

DiVitas Networks delivers its first product release

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IMPACT REPORT

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VOIP-based PBX and fixed-mobile convergence (FMC) startup **DiVitas Networks** has wrapped up R&D, development and testing on its new VOIP-based platform and has released it. DiVitas Mobile Convergence Appliance (MCA), the company's first product release, looks to bridge the gap between business-side cell phone users, dual-mode phones, and that ubiquitous and now ancient device, the tethered (or hardwired) business phone. DiVitas is looking to deliver a platform that uses either smartphones or – preferably – dual-mode VOIP phones to allow a company to give employees substantially greater freedom and mobile capability while providing for a way to also give users a single phone number and a single point of service for business phone needs. One phone, many uses.

It is a powerful message, but can DiVitas muster enough business-side strength to get the word out and to actually close deals? The company has already scaled back from more ambitious plans to target large enterprises, and is now sensibly going after the smaller SMB space. The company should do well going out the door.

Impact assessment

The message

DiVitas has released its first official product, MCA, and is looking to target the SMB space in search of a market for it. DiVitas should have no trouble finding business for the MCA platform, and it should have no trouble landing SMB sales.

Competitive landscape

FirstHand, OnRelay, ConnectMe Mobile and some other vendors compete with DiVitas. Giants in the space include Cisco (which acquired former competitor Orative) and Avaya (which acquired former competitor Traverse). Research in Motion may eventually compete as well (following last year's acquisition of software VOIP vendor Ascendent).

The 451 assessment

DiVitas has a very good story to tell. We like the company's overall positioning – it is more or less at the right place at the right time with what we believe is the right product mix. We were happy to hear that the company downscaled its market approach – we were concerned about its ability to even begin to make inroads in large enterprises, and DiVitas seems to have come to the same conclusion.

Technology | We won't go into technology details here (see our related analysis for that information). But to recap, the DiVitas MCA has two components: a back-end appliance that either ties directly into an existing PBX or, for smaller companies, gives them a PBX capability. Under the hood the company has made use of open source vendor Asterisk's platform, though our understanding is that there is no need to

necessarily make use of the Asterisk platform. We should note as an aside that DiVitas has absolutely no open source plans of its own for its MCA.

The second component is the DiVitas client that runs on the phone. The client provides seamless roaming between Wi-Fi, cellular and public Wi-Fi. DiVitas claims that one of its key strengths is that dropped calls are a rarity – that remains to be seen as real deployments are tested, but it will be key for the company.

On the back end, the appliance is able to tie into enterprise applications and can fully handle IM and provide presence capability. A high level of security is provided (though we can't detail it here), and there is significant management and analytics capability built in as well. The one thing DiVitas doesn't do is support BlackBerry, unlike competitor **FirstHand Technologies**, which does).

Business Model | When we first met up with DiVitas in August 2006, the company was a year old and full of good technical ideas. DiVitas also thought at the time that it would have a good shot at making a play for larger enterprises. At the time, the idea of FMC was still in what we might call a buzzword stage, and the larger enterprises were (and to a large degree still are) greenfield opportunities to land business. However, we noted at the time that the large vendors would no doubt eventually look to sink their teeth into the upper end of the enterprise space (let's call it the Fortune 1000 for now).

That still leaves a fairly large opportunity on the table, but other vendors have perhaps somewhat better marketing and sales resources to go after this market. With a staff size of 50 and all of about 15 or so folks devoted to sales and marketing, DiVitas opted to take a step back and scale down its target audience to the smaller end of the enterprise space and including, across the board, the SMB space.

By doing so, DiVitas brings more focus to its game plan, and at the same time gives itself and its R&D team more breathing room to ensure that its next-generation product will have proven scalability to meet large enterprise needs (though DiVitas will tell us that the product already scales). Having the opportunity to field test with real deployments within the SMB space will further give DiVitas more credibility – a critical factor in moving up the customer food chain later.

