



# *Pricing & Budgeting for IP Telephony and UC*

## *Planning for new technology with smaller budgets...*

Presented by  
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N'compass Solutions

**N'compass**  
The Power of Strategic IT

# Session Overview

- Why is software important anyway?
- What is current state of IPT and “Unified Communications”
- Look at major manufacturer’s IPT and UC licensing + pricing
- IPT and UC Price Guidelines (real-life examples)
- Procurement methodologies + feasibility studies



## About the speaker....

- 20+ years with AT&T/Lucent Technologies + communications consulting
- MBA - USC Marshall School of Business
- Member of Communications Technology Association of MN (CTA)
- Contributor to No Jitter, Voice Report, Twin Cities Business Magazine
- VoiceCon presenter since 2006



# What's going on these days?



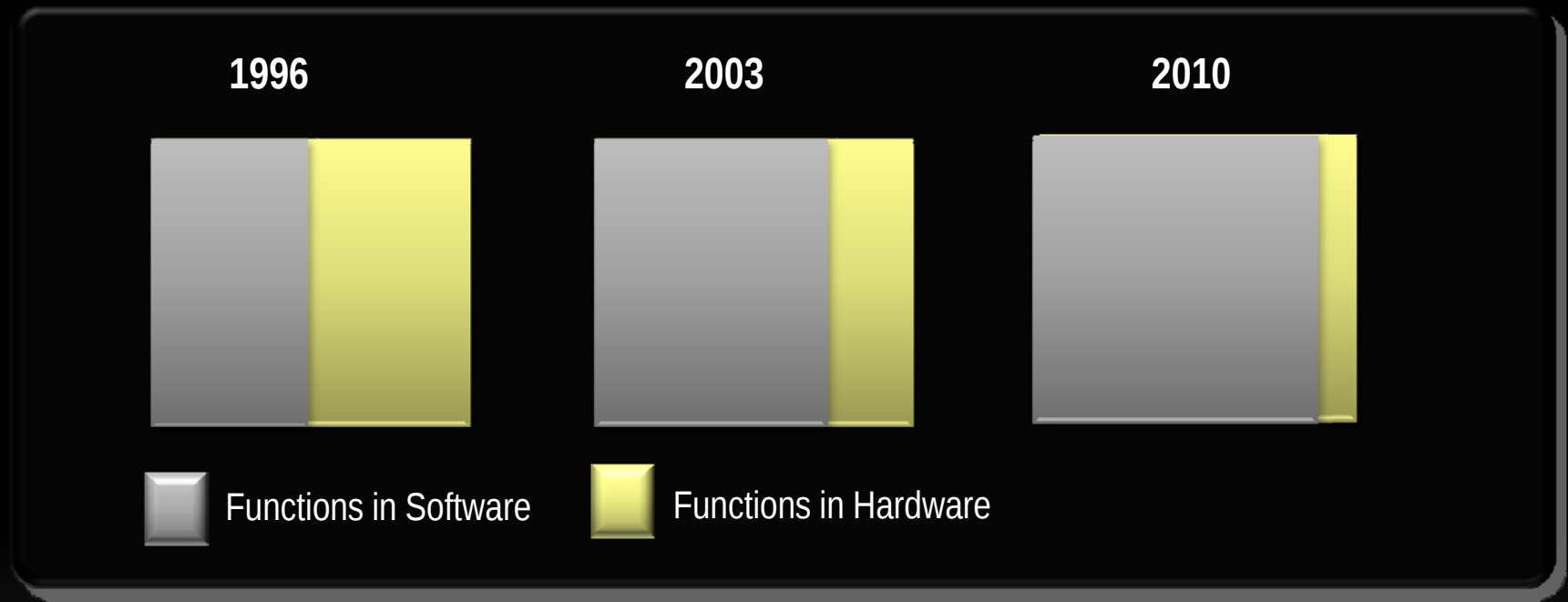
“...organizations will find that Cisco Unified Workspace Licensing (CUWL) increases the cost of ownership, especially for firms that have yet to define a road map for UC and a partner strategy, and that have developed user profiles to identify the value of each package. *The addition of **Entry Edition** extends the choice for CUWL, but organizations should insist that channel partners provide proposals for "a-la-carte" licensing to make a direct comparison of cost of Ownership...*”

