



# Press Release

November 2006

1H 2006 v 1H 2005

## • Europe PBX/IP PBX Market

### Contact Us

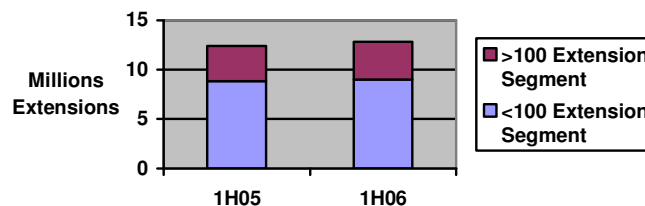
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## Europe PBX-IP PBX Market 1H 2006 Progression towards IP desktop continues to gather pace

In the first half of 2006 a total of 12.8 m extension lines were shipped on PBXs/IP PBXs in Europe, reflecting growth of 3% in volume terms over the same period in 2005. Growth in the market for enterprise solutions (deployed with more than 100 extensions) continued to be the key impetus for growth, with growth of 6% in volume terms recorded, compared with only marginal growth of 2% in the market for SME systems (deployed with less than 100 extensions). The relatively low market growth in the SME (deployed with less than 100 extensions) market is despite the increased focus of leading enterprise PBX/IP PBX vendors on the lucrative and high volume SME segment. To compound this in many markets hosted IP PBX and IP centrex services are providing a further alternative to SME customers, although to date these services have not had a significant impact on CPE based sales overall.

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1H06 v 1H05

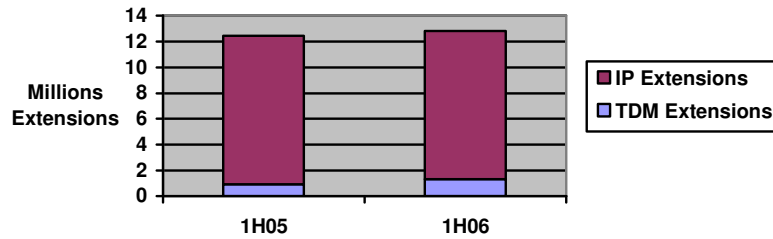


The majority of solutions now deployed fall into the IP hybrid/capable or pure IP category, however there remains a market for traditional/legacy solutions, most notably in the sub 30 extension category.

At a country level Germany, France and the UK continue to lead the European market in terms of volume, although notably the strongest growth rate has been witnessed from Eastern Europe (growth rate in excess of 10% in volume terms) rather than Western Europe (growth rate of less than 5% in volume terms). Within Western Europe, the Benelux and UK markets registered the strongest growth rates.

In respect of IP desktop deployment, VoIP extensions to the desktop represented 10% of total extensions shipped, representing volume growth of over 40% compared with the first half of 2005. Notably there remains strong disparity between IP desktop adoption rates in the enterprise versus SME segment. In the UK market, where IP desktop penetration currently leads Europe, within the enterprise segment (>100 extensions) the latest Q2 results showed IP desktop representing more than 50% of total extensions. Conversely within the SME (<100 extension) segment penetration lagged significantly at under 15%.

### Europe TDM v IP Desktop



The relatively low penetration of IP desktop reflects the fact that despite many organisations moving to deploy IP based solutions, at the desktop level proprietary digital sets and analogue sets remain dominant in the market overall. Certainly the relatively poor selection of IP desktop units available from some vendors, together with their continued price premium over comparable digital sets, remains an inhibiting factor to mass adoption of IP desktop. In this respect IP hybrid solutions which can deploy a mix of analogue, digital and IP desktop, remain the most popular solution, most notably in the SME segment. Lower cost SIP devices potentially offer the market an opportunity to displace the large amount of low end digital and analogue sets which remain prevalent in a number of countries. However, the policy of the leading PBX/IP PBX vendors in terms of license costs to deploy non proprietary SIP phones, varies considerably with some vendors implementing high cost third party device license fees for those customers wanting to deploy non proprietary SIP devices, thus protecting their lucrative device business.

In many instances smaller organisations still do not have the QoS within their data network to support VoIP at the extension level, are dissuaded by relatively high prices of enabling IP desktop working and do not perceive any tangible benefit in deploying IP rather than traditional digital or analogue desktop solutions. SME organisations are purchasing IP hybrid or capable solutions in an effort to future proof their solution, but are not necessarily deploying them at this stage to their full capability. Where IP desktop is deployed within smaller organisations frequently the key driver for this is remote working.

In terms of vendor positions, in terms of total extensions shipped (including TDM and IP desktop extensions) Siemens and Alcatel continue to vie for leadership within the European market, with Siemens marginally ahead in the first six months of 2006. They are followed by the Aastra group (which includes sales resulting from their acquisitions of the former Ascom, EADS Telecom and DeTeWe organisations) whose position is assisted by the strong sales of micro PBX solutions in the German market, together with strengths in France, Italy, Switzerland and Spain through strong service provider relationships. Panasonic and Avaya follow closely after Aastra, with Panasonic's notable strength being their strong position in the SME segment in virtually every territory. Ericsson, Nortel and Cisco make up the remainder of the top 8 vendors.

In respect of vendor positions for specifically IP extensions to the desktop, Cisco retain their market lead, with their strong position in the enterprise segment and focus on IP desktop driving this. Many of the other leading vendors have adopted a more hybrid and evergreen approach, allowing the users to migrate from TDM to IP environment at a pace which suits their organisation, whilst retaining the significant investments they have already made in TDM desktop and infrastructure.



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## Further Information

*The information above is an extract from MZA's latest analysis from the PBX/IP PBX Global Quarterly Tracker. Full outputs with details of shipments by product category and size segment in pivot table format are available on a quarterly basis to subscribers to the service. The information above is based on MZA's extensive programme of face to face and telephone interviews together with shipment analysis covering more than 15 vendors active. MZA also provides analysis of applications areas including contact centres, wireless PBXs and messaging.*

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