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Topics: Collaboration, UCC

Issue: Who are the collaboration providers and how will they evolve?

Cisco Acquires Acano: Accelerating UCC Consolidation

Summary: *Cisco's intended acquisition of Acano removes an inconvenient competitor and is further evidence of the tremendous consolidation in the Unified Communications and Collaboration (UCC) market.*

Event: On 20 November 2015, Cisco announced its intent to acquire Acano Limited, which is a video conferencing competitor that provides collaboration infrastructure and conferencing. The terms of the agreement dictate that Cisco will pay \$700 million in cash and assumed equity awards, plus additional retention-based incentives for Acano employees who join Cisco. The deal is expected to close Q1 FY 16.

Analysis

Cisco didn't need to buy Acano but by doing so, they eliminate an inconvenient competitor who was putting price pressure on some of Cisco's Video Conferencing deals. Moreover, this deal furthers consolidation in the video conferencing and collaboration market. Acano's capabilities in the area of video conferencing interoperability are of great importance to Cisco. Acano supports the Microsoft platform and mobile browsers via WebRTC, and also supports video delivery to any endpoint or screen.

Why Acano?

Emerging players like Acano have been appearing on video conferencing shortlists amidst larger vendors such as Cisco and Polycom. The ability for organizations to outfit

smaller conference and huddle rooms with cloud and software-based video has been a major driver to look at more cost effective solutions, such as Acano. This is bothersome for larger video conferencing players who are trying to figure out how to move down market and leverage cloud and mobile to offer affordable video conferencing. In this case, the best solution to these challenges was to acquire. Though it has not been disclosed in what capacity, this acquisition brings OJ Winge, Acano founder and CEO, right back with Cisco.

Market Consolidation

We believe this acquisition is just another in a long string of more to come. One such provider who's prepared to make a move in this space for adjacencies we believe is Polycom. Larger vendors are looking to add adjacencies as the market moves towards larger collaboration portfolios that have deeper integration to enhance contextual collaboration. This arrives at the heels of Unify being acquired by Atos and Citrix spinning off its GoTo collaboration family of products to be its own company. Cisco will have to rationalize this acquisition with its already vast portfolio and the new Spark Mobile Collaboration offering.

Given the continued price pressure in hardware markets, Aragon believes that the need for economies of scale and the push of Microsoft into the UC market will continue to drive market consolidation. Besides hardware margins, incomplete portfolios (UC versus UCC), and lack of a Cloud Strategy, are the driving forces that are accelerating the consolidation push.

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Rise of Collaboration Platform Ecosystems

Cisco has been making a series of acquisitions in what we believe is a push to becoming a complete collaboration Platform as a Service (PaaS) with a growing ecosystem of partners. Key to this strategy was the Tropo acquisition earlier this year (See [Cisco Acquires Tropo To Enter Communication & Collaboration PaaS Market](#)). This will enable Cisco to embed communications and collaboration capabilities in any business application or process.

In turn, this potentially helps to build an ecosystem of developers to extend Cisco's collaboration services. This is a lofty goal and will be challenging to execute because Cisco is now a provider of collaboration services to other service providers, while also being a service provider themselves. The channel strategy must be sound in this regard.

Interoperability

Acano is known for its interoperability and played the role of connector for disparate video systems providing video conferencing interoperability. Cisco can now assume this role and even enter proprietary Microsoft environments.

Opportunities

Cisco is on a trajectory to wield an even larger presence among enterprises with a myriad of approaches, from hardware video conferencing to cloud and software based options. There is potential to become an über collaboration platform that can be extended via APIs and SDKs into vertical business applications. The key will be how it integrates all of its assets in a coherent way – so that buyers understand the value proposition and

the use cases and outcomes that will be supported.

Aragon Advisory

- Acano customers have to request guidance on what the acquisition means to current investments
- Cisco web and video conferencing customers should demand roadmap with availability of newly acquired capabilities

Bottom Line

Cisco's portfolio is already diverse. This acquisition brings even more overlapping capabilities. Cisco has to craft clear messaging as to what it intends to do and what the impact will be on Acano and Cisco customers. We believe this is a good move by Cisco and will further strengthen their position in the collaboration market.

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- [Innovation at Polycom – New Products Poised to Disrupt UCC Market](#)
- [Enable Collaboration in Context with Presence](#)