

Market Share Leadership, Enterprise Premises-Based FMC Solutions 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 the Enterprise Premises-Based FMC Solutions space to Avaya.

Significance of the Market Share Leadership Award

Key Industry Challenges

Over the last few years, the economic down turn has caused many businesses to reduce investments in new technology. Restricted global technology budgets have significantly affected the enterprise telephony market including demand for advanced communications technologies such as premises-based FMC solutions.

The influx of consumer mobility solutions into the enterprise has also required many FMC vendors to re-think their solutions and develop new architectural designs, service delivery methods, and marketing messages. A number of vendors have been noticeably challenged to move from solution-centric strategies to a more people-centric philosophy which, in some cases, is more difficult achieve.

The above being said, competition has also intensified, expanding solution offerings and complicating business decision making. Nowadays, most enterprises acknowledge that they need to implement an enterprise mobility solution in order to stay competitive. However, since there are a number of mobility choices, it is difficult for an enterprise customer to decide what solution best addresses its needs.

With today's economic hardships and ever increasing technological complexity, having a market share leadership position in a growing market provides a vendor with a competitive advantage in terms of visibility, company positioning, and overall ability to thrive. It is a validation that the market leader has adapted its offerings and market strategies to address challenging market conditions. Customers evaluating advanced communications solutions frequently choose the market leader as they perceive it as the most reliable and trustworthy partner. Increased visibility builds company awareness and helps position solution portfolios more successfully among decision makers and end users. Likewise, a market share leader is often more capable of handling the competitive

pressures of the market due to greater resources, amassed experience, and better developed partner support strategies.

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 the Global Enterprise Premises-Based FMC Solutions Market

Based on its independent analysis, Frost & Sullivan is pleased to recognize Avaya for the continuing success that they have shown in the advanced premises-based FMC solutions market and for the company's leadership position in terms of total advanced premises-based FMC clients shipped in the enterprise market. In 2010, Avaya accounted for 35.5 percent of total advanced premises-based FMC clients shipped. In a market where FMC solutions are increasingly being recognized as valuable productivity assets to the enterprise, Avaya has demonstrated its leadership capabilities through its strong position and brand name recognition in the world IP telephony marketplace, a wide and diverse enterprise mobility portfolio, a successful unified communications bundling strategy, and an extensive ecosystem of partners.

Frost & Sullivan defines advanced FMC solutions as all fixed-mobile convergence solutions that were created to work with advanced smartphones to go beyond the typical touch-tone interface and the access number prefixing of a basic PBX-to-mobile extension.

The solutions usually consist of advanced client software or GUI provisioned to the mobile device and a mobility network element such as a server, controller, router, appliance, or gateway that connects the corporate platform with the mobile client. If the network element physically sits in the enterprise network and connects to the company's PBX, the solution is called a premises-based enterprise FMC solution. If, on the other hand, the appliance is located in the service provider network and FMC is offered as a network service, the solution becomes a hosted/network-based enterprise FMC solution.

Although in many cases, these premises-based FMC solutions are delivered through a thick client downloaded onto a mobile device, some deploy a thin client or a Web Browser version of the client that communicates with the premises-based FMC component (i.e. server or gateway) of the solution. The component, on the other hand, could be a fully dedicated FMC hardware or a software server embedded as part of a UC or telephony platform.

In general, the mobile user interface delivers call control and PBX features (such as single-number reach, single voicemail, corporate directory access, etc.), as well as other

advanced features and capabilities such as mobile and corporate IM/presence, unified messaging, conferencing, and dual-mode call handoff (manual or automatic) between WLAN and cellular networks.

Key Performance Drivers for Avaya

Strong Market and Mind Share Position in the World IP Telephony Market

Avaya's strong position in the IP telephony market has helped it gain its leading position in the enterprise FMC marketplace as well. Over the years, Avaya has become a leading vendor of next-generation communications solutions and it continues to align its business strategy with market trends.

Although facing increasing competition from other enterprise telephony market participants, Avaya has managed to retain its leadership position and convert much of its large legacy installed base to advanced, IP-based communications platforms. Today, the company has the strongest presence in the large-enterprise system segment and holds a significant share of the Fortune-500 companies' communications infrastructure wallet.

Already world leader in terms of total enterprise telephony platform (IP and TDM) revenues and total desktop client shipments and revenues prior to the Nortel acquisition, Avaya has now further solidified its position in almost all segments of the Global Enterprise Telephony space (including IP telephony line licenses, IP telephony revenue, and IP desktop communications clients).

