



Advisory Report

Microsoft Premature in Throwing Down the Gauntlet to PBX Vendors



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■ Summary

When Microsoft introduced the first version of Office Communications Server in October 2007 the company was careful to draw attention to what it called its “PBX partners.” Microsoft saw the support of developers of PBX systems as critical to the success of Office Communications Server as the company expanded the voice features inherent to OCS. PBX vendors continue to provide integration between their various voice systems and the corporate instant messaging features of OCS. But in this week’s launch of OCS Release 2, Microsoft made no meaningful reference to OCS integration with PBXs and instead focused on the product’s ability to displace PBXs as the basis for voice communications services within the enterprise. How close is OCS Release 2 to being the PBX alternative Microsoft wants it to be?

More information on Microsoft Office Communications Server 2007 can be found in Current Analysis’ Microsoft Unified Communications Solution Assessment.

■ Current Perspective

This week, Microsoft announced the general availability of Office Communications Server 2007 Release 2, a software revision that includes audio conferencing capabilities, SIP trunking, and a number of other enhancements. The new features are designed to deliver a set of voice features that better coincide with those most used by businesses. Microsoft used the launch to draw particular attention to OCS’s ability to act as a conferencing server capable of dramatically driving down costs associated with the audio conferencing services and solutions currently in place among enterprises.

Notably absent from the product launch event and the various ancillary announcements (such as SIP trunking service interoperability verifications and integration with third-party contact center and video conferencing solutions) were signs of support from PBX developers. On the one hand this is not entirely surprising. All leading PBX developers have long since

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announced and delivered varying levels of integration between their voice platforms and OCS. The introduction of Release 2 should in no way change PBXs' ability to interoperate with OCS servers. In the past, Microsoft has been eager to leverage events like this as a way of highlighting OCS's ability to operate within existing voice networks. This week, however, Microsoft instead drew attention to the ability of OCS to act as a PBX replacement here and now.

For example, Microsoft noted that 40,000 of its employees are currently using OCS as their sole voice platform. All 86,000 employees at semiconductor giant Intel have access to OCS's instant messaging services. Intel now has 4,000-5,000 employees using with OCS's voice features and plans to increase this to 10,000 by the end of the year. Infonavit, a financial services firm in Mexico, has deployed OCS instant messaging to its 4,000 employees, about half of which use it for voice as well. Sprint Nextel started making OCS's voice features available to its employees in Q4 2008. Since then 3,500 have started using OCS for voice services. Sprint Nextel is now examining the platform as a way of replacing the 490 PBXs currently in place at the company. And RealPage, a property management firm with just over 1,000 employees, currently has 15% of its user base migrated away from Avaya PBXs and desk phones, using OCS and Microsoft-designed handsets as an alternative. By the end of the year the company expects to have 65% of its end users using OCS rather than the Avaya PBXs.

In most of the case studies Microsoft introduced with this week's launch of OCS R2 it was unclear if Microsoft Office Communicator and OCS-attached handsets have completely replaced traditional PBX-attached desk phones as end users' sole way of making and receiving calls. Or in some cases is Microsoft Office Communicator being used alongside traditional PBX-attached handsets? It's an important distinction since it reflects whether businesses are more comfortable replacing or simply supplementing PBXs with OCS.

Despite a growing set of voice features (see chart below) and an increasing number of OCS customers relying on the platform for voice communications, it is Current Analysis' opinion that with Release 2 Microsoft OCS remains generally unready to act as a full-scale PBX replacement. Adding audio conferencing capabilities and SIP trunking support to OCS now serves to demonstrate how far behind the company is in terms of adding features and applications that are common to traditional PBXs. OCS 2007 R2 also continues to lack key product features that are absolute requirements for business communications systems. For example, OCS has no branch office solution of any sort. There are no vertical-specific call features that would allow OCS to be deemed a worthy PBX replacement within companies in vertical markets such as hospitality and healthcare. Additionally, OCS continues to lack support for E911, calling into question the safety of employees relying solely on OCS, Microsoft Office Communicator and the Microsoft-designed "Tanjay" class handsets for office communications.

This being said, Current Analysis also believes that Microsoft will completely resolve the shortcomings of OCS as a platform for voice communications and that in time OCS will be a formidable competitor to all PBX systems on the market. Microsoft has clearly identified an impressive set of early adopters who are far along in rolling out OCS as an alternative to traditional PBXs. These early adopters will help Microsoft determine which other traditional PBX features will need to be incorporated into Release 3, the next update to the OCS software that is expected to deliver a more comprehensive set of call features and put the platform on (or near) par with traditional PBXs. In short, in OCS Release 2 Microsoft has the clear foundation for a business voice platform that promises to eventually become an attractive alternative to traditional PBX systems sold to enterprises worldwide.

