision in favor of the SOA concept. The concrete benefits can be seen in the state-of-the-art integration of mrs in commonly used portal solutions such as Microsoft Sharepoint, SAP NetWeaver and IBM Websphere that has been considerably advanced by the service-oriented approach. With the new architecture concept, mrs has accomplished a technological leap in development that gives cycos a significant lead over its competitors.

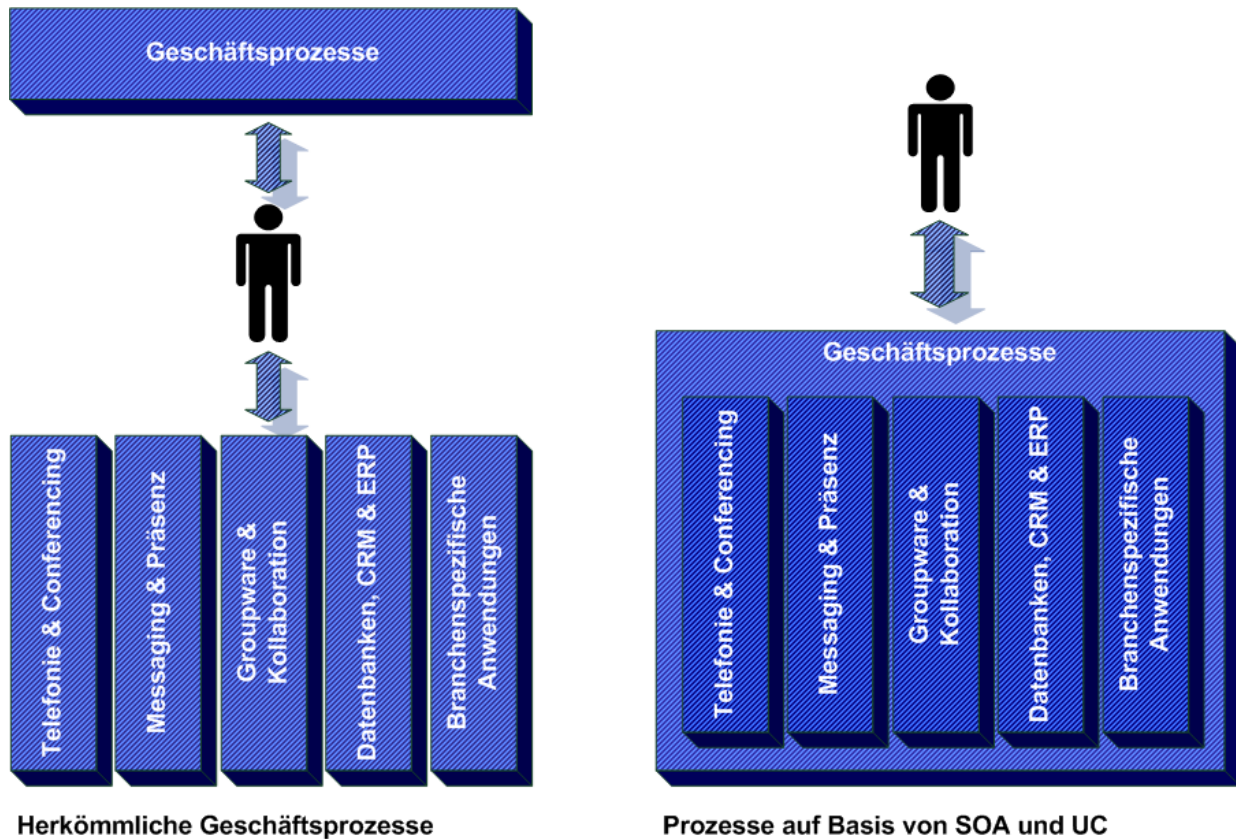


Fig. 3: Changes in business process implementation with SOA and UC

Irrespective of the technical implementation, integrating communications functions in business applications is essential for Unified Communications. This is the only way processes can be holistically optimized so that the investment in a UC solution can also generate a high return on investment. The most sensible approach is to offer all communications-related services where the user needs them, e.g. in their groupware client, accounting software or CAD tool. A stand-alone client software is not necessarily required for any of these examples. Plug-ins for commonly used applications that use the same client server interface, and the direct integration of Web services into Web portals or business applications enable a much more consistent approach.

