Magic Quadrant for Unified Communications as a Service, North America

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This Magic Quadrant examines 16 of the leading UCaaS providers. The 16 providers evaluated in this research vary widely in terms of richness of services, branding, experience and ability to scale. Use this document as a planning tool as part of your UCaaS sourcing strategy.

Market Definition/Description

The Key UCaaS Components

Unified communications as a service (UCaaS) supports the same functions as its premises-based counterpart. Only the delivery model is altered. Therefore, Gartner uses the same six broad communications functions for both (see Note 1 for detailed definitions):

- Voice and telephony, including mobility support

- Conferencing — Audioconferencing, videoconferencing and Web conferencing

- Messaging — Email with voice mail and unified messaging (UM)

- Presence and instant messaging (IM)

- Clients — Including desktop clients and thin browser clients

- Communication applications — For example, integrated collaboration and contact center applications

Mobility, through smartphones and tablets, now plays a prominent role in the UCaaS ecosystem. The more advanced mobility offerings integrate PBX features into the mobile endpoints, obviating traditional handsets in certain cases.

There are two types of cloud architectures deployed in the UCaaS market. The first is multitenant, in which all users share a common (single) software instance. The second is virtualized, in which each user receives its own software instance. Users (particularly larger businesses with more than 1,000 employees) in general prefer a separate software instance — sometimes marketed as "private cloud" — because of perceived security and customization benefits. However, to date, most implementations are with the multitenant approach because it is easier to support, manage and

deliver. In contrast, it takes more administration to manage each user's separate software instance in the virtualized architecture.

Key Achievements in 2013

There have been two notable achievements in the 2013 North American UCaaS market: (1) global deployments; and (2) API integrations. The market is finally getting a critical mass of UCaaS providers that can deliver UCaaS globally, or at least both in North America and in Europe. Some offer, or will soon offer, UCaaS in Asia/Pacific as well. AT&T, CSC, Google, Microsoft, Orange Business Services, Sprint, Thinking Phone Networks, West and 8x8 all offer UCaaS in multiple regions. Gartner expects Avanade, HP and Verizon to support multiple regions starting in 2014. Global UCaaS support is not trivial. UCaaS providers must secure local regulatory approvals, manage in-country telephone numbers, add new data centers, support additional languages and currencies, and provide in-country professional services. It is important to note that while global UCaaS is increasingly available across regions, actual deployments are just starting to manifest. On this basis, Gartner expects to move to a global UCaaS Magic Quadrant in 2014.

The second notable 2013 achievement is the use of APIs, plug-ins and connectors to integrate UCaaS capabilities and features. This fosters communications across vendor platforms, companies (including suppliers, partners and customers), and IT productivity tools (for example, CRM). Esna has developed a set of APIs to connect Cisco Hosted Collaboration Solution (HCS) systems with Google. West now integrates its VoiceMaxx CE (based on Cisco HCS) and VoiceMaxx (formerly Smoothstone) platforms with Microsoft's Exchange Online capability for email and voice mail. A number of providers now support a Lync desktop client that ties into a BroadSoft-based telephony capability. Microsoft is integrating its business-based Lync offering with its consumer-based Skype offering.

These integrations span beyond UCaaS, and they include tangential capabilities like CRM and social. Many UCaaS offerings now support integration with salesforce.com CRM, a popular CRM capability. 8x8 offers IM/presence views of Facebook and Twitter. Smaller organizations show a marked preference for solutions that integrate unified communications (UC) with the contact center.

The market is now witnessing a semblance of best-of-breed capabilities. This situation particularly holds true in the case of the Google and Microsoft UCaaS suites. Google does not natively support enterprise-grade telephony and is therefore open to integration. The Microsoft telephony capability, especially in the cloud with Lync Online, is still maturing. There is strong market demand to integrate Lync Online with market-proven cloud and premises-based telephony offerings.

Primary Gaps in 2013

The North American UCaaS market still has two primary gaps. First, enterprises above 3,000 employees prefer UCaaS offerings from well-established CSPs, system integrators and vendors. While there are pockets of UCaaS success stories with enterprises above 3,000 employees, such implementations are not yet industrialized. In fact, it is not uncommon for larger enterprises to sometimes opt to forgo UCaaS, as their interactions (and sometimes trials) with UCaaS providers did not inspire confidence. Gartner believes that many UCaaS providers can successfully roll out a

few enterprise deployments, but they lack the deep bench of UCaaS personnel to simultaneously support dozens of large deployments.

The second gap lies in the customer portals. Enterprises now have high expectations with their customer portals. But in many cases, the UCaaS portals have limited automation. Thus, users report that manual processes are often still required, resulting in a disappointing experience. Building more automated portals is not that high of a hurdle for UCaaS providers to overcome. Gartner therefore believes that this gap will be reduced in the coming 12 months.

It is important to note that there are more than 100 cloud voice over IP (VoIP)/UC providers in North America. This research evaluates 16 providers based on Gartner's Inclusion and Exclusion Criteria. All UCaaS participants evaluated in this research therefore have to meet a formidable threshold just to be included.

Magic Quadrant

Figure 1. Magic Quadrant for Unified Communications as a Service, North America

Source: Gartner (November 2013)

Vendor Strengths and Cautions

8x8

Northern California-based 8x8 is a UCaaS specialist with more than 10 years of experience supporting the cloud VoIP, UC and contact center market. Its UCaaS offering is branded as "Virtual

Office" that is delivered over a homegrown platform. 8x8 is one of the largest UCaaS suppliers in North America, with more than 350,000 endpoints.

The majority of 8x8 customers are small businesses. However, each year, 8x8 has been adding a higher proportion of midsize businesses and smaller enterprises (the small-enterprise market starts at 1,000 employees). In another sign of 8x8's emphasis on larger accounts, the company has secured certifications/compliance for E-Rate, Federal Information Security Management Act (FISMA), Health Insurance Portability and Accountability Act (HIPAA) and Peripheral Component Interconnect (PCI).

8x8 added direct support for Canada-based businesses in 2013 (that is, localized support for billing and currency), with direct U.K. support expected in the late fourth quarter 2013. 8x8 uses media servers to support the European (meaning European countries in addition to the U.K.) sites, with similar media server support for Asia/Pacific and Latin American offices expected in 2014. The media server approach integrates the locations of North American headquartered businesses in Europe, Asia/Pacific and Latin America. However, media server support does not include localized billing and currency.

Consider 8x8 if you are a small or midsize business (SMB) looking for a cost-effective UCaaS solution.

Strengths

- 8x8 offers a deep cloud UC offering that includes IM, presence, telephony, UM, Web conferencing, videoconferencing and mobility. There is also a contact center offering that uses a common underlying voice platform.