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Telephony Features in OCS R2	Status
Auto Dialing	Supported
Automatic Ring Back	Supported via contact list only
Call Forwarding on Busy/Absence	Supported
Call Pick-up	Supported
Call Transfer	Supported
Call Waiting	Supported
Conference Call (6 way)	Supported
Abbreviated Dialing (Speed Dialing)	Supported via contact list and corporate directory
Direct Inward Dialing	Supported
Direct Inward System Access (DISA)	Supported via Microsoft Office Communicator or Tanjay handset. Not available from analog phones.
Do Not Disturb (DND)	Supported
Follow-me	Included. Can set call forwarding rules from Microsoft Office Communicator, Communicator Web Access, or Tanjay handset.
Shared Message Boxes	Voicemail in Exchange can automatically forward messages to a distribution list.
Voice Mail	Supported via voice messaging capabilities native to Exchange 2007
Simultaneous Ringing	Supported
Shuttle/Confer	Supported
Busy Lamp Field	Not supported. Using Microsoft Office Communicator, users check colleagues' presence to determine whether or not they are on a call.
Multi-line Appearance	Not supported, though "team call" feature allows user to have arbitrary number of calls on hold. The ability to have multiple lines assigned to the same user is expected to be made available in a future release.
Auto-attendant	Exchange in OCS 2007. Conferencing Auto-Attendant and Speech Server in R2.
Night Service	Supported
Intrusion/Intercept/Barge-in	Not supported. Instant messaging positioned as alternative for intrusion/charge-in.
Camp-on/ Call Park	Not supported. "Tagging" and hold are positioned as alternative to camp-on and call park
Cell Phone Integration	Supported
Automatic Call Distribution	Not supported. Response Group positioned as alternative to traditional ACD
Call Detail Records	Supported
Call Accounting	Through ISVs using CDR data
Custom Greetings	Supported
Hunt Group (Cyclic/Sequential)	Not supported. Response Group positioned as alternative to traditional hunt group feature
Malicious Call Trace	Supported
Music on Hold	Supported, but only available on Attendant Console and Audio Conferencing. Microsoft plans to support MOH for other clients in future release if required.
Voice Paging	Not supported directly on OCS. Available from third-party software developers.
Quality of Service	QoS diffserv marking is available today on Microsoft Office Communicator Phone Edition. WAN overload failover to be made available in a future release.
Branch office solution	None. Expected to be made available in a future release.
E911	Not supported. Expected to be made available in a future release.

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Recommended Actions

Recommended Vendor Actions

- When Microsoft announced the first version of Office Communications Server in late 2007 the company said it was working with Nortel and Mitel to develop a broader set of call features specific to vertical markets. At that time Nortel confirmed plans that it was still developing a long overdue “advanced telephony server” that would introduce to OCS a more robust set of call features based on Nortel’s Communication Server 1000 (please see Nortel Quietly Sheds Light on Plans to Advance Microsoft OCS Voice Features, October 16, 2006). However, it now remains generally unclear if Microsoft is moving forward with any of these initiatives. Microsoft needs to provide customers and business partners with a comprehensive update on how and when it will increase the set of OCS’s voice features.
- Microsoft’s message of OCS driving telecommunications costs down and end user productivity up is in no way unique. All vendors in the communications space should draw attention to their respective unified communications solutions’ ability to provide the exact same benefit to enterprise buyers.
- PBX developers should continue integrating with OCS since enterprise buyers will demand this. However, PBX developers should aggressively market their own unified communications solutions that offer the same corporate instant messaging benefits as OCS and a much wider range of call features.
- Microsoft should verticalize the OCS call feature set, offering better solutions for industry-specific applications such as those required in hospitality, healthcare and other industries.

Recommended User Actions

- OCS Release 2 continues to have a substandard set of voice features relative to traditional PBX systems. Lack of E911 capabilities, a survivable branch office solution, ACD features and a formal contact center offering are particularly distressing. Businesses planning to rely on OCS as a telephony platform need to determine if the existing set of OCS’s call features can in fact meet the communications needs of their end users.
- Customers investigating OCS should evaluate the features most used by their employee base, both horizontally and by department or business unit. Customers should carefully scrutinize OCS’ ability to support these specific features or else risk significant disruption due to required workarounds, user training and adoption.
- Customers should pilot OCS prior to rolling it out in phases. Enterprises will want to evaluate the option of PBX co-existence with OCS rather than replacing their PBX. PBX co-existence would allow for reuse of much of their current voice infrastructure and station equipment.
- Enterprises should look critically at Microsoft’s claims of providing a server-based platform for enterprise communications whereas PBX vendors only offer systems based on proprietary hardware. In fact, the majority of IP PBX systems on the market run on industry standard server hardware no different from that Microsoft uses for OCS. Microsoft’s software-based communications architecture, while impressive in its own right, is in no way unique.