Owing to the extensive configuration options it offers, the mrs client can be adapted to the needs of individual users. The spectrum ranges from a simple CTI dialer right through to a personal assistant with a very large number of functions, such as telephony, presence, detailed information about contacts and integration into corporate directories. The comprehensive presence information provided by the client and divided into PC status, telephone status and location could, however, be more compactly represented – practice shows that users of presence systems rarely use more than the “online”, “offline”, “absent” and “on the phone” information. For users who primarily require CTI functionality from within their groupware, integration into MS Outlook and Lotus Notes is possible. The way it is integrated is worthy of note. Simple calls can be initiated from the groupware contacts or

incoming email, voice and fax messages with a click of the mouse. The full-fledged mrs client is then immediately available to the user for further actions. He or she is automatically “transferred” from the groupware client to the CTI client and can then carry out all further communication activities from there. This concept unifies two different functional areas without impairing CTI functionality (which is the case with classic groupware plug-ins, for example).

For mobile users, no stand-alone client is currently offered for smartphones and similar terminal devices. However, with a UM installation, voice and fax messages can of course be viewed and called on the user’s smartphone via their inbox. A mobile presence client would complement the cycos portfolio.

Even if cycos AG, with around 250 employees, can be clearly classed as a medium-sized enterprise and so cannot really be compared with the development departments of Microsoft or Cisco, cycos has some decisive advantages over its competitors. First of all, the large network providers and software houses have only been making their way on to the communications market for a relatively short time. Companies such as Microsoft do not have established know-how in the telecommunications sector and generally fill these gaps with acquisitions and cooperations. Despite the high speed with which the large companies develop the necessary expertise, the solutions offered will continue to address mainly the mass market in the future. cycos offers a Unified Communications product that encompasses almost all areas of application and is, in many aspects of its implementation, much more sophisticated than its competitors.

cycos offers this mature functionality at a comparatively low price. In comparison to the large competitor products, consolidation of the server installations – especially in the small and medium-sized segment – makes for a considerable price saving and therefore a reduction in the TCO. The user-based licensing model and modular licensing of additional functionality also increases scalability with regard to functionality and price, allowing the range of functions to grow with increasing requirements, and protecting investments. Even if we were to assume that the same range of functions would be offered, making the increase in productivity identical to that of the competition, the lower acquisition price would already result in a much higher return on investment in comparison to competitors. The optimization potential of Unified Communications can be better and more quickly exploited.

In spite of all the positive aspects of the cycos solution, it should be noted that mrs does not yet offer any support for video communication. cycos can certainly not be reproached for this, since similar developments put pressure on the balance sheets of even the largest market participants. It should nevertheless be taken into account when making a purchase decision. cycos does, however, profit from its close cooperation with partner companies that have both video conferencing and VoIP systems at their disposal. Customers who want to remain flexible with regard to their telecommunications strategy, and for whom video conferencing has no strategic significance, can already implement an mrs-based, enterprise-wide UC solution, deeply integrated into their ITC infrastructure, at a low price, today.

Company size also has advantages for a supplier like cycos. Transparent structures and workforce flexibility allow it to respond more quickly and efficiently to market demands, also enabling smaller and highly specialized market segments to be provided with adapted solutions. An interesting area of business is the CRM and ERP market. For this sector, cycos offers integration into business applications such as Microsoft CRM or mySAP CRM. Most of the relevant business applications on the market are based on the systems already supported by cycos today. These integrations offer cycos AG’s partners many possibilities for

specializing in certain branches of industry, thereby contributing added value to their own Unified Communications portfolio and marketing this to specific lines of business.

However, to expand further and gain market share, it is important to be visible on the market. Due to decades of presence in the German-speaking market and some large European countries such as France and Italy, this is clearly the case. Outside Europe and especially in the U.S., cycos should consider developing its position considerably. In these areas, the level of awareness of mrs does not correspond to cycos's technological potential. One example of where this can be seen is the much-cited Gartner Magic Quadrant for Unified Communications. Instead of cycos mrs, the Siemens OEM version Xpressions is included in the current study. The latest research by ComConsult shows that mrs is clearly superior in many respects to quite a number of the solutions evaluated by Gartner. This not only demonstrates that the interpretations of well-known analysts should be met with a certain degree of skepticism, but also that cycos still has potential when it comes to marketing. Strategic partnerships with the key players in the telecommunications industry or other OEM partners can certainly help to counteract this problem.

