

Sample Market Research

Industry: Instant Messaging

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1. Primary Research

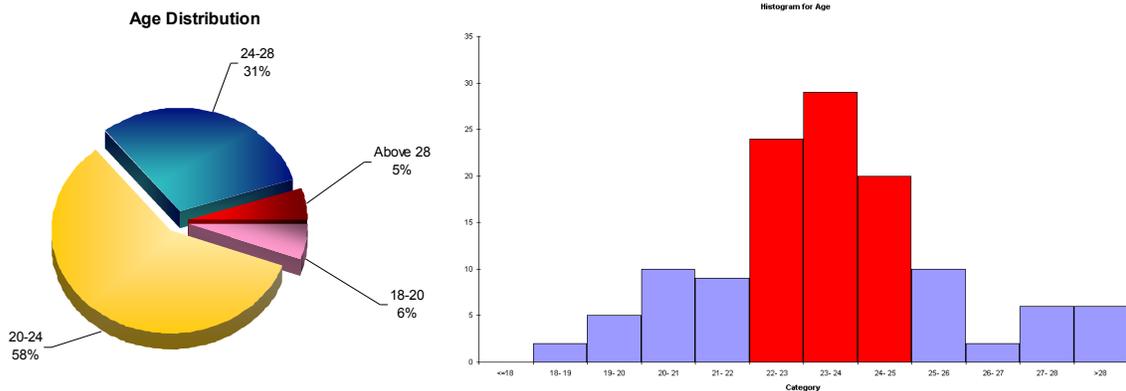
1.1 Survey Analysis

As a part of the situational analysis we conducted a survey. This section gives the details of the survey break up. This survey is based on random sampling. The randomization may not be accurate and hence the sample might be biased. Any biasing is not done voluntarily.

Population Sample: 135

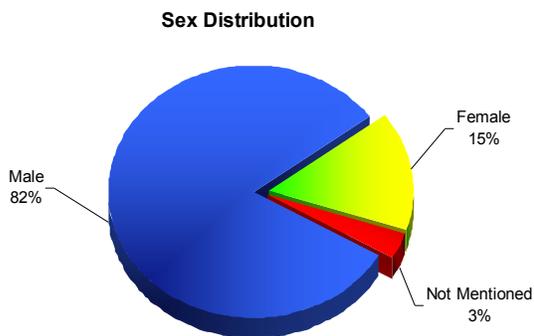
1.1.1 Population Distribution

By Age:



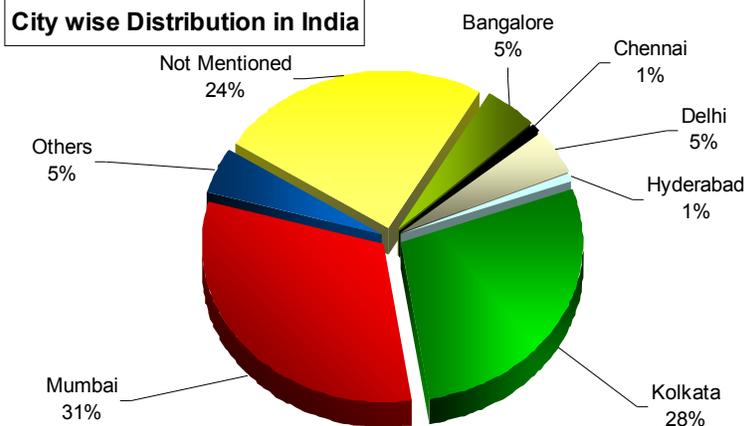
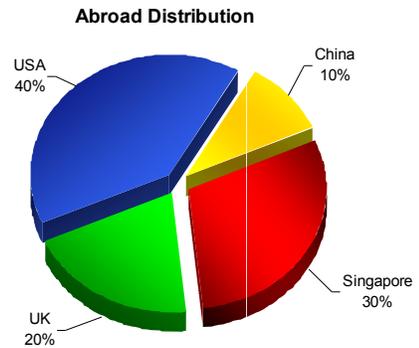
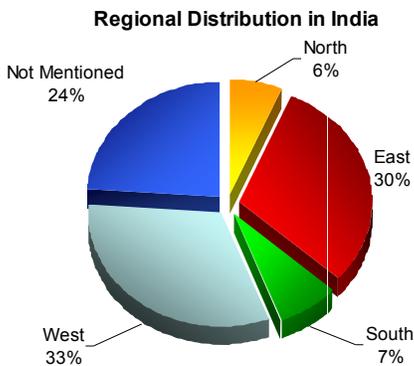
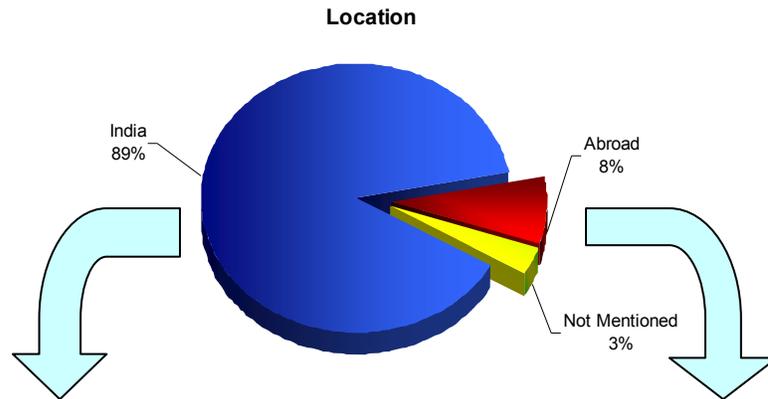
The majority of the survey takers fall into the category of 20-24 and the 20 – 28 being the second. This number might be biased but gives us a clear indication of the age segment which would be potential beta testers for C@W.

