White Paper

UCaaS: Benefits and Concerns for SMBs

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Amy Lind
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IN THIS WHITE PAPER

The communications landscape is rapidly evolving. Businesses are seeking out integrated, real-time telephony; data; and video communications as their workforces become increasingly mobile, distributed, and virtual. At the same time, companies of all sizes are embracing cloud delivery models and deploying cloud communications solutions ranging from managed VoIP to unified communications and collaboration (UCC).

This IDC white paper explores trends influencing the development of the UCC market. It highlights the investment drivers and barriers to UCC adoption, and it examines the benefits and concerns small and medium-sized businesses (SMBs) have about implementing cloud-based UCC solutions.

A NEW APPROACH TO COMMUNICATIONS

The fast-paced and increasingly mobile, global, and virtual business environment of today means business leaders are rethinking how their employees communicate, collaborate, work, and share information. Workplace communications are quickly evolving beyond the basic telephony services that were the primary method for how businesses communicated for more than a century. The availability and adoption of VoIP solutions continue to expand as organizations of all sizes migrate from legacy telephony services to integrated IP-based voice and UCC solutions.

Although many businesses still use legacy voice or TDM services, SMBs, like their larger counterparts, are rapidly accelerating their VoIP migration plans. They are doing so to reduce costs, increase employee productivity, and simplify management of their telephony solution. A recent IDC survey shows that two-thirds (67%) of small businesses with fewer than 100 employees use VoIP today, and one-third (36.5%) of small businesses with TDM plan to migrate some portion of employees from TDM to VoIP in 2017. VoIP usage is even higher among medium-sized businesses with 100–999 employees – three-fourths, or 72.8%, use VoIP currently, and roughly one-half (47%) of medium-sized businesses with TDM indicate they plan to migrate some employees to VoIP this year.

Unified Communications and Collaboration

UCC is the integration of telephony, messaging, IM, presence, and conferencing services with collaborative and mobile applications, enabling real-time communications and collaboration anytime, anywhere, and on any device. UCC debuted more than a decade ago but failed to deliver on its promise of transforming business communications. But UCC has reached a tipping point, with businesses implementing UCC in earnest in the past 12-18 months. SMBs are also embracing UCC – one-third currently use UCC, and another one-third plan to implement it within two years (see Figure 1).

FIGURE 1

## UCC Adoption

Q.   Does your organization use UCC?
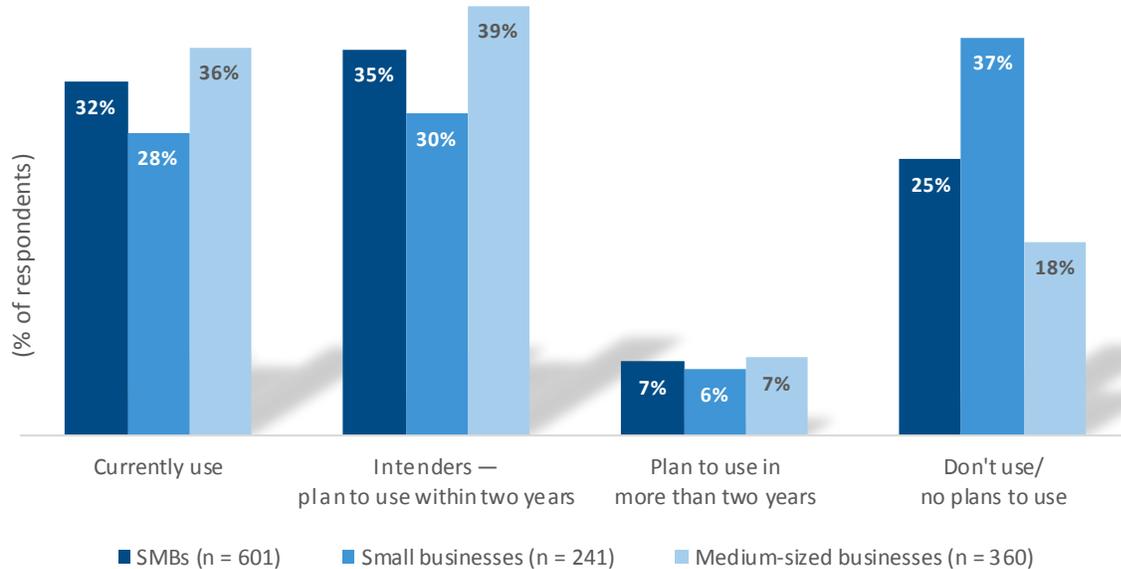
Source: IDC's *U.S. Enterprise Communications Survey,* 2017

Interestingly, 25% of SMBs — and more than one-third of small businesses — said they don't use/plan to use UCC. Roughly one-third of SMB non-intenders said the top factor in their decision was that UCC was too expensive to justify the investment (see Figure 2). Other reasons for not using UCC vary by size of business: Small businesses cited the lack of perceived business value of UCC (32%) and other projects had a higher priority (31%) as top reasons for not using UCC, whereas midsize companies said "the technology needed to fully extend UCC was too costly" (27%) and security concerns (26%) were leading factors in their decision not to deploy UCC. Despite recent adoption gains, many SMBs still are grappling with justifying investing in UCC. To ease deployment concerns and help SMBs facilitate project justification, communications service providers (CSPs) are positioning themselves as strategic partners, shifting their sales approach from selling siloed products to selling solutions and an intertwined ecosystem of apps and developing business use cases around key verticals and segments.