- The company's pricing is very competitive. Many features and capabilities are included in the core offering.

- 8x8 provides a mature, self-service, role-based portal. Its legacy is on the price-sensitive small-business market, where it focusses on a highly automated customer experience.

- The R&D team has added significant capabilities in the past year. This includes APIs for CRM and social (for example, Facebook and Twitter).

Cautions

- 8x8 has limited brand awareness, particularly with midsize and larger enterprises.

- The 8x8 cloud contact center and UCaaS solutions are not fully integrated. There are parallel user sign-ons and clients. Users request more complete contact center reporting tools.

- Support for larger businesses is a new, but expanding, market for 8x8. The company's DNA is support for SMBs. 8x8 has less experience supporting the professional services and IP Multiprotocol Label Switching (MPLS) integrations for larger installations.

- Customers report occasionally slow portal response times due to congestion. In addition, the messaging client does not yet support persistent chat.

AT&T

AT&T is a global communications service provider (CSP) headquartered in Dallas, Texas. AT&T is able to leverage its network footprint, VPN portfolio and professional services into its UC offerings. While historically AT&T's enterprise communications' offerings have been VoIP-centric, coupled with separate video and conferencing functions, this is changing as it advances a UC service portfolio.

The AT&T UC Services offer is made up of two integrated components based on the Cisco HCS platform:

- UC Voice, which is a cloud-based alternative to a premises-based Internet Protocol (IP) PBX

- UC Central, which is a downloadable client for PCs, Macs and mobile devices that offers a full UC suite, including presence, IM, conferencing (audio, Web and video) and UM, in addition to the voice and telephony functionality of UC Voice.

AT&T also offers a range of UCaaS-related services. These include AT&T Connect (which is an audioconferencing, Web conferencing and videoconferencing service), AT&T Telepresence and Microsoft Lync Hosted. In addition, AT&T supports hosted, managed and hybrid UC configurations, including integrations with on-premises PBXs (including Cisco and Avaya) and Microsoft Office 365 (cloud).

Consider the AT&T UC solutions if you are a midsize to larger enterprise with an existing strong relationship with AT&T and can leverage its broad network and service portfolio.

Strengths

- AT&T has strong brand-name recognition, global networks and global data centers that the UCaaS offering leverages.

- The company has robust wireless capabilities that can be integrated into the UCaaS offering in multiple ways, such as the Toggle bring your own device (BYOD) mobility tool.

- AT&T possesses a large base of existing business telephony accounts that represent an attractive target market for AT&T UCaaS.

- The AT&T UCaaS solution includes selected internally owned and developed functionality (for example, Web conferencing, presence and messaging) that helps lower its cost structure (as no royalties need to be paid).

Cautions

- AT&T has previously experienced schedule delays in bringing its UC Services offering to market. It must now prove that it will be able to advance its portfolio in a timely manner to remain competitive.

- Billing and service issues can take time to resolve, although Gartner conversations with UC Services clients indicate that AT&T sales teams are helpful. Furthermore, preliminary cost estimates can be lower than final monthly costs due to the need for unanticipated (additional) functions or services.

- Most current deployments are VoIP (AT&T UC Voice)-focused, rather than focused on the broader UC solution set (AT&T UC Central).

- AT&T currently lacks a UC Services complementary cloud contact center offering.

Avanade

Avanade, a Seattle-based company founded by Accenture and Microsoft, provides Microsoft-focused managed and consulting services. Avanade acquired Azaleos in 2012 to add Microsoft-focused messaging, collaboration and UC services to its portfolio. The Azaleos acquisition brings Avanade one of Microsoft's top partners for supporting a breadth of services spanning private cloud, managed UC (on-premises) and mixed hybrid architectures. As part of bringing the two companies together, the initial focus has been on selling UC for managed premises and managed cloud, as that is what the Avanade sales force and client base were familiar with. However, Avanade is now expanding its sales training program and expects to increase its UC on-demand and hybrid sales. This includes dedicated software instances marketed as private cloud.

When Avanade offers the UCaaS products in an on-demand model, it has a solution similar to, and somewhat in competition with, Microsoft Office 365. Because Avanade uses standard enterprise versions of these products, operated with its own management (ViewX) and virtualization tools, the feature functionality is comparable to that of Microsoft on-premises releases. The Avanade managed services for Lync, SharePoint and Exchange are currently available in all global markets. Avanade's telephony offering is based on Lync technology, through both on-premises PBX integrations and its cloud offering. Most Avanade customers leverage their existing Microsoft licenses, from which Avanade adds service and support.

Consider the Avanade solution if you are looking for UCaaS versions of the Microsoft Lync, SharePoint and Exchange solution suite, or if you wish to deploy a private cloud version of Office 365.

Strengths

- Avanade has a well-established relationship with Microsoft, with extensive experience in professional services as well as with operating and managing the Microsoft UC solution set for both small and large companies.

- Avanade is experienced in integrating UCaaS Lync, SharePoint and Exchange with the on-premises infrastructure.

- Avanade is able to offer the full Exchange and Lync feature set, including IM, presence, videoconferencing, UM, mobility and VoIP. These offerings provide greater customization and control capabilities than what is available with Office 365.

Cautions

- Avanade's UCaaS solution competes with Microsoft's Office 365. While Avanade possesses near-term differentiation against Microsoft, the longer-term differentiation could be at risk as Microsoft enhances Office 365's features, pricing, form factors and partnerships.

- Full UC solutions require two contracts — one for Microsoft licensing and a second for Avanade's support and services (including the platform, network, service management and data center).

- Avanade has limited experience selling the complete Lync UCaaS solution — including mobility, video and telephony.

- Avanade does not offer a prepackaged cloud contact center capability (it does, however, integrate with other vendor contact center offerings, such as Aspect).

Broadview Networks

Broadview Networks is an application specialist based out of the New York City area. It is a new addition to Gartner's North American UCaaS Magic Quadrant. The company's origin is as a competitive local-exchange carrier (CLEC), from which it has expanded its business focus to include cloud VoIP, UC and contact center services. The CLEC legacy provides Broadview with the ability to secure network resources and interact with both carrier-grade and Internet-based connections.

The company provides a full spectrum of cloud UC functions under the brand name OfficeSuite. However, Broadview's market focus is on cloud VoIP and contact center, followed by mobility. Broadview also provides CRM integration with such applications as salesforce.com CRM. Most customers are interested in a value proposition centered on basic core services, ease of use and price. Broadview offerings are available across the U.S.; however, its brand and account base are skewed to the Northeastern U.S.

Consider Broadview if you are an SMB or smaller enterprise of up to 1,000 employees in the Northeast that seeks basic UC services focused on VoIP and contact center.

