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Frost & Sullivan: Managed and Hosted UC Services to Drive Growth in the Overall Australia UC Services Market

Both these segments to account for close to 70% of total UC Services by 2018

Growth in the Australia UC Services market in 2011 was driven by strong demand for end-to-end managed services, primarily in the area of videoconferencing endpoints, and hosted solutions such as voice-based applications or IP telephony according to Frost & Sullivan's latest research release, Australian Unified Communications Services Report 2011. In the medium to long term, demand is forecast to slow slightly but remain solid, achieving a compound annual growth rate of 13.8 per cent between 2011 and 2018.

The growing significance of hosted and cloud-based solutions is gradually driving a shift away from on-premise solutions.
The State of the MarketThe Australian UC services market is divided into five segments: hosted UC services, managed services, consulting services, installation and integration services, and maintenance services.

Hosted UC services, which includes UC applications provided over a cloud-based model, is the largest segment in the Australian market accounting for 45 per cent of all UC services revenues in 2011. The expected shift towards hosted and cloud-based models will continue to drive revenues and adoption of services in this segment, resulting in a predicted revenue contribution of 50 per cent by 2018.

Managed services, which includes end-to-end management of UC applications by a service provider, is experiencing increased demand driven by the ease of using a third party to manage UC applications, and the desire of businesses to reduce their internal IT overheads. Managed services accounted for 15.5 per cent of UC services revenues in 2011and is expected to rise to 18 per cent by 2018.

Consulting remains a relatively small contributor to the market, accounting for 7 per cent of revenues. Despite its size, the segment is emerging as an important, specialised capability for service providers, typically requiring a skill set capable of integrating business objectives with technology. By 2018, consulting is expected to represent 10 per cent of revenues with growth driven by the convergence of communication mediums such as social media and UC and a growing need to integrate disparate customer information from enterprise applications such as CRM and ERP.

The one-off deployment requirements of installation and integration services accounted for 20.5 per cent of services revenues last year. However, as the installed base of hosted and cloud-based solutions grows, the contribution from this sector will decline. By 2018, Frost & Sullivan anticipates that installation and integration services will drop to 15 per cent of all UC services revenues.

Maintenance services, which include on-going support, troubleshooting and infrastructure upgrades for organisations, accounted for approximately 12 per cent of UC services revenues. Once again, the trend towards hosted and cloud-based solutions which will decrease customer ownership of IT infrastructure and applications is expected to result in a decline within this segment. By 2018, the contribution of maintenance services revenues is likely to reach 7 per cent.

2011-2018 Trends

Other predictions contained in the report include:
Although demand for hosted and cloud-based models is steadily increasing, the on-premise model will continue to be dominant in the next three to five years.The majority of organisations will employ a phased approach in their shift to a fully hosted or cloud-based model. End to end managed services will address this by allowing organisations to own the equipment while a service provider handles the day to day running and maintenance of the systems.Hosted voice and conferencing solutions will drive the growth in the Hosted Services segment accounting for the majority of revenues throughout the forecast period.
Adoption of videoconferencing solutions is creating demand for specialist audio-video integrators skilled in integration, support functions, and with a deep understanding of audio and video technologies. The significance of such capabilities was highlighted by Telstras acquisition of iVision, Other major players in the market are expected to either invest in building their existing video capabilities or strengthen their portfolio through acquisitions.Corporate acceptance of a bring your own device policy is gaining momentum, raising the need for mobility-related services from initial set-up and integration to ongoing services such as troubleshooting, security and connectivity.

Audrey William, ICT Research Director, Frost & Sullivan, says, The Australia UC Services market will drive a change in the delivery of services over the next 5 years. With Hosted and Managed Services growing in importance, channels, service providers and systems integrators need to re-invent themselves to offer value add services and this means changing the existing model of selling services. Margins are thinning in the areas of maintenance and integration services. Cloud based solutions will also pose a threat to existing services offered by channels and hence for players to survive in this game, the need to offer services beyond basic services will be critical.

Frost & Sullivan's Australian Unified Communications Services Report 2011 forms part of the Frost & Sullivan Enterprise Communications Research: 2011 program. All research services included in subscriptions provide detailed market opportunities and industry trends evaluated following extensive interviews with market participants. Interviews with the press are available.

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