FIGURE 2

Barriers to UCC Adoption

Q.   Which of the following factors contributed to your organization's decision not to deploy UCC?
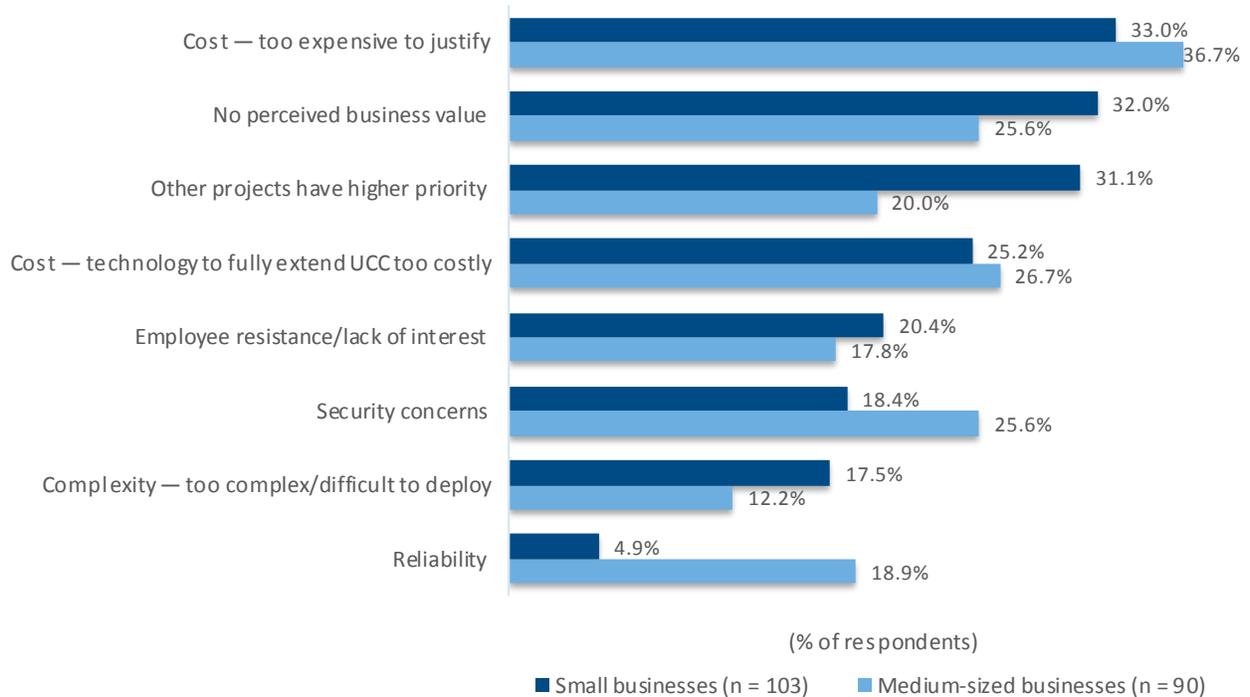
Base = SMBs that plan to deploy UCC in more than two years or don't use/have no plans to use UCC
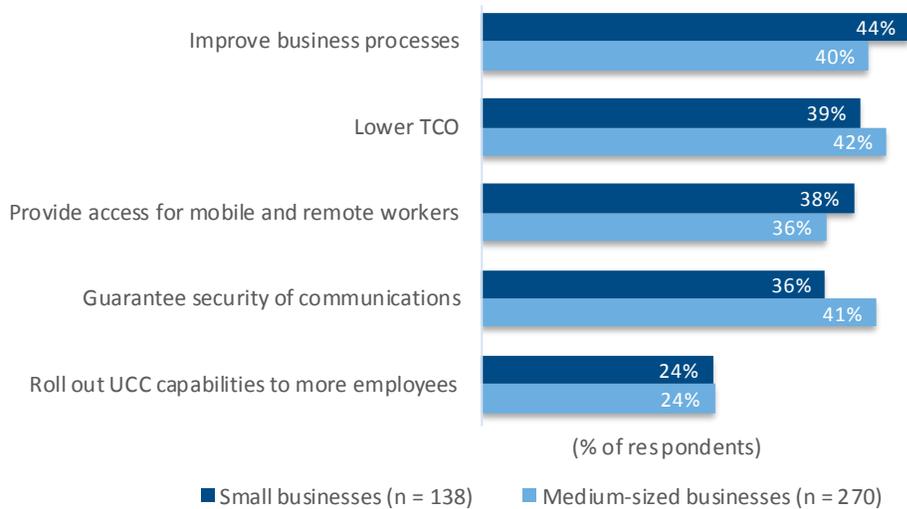
Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

We asked SMBs about their UCC priorities over the next three years. As shown in Figure 3, slight differences exist between small and medium-sized businesses – small businesses ranked improving business processes as their top priority, whereas midsize companies said lower total cost of ownership (TCO) was most important. But both groups ranked providing mobile and remote workers access to UCC capabilities as a top priority over the next three years. SMBs are not alone in desiring to support the new mobile-centric way their employees are working and communicating; enabling mobile and remote workers is quickly becoming mission critical and a required component of any UCC solution for many businesses.