Strengths

- Broadview has a medium- to large-account base, serving more than 175,000 end users.

- The company provides a clear, succinct marketing message to its target market of customers seeking a PBX replacement.

- Broadview also offers a cloud contact center capability to complement its cloud VoIP/UC offering. These combined capabilities resonate well with the Broadview customer base.

- Broadview provides good customer service and offers an intuitive customer portal. Many Broadview accounts are from organizations that also use Broadview's network services.

Cautions

- The Broadview value proposition is VoIP-centric. While it does support a wider portfolio of services, including IM/presence, and Web conferencing/videoconferencing, such capabilities are not widely deployed by the customer base.

- The IM/presence and Web conferencing/videoconferencing capabilities are not leading edge. For example, the client lacks multiparty chat. Many customers are likely to adopt other vendor components.

- The user interfaces are not graphically appealing, although they are functionally competent.

- Broadview does not have a strong brand, particularly with enterprises and businesses outside the Northeast.

CSC

CSC is a system integrator headquartered in the Washington, D.C. metro area, and it has a deep base of large public-sector and private accounts. Total annual corporate revenue is approximately $15 billion, with approximately $5.4 billion derived via the managed service sector. Most CSC customers are organizations with 5,000 employees or more. The company is completing a transformation of its business model, with the objective to become more efficient and profitable. As part of this process, CSC has been streamlining its product offerings, data centers and service management centers. Most strategic offerings will be globally available to reduce costs (as opposed to single-country or regional offerings that do not scale well for efficient delivery). Cloud delivery is a major CSC initiative across the IT portfolio, including UCaaS.

The UCaaS go-to-market strategy centers on Cisco and Microsoft technology, complemented with Polycom video. Microsoft Exchange, Microsoft SharePoint, Cisco WebEx and Cisco contact center are additional capabilities packaged with CSC UCaaS. CSC partners with AT&T to provide network connectivity.

Consider CSC UCaaS if you are a large enterprise seeking an industrialized offering based on Cisco or Microsoft technology.

Strengths

- CSC has a focused cloud-centric vision for industrializing UCaaS. This vision calls for leading its go-to-market strategy via cloud delivery, with customer premises equipment (CPE) delivery serving as the backup.

- The Cisco HCS UCaaS platform can be integrated, packaged, and delivered with Cisco WebEx and Cisco contact center (Enterprise edition).

- CSC has an ambitious UCaaS road map centered on Cisco and Microsoft solutions. This includes semiannual product releases for additional functionality.

- The company is able to support Cisco HCS in both North America and Europe. In addition, CSC has approximately 10 larger UCaaS customers in the 5,000 endpoint range.

- CSC has a deep base of public-sector and private-company accounts. Many of these customers have an aging PBX/UC infrastructure that is a natural fit for UCaaS adoption.

Cautions

- CSC has undergone significant management turnover, along with product rationalization, during the past 18 months.

- The company does not actively market smaller enterprises. The focus is on larger accounts above 5,000 employees.

- The new cloud UC architecture has been recently released, and it will take time to mature.

- The UCaaS portal is still maturing. Users report that they do not have all of the automated administrative capabilities that they would like.

- Customers have an inconsistent range of customer satisfaction levels with CSC. Gartner believes that this is because there are pockets of strengths and weaknesses across CSC locations and business units.

Evolve IP

Evolve IP, privately held, is based in the Philadelphia metro area, and it is a new addition to this year's Magic Quadrant. It focuses on the midsize and small-enterprise markets, and it offers a broad array of IT services, including networks, virtual desktops, virtual servers/virtual data centers, hosted email, contact centers and UCaaS. The majority of accounts are from the Northeastern U.S. However, for the past two years, Evolve IP has been marketing to other U.S. regions as well.

The underlying VoIP functionality is based on the BroadSoft platform. Evolve IP then adds its own wrapper to integrate with other UC technologies, particularly from Microsoft and Google. The company has a carrier-grade DNA for network services. Hence, most customers connect via IP MPLS. Broadband support is available, although it is deployed mainly for tying in smaller locations. Evolve IP has about a 50/50 split between direct and channel partners. The OSSmosis portal is used to connect with its channels. As a role-based portal, OSSmosis is used for IT and end-user administration.

Consider Evolve IP if you are a business with 500 to 2,000 employees that seeks a best-of-breed UCaaS offering.

Strengths

- Evolve IP offers a deep base of network, UCaaS, cloud contact center and IT services offerings. These deeper offerings are starting to make headway in the midmarket.

- The OSSmosis role-based portal — which supports partners, IT administrators and end users — helps automate processes. Customers report an improved interface and the ability to access

all of their services from a single portal. It can, however, take some time for users to learn all of the options.

- Evolve IP possesses expertise in the Microsoft IT suite. There are active customers that have connected the Microsoft Lync client with a BroadSoft VoIP function.

- The company provides good customer service relative to installation and day-to-day operations. Evolve IP consistently adds new features and capabilities each year to keep the platform technologically current.

Cautions

- Evolve IP has limited brand awareness. Much of its addressable market never even considers Evolve IP.

- A large segment of Evolve IP customers are network- and VoIP-centric. While Evolve IP supports multiple best-of-breed options with Microsoft and Google, adoption is just starting out.

- References indicate that they could benefit for greater transparency into Evolve IP's product road maps.

- The Web conferencing offering is based on the BroadSoft technology, which has yet to gain significant market adoption. Similarly, support for high-end/complex video integrations is not a mainstay of the company.

Google

Google is based in Northern California and provides a broad base of consumer IT tools that have increasingly been extended to the business side during the past five years. While Gartner estimates that the business market accounts for only 4% to 5% of Google's revenue, there is a separate Google Enterprise group with subgroups that concentrate on distinct verticals. Google UCaaS is available globally across 13 data centers spanning North America, South America, Europe and Asia/Pacific.

Google focuses on cloud delivery and provides many IT capabilities beyond UC. The Google UC capabilities that are supported include email, UM, IM/presence, videoconferencing and Web conferencing, and mobility. The complementary non-UC tools — such as Google Docs (spreadsheets, documents and presentations) and Google Drive (storage) — enhance the Google value proposition and increase the likelihood of UC adoption. The Google business case is led by email, but most business Gmail adopters procure a much larger bundle, as it does not cost anything extra.

In the past year, Google has integrated the IM, voice and talk components into Google+ Hangouts. Hangouts now supports desktop videoconferencing and sharing, and includes integration with Calendar and Docs. The Google Drive capability is used to share and store Google Docs. The enterprise admin portal has also been updated for greater customization.

Note that Google did not provide references to support this Magic Quadrant. Gartner's analysis is therefore based on other credible sources, including client inquiries, Gartner analyst experience with Google offerings and public information.