Unified Communications

In-Depth Analytical Solution Assessments

Current Analysis provides Competitive Response solutions that enable companies to effectively anticipate and counter competitive threats, and win more business.

COMPARE SOLUTION ELEMENTS

- Presence and Instant Messaging
- Call Control
- Messaging
- Conferencing
- Mobility
- Client Devices and Software

BENEFITS OF ANALYSIS

- Increase awareness and knowledge of competing solutions
- Stay informed of recent market developments and solution enhancements
- Compete more effectively by understanding key buyer selection criteria
- Improve messaging by understanding how to attack and defend against competitive positioning
- Save time comparing your most important competitors' strengths and weaknesses

Unified Communications promises to be the next big growth area in business communications systems and software. Not only are all traditional communications vendors actively developing and delivering unified communication solutions, the door has been opened to non-traditional competitors to enter the market as well. As a result, unified communications is in the process of changing the competitive landscape of the enterprise communications market.

Unified communications platforms provide end users with enterprise instant messaging, presence awareness, and access to a rich set of real-time multimedia collaboration applications, regardless of their location or means of accessing the platform. The server-based solutions tightly integrate with existing enterprise telephony systems and various

Compare Unified Communications Solutions from:

- Alcatel-Lucent
- Avaya
- Cisco
- Microsoft
- Nortel
- Siemens

applications such as conferencing and messaging.

The instant messaging (IM) capabilities provided by these solutions tend to be more secure than consumer-based IM software. Presence awareness does not stop at IM, but extends to end user availability

via voice, video and other capabilities as well. Customizable desktop interfaces provide access to personalized call management and routing rules, while mobility options extend certain capabilities out to telecommuters and users accessing communications applications via Web browsers and mobile devices.

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Anatomy of a **Current Analysis** Solution Assessment



- **Solution Description:** What the vendor or service provider brings to the market as a solution.
- **Solution Elements:** The products or services that make up the solution,
- **Current Perspective:** Current Analysis' opinion of the overall solution.
- **Strengths and Weaknesses:** Analysis that justifies Current Analysis' opinion of the ratings for a given solution's criteria. Cast as "Benefit" or "Issue."
- **Go To Market Analysis:** Evaluates how well the solution is positioned in the overall market, and the strength of the market traction for the solution.

Solution Assessment Service Description

Solution Assessments, like all Current Analysis offerings, provide a level of detail that is an essential part of strategic competitive analysis, but that is also tactically indispensable in day-to-day sales situations.

Accessible via Current Analysis' CurrentCOMPETE platform, Solution Assessments identify the product and service combinations delivered by a technology supplier or service provider, providing in-depth analysis and tactical advice based upon solution selection criteria that are likely to be key decision points for prospective customers.

Compare each Unified Communications Solution based on Key Customer Buying Criteria

- **Architecture:** The server hardware and other components required to implement the unified communications solution.
- **Communications applications:** The software delivery of real-time voice, video- and text-based communications capabilities. It includes the software used to detect and **publish end users'** availability information.
- **Interoperability and integration:** The solution's ability to support industry standards and interconnect with third-party communications platforms and applications.
- **Clients and control interfaces:** The devices and interfaces available to end users to access the unified communications solution's feature set.

Current Analysis provides a structured approach to better understanding and responding to your competition. By providing real-time business intelligence on competitor strengths, weaknesses, services, and trends, we enable Competitive Response™ - the process of formulating both strategic and tactical plans for responding to the competition's every move.

About Current Analysis

Current Analysis is the preeminent source for tactical competitive intelligence and analysis. Our CurrentCOMPETE™ platform provides real-time analysis of breaking industry events, as well as intelligence reports on the markets, companies and products that are shaping the telecom, networking, and business software industries. By providing timely and comprehensive intelligence, we enable organizations to successfully counter competitive threats, and offer effective solutions to emerging challenges.

Our business model and solutions are built on the foundation of solid, quality intelligence and data, making Current Analysis the leader for competitive intelligence demands. We serve more than 30,000 users at over 250 enterprise clients, representing preeminent firms in the telecommunications, information technology and consumer electronics industries.

Current Analysis retains over 40 worldwide industry experts. Their frontline perspective and industry experience ensures you receive the best market information and analysis available - delivered within 48 hours of major industry events.

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