



White Paper

Cloud UC&C: SMB Benefits and Concerns

Sponsored by: AT&T

Amy Lind
July 2016

IN THIS WHITE PAPER

The communications landscape is changing quickly. Businesses large and small want integrated, real-time telephony, data, and video communications; workforces are increasingly mobile, distributed, and virtual; and businesses of all sizes are embracing cloud delivery models and deploying cloud communications solutions ranging from managed, hosted, and cloud-based VoIP to unified communications and collaboration (UC&C).

This IDC white paper explores the trends in the UC&C market and highlights the investment drivers and barriers to UC&C adoption. In addition, it examines the benefits of hosted VoIP and UC&C solutions and the concerns small and medium-sized businesses (SMBs) may have about implementing a cloud-based UC&C solution.

SITUATION OVERVIEW

Workplace communications are evolving beyond the basic telephony services that were the primary method of how businesses communicated for more than a century. Adoption of VoIP solutions is expanding as businesses of all sizes migrate from legacy telephony services to integrated, IP-based voice and UC&C solutions. UC&C is the integration of VoIP, messaging, IM, presence, and conferencing services with collaborative and mobile apps; UC&C systems enable real-time communications and collaboration anytime, anywhere, and on any device.

Although TDM is still prevalent, many SMBs, like their larger counterparts, are accelerating their VoIP migration plans in an effort to reduce costs, manage complexity, and increase employee productivity. According to a recent IDC survey, two-thirds (67%) of small businesses with fewer than 100 employees are using VoIP today, while 78% of medium-sized businesses with 100-999 employees have implemented VoIP. In addition, one-third of SMBs plan to migrate from TDM to VoIP in 2016.

SMBs are also embracing cloud communications. Cloud delivery models make communications affordable and available instantly over any device and in any location. With their on-demand, self-service simplicity, cloud communications let users pay for what they consume and provide the flexibility to scale up or down as growth or business requirements dictate.

When VoIP and UC&C are delivered out of a communications service provider's (CSP's) cloud infrastructure, they are considered a cloud-based or as-a-service solution. Often an extension of a hosted VoIP service, cloud-based UC&C or UC-as-a-service (UCaaS) solutions are multitenant solutions that are

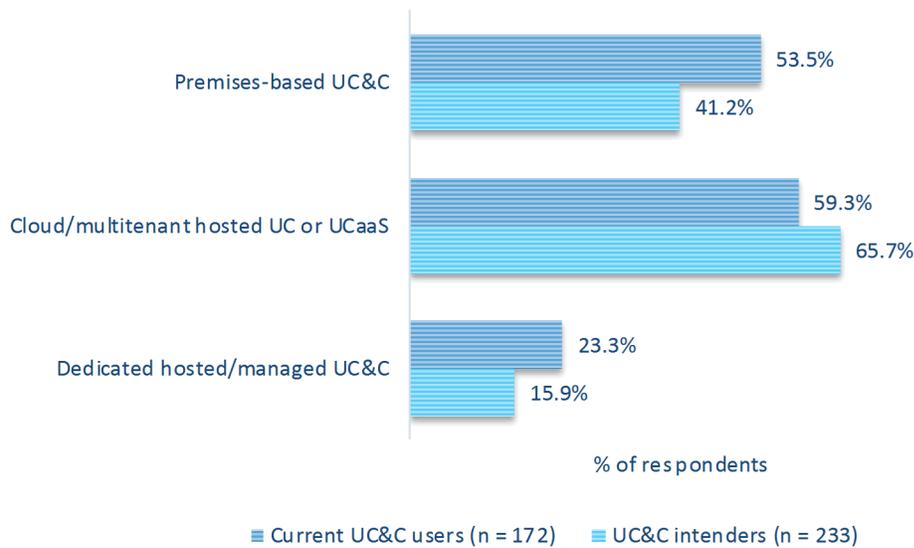
shared across a number of users and businesses and are managed and maintained by a CSP. Service is priced on a per-seat basis, with a standard suite of features included in the monthly seat cost.

Until recently, premises-based systems dominated the market. But the growing acceptance and maturation of cloud delivery models is accelerating adoption of managed, hosted, and cloud-based UC&C solutions. As Figure 1 shows, survey data supports IDC's view that cloud UC&C solutions are quickly gaining traction at the expense of premises-based deployments, with the result that cloud will soon be the leading UC&C delivery model.