FIGURE 3

SMB UCC Priorities

Q.   What are your organization's key priorities around UCC in the next three years?

Priority	Small businesses	Medium-sized businesses
Improve business processes	44%	40%
Lower TCO	39%	42%
Provide access for mobile and remote workers	38%	36%
Guarantee security of communications	36%	41%
Roll out UCC capabilities to more employees	24%	24%

(% of respondents)

■ Small businesses (n = 138)   ■ Medium-sized businesses (n = 270)

Base = SMB UCC users and intenders
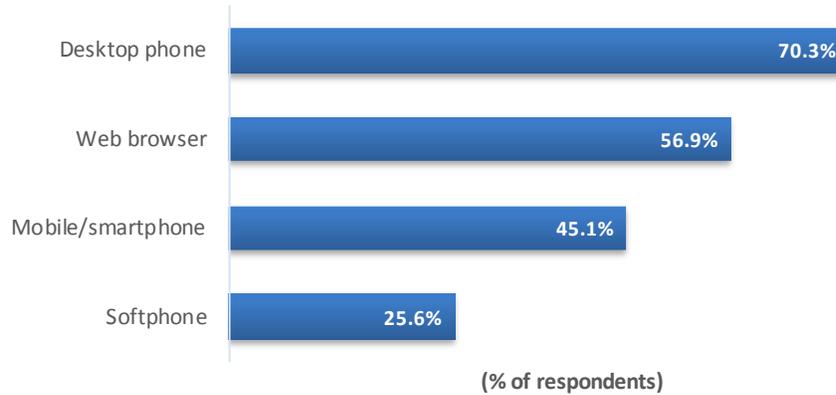
Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

The ability to access UCC capabilities from different locations and devices such as smartphones and tablets is also quickly becoming essential for many organizations. Although the death of the desktop phone has been long touted, its demise is not imminent. In fact, as Figure 4 displays, 70% of SMBs with UCC ranked the desktop phone as their preferred endpoint, followed by web browsers (57%) and mobile devices (45%). This highlights the notion that the desktop phone still has value – workers will use multiple endpoints each day with the device they use dependent on what they are doing and their role within the organization. For example, mobile devices are ideal for field sales, whereas knowledge workers that are primarily in the office may prefer to use their desktop phone most of the time.

FIGURE 4

SMB UCC Device Usage

Q.   *What devices do end users use to access the UCC capabilities?*

(% of respondents)

n = 195

Base = SMB UCC users

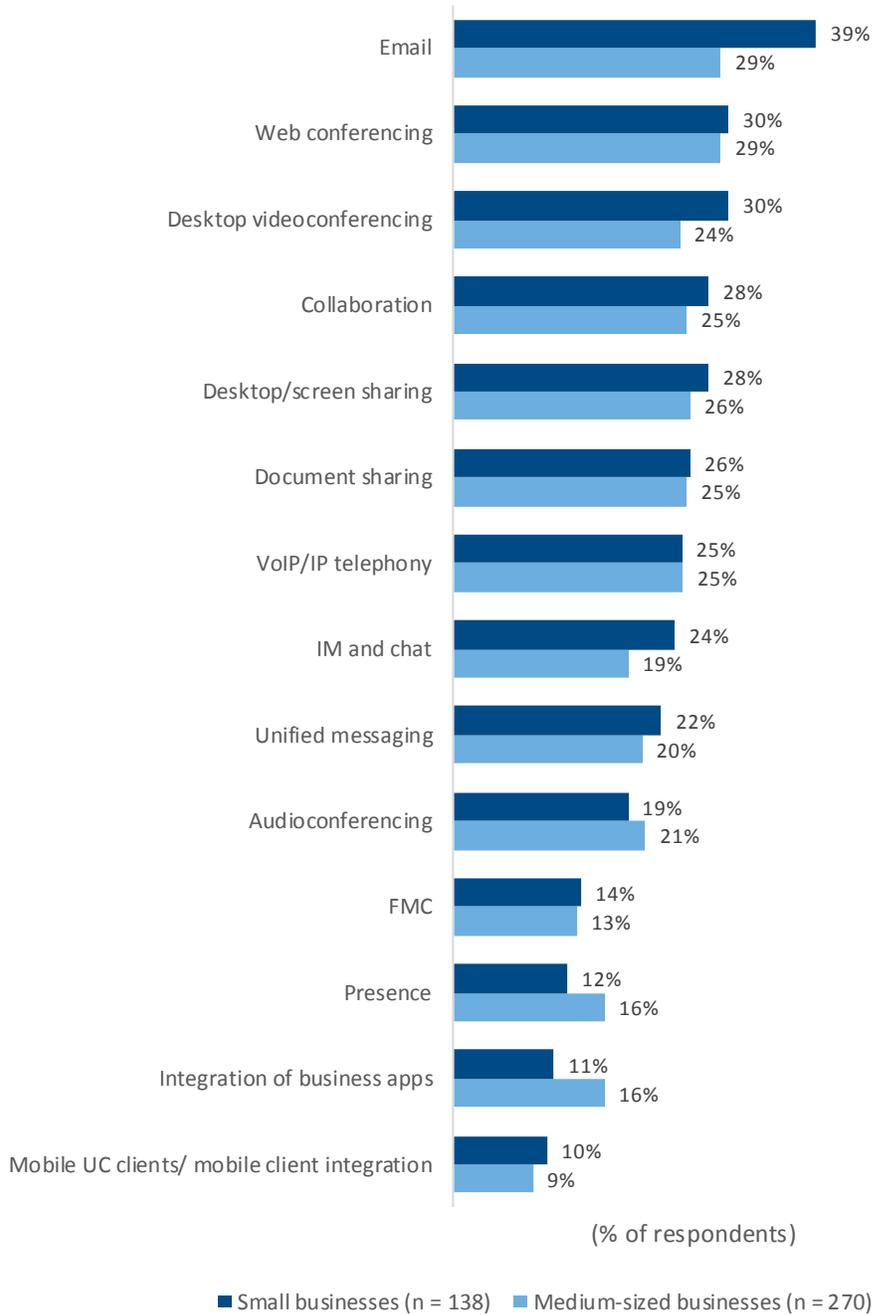Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

