

## EXECUTIVE SUMMARY



# INTERNET PROTOCOL COMMUNICATIONS ON THE BRAIN

IP Telephony Adoption Reaches Mainstream  
As Business and Information Technology Needs  
Collide with Hard-dollar Returns for All

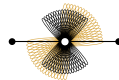
Research conducted by

**CXO MEDIA**



*Custom Solutions Group*

Sponsored by



INTERACTIVE INTELLIGENCE

*Deliberately Innovative*

# EXECUTIVE SUMMARY



Every so often, a technology surfaces that is as appealing to business leaders as it is to IT professionals.

“That cross-departmental adoption appeal is Nirvana for a business,” says Joseph Staples, senior vice president of worldwide marketing at Indianapolis-based Interactive Intelligence, Inc. “Internet Protocol communications exemplifies this phenomenon, demonstrating tangible and sustainable value for both sides. So it’s no real surprise that it has emerged as a hot, fast-growing technology.”

IDG Research Services recently surveyed *CIO Magazine* subscribers from a cross-section of industries—including financial services, health care, government, high tech, manufacturing and more—regarding their thoughts on IP communications. Some interesting insight came to light, including the following:

- Most respondents have implemented IP PBXs or plan to implement them within the next 12 months.
- The migration to IP communications is marked by growth in key enabled solutions.
- Business considerations are driving enterprise IP communications investments.
- Network readiness and reliability are cited as top concerns.

## **BIG PLANS TO IMPLEMENT IP PBXs**

Despite some lingering market perceptions to the contrary, IP communications is indeed a mature technology in the midst of broad industry adoption.

In fact, the IDG Research Services survey reports that 50 percent of respondents already have IP PBXs installed today and that 63 percent indicate that the technology will be part of their telephony infrastructure within the next 12 months. What’s more, the percentage of telephony users on hosted VOIP is expected to grow from 23 percent of users to 30 percent in the coming year. In contrast, traditional telephony usage is on a sharp decline. In the course of the year, the number of respondents with traditional PBXs in their infrastructure will fall 20 percent and the number of Centrex users is also expected to decrease.

What’s motivating this migration? For one thing, VOIP can deliver significant cost savings. Cost was the early driver of VOIP and remains important, but it is no longer the only driver of adoption. CIOs are turning to the technology also to gain access to various telephony-based applications and to deal with distributed business operations.

Take, for example, the City of Ann Arbor, Michigan. According to Dan Rainey, director of information technology, the city is now in the planning process for an enterprise-scale IP communications project. With an IP-enabled call center already in place, Rainey is looking to move to a centrally managed telecommunications environment using VOIP technology. He’s hoping to eliminate some of the problems that come with a decentralized environment, including “line oversubscription, deployment of many mini-PBXs, call trees that are no longer relevant, multiple voice-mail systems and an inconsistent level of customer service for constituents.”

However, a “follower mentality” is definitely at play here too. “We’ve needed to upgrade our telephony infrastructure, and it simply made sense to head down the IP path,” says Alan Ariel, assistant VP, ITC, at Rollins Corporation, a North American consumer and commercial services company. This means that VOIP has become so trendy that enterprises are replacing fully depreciated traditional PBXs with IP PBXs simply because the market says it’s the natural next step. When pushed, followers may not even be able to

**“Communication access on a wireless device at Starbucks should be an experience that’s as reliable and rich as it is in the office.”**

—Joseph Staples, Interactive Intelligence, Inc.

cite a hard business case to justify the move. That doesn't make the decision any less appropriate—it's just a bit undefined.

### IP SOLUTION ADOPTION ON THE RISE

The migration to IP communications is marked by significant adoption trends for many innovative technologies.

For starters, the survey reveals an expected increase, from the current 30 percent to 49 percent, in unified messaging deployment in the next 12 months. Unified messaging is a long-heralded “killer app” that, thanks to VOIP, may finally be taking hold. The challenge is that CIOs must defend the purchase with a soft-dollar justification, because unified messaging is all about productivity gains—a tough sell in many boardrooms. The alternative is to make it “a side effect of the inevitable replacement of existing aging voice-mail systems,” as sevenEcho did, says Syd Weinstein, chief technology officer of this provider of profile-based personalized interactive entertainment platforms.