Consider Google UCaaS if you seek a low-cost solution, have alternative methods of securing enterprise voice, and have an IT department that is comfortable securing support through Google partners (as opposed to Google directly).

Strengths

- Google's pricing is very competitive, with annual fees ranging from $50 to $100 per user (the higher levels include advanced security and e-discovery features). Google has historically added more functionality each year without increasing the price.

- The enterprise community continues to adopt Google cloud IT and UCaaS. Key verticals include universities, retail and the public sector. Many of these accounts are for more than 25,000 endpoints.

- Google has a rich community base of partners and developers that provide value-added functionality. Google offers APIs from which partners can develop mashups for telephony, video, social, business analytics and so forth. The Google Apps Marketplace is a tool for connecting users with the Google partners.

- The openness and broad availability of Google makes it well-suited for interenterprise collaboration.

Cautions

- Google does not support enterprise voice. Google instead relies on middleware partners, such as Esna, gUnify, Siemens Enterprise Communications (now known as Unify) and Verizon to leverage APIs that connect third-party enterprise voice platforms for enterprise telephony.

- The Web-conferencing capability available with Google+ Hangouts is convenient for internal team usage over the Internet. However, it does not support large conference (simultaneous) groups and lacks the feature richness of the industry stalwarts.

- The Google UCaaS product suite is complex for businesses to understand, and they do not receive long-term visibility into the product road maps. Businesses must be careful to identify what products are generally available (as opposed to "preview") and what products support enterprise control.

- Google is continually making updates and adding new capabilities to its software. While these changes are almost always improvements, the pace of change can be faster than enterprises have traditionally embraced.

- Enterprises may find that consumer products (often free) that they are counting on to be offered in a business version may instead be terminated with limited notice. Google is not shy about terminating products that fail to secure market adoption or are incompatible with Google's evolving technical direction.

Intermedia

Intermedia, based in Northern California, provides a broad suite of cloud services for SMBs. Intermedia has a strong legacy in the Microsoft Exchange email market and has expanded its UC services to other Microsoft products, including Lync and SharePoint. In January 2013, Intermedia acquired Telanetix, which operates the "AccessLine" series, to expand its voice portfolio. AccessLine provides Intermedia with hosted PBX, Session Initiation Protocol (SIP) trunking and related voice services. AccessLine has an installed base of 130,000 users, who were added to the existing Intermedia base of 630,000 users.

The Intermedia UC solution operates in both the U.S. and Canada. In addition to its core hosted email offering that includes Exchange Unified Messaging, the solution supports Intermedia telephony and audioconferencing services, as well as Lync-based IM, presence, audioconferencing, Web conferencing and videoconferencing. Intermedia offers a management portal that is highly rated by end users, IT administrators and partners (that resell the Intermedia services). Intermedia has expanded its IT services portfolio in areas such as file sharing to counter the competitiveness of its legacy market — Hosted Exchange.

Consider Intermedia if you are looking for a UCaaS solution based on a combination of Microsoft applications and Intermedia's enhanced telephony and IT capabilities. Compare the Intermedia offering with offerings from other Microsoft Office 365 partners.

Strengths

- Intermedia receives favorable client satisfaction ratings and has a good reputation for responsiveness.

- The Intermedia customer portal is an effective tool for delegating decision making and changes to the appropriate level.

- Intermedia builds its UC competency from significant Microsoft Exchange and Lync experience, as well as from recently acquired telephony capabilities.

- Intermedia provides a deep portfolio of IT services beyond UCaaS that includes security, storage, SIP trunking, file sharing and mobile device management.

Cautions

- Although Intermedia has some clients in the midsize range (1,000 or more employees), the vast majority of its clients are enterprises with less than 250 employees.

- Intermedia has only recently integrated its cloud VoIP offering (AccessLine) with the rest of its UCaaS and IT portfolio.

- Intermedia does not offer a cloud contact center service or high-end video solution.

- Intermedia, whose UC solution includes Microsoft products, will have to compete in the market with the Microsoft Office 365 offering. Maintaining differentiation against Microsoft Office 365 relative to price and performance may be difficult.

Microsoft

Microsoft Office 365 provides cloud delivery of the firm's IT software applications originally designed for on-premises deployment. The offering consists of four core applications: Exchange Online, SharePoint Online, Lync Online and Office Professional. There are also a range of support applications and mobility options. Office 365 is now supported in 127 markets worldwide and 36 languages, up from 88 markets and 32 languages in 2012.

Microsoft has two or more data centers in the North American, European and Asia/Pacific regions, as well as one in South America. However, not all data centers host the full Office 365 suite. While Microsoft Office 365 does experience isolated service incidents, customers report overall good service availability. The Office 365 user base is growing fast among the midsize and large-enterprise segments.

This UCaaS assessment focuses on the combined value of two Office 365 applications that provide UC functionality — Exchange Online and Lync Online. Exchange Online provides unified messaging. Lync Online offers rich presence, IM and Web conferencing, but with limited videoconferencing, audioconferencing and telephony capabilities (relative to on-premises Lync). While Microsoft intends to maintain the cloud and premises versions at the same release level, the functionality will differ. Notably, not all functions available in premises deployments are supported in the cloud configuration.

Users of Office 365 can acquire services directly through Microsoft or through Microsoft partners offering value-added services. While many enterprises obtain Office 365 directly, the partner approach is currently necessary for enterprises requiring telephone calling functions. Lync Online offers only Lync-to-Lync and Lync-to-Skype calling. Gartner expects significantly improved partner telephony and video functionality, including Lync Online telephony and video capabilities, by mid-2014.

Consider the Office 365 UCaaS solution if you do not need, or can wait for, enhanced telephony and video functions. Enterprises that wish to accelerate telephony or video functionality should use a Microsoft partner for augmenting their Office 365 deployment.

Strengths

- Office 365 is achieving significant market traction. Microsoft continues to develop the marketing, technical, customer support and channel resources needed for the UCaaS elements of the portfolio.

- Microsoft has defined a credible road map for how it will address the video and telephony gaps in its portfolio in the coming year, both directly as well as with business partners.

- Business users are attracted to Office 365 for multiple reasons, including low costs, ease of administration (for example, with Active Directory), and employee familiarity with Microsoft applications.

- Gartner expects that the Lync federation and Skype integration options will be an attractive capability as the service matures.

- Microsoft is starting to support better UCaaS interoperability with competing UC solutions (for example, Avaya and Cisco). This includes published APIs that facilitate integration by third-party system integrators in areas such as UM and enterprise telephony.

Cautions

- Lync Online does not include an enterprise-grade telephony capability, although Gartner expects this capability over time. In the interim, enterprises seeking telephony support should leverage a Lync Online partner (or alternatively, a Lync on-premises partner).