By Gender:



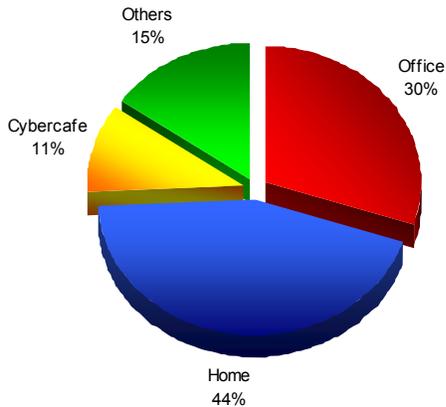
The population is majorly dominated by male user. The internet usages of “Males” are more than the “Females” subjects.

By Location:



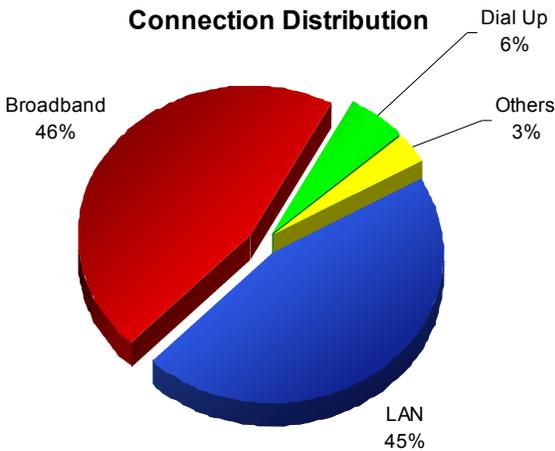
1.1.2 Survey Trends and Results

Where from people browse



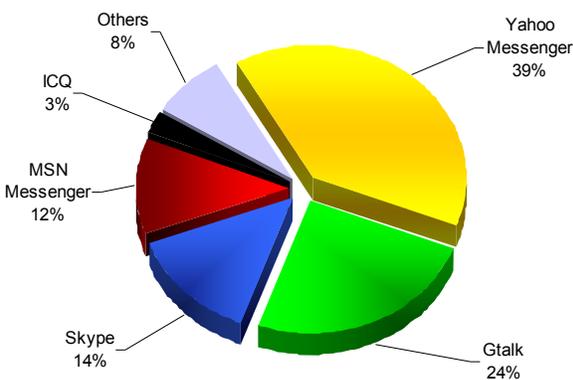
It is seen that most of the people browsing for communications purposes connect from home and we see there is terrible bandwidth constraint there so majority of the population are band width conscious. The second popular sector is office. That's gives this sectors the second most important segment to be targeted.

Connection Distribution



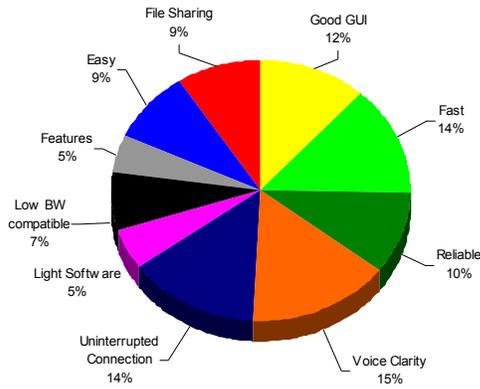
This pie shows the type of connection used by the population under survey. We can see that most of the users are either using broadband or LAN connection that means there is no band width constraints as such. This may not give us the actual picture, as the sample of the population may be biased on the grounds that all of these users are heavy users. So if we have to take into account the whole internet users in this subcontinent the pie would take a different shape all together.