Although the overall penetration is still small, two of the hottest IP telephony solutions show significant promise: Within the respondent base, the adoption of speech recognition is expected to grow from 15 percent today to 24 percent a year from now. Staples attributes this growth spurt to the technology's having become more affordable and reliable. Similarly, presence management is on a path to broader adoption, with expected growth from 10 percent currently to 14 percent penetration. Here, Staples says, growth will be a by-product of the technology's inevitable expansion outside the typical contact center scenario. Presence, often known as agent status, has played a significant role in the contact center for some time. Now business users are beginning to realize the value of being able to see if someone is available to take a call, is out of the office, on a conference call, or otherwise engaged. Bottom-line, knowing the status of another individual simply improves communications efficiencies.

“When it comes to prioritizing applications for future investments, respondents cite an interesting list that runs the gamut between the industry's ‘hot pick’ and applications that are either ‘nebulous’ or ‘obvious,’” offers Staples.

Videoconferencing, the top priority for 57 percent of respondents, is a hot topic of discussion. Respondents apparently expect that hype to translate into deployments in the near future. In contrast, 46 percent of respondents point to “unified communications.” Encountering this term, which is nebulous at best, one must wonder what respondents really mean by their rankings (see the “Unified Communications: What's in a Term?” sidebar). And, finally, audioconferencing and remote/teleworker solutions—cited by 44 percent of respondents—represent obvious priorities: that is, tangible applications that are easy to cost-justify and should prove to be no-brainer investments for many enterprises. According to the survey, other priorities for future investments include softphones, “find-me/follow-me” technology, dual-mode phones and directory services.

## UNIFIED COMMUNICATIONS: WHAT'S IN A TERM?

It seems *unified communications* is still very much a nebulous concept.

“We see unified communications as bringing all the different communication methods [voice, fax, email, chat] and communications applications [outbound, inbound, presence management, call recording, interactive voice response] together on a single platform with a single administrative interface, coupled with strong integration with back-office applications,” says Joseph Staples, senior vice president of worldwide marketing at Indianapolis-based Interactive Intelligence, Inc.

Although 86 percent of respondents to the recent IDG Research Services IP communications survey are at least “somewhat” familiar with the term, respondents are still divided—almost evenly—in how they define it:

- ▶ “A single inbox for voice, fax and email combined with find-me/follow-me communications”
- ▶ “Communication functionality integrated into existing applications distributed throughout the enterprise”
- ▶ “All communications centralized on a single platform”

Despite all of the buzz, there is a strong showing of nonbelievers. Some 43 percent of respondents view unified communications as a “new technology that is not yet mature,” another 10 percent say that it is “more fluff than substance,” and still others say it's just “the renaming of technology that has been available for years.”

“*Unified communications* is one of the most misunderstood terms in the market,” says Staples. “The reality is that it's not a new technology, just a new term.” CIOs need to forget about the terminology, focus on what they're trying to do and determine which products and technologies will get them there.

## BUSINESS CONSIDERATIONS SPUR IP TELEPHONY INVESTMENTS

The big news: VOIP investments are most decidedly being driven by business considerations.

Such considerations reflect the ever-accelerating speed of business and fundamental changes in the way people work today. Being unconnected during a six-hour layover at LaGuardia Airport just doesn't cut it anymore. And wasting time switching between communications modes—such as voice and email—is unacceptable. "Communication access on a wireless device at Starbucks should be an experience that's as reliable and rich as it is in the office," explains Staples. "Times have changed, and so must telephony."

Supporting Staples' point, respondents cite several workforce habits that bode well for IP investments: a need for increased "connectedness" (59 percent), the growing number of mobile employees (57 percent), increases in productivity requirements (48 percent), user demands for up-to-date technology (43 percent) and an increase in the number of global employees.



### 63% indicate their companies will have IP PBXs installed 12 months from now

	Today	12 Months From Now
IP PBXs	50%	63%
Users on hosted VoIP services	23%	30%
Traditional PBXs	68%	49%
Users on traditional centrex (circuit-switched)	21%	10%
Other	3%	5%
Don't know	1%	5%

Q: What does your company's enterprise telephony infrastructure consist of today? What will it be 12 months from now? Base: 105 respondents

Equally telling, many respondents point to expected benefits of IP communications that are highly business-centric, such as improved employee productivity, enhanced customer service and the ability to gain competitive advantage.

But here's where the rubber hits the road and adoption Nirvana occurs. Although fueled by these business considerations, CIOs are on board with IP communications. Respondents demonstrate a full appreciation of its value and impact on the IT organization. After all, IP technology ultimately eases deployment and management challenges, eliminates the need for separate communication paths and offers employees the same experience inside and outside the office. That said, respondents call attention to important IT benefits—in addition to those related to business goals. These include a single point of administration; simplified maintenance; and reducing the cost of moves, adds and changes.

