



**2008 Frost & Sullivan  
Growth Strategy Leadership Award**



*"We accelerate growth"*

## 2008 Frost & Sullivan Growth Strategy Leadership Award

### Award Description

The Frost & Sullivan Award for Growth Strategy Leadership is given each year to the company that has demonstrated an exceptional growth strategy within their industry.

### Research Methodology

A recipient is chosen to receive the Frost & Sullivan Award for Growth Strategy Leadership based on specific criteria. Through primary and secondary research methods, all companies' market revenues are tracked and those exhibiting significant growth are noted for their strategy implementation. Revenues are then compared year to year to monitor growth patterns. When a company continues to show high growth rates, it is a candidate for the Frost & Sullivan Award Growth Strategy Leadership.

### Measurement Criteria

This Award is given to the company that has bolstered their position in the market during the base year and whose strategy will have a lasting impact on the market. The Award criteria are based on the following:

- Ability to grow in a saturated or maturing market
- Implementing a unique sales strategy
- Technological innovation and leadership
- Discovering new venues for an established product
- Effective Internet strategy
- Strategic mergers, acquisitions, or joint ventures to penetrate new markets
- Reorganisation structured around growth strategy



## Market Overview

Favourable market conditions contributed to the growth of business telephony market in 2007. Line shipment grew by 4.8 percent year-on-year, compared with the rate of 6.4 percent registered in 2006. The net revenue growth trailed behind shipment growth by a good 1.9 percentage, signifying a strong element of price pressure. However, the average price decline experienced in 2007 was considerably less than 2006, one of the reasons being the re-alignment of prices by several Tier-I vendors. This has helped boost the revenues in the call control market.

To offset this slow growth rate and leverage the more favourable market conditions, most vendors are creating traction for applications, while still managing and growing their installed base.

Replacement of legacy telephony infrastructure with IP telephony continues to impact the market. Most vendors see value in migrating their installed bases to IP in order to create a market for applications. Attractive migration schemes, vendor financing and deep discounts have contributed to the growth in IP telephony shipments.

A focus on the small and medium businesses (SMB) market has been one of the key themes in 2007. Almost 90 percent of all new product announcements were in the sub-250 segment of the market. Frost & Sullivan noted a surge in shipments in the SMB market that has helped more than offset the flat and slightly negative growth rates experienced in the enterprise market in several countries in Europe.

The open source call control movement, led by Asterisk, is gaining momentum. Several large vendors are known to have shown interest. While 3Com and Aastra Technologies each already have an offering, Avaya and Nortel are believed to be keenly looking at this market. Several integrators, resellers and network service providers offer incredible value in developing customised functionalities over the Asterisk software.

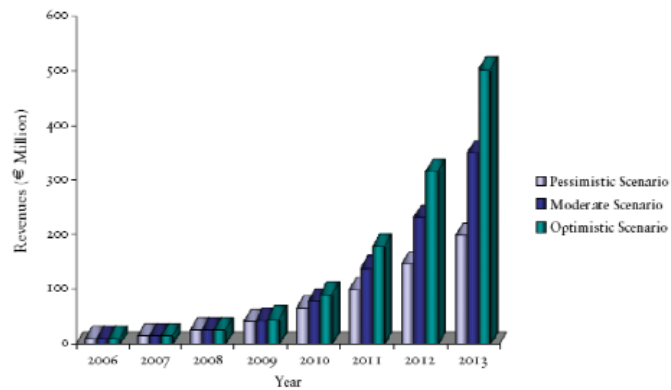
Frost & Sullivan market research indicates growing traction of open source telephony in Europe. The largest deployment by NOVACOM, reviewed during this research, was a 850-user, multi-site deployment spanning several countries in Europe and Asia that is being expanded to 1,200-users. ADDIX, a German Internet service provider, developed its Astimax PBX based on the Asterisk solution. Last year, ADDIX primary targeted 500+ call centre organisations. Its success, along with PingTel, whose average deployment size is 550 users, has helped dispel some of the negative opinions.

The entry of Digium, Fonality, Pingtel, Vertico Software, in addition to 3Com, Aastra Technologies, IBM System amongst others is expected to drive strong growth in the sub-50-user segment.

Overall, the open source telephony market is enjoying very high growth rates comparing with the traditional telephony, as illustrated below.

In 2007, the total European PBX and KTS system market generated revenues of 2.60 billion. An estimated 21.4 million lines were shipped during the same period. IP Systems segment grew by 10.3 percent in terms of lines shipped and 5.8 percent by revenue. Traditional systems on the other hand declined by -7.3 percent by line shipped and negative 6.2 percent by revenues.

Open Source Telephony Market: Revenue Forecasts (Europe), 2006-2013



Note: All figures are rounded; the base year is 2007. Source: Frost & Sullivan

### Award Categories and Relevance

The Frost & Sullivan awards for companies operating in the enterprise communications market in Europe collectively recognize both the market's growing importance in global terms, and the challenges presented by market saturation, intense price pressure, and increased buyer power in the European market.

Acknowledging this fact, Frost & Sullivan has focused its award recognition on a small but significant group of key participants in the market that have been successful in gaining the leadership positions in overall market share, product line, technology, and business development strategy in these tough and challenging conditions.