IM Preference



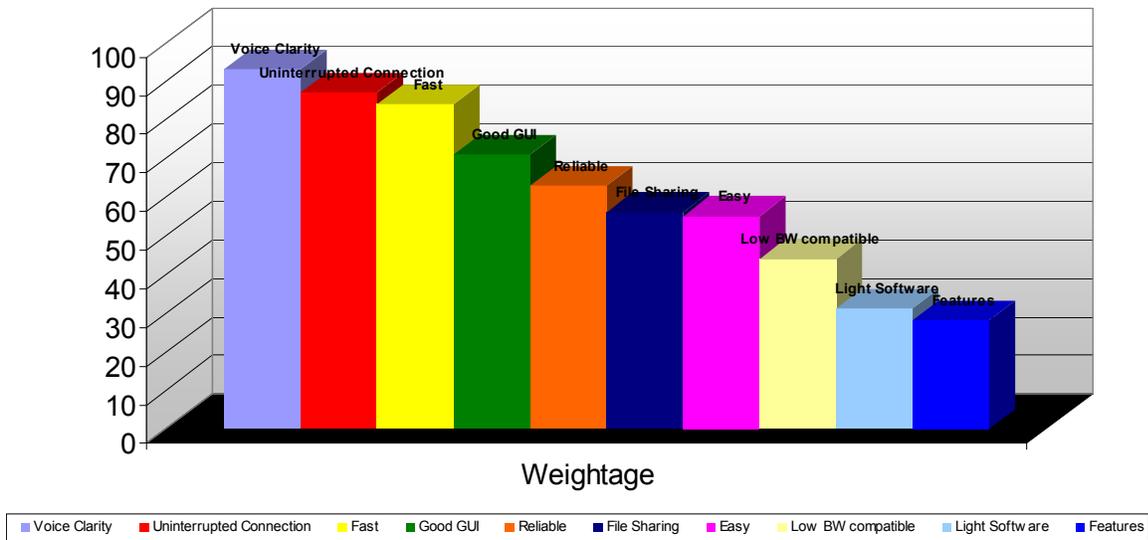
The survey shows that the maximum number of people prefers Yahoo followed by GTalk. Yahoo is no doubt is very popular as it is bundled with an array of services which the users find very useful. GTalk is very simple to use and is aided by the Google's penetration strategy. Skype and MSN though very popular software they could not get the desired market share in the subcontinent.

User Preferences

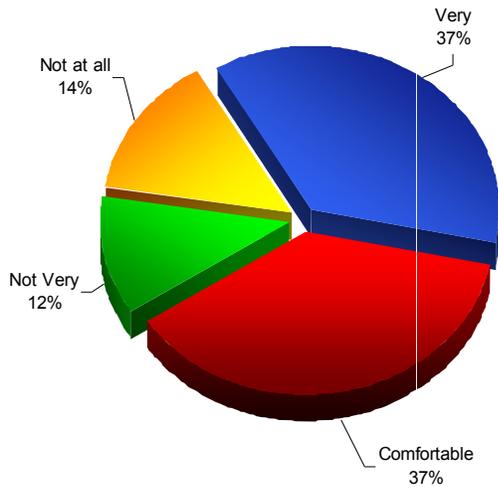


The attributes that the survey users prefer are in the order in the next graph. We could draw few conclusions from this. Most users want a close alternative of the phones which are costly. They put forward Voice clarity, uninterrupted connection and Fast linkage as the top preferences. Users do not want a light software essentially but if given would be an added advantage. Users definitely do not want excessive features which make the system slow. The low band width capability is also a concern. The sample surveyed had most of them to be heavy users. If we want to go for penetration strategy the low bandwidth constraint would play a key role especially in this part of the world.

User Preference

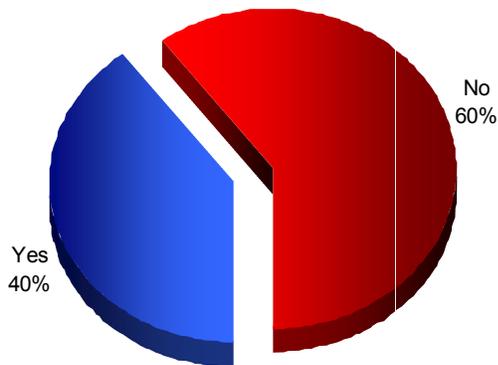


VoIP friendliness



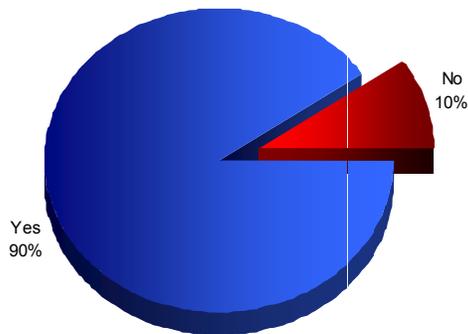
The sample gives us the idea that more than three fourth of the population are comfortable with the VoIP concept. So the awareness in the market is already there. All is needed is a proper distribution channel to reach to the users.