4. Conclusion

Unified Communications is no longer merely a concept, but has become a necessity. This is especially true against the backdrop of growing global competition that increasingly demands more flexibility and faster responses. The technical requirements for Unified Communications are certainly fulfilled with the spread of VoIP and the creation of important standards such as SIP, for example. The trend toward integration of different communications technologies and business applications can no longer be stopped. It is now important for enterprises to pick up on and implement the concept of Unified Communications. A clear benefit of the technology is that it does not have to be introduced like a "big bang". As a first step it suffices to create the foundations, and then introduce new functionality and points of integration successively. This allows business processes to be analyzed for their optimization potential and reorganized using UC functionality step by step.

In principle, companies that opt for UC have two possibilities of approaching the subject. The first alternative is deciding in favor of a homogeneous solution of individual products from a large supplier such as Cisco or Microsoft. The advantages this offers are uniform administrability, uniform service agreements and clearly defined responsibilities. In contrast, this alternative usually involves comparatively high costs of acquisition and the worry about too much dependence on one supplier who is perhaps unable to fulfill the specific requirements of an enterprise with its standard products. The risk of an investment dead end is even higher if the product does not offer all the services needed currently and in the medium term. What is more, a truly homogeneous UC solution is, strictly speaking, neither available nor conceivable at the present time, since no supplier covers all areas of Unified Communications from the softphone right through to the ERP system.

The second alternative is to opt for an open communications software package as an "intermediary" between the IT and telecommunications worlds. This approach can be especially recommended for enterprises with an ITC landscape that has grown over time or developed heterogeneously due to additional acquisitions. The fundamental problem is finding a supplier whose solution offers as extensive a range of functions as possible, while being as open, scalable, cost-effective and future-proof as possible. If these criteria are not adequately met, UC cannot develop its full potential or, in the worst case, its introduction may even fail.

With mrs, cycos AG offers a very balanced solution whose strengths clearly lie in heterogeneous scenarios. Due to a wide range of functions in the core areas of Unified Communications (UM, CTI, contact centers, etc.) and the large number of business applications supported, cycos is able to offer suitable solutions even for enterprises with a very mixed workforce structure. This is especially true if existing infrastructure or industry-specific software is to be integrated. The open design and its wide support of third-party products mean that mrs can respond to the most diverse requirements.

In ComConsult's view, the positive overall assessment of cycos AG with regard to its market position in Germany and its product situation is slightly clouded when it comes to its international presence and the range of functions offered by the current version. cycos mrs 7.11 does not yet cover the complete spectrum of what is today understood by Unified Communications. Currently other suppliers' products for important services such as instant messaging and Web conferencing need to be integrated. In addition, many features from the areas of fixed-mobile communications and video conferencing will only be supported in conjunction with partners in the foreseeable future, since these features require extremely tight integration with the telecommunications system or need a mobile client. However, in fall 2008 the spectrum offered by mrs will be expanded to include instant messaging, application sharing and Web conferencing which will weaken this point of criticism.

It is to be expected that the licensing model for the upcoming enhancements to mrs will also be customer-friendly. Up to now, the expandability of mrs through additional UC services facilitated a soft migration from pure telephony with voice mail right through to complex value-added applications. The growth of a company with regard to locations and the number of employees is supported, since no artificial boundaries have been constructed through licensing levels. The degressive licensing model and the differentiation between end-user licenses from single service (voice mail only, fax only), to UM with CTI, right through to call center agents with the full range of functions enables optimal readjustment if requirements grow. Growth is only restricted by the server hardware deployed, but this can be expanded to a cluster solution if required.

The comparatively low price in conjunction with a wide range of functions offered by the upcoming version, mrs Vanguard™ (8.0) makes cycos mrs a very attractive solution both for small and medium-sized companies and large enterprises. Its openness makes it an ideal base for developing future-proof Unified Communications platforms, and cycos AG a significant participant in the market.