- The Lync Online conferencing capabilities do not always provide robust performance because they do not typically go over SLA-guaranteed WAN networks with class of service support. Businesses with limited Internet bandwidth (and thus connectivity to Office 365 data centers) are especially impacted.

- Enterprises planning to migrate from on-premises Lync to Lync Online (cloud) should carefully evaluate the features, functions and road maps because Lync Online lacks some functionality relative to on-premises Lync. Some users have difficulty understanding the differences between the two deployment models.

- Selected users are concerned about Microsoft's long-term commitment to parity support across non-Microsoft offerings (for example, Apple and Google Android platforms).

- Still maturing operation and management procedures can result in occasional customer difficulties when Office 365 upgrades are executed. Microsoft is adding new programs (for example, Fast Track) to expedite the onboarding process and improve the customer experience.

Mitel

Ottawa-based (Canada) Mitel reorganized and rebranded its UC cloud offering, which is now known as MiCloud. Mitel leverages virtualization technology to bring its premises solutions to the cloud. Key elements underlying MiCloud are MiVoice (telephony), MiCollab (Collaboration) and MiContact Center. In the second quarter of 2013, Mitel acquired prairieFyre, its contact center partner.

Mitel reorganized its go-to-market bundles to provide consistency between its premises and cloud offerings, thus making it easier for users to transfer from the CPE model to the cloud model. While Mitel is predominantly known for midmarket accounts up to 3,000 employees, its solution scales larger. The UCaaS market is a new strategic component to Mitel, which now has a cloud business unit that is separately reported in the financial statements.

MiCloud capabilities include telephony, IM, presence, UM, mobility, audioconferencing, Web conferencing, videoconferencing and contact center. The solution is available across the 50 U.S. states and other global regions (parts of Europe and Asia/Pacific). Sales are conducted both directly (U.S. only) and through various CPE and service provider channels.

Consider the Mitel solution if you are looking for a UCaaS suite from a newly established UCaaS provider whose background is rooted in telephony. While larger enterprises can be served, current North American Mitel clients to date are small to midsize.

Strengths

- The MiCloud suite is based on virtualizing its established on-premises product. It includes strong telephony and can also incorporate contact center functionality.

- Mitel has an existing base of CPE channels that has the potential to help Mitel quickly scale and reach a broad UCaaS market base.

- MiCloud has an updated portal that enables enterprises to manage users, profiles, call handling and telephony customization.

- During the past year, Mitel has advanced its cloud UC functionality to match (that is, achieve feature parity) with its CPE UC functionality. This also allows Mitel to streamline its R&D processes.

Cautions

- Mitel is new to the North American software as a service (SaaS) market and has only recently created a new brand and approach to the market. While Mitel understands the technology well, it will have to prove that it can succeed in the ultracompetitive UCaaS market.

- Mitel has references for the telephony portion of its portfolio, but few of these references are leveraging its expanded UC functionality for IM, presence, conferencing and video.

- Mitel's existing CPE channel partners will need to adapt to both selling an expanded UC portfolio and supporting a cloud-based offer. Enterprises should ensure the partner has the necessary skills.

- The Mitel cloud branding strategy and sales/distribution options are time-consuming to understand.

Orange Business Services

Orange Business Services is based out of Paris, France, and it has a North American headquarters in Atlanta, Georgia. The company's primary UCaaS offering is based on the Cisco HCS infrastructure. Additional Microsoft UCaaS offerings are expected to be rolled out during the next 12 months. Orange is a newcomer to the North American UCaaS Magic Quadrant, and it is included because of its ability to support UCaaS globally. Orange is well-suited for North American businesses that have extensive UCaaS requirements in either Europe or Asia/Pacific.

Orange now has active UCaaS data centers in Atlanta, Georgia; Paris, France; Frankfurt, Germany; and Singapore. Latin American sites are supported from the Atlanta data center. As a CSP, Orange can complement UCaaS with network services, managed services, security and data storage. Orange focuses largely on vendor-centric solutions (that is, Cisco-based or Microsoft-based).

Consider Orange if you are a midsize or larger enterprise that seeks UCaaS support across two or more global regions. Orange does not market to customers based solely in North America.

Strengths

- Orange is one of the more global of the UCaaS providers. There are four regional data centers delivering services to 45 country markets in 29 different languages.

- Orange has scaled UCaaS with Cisco HCS based on standard tools, processes and portals. This enables Orange to bid at competitive prices.

- The company has a deep base of active UCaaS multinational corporation accounts.

- The North American data center can be used to integrate Latin American accounts. Orange has active customers in Mexico.

Cautions

- Orange targets service to primarily multinational corporations that possess significant global operations. It does not target accounts that have only North American operations.

- The company lacks a deep base of technical and marketing resources in North America. The Orange brand awareness is low in North America as well.

- Orange does not pursue the midmarket. The emphasis, particularly in North America, is for larger accounts with 5,000 employees or more.

- The current portal is not fully automated. Users report that they still have to call the service delivery desk for functions that they would prefer to be automated.

- Orange does not provide significant customization with its UCaaS offerings. Its belief is that customization will negatively impact its ability to scale and keep prices competitive.

ShoreTel

ShoreTel is a publicly held company based out of Northern California. The firm's core offering is a CPE-based UC platform, with a reputation for being simple to deploy and manage. In 2012, ShoreTel acquired cloud-based M5 Networks, which was headquartered in New York City. The cloud offering is now branded as "ShoreTel Sky."

The ShoreTel Sky offering is well-entrenched in the U.S. East Coast, particularly New York City and Chicago. ShoreTel has been slow to enable its CPE channels to market the newer ShoreTel Sky offer. However, a current training program is expected to enable dozens of CPE channels with ShoreTel Sky, which should significantly increase its market reach. The ShoreTel Sky and CPE offerings are two separate platforms. In general, the CPE applications are more agile and feature-rich. During the next two to three years, Gartner expects ShoreTel to port the CPE applications over to the Sky platform.

Consider ShoreTel Sky if you are a small to midsize enterprise of up to 5,000 employees seeking a combined cloud UC and contact center capability. Most ShoreTel Sky users will be focused on the cloud VoIP, UM and mobility components.

Strengths

- Revenue for ShoreTel Sky has increased more than 20% in the past year. The company retains a medium-high UCaaS brand visibility.

- Users are attracted to the combination of UC and contact center capabilities. Many also leverage the salesforce.com CRM integration.

- ShoreTel Sky possesses a strong cloud delivery ecosystem, all the way from project management to customer documentation. There is a 12-plus year legacy of providing carrier-grade networks and good customer service and support.

- Customer service and support to existing customers have remained strong throughout the M5 integration into ShoreTel.

