

Analyst Report: Cisco Extends Its Voice to the Midmarket

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Introduction

After its foray into enterprise IP communications in the late 1990s, Cisco quickly became a market leader and rapidly penetrated enterprise accounts worldwide. As the focus shifted to unified communications, the company has introduced products to meet the demands of various market segments, and has been a market-share leader in almost every segment except one—the midmarket. Cisco voice products—the Cisco® Unified Communications 300 Series and Unified Communications 500 Series for Small Business (UC300 and UC500, respectively) products—address the under-100-user market, whereas the Cisco Business Edition 5000 and Business Edition 6000 (Business Edition 5000 and Business Edition 6000, respectively) are known for rich features and sophistication for organizations with 100 to 1000 users. However, there has been a gap in terms of supporting the unique needs of a sub-segment at the lower end of the midmarket—until now. Cisco Business Edition 3000 fills that gap, providing a simple voice solution particularly suitable for midmarket organizations, supporting 75 to 300 users and up to 10 sites. As a value-priced “essential unified communications” solution for midmarket organizations, the Business Edition 3000 offers a simple and compelling solution, while filling a gap for a significant part of its channel. We believe the Business Edition 3000 will be successful in the midmarket for two primary reasons: simplicity and channel.

Meeting the Needs of the Midmarket

Midmarket customers face different challenges and have different needs from large enterprises. They are expected to perform as well as large companies, providing high-level service and producing high-quality products, but they have to “do more with less”—fewer resources, less staff, and reduced budget.

These companies generally prefer to trade features for simplicity and value, and focus on their core needs, while looking to reduce costs and maintain quality. Solutions providing a simple IP telephony platform with messaging and mobile extensions are often all that is needed to meet their business goals, rather than more complex unified communications suites that require professional services and integration, which incur additional costs. In fact, some studies show that 75 percent of the customers in this segment still rely on time-division multiplexing (TDM) systems. Concerns over complexity and cost keep many organizations from realizing many of the benefits associated with voice over IP (VoIP).

Midmarket companies favor products that are simple to install and easy to use and maintain, while focusing on TCO. Cloud-based or hosted solutions, also available through Cisco offerings, are an emerging option for some of these companies, but some companies continue to prefer to own or

lease their equipment and are not comfortable with a hosted delivery model. The Business Edition 3000 was thus designed specifically to address these customers' needs, providing an all-in-one solution that offers ease of implementation and management at a very competitive price. The secret is simplicity.

Evaluation and Testing

Because the product was not yet generally available, for our review of Business Edition 3000 we did a comprehensive briefing with Cisco product staff, evaluated the unit, and reviewed MierConsulting's testing results and analysis. MierConsulting, LLC, a product-analysis consultancy based in northeast Pennsylvania and specializing in IP telephony systems and their management, performed an in-depth analysis of the product, and we have reviewed it and concur with many of its findings.

Introducing the Cisco Business Edition 3000

The Cisco Business Edition 3000 is targeted at organizations in the 75- to 300-user space, particularly those still reliant on traditional TDM infrastructure. This appliance provides what Cisco terms "essential unified communications" in a single rack- or wall-mountable box. Its all-in-one design uses less space and less energy than most alternatives and contains a complete IP communications solution. The Business Edition 3000 provides gateway services and core telephony features, including voicemail, conferencing, Automated Attendant, and the ability to park or hold calls; plus mobility capabilities such as single-number reach and extension mobility (hot desking). Basic endpoint telephony presence lets users see the line status of other users. Cisco also intends to add features through software over time (Figure 1).

