



Contact Centre Applications for Microsoft Lync

A Reseller View of the Market

A RESEARCH PAPER WITH MCGEE-SMITH ANALYTICS

Introduction

At the beginning of 2012, Zeacom, now a division of Enghouse Interactive, commissioned McGee-Smith Analytics to conduct research with its reseller partners to better understand the dynamics of the market for contact center applications for Microsoft Lync. This research provides insight into reseller views on Lync adoption, highlighting the role contact center applications play today and in the future. Specifically, the research was designed to explore the following:

- Factors driving adoption of Lync and Lync-based contact center solutions.
- Impediments or issues that might be preventing adoption of Lync-based contact center solutions.
- Reasons why firms are considering adoption of a Lync-based solution over more traditional solutions.
- Predictions on the development of the market for Lync-based solutions over the next two years.

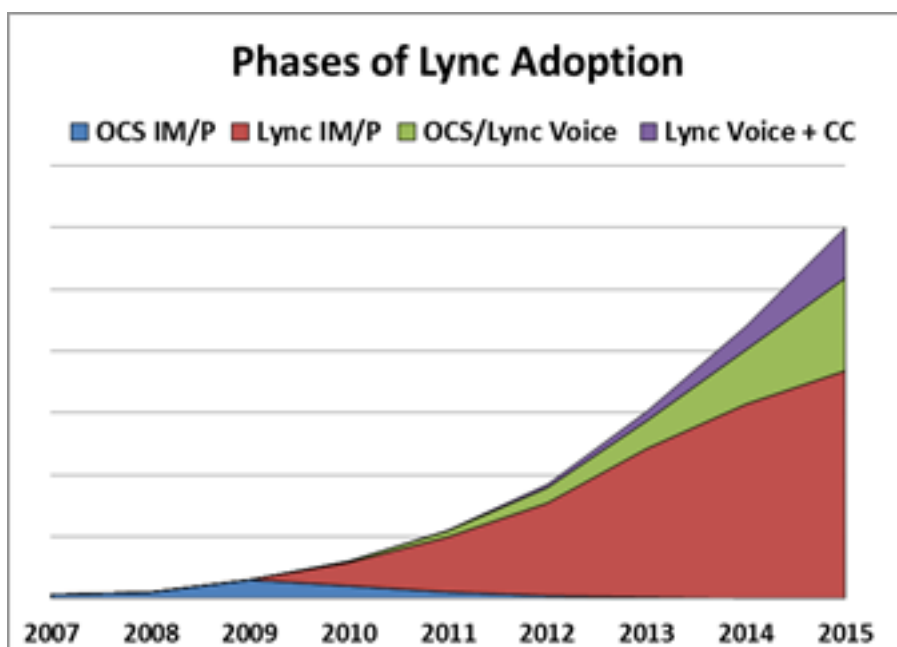
To understand these issues, McGee-Smith Analytics conducted a series of in-depth interviews with Zeacom resellers in North America, Europe, Australia and New Zealand. Half of the resellers interviewed have a traditional telco/enterprise voice background. The other half is best described as value-added resellers of information technology and/or data networking expertise. Day after day these companies are working with customers to deliver information, provide quotes and ultimately install Microsoft Lync solutions.

Note that it is insight on a specific segment of a larger market that this research sought to gain. First there is a total market for Lync, which includes IM, presence and voice. Within that market are customers installing Lync Voice; this contingency is where most of the opportunity for contact center applications for Lync will be.

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Based on an analysis of the data collected, McGee-Smith Analytics has developed a set of conclusions about how the market for Lync and contact center applications is progressing and predictions on how it will continue to evolve. Phases of Lync Adoption offers a graphical representation of the development of the entire Lync market, beginning with Office Communication Server (OCS) in 2007. The lack of specific numbers on the vertical axis is deliberate; while we believe we can offer conclusions on the relative adoption of Lync Voice and contact center applications for Voice, a qualitative study cannot presume to size the market.