As far as overall market positioning is concerned, DiVitas looks to position itself as the one vendor that reaches across cellular, Wi-Fi and back-end applications, in addition to being able to offer what it considers to be the top 10 PBX features any enterprise needs. The positioning leads DiVitas to be able to claim that it can reach the broadest level of audience and that it will be able to untether the broadest audience, while providing new mobility and preserving full desktop phone functionality.

Strategy | The core strategy is for DiVitas to deliver a clear-cut ROI message to the target audience. The company has built up a marketing plan that targets three specific core issues/problems, and outlines three specific ways the platform will deliver a strong ROI. The three outlined problems it will lead off its messaging with are as follows: cost (cellular alone is up to 10 times more expensive than a landline); control (a PBX gives an enterprise control over communications that are lost through cellular and pure Wi-Fi); and complexity (back-end requirements in terms of multiple servers, as well as the need for desktop phones, mobile phones and wireless email devices require costly management and support efforts).

DiVitas claims that its MCA platform eliminates all of these issues. Its appliance architecture ties into existing PBX platforms (or can provide PBX capability where none exists), giving a company full control. Every employee ends up with a single point of access for all communications needs (and all desktop phone needs) through either a smartphone or, preferably, a dual-mode phone (giving 'all' employees total mobility on the communications front. All communications methods – cellular, landline, and Wi-Fi (whether internal or public hotspots) – are integrated, and it extends enterprise control over all wireless connections.

DiVitas has another set of 'C' words on the benefits side: continuity (application and business phone integration with mobile calling capability); control (the enterprise retains full control of all communications including through public Wi-Fi); and cost (savings through the use of Wi-Fi whenever it can be used, especially for internally mobile employees – DiVitas refers to these as 'corridor warriors').

It is, in fact, a very strong message to deliver. All DiVitas needs to do is figure out how to get companies to open doors when it knocks on them. The company, which has to date raised \$23m through **Clearstone** and **Menlo Ventures**, may need another infusion to get a bigger sales and marketing team out the door. It may be worth it. The window of opportunity, though large, may only have a certain timeframe it will remain open before the big players jump in across all enterprise segments, big or small.

Competition | A number of pure plays compete in this market space. Smaller vendors include **ConnectMe Mobile** and **FirstHand**. ConnectMe is after very small businesses and may not ever see DiVitas, unless DiVitas discovers that it needs to go even lower down the overall enterprise chain from where it has already downsized to. FirstHand is a clear competitor, and includes support for BlackBerry devices as part of its platform mix, something DiVitas does not do.

Other direct competitors might at one point have included **Orative** and **Traverse Networks**, but both have been acquired – by **Cisco** and **Avaya**, respectively. And **Research in Motion** acquired **Ascendent Systems** last year to bring in-house VOIP software capabilities.

SWOT analysis

Strengths	Weaknesses
DiVitas has done a very good job of sussing out exactly what enterprises might like to have in hand in terms of new business solutions to the old desktop phone. The DiVitas approach is solid, and offers enough flexibility to easily target the SMB space while still providing enough scalability to handle much larger customers.	Although the company has grown to more than 50 staff members, DiVitas remains but a tiny speck among the giants. This is a problem in terms of being able to access large accounts. We've already seen DiVitas downscale its customer list to the mid-tier and lower SMB space as a first-stage target for new vendors, but it suggests that size matters in this market niche.
Opportunities	Threats
Opportunities here will be significant, though we are not clear as to how quickly the market will ramp up. Smaller businesses of the sort DiVitas is now targeting may actually prove to be the larger first mover camp here. Large enterprises are likely to look to the major vendors, but even so DiVitas may be able to score some sales victories here as well once fixed mobile convergence gains real traction.	We cannot help but believe that longer term the enterprise VOIP market is going to become the exclusive realm of the big boys, such as Cisco and Avaya, though we will also include RIM here to some extent. DiVitas has a solid product – the threat may ultimately be one of taking away the company's independence, but that would also mean a sizable M&A exit (resulting in a win-win scenario for DiVitas).

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