Specifically, Jason Colburn, network and systems manager for Midwest United Credit Union, emphasizes benefits such as cost reductions and ease of administration, including eliminating charges for moves, adds

and changes from the budget. "Our IT staff can reasonably administer the system, and toll calling is managed through a lower-cost circuit," he says.

For Syd Weinstein, "Flexibility of deployment, reduced installation costs and the ability to run many offices off one common IP PBX" are top-of-mind benefits.

## CONCERNS BEAR THEIR UGLY HEADS

Although benefits abound, CIOs still have a couple of concerns. Network readiness (44 percent) and reliability (43 percent) issues continue to create some apprehension about enterprise IP communications implementations. Others include budget, security and the immaturity of the technology.

"It's good to see that network readiness and reliability made it to the top of the list," comments Staples. "The greatest IP communications product in the world won't help anyone if network issues have not been addressed." And CIOs need to be diligent in their vendor evaluation, selecting a partner that can demonstrate thousands of successful implementations and proven reliability.

An astounding 33 percent of respondents point to the technology's perceived lack of maturity as a primary concern. Here, Staples takes issue. "As an industry, we're way beyond that point with IP communications," he says. "The reality—as this survey reveals—is that there are more new IP PBX lines being purchased each year than traditional TDM-based PBX lines." The chasm has clearly been crossed.

## PERFORMANCE AND SECURITY TAKE CENTER STAGE

The survey reports that for selecting IP communications applications, the most important considerations are performance and security, cited by 74 percent and 63 percent of respondents, respectively. Others include general criteria typical of most telephony purchases: integration, easy installation, scalability, technical support and a single point of administration.

That said, roughly half of the respondents rate their current vendors as “excellent” or “very good” in terms of delivering on performance and security expectations. Incidentally, the gap between average vendor performance and average importance was surprisingly low for the top-rated features. “The negative portions of those gaps stem from lesser-known, less-experienced IP telephony vendors,” says Staples. “If you stick with the solutions deployed by the top 10 vendors in this space, that gap would narrow even more.”

## ADVICE FROM THE TRENCHES

So how do you get on the right path to IP? A sampling of commentary from respondents offers sage advice from those already in the IP trenches:

- ▶ **“Get in the boat.”** One respondent reminds peers that the advantages of IP are there and that the technology is mature, so there’s more risk in inactivity than in deployment.
- ▶ **“Make sure you have class-of-service capabilities in your network.”** The world’s greatest PBX and the best plan imaginable can’t help if the network piece hasn’t been thought through, adds another respondent.
- ▶ **“Have a business case.”** The City of Ann Arbor’s Dan Rainey warns that return on investment can be illusive. It’s important to build a business case that quantifies the soft-cost savings and digs into the as-is environment.
- ▶ **“Do your homework.”** All VOIP systems are not created equal, says Midwest United Credit Union’s Jason Colburn, so you need to develop a solid request for proposal and verify the responses through site surveys, newsgroups or industry contacts.
- ▶ **“Evaluate the strength of the vendor.”** CIOs mustn’t fall into the trap of going with the least expensive vendor or the most recognizable brand name. Look for an experienced vendor with the best product at an affordable price, advises another.
- ▶ **“Begin slowly.”** Rollins Corporation’s Alan Ariel advises CIOs to make time to learn, understand and operate the technology. Start small before deploying it enterprise-wide.

In short, most would advise their peers to proceed with IP implementations but to do their research and be thoughtful in getting there.

## One-half mention reducing the cost of moves, adds and changes as an expected benefit of enterprise IP communications solutions



Q: What are the top two benefits your company is hoping to derive from IP communication solutions? Base: 88 respondents with enterprise IP communications deployed or plans to deploy

**Network readiness and reliability issues ranked as primary areas of consideration for enterprise IP communications implementations.**

## CALL TO ACTION:

This white paper and the research survey supporting it are sponsored by Interactive Intelligence, Inc, a global developer of IP business communications software. With more than 2,500 customers in 60 countries, Interactive Intelligence delivers some of the most advanced products available for contact center automation, enterprise IP telephony and enterprise messaging. To understand what these innovative IP communications solutions can do for your business, visit Interactive Intelligence at [www.ININ.com](http://www.ININ.com).