



J.Gold Associates LLC, 6 Valentine Road, Northborough, MA 01532, USA
www.jgoldassociates.com +1-508-393-5294

The Office Desk Phone is Dead!

The market for high priced desktop business telephones and back office PBXes will dramatically change over the next 2-3 years as users abandon fixed assets for mobile devices (smart phones primarily but also increasingly tablets and other mobile devices). This means that mobile vendors and office phone system suppliers must migrate desirable communications features. But can the current vendors accomplish this task effectively?

Hardwired office desk top phones, some costing several hundred dollars apiece and a very lucrative business for the likes of Cisco, Avaya, Nortel and others, are on their last legs. They will follow the same path as landline phones have in residents, where already 25% of consumers in the US (and higher in some other countries) have abandoned them for the convenience of their mobile phones (its much higher then 25% in the younger age groups). And those percentages are rapidly growing. Smart phone users find they get much more bang for their buck, and balk at paying two carrier fees for what they consider redundant services. And like most technologies of the past few years, what happens with consumers, generally gets implemented by businesses within a relatively short time.

So, within 2-3 years, we expect 25%-35% of business users to employ a mobile smart phone device exclusively and abandon use of a fixed line desk phone. The impact to businesses will be significant as they embrace this mobile enabled mindset. The result is mobile devices will need to be enabled with many of the same productivity enhancing features of current fixed line desktop phones connected to feature-rich PBXes. Companies will be required to extend existing PBX/business phone functionality (e.g., extension dialing, call forwarding, internal routing) to a wide range of mobile devices. Vendors of business oriented smart devices, and business PBXes, will have to scramble to meet that need. But a significant portion of existing business PBXes are old and can't easily be upgraded, nor are there universal standards to make cross platform connectivity easy.

So who might be some of the winners and losers of this rapidly emerging trend?

Cisco stands to lose lots of desktop device business as a result. Cisco knows this which is why it created the Cius tablet. It's still too expensive for many users and it's not going to be the primary communications device like a smart phone, but it's a step in the right direction. And Avaya with its

A175 tablet and Flare interface is moving in a similar direction. Of course, Cisco and Avaya do have a significant stake in the back office IPBX market, where they should do very well by rolling out smart phone directed features (and partnering with third party solution providers).

On the device side, RIM bought a PBX extender company (Ascendent Systems) several years ago and turned it into an IPBX connected extension of its BES architecture, calling it MVS. It was ahead of its time when it was launched, but as more users choose smart phone only use, this capability will grow in importance. Of course, MVS only works within the BES environment, so it's not as valuable for mixed device environments, but this does give RIM a market advantage for BlackBerry environments.

Google offers Google Voice, which is cross platform but will ultimately be "tuned" for Android devices. Microsoft has Lync (formerly OCS) which it hopes will extend its dominant Exchange franchise into a unified communications powerhouse, but currently has limited mobile support. And IBM offers Connections and Sametime to enhance its suite of communications and social networking tools, but they are attractive primarily to the largest enterprises. None of the above are direct replacements for the office phone/PBX today, but they are clearly pointed in that direction, unifying the voice and data features of the smart device world. And Cisco is not sitting still either, integrating a number of its acquisitions (e.g., WebEx) to enable mobile unified communications on its IPBX platforms. And there's the wild card of what Apple might do in this space – partner or offer its own competing product to Google Talk.

Ultimately, it's the end user who stands to gain the most. And its companies who stand to feel the most pain in the next couple of years as they struggle to implement a strategy to make this happen within their existing telecomm/IT environment. Short term costs will go up, as companies must purchase extensions to existing backend systems, or replace them altogether with newer generation products. Longer term however, the need for a single device which is always connected and always available to the user will enhance both that user's productivity, and lower overall costs to the business by increasingly piggybacking on already existing connections and application (e.g., VoIP, email/messaging, presence, optimized routing, WiFi (free) calling, etc.).

Bottom Line: few businesses have yet moved very far down this path. Its likely many will feel the heat from users in the next 6-12 months especially the executive ranks that adopt newer technologies quickly and have the highest expectations. And like with "bring your own device" (e.g., iPhone, iPad) IT/telecom operations will be caught off guard, and struggle to catch up. If your company is not planning for this migration to a more converged environment in the short term, you are going to feel the heat!

Jack Gold is the founder and principal analyst at J.Gold Associates, an information technology analyst firm based in Northborough, Mass., covering the many aspects of business and consumer computing and emerging technologies.

For more in-depth comments or analysis on this or other subjects, feel free to contact us.

Jack E. Gold

jack_gold@jgoldassociates.com
www.jgoldassociates.com
508-393-5294

Copyright 2011 J.Gold Associates, LLC. All right reserved.