

Market Share Leadership Award UC Client Shipments Global 2011

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2011 Global Market Share Leadership Award in UC Client Shipments to Avaya.

Significance of the Market Share Leadership Award

Key Industry Challenges

The Global Enterprise Communications market continues to evolve rapidly as technologies advance and enterprise communications requirements shift. Businesses are looking for technologies and tools to help manage the pace of this evolution and to help optimize their communications architectures, integrate applications for operational efficiencies, and improve productivity. Vendors are responding by developing solutions that enable customers to consolidate infrastructure components while also providing the flexibility to support an ever-expanding array of business and end-user requirements. Some of the most significant technology trends affecting the Communications market today include mobility, consumerization, unified communications (UC), multi-media collaboration, communications-enabled business processing (CEBP), virtualization, and cloud computing.

These technology trends are disrupting the competitive landscape; and not all enterprises see the value in all of these technologies, especially as their operational and user needs are unique. Vendors are addressing these challenges by re-aligning their product portfolios to include advanced conferencing and collaboration applications, flexible mobility options, ubiquitous access to applications via UC clients, virtualized infrastructure components, and integrations with other communications and business applications. Furthermore, vendors are also seeking to evolve their business models to match communications capabilities appropriately to individual industries, lines-of-business and user needs, thereby providing solutions that resonate directly with enterprise decision makers and deliver on value propositions. Some specific vendor strategies include expanding their technology partner ecosystems and bundling products and services for more complete, cost-effective offerings with compelling customer return on innovation. Finally, vendors are looking to provide a one-stop shop for communications solutions to business customers as well as enable customer choice to create best-of-breed solutions.

Frost & Sullivan believes that the vendors that deliver greater value to customers by either helping them cut infrastructure and operational costs or by helping them drive productivity and business agility are going to be the most likely to gain a competitive advantage in the Enterprise Communications marketplace.

Frost & Sullivan's research shows that in order to achieve market-share leadership in the Enterprise Unified Communications market, a vendor must ensure interoperability of its products with the most popular communications and business applications. In addition, the market-share leader is able to invest greater resources in enhancing its product portfolio with additional features and capabilities for continued innovation and differentiation. It can add new functionality to existing installations of all types, thus generating new revenues, increasing customer satisfaction, and improving customer retention rates.

Vendor success is determined, to a large extent, by their ability to reach out to a larger customer audience. Therefore, an extensive channel network is paramount to enhancing a vendor's competitive positioning. The market-share leader already has an established sales channel and is typically the most sought-after partner by VARs and resellers, as they tend to trust the capabilities of a vendor that has proven its capabilities on the market and has an installed base that can be leveraged for further growth.

Best Practice Award Analysis for Avaya

The Frost & Sullivan Award for Market Share Leadership is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

Avaya's Performance in Unified Communications

Avaya is well established as leader in many areas of the Enterprise Communications market in terms of installed telephony, contact center, mobility, and messaging customers. With the advent of software-based communications technologies, these formerly distinct market sectors are converging into a broader, yet still diverse, Unified Communications market. Unified Communications centers upon the concept of integrating various modalities of communications, including voice, video, and text-based, to make it easier for business users to interact regardless of their location or choice of end point. Frost & Sullivan contends that desktop unified client license shipments are a key indicator of UC market growth. Aggregate shipments of UC clients declined in 2010 by 12.5 percent from record-high levels in 2009. It is estimated that around 13.5 million UC client licenses were sold for CPE-based solutions in 2010. With approximately 34 percent share, Avaya stands as the market-share leader in terms of UC client sales in 2010.

Avaya's performance is commendable in a highly competitive market. It demonstrates the focus Avaya has placed on their development, sales, and marketing strategies to make it

easier for customers to buy, deploy, and tailor unified communications solutions to satisfy the advanced communications requirements of many different user roles and environments.

Key Performance Drivers for Avaya

Factor 1: Migrating Customers to UC

The move to unified communications is a gradual migration for most enterprises. Recognizing this, Avaya quickly formulated a strategy to help customers navigate their migrations. The Avaya Aura® solutions portfolio takes into account the unique requirements and priorities that different customers have as they make the transition to unified communications.

The Avaya Aura Architecture, with Aura Session Manager at the core, provides a SIP networking framework that enables customers to unify disparate communications software and hardware components from multiple vendors into a common environment. The goal is to facilitate operational efficiencies and common access to all capabilities for all users without a forklift replacement of existing investments. This allows customers to reap the benefits of centralization and to roll out advanced capabilities to specific sites and user groups according to their own priorities. Existing investments are leveraged throughout the phased migration and can be replaced over time as customers look to streamline their networks further.

In 2010, Avaya announced its portfolio roadmap, an integration path that takes the acquired Nortel Enterprise Solutions (NES) customers and their investments towards a common set of Avaya Communication and Collaboration applications and services. For heritage NES customers Avaya introduced Avaya Communications Server 1000 Release 7.5 which extended a common session based communications architecture for all users, new Avaya Aura Conferencing, Messaging, mobility client support with Avaya one-X® Communicator and support for common management with System Manager. CS1000 customers will continue to evolve as Avaya brings the next phase of the evolution roadmap to market later in 2011. Customers will see a continuation of the evolution and a new set of applications and services that will improve productivity and mobility for users while simplifying and reducing the cost of new capability introductions. Avaya could have easily chosen a more direct and blunt path for legacy Nortel customers, as well as its own installed base. Instead, the company smartly took the path to blend the best of both worlds. This approach provided customers, partners, and Avaya with a much more controlled and manageable transition and an opportunity for growth that accommodates a level of preservation as customers move forward.

Avaya's overall approach to phased, gradual migration of customers to next-generation architectures, products, and capabilities, coupled with aggressive sales incentives has propelled it to a leadership position in UC client market share.