FIGURE 1

Interest in Cloud Increasing

Q. Which of the following best describes your organization's current/planned UC&C implementation?



Base = current SMB UC&C users and SMB UC&C intenders

Note: Multiple responses were allowed.

Source: IDC's U.S. Enterprise Communications Survey, 2016

UCAAS: BENEFITS AND CONCERNS

Benefits of UCaaS

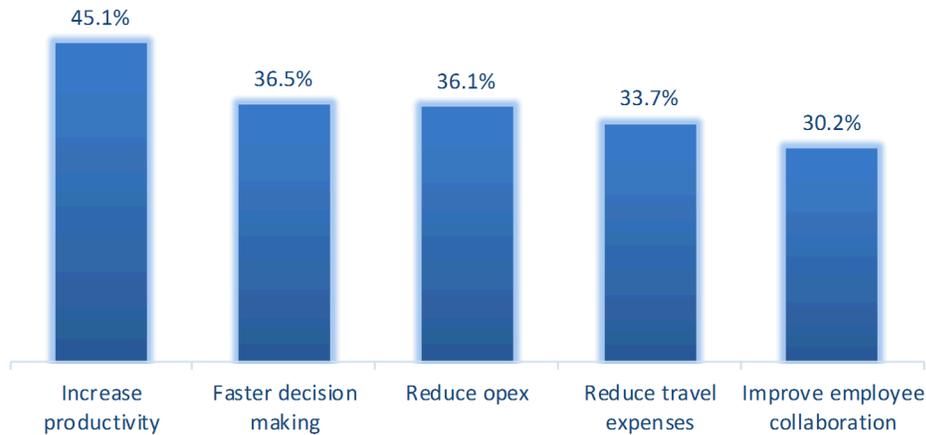
UC&C is an ideal solution for SMBs particularly when it is delivered in a cloud-based or as-a-service model. Many SMBs, particularly small businesses with fewer than 100 employees, lack the internal IT staff or the expertise required/needed to implement UCaaS. This means that SMBs are often looking for plug-and-play solutions that require little training or ongoing maintenance and support. Thus UCaaS solutions that combine real-time, integrated voice and collaboration capabilities along with a flexible and scalable delivery model are ideal for SMBs.

The factors influencing SMB technology investments are shifting from tactical, near-term considerations like immediate cost savings to more strategic objectives such as increasing productivity and faster decision making. According to an IDC survey, increasing productivity, faster decision making, and cost savings are top reasons for SMB investment in UCaaS (see Figure 2).

FIGURE 2

SMB Drivers of UC&C Investment

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



n = 255

Base = SMB UCaaS current users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey*, 2016

UCaaS creates a more productive work environment, fosters collaboration, and facilitates faster decision making by enabling SMBs to meet anytime, anywhere, and on virtually any device they want. Utilizing the broad set of capabilities such as IM, desktop sharing, and audioconferencing, Web conferencing, and videoconferencing that are an essential aspect of an UCaaS solution, SMBs can share documents and information more easily and quickly across multiple locations and devices, effectively improving productivity and collaboration as well as facilitating faster decision making.

Moving to the cloud delivers measurable cost savings. Cloud-based voice and collaboration solutions help SMBs reduce costs such as travel expenses by using collaboration tools to work remotely and collaborate from virtually anywhere. In addition, UCaaS helps SMBs avoid costly capital and operational expenses and mitigate the technology obsolescence risks often associated with premises-based solutions. Traditionally, SMBs had to make large capex investments to keep up with major version upgrades to software platforms or hardware refreshes. With UCaaS, upgrades are more frequent and are included in the base price of the cloud license. Plus, the flat-rate, pay-as-you-go pricing model offers predictable costs, further helping SMBs streamline operations.

Survey data also shows that most SMBs rate cost savings, increased security, simplified management and maintenance, and scalability and flexibility as the leading benefits of UCaaS. Many SMBs realize immediate cost savings by outsourcing management and maintenance of telephony and UC&C systems and by reducing spending on voice calling from efficiencies achieved from using VoIP, a key component of UCaaS. Moreover, moving to a predictable, flat-rate, pay-as-you-go pricing model helps SMBs manage their communications and collaboration spend more effectively.