To understand the perceived value of UCC, we asked SMBs about their UCC usage. The features and capabilities most commonly associated with UCC such as email, VoIP/IP telephony, conferencing, and unified messaging are among the most widely used. In addition, collaboration is rapidly gaining traction among both small and midsize businesses as 27.5% and 25.2% said they use or plan to use collaboration, respectively. However, few small and medium-sized businesses have integrated or plan to integrate UCC into a broader set of business applications, suggesting that while the market is pushing integration of UCC and collaborative apps, SMBs – both current users and intenders – remain focused on more traditional capabilities (see Figure 5).

FIGURE 5

SMB UCC Features/Capabilities Usage

Q.   What UCC features/capabilities do you use or plan to use?

Email — Small businesses 39%, Medium-sized businesses 29%
Web conferencing — Small businesses 30%, Medium-sized businesses 29%
Desktop videoconferencing — Small businesses 30%, Medium-sized businesses 24%
Collaboration — Small businesses 28%, Medium-sized businesses 25%
Desktop/screen sharing — Small businesses 28%, Medium-sized businesses 26%
Document sharing — Small businesses 26%, Medium-sized businesses 25%
VoIP/IP telephony — Small businesses 25%, Medium-sized businesses 25%
IM and chat — Small businesses 24%, Medium-sized businesses 19%
Unified messaging — Small businesses 22%, Medium-sized businesses 20%
Audioconferencing — Small businesses 19%, Medium-sized businesses 21%
FMC — Small businesses 14%, Medium-sized businesses 13%
Presence — Small businesses 12%, Medium-sized businesses 16%
Integration of business apps — Small businesses 11%, Medium-sized businesses 16%
Mobile UC clients/ mobile client integration — Small businesses 10%, Medium-sized businesses 9%

(% of respondents)

■ Small businesses (n = 138)   ■ Medium-sized businesses (n = 270)

Base = SMB UCC users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

CLOUD COMMUNICATIONS AND COLLABORATION

SMBs are embracing cloud communications. Cloud delivery models make communications affordable and available instantly over any device and in any location. The on-demand, self-service simplicity of cloud communications means users pay for what they use and gain the flexibility to scale up or down as growth and business requirements dictate.

VoIP and UCC delivered out of a communications service provider's cloud infrastructure are cloud-based or as-a-service solutions. Often an extension of a hosted VoIP service, cloud-based UC-as-a-service (UCaaS) solutions are multitenant or multi-instance services that are shared across multiple businesses and managed and maintained by a CSP. Service is priced on a per-seat/per-user basis, with a standard suite of features included in the monthly seat/user cost.

Until recently, premises-based systems dominated the market. But maturation of cloud delivery models is accelerating adoption of dedicated hosted/managed and cloud-based UCC solutions. Although SMBs will continue to invest in on-premises solutions, survey data supports the view that cloud solutions are gaining traction and will overtake premises-based solutions as the leading UCC delivery model within the next year (see Figure 6).

