STAFF REPORT

CITY COUNCIL OF THE CITY OF SAUSALITO

AGENDA TITLE

Authorize City Manager to Approve Purchase of Voice-Over-Internet Protocol (VOIP) Telephone System Under a Cooperative Purchasing Agreement

RECOMMENDED MOTION

Adopt a Resolution of the City Council of the City of Sausalito Approving and Authorizing the City Manager to Execute a Purchase Agreement for a Voice-Over-Internet Protocol (VOIP) Telephone System from American Telesource Inc. for Shoretel Equipment Under a Cooperative Purchasing Agreement

SUMMARY

The City desires to replace its telephone system in coordination with occupancy of the new Public Safety Facilities buildings. The adopted budget for FY10 includes a line item for purchase of a Voice-Over-Internet Protocol (VOIP) system. Staff and Council have identified this procurement as a priority project in both 2008 and 2009 under the City's goal to Improve the Infrastructure.

Staff identified several alternative vendors for the required system and narrowed the selection to two: Cisco Systems and Shortel. Staff has diligently evaluated both and concluded that the Shoretel system will provide the best value to the City of Sausalito owing to lower initial capital cost, reduced Staff workload and expected lower operations costs when compared with Cisco. Further, Shoretel's authorized sales representative, American Telesource, Inc. (ATI) has extended California Multiple Award Schedule ("CMAS") pricing to the City. Staff has compared the proposed pricing, confirmed that Shoretel holds a current CMAS contract in good standing, and recommends approving the purchase of the equipment and services from ATI to transition the City from its existing Centrex system to Shoretel VOIP. Making this purchase at this time will allow the new Public Safety Facilities to be fitted with the new system without redundancy or delay to either project.

ISSUES

None identified. Staff finds that this Project is exempt from CEQA pursuant to 14 CCR § 15302, Replacement or Reconstruction, inasmuch as it consists of the replacement of existing equipment with substantially the same size, purpose and capacity.

FISCAL IMPACT

The approved budget for FY2009-10 includes $158,200 for VOIP acquisition (Fund 140-410-429-150) all of which is available and unencumbered as of March 31, 2010. The ATI quote is for all of the equipment and services required in an amount not to exceed $93,803.70. Staff requests authorization of a total budget of $105,000 to allow approval of minor changes up to that total without subsequent Council action.

STAFF RECOMMENDATION

Adopt a Resolution of the City Council of the City of Sausalito Approving and Authorizing the City Manager to Execute a Purchase Agreement for a Voice-Over-Internet Protocol (VOIP) Telephone System from American Telesource Inc. for Shoretel Equipment Under a Cooperative Purchasing Agreement

ATTACHMENTS

- Nemertes IP Telephony Comparison 2009
- *Forbes.com* November 14, 2007
- Shoretel Knox County Housing Success Story
- A Resolution of the City Council of the City of Sausalito Approving and Authorizing the City Manager to Execute a Purchase Agreement for a Voice-Over-Internet Protocol (VOIP) Telephone System from American Telesource Inc. for Shoretel Equipment Under a Cooperative Purchasing Agreement
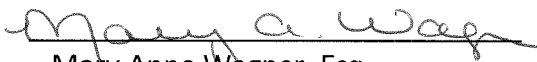
.

PREPARED BY:

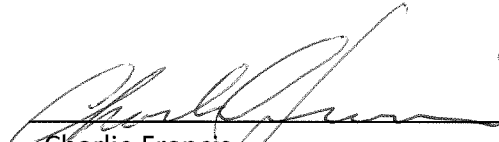Jonathon Goldman
Director of Public Works

REVIEWED BY:

Rhett Redelings
Information Technology Manager

REVIEWED BY:

Mary Anne Wagner, Esq.
City Attorney

REVIEWED BY:

Charlie Francis
Administrative Services Director/Treasurer

SUBMITTED BY:

Adam W. Politzer
City Manager

RESOLUTION No. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAUSALITO APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE AGREEMENT FOR A VOICE-OVER-INTERNET PROTOCOL (VOIP) TELEPHONE SYSTEM FROM AMERICAN TELESOURCE INC. FOR SHORETEL EQUIPMENT UNDER A COOPERATIVE PURCHASING AGREEMENT

WHEREAS, with Council Action on Item 4B2 during its Regular Meeting of April 21, 2009 the City Council affirmed its objective of replacing the City's telephone system under the management of Information Technology Division and the overall goal of Improving the Infrastructure; and

WHEREAS, said City Staff has identified and evaluated a number of alternatives for accomplishing the stated objective; and

WHEREAS, the City's evaluation resulted in selection of a VOICE-OVER-INTERNET PROTOCOL ("VOIP") TELEPHONE SYSTEM utilizing SHORETEL EQUIPMENT as providing the best value to the City taking into account initial capital cost, operating costs, and Staff effort requirements; and

WHEREAS, Shoretel's authorized sales representative, American Telesource, Inc. (ATI) has extended California Multiple Award Schedule ("CMAS") pricing to the City and Staff has compared the proposed pricing, confirmed that Shoretel holds a current CMAS contract in good standing, and recommends approving the purchase of the equipment and services from ATI to transition the City from its existing Centrex system to Shoretel VOIP; and

WHEREAS, as provided for under Sausalito Municipal Code, Section 3.30.200, the City Manager may obtain necessary equipment or supplies under a cooperative competitive bidding procedure employed by another public agency without soliciting competitive bids directly as long as certain requirements are met; and

WHEREAS, Staff has confirmed that Shortel's CMAS contract satisfies said requirements of Sausalito Municipal Code, Section 3.30.200; and

WHEREAS, making this purchase at this time will allow the new Public Safety Facilities to be fitted with the new system without redundancy or delay to either project; and

WHEREAS, the award of the contract and installation of the equipment is exempt from the application of the California Environmental Quality Act (California Public Resources Code Section 21000, et seq., "CEQA"), pursuant to Section 15302 (Class 2 Categorical Exemption); and

WHEREAS, the approved budget for FY2009-10 includes $158,200 for VOIP acquisition (Fund 140-410-429-150) all of which is available and unencumbered as of March 31, 2010.

4B,2
5

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Sausalito:

1. The City Council hereby finds that the award of the contract and installation of the equipment are exempt from the application of CEQA pursuant to Section 15302 (Class 2 Categorical Exemption).
2. Authorizes the City Manager to Execute the Attached and Incorporated by Reference hereunder Purchase Agreement for a Voice-Over-Internet Protocol (VOIP) Telephone System from American Telesource Inc. for Shoretel Equipment Under a Cooperative Purchasing Agreement in an amount not to exceed $105,000.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Sausalito on the 6th day of April, 2010 by the following vote:
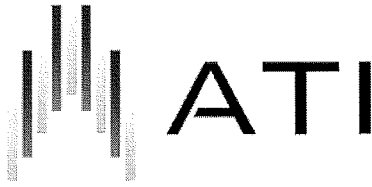
AYES: Councilmembers:
NOES: Councilmembers:
ABSTAIN: Councilmembers:
ABSENT: Councilmembers:

_____
MAYOR OF THE CITY OF SAUSALITO

ATTEST:

_____
CITY CLERK

ATI

Quote

No.:	**3036**
Date:	3/22/2010

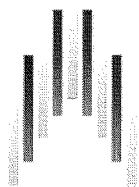## Shoretel Offering - CMAS

Prepared for:

City of Sausalito
420 Litho Street
Sausalito, CA 94965 U.S.A.

Prepared by: Diane Cummings
Account No.: 1756
Phone: (415) 289-4100
Fax: (415) 289-4167

Qty.	Item ID	Description	UOM	Sell	Total
4	ShoreGear Rackmount Tray Kit 10223	ShoreGear rackmount tray kit for two 1U half width switches	EA	$95.00	$380.00
1	ShoreWare 9.1 Software	ShoreWare 9.1 Software	EA	$0.00	$0.00
2	ShoreGear 90	ShoreGear 90	EA	$2,353.75	$4,707.50
1	ShoreGear 90V	ShoreGear 90V - Built in VM	EA	$2,900.58	$2,900.58
1	ShoreGear 50V	ShoreGear 50V - Built in VM	EA	$1,958.58	$1,958.58
1	ShoreGear 30	ShoreGear 30 *Requires Tray (SKU 10223)*	EA	$1,253.50	$1,253.50
3	ShoreGear T1k-1U half width	Shoregear T1k - 1U half width, T1/PRI/QSig	EA	$2,746.70	$8,240.10
65	ShorePhone IP230-Black	ShorePhone IP230-Black	EA	$203.55	$13,230.75
10	ShorePhone IP265-Black	ShorePhone IP265-Black (7.5 or later)	EA	$290.00	$2,900.00
14	ShorePhone Power Adapter Ethernet	ShorePhone Power Adapter for Ethernet Speed of 10/100/1000 (min 10 w/o phone order)	EA	$27.50	$385.00
3	ShoreTel Voice Mail Quick Reference, Doc. Pack, Qty 25	ShoreTel Voice Mail Quick Reference, Doc. Pack, Qty 25	EA	$7.86	$23.58
1	ShoreTel 265 IP Phone Quick Reference Doc. Pack, Qty 25	ShoreTel 265 IP Phone Quick Reference Doc. Pack, Qty 25	EA	$7.86	$7.86
3	ShoreTel 230/230G IP Phone Quick Reference, Doc. Pack, Qty 25	ShoreTel 230/230G IP Phone Quick Reference, Doc. Pack, Qty 25	EA	$7.86	$23.58
65	ShoreWare Extension & Mailbox License	ShoreTel Extension & Mailbox License	EA	$157.18	$10,216.70
21	ShoreWare Extension Only License	ShoreTel Extension Only License (requires ShoreTel 5.2 or higher)	EA	$110.00	$2,310.00
65	ShoreWare Personal Call Manager License-8	ShoreTel Personal Call Manager (requires ShoreTel 8, U.S. only)	EA	$98.24	$6,385.60
1	ShoreWare Operator Call Manager License-8	ShoreTel Operator Call Manager (requires ShoreTel 8, U.S. only)	EA	$467.60	$467.60
2	ShoreWare Additional Site License	Additional Site License	EA	$389.00	$778.00
1	DELL-PE-R805-2PS-200908	Dell 2U RM Server/Dual Power Supplies	EA	$4,537.00	$4,537.00

4B12
7

ATI

Quote

Phone: 800-333-8394 Fax: 510-428-2460
1350 Ocean Avenue
Emeryville, CA 94608

No.: **3036**

Date: 3/22/2010

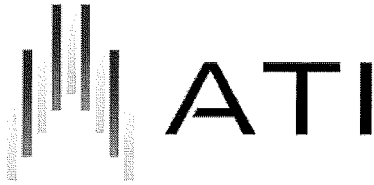## Shoretel Offering - CMAS

Prepared for:

City of Sausalito
420 Litho Street
Sausalito, CA 94965 U.S.A.

