

CAT in 2008: Transition Without Disruption

In a year that has the scent of recession, enterprise investment in Conversational Access Technologies (CAT) will be more closely linked to business objectives than ever. This puts a premium on packaging and marketing efforts that improve users' experience by leveraging existing self-service resources and fostering strong relationships with integrators, developers and managed service providers.

February 2008

**Dan Miller
Sr. Analyst**

Opus Research, Inc.
300 Brannan St., Suite 305
San Francisco, CA 94107

For sales inquiries please e-mail info@opusresearch.net or call +1(415)904-7666

This report shall be used solely for internal information purposes. Reproduction of this report without prior written permission is forbidden. Access to this report is limited to the license terms agreed to originally and any changes must be agreed upon in writing. The information contained herein has been obtained from sources believed to be reliable. However, Opus Research, Inc. accepts no responsibility whatsoever for the content or legality of the report. Opus Research, Inc. disclaims all warranties as to the accuracy, completeness or adequacy of such information. Further, Opus Research, Inc. shall have no liability for errors, omissions or inadequacies in the information contained herein or interpretations thereof. The opinions expressed herein may not necessarily coincide with the opinions and viewpoints of Opus Research, Inc. and are subject to change without notice.

Published February 2008 © Opus Research, Inc. All rights reserved.

Key Findings:

It's all about the budget now! Speech processing technology is often overlooked as IT departments feel pressure, from both inside and out, to address larger business issues and shifting architectures:

- **Opportunities abound at the "edges"** – IVRs have long been part of "front door" technologies (ACDs, auto-attendants) and will remain so. In the mobile world, speech recognition and text-to-speech rendering is presented as software embedded into mobile devices.
- **Lines blur between modalities** – "Multimodal" has come to mean speech-in/visual back, but humans have entered the application workflow to support applications that produce results.
- **Speech-enabled search finds a role** – Both self-service and mobile contexts remove the emphasis from search and place it squarely on results. Yet even speech-enabling the search-box is a simple and effective example of shallow integration that will bring new revenues and profits in 2008.
- **Focus on "user experience" getting diffused** – For enterprise implementations, user experience is enhanced at the "front-door" by deeper integration with CRM, business intelligence and analytics. Mobile applications put spotlight on "open" initiatives.
- **Hosting is an integration point** – Learn from Google! Best case scenario: Hosted service providers fulfill the promise of "speech as a service" by closely linking CTI, call routing and business logic with high levels of reliability and advanced technology. In 2008 it is being framed as part projects aimed at "virtualization" or "migration to IP."
- **Unified Communications crowding out customer care** – Microsoft may be the cautionary tale as Speech Server applications as an IVR disappears under a morass of collaboration and presence infrastructure.
- **Hardware has fulfilled the multi-protocol promise** – The Dialogic brand has returned and integrated high-density boards, digital and analog media gateways, media servers. Others are doing the same.
- **Mobility and multiple applications require better security** – Expect start-ups and old-guard companies to build out authentication and encryption solutions.
- **Solutions must make the most of masking complexities** – Prospective implementers are still confronted with too many choices and a plethora of solutions with options that include premises-based, hosted, integrated or point.
- **Challenges afoot in 2008** – Fear of recession, uncertainty about IT architectures, confusion surrounding mobility and IP-telephony could keep speech technologies on the back burner in the data center.

Table of Contents

Key Findings:.....	ii
Introduction	1
The CAT Marketscape: Mapping to the High-Growth Areas.....	2
Why UC Subsumed Voice Portals	2
The Marketing Challenge.....	3
Buyers’ Concerns: What’s in a Solution.....	4
Bricks `n’ Blades: Morphing into Media Servers	5
Dialogic Boosts Next-Generation Network Support.....	7
Audiocodes Competes in High-Density Environments	7
Inevitable Consolidation Ahead	8
Speech Processing in the Solution Stack.....	8
Nuance Reorganizes for Solutions Sales.....	9
Strategy-Driven Acquisitions	9
The Other Giants of Speech	11
Pure Plays in ASR/TTS	11
The Mystery That Is Microsoft	13
IBM WebSphere Voice	13
Loquendo	14
Telisma	14
LumenVox	14
Embedded Segment Summary.....	14
TTS	17
The Integrated Development Resources Layer.....	19
Platforms: More Important than Ever.....	21
Speech Ports Ship in Platforms.....	21
Focus on Teleservices.....	23
The Hybrid Paradigm.....	24
Convergys’ Patterns for Partnerships and Packaging	25
West Interactive: Feeling Private Equity’s Impact.....	25
Microsoft’s Tellme Boosts Better Customer Care Workflows.....	25
Verizon Business IVR Efforts.....	26
Qwest to Add Applications and Services.....	26
Transition Without Disruption	27

Table of Figures

Figure 1: Voice-Driven CAT Forecast3
Figure 2: Per Port Pricing Assumptions5
Figure 3: The Interface Landscape7
Figure 4: Server-Based ASR Vendors 11
Figure 5: Embedded Speech Revenues (\$million) 15
Figure 6: Market Share Estimates 2007: Revenue \$65.85 million (e) 16
Figure 7: Embedded Speech Processing 16
Figure 8: TTS Vendors 18
Figure 9: Development Environments and Runtimes 20
Figure 10: Premises-based Platform Providers 21
Figure 11: Estimated Market Share 24

FOR SALES INQUIRES CONTACT US:

1-415-904-7666 or info@opusresearch.net