- *Gartner Corporate Telephony Magic Quadrant, August 2007-2009*

*"A Virtualized Enterprise Centralized Desktop license enables users to view client Microsoft Windows operating systems in a virtualized environment. The license stipulates that every device connecting to a virtual desktop must have a VECD license. If you're a lawyer or want to be one, just do a quick search on VECD and start reading!"*

- *John Ruhoff, Senior Technical Architect, N'compass Solutions*

# Evolution to Software Architecture

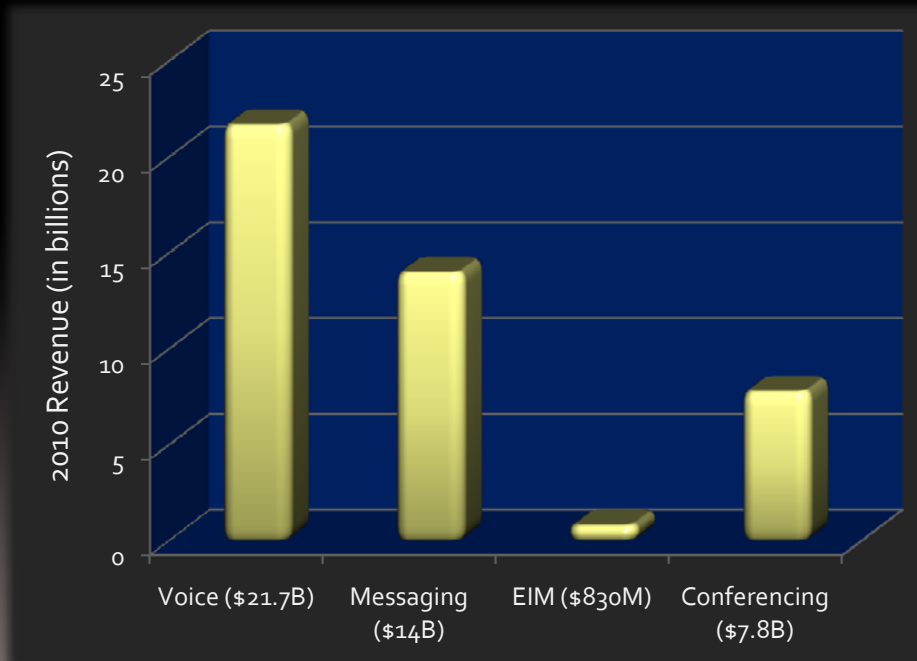


*.....call processing function has been transformed over the years. Most of the intelligence for call processing now lies in the software component of the call-control solution. R&D, entrepreneurial endeavor, and innovation are also shifting to the software side. With creative energies expended to the software, the approach to pricing has logically evolved toward device licensing."*

- Cisco UCM Licensing Pricing Model Q&A document (2008)

# Current IPT and Unified Communications Market

- Are IPT and UC mainstream technologies yet? IPT getting there. UC, no.
- ~30% of enterprise-class companies have *fully* implemented unified messaging
- <15% of enterprise-class companies have *fully* implemented IPT
- Virtualization, VDI, and Managed Services' will impact on licensing



Estimated UC Revenue  
for Products and Services:

2007: \$22.6B

2010: \$44.3B

2010: \$44.3B

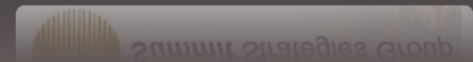
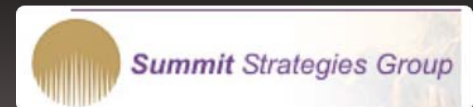
2010: \$44.3B

Source Data from Microsoft, Nemertes, Wainhouse Research and In-Stat

*“Pricing complexity is a problem that pushes some companies to purchase rights to more software licenses than they might need...*

*Software license management is often a fulltime job – and one that often generates more ill will than satisfaction with software vendors.”*

- Dwight Davis, Summit Strategies Analyst



# Avaya - Nortel



Strategy: Bundling or Ala Carte

Approach: (**NEW**) 3-tier "Transactional Framework" licensing for Aura core products: Communications Manager, Call Center Elite, and CMS.