Prepared by: Diane Cummings
Account No.: 1756
Phone: (415) 289-4100
Fax: (415) 289-4167

Qty.	Item ID	Description	UOM	Sell	Total
		PowerEdge R805 (2U Chassis):			
		Base Unit: 2x Quad Core AMD Opteron 2376 75W, 2.3GHz, 1Ghz HyperTransport (224-3052)			
		Memory: 4GB Memory, 4x1GB, 667MHz, Single Ranked DIMMs (311-7985)			
		Card: TOE and ISCSI Offload features included with onboardNIC ports (311-8713)			
		Hard Drive: 146GB 15K RPM Serial-Attach SCSI 3Gbps 2.5-in HotPlug Hard Drive (341-8971)			
		Additional Storage Products: 146GB 15K RPM Serial-Attach SCSI 3Gbps 2.5-in HotPlug Hard Drive (341-8971)			
		Operating System: Windows Server 2003, Standard Edition, Includes 5 CALs, 2008Media (421-0041)			
		CD-ROM or DVD-ROM Drive: DVD-ROM Drive, Internal, SATA (313-5884)			
		CD-ROM or DVD-ROM Drive: SATA Cable, Optical Drive, R805 (330-0211)			
		CD-ROM or DVD-ROM Drive: PowerEdge R805 Active Bezel (313-5887)			
		Documentation Diskette: Dell Management Console (330-5280)			
		Documentation Diskette: PowerEdge R805 Printed Documentation (310-9976)			
		Feature: Internal PERC RAID Controller,2 Hard Drives in RAID 1 config (341-5840)			
		Feature: Universal Sliding Rapid/Versa Rails, includes Cable Management Arm (310-7412)			
		Feature: 2x Full-length, full-height PCIe card slot			
		Misc: Power Cord, C13 to C14, PDU Style, 12 Amps, 2 foot, Qty 1 (330-3150)			
		Misc: Power Cord, C13 to C14, PDU Style, 12 Amps, 2 foot, Qty 1 (330-3150)			
		Misc: 4x Broadcom NetXtreme II 5708 1GbE Onboard NICs with TOE (430-2713)			
		Misc: 40GB Microsoft OS Partition Override (420-6966)			
		Service: Dell Limited Hardware Warranty Plus On Site Service Initial Year (989-0877)			
		Service: Basic: Business Hours (5X10) Next Business Day On Site Hardware Warranty Repair Initial Year (985-4430)			
		Service: Dell Limited Hardware Warranty Plus On Site Service Extended Year (989-0858)			
		Service: Basic: Business Hours (5X10) Next Business Day On Site Hardware Warranty Repair 2Year Extended (984-8712)			
1	MSC-KEYBOARD	KEYBOARD	EA	$33.00	$33.00
1	MSC-MOUSE	MOUSE	EA	$16.00	$16.00
1	MSC-MONITOR-15INCH-LCD	MONITOR-15INCH-LCD	EA	$255.00	$255.00
1	MSC-MDF-PARTS	Miscellaneous MDF Materials	EA	$110.00	$110.00
7	MSC-25FT-AMPTAIL	MSC-25FT-AMPTAIL	EA	$58.67	$410.69
7	MSC-66M1-50-BRACKET-89-B	66M1-50-BRACKET-89-B - MOUNTING BRACKET	EA	$2.50	$17.50
7	MSC-66M1-50-BLOCK-50-PAIR	66M1-50 BLOCK-50-PAIR	EA	$9.50	$66.50
1.00	ATI Support - 24/7 - 1 Year	ATI Support/ Shorecare Partner Support 24/7 - 1 Year (Parts & Labor)	HR	$9,151.49	$9,151.49
1	ATI-Project Labor	ATI-Project Labor/Training	EA	$15,950.00	$15,950.00
1.00	Shipping	Shipping & Handling	EA	$1,234.20	$1,234.20

Item Total:		$87,950.31
Sales Tax at 9.500%:		$5,853.39
GS Tax:		$0.00
Total:		**$93,803.70**

4B12

ATI

ATI

Phone: 800-333-8394 Fax: 510-428-2460
1350 Ocean Avenue
Emeryville, CA 94608

Quote

No.: **3036**

Date: 3/22/2010

Shoretel Offering - CMAS

Prepared for:	Prepared by: Diane Cummings
	Account No.: 1756
City of Sausalito	Phone: (415) 289-4100
420 Litho Street	Fax: (415) 289-4167
Sausalito, CA 94965 U.S.A.	

Qty.	Item ID	Description	UOM	Sell	Total

Prices are firm until 4/21/2010   Terms:

Quoted by: Diane Cummings   **Date:** 3/22/2010

Accepted by: _____ *   **Date:** 29MAR10

* Subject to City Council approval scheduled for April 6, 2010.

ATI

ATI

PURCHASER / CUSTOMER ☐ Proprietorship ☐ Partnership ☐ Corporation

Customer:	City of Sausalito
Address:	420 Litho Street
City, State:	Sausalito Ca
Zip Code:	94965

1. ATI agrees to sell to Customer and Customer agrees to buy from ATI the Equipment in Schedule A attached, in accordance with the following terms and conditions:
2. Equipment shall be located at the following "Premises":

STREET ADDRESS	CITY/COUNTY,STATE	ZIP CODE
City Hall - 420 Litho Street,	Sausalito Ca	94965
Police - 29 Caledonia Street	Sausalito Ca	94965
Fire - 333 Johnson Street	Sausalito Ca	94965

3. Estimated cutover date: May 31, 2010

4. Customer shall purchase the Equipment or shall exercise its option to lease the Equipment as follows:

   A. PURCHASE – Customer agrees to pay ATI as follows:

a.	Purchase Price	$	87950.31
b.	Tax	$	5853.39 (9.5 %)
c.	Total	$	93803.70
d.	Deposit	$	50% 46,901.85 (submit with this Agreement
e.	Progress Payment	$	40% 37,521.48 (On equipment delivery date)
f.	Final Payment	$	10% 9380.37(Upon system acceptance)

   B. LEASE/OPTION – Customer shall enter into a binding agreement with a leasing company or other financial institution (hereinafter referred to as "Lessor") satisfactory to ATI providing for a lease of the Equipment by Customer from Lessor for   months at the rate of   dollars. ATI will refund to Customer all deposits paid under the terms of the Agreements when ATI receives payment from the leasing company, less any amounts due to AI through changes or additions to the sale not incorporated in the Lease. Installation of the Equipment, including ordering and installing the cable system, may be commenced prior to the execution of such lease at the sole discretion of ATI, In the event that the Customer does not secure a Lease for the Equipment, and ATI orders/or begins installation of the cabling systems, ATI shall remit the deposit Customer has paid, less labor and material costs incurred. Hourly labor costs are the costs ATI charges other customers for similar services.

5. THIS AGREEMENT SHALL BECOME EFFECTIVE AND BINDING UPON THE PURCHASER AND ATI ONLY UPON APPROVAL, ACCEPTANCE, AND EXECUTION HEREOF BY ATI AT ITS HOME OFFICE.   ATI MAKES NOT EXPRESS OR IMPLIED WARRANTIES INCLUDING THOSE OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE. THIS EQUIPMENT CONTAINS THE ENTIRE AGREEMENT BETWEEN THE PARTIES WITH REGARD TO THE SUBJECT MATTER HEREOF, AND ATI IS NOT BOUND BY ANY REPRESENTATIONS OR INDUCEMENTS NOT SET FORTH HEREIN. PURCHASER ACKNOWLEDGES HAVING READ THE TERMS AND CONDITIONS HEREIN, ON THE REVERSE SIDE HEREOF, AND AGREES TO BE BOUND THEREBY. TIME IS OF THE ESSENCE.

Executed by the Purchaser this   day of   , 20

PURCHASER	SALESPERSON
BY: _____	
SIGNATURE	APPROVED AND ACCEPTANCE BY SELLER
	AMERICAN TELESOURCE, INC.
(TYPE NAME AND TITLE)	
RECEIPT IS ACKNOWLEDGED OF A DOWN PAYMENT IN THE AMOUNT OF $	BY: _____
	SIGNATURE

4B12
11

ATI

1350 Ocean Ave
Emeryville, CA 94608
Main: 510-428-1111
Toll Free: 800-333-8394
Fax: 510-428-2460
www.ati-cti-com

|||ı **ATI**

BY: _____

_____
(TYPE NAME AND TITLE)   DATE

6. CUTOVER AND ACCEPTANCE: For the purpose of this Agreement, "Cutover and Acceptance Date" is herein defined as the date upon which the Equipment is installed at the Premises, and is substantially functioning. The estimated Cutover date is an approximate date, and ATI shall not be liable for damages, special, consequential, or otherwise, for delay in Cutover and Acceptance Date. ATI shall under no circumstances be responsible for causes beyond its reasonable control or for unforeseen circumstances in the installation of the Equipment. Unless within seventy-two hours after Cutover and Acceptance Date Customer gives written notice to ATI specifying any defects in installation or other proper objection to the Equipment, customer agrees that it shall be conclusively presumed that the Cutover and Acceptance Date is the date on which the Customer shall pay ATI the total unpaid balance payment.

7. WARRANTY: ATI will offer Customer an equipment warranty against defective parts and workmanship for a period of one year from Cutover and Acceptance Date.

8. TERMS OF PAYMENT: On the Cutover and Acceptance Date, customer shall pay to ATI the total price of the Equipment less down and progress payments. Such payments shall be made without claim of set off or reduction for any purpose whatsoever. Upon receipt by ATI of the total purchase price, title to Equipment shall pass to Customer.

9. DEFAULT: If any of Customer's obligations to ATI be not promptly paid when due, or if customer breaches any provision hereof, customer shall be in default hereunder and all unpaid installments shall become immediately due and payable. Upon customer's default, ATI shall have the rights and remedies of a secured party under the Uniform Commercial Code and any other laws, including the right to any delinquent payments for which Customer agrees to remain fully liable. Without prejudice to ATI's remedies hereunder, ATI shall be entitled to interest at the rate of 1 ½ % per month or at the maximum rate permitted by the law, whichever is lower, from the first day of the calendar month for which due until paid. As long as any part of the contract price remains outstanding. Customer shall furnish such financial statements as may reasonably be requested by ATI and the security interest granted hereby shall continue effective, and title of the Equipment shall remain with ATI irrespective of any retaking and redelivery of collateral to Customer until all amounts secured hereby are fully paid in money. If default continues for five (5) days after written or telegraphic notice thereof by ATI, ATI may render the Equipment unusable until ATI receives payment in full.

10. LIQUIDATED DAMAGE CLAUSE: Since the actual damages which would result from any breach by Buyer of his/her/its duties under this agreement are uncertain and would be extremely difficult to ascertain, Buyer agrees that ATI shall retain the deposit paid hereunder by Buyer as liquidated and agreed damages in the event of any breach of this agreement by Buyer.

11. ARBITRATION CLAUSE: If there is any controversy, dispute, or claim by either party arising out of or relating to this contract or any part thereof, such controversy, dispute, or claim shall be submitted to arbitration. Such arbitration shall be determined in accordance with the rules and Regulations of the American Arbitration Association, and the parties shall be bound by the decision or determination of such arbitration.

12. USE OF EQUIPMENT: Customer hereby assumes and shall bear the entire risk of direct and consequential loss and damage to Equipment or any part thereof from the date of delivery to Premises. Customer shall pay any Municipal, County State or Federal sales, excise or other taxes which may be levied upon the sale, transfer of ownership or installation of the Equipment. Purchaser shall indemnify Seller against the hold Seller harmless from any and all claims, actions, suits, proceedings, costs, expenses, damages and liabilities, including attorney's fees, claimed by any person, organization, association, or otherwise arising out of, or relating to the Equipment, use possession, operation and/or condition, thereof, except as caused exclusively by ATI.

13. ATI SHALL NOT BE LIABLE FOR ANY SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OR FOR LOSS, DAMAGE OR EXPENSE DIRECTLY OR INDIRECTLY ARISING FROM CUSTOMER'S USE OF OR INABILITY TO USE THE EQUIPMENT EITHER SEPARATELY OR IN COMBINATION WITH OTHER EQUIPMENT, OR FOR PERSONAL INJURY OR LOSS OR DESTRUCTION OF OTHER PROPERTY, OR FROM OTHER CAUSE.

