Analysis

With 18 percent Market Share Open Source PBX Rides A Wave of Returning Customers and Critical Vertical Industries

Repeat Customers Install Open Source PBX Systems Averaging 62 Lines

We have been studying the Open Source PBX market with input from 7,000 companies. We've found that Open Source PBX is 18 percent of the overall PBX market, larger than any conventional PBX manufacturer. We've also learned the average Open Source PBX system is 32 station lines, or end points. The number is deceptively low and maybe even easily ignored. But to ignore that or almost anything about Open Source PBXs is chancy. Some onion peeling is required to see what is really going on with system size and some other forces in the Open Source market

While 32 is the average line size of all Open Source PBX systems, this number represents both first time and repeat customers. First time customers are experimenters. They test things out because communications is mission critical unlike many Open Source applications. Here's what customers expect to determine the first time around. At the highest level of analysis they judge Can an Open Source PBX be trusted? Will it support a large volume of stations?

At the granular level they want answers questions such as Is an Asterisk or sipX or a YATE download sufficient? Would things be better with, say, a Thirdlane GUI? What about a distribution using Gentoo Linux or AstLinux? Is a PBX appliance from Switchvox or a hosted hybrid from Fonality a trouble free path? These are typical answers to be learned by the first time customer. But the key answer they need is Does Open Source PBX work?

Let's digress for a moment. A better number to use for the average size Open Source PBX is 62 lines. If you're assessing Open Source for any reason, as a customer, reseller, VAR or conventional PBX competitor this is the number to focus on. Sixty two is the average system size of repeat or returning Open Source PBX customers.

First time customers will make a decision based on the outcome of the experimentation. Either Open Source is for them, or it is not. If it works they're back; if not they're not. Assuming it works, when they return, questions concerning the trust worthiness of an Open Source PBX are benched. And subsequent Open Source PBX acquisitions will be and are larger based on our research.

We say subsequent because Open Source PBX users are generally companies with multiple locations. And the beauty of a PBX is that every location needs one.

If first time Open Source PBX customers are experimenting, it is no surprise that returning customers would implement larger systems. Few companies with other than branch offices or retail stores need a slew of small systems (First time customers install the largest quantity of under 10 line Open Source PBXs). So the returning customers put in Open Source PBX systems averaging 62 lines or end points. Incidentally, this is below the national average of conventional PBXs of right around 100 lines.

Because novices put in smaller systems, this group accounts for 63 percent of all OS PBXs under 10 lines. At the other extreme, systems 500-1000 lines, it is the returning Open Source PBX customer that puts these systems in (i.e., in 92 percent of the cases.

Returning or repeat customers also put in 55 percent of all Open Source PBXs, making repeat customers the majority of new Open Source PBX installations. This being the case, first timers are therefore putting in systems considerably smaller than 32 station lines. In other words 32 is not a particularly relevant measure.

Seventy seven percent of all Open Source PBX customers have multiple locations. Of returning Open Source PBX customers 14 percent have more
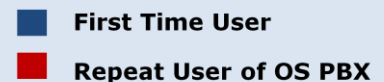
**First Time and Repeat
OS PBX Users**

37%   63%
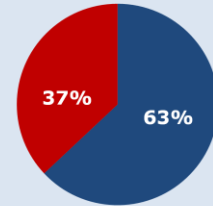
Market Share Under 10 Lines

8%

92%
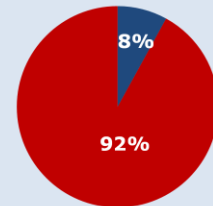
Market Share 500-1000 Lines

■ **First Time User**
■ **Repeat User of OS PBX**

Source: The Eastern Management Group, Inc.

than 10 locations. Seventeen percent are businesses with more than 100 employees. Our research shows that many companies that acquire an Open Source PBX have more than 1,000 employees. Dozens have more than 20,000 employees.

Vertical Industry Assessment

Businesses that acquire an Open Source cannot be explained away as pure technology companies. In addition to technology businesses that one would expect to install an Open Source PBX, there are high concentrations in many vertical markets. Of 22 industries in the universe of organizations Eastern Management Group studies, we find Open Source PBXs in them all. Almost 40 percent of companies that acquire an Open Source PBX are in industries unrelated to technology.

Industry	Ratio of Returning to First time Customers
Communications	2.6:1
Hotel/Hospitality	2.3:1
Banking	2:1
Government	1.3:1
Finance/Insurance	1.09:1
Education/Religion	1.06:1
Services	1.05:1

Source: The Eastern Management Group, Inc.

Because Open Source PBX customers today are defined as businesses with many locations and larger systems the second time around, we evaluated which vertical markets have the highest proportion of returning customers.

Certain vertical markets are snowballing because new Open Source PBX implementations are more frequently the result of businesses adding an Open Source PBXs than getting the first one.

Open Source PBX Vertical Markets With A High Ratio of Returning Customers

We expect ebb and flow in the ratio of returning to new customers by vertical market. In each of the seven industries shown here, as the penetration of Open Source PBX increases, first time customers will again and for a certain time be the majority of Open Source PBX implementations. Conversely, and with perhaps just a few exceptions, industries with a greater proportion of first timers will find returning customers acquiring the larger quantity of Open Source PBX systems.

The Eastern Management Group is one of the world's premier strategic research companies. We operate at the center of the global technology industry. By delivering product research, market research and analytical tools to clients, Eastern Management facilitates decision making by IT Professionals and IT Vendors.

Eastern Management's study on Open Source entitled Open Source PBX: Market Size, Forecast and Analysis is available by contacting The Eastern Management Group www.easternmanagement.com.