The following are important characteristics of the solution:

- **Simplicity:** The Business Edition 3000 uses web-based administration with simple pick-and-click menus. The screens are simplified and do not require specialized training for common tasks such as setting up users and phones, voicemail accounts, or even T1/ Primary Rate Interface (PRI) installation. Cisco designed and developed a new administration interface specifically for this product, intended to reduce the time, complexity, and skill level required to deploy and manage the system. The system is intuitive for doing moves, adds, and changes, and customers can opt do this process themselves or use a partner.
- **All-in-one system:** The all-in-one system includes an appliance (Cisco MCS 7890 Media Convergence Server), and includes centralized call processing with multisite support, Automated Attendant, voicemail, conferencing, system monitoring, mobility (including teleworker support), a web-based user interface, backup and restore, Call Detail Records

(CDR), and onboard digital signal processors (DSPs) for hardware-based conferencing and transcoding. The integrated voicemail requires no additional floor space, and is transparently integrated into administration screens. Adding a new user with voicemail can be accomplished in just a few minutes. A T1/E1 gateway is built into the Business Edition 3000 for connecting to the public switched telephone network (PSTN), providing smooth conversion without any additional hardware or management.

▪ **Phone support:** Business Edition 3000 supports a series of IP phones that are also supported by Business Edition 5000, Business Edition 6000, and Cisco Unified Communications Manager Enterprise Edition, making it easier for customers to migrate to larger solutions when necessary. The supported phone portfolio now includes the low-cost Cisco Unified SIP Phone 3905, middle-level Cisco Unified IP Phone 6900 Series, high-end Cisco Unified IP Phone 8900 Series, and currently shipping Cisco Unified IP Phone 7900 Series.

Physically, the Business Edition 3000 appliance (MCS 7890) is a single 1.5–rack-unit (1.5RU), rack- or wall-mountable appliance—everything is built into this single system. This fact is important, because so many competitive solutions on the market result in “server sprawl”. The system contains the following ports:

- 1 GB Ethernet port
- 2 USB ports
- Serial DB9 port
- VGA port
- Audio jack

Figure 1. Cisco Business Edition 3000



The initial release will support up to two T1/E1 digital links and up to 400 IP phones or endpoints. The unit also contains built-in gateway functions (PSTN to VoIP) and a conferencing bridge.

The Benefits of Simplicity

Features

The recurring theme with this product is simplicity. Its bigger siblings, the Business Edition 5000 and Business Edition 6000, are more complex, feature-rich solutions, but the Business Edition 3000 provides a simpler unified communications experience. At its core are IP communication features

at a great price, as well as some advanced features. For example, the Business Edition 3000 has conferencing, the ability to park or hold calls, and a built-in voicemail system with Automated Attendant, which is already set up and easy to customize. Telephony presence capabilities let users see the on/off hook status on the phone in speed dials, and directories.

Mobility features, including single-number reach, extension mobility, and soft phone support, are also integrated into the system. The Business Edition 3000 supports two of the most popular features associated with mobile workers: find-me and follow-me and hot desking. Find-me and follow-me provide basic roaming features associated with other phones such as a smartphone, enabling workers to be reached easily while they are mobile. Hot desking allows mobile users to claim a shared phone as their own with a simple login.

Cisco worked hard to keep the system simple, but still offered numerous supported IP phones for the Business Edition 3000. Initially, the system supports the low-cost Cisco Unified SIP Phone 3905, mid-level Cisco Unified IP Phone 6900 Series (6901, 6911, 6921, and 6941 models), high-end Cisco Unified IP Phone 8900 Series, and the Cisco Unified IP Phone 7900 Series (7925, 7937, 7942, 7945, 7965, and 7975 models). Some of the other IP endpoints supported are the Cisco Jabber™ client for Windows and Mac (cloud-based with Cisco WebEx Connect® service), Cisco Jabber for iPhone and Android as well as iPad, etc., Cisco UC Integration for RTX (China) client, and Cisco IP Communicator.