14. MISCELLANEOUS: Titles to the paragraphs of the Agreement are solely for the convenience of the parties and do not explain, modify, or interpret the provisions herein. If more than one (1) Purchaser is named in this Agreement, the liability of each shall be joint and several. This Agreement shall not be amended or altered except in writing signed by all parties hereto and shall be governed by the Laws of the State of California. If any provisions of this Agreement are in conflict with any statute or rule of law of any state or territory wherein it may be sought to be enforced, then such provisions shall be deemed null and void to the extent that they may

4B12
12

ATI

1350 Ocean Ave
Emeryville, CA 94608
Main: 510-428-1111
Toll Free: 800-333-8394
Fax: 510-428-2460
www.ati-cti-com
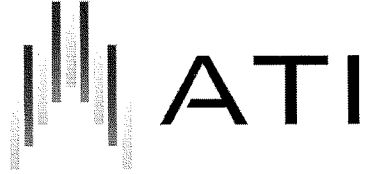
conflict therewith, but without invalidating the remaining provisions hereof. Customer will permit or arrange for access to the premises for the Seller's installation and maintenance personnel. Customer will provide adequate space for the Equipment and insure that light and an adequate separate AC power source are available.

15. ASSIGNMENT, SUBCONTRACTING: This agreement may be assigned by ATI in whole or in part and ATI may freely subcontract any or all of the work hereunder. The customer may not assign this agreement in whole or in part without obtaining the prior written consent of ATI, which consent shall not be unreasonably withheld.

16. COSTS OF ENFORCEMENTS: Customer shall pay ATI all costs (including reasonable attorney's fees to the extent permitted by law) incurred by ATI in enforcing the provisions hereof or in exercising any of the rights and remedies hereunder.

17. ATI LIABILITY FOR LEASING OBLIGATIONS: ATI shall not be liable for any of the lease payments unless it enters into a guarantee of direct billing agreement with the Lessor. If the Lessor makes demand on ATI for any payments claimed due by the purchaser, ATI, at its option, may make payment claimed by Lessor. After making any payments, ATI may enforce this Agreement, as well as any and all provisions of the agreement entered into between purchaser and the Lessor, as if ATI had been assigned all of the lessor's rights. ATI may claim to enforce the provisions of the leasing agreement, including collateral agreements, such as a security agreement, as if, in fact, purchaser had entered into the agreements with ATI.

Executed by the Purchaser this   day of   , 20

PURCHASER

BY: _____
SIGNATURE

APPROVED AND ACCEPTANCE BY SELLER
AMERICAN TELESOURCE, INC.

(TYPE NAME AND TITLE)

RECEIPT IS ACKNOWLEDGED OF A DOWN PAYMENT IN THE
AMOUNT OF $

BY: _____
SIGNATURE
Steve Karthan, CFO

BY: _____

(TYPE NAME AND TITLE)   DATE

4812
13

nemertes
R E S E A R C H

INDEPENDENCE INTEGRITY INSIGHT

PilotHouse Awards - Top Providers
IP Telephony 2009

4BE2
15

Analyzing the business impact of emerging technologies

IP Telephony 2009

By Irwin Lazar,
Vice President, Communications Research, Nemertes Research

Award Definition

   The IP Telephony award recognizes vendor manufacturers of IP call-control servers and handsets. They also typically offer voice messaging, auto-attendant, gateways, and audio conferencing capabilities. This award does not include hosted IP telephony service providers (business or consumer).

Overview

   The goal of the Nemertes PilotHouse awards program is to ascertain how well vendors and service providers perform in the eyes of their business customers. In addition to IP telephony, Nemertes gathered ratings on a broad array of technologies, including related areas such as MPLS services, unified communications, video/telepresence, and IP contact centers. Separate reports are available on all 10 areas of coverage, and more detail on the program is available in the methodology at the end of this report.

   We issue awards based on customer ratings of their vendors or service providers. The challenge is some providers (Market Leaders) have hundreds or thousands of customers, perhaps millions of users, and significant market share in terms of revenues or units shipped, while others (Market Challengers) have perhaps scores or a few hundred customers, far fewer users, and much smaller market share. Since leaders would get so many more ratings than challengers, we decided to segment the two groups and issue awards within each group. We do provide overall market comparisons, though, since many IT practitioners want a mixture of vendors on their RFP short lists.

   What makes this Nemertes project so different from any other research available? The results are based 100% on the views and experiences of actual customers of IP telephony vendors. Nemertes' staff determines the methodology, conducts the research and analyzes the findings. But we have no influence over how any given vendor performs. The opinions rest with real customers. In addition, no vendors sponsor this research.

One key aspect of the IP telephony market is the large number of providers, though a small handful dominates market share. Nemertes received ratings for 39 providers, (including some service providers, despite the fact that they were not part of this project) with nine receiving enough votes to qualify for award consideration. Nemertes provides awards to Market Leaders (those with a significant market presence), as well as Market Challengers (those with smaller market presence who received a significant number of ratings).

We asked IT practitioners with knowledge of the IP telephony products in their organizations to rate their providers on a 1-to-5 scale (1=unacceptable, 2=poor, 3=fair, 4=good, 5=excellent) in five areas: Value, customer service, technology, management tools, and ease of installation and troubleshooting. The awards presented here recognize the best IP telephony vendors using the average scores of all categories across all ratings received. In addition to computing mean scores on each point, Nemertes combined the five for an overall rating. The Nemertes PilotHouse program focuses on three key ratings in its analysis: value, technology, and customer service. We do provide the results of all five rating areas in Figure 1, but focus the rest of the analysis on the core three ratings.

Value

Value ratings are essentially the way customers perceive what they get for what they pay for. Are they getting their bang for the buck? Those who rate higher in value deliver significant benefit with their solutions such that their customers feel they are making worthwhile expenditures. So if a vendor scores well in "value," it doesn't mean it is the least-expensive provider (though it could be). It simply means that regardless of the price charged, customers believe they're receiving value for the money spent. The top provider for value is ShoreTel, with a 4.31 score, followed by Cisco and 3Com, each with a 3.77.

Customer Service

Customer-service ratings define how customers feel their vendors serve them, particularly in the areas of response time to problems, account representative service, the RFP process, and warranty issues. High scores indicate leadership in customer service, while low scores indicate that customers aren't particularly pleased with all or some areas of service. One key point with customer service, though: It truly is king. Anecdotally, we have found that when customer service suffers, other ratings suffer, too. Even though a vendor may have solid technology, when customers aren't happy with the service they receive, it often reflects poorly on all areas rated. ShoreTel earns the top score in customer service with a 3.92, followed by Alcatel-Lucent's 3.88.

Technology

Technology ratings capture how customers view the sophistication of underlying technology of each vendor's products. Technology ratings also indicate

whether customers believe a particular vendor leads by bringing technology advancements to market. ShoreTel also wins the technology category, with a 4.08, followed by Cisco with a 3.91.

Management Tools

Customers also rated their IP telephony vendors on the sophistication with management tools that come with their equipment. Historically, this has been a weak point with many vendors, and often companies end up buying management tools from third parties. ShoreTel's 4.0 leads this category, followed by Microsoft's 3.69.

Ease of Implementation & Troubleshooting

For this category, IT staffs rate how easy it is to install the vendors' products, and once installed, how easy it is to troubleshoot any problems. This can be one of the biggest pain points or one of the most pleasant surprises of a new technology implementation. Once again, ShoreTel wins the highest score with a 3.92, followed by Microsoft with a 3.76.

Nemertes 2009 PilotHouse Awards IP Telephony Products						
Market Leaders		**Market Challengers**				
Avaya, Cisco, Nortel		3Com, Aastra, Alcatel-Lucent, Microsoft, Mitel, NEC, ShoreTel, Siemens				
Winners	**Value**	**Customer Service**	**Technology**	**Management tools**	**Installation & Troubleshooting**	**Overall**
ShoreTel	4.31	3.92	4.08	4.00	3.92	4.05
Cisco	3.77	3.79	3.91	3.60	3.57	3.73
Other Vendors						
Microsoft	3.74	3.76	3.83	3.69	3.76	3.76
Alcatel-Lucent	3.71	3.88	3.82	3.65	3.59	3.73
Avaya	3.64	3.48	3.76	3.49	3.49	3.57
3Com	3.77	3.38	3.38	3.38	3.69	3.52
Mitel	3.40	3.30	3.50	3.50	3.40	3.42
Nortel	3.45	3.34	3.53	3.30	3.30	3.39
Rating Scale: 5=Excellent; 4=Good; 3=Fair; 2=Poor; 1=Unacceptable						

Figure 1: Nemertes 2009 PilotHouse Awards: IP Telephony Products

Results Summary

The top prize goes to ShoreTel, which beat every provider in both the Market Leader and Market Challenger categories. (Please see Figure 1: Nemertes 2009 PilotHouse Awards: IP Telephony Products, Page 3.) ShoreTel itself is a Market Challenger, and its 4.05 score was not only one of the highest in the entire PilotHouse program across all technologies; it was significantly higher than any of

its IP telephony competitors. The Market Challenger's group also includes Microsoft (3.76), Alcatel-Lucent (3.73), 3Com (3.52) Mitel (3.42) and Siemens (3.10).

In the Market Leader category, Cisco took the honors with an overall score of 3.73, significantly ahead of fellow leaders Avaya (3.57) and Nortel (3.39). (Please see Figure 1: Nemertes 2009 PilotHouse Awards: IP Telephony Products, Page 3.) Cisco won on each rating; with its highest margin of victory coming in customer service.

Analysis

The most notable aspect of this year's awards is that the challengers beat the incumbents in a variety of areas, with ShoreTel gaining top scores among all vendors in all areas rated. ShoreTel's margin of victory was large in all areas except customer service, where Alcatel-Lucent nearly came closest to a ShoreTel rating, with a 3.88 versus ShoreTel's 3.92.

IP Telephony: Market Leaders
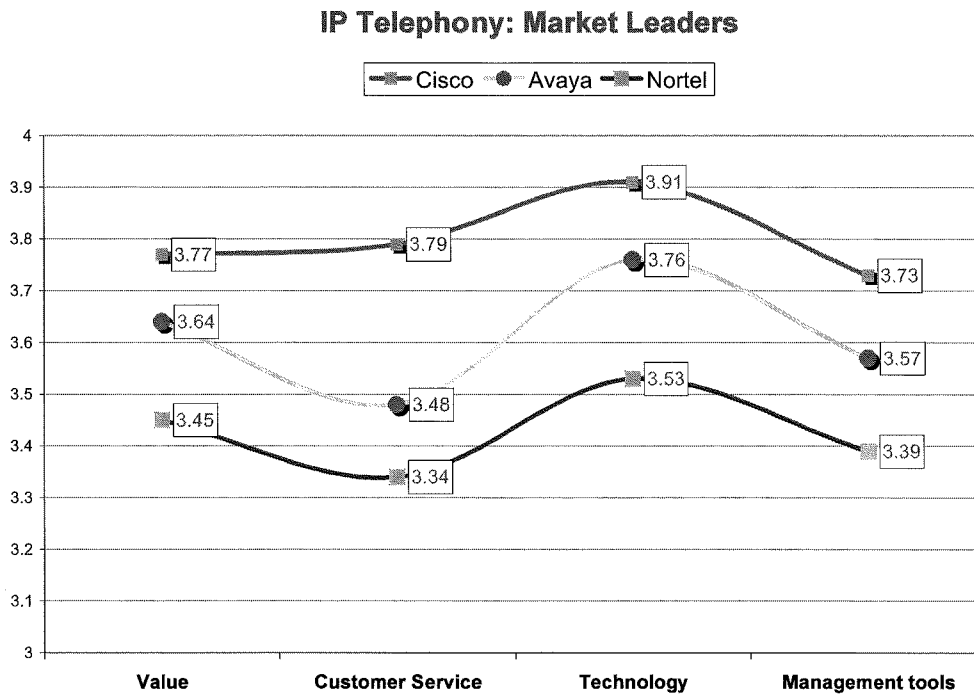
Figure 2: IP Telephony: Market Leaders

There are additional challenges in larger installations, which are more prevalent for the Market Leaders. For example, the majority of those rating ShoreTel and 76% of those rating runner-up Microsoft had deployed 1,000 or less

IP end-points (That's not to suggest either of these vendors don't have larger customers; rather, our sampling contained vendors with this makeup). Meanwhile, 45% of both Avaya and Cisco customers have deployed more than 1,000 end-points.