Today, Avaya is a widely recognized name associated with best-of-breed IP telephony systems and next-generation unified communications and collaboration solutions. The company has successfully invested time and resources to publicize its vision, direction, and overall strategy, gaining the trust and confidence of a large portion of the enterprise communication customers.

A Broad and Diverse Enterprise Mobility Portfolio

Avaya is one of the pioneers and leaders in the fixed-mobile convergence world. Its enterprise mobility portfolio is one of the broadest in the market offering mobile extensions (Avaya Extension to Cellular and CS1000 Mobile Extension), advanced FMC solutions (Avaya one-X Mobile), the new Avaya Desktop Video Device with Avaya Flare Experience, dual-mode FMC with 3rd party vendors, and a wide series of Avaya one-X mobile applications (including Avaya one-X Portal, Avaya one-X Communicator, Avaya one-X Agent, Avaya one-X Speech, and Avaya ACE Mobile Cost Optimizer, among others).

Extension to Cellular is a clientless FMC service that bridges calls received by the Avaya Communication Manager server to any mobile phone. Extension to cellular also enables users to dial out from their mobile device via the PBX and seamlessly switch calls between their desk and mobile phones. As in the case of the CS1000 Mobile Extension solution,

Extension to Cellular is the first step to the company's advanced FMC solution.

To extend its FMC product portfolio, and after acquiring Traverse Networks, Avaya launched and has been successfully shipping Avaya one-X Mobile, the company's advanced FMC client-based solution that includes PBX features such as conferencing, transfer, and call park plus other advanced capabilities such as enhanced call routing options (e.g. VIP screening), user-controlled presence, visual voicemail, and corporate directory synchronization. Supporting all major mobile operating systems (including iPhone, BlackBerry, Symbian and Windows Mobile platforms), Avaya one-X Mobile R5.2, the company's current release, provides enhancements to the solution's core FMC capabilities and it allows customers to configure the client in either a telephony, server-less mode (interfacing directly with the call server) or a UC mode (acquiring UC features directly from the Avaya one-X Mobile server).

With the release of Avaya one-X Mobile Lite for iPhone, businesses that want to enhance their Extension to Cellular experience can do so through a user-friendly graphical user interface for Avaya's Extension to Cellular Features. The aim of this software client alternative is to facilitate the migration of Extension to Cellular customers to the more advanced Avaya one-X Mobile version, acting as a more cost-effective in-between step.

An Avaya one-X Mobile Web Portal also exists to provide access to the solution settings and administration.

Furthermore, through its DevConnect program, Avaya provides dual-mode support through third-party developers. One of these partnerships has resulted in the Avaya-DiVitas joint solution that integrates DiVitas' dual-mode offering with Avaya Communication Manager, Modular Messaging, and Intelligent Presence Server.

Finally, the company is increasingly investing in the Avaya Flare Experience, its new and advanced communication software client that integrates video, e-mail, IM, social networks, and VoIP within a single dashboard. Leveraging the Android operating system, and initially delivered through the Avaya Desktop Video Device (the company's tablet media phone), Avaya intends to extend the Avaya Flare Experience to a broad range of fixed and mobile devices to consolidate the user experience across multiple devices.

Avaya constantly enhances its enterprise mobility portfolio in order to be able to offer its diverse customers a choice of mobility solutions that best fit their needs. Whether deploying FMC solutions, or other enterprise mobility solutions, such as the Avaya Desktop Video Device with the Avaya Flare Experience, Avaya offers a wide spectrum of mobility choices for the multiple functions within the organizations.

A Successful Unified Communications Bundling Strategy

Avaya has done a formidable job of populating its customer base with client software licenses, through the inclusion of Avaya UC All-Inclusive bundles within its Avaya Aura Enterprise Edition packages (customers receive the UC bundle software as a free entitlement) and allowing its Standard Edition customers to purchase the software bundle for only \$60/user.

Avaya's successful UC applications bundling programs, achieved through the introduction of Avaya UC All-Inclusive bundles (formerly known as Avaya Unified Communications Editions), have had a very strong impact on the company's one-X Mobile client unit shipment growth, resulting in double-digit growth rates within the last three years in terms of Avaya one-X Mobile clients shipped and deployed (customers that have acquired the full UC version of the Avaya one-X Mobile solution, comprised of the client software and the back-end server).