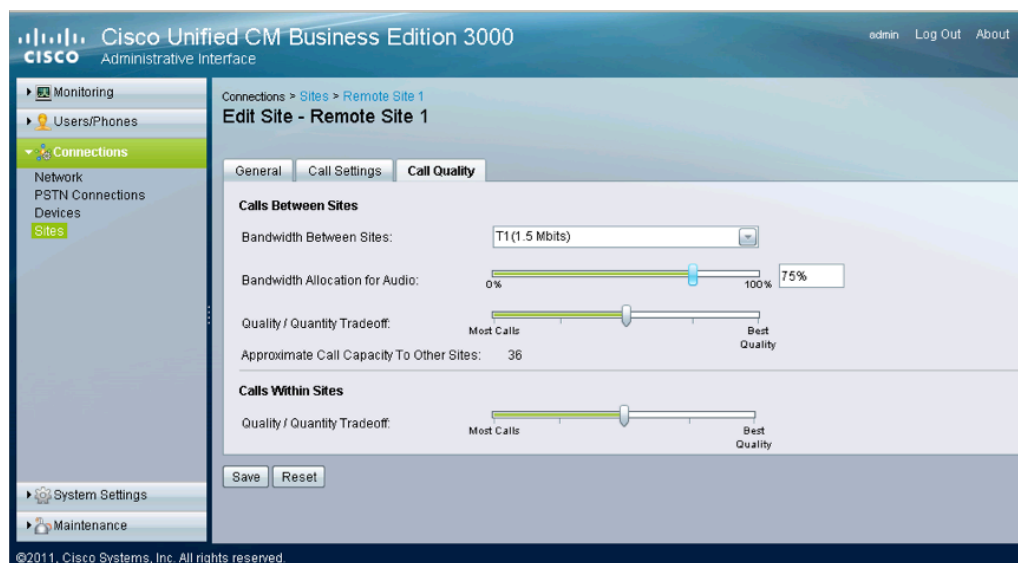
Installation and Management

What is most impressive about the offering is the ability to install the system and get it operational in a matter of hours with the Setup Wizard and Usage Profiles. The Business Edition 3000 software image comes preinstalled, and has streamlined web-based management and administration, reducing the time and complexity of implementation and ongoing management. Although some competitors offer preloaded systems—where the software is loaded on the box but the customer has to go through installation steps—a preinstalled solution presents the Cisco Value Added Reseller (VAR) with a web-based administration interface and walks the VAR through a few steps to complete installation. The First-Time Setup Wizard guides the administrator or VAR through a manual or automatic setup. The VAR simply needs to enter the IP address, dial plan, extensions, user names, etc., or alternatively can import this information from a spreadsheet, meaning that a complete configuration can be done in a spreadsheet and imported to the system. Using Usage Profiles, the VAR configures the user profiles based on templates, such as assistant, common area, manager, power, and standard user, with prepopulated data in the templates. Call features such as call barge, call park, call pickup, reach me anywhere, extension mobility, voicemail, and call divert are already preset in the template and can be changed and applied to different types of devices and users.

Automated Attendant functions are included out of the box, and users can either use the default settings and standard greetings or can customize them for their needs. Administrators will find the Business Edition 3000 simple to set up internationally, because Cisco bundled in localization support with country-specific dial plans in preconfigured country packs. Each country pack includes international dialing customizations, localized administration, languages, and prompts: United States, Canada, India, Russia, China, United Kingdom, Australia, Italy, Spain, and France are available now with country packs for Indonesia, Malaysia, Mexico, and Brazil.

The built-in administration interface is web-based, meaning that any computer with a web browser can be used for administration, including remote devices if the network supports it. When a new release is available, the VAR can simply do an upgrade through the web interface, without the need for a command-line interface (CLI). Actually, there is no CLI at all—menus are all intuitive and options aimed to make system administration simple for nontechnical users are clickable.

Figure 2 Business Edition 3000



The skills required to manage the Business Edition 3000 are significantly lower than those required for competitive offerings. MierConsulting claims that its testing “concluded that ongoing administration—including moves, adds, and changes—can be handled by a computer-literate office worker who is familiar with the local phone system, but otherwise needs no special training or certification”.

One unique feature of the Business Edition 3000 is how an administrator configures up to 10 remote sites. As with any VoIP system, any phone could be a remote phone with the proper network configuration, but Cisco makes it very simple with the notion of remote sites, which can even be a remote user, likely home-based. The administrator can optimize the voice quality of a site based on the amount of available bandwidth with slide bars, as shown in Figure 2. This approach to bandwidth optimization is an innovative one that normally requires more technical skill.