"All Inclusive" UC License for CM 5.2 --> six applications in one license

- Avaya one-X Mobile 5.2
- Avaya one-X Portal 5.2 with Avaya Presence Server
- Avaya one-X Communicator (Avaya developed IM coming June 2010)
- Microsoft OCS and IBM Sametime integration
- Extension-to-Cellular 8.0 (EC500)
- IP softphone R6.0 (June 2010 – available as ala carte app only)

**Change:** VPN remote is a free software download from [Support.Avaya.com](http://Support.Avaya.com)



## Avaya (cont.)

- With CM Standard Edition – All Inclusive is \$60/user (\$10 increase)
- With CM Enterprise Edition – All Inclusive is “free” entitlement license
- “All Inclusive” *requires* 3-year SS+U agreement (annual or pre-paid)
- Modular Messaging (**NEW**) - Can be deployed with Avaya Message Store on *single* server with Avaya System Platform (MAS + MSS as virtual appliance)
  - Every voice mail box speech-enabled with Avaya one-X Speech
- If you upgrade from Definity to CM 5.2, 3-tier license model with “Move” fee

|        |                                                                          |                       |         |
|--------|--------------------------------------------------------------------------|-----------------------|---------|
| 225227 | Avaya AURA R5 Enterprise Edition 1-100 Multi Move License (Drop Ship)    | Call for Availability | \$64.00 |
| 225228 | Avaya AURA R5 Enterprise Edition 101-1000 Multi Move License (Drop Ship) | Call for Availability | \$58.00 |
| 225229 | Avaya AURA R5 Enterprise Edition 1000+ Multi Move License (Drop Ship)    | Call for Availability | \$53.00 |

## New additions pending to Aura Portfolio: CS1000 and Agile Communications Environment (ACE)

### Avaya Aura™ Packaging

| Avaya Aura™<br><i>Software – all hardware and support is additional</i>                                                                                                                                             | Branch Edition                                                                                                      | Standard Edition           | Enterprise Edition      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|
| Avaya Aura™ Communication Manager                                                                                                                                                                                   | ◆<br>Branch 2.0                                                                                                     | ◆<br>Standard 5.2          | ◆<br>Enterprise 5.2     |
| Avaya Aura™ Session Manager <i>(new)</i>                                                                                                                                                                            | 4Q09 cal.                                                                                                           | + \$500 <del>license</del> | ◆                       |
| Avaya Aura™ System Manager <i>(new)</i>                                                                                                                                                                             | 2Q10 cal.                                                                                                           | ◆                          | ◆                       |
| Avaya Aura™ SIP Enablement Services                                                                                                                                                                                 | ◆                                                                                                                   | ◆                          | ◆                       |
| Avaya Aura™ Communication Manager Messaging<br><i>(Built-in, can also add Modular Messaging)</i>                                                                                                                    | ◆<br>Branch                                                                                                         | ◆<br>500 users included    | ◆<br>500 users included |
| Avaya Aura™ Application Enablement Services - CTI                                                                                                                                                                   | ◆<br>Branch                                                                                                         | ◆<br>+ \$ licenses         | ◆<br>+ \$ licenses      |
| Avaya Aura™ Application Enablement Services - UC                                                                                                                                                                    | Extension to Cellular and IP Softphone available.<br>Consider Standard/Enterprise Edition for full UC All Inclusive | ◆                          | ◆                       |
| Avaya Aura™ Presence Services                                                                                                                                                                                       |                                                                                                                     | ◆                          | ◆                       |
| Avaya one-X® – UC All Inclusive<br><i>Avaya one-X® Mobile, Avaya one-X® Portal, Avaya one-X® Communicator, Microsoft OCS and IBM Lotus Sametime integration, Extension to Cellular, VPNremote deskphone license</i> |                                                                                                                     | ◆<br>+ \$50 / User         | ◆                       |
| Avaya Integrated Management <i>(as appropriate for Edition)</i>                                                                                                                                                     | ◆                                                                                                                   | ◆                          | ◆                       |

◆ - included ◆ - available for fee

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Per User License



Per Server License



Custom License

# Avaya ACE

## Avaya Agile Communication Environment™

Software – all hardware & services are incremental

## Packaging

### Base Software

- Up to 5,000 users per server



### Packaged Applications

#### Mobility

- Mobile Cost Optimizer
- Hot Desking

#### Desktop Unified Communications

- Microsoft OCS Integration
- IBM® Lotus Sametime® Integration
- Web Browser Add-In
- Office Add-In

#### Communications-Enabled Business Processes

- Event Response Manager



### Custom Applications

- Corporate Portal, Sales Portal
- Message Drop & Blast API



### Developer Toolkits

- Web services, communications adapters



## Avaya "Dollars and Sense"

IPT Example: Two types of Communication Manager Licenses (500 users)

- CM Standard (with DCS and QSIG networking) - **\$210** per user (increase \$20)
- CM Enterprise (for "hub and spoke" designs and local survivability) - **\$290** per user

