Enterprise SBCs

Excerpts

Quarterly Market Tracker: Q4 2020

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Diane Myers

Table of Contents

Top takeaways 3
Enterprise SBC market size, forecast, and drivers 3
eSBC market at $123 million in CY20 4
Oracle led the enterprise SBC market in CY20 5
Category definitions 6

List of Figures

Figure 1: Enterprise SBC revenue market size and forecast 4
Figure 2: SBC revenue market share 5

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Top takeaways

Enterprises have several options for voice connectivity, but in the IP world it generally comes down to VoIP gateways and enterprise SBCs (eSBC). Enterprise SBCs are becoming widely deployed worldwide, especially where SIP has become mainstream in on-premises-based and cloud service deployments. The overall market declined 9% year over year (YoY) in CY20, affected by both segments. In CY20, worldwide eSBC revenue declined 10% to $475.7 million. The decline is related to a single vendor: Huawei, which discontinued its enterprise SBC, leaving a hole in the market that has not been filled. Outside of loss of revenue from Huawei, most other vendors posted solid YoY growth in eSBCs as COVID-19 spurred demand for cloud-based services with UC and contact center, driving requirements for SIP and eSBCs.

The competitive landscape within the enterprise SBC market remains dynamic, with over 10 vendors offering some form of SBC functionality, either integrated in another network element or as a standalone device. In CY20, Oracle was the market leader with a 18.1% revenue share, followed by AudioCodes with 17.9%. Oracle's strength in the eSBC space comes from mid-market and large enterprises where it has been able to leverage its relationships along with a strong focus on security and cloud services.

Note: This document is an excerpt; please contact Omdia for the full report.

Enterprise SBC market size, forecast, and drivers

eSBCs are used as a border element on the enterprise premises to protect the enterprise network from intrusions via the service provider network, handle network address translation (NAT) and firewall traversal, and for interworking between different VoIP protocols, if necessary. The SBC market is predominantly driven by medium and large enterprises deploying **SIP trunking services** as a way of consolidating, centralizing, and increasing the utilization of their trunking infrastructure.

A secondary driver of the enterprise SBC market is **interconnection between disparate systems**, such as PBXs and UC, video telepresence systems, and contact center platforms. In this scenario, the SBC is primarily handling interworking between different VoIP protocols or different vendor implementation of standards. Mergers and acquisitions are directly driving the need to interoperate between different manufacturers' PBXs, as companies are trying to integrate operations post-merger/acquisition. Perhaps not surprisingly, the financial sector has been often cited as the top vertical—they are the perfect storm of mergers/acquisitions, size, and large number of distributed sites.

A third driver is **UCaaS**, where an SBC is used in a similar manner as a SIP trunking service. Another application is **connecting remote employees** so they can use softphones and deskphones outside of the enterprise network. The primary use case is to eliminate the need for a separate VPN appliance when deskphones are used at remote offices or employees' homes, with the SBC taking care of enterprise border traversal. However, most of the time people use softphones and VPN software and buy VPN appliances for the few high-value employees that need them. In addition, many IP phones have VPN support built-in, diminishing the need for VPN appliances or SBCs.

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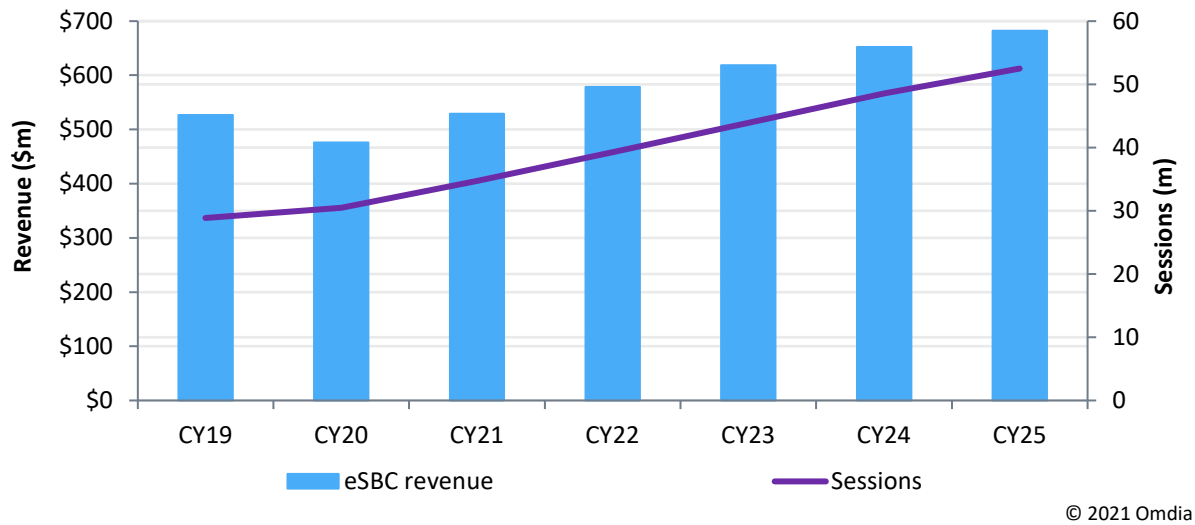
eSBC market at $123 million in CY20

Enterprise SBCs are mainstream items in developed markets that have healthy SIP trunking and UCaaS or CCaaS availability. In 4Q20, revenue was $110.2 million, down by 22% YoY from 4Q19, with 7.6 million sessions shipped, down by 3% YoY. The YoY weakness is largely attributed to Huawei discontinuing products in this area and no competitors filling that gap. The average revenue per session was $14.53, down by 19% from 4Q19, which also affected revenue growth in the quarter. In CY20, revenue was $475.7 million, down by 9.7% YoY from CY19, and 30.5 million sessions shipped, increasing by 6% YoY. Average revenue per session was $15.60, down by 14% YoY.