Cautions

- ShoreTel experienced challenges in the past year, including significant management turnover and absorbing the financial commitment of the M5 acquisition (now ShoreTel Sky).

- The pace of product innovation in 2013 for ShoreTel Sky was limited. The IM/presence, Web conferencing and videoconferencing capabilities are not feature-rich. The platform will not support ShoreTel handsets (Cisco only to date) until late fourth quarter of 2013.

- The Apple Mac softphone is not equal to that of the Windows softphone. The lack of a Mac salesforce.com CRM integration has been another user complaint, although ShoreTel Sky is rolling out a Mac salesforce.com CRM integration in late fourth quarter of 2013.

- Potential customers report that many ShoreTel CPE representatives are not yet actively marketing and selling ShoreTel Sky.

- ShoreTel Sky's offering and ShoreTel's CPE offering are two separate platforms. Users therefore have to evaluate the features and functionality of each platform separately. In addition, ShoreTel must support two parallel R&D programs, adding to its cost basis.

Sprint

Sprint is based out of the Kansas City, Missouri, region in the Midwestern U.S. It is new to this year's UCaaS Magic Quadrant, entering the market with a solution branded as "Sprint Complete Collaboration" that leverages the Cisco HCS platform. As a CSP, Sprint can add network services, SIP trunks, security and managed mobility. Sprint's target market is businesses between 500 and 5,000 employees. A focused market strategy has enabled Sprint to win some UCaaS bids in a short amount of time (within one year).

In the third quarter of 2013, SoftBank (based in Japan) invested $21.6 billion in Sprint. Approximately $16.6 billion was distributed to stockholders, and $5.0 billion was used to improve Sprint's financial position. This investment provides Sprint with capital to upgrade its network infrastructure. Gartner believes that SoftBank made this investment based primarily on the wireless market opportunity, although early indications are that SoftBank is interested in the wireline business as well.

Consider Sprint if you are a midsize business or smaller enterprise (between 500 and 3,000 employees) with a mobile workforce that seeks a strong wireless integration. A minority of accounts are opting for a pure wireless deployment.

Strengths

- Wireless is Sprint's differentiator. Sprint supports wireless IP Multimedia Subsystem (IMS), which tightly integrates the wireless and wireline networks (as well as yields cost savings). In addition, Sprint enables users to obtain combined wireless and wireline procurements.

- Gartner sees Sprint in a fair amount of UCaaS RFPs. Its UCaaS brand is stronger than expected, given that it has not been in the market that long.

- Sprint now has the ability to support the European offices of its U.S.-based customers. Regional gateways are installed to support performance requirements for real-time services.

Cautions

- Sprint is a relative newcomer to the UCaaS market, with services becoming available in the market in the first half of 2012. It usually takes a UCaaS supplier two-plus years to get its processes well-tuned.

- Currently, Sprint has only a single data center (while some businesses require a backup data center for consideration). Gartner anticipates that a backup data center will become on line in 2014.

- The existing offering does not yet support APIs to third-party applications (for example, CRM and ERP). Gartner expects more advanced capabilities, such as integration with Google and salesforce.com CRM in 2014.

- The Sprint UCaaS portal is still maturing.

Thinking Phone Networks

Thinking Phone Networks is a Massachusetts-based, privately held UCaaS provider. It uses a proprietary platform that includes open-standards-based Web APIs to facilitate UC application integration. UCaaS is branded as "ThinkingSuite," which is offered across North America. Data centers have been added in London and Frankfurt to support European accounts. This includes support of North American accounts with European locations, as well as businesses based solely in Europe. Support for the European market is not expected to gain traction until 2014.

Sales are supported via a combination of inside and field sales. During the past two years, Thinking Phone has been expanding its base of channel partners. Channels are the primary vehicle now leveraged for European sales. Thinking Phone has the ability to support accounts in the 5,000-employee range. As such, it prefers to support customers with carrier-class networks (as opposed to broadband). Thinking Phone has received a series of private investments of $26 million in the past 15 months. This has enabled the company to augment staff and expand the business.

Consider Thinking Phone Networks for midsize- to small-enterprise UCaaS deployments spanning North America and Europe.

Strengths

- Thinking Phone Networks has a broad base of UC applications that spans VoIP, UM, IM/presence, mobility, and audioconferencing and videoconferencing.

- Many customers opt for Thinking Phone based on the availability of integrated contact center and analytics capabilities.

- Thinking Phone Networks has enhanced its offerings in the following areas: (1) graphically appealing IM/presence client; (2) a more intuitive customer portal; (3) video endpoint integration with Polycom and Vidyo; and (4) integration with Microsoft Lync and Google.

- The company is participating in more bids, and winning bids with some fair-sized multithousand employee accounts.

Cautions

- Thinking Phone does not yet possess strong brand awareness in this fragmented market. While Thinking Phone is now international with the ability to support multi-thousand employee environments, potential customers are often not aware of them.

- The company does not have an internal Web conferencing capability. Currently, the Thinking Phone Communicator client can initiate sessions with Citrix GoToMeeting, Cisco WebEx and IBM Sametime. This requires users to make a secondary purchase.

- Many Thinking Phone customers stick with the basic VoIP-centric capabilities. As with many UCaaS providers, Thinking Phone has less success with customers adopting the fuller UC suite of IM/presence, video and mobility.

Verizon

Verizon is a global CSP headquartered in New York City that supports two UCaaS offerings. The lead UCaaS offering is based on the Cisco HCS platform and marketed to accounts with more than 500 employees. This offering is available in North America, and Verizon has plans for European availability in 2014. Verizon has been participating in more RFP bids in the past year, including some notable wins. Now that Verizon added a backup HCS data center in the second quarter of 2013, it should improve its market share, so long as the rest of its UCaaS delivery (including project management, installation and operations) is market-ready.

The second UCaaS offering is based on the BroadSoft platform, branded as "Virtual Communications Express (VCE)," with a focus on the SMB market below 500 employees. Verizon now offers APIs to integrate VCE with the Google ecosystem. Verizon VCE is available in the United States. Verizon also offers a VoIP-focused version based on the BroadSoft platform in Europe.

In the third quarter of 2013, Verizon announced its intention to acquire full ownership of Verizon Wireless. The single ownership of Verizon Wireless should in theory enable better coordination between the Verizon wireless and wireline business units.

Consider Verizon UCaaS if you are an enterprise seeking a vendor-branded cloud UC offering with strong mobility capabilities.

Strengths

- Verizon possesses a strong brand across the enterprise sector and is often on the UCaaS RFI shortlist without even trying.

- Verizon has a broad base of complementary network, SIP trunks, wireless, security, managed WAN/LAN and data center services that improves its UCaaS value proposition.

