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Need New UC&C Equipment? Not So Fast

As the global chip shortage continues, enterprises may have to adjust their deployment schedules, consider other tactics, and revisit future strategies, experts advise.



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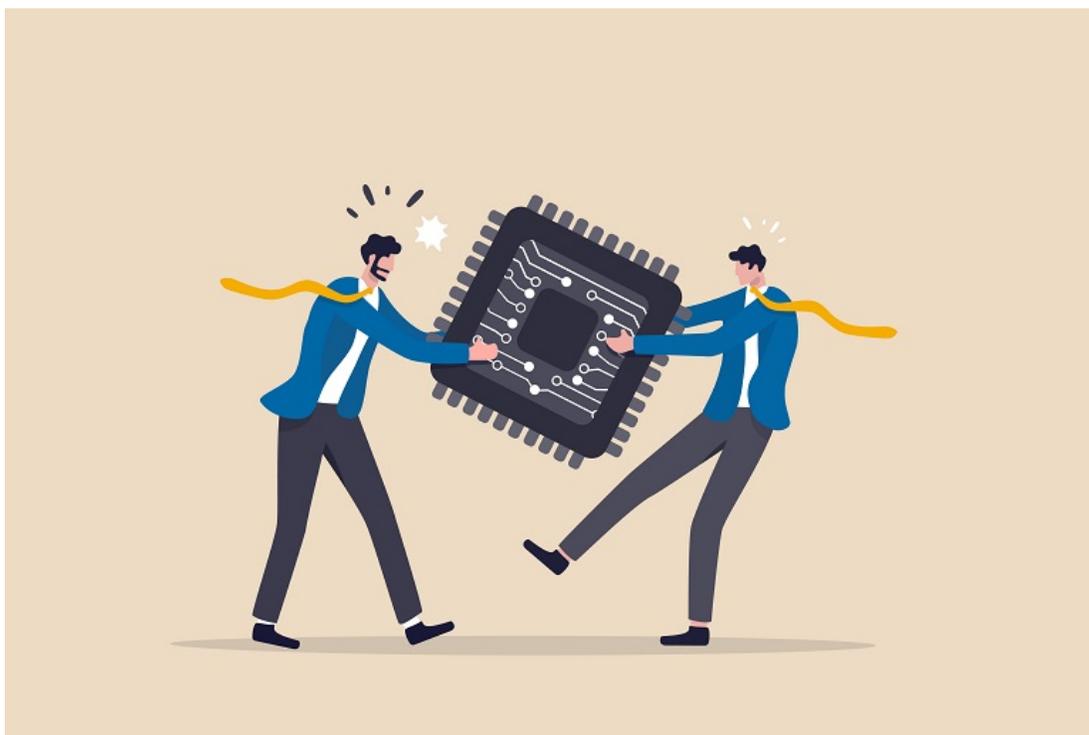


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You're in charge of a unified communications initiative that requires buying new audio, video, and web conferencing equipment for your company, but you're running into supply issues. Or maybe you're charged with upgrading the collaboration and communications equipment your company's remote users depend on, but availability is scarce. Maybe it's an even simpler problem, like trying to replace older Internet phones, but you have been told to expect a months-long delay.

If you have been in the market for communication or collaboration equipment during the past year, you are probably very familiar with such scenarios. News article after news article explains why: A major semiconductor chip shortage is resulting in long lead times, massive shortages of important basic materials, higher prices, and even stockpiling of chips by some manufacturers. And it doesn't help that 75% of semiconductor manufacturing is done in Asia, while the U.S. produces just 12%, as Intel CEO Pat Gelsinger shared during this **recent 60 Minutes interview** (<https://www.cbsnews.com/news/semiconductor-chip-shortage-60-minutes-2021-05-02/>). That's a much different scenario from 25 years ago, when the U.S. produced more than one-third of the world's semiconductor chips, he said.

COVID-19's impact on the semiconductor shortage has been significant, too, with the pandemic accelerating the move to cloud-based services and work from home. During this time, IT departments have worked hard to provide employees with webcams, headsets, and other equipment that would help them remain productive at home, while at the same time preparing in-office meeting rooms, huddle rooms, and personal desk spaces to accommodate a hybrid work model. This means more enterprise headsets and video endpoints, webcams, and conference cameras.