FIGURE 6

Increasing Interest in Cloud

Q.   Which of the following best describes your organization's current/planned UCC implementation?
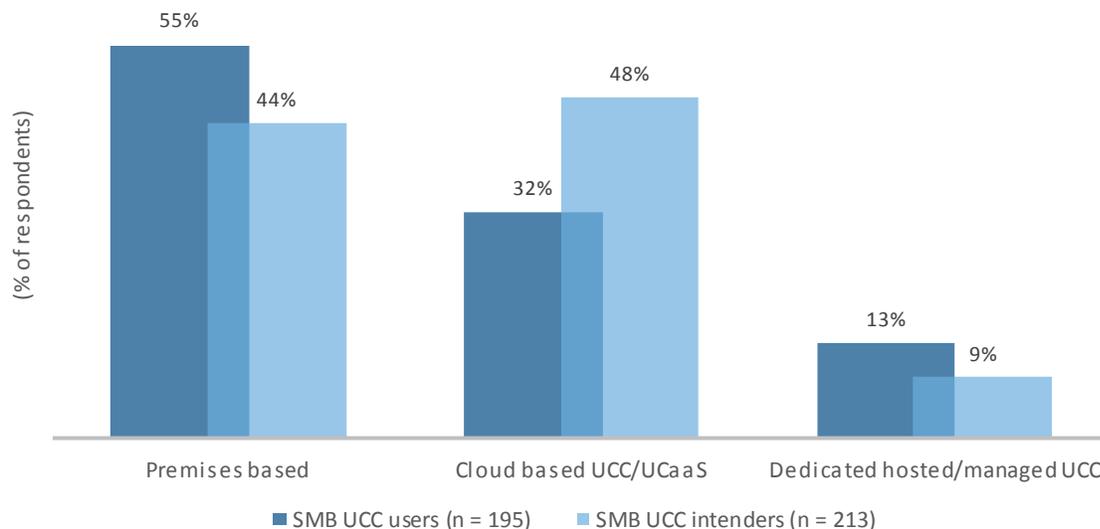
Source: IDC's *U.S. Enterprise Communications Survey,* 2017

There is no standard approach to cloud UCC. Businesses are adopting cloud solutions based on the needs and culture of their organization rather than the size of the business (i.e., the number of workers they employ). Thus some businesses migrate the entire organization to the cloud at one time, while others pursue a more measured, gradual approach. One of the fastest-growing trends is the increase

in hybrid deployment, which is a mix of on-premises and cloud components. Hybrid scenarios are appealing because they allow businesses to leverage their existing assets yet have the flexibility to deploy cloud where and when it makes sense for their organization, gain the benefits of moving to the cloud, and retain some degree of in-house control over their telephony and UCC solutions. Although half of SMBs say they have deployed or plan to deploy hybrid UCC, there are differences in the reasons why UCC users and intenders choose a hybrid deployment.

Among SMBs, UCC users are more than 1.5 times as likely as UCC intenders to have a hybrid solution to leverage their existing investments. Conversely, for UCC intenders, the ability to quickly scale UCC is the leading reason they are considering a hybrid solution, followed by leveraging their existing investments and gaining the benefits of moving to the cloud (see Figure 7).

FIGURE 7

Top Reasons for Hybrid UCC

Q.   What factors contributed/will contribute to your organization's decision to implement a hybrid UCC solution?
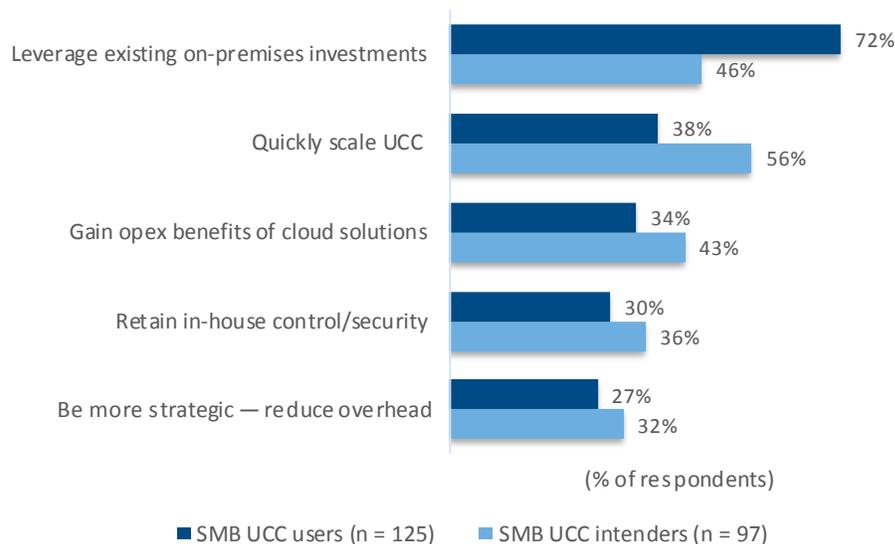
Base = SMB UCC users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017
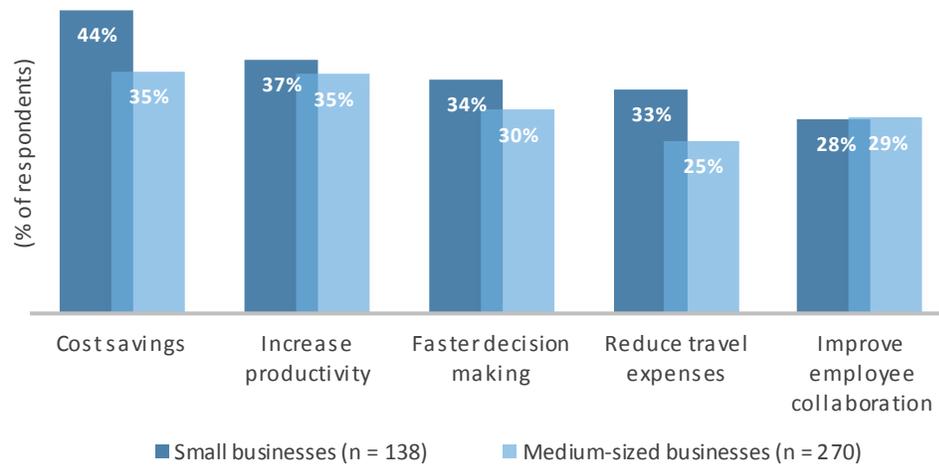
UCaaS Benefits

UCC is an ideal solution for SMBs, particularly when delivered in a cloud-based model. Many SMBs lack the internal IT staff or expertise needed to implement UCaaS. This means that SMBs are often looking for plug-and-play solutions that require little training or ongoing maintenance and support. UCaaS solutions combine real-time, integrated voice and collaboration capabilities along with a flexible and scalable delivery model, making them well suited for SMBs.