In the Market Leader category, Cisco scored a clean sweep, beating Avaya and Nortel in all ratings categories. Notable in this extrapolation of ratings data is no crossing of the lines between areas. Cisco took first place in each area, Avaya took second, and Nortel took third. (Please see Figure 2: IP Telephony: Market Leaders, Page 4.) These results indicate Market Leaders are fairly consistent in their capabilities. It is also notable that implementation and troubleshooting was the laggard for all three vendors. This is an area where improvement will lead to competitive gain, especially given that all challengers, except Mitel, beat all three leaders in this category.

IP Telephony: Market Challengers

Legend: ShoreTel · Microsoft · Alcatel-Lucent · 3Com · Mitel
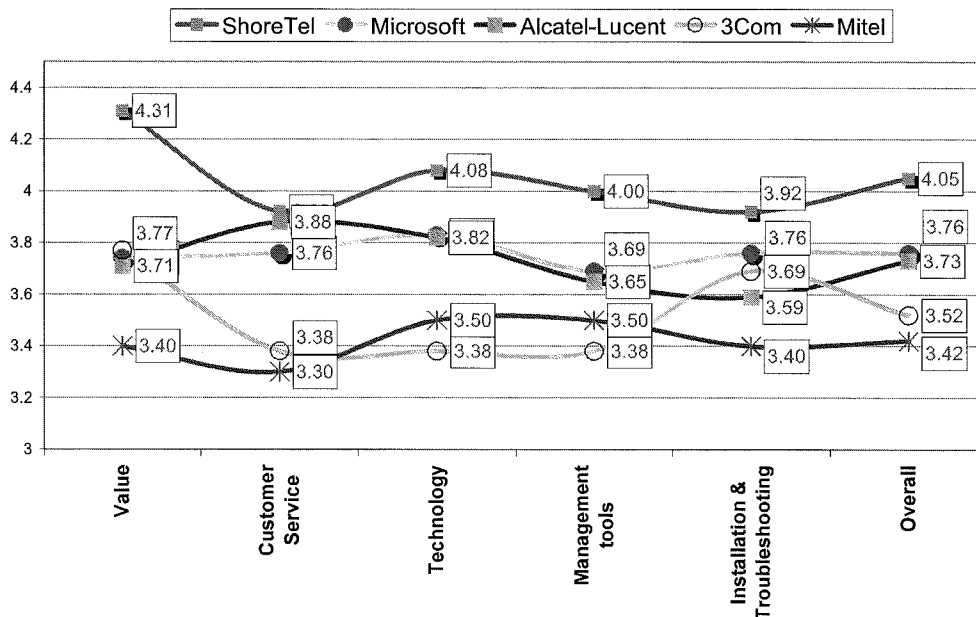
Figure 3: IP Telephony: Market Challengers

Market Challengers overall scored much better than Market Leaders. (Please see Figure 3: IP Telephony: Market Challengers, Page 5.) For buyers, these results argue for casting a wider net with vendor selection that includes Market Challengers, especially as two of the three Market Leaders are poised to consolidate over the next year. Overall, two Market Challengers scored higher than all the Market Leaders. (Please see Figure 4: IP Telephony: All Vendors, Overall

Scores, Page 6.) Management tools continues as a lagging category for all vendors except ShoreTel, meaning it's likely that we'll see continued growth in adoption of third-party management tools.

Just 4% of participants consider their VOIP implementations "unsuccessful." This helps to explain the high overall scores in value and technology across both segments. Customers are largely happy with their VOIP implementations, though they would like for their vendors to pay more attention to customer service, especially as IT cutbacks often mean less available resources for internal support.

IP Telephony: All Vendors, Overall Scores
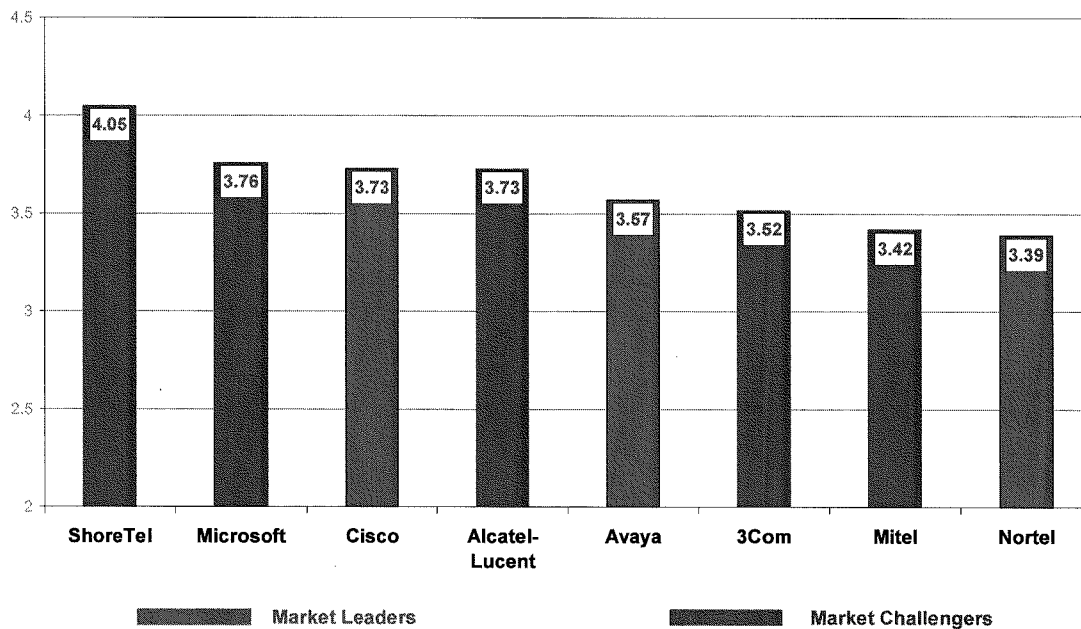
Figure 4: IP Telephony: All Vendors, Overall Scores

One final key point is the emergence of Microsoft as a serious VOIP competitor. As noted earlier, most Microsoft participants had small deployments. With reports that Microsoft is killing off its ResponsePoint SMB product, it's clearly positioning itself to take on Market Leaders in the large enterprise market. The fact that Microsoft finished second overall ought to serve as a warning shot across the bow of Cisco and Avaya.

PilotHouse Winners

ShoreTel

ShoreTel has scored at or near the top in every ratings category since Nemertes began tracking IP telephony vendor performance six years ago. This year is no different as ShoreTel won every ratings category--though Alcatel-Lucent came close in customer service. (Please see Figure 5: ShoreTel Ratings, Page 7.) ShoreTel's key driver continues to be its perceived value (4.31). Customers routinely praise their purchases of ShoreTel as providing an exceptional set of features and a highly resilient architecture at both lower upfront and ongoing costs than its competitors.

ShoreTel Ratings
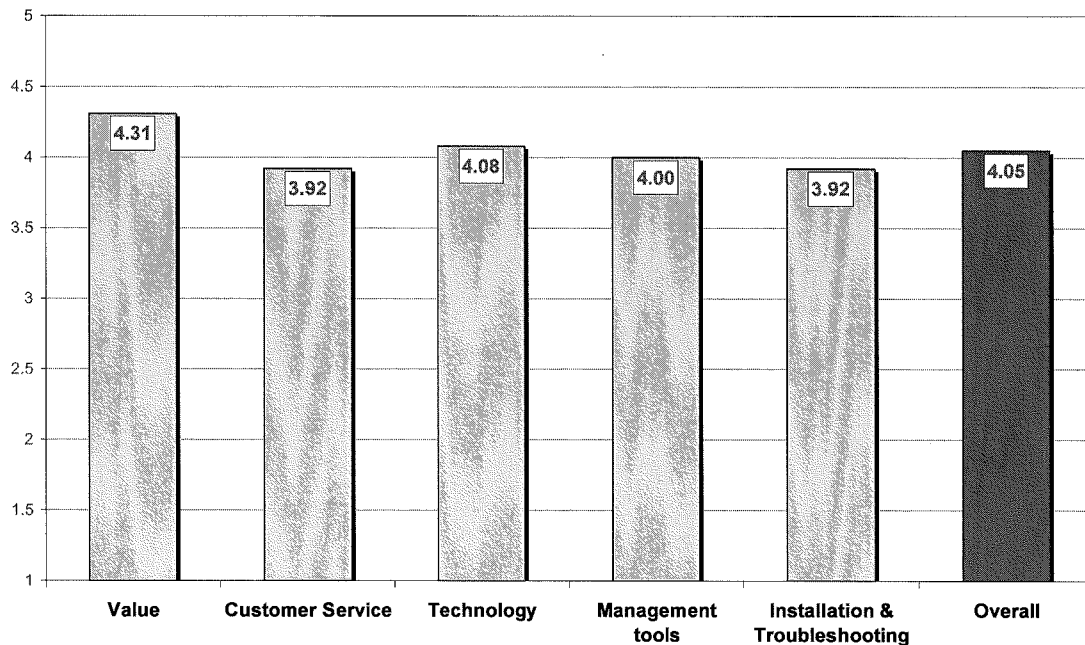
Figure 5: ShoreTel Ratings

ShoreTel's customers rate the vendor's technology favorably (4.08), as well. They often note the ability to easily scale by simply adding new switches as they add new sites or expand existing sites. "We found ShoreTel provided a better solution than its competitors, especially in the contact center," says the director of telecom at a small professional-services firm that had deployed about 200 end-

points. Customers also praise ShoreTel's feature set, including presence and unified-communications capabilities. "ShoreTel allows us to easily deploy new features and provide new collaboration capabilities to our employees," says the CIO for a regional law firm.

ShoreTel's 3.92 customer-service rating is solid, but in past years, its service rating has been higher. Where there were complaints of customer service, they came from those with larger rollouts who were not pleased with the expertise of their channels. As ShoreTel customers move toward larger rollouts, they must make sure the VARs have the experience to handle emerging integration issues. And ShoreTel needs to bolster channel training and certification so it doesn't lose ground on customer service.

Scale is, in fact, a challenge for ShoreTel. ShoreTel built its business initially serving the then-underserved small and midsize business market, giving ShoreTel an edge among companies with less than 1,000 end units. But it has, in the past few years, been moving up-market, with new customers in the large business market—typically 1,000-5,000 end units. As it continues to move up-market and directly compete with Avaya and Cisco for larger installations, it must make sure not to lose the factors contributing to its success in the SMB market.

Another challenge is that ShoreTel isn't flying under the radar of the major vendors any longer. ShoreTel's stellar reputation among SMBs, along with its aggressiveness in the large-business market, has captured the attention of its larger competitors who view ShoreTel as a growing threat. Large vendors now focusing more seriously on the SMB space are seeing firsthand how ShoreTel has captured significant mindshare among customers and channels. Customers issuing RFPs that include ShoreTel find affordable prices, which cause larger competitors to backtrack and reduce their RFP responses.

Cisco

Cisco is the top vendor for Market Leaders this year with a 3.73 overall score. (Please see Figure 6: Cisco Ratings, Page 9.) Cisco swept all ratings categories among the Market Leaders, but its overall score was down slightly from 2008. Part of that trend reflects variation due to a larger pool of respondents this time around, but Cisco also faces growing challenges to scale as its customer implementations grow.

Customers largely praise Cisco's technology (3.91). It works reliably once it is installed and configured properly. But two areas of concern are often cited; cost, and complexity of installation. In fact, Cisco's score in ease of implementation and troubleshooting (3.57) gave it its lowest margin of victory in any one category.