User License based on Unique Designated Number, not user or device

Software Example: **500 user system with <100 call center agents (List USD)**

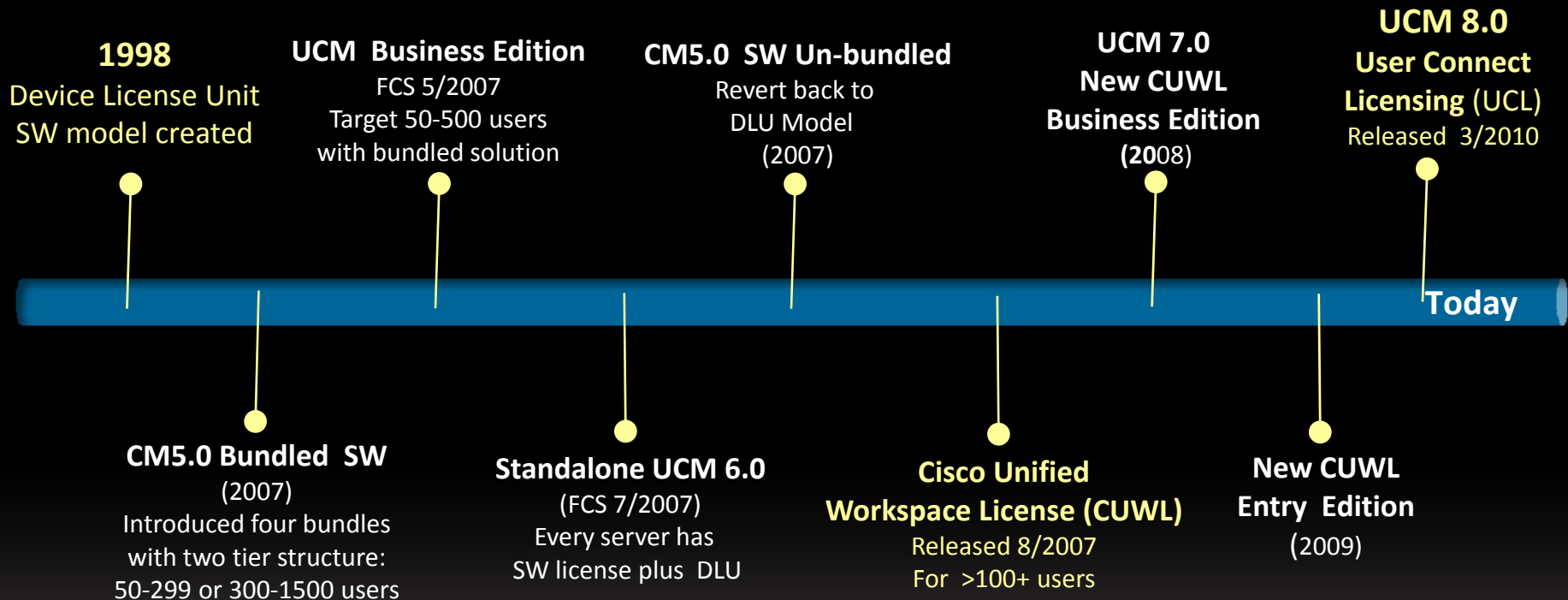
|                                                                |                  |
|----------------------------------------------------------------|------------------|
| CM Enterprise Edition (101-1000 user Tier)                     | \$290.00         |
| Modular Messaging w/ one-X Speech (List)                       | \$45.00          |
| UC Standard "All Inclusive" Bundle                             | \$0.00           |
| Call Center Elite and CMS Application (1-100 agent Tier)       | \$1360.00        |
| Software Support with 24x7 TAC Access and Upgrade Subscription | \$62.87          |
| <b>Year 1 Cost</b>                                             | <b>\$1757.87</b> |



## Nortel

- Two distinct license tiers for CS1000 software
  - Tier 1 – “Most features” including ACD
  - Tier 2 – “All features” including ACD and inter-system networking
- License Components
  - Base System + Endpoint
  - SIP and SIP TR/87 (ACE - 3<sup>rd</sup> party integrations)
  - Applications such as MOH, Announcements, ACD agents, “SimRing”, and Associated Set Terminal/CTI
- Other products using two tier model
  - CallPilot UM bundled with speech activated messaging
  - Contact Center Server
- Different “device” licenses for IP, Digital, and Analog with “Digital to IP” conversion licenses available
- SIP access ports license for each channel – No TDM trunking licenses