As shown in Figure 8, factors influencing SMB investment in UCC are shifting from tactical, near-term considerations like immediate cost savings to more strategic objectives such as increasing productivity, facilitating faster decision making, and improving employee collaboration. UCaaS creates a more productive work environment, fosters collaboration, and facilitates faster decision making by enabling SMBs to meet anytime, anywhere and connect using virtually any device they want. By utilizing the broad set of capabilities that are essential components of UCaaS such as IM, desktop sharing, and conferencing, SMBs can more easily and quickly share documents and information across multiple locations and devices, effectively improving productivity and collaboration and facilitating faster decision making and time to market.

FIGURE 8

SMB Drivers of UCC Investment

Q.   What factors influenced/will influence your organization's decision to invest in UCC?

Base = SMB UCC users and intenders
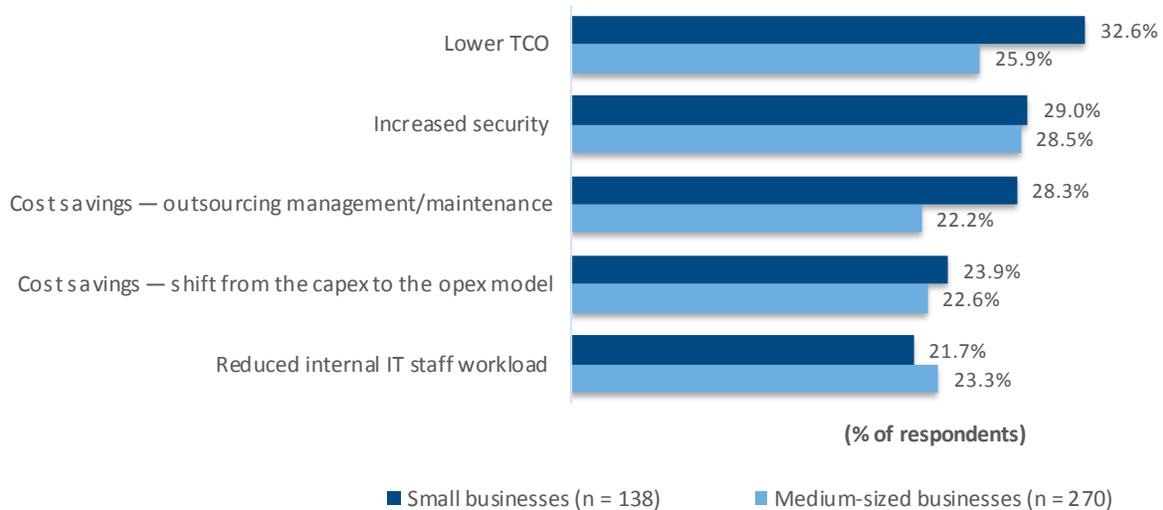
Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

Conversely, the perceived benefits of UCaaS tend to be less business impacting and more about reducing costs. SMBs rate cost savings, increased security, and simplified management and maintenance as the leading benefits of UCaaS. However, small businesses said the top benefits of UCaaS are lower TCO, increased security, and cost savings from outsourcing the management/maintenance of the solution, whereas midsize businesses cited increased security, lower TCO, and reducing internal IT staff workloads as the leading benefits of UCaaS (see Figure 9).

FIGURE 9

Benefits of UCaaS for SMBs

Q.   What are the most compelling benefits of a cloud-based UCC/UCaaS solution?

(% of respondents)

■ Small businesses (n = 138)   ■ Medium-sized businesses (n = 270)

Base = SMB UCC users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

UCaaS solutions deliver measurable cost savings. SMBs can work remotely and collaborate from virtually anywhere using cloud collaboration tools, which contribute to reducing costs such as travel expenses. In addition, with UCaaS, SMBs avoid costly capital and operational expenses as well as mitigate the technology obsolescence risks often associated with premises-based solutions. Previously, SMBs had to make large capex investments to keep up with hardware refreshes and upgrades to software platforms. But with UCaaS, upgrades and refreshes not only are more frequent and included in the base price of the cloud license but are the responsibility of the CSP, not the business. The flat-rate, pay-as-you-go pricing model of the cloud also offers a more predictable cost structure, which helps SMBs streamline their operations and more effectively manage their communications and collaboration spend. Additional cost savings are achieved by reducing voice calling spend through efficiencies gained from using VoIP, a key component of most UCaaS solutions.

UCC can be, and often is, challenging to implement, manage, and maintain. But because UCaaS is managed by CSPs, resellers, or other providers, ownership and management of the technology including maintenance, upgrades, and feature improvements are the responsibility of the CSP, not the business. This removes the complexity often associated with UCC, reduces IT staff workloads, and eliminates investments in internal staff necessary to manage and maintain the solution in-house.