Do you use VoIP at workplace?



This pie gives a clear indication of the weight age that should be given in putting forward the C@W as a EIM (Enterprise Instant Messaging).

Would you like to try out a new VoIP / IM software given free?



About 90% of the sample believes that their needs are not fulfilled by the current products and they are open to try new VoIP product. This acts on to our advantage for customer acquisition strategy.

2 Secondary Research: Market Analysis

2.1 The Industry

Despite tight regulations, bandwidth problems and the quality of service issues, it is estimated that more than 50 per cent of all international long distance calls from India are made over the Internet, and this is set to go further up in the coming years, say experts.

According to a survey by iLocus, by 2007, about 70 per cent of all long distance calls would be made through Internet telephony or Voice over Internet Protocol.

According to a market research group, India is the second largest market for VoIP services in Asia after China. The Indian IP telephony is expected to register an average of 60 per cent over the next 3-5 years.

Kingshuk Hazra, analyst at GartnerG2 Asia-Pacific, based in India. Enterprises in Asia are also moving toward instant messaging, Hazra said. "Instant messaging is no longer confined to younger people," he said. "Particularly in countries like India and China where home Internet penetration is not that much, people access the Web, and hence instant messaging from their offices." According to Gartner, 70 percent of enterprises worldwide will use free instant messaging by 2003. "This is significant since this free service will move into a fee-based category," Hazra said.

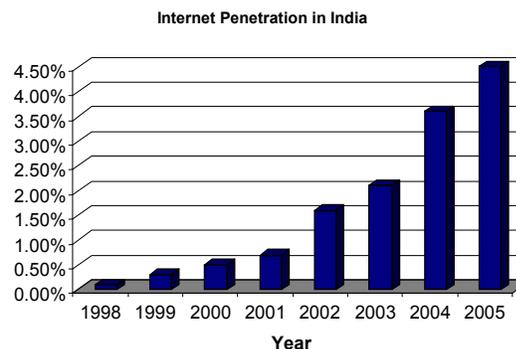
WORLD INTERNET USAGE AND POPULATION STATISTICS						
World Regions	Population (2006 Est.)	Population % of World	Internet Usage, Latest Data	% Population (Penetration)	Usage % of World	Usage Growth 2000-2005
Africa	915,210,928	14.1 %	23,649,000	2.6 %	2.3 %	423.9 %
Asia	3,667,774,066	56.4 %	364,270,713	9.9 %	35.6 %	218.7 %
Europe	807,289,020	12.4 %	291,600,898	36.1 %	28.5 %	177.5 %
Middle East	190,084,161	2.9 %	18,203,500	9.6 %	1.8 %	454.2 %
North America	331,473,276	5.1 %	227,303,680	68.6 %	22.2 %	110.3 %
Latin America/Caribbean	553,908,632	8.5 %	79,962,809	14.4 %	7.8 %	342.5 %
Oceania / Australia	33,956,977	0.5 %	17,872,707	52.6 %	1.7 %	134.6 %
WORLD TOTAL	6,499,697,060	100.0 %	1,022,863,307	15.7 %	100.0 %	183.4 %

NOTES: (1) Internet Usage and World Population Statistics were updated for March 31, 2006. (2) CLICK on each world region for detailed regional information. (3) Demographic (Population) numbers are based on data contained in the [world-gazetteer](#) website. (4) Internet usage information comes from data published by Nielsen//NetRatings, by the International Telecommunications Union, by local NICs, and other other reliable sources. (5) For definitions, disclaimer, and navigation help, see the [Site Surfing Guide](#). (6) Information from this site may be cited, giving due credit and establishing an active link back to [www.internetworldstats.com](#). ©Copyright 2006, Miniwatts Marketing Group. All rights reserved.

