Microsoft a Credible VOIP Supplier? Maybe Someday

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As Microsoft continues its push into the voice over IP market with new partners and supporting products such as the new IP phones announced May 14, it will have to prove that its technologies can deliver the kind of reliability and security that large enterprises expect of their voice communications equipment.

To gain a foothold in the fast-growing VOIP market, Microsoft has set out surprisingly humble expectations for its initial round of products - the forthcoming Office Communications Server 2007 and Office Communicator 2007.

"Usually they go in with both guns blazing," said Brian Riggs, research director at Current Analysis, in Sterling, Va. "In this case they're developing a healthy coopetition model with PBX providers that'll be in place for years to come. This is a very healthy way for Microsoft to approach this."

As a platform for voice, Microsoft's plan for the OCS is to have it work in conjunction with existing PBXes, rather than trying to rip and replace that equipment, at least for the next two years, according to Riggs.

That is a sensible plan, given the lack of credibility Microsoft has as a

potential IP PBX replacement vendor. In a survey published earlier this spring of 100 large enterprises, Nemertes Research found none was thinking about Microsoft as a telephony provider, according to Irwin Lazar, principal research analyst with Nemertes Research, in Haymarket, Va.

"There was very little interest in using Microsoft as the telephony platform," he said. "They weren't willing to rely on a new vendor without a proven track record in IP telephony. The history of them is that it usually takes a couple of tries to get it right, and most don't trust Microsoft. The vast majority of them would continue to look to Cisco, Avaya and Siemens for their telephony systems."

Another study published April 30 by Infonetics backs up that research. The User Plans for VOIP North America 2007 study, which surveyed 240 companies earlier this year, found "not even one mention" of Microsoft as a VOIP supplier on their short list, according to Matthias Machowinski, directing analyst in enterprise voice and data at Infonetics, in Boston.

"I would have thought they'd at least show up a couple of times. Asterisks showed up in the report," he said. "When companies think VOIP, they're still looking at PBX manufacturers, with Cisco being the No. 1 by far." The users, who either had already deployed VOIP or were planning to do so in the next 12 months, were considering Cisco 50 percent of the time as a VOIP supplier.

To bolster its credibility, Microsoft last June launched its multifaceted partnership with Nortel Networks, dubbed the Innovative Communications Alliance, which gave Microsoft access to Nortel intellectual property around VOIP.

Many industry observers believe Microsoft got the better end of the deal

with Nortel, which plans to be the dominant professional services provider for VOIP implementations that include Microsoft software.

At least one customer who has committed to waiting for Microsoft to flesh out its vision provided ammunition for that argument. Johan Krebbers, group IT architect at Royal Dutch Shell, in January pledged to migrate to a software-based communications system built on Nortel and Microsoft technologies. He also said Royal Dutch Shell plans to "move away from Nortel PBXes," according to Nemertes' Lazar. "He said that they planned to continue to use Nortel for a PSTN gateway. Nortel wasn't real happy," he added.

Microsoft's patient plan is to slowly introduce more advanced PBX functionality into its products such as the OCS and work its way into the enterprise, Current Analysis' Riggs.

"Microsoft will approach current customers of - Live Communications Server - to upgrade to OCS, which will have more advanced PBX-like voice features in it. Those customers will start experimenting with OCS working in conjunction with the PBX infrastructure in small workgroups," he said. "Over the next two to three years, Microsoft hopes those companies will take OCS and see it does just as well and is just as reliable as a PBX. Whether that'll really take place is the big $1,000 - or in Microsoft's case - multimillion-dollar question."

In the meantime, Microsoft will try to freeze the market, with its sights set primarily on Cisco. Last year at Fall Voicecon, Microsoft's battle cry was to "put down the pen" - an admonishment to Cisco customers planning to sign network upgrade deals to prepare for VOIP implementations.

"I think people are listening to - the freeze the market message - , but no one's waiting for Microsoft to get it right," Lazar said.

It's hard not to compare Microsoft's late entry into the VOIP space to Cisco's entry in the same space in the '90s. It too had no credibility or presence, pointed out Allan Sulkin, president of TEQConsult Group, in Hackensack, N.J.

"What did Cisco have in the telecom space? Cisco came from nowhere, and now they're up there," he said.

"And changes in the way people communicate in real time - using instant messaging - along with changes in the telecommunications industry tend to favor Microsoft. Of today's current development efforts in communications, 80 percent of the money is spent on software, which is a little harder to develop than hardware. And last I saw, Microsoft is a rather large, large software player," he quipped.

Despite a rather long, uphill battle with well-entrenched players such as Cisco, Avaya and Siemens, Microsoft could eventually get it right and carve out a significant share of the market.

"They'll get there gradually and, before you know it, one day they'll take over," said Sulkin.

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