Factor 2: Modular, Integrated Client: Avaya one-X® Communicator

Just as Avaya has taken a controlled and evolutionary approach toward migrating customers to unified communications, the company is doing the same with its advanced soft client designs. The one-X family of user interfaces is a strong representation of Avaya's phased, modular strategy to building unified communications environments. one-X provides a common framework on which Avaya's mobile, agent, operator, portal, and desktop UC clients are constructed.

Avaya one-X Communicator is Avaya's primary soft client user interface for the Enterprise Unified Communications market. It provides access to Avaya Aura Communication Manager call-control and handling features to help users efficiently manage their communications capabilities. one-X Communicator combines soft phone, voice calling, audio conferencing, corporate directory access, call logs, instant messaging, presence features, and message handling. Supported by Windows and Mac, the range of features integrated into one-X Communicator can be tailored appropriately for different user roles. Features can also be added in modular fashion as needed, allowing for a familiar and consistent user experience even as a user's communications capabilities grow more advanced.

It is this flexible, modular approach to providing integrated access to a wide range of applications that has helped make one-X Communicator the most successful unified communications client in 2010.

Factor 3: Leadership in Applications Packaging and Licensing

To maintain a leadership position a vendor must address a broad customer demographic, as well as fine-tune its strategies and positioning as the market matures. Avaya embarked on a simple licensing strategy a couple of years ago when it introduced the Avaya Aura® Standard and Enterprise Edition applications packages. These software bundles make it easier and more cost-effective for customers to deploy the various applications that, when integrated together, can result in powerful unified communications solutions. The Avaya Aura Enterprise Edition based licensing structure gives users access to Avaya Aura® Communication Manager, voice and unified messaging, Presence Services, Conferencing, SIP, as well as desktop and mobility clients and survivability capabilities at lower pricing than a-la-carte pricing. Or customers can fine tune their user adoption of advanced features using Avaya Aura Standard Edition. .

Avaya took its unified client licensing initiatives further than other developers did. Avaya UC All-Inclusive provides users with one-X Communicator, one-X Mobile, extension-to-cellular, Portal, and Converged Desktop interfaces, allowing them to utilize clients that best suite their needs as they change tasks or locations throughout the day all in an easy to purchase bundle.

The Avaya UC All-Inclusive licensing strategy was hugely successful in 2009, easily propelling Avaya to become the market-share leader in term of UC client license sales.

When Avaya unveiled its UC&C product integration roadmap, the company needed to evolve its license strategies accordingly. Avaya introduced changes that simplified its upgrade licensing structure, making it easier for its customers to move forward on the new product roadmap. Customers with either Avaya Aura Standard or Enterprise Editions can now pay a single charge for software up-issue regardless of which previous version they are on. The result is a single, global per-user list price for upgrades. This makes it much more cost-effective for customers to migrate to the Avaya Aura 6.0 product releases that put them on Avaya's next-generation solutions path.

Conclusion

The move to unified communications is a gradual migration for most enterprises. Avaya has executed a strategy to help customers successfully navigate this migration. Frost & Sullivan contends that unified client license shipments are indicative of trends, growth, and market share in the unified communications industry. In 2010, Avaya was the clear leader with an estimated 34 percent of client licenses sold. Based on Frost & Sullivan's independent analysis of UC Client Shipments, Avaya is being recognized with the 2011 Global Market Share Leadership Award.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

Chart 2: The CEO's 360-Degree Perspective™ Model Directs Our Research

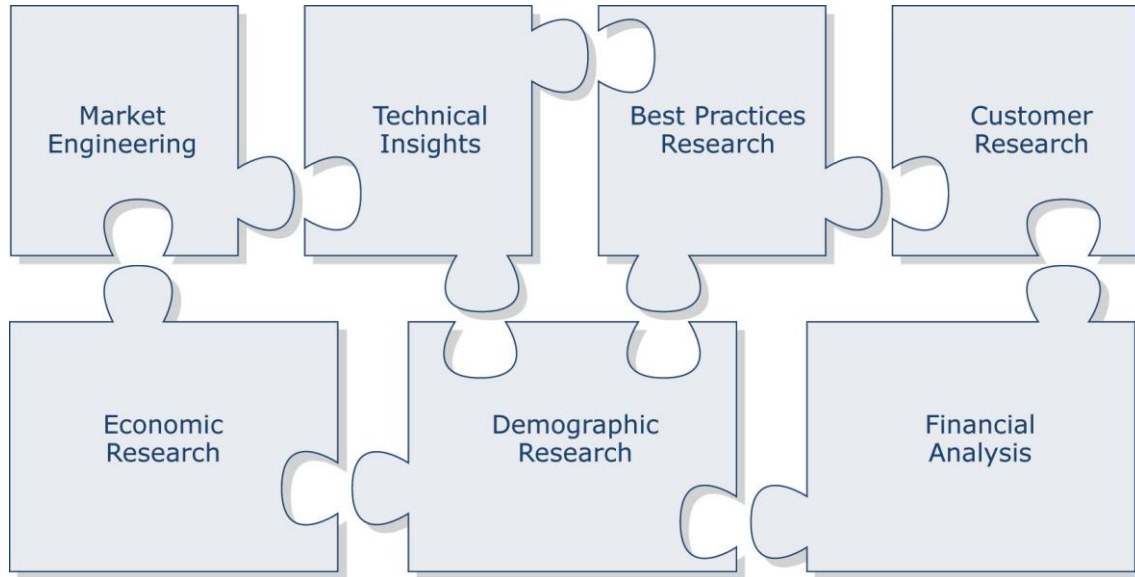


Critical Importance of TEAM Research

Frost & Sullivan’s TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-Degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The

integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 3: Benchmarking Performance with TEAM Research



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.