	Population (2006 Est.)	Internet Users, (Year 2000)	Internet Users, Latest Data	Penetration (% Population)	(%) Users in Asia	Use Growth (2000-2005)
India	1,112,225,812	5,000,000	50,600,000	4.5	13.9 %	912.0 %

2.1.1 Internet Usage and Population Statistics:

Year	Users	Population	% Usage Pen.	Source
1998	1,400,000	1,094,870,677	0.1 %	ITU
1999	2,800,000	1,094,870,677	0.3 %	ITU
2000	5,500,000	1,094,870,677	0.5 %	ITU
2001	7,000,000	1,094,870,677	0.7 %	ITU
2002	16,500,000	1,094,870,677	1.6 %	ITU
2003	22,500,000	1,094,870,677	2.1 %	ITU
2004	39,200,000	1,094,870,677	3.6 %	C.I. Almanac
2005	50,600,000	1,112,225,812	4.5 %	C.I. Almanac



2.2 Instant messaging (IM)

Instant messaging (IM) use is expected to increase over the next four years with a growing percentage of use by enterprises as well as the general public. According to the Radicati Group's recently released report, "Instant Messaging Market 2005-2009," there will be 867 million instant messaging accounts by the end of 2005. By 2009, the research firm has forecast that there will be 1.2 billion accounts in use. All told, Radicati pegs the value of the IM market, which includes the public IM, enterprise IM (EIM) and IM management vendors, to be \$142 million in 2005 which will more than double by 2009 to a forecast \$365 million. In 2005, Radicati estimated that 13.9 billion IMs are sent per day (12.5 billion on public networks and 1.4 billion on EIM). As the number of accounts grows usage is expected to increase to 46.5 billion messages per day by 2009; 39.5 billion of which will be on the public networks while 7 billion will be on EIM. Radicati analyst Matt Anderson expects EIM traffic to grow steadily and become a more significant portion of total IM traffic due to the IM market's emergence from its infancy stages.

"Instant messaging among business organizations is still relatively new and is still just beginning to really take hold," Anderson told internetnews.com. "Over the past couple of years, instant messaging was mostly prevalent in financial, energy, health care, and other regulated industries, but I think we will really begin to see IM permeate a wider variety of sectors through 2009." Anderson added that public IM accounts have grown at a faster pace than EIM platforms due to the fact that public IM networks are free. "Many organizations still do not see a need to pay for something that they can download for free," Anderson explained. "But I think as the need for archiving and logging for compliance reasons grows, along with the need for protection against the growing number of IM-borne worm and virus attacks, companies will do one of three things: do nothing; stay on the public IM networks, but deploy a solution from an IM management vendor, such as Akonix, FaceTime, or IMlogic; or deploy an enterprise-grade IM

platform. "I think as time goes on, more and more organizations will go with the latter two options, as they will realize that they need more than what the public IM networks offer."

With nearly a billion instant messaging accounts in use worldwide, what is the current state of instant messaging market and where does it go from here? According to a panel of IM vendors including Microsoft, AOL, Akonix and IMLogic, enterprise adoption, IM security, the impact of Google's entrance are just a sampling of IM's horizon. During a topic on a teleconference hosted by analyst firm the Radicati Group, vendors talked about current trends around the 867 million instant messaging accounts that Radicati Group reckons there will be by the end of 2005.

Of those, 51 million are Enterprise IM accounts and the remainder is on the public networks. The research firm forecasts that there will be at total 1.2 billion accounts in use globally by 2009. Brian Curry, senior director of AIM Network Services for America Online, said IM use is only deepening as part of the daily online experience. "We're seeing more and more people online longer," Curry said. "Our users are on average keeping their buddy list open for seven hours per day and are sending more and more messages per day. Enterprise market readiness is increasing." But the enterprise market readiness side is also coming up against a harsh cost benefit analysis. "People are still seeing a lot of their needs being met on the current paradigm which has to do with a free client and pretty solid services that they are getting from the public services," Curry said. "That's probably one of the biggest barriers. What they have is often times good enough." Francis Costello, chief technology officer with network security provider Akonix Systems, said many organizations are finding a knowledge gap about how IM is already in their enterprise and how it may benefit them. Costello also sees a "cultural" gap as being a potential barrier to enterprise IM adoption.

"IM is inherently new to a lot of people," Costello said. "There is big gap between regular users and those who feel that it's disruptive and don't see how it will integrate." Talking about GoogleTalk - Google's entry into the IM fray last month with its GoogleTalk IM service is already impacting the IM sector, panelists noted. Except for rival Microsoft. From an Enterprise perspective, noted Paul Duffy, senior product manager for Microsoft's Real Time Communications group, Google's entrance will have no effect except for potentially the need to federate with the Google IM platform. AOL's Brian Curry sees GoogleTalk as a further endorsement of how important instant messaging is to an overall internet service strategy. From a product perspective though, AIM is at a different level than GoogleTalk, according to Curry. "We find ourselves in a much different place in our lifecycle than that product is and we continue to look at their progress as well as the question of public IM interoperability," Curry said. "We'll see a variety of protocols that we as a federation hub will need to support longer term." Others said they see Google's entry into the market as creating additional complexity as well as diversity. For example, Akonix's Costello said, a typical enterprise is host to many different IM clients by end-users. "Looking at Google entering the market, we see the likelihood of that diversity continuing for some time and in fact even increasing in the short term as now there is another choice that has a lot of market power," Costello said. "In the short term, it means more complexity for the IT guy who is worrying about who is using what instant messaging [client] and how does to deal regulatory issues, getting control and security."