In addition, UC&C can be complex and challenging to implement, manage, and maintain; thus deploying an UCaaS solution that is fully managed by a CSP, a reseller, or other provider removes much of the complexity many SMBs associate with UC&C. UCaaS eliminates the need for investing in IT staff to manage and maintain the solution in-house and reduces IT staff workloads. Further, because UCaaS is a fully managed service, ownership and management of the technology including maintenance, upgrades, and feature improvements are the CSP's responsibility.

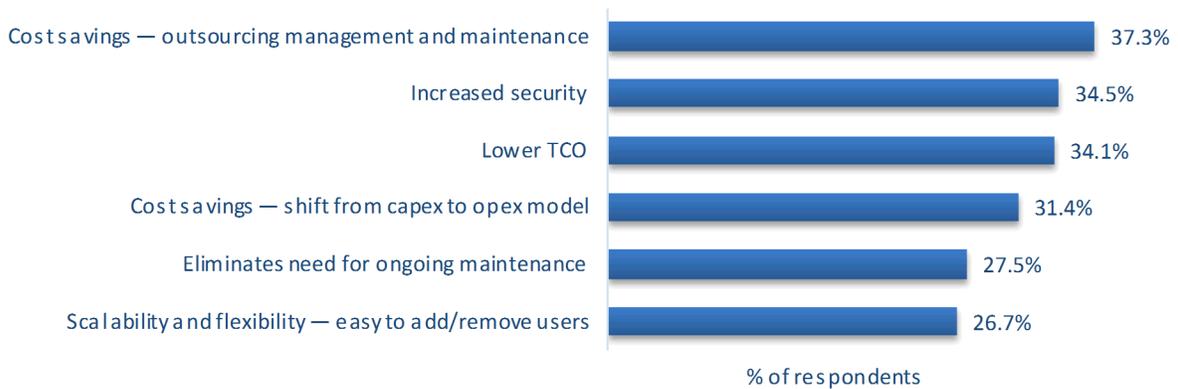
UCaaS is also highly scalable, meaning that businesses can easily add or change the number of users or features required as the business grows and its needs evolve over time. This is particularly important for SMBs that are seasonal or have spikes in their business because they can easily add seats when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

UCaaS supports specific business needs such as enabling a more mobile workforce by allowing employees to work from anywhere with a broadband connection and through features such as single number reach for both fixed users and mobile users. UCaaS also simplifies the management and delivery of services. For example, allowing a user to log in to one system for email, IM, presence, and conferencing using a single sign-on or the flexibility to deploy new capabilities and tools that enhance employee productivity on an ad hoc basis are examples of simplified service delivery (see Figure 3).

FIGURE 3

Benefits of Cloud UC for SMBs

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



n = 255

Base = SMB UCaaS current users and intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey, 2016*

SMB Concerns About UCaaS

Implementing UCaaS can be daunting, especially for SMBs, many of which do not have dedicated IT staff or the resources needed to navigate the available delivery options. Key challenges to deploying UCaaS include:

- Identifying and deploying the technologies, features, and services that are most appropriate for the business and for 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 UCaaS capabilities

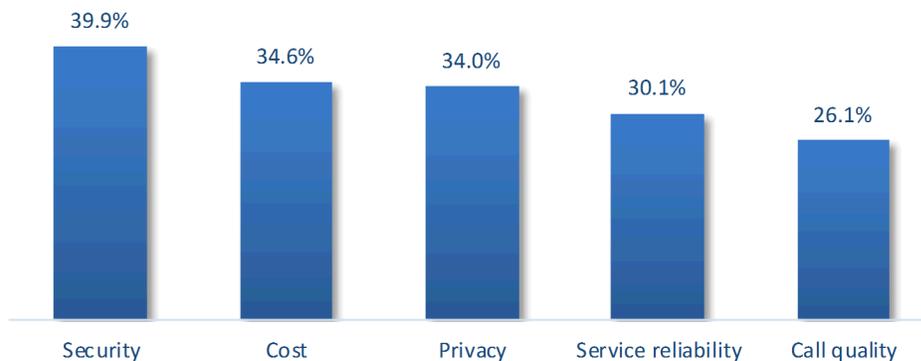
Equally important is selecting the best CSP to implement and manage the solution. The ideal CSP will have a solution that is easy to implement and use as well as the expertise in professional services and implementation support to help guide the SMB through the decision-making process and deliver the most effective solution that fits the business' requirements.