Relative to other vendors, Cisco's 3.77 value score is decent, even though several IT professionals say Cisco's price is high. "Cisco's solution is terribly expensive, especially with respect to ongoing management," says a senior enterprise network architect for a global manufacturing firm. "Purchasing a Cisco

solution is complex, there are lots of hidden items that make it difficult to evaluate a bid," says the director of telecom for a national financial-services company.

Cisco customers cite extremely effective and responsive customer service, but note challenges integrating Cisco products into their current environment, especially in the contact center. "It's all Cisco or nothing," says the telecom director for a national health insurance firm. Others expressed concerns about Cisco's management tools. "Cisco's management tools were terrible, we ended up outsourcing management to service provider," says the telecom lead architect for a state government.

Cisco Ratings
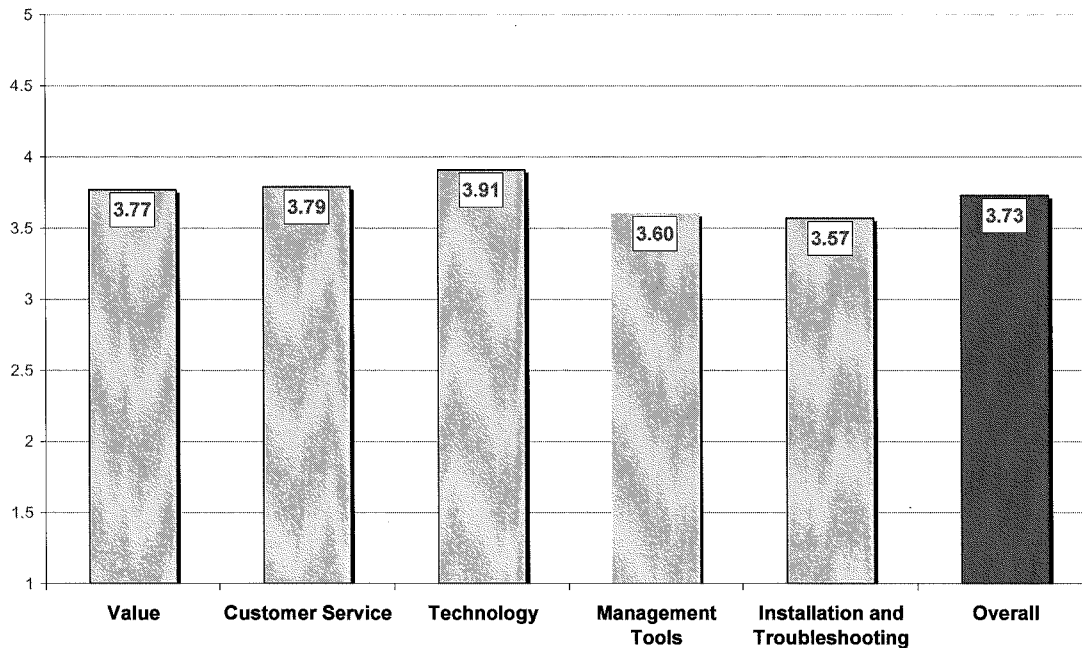
Figure 6: Cisco Ratings

Despite these challenges Cisco continues to demonstrate success in the market. The uncertainty over Avaya's upcoming acquisition of Nortel further adds to Cisco's competitive strength. But Cisco would be wise to watch out for challengers, including ShoreTel, Microsoft, and Alcatel-Lucent, while it continues to address its value and customer-service propositions. Cisco customers should look for Cisco to simplify pricing structures and improve interoperability with legacy systems.

Market Leaders

As discussed previously, Cisco takes top honors in the Market Leader category for IP telephony. Other vendors also received ratings include Avaya and Nortel.

Avaya

Although Avaya trails Cisco in all areas, customer service (3.48) is its Achilles heel. (Please see Figure 7: Avaya Ratings, Page 10). Overall, Avaya ranked ahead of only Nortel, 3Com, and Mitel in customer service. But this has been a year of change for Avaya. Not only did it recently announce the acquisition of Nortel, but it revamped its IP telephony product line around the new Aura architecture and pursued an aggressive strategy to expand its channels (including targeting Nortel channels even before the acquisition announcement).
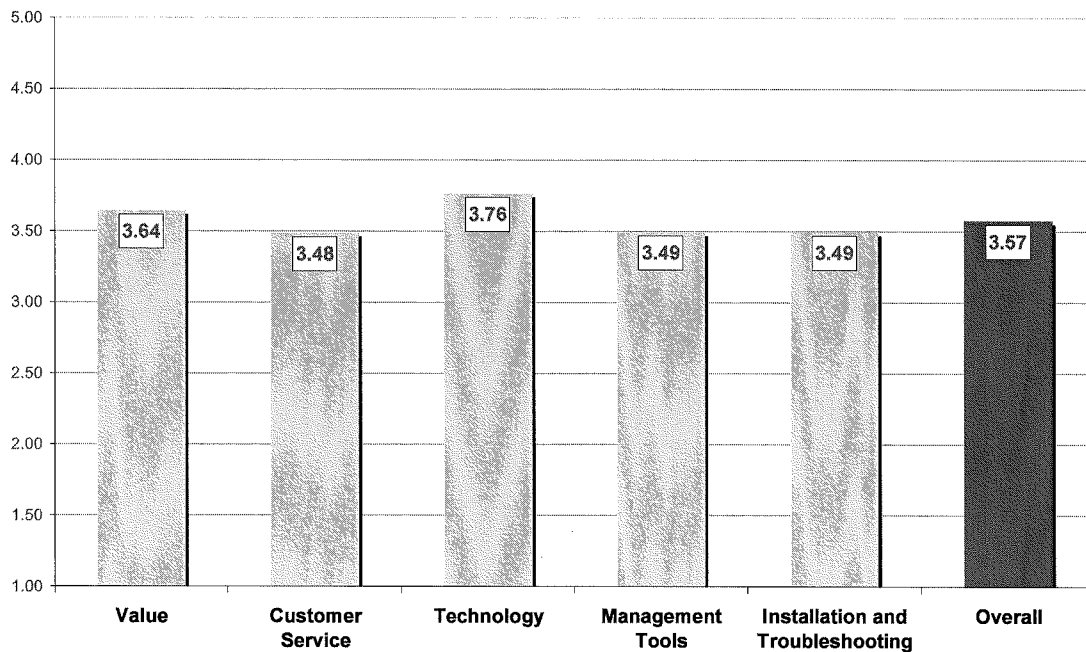
Avaya Ratings

Figure 7: Avaya Ratings

Still, these results show that Avaya has some work to do to challenge Cisco, especially as it prepares to integrate Nortel over the next year. Concerns heard from Avaya's customers range from operational costs to management complexity. "It costs us $18,000 a month in maintenance for a phone system with 1,000 phones. That's insane," says the CIO for a financial-services firm. "We've found

that we can cut costs buy buying services via different channels than directly from Avaya," says the director of telecom at another financial-services company.

Avaya's customer-service challenges are cause for concern in mixed Avaya-Cisco shops as well. "We have both Avaya and Cisco, with Avaya we have to call an 800 number for support and wait in a long queue. This is unacceptable," says the CIO at a national non-profit firm. Another says that although technical support is fine, it's sales support that is the issue. "We have Cisco in here all the time trying to educate us on future direction options. We never hear a vision from Avaya," says the IT director at a regional manufacturing firm.

Avaya customers offer praise in two areas related to IP telephony – mobile integration and contact-center capabilities. "We love the EC500 mobile gateway," says the telecom manager for a national transportation company. "Avaya is more mature than anyone, they have a better understanding of the contact center," says the director of telecom for a national healthcare organization.
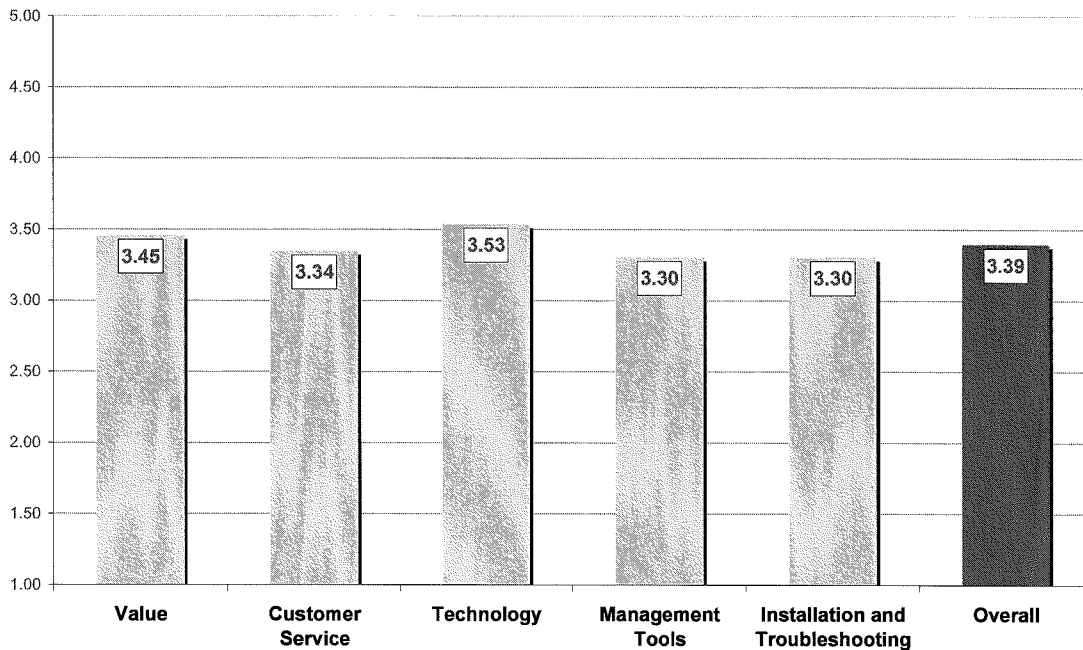
Nortel Ratings

Figure 8: Nortel Ratings

Nortel

What a difference a year makes. In our 2008 ratings, Nortel tied Avaya for technology and finished ahead of Avaya in both customer service and value. This

year Nortel finished third among Market Leaders in all ratings categories, almost matching Avaya in terms of margin of separation for all three areas.

These ratings reflect the challenging year Nortel customers have faced as Nortel cutbacks have led to demonstrable declines in all ratings categories. Beyond just economic concerns, long-time Nortel customers have had to come to grips with the end of Nortel as an independent entity as Avaya's acquisition is finalized. Nortel customers, buoyed a year ago by Nortel's momentum from its partnership with Microsoft, now face an uncertain future.

Avaya's opportunity to improve the experience of Nortel customers looms large. Avaya beat out Nortel in all three categories. By demonstrating that it can deliver improvements in customer service, value, and technology, Avaya hopes to retain Nortel customers moving forward.

Market Challengers

As discussed previously, ShoreTel takes top honors in the Market Challenger category for IP Telephony. Top runners up are Microsoft and Alcatel-Lucent.

Microsoft

Microsoft faces the loss of a key channel due Avaya's acquisition of Nortel and the uncertainty around the future of the Nortel-Microsoft Innovative Communications Alliance (ICA). Many Nortel shops started implementing Microsoft applications, such as Office Communications Server, because of the ICA relationship. "We chose Microsoft because it was easy to integrate with Nortel, and it gives us a migration strategy to Microsoft VOIP as capabilities improve," says the CIO for a major university. With Microsoft's IP telephony strategy centered on integration with existing systems before ultimately replacing them, the ability to easily integrate into legacy environments is a key buying criteria.