Jon Sakoda, chief technology officer and VP of products with IMlogic, sees Google's entrance as breathing new life and industry enthusiasm around XMPP (define) , the protocol on which GoogleTalk is based. "In respect to interoperability, I do think that, by selecting a different protocol than is used by any of the major IM systems, [GoogleTalk] has made the market in the near term more heterogeneous," Sakoda said. "As such, it will now be more difficult for companies to standardize and select technologies that can solve all of their communication needs." Though XMPP is an open source technology, Sakoda disputes the contention that it will breed conformity. "I would challenge the belief that Google has chosen an open standard that everyone is going to migrate toward," Sakoda argued. "They picked yet another disparate technology that is not necessarily used by all the different IM vendors. It is a misinterpretation to think of this as a move toward open source or a move toward an opening up of the IM networks. If anything they've made the world a little bit more complicated," he added.

IM Security - Sara Radicati, president and CEO of research firm The Radicati Group, also noted that the leading barrier for further adoption of IM in the enterprise is still the concern over security. IMlogic's Sakoda further rang the alarm bell by commenting that there has been a tenfold increase in IM threats this year. Though Sakoda agreed that the problem is still smaller than the security issues with e-mail, he argued that as IM usage grows, so do the threats. IMlogic is the founder of the IM threat center, which was established in 2004. The IMlogic Threat Center reported an increase in attacks through instant messaging clients from 20 in 2004 to 571 in the second quarter of 2005. IMlogic's competitor and peer on the Radicati panel, Akonix, also run an IM security center. The Akonix Security Center reported 42 new threats aimed at corporate IM systems in July, representing a 24 percent increase over June. Akonix's Costello referred to 2005 as the year of the "professionalization" of IM attacks. "You started to see people publish threat vectors, you started to see multiple mutation viruses and that definitely has raised the level of threat dramatically," Costello said. "We're defiantly seeing the early inflection curve." Though he didn't dispute the increasing number of threats to IM, AOL's Curry said as of yet, it's not considered a major problem for AOL, compared to e-mail security. That said, he added, attention to IM "hygiene" is good for the market.

2.2.1 The Future of IM

"IM is no longer second class citizen," Microsoft's Duffy said. "We're starting to see more and more customers appreciate the business side of IM." VoIP and application presence integration are part of the business story of IM helping to drive its evolution from simple text to richer forms of communication, panelists said. "IM presence and VoIP and are really all being consolidated into a unified communications experience," added IMlogic's Sakoda. "The next frontier is the bundling of the services that deliver services in a unified experience that allows users to collaborate in real time whether it's using IM, file transfer, VoIP or sharing desktop there is a whole set of logical extensions to what the IM client is doing today."

2.3 Enterprise Instant Messaging (EIM)

The market for instant messaging software among businesses is expected to expand considerably for another few years, thanks to new products, word-of-mouth hype and media coverage. That's the latest from research firm IDC, which expects the enterprise instant messaging (EIM) market -- including instant messaging server software and products to secure and manage information exchange -- to grow from \$315 million in 2005 to \$736 million in 2009.

Sales of EIM applications jumped 37 percent year-over-year in 2004. Moreover, more than 28 million business users worldwide used enterprise instant messaging products to send nearly 1 billion messages each day in 2005, according to IDC analyst Robert Mahowald. This includes so-called "corporate consumers," who use consumer instant messaging networks, such as AOL Instant Messenger, Windows Messenger or Yahoo Messenger, in the workplace. "Especially in compliance-driven sectors like Wall Street, financial services, and government, instant messaging is a critical differentiator," Mahowald said in a research note. "In the next few years, IDC expects instant messaging -- once the plaything of teenagers -- to continue to grow into its role as a substantial business collaboration application." The analyst cited a number of players who are "staking their ground," in the EIM market. He noted that Microsoft's LCS and Communicator products drove partnership activity throughout 2004, while IBM's Sametime and Workplace Messaging offerings took instant messaging into larger-scale implementations.

