Mitel Acquires ShoreTel; Prepares for UCC Battle to Own the Enterprise

**Summary:** On July 27th, 2017, Mitel announced the intent to purchase UC Provider ShoreTel for US $430 Million.

**Event:** Mitel announced that it is buying ShoreTel for approximately US $430M in an all-cash transaction. This move makes Mitel a larger player in the overall Unified Communications and Collaboration (UCC) market.

**Analysis**

When combined with its recent acquisition of Toshiba’s Unified Communications (UC) business, Mitel’s acquisition of ShoreTel positions it to compete in the large enterprise market, where UCaaS (Cloud Voice) and complete UCC solutions are in demand. Mitel will now compete against Avaya, Cisco, and Microsoft, and it indicated that it is winning head-to-head deals against these tech titans.

**Mitel’s Strategy of Acquisitions**

Mitel CEO Rich McBee’s strategy of growing via acquisition is starting to work. While Mitel was rebuffed by ShoreTel in 2014, and saw its announced deal to buy Polycom fall through in 2016, it did begin to have success in 2014 when it purchased European provider Aastra, serving to position Mitel well in the European market.

2017 is the year of significant acquisition execution for Mitel. The combination of the ShoreTel and Toshiba acquisitions are making Mitel one to watch. Aragon recommends that existing Toshiba customers may want to look at migrating to the Mitel product family.

**Mitel’s Growing Revenues**

In addition to gaining larger market share, Mitel and ShoreTel will have combined sales estimated at US $1.3 Billion; their UCaaS revenue will increase more than double, to around US $263 Million. The challenge for the combined Mitel and ShoreTel is to keep channel partners engaged as it begins to rationalize its product portfolio.

**The ShoreTel Offerings: CPaaS as a Differentiator**

One of the assets that Mitel receives with ShoreTel is Corvisa, which ShoreTel acquired in 2016 (note Aragon named Corvisa a Hot Vendor in 2015). The ShoreTel Corvisa CPaaS will help Mitel deliver on its vision of a full UCC Platform.

The ShoreTel Messaging capabilities and the CPaaS application integrate with major providers such as Microsoft, Salesforce, and ZenDesk. These integrations are a key reason that enterprises will want to evaluate Mitel instead of existing providers - who may or may not offer the same level of CPaaS integrations.

**UC Consolidates Due to Demand for UCaaS and UCC**

If anything, the consolidation of the UC market is occurring due to the growing demand for Cloud-based PBX Services (UCaaS) and full UCC Platforms, which are in their formation stage.
Mitel's overall strategy for growth positions it well for the coming battle in UCC.

Besides Mitel, Siris Capital has been the other main acquirer of UC Providers. We expect to see additional consolidation of the UCC space over the next two years.

Moreover, we would not be surprised to see Amazon make more moves in software, since the Mobile Messaging era is here and mobile messaging providers will look to exit the market.

**UCC and Video**

Video is one of the UCC applications where partnering is still popular. Mitel still partners with Vidyo for video, which is similar to what other providers such as RingCentral have done by partnering with Zoom.

Long term, Aragon feels that there will be acquisition opportunities for Mitel in video as well.

**Mitel Versus Cisco and Microsoft**

Mitel will face tough competition as it continues to compete with market leaders. As mentioned above, we expect Mitel to use its new set of offerings to compete more aggressively against Cisco and Microsoft, and also against Fuze, RingCentral, and 8x8.

On the competitor front, Microsoft features Skype for Business and a separate Mobile Collaboration offering, Microsoft Teams, which is positioned as a ‘Slack Killer’.

Cisco is focusing hard on the Cisco Spark UCC Platform that integrates with the rest of the Cisco Collaboration portfolio. Like Mitel, Cisco still sells Spark Calling via Distributors, while Microsoft is licensing Skype for Business via Partners and increasingly is going direct.

**Mitel is Positioned for UCC Battle**

Mitel is now a larger UCC provider with a full portfolio of UC and Collaboration applications and services.

Mitel’s CloudLink option, which allows enterprises to incrementally shift to cloud-based platforms, should be a key catalyst for enterprises that want to leverage Hybrid Cloud deployments.

As the dust settles with this deal, we expect Mitel to continue to focus on brand awareness to compete more effectively in the large enterprise market.

**Aragon Advisory**

- UCaaS is becoming more widely accepted and enterprises should look at replacing legacy PBXs with UCaaS offerings.
- Enterprises should also evaluate the growing set of UCC capabilities from Mitel and others, since omni-channel capabilities are being evaluated outside of the Contact Center.
- Enterprises should look at global capabilities from Mitel and others.

**Bottom Line**

Mitel has been positioning itself to become a market leader, and the ShoreTel deal makes it one of the larger UCaaS Providers. As the demand for Cloud-based UCC services increases, enterprises should evaluate Mitel and others to see how they can integrate Communications and Collaboration capabilities into their growing set of digital applications.

**Related Aragon Research**

- [The Aragon Research Globe for Unified Communications and Collaboration, 2017](#)
- [The Future of UCC and the Rise of Platforms](#)