Cisco under siege

Gartner issues warning about VoIP lock-ins. The Tolly Group says AVVID is too complicated and too centralized. Bob Emmerson thinks legacy hardware is more likely to be the Achilles heel.

Cisco is under attack right now, but I recall being told that the time to stop worrying was when they were not being criticised. So right now the company should be laughing and why not. Market share is almost 55% (Source: IDC) and they ship around 100,000 IP phones a month.

A couple of years ago Cisco had over 90% of the market for IP comms but it was a very small cake, one that had been baked in Silicon Valley. Gartner credits the company for influencing *"the voice industry to move rapidly towards VoIP based solutions"* and reminds us of *"the company's strong message of migrating …. towards 'open' IP-based systems."* But then Gartner goes on to warn about *"a move into an architecture that is more closed than Cisco would have you believe"* and the danger of *"investing too heavily in Cisco's long-term lock-ins relating to voice switching."*

Cisco's rebuttal of the Gartner research note into lack of support for industry standards was predictable and robust. Innovative solutions are *"introduced long in advance of industry standards"* and *"often there are no standards that apply to the feature or application."*

So what were they supposed to do? Hang around until the PBX vendors decided to adopt IP telephony? If so we'd still be waiting and the market would have missed out. Recall that the concept was trashed in the late 90s by the TDM camp and the debate then, as now, was less than honest.

The Tolly Group's study was commissioned by a competitor (Shoreline) and it shows. For example: *"Our mission was to provide intellectual and pragmatic analysis on the relative complexity and simplicity of VoIP architectures."* No prizes for guessing which vendor's architecture was 'intellectually analysed' as being complex.

This 'study' makes sweeping statements and makes apples with oranges comparisons. If Cisco's AVVID architecture is relatively complex it's because it was designed to do a lot more than simply layer VoIP over the network.

No Christmas cards this year for Mr. Tolly from Mr. Chambers.

The company was also criticised for integrating VoIP as a network service into the core of its switches and routers, i.e. introducing a hardware dependency. This may be true, but is it a serious issue?

Cisco has over 50% of the LAN switch market and close to 80% of the total router market so the kit is probably there anyway. Yes, it does sound like an 800-lb gorilla stretching its muscles, but it's not without precedent. IBM, for example, did it in the 60s and 70s. If Cisco has a near monopoly position the guys to beat up are the ones who let them get there, e.g. Nortel and 3COM.

Put another way, if you don't want to add their routers and switches go ask the preferred vendor for a competitive IP telephony solution.

Confused markets don't buy: they wait.

Despite the fact that the business case for IP comms is impressive — overwhelming in the case of green field sites, many CxOs are skeptical. Typical research findings still report perceptions that there is no real need (around 40%); and that it is too expensive (almost 30%).

That's somewhat scary, so why do Gartner and Kevin Tolly decide to muddy the waters? Why not focus on the business case? IP comms is one of the very few growth sectors and businesses that ignore this development won't be in business in a few years time. Surely that is the kind of report that research outfits should be producing.

Trash the market leader and you trash the concept; nor do you do yourself any favours. Moreover, there's enough business to go around; it's a very big cake. According to Siemens the installed PBX base represents a $250B investment and by the end of the decade most TDM systems will have been replaced.

PBX vendors are ideally placed to migrate their own base to IP and if they have a good solution and long-term strategy that should keep Cisco at bay for a few years. However, integrating third party PBXs in a mixed environment gets tricky since they're based on different proprietary technologies.

The Achilles heel

Once upon a time I thought it was applications, and applications are what it's all about. VoIP, IP platforms and converged infrastructures are simply a means to an end. Developing applications was not a core competence in the '90s so the kick-start had to come via acquisitions. (Geotel was bought for a cool US$2 billion back in 1998). However, software engineers come with acquisitions and open APIs enable third-party development, so the app portfolio is in pretty good shape.

Ironically, and understandably, the area of relative weakness is the somewhat arcane world of PBX signaling protocols, i.e. DPNSS and Q.sig. The market is clearly going to migrate towards IP communications; it is not going to rip and replace systems that are working well. So, if a company likes the look of Cisco's solution but demands interoperation with the legacy hardware it can get tricky. It's doable and it gets done using third-party products, but if you are set on exposing a weakness then this could be it.

Conclusions

Let's have honest debates but words that make the business case are more important. Let's welcome the fact that Cisco has some serious competition and that the market is healthy. The company will continue to lead in the foreseeable future, i.e. up to 2005/06. After that it's down to guesswork and maybe Mr. Gates, who has entered the real-time operating system arena. More on that issue in the next issue.