Mahowald also credited smaller companies with influencing the market. He said Jabber, using a combination of XMPP (Extensible Messaging and Presence Protocol) and SIP (Session Initiation Protocol), galvanized Wall Street buyers to discard consumer products like AIM in favor of its EIM application. If the aforementioned instant messaging servers are the keys to the EIM market, the security and management software that has emerged in the wake of stringent federal compliance regulations is the gate. Regulations such as HIPAA, Sarbanes-Oxley and Sec 17A-4 require businesses to save and store digital information. And if it's not compliance mandates striking fear into enterprises, it's IM viruses. Vendors such as FaceTime, IMLogic and Akonix have struck deals with EIM market leaders to defend against a steady increase in IM threats. IMlogic this week warned Internet users that the IM.Treba.AIM worm is exploiting instant messaging software on machines running Windows. It allows a hacker to steal system info or force a computer into a continual reboot.

2.4 Voice Over IP (VoIP)

According to the Radicati Group, there will be 867 million instant messaging accounts in use by the end of this year, growing to over a billion by 2009. It's likely that a good number of those accounts will have direct access to VoIP within the same timeframe, which could profoundly alter both the IM and VoIP landscapes. Microsoft, Yahoo!, and AOL all have serious VoIP-over-IM products in the pipeline and all are set to capitalize on VoIP.

Skype has had little impact on IM usage according to vendors and analysts; VoIP-over-IM's impact on Skype however may be a different story.

2.4.1 Voice in IM—current usage

Voice connectivity in IM is nothing particularly new. Microsoft's MSN Messenger has had it since 2000, with AOL and Yahoo! for almost as long. For the most part, historically speaking, IM voice connectivity has been PC-to-PC and was not always of land-line quality. MSN Messenger at one point also had PSTN services as well. "We actually did it a few years ago," Brooke Richardson, lead product manager for MSN explained to EnterpriseVoIPplanet. "We had PSTN services that we delivered with partners, but at the time the infrastructure and the service just wasn't quite there in terms of what it was delivering, so we wound the service down a year ago and have been improving the PC-to-PC functionality." Voice quality of PC-to-PC calls has steadily improved over the last several years, however, as



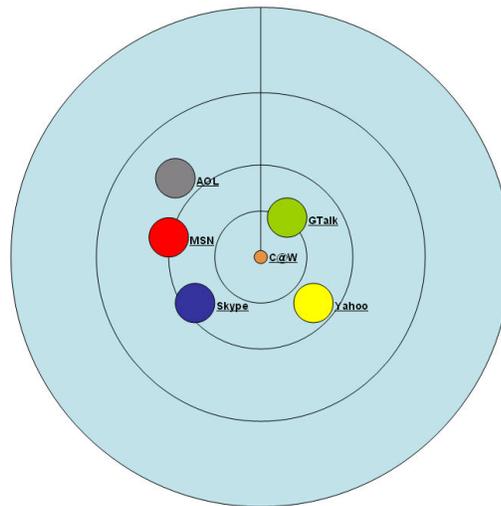
the technology has evolved and broadband adoption has increased. Neither Microsoft, Yahoo!, nor AOL was able to break out voice minutes used for VoIPplanet but all indicated a non-trivial amount of usage. MSN's Richard said that though she couldn't provide an accounting of total minutes used, 25 million MSN Messenger users have been using the service's audio and video capabilities on a monthly basis. Chamath Palihapitiya, vice president and general manager for AIM & ICQ, America Online, told VoIPplanet that penetration of voice services into AOL's Instant Messenger (AIM)'s user based was as high as 75 to 80 percent. "Everyone for the most part has tried it," Palihapitiya commented. "Though we don't disclose minutes, it's a service that clearly we've had interest in and we've seen enough pent up demand that we've sort of double-downed our efforts in the space." AOL recently launched a new beta of AIM, called Triton, which places a heavy emphasis on voice. Yahoo! has also launched a new IM client which similarly has favored voice. "Since the introduction of high-quality voice, we've seen a two-thirds increase in voice usage among beta users." Yahoo! spokesperson Terrell Karlsten said. "With the launch of our enhanced voice calling feature, we expect even more people will take advantage of the high quality service as well."

Codecs - There are a lot of different reasons why VoIP quality over IM is improving, not the least of which are the improved codecs currently being used. Skype, which arguably first popularized high-quality PC-to-PC calling, makes use of the Global IP Sound (GIPS) codecs. Microsoft recently licensed those codecs as well and MSN's Richardson noted that they'll likely be included in a future version to help further Microsoft's voice capabilities. AOL's currently in-beta AIM client, Triton, also makes use of GIPS among a suite of codecs. "The GIPS codec is a great codec," AOL's Palihapitiya said. "We've taken great pains to make sure we support the best codecs in the market." Vonage's softphone makes use of the Xten codec, which also happens to be the same codec that Yahoo! Messenger now also uses. Yahoo's spokesperson noted that in a recent study three-fourths of those who have used the PC-to-PC calling feature rate the sound quality equal to or better than a traditional phone line. "Yahoo! Messenger's voice capabilities are based on the industry standard SIP protocol, enabling us to easily evolve and advance our voice offering to consumers in the future," Karlsten said.