Part of the problem is that producers of silicon-based goods, already experiencing strong ongoing demand, simply hadn't anticipated the sharp acceleration of the trend brought on by the pandemic.

Escalating demand had a major impact on suppliers and vendors in the communications industry. Prachi Nema, a principal analyst for enterprise communications at market research firm Omdia, gave these three examples: Poly was hit hard during the first half of 2020 when it had to shut down its factories in Mexico, while Logitech struggled to meet demand for its conference cameras and headsets during the second half of 2020 because of chip shortages. Jabra also experienced a significant impact on production capacity and component supply from subcontractors in the first half of 2020.

"The virus had an impact not only on vendors but on their distribution partners, resellers, end user customers, and production facilities," Nema said. "As a result, many are exploring alternative sources of supply if their production facilities or other suppliers get impacted by future shutdowns." Vendors also have revised their revenue forecasts for 2021 downward as they expect to experience ongoing tightness in their supply chains and don't think they can meet the elevated demand in the second half of 2021, she added.

Enterprise customers across the board have been affected. Thomas Randall, a research specialist at Info-Tech Research Group specializing in communications and collaboration IT, talks about one company in the entertainment industry that has experienced this first-hand. The company had just finished setting up a new fully equipped meeting room, but when the pandemic hit and everybody started working from home, nobody could use it. As the company figured out how to shift meetings to a remote or hybrid model, the IT staff discovered that its chosen videoconferencing software was not compatible with the hardware being used by many remote workers. Sourcing new devices to work with the videoconferencing software became an ongoing struggle.

Despite the significant impact on the supply chain, vendors and suppliers are tight-lipped about the situation. UC consultant Melissa Swartz, president of Swartz Consulting, said she isn't surprised about the silence. "I think they might be worried about hurting sales," she said. "If they are quoted saying they are having supply chain problems, buyers will go elsewhere and not even talk to them – even though 'elsewhere' is having the same issues."

Randall has another take. "If one vendor reveals information, it could cause a cascade of doubt throughout the industry," he posited. In other cases, the silence might be due to simple lack of knowledge. "Even vendors may not know what's going on or when it will let up."

Cisco CEO Chuck Robbins did say this in a recent earnings update call:

"We are experiencing the strongest demand in nearly a decade. We are also seeing similar component shortage supply issues as our peers. The good news ... is that we are confident we will work through this, as we have already put in place revised arrangements with several of our key suppliers. We believe these actions will enable us to optimize our access to critical components, including semiconductors, and take care of our customers by fulfilling their demand as quickly as possible."

Robbins went on to say that Cisco is partnering with its key suppliers, leveraging its volume purchasing, and extending supply commitments as it addresses the supply chain challenges, which it expects to continue.

Impact on Enterprises

It's not a stretch to say that semiconductor shortages have had a major impact on enterprises looking to add or upgrade communications and collaboration capabilities. Often, it's a ripple-down effect; if you can't get the devices you need to work with your software, you don't have a way to communicate or collaborate. That, in turn, can affect productivity which then impacts revenue.

Such is a concern at one global provider of multichannel business communications services and marketing solutions, which happened to be in the middle of a multi-year project to move onto a single voice communications platform — Google Voice — when the shortage hit, as I learned from a voice services engineer. "I was actively doing upgrades ... and then one day, the phones just stopped coming," he said.

At the same time, the unexpected disintegration of a VoIP services contract left the company unable to support workers on a mobility platform they'd been using both from home and the office. That meant a sudden focus on migrating more than 100 sites from that VoIP system to the new Google Voice platform.

The voice services engineer said he dealt with these setbacks by relying on some of its older systems for longer than anticipated. Today, the company is more than halfway through upgrading its sites away from the retired platform, but it has delayed the ROI anticipated from the legacy systems upgrade, he said.

His approach of lowering his expectations and finding new options is one among a variety of routes IT executives are taking to address the issue. Some are willing to pay above list price to get the equipment they need, while others are resigned to switching brands, sacrificing some features or buying earlier generation equipment.