# Cisco Telephony and UC Licensing Evolution (1998-2010)



Device licenses for Cisco Unified CM remain separate from the price of the phone but the price of the device license component has **increased** starting with...Version 5.0" -- *Cisco UCM Licensing Pricing Model Q&A 2007*

# Cisco



Strategy: Bundling or Ala Carte

Approach: Device License Units (DLU), Cisco Unified Workspace Licensing (CUWL), or User Connect Licenses (UCL) (**NEW**)

**CUWL Editions:** Entry (**NEW**) , Business, Standard, and Professional (*client + server software included plus major, minor, and maintenance software releases + 24x7 application support* )

Other costs...

- SmartNet for hardware parts and replacements (optional)
- Essential Operate Service for software support (mandatory)
- 3-Year UC Software Subscription for Standard and Professional (mandatory)

“Old” model still used: Server License + Device License Units (List \$50 per unit)

- Example : Cisco IP or 3<sup>rd</sup> party SIP Phones use 1-6 DLU (ex. 7902 = 1 and 7985G = 6)

# »» DLU vs. CUWL Licensing Models

## DLU Model

(Device License Unit)

User's require DLU's for every Device and Application they use

*Hard/Soft Phones  
Voice Mail Application  
IM/Presence  
Mobility*

## CUWL Model

(Cisco Unified Workspace Licensing)

Bundled Licensing for each user including various application options

*Hard/Soft Phones  
Voice Mail Application  
IM/Presence  
Mobility*

- *Decision of DLU vs. CUWL is based upon applications needed by each user*
- *CUWL is best option when large number of applications are deployed*
- *DLU Licensing can be converted to CUWL in the future*

# User Connect Licensing (UCL) - NEW

Strategy: Migration to User-centric licensing model

Approach: 5 Users Types: Adjunct, Analog, Basic, Open Space, Enhanced

Requires: UCM 7.1.5 or higher; Version 8.0 for Unity, UCC Express, Meeting Place

- Messaging: Unity **\$100**/box with unlimited ports or Unity Connection **\$75**/box
- No more server licenses
- Mix of CUWL + UCL license in same cluster but requires ESW and UCSS
- SmartNet, UCSS, and Essential Operate (ESW) are “optional”
- UCC Enterprise , UCM Express, Unity Express products not eligible

| UCL User Type | List Cost | Other Information                                                                  |
|---------------|-----------|------------------------------------------------------------------------------------|
| Enhanced      | \$210     | Applies to any Cisco IP/SIP or 3 <sup>rd</sup> party SIP compliant phone           |
| Basic         | \$125     | Only 6901 or 6911 phone can be used                                                |
| Analog        | \$40      | DLU analog license is \$150                                                        |
| Open Space    | \$150     | Applies to devices in public spaces (e.g., conference room, lobby)                 |
| Adjunct       | \$85      | for users with >1 device. Device must be of ≤ value than first <sup>†</sup> device |

**Entry Edition** - Added to CUWL in 2009 and intended for Telephony and Mobility only

**Business Edition** - Added to CUWL in 2008 and intended for <500 employees, < 20 sites.

## Cisco Unified Workspace Licensing Defined

| Functionality                     | Included in the Cisco Unified Workspace Licensing                                                       |                  |     |     |           |
|-----------------------------------|---------------------------------------------------------------------------------------------------------|------------------|-----|-----|-----------|
| Video Conferencing                | Cisco Unified MeetingPlace                                                                              |                  |     |     | ●         |
| Web Conferencing                  | Cisco WebEx Meeting Center or Cisco Unified MeetingPlace                                                |                  |     |     | ●         |
| Audio Conferencing                | Cisco Unified MeetingPlace                                                                              |                  |     |     | ●         |
| Contact Center                    | Unified Contact Center Express (25 Cisco UWL = 1 Std Agent)                                             |                  |     |     | ●         |
| Mobile Phone Client               | Cisco Unified Mobile Communicator Client                                                                |                  |     |     | ●         |
| Session Management                | Cisco Unified Communications Manager, Session Management Edition                                        |                  |     |     | ●         |
| Presence                          | Cisco Unified Presence Profile                                                                          | ●                | ●   | ●   | ●         |
| Mobility (with Sim Ring services) | Cisco Unified Mobility Profile                                                                          | ●                | ●   | ●   | ●         |
| Intercompany Media Engine         | Cisco Intercompany Media Engine                                                                         | ●                | ●   | ●   | ●         |
| Soft Client                       | Cisco Unified Personal Communicator or Cisco Unified IP Communicator with Cisco Unified Video Advantage | ●                | IPC | ●   | ●         |
| Messaging                         | Cisco Unity or Cisco Unity Connection                                                                   | Unity Connection |     | ●   | ●         |
| Phone/Call Control                | License for One or Unlimited Cisco IP Phones per User                                                   | One              | One | One | Unlimited |