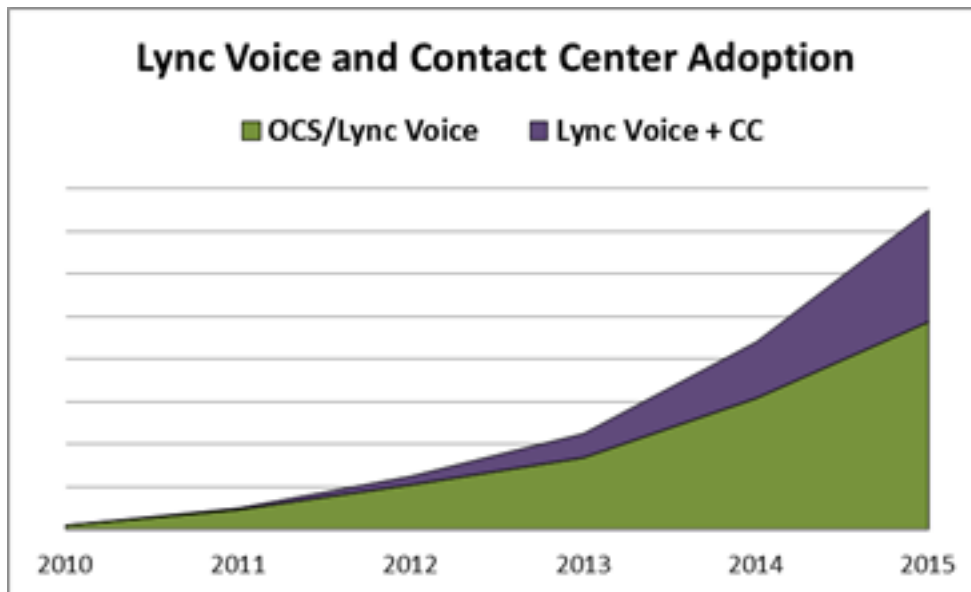
As the graphic indicates, OCS and then OCS R2 gained some followers when initially launched, however it was with the release of Microsoft Lync in 2010 that the number of users began to rise dramatically. The graphic depicts that as an IM, presence and desktop collaboration tool, Lync has begun to make steady traction into the market. (Note that OCS declines over the period as customers eventually upgrade to the more advanced Lync version of the product.) At the same time, in 2010, we see the beginning of the voice market, first with customers trialing and doing small deployments with OCS Voice and more recently with PBX-replacement implementations.



A key conclusion of this research is that Microsoft Lync without Voice is having an important impact on the market and will continue to do so in the upcoming months and years. While companies may, for whatever reason, continue to use their existing enterprise communications infrastructure, a growing percentage will add presence and desktop collaboration with Microsoft, not their existing provider.

The emergence of a market for Lync as a desktop collaboration application has implications for companies that have developed contact center solutions for Microsoft Lync, like Zeacom. Even in the absence of Lync Voice deployment, organizations may choose a Lync-integrated contact center solution in order to extend presence integration to the contact center. Contact center applications that work with a variety of enterprise communication infrastructures are in a position to benefit. Zeacom, for example, could provide contact center presence integration to companies using Avaya, Cisco or NEC solutions.

In 2011 the deployment of contact center applications in conjunction with Lync Voice began. The second graphic, Lync Voice and Contact Center Adoption, focuses on the top two bands of the previous chart, concentrating on the development of the Lync Voice and Contact Center applications for the Lync market. After a very slow start in 2010 and 2011, comprised of primarily trials and small deployments, we see the market growing steadily over the next few years.



There are several factors driving our optimistic view:

- Lync Voice has steadily been gaining traction.
- A larger variety of contact center applications are being certified by Microsoft as Lync-compliant, broadening the selection resellers and companies have from which to choose.
- Resellers report that customers proactively request Microsoft Lync information and proposals.
- The familiarity and ubiquity of the Microsoft interface seems to be outpacing traditional vendor attempts to “own” the desktop collaboration experience.
- While companies like Avaya, Cisco, NEC and others will continue to own the lion’s share of enterprise communications market share over the next three years, Microsoft is clearly growing.
- To the extent that Lync Voice succeeds, so too will contact center applications for Lync Voice. We agree with the position stated by the resellers with which we spoke that a significant portion of organizations choosing Lync Voice will also implement contact center solutions. Over time, perhaps not in the three year horizon, we expect the contact center attach rate to approach that seen in the enterprise communications as a whole, 35-40 percent.