Most Microsoft installations are still small, with less than 1,000 seats. And most of those who rated Microsoft are using either Microsoft ResponsePoint (in SMBs) or Microsoft Office Communications Server (in mid-large organizations). Still, few are considering Microsoft as a true replacement for their legacy phone systems. Instead, we most often hear that IT staffs use Microsoft's UC capabilities to front-end their phone systems with an expectation that as Microsoft's native telephony capabilities increase, they will eventually consider settling on Microsoft for all voice services. "If you compare Microsoft with traditional PBX vendors, there is no competition with value. If OCS should mature, there is a huge advantage to Microsoft's value proposition," says a director of telecom for a national healthcare provider.

Those deploying Microsoft telephony products are generally pleased, as noted by Microsoft's second-place overall finish (3.76). Again, given the small rollout sizes, complexity is less than for companies with rollouts numbering in the

thousands. Still, with a technology score that only trailed Cisco and ShoreTel, Microsoft is winning support for its capabilities.
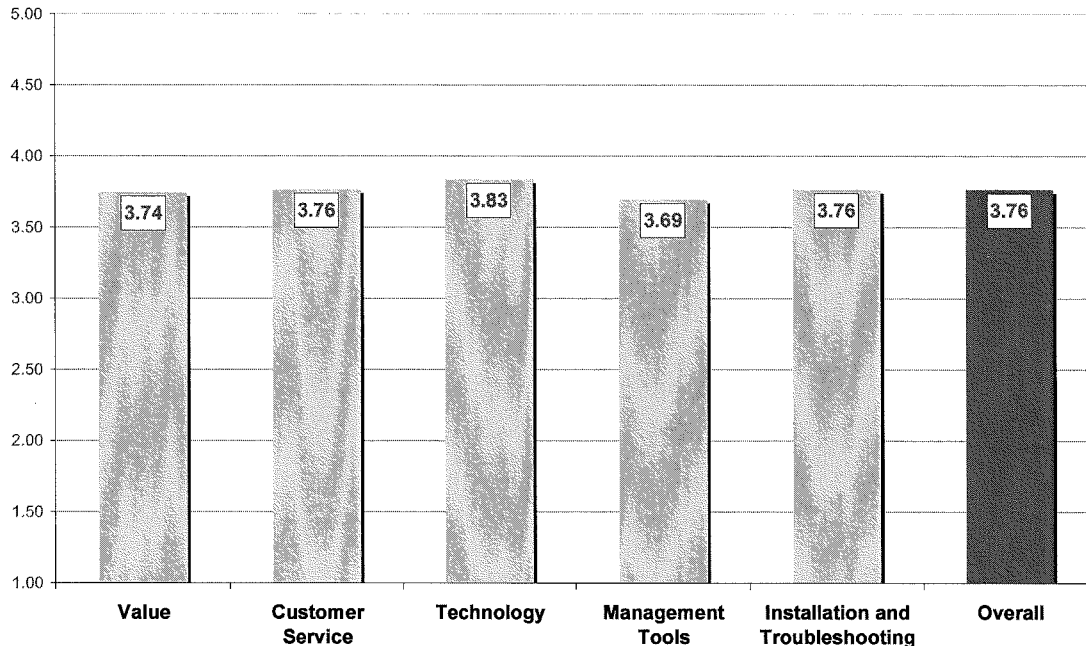
Microsoft Ratings

Figure 9: Microsoft Ratings

Alcatel-Lucent

Alcatel-Lucent continues to enjoy large global market share, but it continues to struggle to get noticed in North America. One of its biggest challenges is in building channels. "We evaluated Alcatel-Lucent, ShoreTel, and Cisco," says a telecom director for a national professional-services firm. "We found that there's only one Alcatel-Lucent VAR serving our market, whereas other vendors had numerous channels. That made us nervous."

Alcatel-Lucent's key strength is in customer service (3.88), where it almost caught top scorer ShoreTel. In other areas, it closely matched Microsoft.

The time may be right though for Alcatel-Lucent to make a move. Along with Siemens, Alcatel-Lucent has the global presence and scope of offerings to compete directly with Cisco and Avaya-Nortel for large customer accounts. Alcatel-Lucent's offerings in the networking and contact-center space give its customers additional options. "We bought Alcatel-Lucent network gear for 30% less than Cisco, and then decided to implement their VOIP solution," says the director of telecom at a regional school district.

In all three core areas, Alcatel-Lucent scores ahead of Avaya, and only trails Cisco in technology. If it can build its channel strategy and grow market awareness, Alcatel-Lucent could replace Nortel as a viable No. 3 vendor for large company installations.
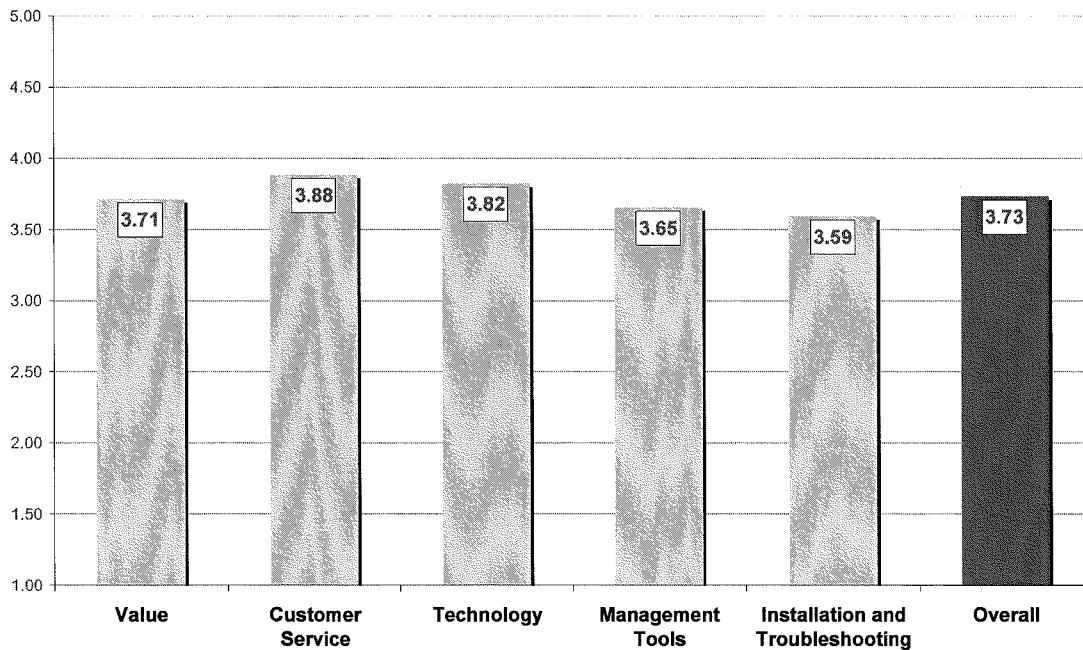
Alcatel-Lucent Ratings

Figure 10: Alcatel-Lucent Ratings

3Com

3Com had the most variation in its scores, tying Cisco for second-place overall in value (3.77) and scoring third overall in installation and troubleshooting (3.69). (Please see Figure 11: 3Com Ratings, Page 15.) 3Com installations are largely small, less than 250 end-points, accounting for low implementation complexity. 3Com customers negatively rated customer service (3.38), technology (3.38) and management tools (3.38); meaning 3Com has a lot of work to do if it wants to challenge the top scorers in both the Market Leader and Market Challenger categories.
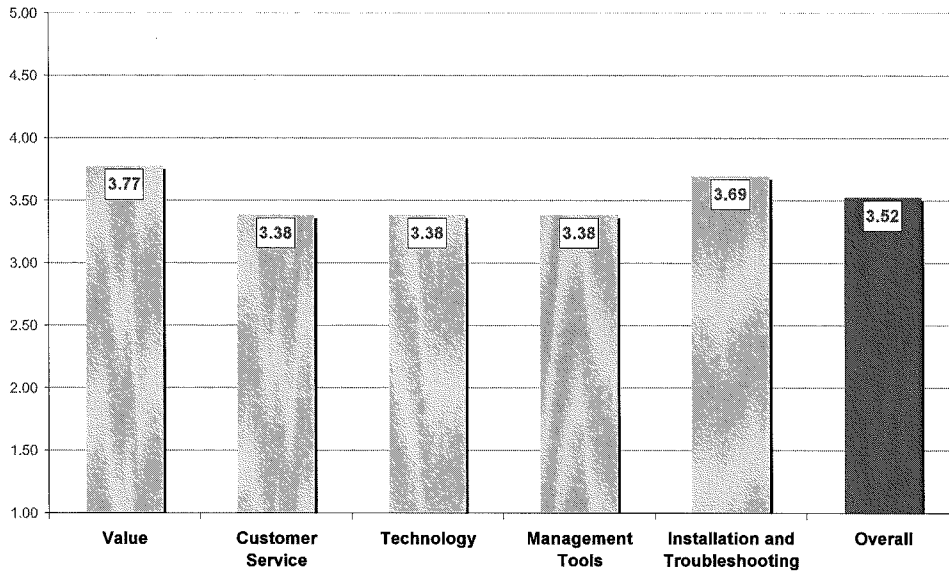
3Com Ratings
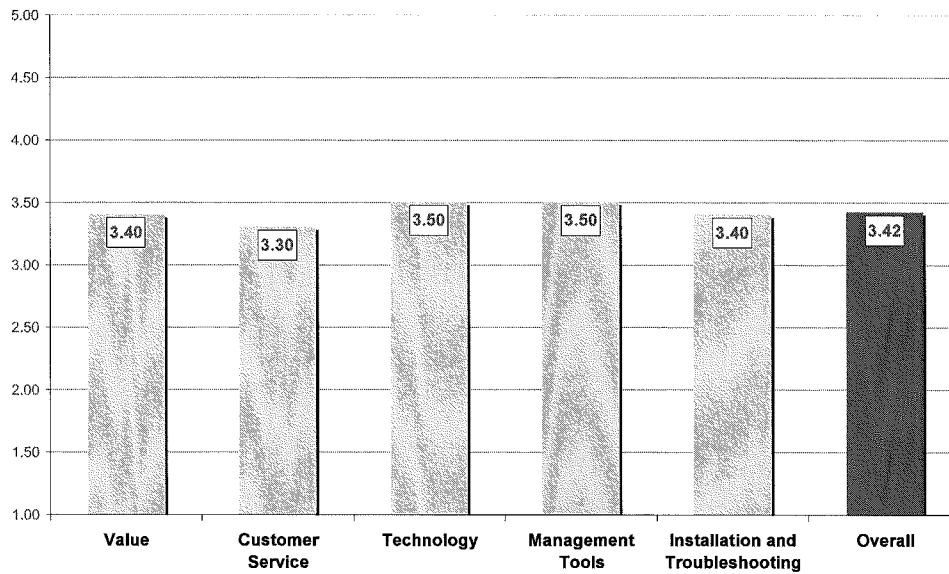

Figure 11: 3Com Ratings

Mitel Ratings

Figure 12: Mitel Ratings

Mitel

Mitel turned in disappointing scores across the board, scoring last in value (3.40), customer service (3.30), and installation and troubleshooting (3.40). Mitel has revamped its go-to-market strategy over the last year, delivering more managed services, vertical solutions, and focusing on integrating mobile users into their communications systems. Obviously Mitel has more work to do to gain ground against its competitors.

Conclusion

The IP telephony market is undergoing rapid change as legacy companies consolidate, smaller vendors move up-market, and Microsoft attempts to disrupt the vendor landscape with an all-software-based approach. But customers still want results. They expect a high level of customer service, technical leadership, and value for their dollar, especially in light of challenging economic times.

Market Challengers, led by ShoreTel, Microsoft, and Alcatel-Lucent threaten to break the market grip held by Cisco, Avaya, and Nortel by providing better customer service, value, and technology. These results should serve as a warning to larger vendors that despite consolidation, competition is fierce. For IP telephony buyers, cast a wide net and evaluate Market Challengers as potential solutions for enterprise requirements.