- The company has incrementally been winning new UCaaS bids as well as transitioning signed accounts into active users.

- Enhancements in the past year include support in Mexico, a redundant North American data center, stronger portal provisioning capabilities, more APIs, and integration with high-resolution video endpoints (as part of Verizon Open Video Communications).

Cautions

- Verizon's UCaaS delivery and execution are not consistent. With some clients, service delivery is strong. Others are unsatisfied in areas such as installation, project management or overall bureaucracy (for customer support).

- The Verizon UCaaS offering has been slow to mature. Verizon has delayed the planned European HCS deployment from 2013 to 2014, while it shores up the North American offering.

- Verizon has yet to show that it can scale its Cisco HCS solution to a broad set of customers.

- Verizon does not fully exploit its mobility assets. Combined wireline and wireless purchases are not easily obtained. In addition, UCaaS IMS is not yet available.

- Verizon's North American market share is comparatively low, given its strengths in mobility, network services, brand awareness and financial stability.

West

West is based in Omaha, Nebraska, and offers three distinct UCaaS solutions across a common delivery platform. Marketing is focused on the midsize- to small-enterprise market, typically with

500 to 5,000 employees. West emphasizes this customer size, as larger accounts typically have long sales cycles.

West's first UCaaS offering is branded as "VoiceMaxx," which is based on the 2011 Smoothstone acquisition. This is the most mature solution, with roughly a decade of experience tailored to customers with strong telephony requirements. West's second UCaaS offering is branded as "VoiceMaxx CE," which is based on Cisco HCS for businesses wanting the full UC suite. West now offers European UCaaS with the addition of a London (metro area) Cisco HCS platform in the second quarter of 2013. West's third UCaaS solution is based on a combination of Microsoft Lync and Lync Online technology. This analysis will focus on the first two, as the Microsoft UCaaS solutions either do not provide the full UC experience or have an element of CPE to them.

West seeks differentiation in two key areas. First, West combines the communications assets from other West business units for conferencing (InterCall is owned by West), emergency communications, notification and alerts, contact center, interactive voice response, security and network services. Second, West has a best-of-breed vision for integrating various UC vendors. This now includes Blue Jeans for videoconferencing.

Consider West if you are a midsize enterprise of up to 5,000 employees. West can also support your European sites.

Strengths

- West has the tools, processes, experience and infrastructure to consistently deliver a UCaaS solution. West UCaaS customers generally report high satisfaction with customer service.

- The company has a reasonably strong brand in the highly fragmented UCaaS market. Many customers opt for a combined cloud VoIP and contact center offering.

- UCaaS is now supported in Europe out of the U.K. data center. This is of value to North American customers that also have European offices.

- West continues to build out its UCaaS capabilities. Notable enhancements in the past year include InterCall integration, the Blue Jeans video offering, an improved customer portal and Lync Online integration.

Cautions

- Gartner is concerned about the amount of vendor cloud UC options that West supports — spanning technology from West's internal resources, as well as Cisco, Microsoft, Blue Jeans and others. There is an execution risk when supporting too many vendors.

- It is difficult to digest all of the West cloud UC alternatives and select which one is best for a particular enterprise.

- West pricing is slightly above market average. The company applies conservative engineering principles, resulting in a higher cost structure.

- Gartner does run into the occasional unsatisfied West customer. Gartner attributes this to the pace of growth West has been experiencing.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor's appearance in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

Avanade, Broadview Networks, Evolve IP, Intermedia, Orange Business Services and Sprint were added to this year's Magic Quadrant.

Dropped

PanTerra Networks did not meet our revenue criteria for this year's Magic Quadrant; however, PanTerra continues to offer a full cloud UC offering that is well-positioned for the small-business sector.

Azaelos was not included in this year's Magic Quadrant because it was acquired by Avanade, which is included in this year's Magic Quadrant.

Inclusion and Exclusion Criteria

For inclusion in this Magic Quadrant, solution providers must support the following capabilities:

- The UCaaS delivery model. Typical characteristics include a multitenant or virtualized UC infrastructure that is owned, maintained and hosted by the provider. Users then purchase a service (often paid via the SaaS model) based on a per-user, per-month fee.

- A UCaaS offering with significant market presence that includes VoIP, with integrated conferencing (audio, video and Web), IM/presence, messaging, and mobility.

    - The UC functions must be well-integrated; specifically, VoIP-centric solutions will not be considered.

    - Email may be provided separately, but UM is a core service.

    - Related capabilities including cloud contact center and out-of-region (for example, Europe) support will be considered, but they are not a prerequisite.

- A significant market presence in North America. This can be demonstrated in one or more of the following ways:

- UCaaS annual revenue exceeding $30 million

  - Differentiating service innovation and mind share with North American enterprises (2,500 employees and above)

  - Ability to generate significant interest by leading client market segments

- Services over a large segment of North American geographic regions (suppliers limited to pockets of North American regions will not be included).

- Sufficient sales and operational presence to support their market objectives.

- Demonstrable UCaaS portfolio with three or more references.

- References should use a broad set of UC capabilities.

Note that UCaaS resellers that do not offer significant value-added capabilities/services (beyond the UCaaS offering that they represent) are not considered for this Magic Quadrant analysis.

Evaluation Criteria

Ability to Execute

Gartner analysts evaluate UCaaS providers based on the breadth, quality and overall maturity of their applications, processes, tools and procedures that enhance individual, group and enterprise communications. Ultimately, UCaaS providers are judged on their Ability to Execute in capitalizing on their vision (see Table 1).

Table 1. Ability to Execute Evaluation Criteria

Criteria	Weight
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	Medium
Marketing Execution	Medium
Customer Experience	Medium
Operations	Medium

Source: Gartner (November 2013)

Completeness of Vision

Gartner analysts evaluate UCaaS providers based on their ability to convincingly articulate logical statements on current and future market directions, innovations, customer needs and competitive forces and how well these map to Gartner's overall understanding of the marketplace. Ultimately, UCaaS providers are rated on their understanding of how market forces can be exploited to create opportunities for providers and their clients (see Table 2).

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	Medium

Source: Gartner (November 2013)

Quadrant Descriptions

Leaders

Vendors in the Leaders quadrant have been delivering complete UCaaS solutions for more than a year, have clients with more than 1,000 subscribers and have more than 100,000 total endpoints in service. These vendors offer comprehensive and integrated UCaaS solutions that directly, or with well-defined partnerships, address the full range of market needs, including the ability to service large accounts. These vendors have defined migration and evolution plans for their products in core UCaaS areas and are using their solution sets to acquire new clients, as well as to expand their footprints in their client bases to new functional areas.