The result is ease of use for both resellers and customers. For customers, ease of use means simpler moves, adds, and changes, as well as quicker deployment, because the system takes only hours to deploy. Although other vendors claim the simplicity, the fact is there are few, if any, products available in this segment that are this simple.

Simplicity was a foundational theme in the product design and confirmed by independent assessment of the Business Edition 3000 by MierConsulting, which reported the following:

- “The Cisco Business Edition 3000 user interface significantly reduces the skill level required to deploy and manage the system.
- There’s a tool we’ve not seen anywhere before, which is included for the setup of remote sites and teleworkers. . . .It is an innovative and refreshingly simple way for the administrator [to configure sites] . . .all of the underlying technical details and complexity are hidden.
- Online help is screen-centric and truly helpful.”

Additionally, Business Edition 3000 is now a supported device on Cisco OnPlus Service, a cloud-based platform that enables channel partners to deliver managed network services economically through discovery and monitoring of the entire small business network. Cisco OnPlus Service helps automate the monitoring, management, and maintenance of small business networks.

Pricing and TCO

Cisco has released take the Business Edition 3000 with very aggressive pricing, significantly lower than competitive offerings. As an example, the street pricing for Business Edition 3000 can start as low as \$100 per user, which includes the appliance, software that comes on the appliance for

unified mobility, voicemail, and call control, as well as user licenses, and the Cisco Unified SIP Phone 3905 endpoint device. We expect to see reseller discounts bring the price below \$100 per user. The system ships with a 5 default licenses. In order to simplify the ordering and licensing deployment process, Cisco IP phone bundles have been created which include both phone hardware and the user connect licenses in a single SKU. The categories of different licenses include Basic (for low-end and analog phones), Adjunct (for customers who have already purchased a phone but want to use an additional phone or soft phone), Essential (including capabilities such as single-number reach and additional phones), Enhanced (for high-end phones, single number reach, attendant console and softclients) and voicemail licenses. The initial cost and ongoing skills required to maintain the system will create a compelling TCO.

Limitations

The Business Edition 3000 does have some limitations that could restrict its appeal in some segments. Cisco needs to balance features against ease of use in order not to compromise the system's value proposition of simplicity. There are, however, a few limitations that, if addressed, could position the Business Edition 3000 for even more customers. Clearly Cisco is focused on expanding the Business Edition 3000's functionality as the latest release (8.6.4) added support for Cisco WebEx Connect, Cisco Jabber (voice and IM), point to point video with Cisco 8941 endpoints, and new click-to-call capabilities.

Additionally, we would like to see prioritized a few specific features:

- Improved queuing options
- Branch office survivability
- Simplified provisioning of phones
- Multiple level Automated Attendant
- Options for encryption

It is encouraging that some of these features are included under Cisco's First Look (beta) program. For example, the Business Edition 3000 does not currently support call queuing. It offers basic group coverage with features such as "round robin" hunt groups and FindMe/FollowMe, but some SMBs require more. This feature is generally associated with larger systems, but in fact many small businesses can benefit from basic native queuing. For example, should a single receptionist be busy, instead of overflowing to someone else or voicemail, the call could be queued.

Perhaps the most significant upgrade in the coming beta release enables failover with Cisco routers. With the Business Edition 3000, a remote or branch office would only have on-premises IP phones - no local call control equipment. This simplifies operations and lowers costs, but the phones can't operate should the WAN link fail. SRST, or Survivable Remote Site Telephony, is a feature found in all Cisco ISR routers. It allows local IP phones to re-establish telephony services with failover links via the router. The software feature is used on Cisco's larger telephony solutions. It makes sense that Cisco would move to offer this in the Business Edition 3000 as well.

There is no assurance that features in beta will make it to future products, however, it is encouraging to see Cisco actively developing these functions.