Still, implementation and usage challenges remain and must be overcome before UCaaS can be considered mainstream for SMBs. As Figure 4 illustrates, top concerns SMBs have about deploying UCaaS are security (39.9%), cost (34.6%), privacy (34%), and service reliability (30.1%).

FIGURE 4

Top SMB Concerns About Deploying Cloud UC

Q. What are your top 3 concerns about deploying cloud-based UC/UCaaS?



n = 153

Base = SMB UC&C intenders

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey*, 2016

Not surprisingly, security is top of mind for SMBs considering UCaaS – one out of three SMBs said it was a leading benefit of UCaaS, while 40% ranked security as their greatest concern about UCaaS.

Security is a baseline requirement and an integral aspect of any UC&C solution, regardless of whether the solution is delivered on-premises, in the cloud, or as a hybrid mix of both. That said, while SMB concerns about the security of UCaaS are real, most UCaaS solutions offer more security than many organizations are able to achieve on their own, particularly SMBs because they often lack the IT staff and/or dedicated 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 of the shared, multitenant platform nature of the solution, the CSP adds new security requirements to the platform as they become available, so the most up-to-date security threat protections are available and accessible to every customer on the platform.

Moreover, network-based 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 the UCaaS solution.

Cost is another leading SMB concern about UCaaS, specifically the costs associated with implementing UCaaS and shifting from an up-front capex model to a monthly recurring subscription-based model. SMBs tend to have smaller IT and technology budgets and more limited access to additional capital than their larger enterprise counterparts, which tends to make SMBs more conservative and cautious about investing in communications. That, combined with more limited internal IT resources and a more concentrated workforce, is an additional barrier SMBs must grapple with when deciding whether and how to invest in technology.

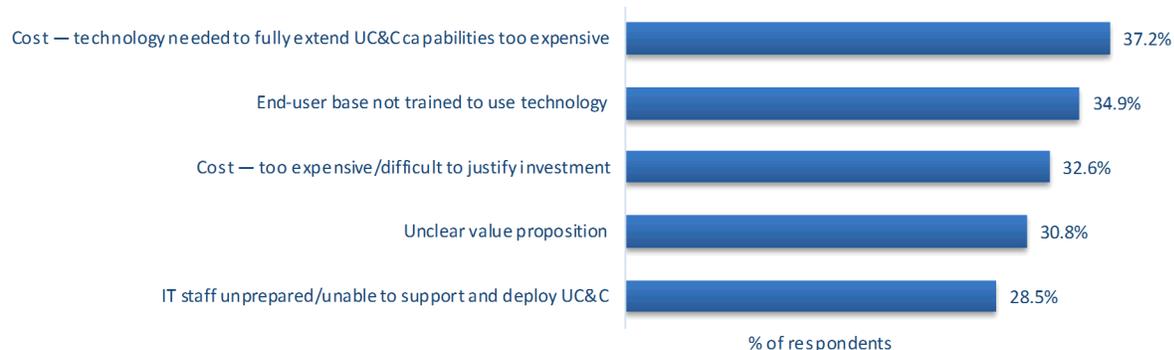
For many SMBs, service reliability, meaning the availability and accessibility of the solution, is also a leading concern about UCaaS. Lack of voice services can directly and negatively impact revenue. Similarly, SMBs have high expectations for service uptime and call quality; however, reliability in terms of service uptime is another instance where cloud services often offer better performance than an SMB's in-house IT department could provide with non-UCaaS deployments. 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 – in the case of 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.

SMBs that have already deployed UC&C face an additional hurdle: encouraging UC&C usage as roughly one out of every two users in SMBs with UC&C is not using the deployed capabilities. The top barriers to UC&C usage include cost, lack of end-user training on how to use the solution and capabilities, and unclear value proposition (see Figure 5).

FIGURE 5

Top Barriers to SMB UC&C Usage

Q. What are the top 3 barriers to user adoption/use of your organization's deployed UC&C capabilities?



n = 172

Base = current SMB UC&C users

Note: Multiple responses were allowed.