SBCs are affected by the growth in SIP trunking and the migration of businesses to IP PBXs, UC, and UCaaS. The number-one pull for SBCs is SIP trunking. In Omdia's September 2020 *SIP Trunking and eSBC Strategies North American Enterprise Survey*, the top reasons respondents had not deployed SIP trunking were satisfaction with existing voice services and security and reliability concerns. If there are no measurable or perceived benefits businesses will stick with what they have.

Omdia expects the enterprise SBC market to grow slightly over the coming years. The average annual revenue growth between CY20 and CY25 is 7%, with CY25 revenue reaching $682 million. Session growth has a 11.5% CAGR, growing to 52.5 million sessions in CY25.

Figure 1: Enterprise SBC revenue market size and forecast



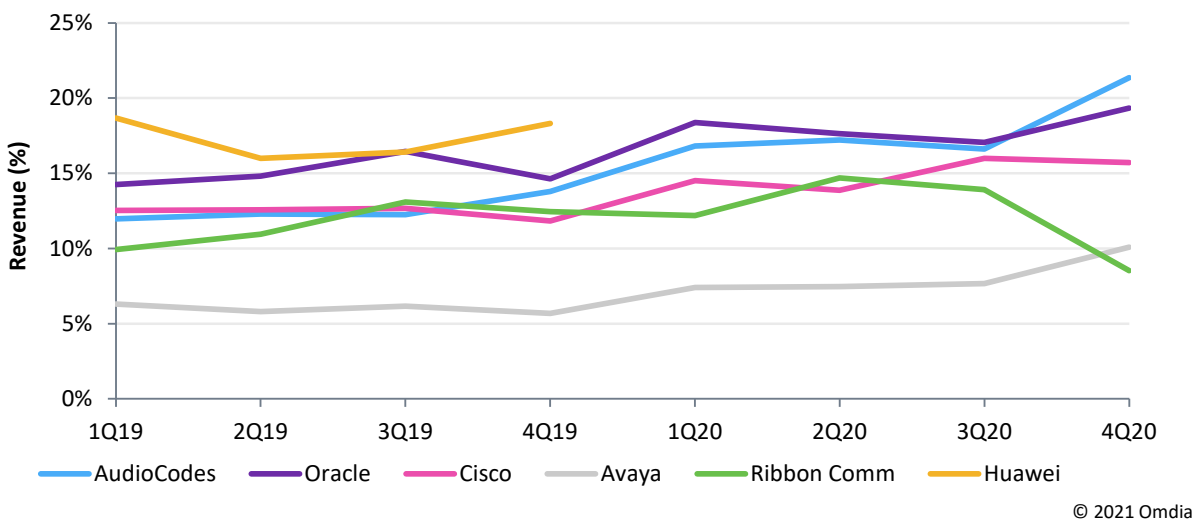
Source: Omdia

Oracle led the enterprise SBC market in CY20

There are providers that supply shipment and/or revenue data under non-disclosure agreements, but Omdia reports on the vendors whose revenue share we can show. At the end of 2019, Huawei exited the market, leaving an opening for a change in leadership. In 2020, Oracle led the eSBC market for the full year capturing 18.1% revenue share, ahead of AudioCodes, which had 17.9% share. Cisco and Ingate (market share not shown) rounded out the top four vendors for the year. Oracle has consistently been a leading vendor in the eSBC market establishing a position years ago and is still considered a technology and market leader in the space by businesses worldwide.

Vendors are benefitting from increased demand related to COVID-19 as businesses move services to the cloud. The market is highly fragmented, but fewer than seven vendors account for the majority of sales.

Figure 2: SBC revenue market share



Source: Omdia

Oracle acquired Acme Packet in 2013 which gave them entry into the SBC market with market leading products. Oracle has a full suite of enterprise SBCs and continues to invest in the technology and partnerships with a focus on security and interoperability. Oracle SBCs are available as purpose-built applicants and as software that can be deployed in cloud environments including OCI, AWS, and Azure. Oracle's interoperability ecosystem includes a broad set of UC and contact center vendors including Avaya, Cisco, Genesys, Microsoft, and Zoom; and SIP trunking providers including Verizon, AT&T, and Lumen. Oracle has developed a portfolio of complementary solutions to its eSBC products which include Oracle Communications Security Shield Cloud for caller authentication and telephony fraud protection; Oracle Session Delivery Management Cloud for monitoring, management, and analytics; and Oracle SD-WAN Orchestration Cloud .The company's sweet spot is with large, Fortune 500 enterprises.

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Category definitions

Below are the definitions for the products included in this service. Please see *Methodology* in the market size/share/forecasts Excel file, located in the service portal section for this report.

Enterprise session border controllers (SBCs): Network elements that control and manage real time multimedia traffic flows between IP networks, handling signaling and media; perform native IP interconnection functions required for real-time communications such as access control, NAT/firewall traversal, bandwidth policing, accounting, signaling interworking, transcoding, and packet processing for QoS; the borders between IP networks include inter-enterprise borders (peering borders) and enterprise-service provider borders (access borders)

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Appendix

Author

Diane Myers, Chief Analyst, Enterprise Collaboration

askananalyst@omdia.com

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omdia.com

askananalyst@omdia.com