WebEx 3-yr subscription

● Business Edition ● Entry Edition ● Standard Edition ● Professional Edition

UWL= Unified Workspace Licensing

# CUWL Editions “Dollars and Sense”

| Deployment Size      | Standard Edition<br>1-Year ESW | Professional Edition<br>1-Year ESW |
|----------------------|--------------------------------|------------------------------------|
| Less than 1000 users | \$21                           | \$27                               |
| 1000-10000 users     | \$15                           | \$26                               |
| Over 10000 users     | \$12                           | \$20                               |

|                           | Entry        | Business               | Standard     | Professional                      |
|---------------------------|--------------|------------------------|--------------|-----------------------------------|
| CUWL                      | \$245        | \$315                  | \$325        | \$500 <sup>1</sup><br>(was \$425) |
| UCSS <sup>3</sup>         | \$55/prepaid | \$70/prepaid           | \$70/prepaid | \$100/prepaid<br>(was \$125)      |
| Essential SW <sup>3</sup> | \$21/year    | \$21/year <sup>2</sup> | \$21/year    | \$27/year                         |
| <b>Year 1 Cost</b>        | <b>\$321</b> | <b>\$406</b>           | <b>\$416</b> | <b>\$577</b>                      |

*1 Includes 3-year WebEx subscription services*

*2 Essential Operate software support and SmartNet hardware support are bundled for this edition*

*3 Three-year UCSS contract and ESW support mandatory for all CUWL Editions*

*4 Tiered ESW rates for Standard and Professional Editions (<1000, 1000-10,000, 10,000+ tiers)*



# Microsoft

Strategy: Bundling

Approach: Server / Client Access Licenses (CAL) with Standard or Enterprise Licensing Components for Server and Clients

“Rule of Thumb”

- IM/Presence/Chat = OCS R2 Standard CAL (SCAL)
- IM/Presence/Chat + Voice + Conferencing = OCS R2 SCAL + Enterprise CAL
- Unified Messaging = Exchange 2010CAL

# Microsoft OCS R2 – What's New



Enterprise-class telephony still not ready for “prime time”

OCS Release 3 (aka OCS2010 or “Wave 14”) focusing on:

- Survivable remotes
- Full telephony functionality/E911
- Enhancing audio conferencing

**Exchange 2010 (NEW)** - Native MWI (goodbye Geomant MWI) , 16 managed replicas of Exchange mailbox, web-based self-service, speech-to-text, speech-activated email , calendar, and contacts, individual auto attendants...

## OCS R2 (cont.)

### Release 2 “Highlights”

- No license fee increases from Release 1
- Customers with active R1 SW Assurance contracts entitled to R2 (free)
- External connector costs no longer required (was \$1999 for OCS 2007)
- CAL still required for users who authenticate with Active Directory



### New CAL features with OCS R2

- Audio Conferencing
- Group Chat in Standard CAL Suite
- Desktop sharing + telephony/conferencing features in Enterprise CAL Suite

## User CAL “Dollars and Sense”

|                           | Unified Messaging                | UM +<br>Basic UC                  | UM +<br>Advanced UC                   |
|---------------------------|----------------------------------|-----------------------------------|---------------------------------------|
| SCAL / ECAL               | <b>\$71</b><br>(SCAL 47+ECAL 24) | <b>\$93</b><br>(UM+\$22 OCS SCAL) | <b>\$190</b><br>(UM+\$119 OCS S/ECAL) |
| Software Assurance        | <b>\$29</b>                      | <b>\$35</b><br>\$29 UM + \$6 OCS  | <b>\$59</b><br>\$29 UM + \$30 OCS     |
| Outlook and OCS Client    | <b>\$58</b><br>Outlook only      | <b>\$79</b>                       | <b>\$79</b>                           |
| Outlook and OCS Client SA | <b>\$17</b><br>Outlook only      | <b>\$24</b>                       | <b>\$24</b>                           |
| <b>Year 1 Cost</b>        | <b>\$175</b>                     | <b>\$231</b>                      | <b>\$352</b>                          |