Source: IDC's *U.S. Enterprise Communications Survey*, 2016

Although UCaaS adoption is on the upswing, many SMBs continue to grapple with the decision to invest in UCaaS. Before embarking on the UC&C path, SMBs need to articulate where they want to go and what they expect to achieve with UCaaS because doing so will help them justify the investments they are about to make. At the same time, the cost predictability that cloud brings to UC&C means that the cost of the technology needed to fully extend UC&C is rapidly declining, contributing further to SMBs' justification for investing in UCaaS.

Lack of end-user training is another barrier to UC&C usage. Because UCaaS is sold on a monthly recurring revenue model, CSPs are incented to drive adoption and usage; thus many CSPs have developed training tools, online portals, user guides, and the like with the goal of increasing the usage of deployed UCaaS capabilities. However, SMBs also need to better leverage the training and education available to expand internal usage of UCaaS.

CONCLUSION

UC&C first debuted more than a decade ago, but until recently, adoption has lagged industry expectations. SMBs in particular have been slow to deploy UC&C. However, businesses large and small are embracing cloud communications in an effort to reduce costs, manage complexity, and increase employee productivity; as a result, adoption of cloud-based UC&C/UCaaS has also begun in earnest.

Although SMBs initially were slower to adopt UC&C than their larger counterparts, UC&C is ideally suited to SMBs especially when delivered as a cloud service. UCaaS solutions require less up-front investment, are simple to deploy and easy to use, and are highly scalable. As a result, SMB UCaaS adoption is poised for strong growth over the next several years.

The benefits of cloud UC&C/UCaaS for SMBs are compelling: lower costs, more flexibility in terms of accommodating mobile and remote workers, and feature-rich systems. However, barriers still exist, including concerns about security, reliability, and cost, and they will continue to hinder SMB adoption.

SMBs considering implementing an UCaaS solution should consider the following:

- **Mobility.** Currently, nearly two-thirds of SMBs with UCaaS use smartphones to access deployed UC capabilities, supporting the notion that for many SMBs, mobile devices are already the device of choice for collaboration. Yet only 15% of SMBs with UCaaS report using a 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. However, IDC believes that demand for mobile UCaaS will quickly accelerate as SMBs realize the benefits that integrating mobile capabilities with UCaaS deliver, such as the ability to access key UC&C apps and services from a single mobile device (i.e., an office on the go). A few select CSPs have already enhanced and differentiated their UCaaS offerings by integrating mobile capabilities with UC functionality, and we anticipate that more will follow suit as CSPs seek to offer a truly integrated mobile UCaaS solution and user experience that extends across all applications, platforms, and services.
- **Business outcomes.** The UCaaS value proposition remains somewhat murky for most SMBs. 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, particularly smaller businesses that have limited resources to devote to making the move to UCaaS in the first place. SMBs need to 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 look closely as to how UCaaS can enable new applications and transform business processes; a business case focused on solving business process or collaboration challenges is more likely to receive funding and support than one that does little more than reduce costs.
- **Usage.** IDC research shows that among SMBs that have deployed UCaaS, many are not taking full advantage of how such solutions improve productivity and enhance employee collaboration. Nearly two out of every three employees in SMB organizations with UCaaS don't use the deployed UC&C capabilities. The usage rates for UCaaS capabilities such as integration of business apps and business social networking are relatively low, suggesting that the internal focus needs to be on driving adoption and integrating UCaaS more fully into existing business processes.

- **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. It is essential to driving usage of UC&C assets that CSPs employ a consultative approach that helps SMBs understand the benefits of and use cases for UCaaS. Also, educating SMBs about the benefits of UCaaS beyond cost savings and providing training on how to use UCaaS capabilities are critical to ensuring greater customer satisfaction.
- **Simplicity.** Simplicity is critical to driving UCaaS adoption and to 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 necessary to deploy and support UCaaS. But even for midmarket businesses that have the resources to deploy, manage, and support UCaaS, simplicity is still paramount to driving usage once the technology has been deployed and to improving customer satisfaction.
- **Pricing model shift.** The flat-rate, pay-as-you-go pricing model of cloud-based UC&C/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.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

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

Copyright Notice

External Publication of IDC Information and Data – Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2016 IDC. Reproduction without written permission is completely forbidden.