While a less objective measure, we would be remiss if we did not comment on the level of enthusiasm with which the resellers to whom we spoke, both traditional and more IT-centric, are embracing Microsoft Lync. We as researchers do not believe this is a function of or unique to the resellers Zeacom chose to make available to us. We have not found resellers in the telecom space to be optimistic by nature about their business. Instead we believe reseller optimism is a function of the positive experience each has had with their first few deployments and the rapidly increasing level of interest being shown by companies in Microsoft Lync.

Purpose of the Research

In 2011, Zeacom announced its intention to integrate its flagship solution, Zeacom Communications Center (ZCC), with the Microsoft Lync solution. Zeacom began a beta program in the summer of 2011 and in January 2012 announced that the Lync-integrated solution was generally available.

During the beta period and since its formal announcement, Zeacom has worked with reseller partners who in turn work with customers who are investigating, deploying or have implemented Microsoft Lync. Each of these partners has worked with many customers, ranging from tens to hundreds. The goal of the research was to capture their insights in a systematic way to better understand how the market for Microsoft Lync solutions is evolving.

Findings: Factors Driving Adoption of Lync in the Enterprise

In order to lay the groundwork for understanding the role contact center applications will play in the evolution of the Lync market, we first explored reseller acceptance of the Lync proposition in the enterprise. Both communications and IT resellers report that they are increasingly engaging in conversations with customers about Microsoft Lync products.

Resellers describe a shift in the market in the past six months, from recommending Lync and setting up trials to customers proactively expressing an interest in deploying Lync, in several cases on an enterprise-wide scale. Across a range of geographies and verticals, resellers reported increased interest in Lync resulting in a large number of pilots, a sizable number of larger scale presence deployments, and, most recently, a small but growing number of Lync Voice deployments across the enterprise.

An ability to integrate with existing enterprise applications, the familiar client interface and the sense that Microsoft is a safe choice – even if it is new to voice – are the reasons cited for Lync’s place at the top of the list of next generation solutions for customers considering replacement of their existing enterprise communications infrastructure. Concerns about deficiencies in voice quality and reliability, often seen in media reports, were surprisingly few. The prevailing sentiment was that Microsoft would almost certainly improve any deficiencies in either stability or quality in an upcoming release(s). As one reseller noted, Lync is still viewed as safe, even though statistically it has no market share. In the partner’s words “no one ever got fired for choosing Microsoft.”

The resellers addressed several factors they believed to be driving the adoption of Lync. We discuss those most often mentioned by the resellers in the sections below.

Aging Legacy Equipment

Resellers have identified a large and growing number of candidates for Lync among customers due (often overdue) for communications equipment replacement. There is no debating that enterprise customers have an interest in gaining maximum benefit from their existing investment, and hence can be slow to embrace new technologies. However, once a product reaches manufacturer end-of-life status, resellers are finding business decision makers not merely open to like-for-like replacement, but also to discussions of next generation solutions.

As an Australia/New Zealand-based reseller notes, “Generally a customer will sweat the assets for as long as it possibly can but it gets to a point where what they have is out of support, or is becoming unreliable or doesn’t do what they want it to do, so they want to change.”

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Delivering Collaboration with a Familiar Interface

Gaining access to the benefits of unified communications (i.e., greater efficiency, collaboration, and remote office/worker support) is consistently mentioned by resellers as a major driver of Lync deployment. The perception resellers and customers have is that Microsoft offers this capability with significantly reduced complexity and a familiar interface.