Methodology

Objective

The objective of this project was to ascertain how well vendors and service providers are performing in the eyes of their business customers. These are the topics in which Nemertes gathered ratings:

- Ethernet Services
- MPLS Services
- WAN Optimization Products
- IP Telephony Products
- UC Dashboards
- IP Contact Center Products
- Videoconferencing (room-based) Systems
- Telepresence Systems
- Web Conferencing Services
- Data-Center Server and Network Monitoring Products
- Data-Center Hosting Services

Participants rated their providers on a 1-to-5 scale (1=unacceptable, 2=poor, 3=fair, 4=good, 5=excellent). Analysts consolidated all ratings into a mean score for each category rated (Technology, Customer Service, and Value, minimally[1]), and for an overall score.

Nemertes is issuing individual *PilotHouse* awards to the providers with the top overall score in each category. Nemertes notified award recipients in September 2009, followed by an official awards reception to publicly announce winners at a reception in November, 2009.

Our intent is to use this information to help providers understand where they excel and where they need to focus more resources to improve. We also want them to understand what criteria are most important when it comes to selecting a vendor or service provider.

We also use this information to level-set enterprise expectations when it comes to selecting a vendor or service provider. Not only will we share the ratings with enterprise clients, we will use this information to help them select a provider based on their requirements.

---

[1] In addition to the Technology, Customer Service, and Value ratings, certain categories have additional metrics.

4812
32

Representative Population

The population includes individuals from U.S. companies (based in the U.S., but many of which are global multinationals) who are responsible for selecting, or influencing the selection of, suppliers of IP communications products and services; data-center server and network monitoring tools; and/or data-center hosting services.

Sample Frame

In selecting the sampling frame, Nemertes has asked individuals in the following populations to rate their providers:

- ✦ U.S. business subscriber lists, including individuals who have opted in to participating in surveys and who have been pre-screened to determine responsibility for selecting or influencing the selection products and services listed above.
- ✦ Nemertes Research IT executive database, limited to individuals who meet the criteria for the Representative Population. Individuals from this list include primarily U.S. companies, but also include companies based in Europe and Asia who have presence in North America. The database includes individuals who work with Nemertes, have expressed interest in participating in our research, have participated in the past, or Nemertes' analysts have contacted in the past to participate in research.

Individuals participated in this project using three methods:

1.) Web-based survey. This is the largest percentage of the respondents. Those who meet the sample frame randomly received invitations to participate in the survey.
2.) Visitors to Nemertes' Web site, and recipients' of third-party media partners' newsletters. They had to meet the criteria to participate.
3.) Benchmark interviews. This is a smaller percentage of the respondents. Nemertes' analysts asked numerous detailed qualitative questions to gauge *why* they rated their service providers the way they did, as well as gathering other information about their usage of communications services.

Benchmark participants spent 1-2 hours on the phone or in person with a Nemertes analyst discussing several issues relating to their use of products and services. The Web-based survey participants answered a subset of the benchmark questions that focus on rating the providers, stack-ranking important criteria, and more.

4B12
33

Planned Sample Size

According to U.S. Census Bureau figures, there are 2,306,070 companies with five or more employees. Our goal was to receive responses from 1,400 individuals, which would give us a 95% confidence level and 3% margin of error—if every individual rated every vendor in every technology area rated. We received substantial ratings for each technology area (several hundred per area), but each vendor in each area did not receive a rating from every research participant.

We received ratings from 2,083 individuals, and 1,393 met Nemertes' standards and were considered "valid." Our survey tool automatically exited individuals from vendors and carriers in the IT space. Analysts reviewed all other ratings line by line, and categorized as "invalid" those with fewer than five employees or those who demonstrated inconsistencies or inaccuracies in their responses as part of Nemertes complex question methodology.

We achieved validity across the survey and interviews by ensuring the questions we asked were the same and that the interview group and survey group represent discrete samples of the same population. Survey and interview validity are achieved through pre-scripted interview forms and peer review of interview protocols. Analysts also relied upon their own knowledge of the technology areas, natural breakpoints in the data, and interview notes from the survey participants to further validate ratings.

Survey Sub-Groups/Stratification

Nemertes' analysts researched which providers offer products and services in each category and created lists from which participants identified their primary service providers. They also were able to select "other," and identify a service provider they use that may not be included on the explicit list provided.

The challenge is some providers (Market Leaders) have millions of customers and significant market share, while others (Market Challengers) have perhaps a few hundred or few thousand customers and smaller market share. We realized some provider would garner a relatively large number of ratings, based on the number of customers they have, while others would have a relatively small number of ratings. Therefore, we decided not to compare vendors from the two groups and instead create the two distinct categories for the awards, though we will discuss each technology category in its entirety (i.e., all vendors and all ratings) in our reports.

Nemertes analysts evaluated complex market share (looking at shipments, revenue, and number of customers) for the Market Leader vendors (typically with >10% of market share) based on its own research and publicly available data. Analysts also examined natural breakpoints in the data, and segmented the Market Leaders as those who collectively accounted for the vast majority of each market. Market Challengers had to have a reasonable number of ratings based on their relative position in the market.

In some categories, there were not enough ratings to issue an award in the Market Challenger category.

Awards

Nemertes will issue awards in the following areas:

Nemertes PilotHouse Awards, 2009		
	Market Leaders	Market Challengers
Award Category	Overall	Overall
MPLS	✓	No award
Ethernet	✓	No award
WAN Optimization	✓	✓
IP Telephony	✓	✓
UC	✓	No award
IP Contact Center	✓	No award
Videoconferencing (room-based)	✓	✓
Telepresence	✓	No award
Webconferencing	✓	✓
Data Center Hosting	✓	✓
Data Center Network & Server Monitoring	✓	✓

Timing

The Web-based survey was conducted in July and August 2009. The benchmark research was conducted between January-April 2009.

## Incentives to Participate & Time Commitment

Participants of the Web-based survey received a small incentive for participating in the survey. Participants from Nemertes' database receive the findings and are invited to participate in a Webcast, in exchange for their time. The Web-based survey takes 10-15 minutes to complete; the benchmark requires 1-2 hours of participants' time.

Future Plans

Nemertes plans to conduct its PilotHouse Awards program annually, though it retains the right to cancel the project at any time.

About Nemertes Research: Nemertes Research is a research-advisory firm that specializes in analyzing and quantifying the business value of emerging technologies. You can learn more about Nemertes Research at our Website, www.nemertes.com, or contact us directly at research@nemertes.com.
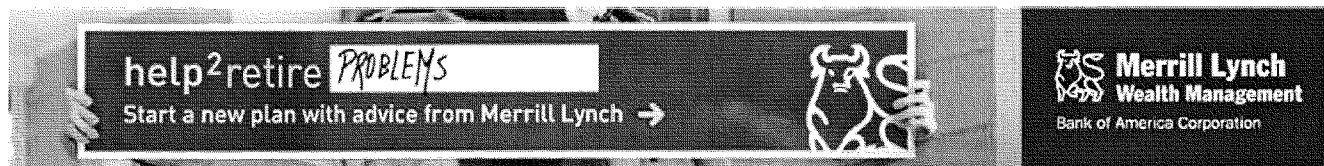
Forbes
▪com

Unwired Portfolio

ShoreTel: Cisco's Nimble Foe

Nikhil Hutheesing, Forbes Wireless Stock Watch 11.14.07, 2:35 PM ET

As companies around the world begin to adopt voice-over-Internet Protocol (VoIP) networks, big data equipment suppliers such as **Cisco Systems** and **Avaya** stand to benefit. However, there is another, nimbler Silicon Valley upstart that is making significant inroads into this business. That company is Sunnyvale, Calif.-based **ShoreTel**.

ShoreTel offers Internet-based telecommunications systems that operate on a distributed software architecture hardware platform. That means its software can be accessed across each site of a company so all users have access to the same features.

It also means that it's easier for IT administrators to handle since they can make changes to any location from one single point. Also, the system is browser based.

Are you profiting from the move to wireless broadband and WiMax? Click here for a special report on six undervalued wireless companies set to soar.

All this is very different from one kind of IP telephony system offered by Cisco , for example. Cisco's systems are mostly server-centric so for it to work well across many divisions of a company, Cisco's servers have to be set up in each division of a company. Because there is no central way to make changes to this system, managing the network is more costly and ensuring consistency across the network is more difficult.

Besides these benefits, ShoreTel's network is also looking increasingly attractive to a growing number of companies because it is easier to install than many competing systems and because it requires less hardware equipment. As a result, the costs of owning and running the system are less. Also the system scales well. Currently, it's the only product available where a single piece of hardware works just as well for 10 customers as it does for 10,000 customers.

Special Offer: Forbes Wireless Stock Watch recently recommended shares of Rogers Wireless. The stock is up more than 150% from the buy recommendation. For more undervalued wireless stocks, click here.

Of course, when any company is depending on a network to run its business, one of the most important services a vendor can offer is exceptional customer service. Here, ShoreTel could benefit. While Cisco is working to improve its own customer service, Nortel Networks has been focusing recently on its own restructuring efforts.

With that distraction, ShoreTel is trying to edge in to Nortel's VoIP customer base to gain market share. Avaya is another big player here. While the company has been gaining market share in IP, its networks are more legacy oriented and the company also has a reputation for poor customer service.

Besides the network equipment, ShoreTel also offers several IP phone models, which are easy to use because they do not need any configuration. ShoreTel's systems also support Wi-Fi phones for mobile workers. Besides phones, ShoreTel also has a number of desktop applications. One such application is called Personal Call Manager. It allows end users to make calls or receive them as well as handle conference calls, all from their desktops.

Special Offer: With gold just below $800, several mining stocks are under heavy accumulation. Click here for three that block traders look to move much higher than the rest ... in Block Traders' Oil and Gold Monitor.

ShoreTel has shipped over 450,000 phones and has about 5,000 customers and they are mostly small- and medium-sized companies. But here is a good sign: Recently, the company has started winning larger accounts. Among them are customers such as Viacom (which previously used equipment from Nortel) CNET Networks and the City of Oakland, Calif. (which had previously used equipment from Cisco). ShoreTel has been selling its systems primarily to the financial services industry,

4B12
36

although other sectors, such as technology, have also been big customers.

I think ShoreTel has a good chance of continuing with its success. While companies have historically operated separate networks for voice and data or separate networks that operate between multiple sites, most companies want to get away from that model. That kind of architecture leads to high maintenance costs and is harder to scale across company networks. With new data networks being deployed, the trend these days is to integrate voice and data communications over a single-IP network.

That's a fast-growing market. According to IDC the market for IP networks will grow from $7.5 billion in sales 2006 to $14.3 billion in 2011 and the corporate IP telephony market will grow at a 20% to 25% rate over the next few years. ShoreTel stands to be a big beneficiary.

Special Offer: Click here for more than a dozen undervalued tech stocks with stellar fundamentals ... now in Prudent Speculator TechValue Report.

For investors, that will be good news. ShoreTel completed its initial public offering in July at $9.50 per share raising $77 million. That day the stock was up 20%. Since then, ShoreTel's shares have moved up. Since September, shares are up 19% and the stock now trades over $15 per share. The outlook for this company is promising. The company just announced first-quarter earnings. Revenue was $32 million, an increase of 57% over the first quarter of fiscal 2008. Net income was $2.6 million compared with $1.0 million, in the first quarter of 2007. Also notable--gross margin for the first quarter of 2008 improved to 64% from 61% in the first quarter of 2007.

While ShoreTel has traditionally generated about 99% of its revenue from North America, that is beginning to change. International revenue now accounts for about 4% of total revenue and I think we will see that number continue to increase since the company has signing new distributor agreements. ShoreTel also has a strong balance sheet with cash increasing to about $77 million since its IPO in July and the company has no long-term debt. Next year, I expect the company should have revenue growth of 34%--all good news for investors.