UCaaS is also highly scalable, which allows businesses to easily add or change the number of users or features required as the business grows and its needs evolve over time. This is essential for SMBs, particularly those that are seasonal or have spikes in their business, because they can easily add seats when they are busy and reduce the number of seats and/or features when demand slows.

Cloud UCaaS solutions support specific business needs including enabling a more mobile workforce through features such as single number reach from anywhere for both fixed and mobile users and allowing employees to work from anywhere with a broadband connection. UCaaS also simplifies the management and delivery of services. Examples include users logging in to email, IM, presence, and conferencing using a single sign-on and the ability to deploy new capabilities and tools that enhance employee productivity on an ad hoc basis.

UCaaS Concerns

Implementing UCC can be daunting for businesses of all sizes. Key challenges that businesses considering UCaaS must overcome include:

- Identifying and deploying the technologies, features, and services that are most appropriate for the business and its users
- Educating and training employees on how to use the solution and capabilities
- Ensuring the availability of appropriately skilled staff to implement and support the deployed capabilities

Equally important is selecting a CSP to implement and manage the solution. For SMBs, the ideal CSP should have a solution that is easy to implement and use along with the expertise in professional services and implementation support needed to guide SMBs through the decision-making process and deliver the most effective solution.

Before UCaaS can be considered a mainstream technology for SMBs, several implementation and usage challenges must be overcome. Figure 10 illustrates the top concerns SMBs have about deploying UCaaS, including security, technical support, cost/funding approval, and service reliability.

Not surprisingly, security is top of mind for both small and medium-sized businesses — nearly one out of three small and midsize businesses ranked security as the leading benefit of UCaaS, while 39% and 33% of small businesses and medium-sized businesses, respectively, said security was their greatest concern about UCaaS. Security is a baseline requirement and an integral aspect of UCaaS, so even though security concerns are real, most UCaaS solutions are more secure than many organizations can achieve on their own, particularly SMBs that often lack the dedicated IT staff and resources of larger businesses.

Most UCaaS solutions have multiple layers of security built into the service architecture, with security capabilities and settings residing at the application and infrastructure layers as well as within the service delivery and operations processes. In addition, because UCaaS is a shared, multitenant platform, CSPs add new security requirements to the solution as they become available, so the most up-to-date security threat protections are available and accessible to every customer on the platform. Moreover, UCaaS solutions offered by CSPs like AT&T that own and operate the network include internet/data connectivity bundled with the UCaaS service as well as SLAs and quality-of-service (QoS) guarantees. Network-based solutions feature a network quality guarantee where performance is guaranteed with carrier-grade MPLS and QoS. Thus quality of service is increased when SMBs choose to use the CSP's network for UCaaS.

Top SMB Concerns About Deploying Cloud UCC

Q.   *What are your top concerns about cloud-based UCC/UCaaS?*
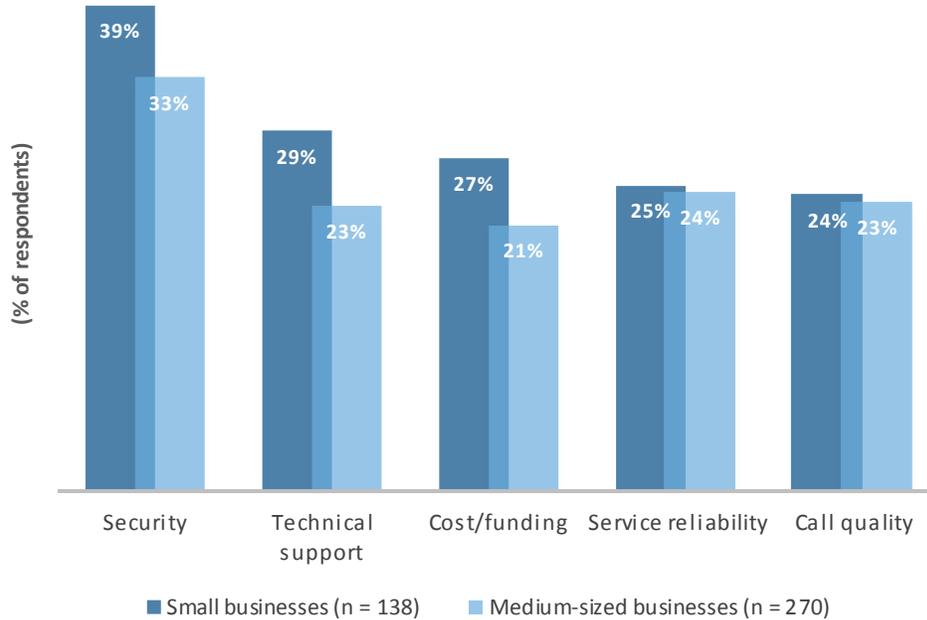
Base = SMB UCC users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey,* 2017

For many SMBs, cost – specifically the costs associated with implementing UCaaS and shifting from an up-front capex model to a monthly recurring subscription-based model – is another top concern about UCaaS. SMBs tend to be more conservative and cautious about investing in communications than their larger enterprise counterparts because SMBs typically have smaller IT and technology budgets and more limited access to additional capital. These, combined with more limited internal IT resources and a more concentrated workforce, are barriers SMBs must grapple with when deciding whether and how to invest in technology.