The way that Microsoft Lync allows customers to access features seems to matter a great deal. Specifically, using the familiar Microsoft client promises reduced cost and complexity, along with the ease of using an interface that integrates seamlessly with enterprise applications, such as Outlook, Microsoft Dynamic CRM, as well as corporate databases. As a U.S. based reseller notes, “Lync operates the way users think UC should. When you show people how Lync works and its deep integration to the information stores that the infrastructure has about you, and the same contacts across smartphone/Lync/Exchange, they go isn’t that the way it should work?”

The need to extend communications capabilities to remote workers, geographically-dispersed teams and subject matter experts is further motivation to deploy Lync. Clearly traditional communications vendors also offer remote worker support. The perception of the Lync resellers and their customers, however, is that traditional vendors’ remote support is more expensive and complex than Lync, and does not offer the seamless integration with Microsoft enterprise applications.

Lync's ability to facilitate communication with users outside the enterprise, federation, is also a capability that differentiates Microsoft's solution and increases its consideration. One Australian reseller notes that among his customers using Lync, "Almost 100% have externalization, that's being able to call people outside their organization and they see value in that. That means presenting conferencing so people can come in as guests or from other organizations over the Internet."

Lower Cost

Resellers confirm that cost savings via Lync are more than a perception; they have become a reality for customers. Several resellers noted that customers preparing to renew their Microsoft licenses are prime candidates for Lync, as attractive license bundles are available. Cost savings coupled with application benefits is creating a compelling value proposition. And the cost savings can be significant. A U.S. based reseller commented, "What you see is a dramatic shift in price. With endpoints for example, they have gone down to \$200. Microsoft has managed to bring the cost of these things down by 50 percent in some cases. There's an expectation that in every area in Lync, there should be this competitiveness and a subsequent reduction in cost, but maybe an increase in value."

It should be mentioned, however, that resellers report that it is often necessary to disabuse customers of the perception that Lync delivers a lower cost for all of the components of a solution. While software licenses may be less expensive, the cost of handsets or networking infrastructure (e.g., session border controllers) will not be different from traditional deployment with a more traditional vendor.

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Microsoft Market Power and a Next Generation Choice

We repeatedly heard the view that resellers and customers expect Microsoft to own a significant portion of the enterprise communications market in the mid-to long-term. Resellers make the observation that Microsoft already "owns the desktop" and communications is the next logical step. Microsoft's acquisition of Skype was sometimes pointed to as evidence that the company intends to play a major role in the communications market with both enterprises and consumers. Finally, any lingering concerns over voice quality are moderated by the perception that Microsoft will perfect Lync Voice in future releases.

Among those customers interested in next generation applications and capabilities, Microsoft emerges as a top choice. When asked what other options customers may consider for next generation communications, a European reseller stated, "If they have embraced the unified communications idea or concept, then Microsoft Lync always."

Reaffirming this point, a UK based reseller commented that, "Many people starting the conversation are coming with closed views and blinkered perceptions of what next generations communications is. They are not ignoring the rest of the market but view Microsoft as the way to go." When we asked what percentage of customers seeking next generation solutions were going with Microsoft, an ANZ based reseller answered, "I'd say the majority have already made up their minds on Lync." He then qualified his statement saying, "Well, 50 percent have made up their minds and 50 percent will look at other options as well."

Pilots and Trials Remain More Common but Full Deployments are Accelerating

Almost unanimously, resellers we spoke to report the last two months of 2011 and the first quarter of 2012 saw an increase in the number of Lync customer conversations and actual deals. Some resellers said there was a notable shift in this period from reseller-initiated conversations about Lync to customers proactively including Lync in new and replacement purchase conversations. These resellers provide concrete examples that the market is shifting toward customer pull versus partner push. Customers are ready to go beyond pilots and presence to deployments of Lync Voice across the business.

Resellers' characterizations of the percentage of their customer base deploying Lync ranged significantly, with some stating the majority are in the consideration stage, others stating that mainly presence was being enabled with small Voice pilots, and still

others reporting a small but growing number of enterprise-wide Voice deals for replacing legacy PBXs. While the latter are few in number and were cited as very recent deals taking place in the first months of 2012, they do demonstrate an acceleration of activity.