Nikhil Hutheesing is editor of Forbes Wireless Stock Watch. Click here for more analysis and recommendations by Hutheesing, and to subscribe to Forbes Wireless Stock Watch.

More Adviser Soapbox/Unwired Portfolio columns
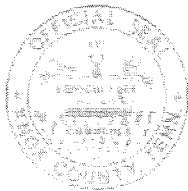
Send comments and questions to newsletters@forbes.com.

Learn more/subscribe to Forbes Newsletters

4|8|12
37

ShoreTel™

KNOX COUNTY HOUSING AUTHORITY MOVES CISCO OUT, SHORETEL IN

ShoreTel VoIP Replaces Unreliable, Costly Cisco System

Challenge:

The Knox County Housing Authority had a leased Cisco Voice over IP (VoIP) phone system that was, according the organization, unreliable, inflexible, and costly to maintain. The Cisco system also lacked monitoring and analysis features the organization needed to continually improve its internal communications and operations.

Solution:

ShoreTel provided the organization with a comprehensive solution including ShoreGear voice switches and ShorePhone IP telephones.

Benefits:

- With ShoreTel replacing Cisco, the housing authority is now saving over $20,000 a year.
- The reliability and voice quality of the ShoreTel system ensures no urgent calls into the organization are missed or unclear.
- With the intuitiveness of a ShoreTel system, employees spend more time on critical job-related tasks rather than navigating a complicated telephone system. ShoreTel's rich features further boost productivity.

The Knox County Housing Authority in Knoxville, Tennessee administers public housing and HUD voucher assistance programs for its citizens. The organization also manages two public housing apartment complexes for low-income families. In 2004, the organization had a Cisco Voice over IP (VoIP) phone system. However, the system was unreliable, once even prohibiting a call to 911, which was one of the last errors the housing authority would tolerate. (Thankfully, the housing authority had a backup Telecommunications Device for the Deaf, a TDD, which it was able to use for the 911 emergency.)

The Cisco telephone system was also not as flexible as the organization wanted it to be, especially when it came to making last minute changes to greetings or users. The Cisco system also lacked monitoring and analysis features the organization needed to continually improve its internal communications and operations. Finally, the system was expensive to manage and the governmental organization needed to find ways to cut some of its communications costs.

The Knox County Housing Authority called on its integration partner for insight, expertise and advice. Their partner recommended a new ShoreTel VoIP system for the organization. In order to maintain balance in its search for a new system, the housing authority also spoke with representatives from the Cisco reseller about updating the Cisco solution to meet their needs.

After carefully considering the associated costs and implementation steps, as well as the future management capabilities of an upgraded Cisco system versus a new ShoreTel system, the Knox County Housing Authority chose ShoreTel, citing the solution's cost-effectiveness, reliability, excellent and consistent voice quality, and robust feature set as top reasons for its choice.

SHORETEL PROVIDES RELIABILITY AND EXCELLENT VOICE QUALITY

ShoreTel provided the Knox County Housing Authority with a comprehensive solution to replace the old Cisco system, including a ShoreGear-60/12 voice switch and ShoreTel ShorePhone IP telephones. ShoreTel's ShoreWare Director is used to manage the solution.

In terms of reliability, the housing authority's telephone system must always work properly, due to the nature of apartment complex management. "Our phone system must be up 24/7 for maintenance calls

4B12

38

ShoreTel™

from tenants in the apartments," said John Pollock, Assistant Director with the Knox County Housing Authority. "The new ShoreTel system is very reliable. Voice quality is also excellent, unlike the Cisco phone system which sounded like a bad cell phone connection every now and then. We also needed to reboot the old Cisco system often—it seemed more prone to going down during storms and power surges."

COSTS REDUCED, MANAGEMENT SIMPLIFIED

The new ShoreTel system cost less than an upgrade would have cost for the housing authority's leased Cisco system. "Upgrading the Cisco system would have been expensive and it wouldn't even belong to us—it was leased," said Pollock. "For less than that price, we could buy the entire ShoreTel system, which was also more cost-effective in the long run. With ShoreTel, we're looking at savings of $20,000 per year in lease expenses, usage fees, and T1 line charges. We no longer need all of the lines, including two T1 lines, that we used to need. We were able to replace them with more cost-effective high-capacity DSL lines."

In addition to cost savings, the organization has simplified its management tasks with ShoreWare Director, ShoreTel's browser-based management interface. ShoreWare Director allows the housing authority's information systems personnel to access the system from anywhere on the network and manage every site and feature, including voice mail, automated attendant and desktop applications. When a new user is added, an administrator simply clicks "add new" and enters the user's name, which in turn automatically updates the centralized database and voice switches, creates a new voice mailbox for the user, and updates the automated attendant dial-by-name and number feature and online directories—all within seconds.

"With ShoreTel, we now do maintenance in-house, which saves us time and money," said Pollock. "With the Cisco solution, if we had a problem, we had to leave a voice mail with a request for help and then wait for them. We're far more productive now that we can do maintenance ourselves. Also, with ShoreWare Director we can look at call volume per line, change messages and on-hold options, and more. Reviewing this information regularly allows us to make the best use of all our lines and quickly see where we need to make changes."

ALL CALLS ANSWERED

ShoreTel's ShoreWare Auto-Attendant provides the housing authority with 24-hour automated call answering and routing capabilities. Outgoing prompts can be customized and linked to the time of day and/or day of week, and individual groups can also have their own menus with unique greetings and options. Finally, ShoreTel's powerful Follow Me Find Me feature allows employees to configure the system so that callers can find them wherever they are working—for instance, on their cell phone or an alternate phone. If the person does not answer any of their phones, the call only then reverts to the ShoreTel voice mail system.

4B12
39

ShoreTel™

EMPLOYEE PRODUCTIVITY BOOSTED

ShoreTel phone systems are easy to use, simple to manage, flexible, and reliable. ShoreWare Personal Call Manager is integrated tightly with Knox County Housing Authority employees' Microsoft Outlook so they enjoy unified messaging, such as directory dialing, contact screen pop, and calendar integration. Users can quickly type in a name, which automatically brings up the contact's number, and make calls from local online directories—all with the click of a mouse, right from the desktop. With ShoreTel's e-mail integration, e-mail and voice mail can be managed centrally right from employees' desktops, and voice mail messages can even be attached to e-mail messages for forwarding. With the intuitive ShoreTel solution, employees spend less time navigating a complicated telephone system and more time performing job-related tasks.

"Since we replaced the Cisco phone system with ShoreTel, we are definitely noticing improved communications—both internal and external," said Pollock. "Calls from outside are routed quickly to the right person, and we can review things like call volume and voice mail logs, which is powerful information when it comes to continually making customer service improvements."
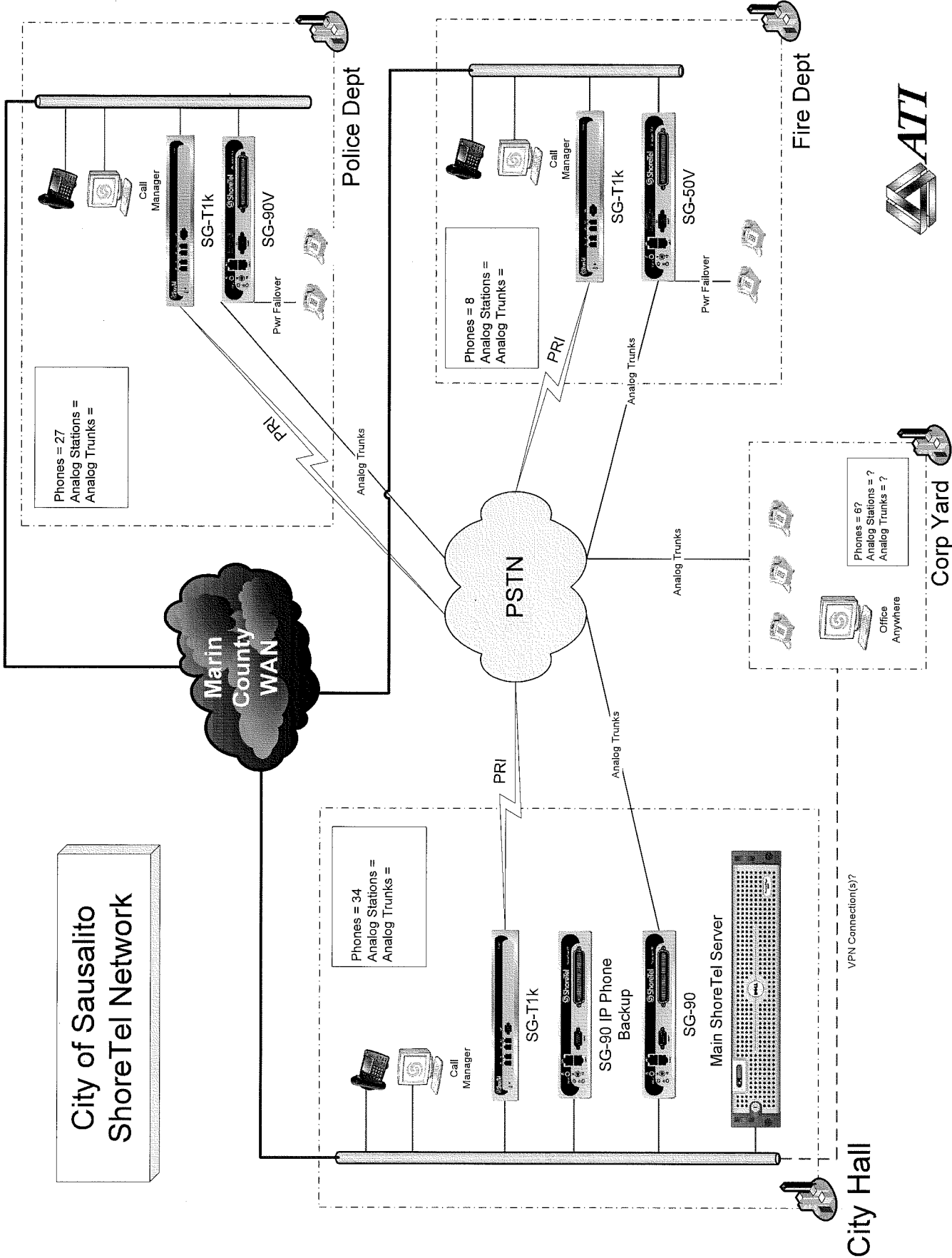
READY FOR GROWTH

The Knox County Housing Authority is happy with its decision to go with a new ShoreTel VoIP system. "Our employees like all the features of the system that make their lives easier, and I appreciate the fact that we can manage it in-house and don't have to depend on anyone else," said Pollock. "We're looking at adding some new departments and expanding our network and the ShoreTel system. We're happy to have ShoreTel on our side as we grow and continually make improvements to our communications system."

City of Sausalito
ShoreTel Network

Marin County WAN

PSTN

Police Dept

Call Manager

SG-T1k

SG-90V

Pwr Failover

Phones = 27
Analog Stations =
Analog Trunks =

PRI

Analog Trunks

Fire Dept

Call Manager

SG-T1k

SG-50V

Pwr Failover

Phones = 8
Analog Stations =
Analog Trunks =

PRI

Analog Trunks

ATI

Corp Yard

Office Anywhere

Phones = 6?
Analog Stations = ?
Analog Trunks = ?

Analog Trunks

City Hall

Call Manager

SG-T1k

SG-90 IP Phone Backup

SG-90

Main ShoreTel Server

Phones = 34
Analog Stations =
Analog Trunks =

PRI

Analog Trunks

VPN Connection(s)?

4B12
41