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Ericsson buys Vonage for \$6.2 Billion As the Race for 5G Services Heats Up

Summary: Ericsson announced its entry into the UC&C and Intelligent Contact Center markets with the acquisition of Vonage for \$6.2 billion. Ericsson indicated that the need for enterprise class applications and the convergence of 5G drove the acquisition decision.

Event: Ericsson announced plans to acquire Vonage in an all-cash deal for \$21 USD per share or approximately \$6.2 billion. The acquisition was unanimously approved by the board of Vonage, pending shareholder approval, and the deal is expected to be completed during the first half of 2022. Vonage will be a wholly owned subsidiary of Ericsson when the deal closes and will continue to operate under the Vonage brand led by CEO Rory Read, who will join the Ericsson Executive Team reporting to CEO Börje Ekholm.

Analysis: This represents a re-entry into the UC&C market for Ericsson, which sees applications, particularly video telehealth, as being ideal for the growing demand for 5G. Ericsson enters a highly competitive UC&C market. Vonage is a leader in this market and has been growing due to its API enabled UC&C platform.

Ericsson is demonstrating solid market vision by looking forward at the need for applications to help to drive the demand for 5G overall. The challenge is monetizing by launching new and/or updated services that leverage 5G. At

the same time, Ericsson claimed that it had talked to some of its largest clients and indicated that they did not feel an issue with Ericsson's re-entry into the UC&C market.

Vonage as a Subsidiary

Keeping Vonage CEO Rory Read as the head of this new Ericsson division is the best possible move for the combined entities. Ericsson did not have success in the past, so keeping an executive team focused on the UC&C market can keep the revenue flowing.

APIs, Developers, and 5G

Ericsson touted Vonage's growing API platform and the developers associated with Vonage. The challenge will be to get developers to leverage the 5G opportunity.

Is Telehealth—The Killer App for 5G?

To Aragon, telehealth, which allows Doctors and healthcare providers to do video calls with patients is one of the examples of how UC&C and 5G can benefit each other.

Based on this, Ericsson is following the move that Verizon made this year, when it announced that its BlueJeans unit was going to offer a telehealth solution, powered by its BlueJeans subsidiary.

The Consolidation of UC&C

There are two consolidation plays at work in the UC&C market. The first is consolidation overall—as best of breed providers look for a full platform. The second is UC&C and contact center markets being on a collision course.

Vonage offers both UC&C and contact center, but the deal was driven off of Ericsson's need for services that will drive demand for 5G.

Ericsson gets Vonage contact center as part of the deal but that was not the capability that drove the deal. Aragon has been predicting that the UC&C and contact center markets were on a collision course (see Research Note: [The Intersection of Unified Communications and Collaboration with Contact Center](#)).

However, Aragon feels that the combined size and growth of UC&C and ICC markets make them attractive for larger providers to want to enter. Enterprise security is the only market that combined is larger than UC&C and ICC (market size source: Aragon Foresight Service).

Accelerating Overall UC&C Consolidation

Since this deal was announced, 8x8 announced that it was buying privately held Fuze in a move that was more of a consolidation play so that 8x8 could get bigger by gaining over 300 new customers.

More providers will be on the hunt to 1) get into the UC&C Market or 2) to bolster their UC&C portfolio.

Providers who potentially are in play include:

UC&C	Rational
Intermedia	Overall Growth
Mattermost	Team Collaboration
Nextiva	Overall Growth
Nice InContact	Intelligent Contact Center
Talkdesk	Intelligent Contact Center

Don't forget about the Race to AI

While not discussed as part of the deal, besides 5G, the new race in all markets is the race to AI, which is about making applications intelligent. Vonage does have AI capabilities that should benefit Ericsson. Conversational AI,

conversational intelligence (voice analytics) and computer vision are all areas that will be drivers of new use cases for voice, video, and chat based interactions.

Aragon Advisory

- Expect to see a significant uptick in M&A in both UC&C and intelligent contact center markets.
- Enterprises should pay careful attention to product roadmaps from existing and potential providers.
- Telehealth is emerging as a new use case for video conferencing that can be powered by 5G. Expect more providers to add this use case to their portfolio.

Bottom Line

The Ericsson and Vonage deal should be looked at as minimal disruption for 2022. If anything, this deal signals that the competition and choice between wireless networks and 5G is here. With it comes the possibility of new use cases and applications. Enterprises should be aware of this new phase of consolidation and ask for integrated roadmaps if and when an existing vendor is acquired.

Additional Resources:

[The Aragon Research Globe for Unified Communications and Collaboration, 2021](#)

[The Aragon Research Globe for Intelligent Contact Centers, 2021](#)

[The Intersection of Unified Communications and Collaboration with Contact Center](#)