# Server Licensing “Dollars and Sense”

## Standalone Server License for **Exchange 2010**

- Standard \$699 with 1-year SA \$122
- Enterprise \$3999 with 1-year SA \$698

## Standalone Server License for **OCS 2007 R2**

- Standard \$699 with 1-year SA \$122
- Enterprise \$3999 with 1-year SA \$698



*Key difference between Standard and Enterprise - Enterprise solution offers increased scalability plus redundancy. Functionally, the products are the same.*

## List Pricing Guidelines

|                                                                 |                  |
|-----------------------------------------------------------------|------------------|
| "Net new" IP Telephony Minimum Discount                         | >50%             |
| Aftermarket IP Telephony Committed Discount                     | >35%             |
| Avg. cost for enterprise IP Telephony + Messaging + Install     | \$800-\$900/user |
| Multi-Line IP phones "plastic on the desk":                     |                  |
| <i>Typical phone with monochrome display &amp; speakerphone</i> | \$350            |
| <i>High end phone with color display &amp; speakerphone</i>     | \$600+           |
| IP Telephony software license per user (List)                   | \$200-\$300      |
| Other major cost elements                                       |                  |
| <i>UPS (for access switches and IPT/UC servers)</i>             | \$500-\$2,000+   |
| <i>Station Cable Infrastructure Remediation (Cat5e)</i>         | \$450/user       |
| <i>LAN/WAN Upgrades</i>                                         | TBD              |
| <i>Server and Technology Room Remediation (power, cooling)</i>  | TBD              |

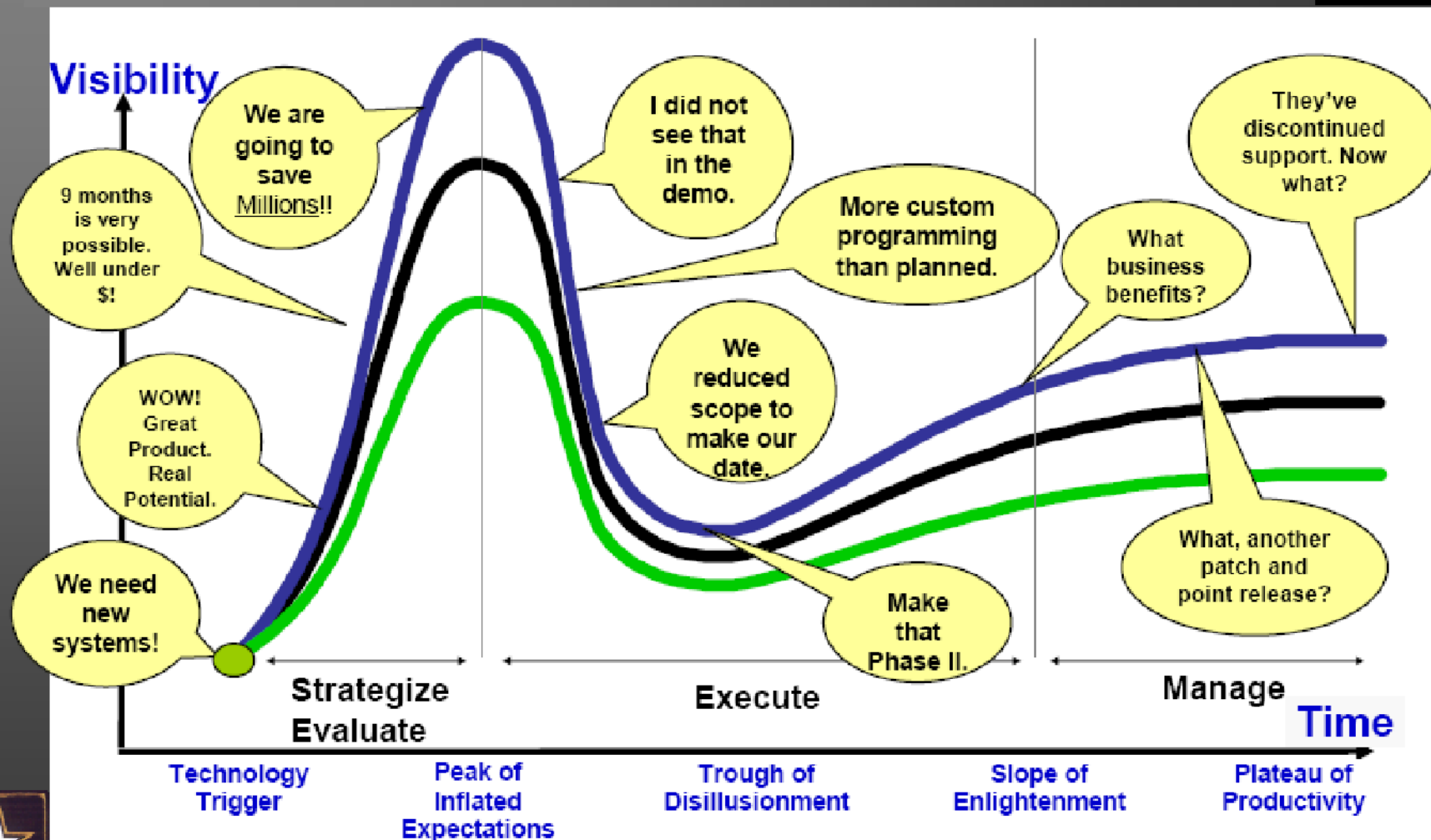
## Pricing Guidelines (cont.)