Service reliability is also a leading SMB concern about UCaaS. Lack of voice services can directly and negatively impact revenue; similarly, SMBs have high expectations for service uptime and call quality. However, reliability in terms of service uptime is another instance where cloud services often offer better performance than SMBs' in-house IT departments are able to provide. Business continuity and disaster recovery are other areas where UCaaS offers superior performance over traditional and premises-based solutions. UCaaS supports failover conditions in case of an emergency such as a service disruption because of weather or another catastrophic event, with operations distributed such that the service is not disrupted if one location is not available.

CONCLUSION

UCC debuted more than a decade ago, but adoption lagged behind industry expectations until recently; however, businesses large and small are embracing cloud communications as they seek to reduce costs, manage complexity, and increase employee productivity and collaboration. Although adoption by SMBs has lagged behind their larger counterparts, UCC is ideally suited to SMBs, particularly when it is delivered as a cloud service. UCaaS requires less up-front investment, is simple to deploy and easy to use, and is flexible and scalable.

SMBs are investing in UCaaS in earnest, and SMB UCaaS adoption is poised for strong growth over the next several years. The benefits of UCaaS are compelling for SMBs: lower costs, more flexibility to accommodate mobile and remote workers, and feature-rich systems. But SMBs still have concerns about UCaaS, including security, reliability, and cost, that will continue to slow UCaaS adoption.

Before embarking down the UCaaS path, SMBs need to articulate where they want to go and what they expect to achieve as doing so will help justify the investments they are about to make. Moreover, the cost predictability that the cloud brings to UCC means the cost of the technology needed to fully extend UCaaS is rapidly declining, further contributing to the justification for investing in UCaaS. Consequently, SMBs evaluating UCaaS should consider the following:

- **Business outcomes.** The UCaaS value proposition remains somewhat murky. Although SMBs are aware of the more immediate and tangible benefits of moving to the cloud, many are still grappling with building a business case that justifies investing in UCaaS. This is particularly true for smaller businesses with limited resources to devote to moving to UCaaS in the first place. SMBs should shift their focus from tactical, near-term considerations like cost savings to more strategic, transformative benefits such as driving productivity gains, enabling employee collaboration, and facilitating faster decision making. SMBs also should examine how UCaaS enables new applications and transforms business processes as a business case focused on solving business processes or collaboration challenges is more likely to receive funding and support than one that does little more than reduce costs.

- **Education and training.** Education and training are essential to ensuring a positive customer experience pre- and post-implementation and to driving usage once the solution has been deployed. To drive usage of UCC assets, it is essential that CSPs employ a consultative approach that helps SMBs understand the benefits and use cases for UCaaS. Also, educating SMBs on the benefits of UCaaS beyond cost savings as well as providing training on how to use UCaaS is critical to ensuring greater customer satisfaction.

- **Mobility.** More than one out of every two SMBs with UCaaS use mobile devices to access the available UCC capabilities, supporting the notion that for many SMBs, mobile devices are already the device of choice for communications and collaboration. Yet only 9% of SMBs with UCaaS report using mobile UC client/mobile UC integration, suggesting that even though mobile devices offer the greatest potential to deliver an integrated user experience, mobility has yet to be fully incorporated into most UCaaS offerings. But we believe demand for mobile UCaaS will accelerate rapidly as SMBs realize the benefits that integrating mobile capabilities with UCaaS delivers such as access to UCC apps and services from a single mobile device (i.e., an office on the go). Several CSPs have differentiated their solutions by integrating mobile capabilities with UCaaS functionality, and we anticipate others will follow suit as they look to offer a truly integrated mobile UCaaS solution and user experience that extends across all applications, platforms, and services.

- **Pricing model shift.** The flat-rate, pay-per-use pricing model of UCaaS resonates with SMBs. It helps eliminate confusion about often complicated pricing schemes and volume discounts and helps streamline the sales process. But educating SMB customers that may not be familiar with subscription- or usage-based pricing models is key to driving adoption. In addition, for SMBs that still have a TDM service, explaining the difference between a "seat" and a "line" is critical to getting buy-in.

- **Usage.** Research shows that many SMBs with UCaaS are not taking full advantage of how the solution improves productivity and enhances employee collaboration. More than one out of every two employees in SMB organizations with UCaaS don't use the deployed capabilities. Moreover, the usage rates for capabilities such as the integration of business apps and business social networking are very low, suggesting that in many SMBs with UCaaS, the internal focus needs to be on driving UCaaS usage and integrating UCaaS more fully into existing business processes.

- **Simplicity.** Simplicity is critical to driving UCaaS adoption and encouraging usage once UCaaS has been deployed. Solutions need to be easy to purchase, install, and use, particularly as SMBs often lack the skills or resources in-house needed to deploy and support UCaaS. But even for midmarket businesses that have the resources required to deploy, manage, and support UCaaS, simplicity is still key to driving usage and improving customer satisfaction once the technology has been deployed.

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Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com