On one end of the spectrum, a UK based reseller states, "I would say at the moment, those that are trying it out, are 30 to 40 percent. The majority are quite serious pilots because it is easy to set up for an internal system, but a properly integrated system is more challenging."

An Australia/New Zealand-based partner notes, "We have one customer, with 500 users, over the last 12 months they have gone from an internal Lync deployment to slowly phasing out their PSTN. For them it was an advantage because they could run the same system globally."

A U.S. reseller has the most aggressive view of the market, "Now we actually have six customers that are 4,000-5000 users and are looking at full replacement plans. This isn't necessarily even pilot, replacement of PBXs and chomp through the infrastructure."

Findings: Contact Center and Lync

If Lync and Lync Voice are still early in the deployment cycle, consideration of contact center applications with Lync is two-three years further behind. One factor contributing to this is the longer history of Lync and its predecessor solution, OCS. Another factor is that while Microsoft IM and presence applications have been being deployed for a few years, true PBX-replacement solutions – including Voice – are quite recent. Until Voice became prevalent with Lync, contact center was only marginally relevant. Still another factor is that Microsoft does not offer a true contact center solution, and both resellers and customers must look to and evaluate third-party solutions. Nevertheless, contact center is increasingly becoming part of the conversation. We asked resellers if customers discussing Lync typically included contact center applications in the conversation. Answers varied from absolutely no to an unequivocal yes.

Contact Center Applications with Multi-Infrastructure Compatibility Offer Flexibility

Because Microsoft does not have a contact center application as part of Lync, resellers have been evaluating solutions that vendors say integrate with Lync. What they often found was that the integration was limited to using Lync IM and presence and/or there was significant middleware integration and professional services expense required.

"We've visited everyone about Lync. Everyone else bolted their product to the side and we said that's not enough. We established criteria when we evaluated it. You need to use the native interfaces of Lync to do your stuff; you can't just bolt it in. You need to use the Lync API, etc. Under examination Zeacom was the only one we saw who was actually trying to do that. They built it to work with Lync correctly, in our opinion."

Some resellers specifically point to the fact that the Zeacom contact center solution can work in Avaya, Cisco and NEC environments as a strong reason to distribute the solution. The migration to Lync can be made easier by moving enterprise communications directly to Lync, but allowing the contact center to use more traditional infrastructure solutions for the time being. The "time being" here is defined as until the customer and the reseller both feel that the Lync Voice solution is robust enough to handle critical contact center traffic.

According to the UK-based reseller, "We said the Zeacom product would allow them to migrate over from Cisco to Lync when they were ready. This was compelling and this is what they did do. We put in a very small Cisco telephony platform for the call center agents." In the case of Zeacom, there are also existing customers running Zeacom Communications Center on Avaya, Cisco or NEC infrastructure that are able to migrate the application to the Lync environment if the company changes enterprise communications solution.

Small and Large Centers Evaluating Contact Center Applications for Lync

As was true for Lync Voice, both small and large centers are evaluating contact center applications that integrate with Lync. A reseller in Australia/New Zealand notes, "The companies who are looking for Lync usually have a contact center. Not as part of their main business (a general/IT/customer call center), but usually a small one, less than 10 agents." A reseller in the European reseller represents a different end of the spectrum, saying "I think maybe 20 percent of my pipeline is in fairly big 100+ agent centers that either have a Lync solution or are looking at one right now."

Benefits and Impediments to Lync in the Contact Center

We asked resellers what business goals are better met with contact center applications for Lync solution than traditional solutions. Responses included enterprise-wide presence, especially information on the availability of experts, and more seamless support for remote and home agents. As an ANZ reseller comments, "For instance, I'm a user on a mobile device. I want to contact a company. I might IM them. There are applications that do IM the contact center; they manage that interaction just as well as a phone call. Gen Y won't stay on hold for half-hour just to talk to somebody."