|                                                           |                  |
|-----------------------------------------------------------|------------------|
| Unified Messaging licensing per user                      | \$45-\$80        |
| ACD/Contact Center Agent License                          | \$600-\$2000     |
| IP Softphone (entitlement SW or license)                  | \$0 - \$100      |
| Find Me - Follow Me per user                              | \$50             |
| Advanced Call Recording + Install + Professional Services | \$800/port       |
| Advanced Speech Recognition Professional Services         | \$5000/port      |
| Enterprise Audio Conferencing                             | \$800-900/port   |
| IPT Installation + Professional Services + PM             | \$300-\$400/user |
| E911 Systems (application running on separate server)     | \$25-\$30/user   |
| SIP Access/Trunk                                          | \$150/Vtrunk     |
| System Technician Hourly Rate (on site)                   | \$90-\$250/hr    |

## Vendor Pricing - How to do “Apples to Apples” comparison?

|              | Vendor A | Vendor B | Vendor C | Vendor D |
|--------------|----------|----------|----------|----------|
| Total Cost   | \$5.4m   | \$3.5m   | \$4.8m   | \$2.8m   |
| Mtce Yrs 2-5 | \$1.2m   | \$550k   | \$1.1m   | \$690k   |
| Shipping/Tax | \$396k   | \$512k   | \$258k   | \$245k   |
| Discount     | 53%      | 57%      | 65%      | 62%      |
| AM Discount  | 39%      | 39%      | 25%      | 62%      |

# Implementation Reality



— Army Enterprise Integration Oversight Office, CIO/G-6 —

# UC and IPT Procurements- 5 Questions You Want to Answer

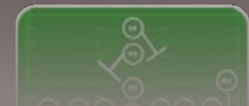
1. Have you conducted an *appropriate* feasibility study?
2. Is your entire network infrastructure tested and REALLY ready for the new enterprise applications? Space, power, cooling, cable, end-to-end QoS, PoE, WAN/carrier services, data electronics etc...
3. Have you defined what you REALLY need implemented on “Day 1” and the existing assets you can leverage? Are you biting off more than you can chew?
4. Do you have the appropriate user groups represented on your project team and executive sponsorship to help support & defend your project?
5. What is the best procurement and implementation methodology to support your strategy ? (**HINT:** Competitive procurement + Proof of Concept/Pilot)



# Before you buy - have you done a Feasibility Study?

**Feasibility Study** - Analysis of a problem to determine if there is an effective solution. The operational, financial, and technical aspects of the analysis are critical and should address:

- What are acceptable alternatives to the current state and technologies?
- What are the costs, benefits, and risks associated with each viable alternative?
- What is the best solution (current state, upgrade, migration, "rip & replace")?
- Can the best solution be "built" and supported; in what timeframe?
- The final step is to answer the question: Should we implement the solution?



## Summary ---

- IP Telephony and Unified Communications software-based architectures require new understanding of vendor technology, licensing models, and pricing...
- Vendors have varying and evolving technology, software licensing, and costs...
- Customers will need to do their homework to understand these vendor models and how they impact the total cost of ownership...
- Begin with the end in mind; perform feasibility study, define your requirements, “Must Haves”, measures of success, and align with the business strategy...
- Competitive procurement process yields the best pricing and service support offers...it’s not easy but well worth the effort!

# THANKYOU!



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