An area that could use improvement is provisioning of new telephone sets. As with many SMB systems, the Business Edition 3000 requires each phone's unique identifier (usually the MAC address) to be manually loaded and configured in the system. Although it is possible to use a barcode scanner to avoid the actual data entry, it is still inherently a manual process. If Cisco could upgrade this with a more plug and play approach to provisioning, it could simplify initial installations as well as ongoing administrative adds and changes.

Cisco Business Edition 3000: Why Should You Care?

Why Should You Care – Midmarket Organizations

The Business Edition 3000 provides a good value for voice-centric organizations that want a Cisco solution. The product should be particularly attractive to organizations still using traditional TDM solutions, especially those whose current systems are reaching end of life or end of lease, are building a new facility, or have been hesitant to move to an IP solution because of perceptions of cost and complexity. They will find the pricing and additional features very compelling and potentially a means to consolidate vendors and resellers. The system is simple to implement and maintain, and because Cisco will be updating it over time, it could prove to be a great value now for long-term capabilities.

Some midmarket companies will find the pricing and features a great fit, and of course, Greenfield implementations are suitable as well. From the customer perspective, the critical attributes of the product will be price/value and simplicity for voice-centric organizations that want more—but not too much more—from their phone systems.

Why Should You Care – Channel Partners

Perhaps the most significant aspect of this product lies in the channel potential. Cisco moved into voice more than a decade ago, but the vast majority of its dealers did not. Those that did enjoyed amazing success as Cisco rapidly emerged as a market leader with broad unified communications features. Cisco relies almost 100 percent on its channel to bring its products to market. Its successful unified communications offerings required significant investment from channel partners in terms of certifications and education, and the Cisco products were mostly suited for enterprise accounts. That left a significant portion of its channel deprived of a voice solution, particularly dealers serving the midmarket. The Business Edition 3000 provides a path to voice for those that are selling into smaller accounts, without the required investment in certifications.

The Business Edition 3000 opens up a market segment that Cisco has not yet penetrated. Cisco intends to be competitive with its distribution policies to ensure smaller dealers have opportunities similar to those of larger dealers, with competitive cost structures that larger dealers already enjoy. Cisco intends to make this product very attractive for a large portion of its existing channel that is currently not selling Cisco VoIP products, in part by making the certification process and requirements very simple. The certification training is expected to be only 2 days long, much less than training on other voice products in this market today and others.

For resellers, the Business Edition 3000 lowers the entry barriers to IP voice communications—a big win for some 9000 Cisco Select Partners, particularly those with the Small Business Specialization. It will give many partners far better account control with a single-vendor solution for voice and data requirements. With Cisco Unified Communications Release 8.6.4, the Business Edition 3000 is now supported on Cisco OnPlus Service, a cloud-based platform that enables channel partners to economically deliver managed network services through discovery and monitoring of the entire small business network. It is designed to help automate the monitoring, management, and maintenance of small business networks. Cisco partners will find that as an added bonus, the Business Edition 3000 creates a complete solution with Cisco routers and switches, meaning additional sales. Because the health-monitoring console of the system can be viewed remotely through the OnPlus web browser, the reseller can stay involved postsale and offer advanced services remotely.

The Business Edition 3000 is also easy to quote. It has a core system price under \$2000, and the user licenses and phone hardware are purchased in bundled packs. Basically, a quote will include the core system, phones, and installation, with only a handful of options.

Installation will also be quick, even more so if using the spreadsheet upload feature. Instead of re-keying and programming individual users (names, extensions, phone types, etc.), the reseller can compile all the information in a spreadsheet and upload it directly into the Business Edition 3000. Gone are the hours of repetitive data reentry.

Cisco has a simple formula to help ensure the success of this product: low price with broad channel exposure. We believe a good portion of the Cisco channel will not only embrace this product, but will seek out the opportunities where it fits. Additionally, the product will have broad worldwide appeal with its internationalization approach. Many competitors in the midmarket space stumble with internationalization and international distribution.