### Award Recipient

Aastra Technologies is one of the largest players in the European business telephony market. Its aggressive strategy of organic and acquisitive growth has positioned it among the top three European vendors and as a leader globally in enterprise communications. While other industry players are currently struggling, Aastra has had a decade of consecutive profitable quarters. It has successfully moved up the infrastructure value chain in the enterprise communications business.

Founded in 1983 and based in Toronto (Ontario, Canada), Aastra Technologies was initially an engineering company providing services to aero-industry and defence markets. In 1993, the company started to specialise in telecommunications to develop and market products and systems to access communication networks. Since then it has had a history of acquisitions that show a consistent growth strategy and total focus on enterprise communications.

Importantly, all new acquisitions have been complementary, in terms of technological expertise, product portfolio, distribution networks and geographic presence. Starting with the acquisition of Nortel's analogue telephone business, the company has grown to enter the PBX market with the acquisitions of Ascom's PBX division (2003), EADS Telecom (2005) and DeTeWe KG (2005). Ericsson, its latest and largest in scale acquisition further complements both its product portfolio, with solutions for large enterprise and mobility, and its geographic reach, with new channels into emerging markets.

The acquisition of the Ericsson Enterprise Communications Business will substantially expand Aastra's customer base in Europe and globally, especially in markets such as Eastern Europe, Middle East and Africa, Asia Pacific (including

Australia and New Zealand), and North and South America. While prior to the acquisition Aastra had operations in 15 countries, it now has a presence in over 34 countries. New channels into emerging markets will allow Aastra to take advantage of the future growth in those regions, and Aastra will become the leader in Western Europe, now having complete coverage of the European region.

Also, the acquisition is very complementary to Aastra's existing product portfolio. The addition of Ericsson's Enterprise Communications extends Aastra's reach in internet protocol Communication Servers, Unified Communication applications and integrated mobility with the concept of "One Phone". It corresponds with the company vision that anticipates future potential growth in integrating unified communications with business applications.

Tony Shen, President and co-CEO of Aastra Technologies summarises the strategy with these words: "With our scale and scope I think we will be one of the leading players in the enterprise communications market, and we are well positioned to take advantage of strong growth in new and emerging markets."

Aastra Technologies offers a strong breadth of products that include:

- For the SMB market: the Opencom series (through acquisition of DeTeWe in 2005) and Ascotel series (through the acquisition of the Ascom PBX System division in 2003);
- For the MLE market: NeXspan series (through the acquisition of EADS Telecom in 2005)

Reinforced with the addition of products from the recent acquisition of Ericsson's Enterprise Communications Business (such as the MX-ONE, mobility and call centre solutions)

The vendor is particularly strong in the sub-50 and -250 to 1000 segments. In 2007, in North America region Aastra introduced session initiation protocol (SIP)-based 5i series deskphones

Over the last year Aastra initiated several marketing programmes that promise great results in market growth. These are aimed to answer the key challenge of how to expand market reach in this highly saturated market. Programmes included exciting new product announcements, entering the open source telephony market with the Aastra Online launch, and more recently the completion of the Ericsson Enterprise Communication Division acquisition.

Aastra aims to reinforce its position in the large enterprise segment and has launched an ambitious new product called Aastra 5000 - an open standards-based, IP telephony software product that targets large enterprises with multi-site networks. This product aims to serve the growing hosted and managed services market while also meeting the demand for large IP telephony networks extending up to 150,000 users. Aastra 5000 will also enable the migration of the large NeXspan installed base A5000 together with Ericsson MX-ONE platform extend Aastra's customer base into large enterprises across Europe and globally.

In the North American market, Aastra recently launched two IP platforms for the SMB market: the Aastra Link Pro I60, a Linux-based appliance that hosts Asterisk open source PBX software, and the Aastra Link RP™ powered by Microsoft® Response Point phone system software.

For its large installed based, Aastra ensures customer investment protection by remaining committed to the product roadmap of the different platforms across its portfolio. This also enables a very customer-centric approach allowing customers to choose the solution that meets their specific application needs, legacy equipment integration

requirements and investment scope

Focus on open standards is one of the key elements of the Aastra strategy, it is migrating and standardizing its various platforms towards open standards, and to the SIP standard, in particular.

Aastra is also a most recent entrant in the open source telephony market in Europe, and it is one of the first traditional telephony vendors to enter this space with its Aastra Online offering. The solution is targeted at the small enterprise market for businesses of 25 users or less. In this bold market move the company has demonstrated how rapidly it can respond to market demands, adjusting its strategies to take advantage of new opportunities emerging on the market.

The goal of the launch of Aastra Online is to explore the concept of providing communication solutions managed remotely, as well as to sell and install the communications services via Internet. This new e-commerce type approach represents a completely new venue in the space. Open source telephony is forecasted to grow very strongly in the coming years and it creates a source of potential revenue for Aastra, especially in the SMB sector, traditionally underserved by the telephony vendors.

## About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.



## About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, partners with clients to accelerate their growth. The company's TEAM Research, Growth Consulting and Growth Team Membership empower clients to create a growth-focused culture that generates, evaluates and implements effective growth strategies. Frost & Sullivan employs over 45 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 30 offices on six continents. For more information about Frost & Sullivan's Growth Partnerships, visit <http://www.frost.com>.

Ciara Jamie Connolly  
Frost & Sullivan  
DDI: 0044 (0) 207.915.7868  
Email: [ciara.connolly@frost.com](mailto:ciara.connolly@frost.com)  
[www.frost.com](http://www.frost.com)