3 Competition Analysis

There are quite a number of competitors in the market. We have categorized them on the following categories:

1. Brand Competition – Gtalk, Skype, Yahoo, MSN Messenger, AOL etc.
2. Industry Competition – Verizon, CISCO, Meebo, Orkut etc
3. Form Competition – Telephones, Mobiles, Emails etc.
4. Generic Competition – All the IT investment that a company does.



3.1 Segmentations

3.1.1 For Public IM

The Public IM market is segmented across the following dimensions:

1. **Geographic:** North America, South America, Europe, Central Asia, Asia Pacific, Middle East, Oceania, and Africa.
2. **Demographic**
 - a. **Age:** Kids (below < 12 years), Teenage (12 to 18 years), Young Adults (18 to 25 years), Mid-Aged Adults (25 – 35 years) , Adults (35 – 50 years), Elderly (above 50 years)
 - b. **Income Range:** Poor (Below Rs. 35,000/- per annum), Middle Income Range (Rs. 35,000/- to Rs. 1,00,000/- per annum), Upper Middle Income Range (Rs. 1,00,000/- to Rs. 3,00,000/-), Rich (Above Rs. 3,00,000/- per annum).
 - c. **Education:** Illiterate, Literate but not internet friendly, Internet friendly.
3. **Psychographic**
 - a. **Lifestyle** – Necessity Based, Generic, Lavish
 - b. **Personality** – Magpie (Easily Susceptible), Loyal, Cult

3.1.2 For Enterprise IM

The EIM market is segmented across the following dimensions:

1. **Verticals:**

- a. Banking
- b. Financial Services
- c. Insurance
- d. Telecom
- e. Manufacturing
- f. Media & Entertainment
- g. Retail & Consumer Goods
- h. Transportation
- i. Healthcare & Life Sciences
- j. Energy & Utilities
- k. Logistics

2. **Scale (Revenue):**

- a. Small Enterprises (Below Rs. 50 crore)
- b. Medium Enterprise (Rs. 50 Crores to Rs. 100 Crore)
- c. Large Enterprises (above Rs. 100 Crores)

3. **Employee Base** – Small (Less Than 100), Medium (100 – 1000), Large (1000 – 5000), Huge (5000 – 10,000), Enormous (above 10,000)

4. **Geographical Base** – Single location Single Office, Single Location Multiple Office, Multiple Location Multiple Office

3.2 Target Segments

3.2.1 For Public IM

We will focus on the following segment for the product launch.

1. **Geography:** Will start with India, US, UK mainly across NRI's.

2. **Demographic**

i. **Age:**

1. Teenage (12 to 18 years)
2. Young Adults (18 to 25 years)
3. Mid-Aged Adults (25 – 35 years)
4. Adults (35 – 50 years)

ii. **Income Range:**

1. Upper Middle Income Range (Rs. 1,00,000/- to Rs. 3,00,000/-)
2. Rich (Above Rs. 3,00,000/- per annum).

iii. **Education:** Internet friendly.

3. **Psychographic**

- iv. **Lifestyle** – Necessity Based, Generic, Lavish
- v. **Personality** – Magpie (Easily Susceptible)

3.2.2 For Enterprise IM

The EIM market is segmented across the following dimensions:

1. Verticals:

- a. Banking
- b. Financial Services
- c. Insurance
- d. Telecom
- e. Manufacturing
- f. Media & Entertainment
- g. Retail & Consumer Goods
- h. Transportation
- i. Healthcare & Life Sciences
- j. Energy & Utilities
- k. Logistics

2. Scale (Revenue):

- a. Small Enterprises (Below Rs. 50 crore)
- b. Medium Enterprise (Rs. 50 Crores to Rs. 100 Crore)

3. **Employee Base** – Small (Less Than 100), Medium (100 – 1000), Large (1000 – 5000)

4. **Geographical Base** – Single Location Multiple Office, Multiple Location Multiple Office

4 Product Positioning

4.1 For Public IM

A VoIP chat software with clear voice compatible with low band width constraint used for PC to PC communications across globe.

4.2 For EIM

A VoIP solution intended to lower communication costs in terms of telephone hardware and other communication software. A customizable service for a IT friendly organization.