Implications and the Future

Cisco has had more-than-considerable success in the high end of the enterprise communications market, but less in the midmarket. We expect the Business Edition 3000 to change this paradigm for two reasons: product and channel. Cisco now has a product aimed directly at this market segment, offering the basic capabilities needed at a competitive price point. Although it does not have advanced unified communications capabilities, it provides the core, foundational unified communications elements that many midmarket companies will need in order to get started on their path to IP telephony and unified communications, enabling their ability to deploy collaborative services as part of their business strategies. In addition, Cisco will expand its channel and use the Business Edition 3000 as a means to offer Cisco branded voice to the masses—the masses of both end users and Cisco dealers. We expect the Business Edition 3000 to help increase Cisco's market share and energize its channel with a route to voice services. Cisco's aggressive pricing is a clear indication that it is serious about penetrating the midmarket.

Path to Unified Communications

As a “foundational” unified communications product, the Business Edition 3000 will help companies begin their path from TDM to IP Communications to unified communications and collaboration. It offers a compelling value proposition along with a route to migration and a technology refresh. Customers can start with the Business Edition 3000 as a unified communications foundation today, with an upgrade path to other Cisco Unified Communications Solutions as their business communications needs grow.

The product offers basic unified communications capabilities such as call control, voice messaging, extension mobility, single-number reach, telephony presence, and Automated Attendant, with additional features being added through software over time. To be fair, this product is not for everyone, especially companies that have already migrated to IP communications and are looking for unified communications capabilities such as Session Initiation Protocol (SIP) trunking and videoconferencing. But for companies currently using TDM systems and want to start their path to

unified communications without complexity and unnecessary extras—and at a very competitive price point—the Business Edition 3000 is a great place to start.

As companies are ready to migrate to more advanced unified communications systems, the licenses and phones can migrate as needed. Cisco provides a single network platform that grows with companies as their business grows, meaning they can move to the Business Edition 6000 and Cisco Unified Communications Manager Enterprise Edition with investment protection, retaining all the licensing and phones from the Business Edition 3000.

General Conclusion

The important takeaways from our analysis and evaluation of the Cisco Business Edition 3000 can be summarized as follows:

- Simplicity for end users and channel partners, including ease of installation, management, and administration, which is especially important for midmarket organizations that have limited resources and IT staff
- Good value for good functions: At a very competitive price, including a new low-cost phone, the system offers very compelling TCO. The low price point will simplify the cost justification for this solution over existing traditional systems. Most traditional systems are far from simple and are subject to increasing maintenance costs, lack of replacement parts, and other problems.
- A value-priced solution that offers the core set of unified communications features for smaller organizations

The Cisco Business Edition 3000 will fill three strategic roles:

- Strong fit for the midmarket organization looking to replace a traditional system: The purpose-built system fills a gap in Cisco's product portfolio that had richer, more expensive solutions, as well as smaller solutions.
- Cisco clearly intends to win market share with a very aggressively priced telephony solution: Cisco is considered a premium brand and is usually positioned at a premium price. This product is intended to serve mid-market companies and should be well received.
- The Business Edition 3000 provides a large number of Cisco resellers an entry into telephony: The additional certifications to resell this product are relatively negligible compared to Cisco's enterprise unified communications offerings. The product and program will be very attractive to a large number of resellers that are intrigued by voice services.

We expect the Business Edition 3000 to help increase Cisco's market share and energize its channel with a route to voice services. Cisco's aggressive pricing is a clear indication that it is serious about serving the midmarket. Additionally, customers can start with the Business Edition 3000 as a unified communications foundation, with an upgrade path to richer unified communications solutions from Cisco.

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Dave Michels is an independent telecommunications protagonist. Dave's unique perspective comes from a career involving telecom, IT, and channel, including leadership positions in Fortune 500 companies as well as startups and even a telecom dealership. Dave is an active blogger on PinDropSoup.com and is a member of the UCstrategies.com team that does regular unified communications research and podcasts. Dave also contributes regularly to the unified communications news and analysis site NoJitter.com. Dave works with multiple unified communications vendors and engages with end users on telecom and unified communications projects through his consulting firm Verge1. A resident of Boulder, Colorado, Dave holds an M.S. in Telecommunications from Colorado University.



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