We also asked resellers if they saw any impediments to deploying Lync in the contact center. One reseller articulated a sentiment that is sometimes heard in the market, that as was true for Cisco IP Telephony ten years ago, companies may not be ready to trust Microsoft with mission-critical contact centers just yet. Another logical market impediment to contact center applications for Lync to date has been a general lack of references. Although some vendor solutions have been available for two-plus years, lack of Lync Voice traction has slowed the market.

Resellers report customers do not expect pricing for Lync-based contact center solutions to be lower than for traditional offerings. Over the years, contact center applications have not faced the same price pressure as enterprise communications solutions. This trend is expected to continue with contact center applications for Lync. As a reseller in Australia/New Zealand said, "I couldn't imagine that a customer could expect that a contact center that is on Lync to be any cheaper or more expensive than a traditional one. A customer looks at value based on the benefit it receives from that solution."

Findings: Resellers Predict Strong Market for Lync and Contact Center Applications

At the end of our interview, we asked resellers to look ahead to the end of 2013 and estimate how many Lync-based deals they saw their company completing. Given that interviews were conducted in the first quarter of 2012, we were essentially asking them to forecast where the Lync business would be in another two years.

In light of the fact that many of the resellers today have fewer than 10 deployments, still fewer deployments including Lync Voice, the responses were surprisingly optimistic. Resellers expect Lync to account for 20 to 60 percent of their business in just two years. Typical of the comments was this from an Australia/New Zealand reseller, "In the (SMB) space, it could be up to 50 percent, which would be unheard of - that we'd have 50 percent in any one product. For the enterprise space, probably about 20 percent."

Resellers able to predict the number of contact center applications for Lync that they would deploy over the next two years tended to forecast a balance similar to that seen in their customer base overall. For a large U.S. reseller, whose clients typically have contact center applications, contact center will play in the bulk of the engagements. "We wouldn't be recommending that they separate them out (enterprise communications and contact center). We'd certainly be trying to make sure that they are integrated all together because it's a much better story for the customer."

Suggestions for Future Research

There was one topic, though not included in the formal interview guide that became part of the research. A truly integrated cloud offering of Lync with Voice is not available from Microsoft today therefore we did not include questions about hosted services. However, cloud-based services were mentioned proactively by several of the resellers. We believe the topic worthy of future study, especially as Microsoft refines its Lync/Office 365/Skype go-to-market strategies. As a European reseller stated, "As a company, we are moving away from on-premises installations. There are still many companies who want to use on-premises because they want maintenance responsibility, but here in this region (EMEA) we can see a gigantic move towards Lync hosted IP telephony solutions and also hosted contact center."

A second area of focus for future research is a study, similar to this one, which instead focuses on the users that have deployed Microsoft Lync, and specifically Lync Voice. In such a study, we believe it would be important to interview both information technology and business managers. Each would bring a different view on the advantages and/or impediments to using Lync.

About the Authors



Sheila McGee-Smith, the founder of McGee-Smith Analytics, LLC, is a leading communications industry analyst and strategic consultant. With a practice focused on the contact center and enterprise communications markets, Ms. McGee-Smith works on a daily basis with both solution providers and enterprises to help them develop strategies to meet the escalating demands of today's consumer and business customers.

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About Zeacom

Zeacom is a leader in communications solutions delivering Multimedia Contact Center, Business Process Automation and plug-in Unified Communications functionality that bring customers closer. Established in 1994, every day more than 4,000 sites rely on our enterprise-class solutions to improve the customer experience, increase productivity and understand their communications workflows.

A managed Independent Software Vendor (ISV) on Microsoft Lync, Zeacom has partnered with NEC for 17 years, and is a Cisco Premier Partner and a registered member of the Avaya DevConnect program, with partners and offices in North America, Northern Europe and Asia Pacific.

Zeacom is now a division of Enghouse Interactive

About Enghouse Interactive

Enghouse Interactive develops and supplies the widest range of customer contact solutions on the market through an extensive network of value-added partners. Enghouse Interactive's integrated suite of solutions includes multi-channel contact centre, selfservice, attendant operator consoles and workforce optimisation. These solutions enable organisations to classify and respond to customers in the way that they want: quickly, efficiently and successfully, with minimal effort.



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