"I'm seeing decisions based on availability instead of features," Swartz said. "If there are three different models that would meet a company's needs, companies are making that choice based on availability as a buying criteria, which was never the case before."

Smaller companies could be at higher risk of not getting what they need than bigger companies. "Vendors want to keep their biggest customers happy. If they have to make somebody mad, it's going to be smaller, less essential customers," Swartz said.

Other companies are simply allowing employees to use their own consumer headsets and devices for work, in conjunction with mobile threat defense and management solutions. While this circumvents the need for businesses to procure new devices for their employees, it can backfire, noted Omdia's Tim Banting, practice leader and senior principal analyst for enterprise IT and the digital place. Not only do business-grade headsets and devices include more robust technology, but integrated laptop webcams are a poor substitute for external HD cameras, he said.

Cloudy Forecast Ahead

So how long should companies and the communications industry expect to deal with this issue? In the U.S., President Joe Biden is doing what he can, **proposing \$50 billion** (<https://www.reuters.com/world/us/biden-jobs-plan-includes-50-bln-chips-research-manufacturing-2021-04-12/>) to bolster the country's semiconductor production and research. Yet this won't happen overnight; Info-Tech's Randall said he expects the effects of the global chip shortage to remain into 2022. Gartner **seems** (<https://www.gartner.com/en/newsroom/press-releases/2021-05-12-gartner-says-global-chip-shortage-expected-to-persist-until-second-quarter-of-2022>) to agree, expecting a severe to moderate shortage this year without a return to normality until well into 2022.

Despite these barriers, enterprises have several ways they can make the best of the situation. For companies in the midst of sourcing problems, experts recommend trying these tactics:

- If you have already signed a contract and the supplier can't meet your service-level agreement, you may be able to legally break the contract and even get some compensation. This would leave you free to pursue other avenues.
- Consider pursuing used devices or previous generations of devices, at least temporarily.
- Check availability and make your decisions based on that instead of features. For example, while you may have been sold on a device that has all of the features you'll need, you may be able to find devices with some subset of those capabilities that will still work. Swartz said she is seeing many more companies use availability as a top criteria than ever in response to the shortage.

Even companies that aren't in the eye of the storm can learn from the situation. To prepare better for the inevitable next shortage, Randall suggested developing an availability and capacity management plan. The plan should:

- Map business metrics to infrastructure component usage using your organization's own data to forecast demand. This way, you will know what type of infrastructure you will need in advance of supply chain issues arising.
- Project your future needs in line with the current hardware lifecycle to avoid lack of capacity. There's "nothing worse than having a gap" between end of life for infrastructure and availability of the new infrastructure, he said.
- Engage with the business and line the infrastructure investments with business objectives to establish the infrastructure as the driver of business value, not just a cost center.

The vendor relationship is also critical, and it works both ways. For companies, it's important to communicate your needs as soon as possible. This will allow vendors to better gauge demand. "In my case, knowing that my Google Voice project will go well into next year and despite my existing backorder, I've placed an order for hundreds of additional phones," which should help it plan customer demand this year, the voice services engineer said. "And, hopefully it will help me to preclude future delays."

Companies should also vet vendors carefully, choosing only vendors that will meet them halfway. With issues outside of your control, it's important to have as much flexibility as possible in both planning and design, said Tony Alfano, senior vice president of global services at Avaya. "Throughout the pandemic, we saw how important and impactful this action was in helping our customers respond and adapt, and so we are applying that same effort to support our global customers in addressing today's challenges."

Contracts also should be precise and iron-tight. That means ensuring that the statement of work specifies an escalation process, grounds for contract voidance, and compensation for non-performance.



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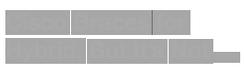
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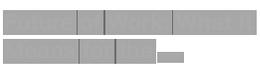
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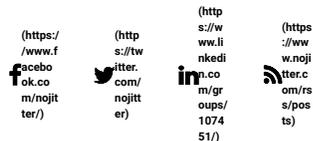
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