Although a-la-carte purchase options for the Avaya one-X Mobile client license are available (for a list price of around US\$370 per user for a package of 100 users and US\$200 per user for a package of 1,000 users), the majority of the Avaya one-X Mobile customers prefer to acquire the client license through the Avaya UC All-Inclusive bundle, and pay only for the additional back-end server component.

An Extensive Ecosystem of Partners

Avaya leverages one of the largest partner ecosystems in the enterprise telephony industry. According to the company, partnerships are key to successful delivery of mobile UC.

Under the DevConnect program, Avaya developer and partner program, the company groups ISVs, IHVs, system integrators, service providers and Avaya customers who are interested to partner with Avaya in order to create communications applications using Avaya's developer tools and SDKs, API documentation, training material, and technical support.

In general, the Avaya DevConnect program promotes the development, compliance testing and co-marketing of third-party products that are compatible with standards-based Avaya solutions, helping companies to extend the value of multi-vendor environments.

The Avaya DevConnect program currently includes thousands of software and hardware developer companies, integrators, service providers and customers.

In terms of enterprise mobility, Avaya DevConnect members currently offer a broad array of mobile UC solutions. Some partners offer clients, devices and accessories (coming from participants such as Apple, Ascom, GN Netcom, LifeSize, Motorola, Plantronics, Polycom, RIM, Sennheiser, and VXI). Other partners contribute FMC and business applications

(Comdasys, DiVitas, iEnterprise, MobileMax, Nuance, and Tango Networks, among others). Finally, the program also includes co-development and integration partners such as IBM, Microsoft, Polycom, and Skype.

Avaya's main aim is to provide Avaya customers with different choices and best-of-breed solutions. The Avaya DevConnect program expands Avaya's portfolio of enterprise mobility solutions through third-party qualified vendors.

Conclusion

Throughout the years, Avaya has demonstrated unwavering commitment to delivering superior communication solutions to its business customers. In these challenging economic conditions and in the face of intensifying competition, Avaya has proven once again its market leadership in the enterprise mobility arena. Avaya's continuous focus on the enterprise mobility market is validated by the company being the recipient of the 2011 Frost & Sullivan award for Market Share Leadership in the Global Enterprise Premises-Based FMC solutions space in recognition of its leadership in terms of total advanced enterprise premises-based FMC clients shipped in 2010.

The company's strong position and brand name recognition in the world IP telephony marketplace, its diverse enterprise mobility portfolio, its successful unified communications bundling strategy, and its extensive ecosystem of partners have enabled Avaya to deliver a competitive set of enterprise FMC solutions.

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.

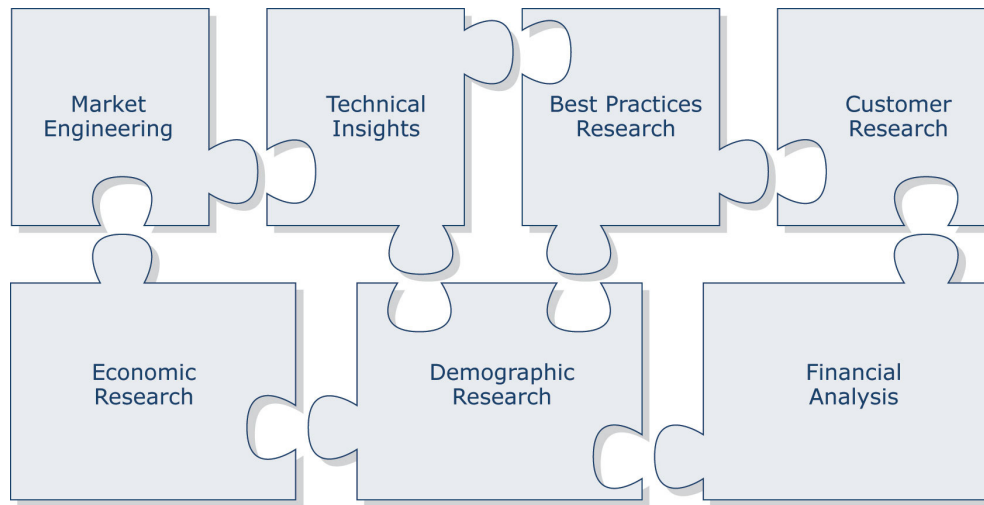
The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants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

Chart 2: CEO's 360-Degree Perspective™ Model



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>.