Challengers

Vendors in the Challengers quadrant have the potential to deliver to large national enterprises, and they are poised to move into the Leaders quadrant but have not yet done so. They have yet to

bridge this gap because their UCaaS solution is missing selected elements, they are unable to provide references on the full suite, or they are still evolving their customer support.

Visionaries

Vendors in the Visionaries quadrant are close to, or are already, delivering differentiating UC functionality or services but have not yet established themselves in the market (for example, support accounts above 1,000 endpoints). For instance, a vendor may offer useful social or collaboration functionality to its portfolio, APIs for third-party applications (such as CRM), unique mobile UC capabilities, superior video integration capabilities or exceptional customer service. All of these may make a provider a Visionary.

Niche Players

Vendors may be in the Niche Players quadrant for different reasons. Some may have major elements of their portfolio not unified or may lack important functionality in their solution. Others may be in the Niche Players quadrant because they are an on-premises UC vendor that is largely unproven in the UCaaS market. Finally, some vendors are in the Niche Players quadrant because, despite their full UC solution, they do not have the brand recognition or marketing ability to sell nationally (that is, beyond their core territory).

Context

UC offers businesses the ability to enhance how individuals, groups and companies interact, perform and, if applied wisely, improve profitability. The majority of UC deployments continue to be via premises-based solutions. Both IT culture and real or perceived infrastructure-control requirements favor premises-based deployments. However, cloud UC (known as UCaaS) continues to gain customer mind share as the technology matures. Gartner continues to see more UCaaS inquiries, with some clients starting out with the premise of "Why not the cloud?"

With UCaaS, the provider owns, manages and hosts the UC infrastructure in its facilities. The infrastructure is typically multitenant or virtualized to allow customers to share hardware resources (and thereby reduce system cost structure). Users pay subscription fees for UC services (typically monthly) rather than making capital investments for dedicated infrastructure. Another UCaaS benefit is that the user does not incur the technology risk of purchasing infrastructure from a vendor that later exits the market (for example, Nortel).

The majority of UCaaS deployments to date have focused on a single-platform vendor (with email being the functional exception). UCaaS suppliers are just starting to demonstrate support with cross-vendor interoperability. The vendor licensing policies also promote single-vendor UCaaS.

UCaaS implementations typically leverage existing Microsoft Exchange (premises-based or Online) or Google (cloud only) for email. These two companies' dominant email positions and associated low costs make it unprofitable for other UCaaS vendors to offer their own email solutions. Both Microsoft and Google provide open interfaces to enable efficient UCaaS UM.

Market Overview

Key Participants

The UCaaS participants in this 2013 Magic Quadrant emanate from four primary sources:

- Application specialists
- CSPs
- Technology vendors
- System integrators

Application specialists are typically private or small public companies that focus on UCaaS delivery. 8x8, Broadview, Evolve IP, Intermedia, Thinking Phone Networks and West (formerly Smoothstone) are the Magic Quadrant participants grouped into this category. Most application specialists use a multitenant approach because of its simplicity. They have been the pioneers of UCaaS and continue to have the greatest market share because UCaaS is their primary (only) line of business. They typically started from a cloud VoIP business model, migrating to UCaaS application specialists focusing on strong customer service.

Application specialists continue to expand to larger accounts, in some cases up to 5,000 employees (see Note 2). They have also experienced moderate success in getting their account base to deploy a richer UC feature set (a combination of VoIP, UM, IM/presence, audioconferencing and mobility). Integrated contact center functionality has also proved to be a compelling feature (for example, a 1,500 user UC deployment that also supports 75 contact center agents).

Many application specialists operate with an internally developed UC infrastructure. They then integrate with corporate IT tools, such as Outlook (Microsoft Calendar), Internet Explorer (Microsoft Web browser), iPhone (Apple smartphone) and Android (Google smartphones). To date, the use of proprietary UCaaS platforms has not been a major inhibitor to adoption in the SMB sector. The application specialists have a reputation for strong customer service and support, which is viewed as a competitive differentiator against the larger players entering the market.

CSPs are the large, legacy telephone carriers that now seek an expanded IT and cloud delivery role. AT&T, Sprint, Orange and Verizon are the Magic Quadrant participants grouped into this category. The CSPs bring a foundational base of carrier-grade network services, data centers and wireless assets to the market. They typically leverage third-party vendor platforms, led by BroadSoft, Cisco and Microsoft.

The CSPs' financial clout, strong brand and experience in real-time communications make them logical candidates for UCaaS market leadership. CSPs have shown the ability to support UCaaS to selected, high-profile accounts. However, they have yet to industrialize UCaaS for the masses.

Technology vendors such as Google, Microsoft, Mitel and ShoreTel (via the M5 acquisition) have migrated their premises-based platforms to support direct cloud delivery (note that Cisco's cloud platform is delivered through channel partners [that is, users are not directly served by Cisco]).

Avaya, Alcatel-Lucent, NEC and Toshiba also offer cloud UC, but they did not meet the requirements for inclusion for this UCaaS Magic Quadrant.

Microsoft leads the technology vendor group with its Office 365 offering, which consists of a broad suite of Microsoft business IT services, of which UCaaS is one. The Office 365 delivery model allows users to purchase cloud UCaaS either directly from Microsoft or through channels. Most UCaaS participants view Microsoft as both a potential partner and a potential threat.

Google goes head-to-head against Microsoft with its Google+ Hangouts and Google Apps offerings. Like Microsoft, Google offers a deep IT bundle that expands beyond UCaaS. While Google does not support enterprise voice, it does provide APIs that enable partners to integrate a variety of premises-based and cloud telephony platforms.

System integrators are the most recent addition to the UCaaS market. They have traditionally provided managed UC services and are now entering the UCaaS space. Avanade and CSC are the system integrators in this UCaaS analysis, but Gartner expects more active UCaaS participation from such system integrators as HP, Dimension Data, IBM, Presidio and Xerox in 2014. System integrators focus on larger accounts serviced over carrier-grade networks.

Pricing

Pricing for North American UCaaS has decreased through 2013 as: (1) more entrants join the market; and (2) offerings based on Cisco and Microsoft technology become more prevalent. Simpler cloud VoIP-centric offerings are typically in the $15 to $20 per user per month (PUPM) range, occasionally dropping down to $10 to $12 PUPM. More complete UCaaS offerings that include Web conferencing and videoconferencing are now in the $20 to $30 PUPM range. Gartner sees a general trend in which former cloud VoIP offerings now include a greater mix of UC components (for example, mobility, UM, IM, presence, Web conferencing [basic] and desktop videoconferencing) at no additional charge.

As pricing levels decrease, vendors are no longer giving away professional services. In 2013, it is more common to see a la carte fees for installation training, and project management.

Hybrid Deployment

There are two different types of hybrid UC models (see Note 3), in which there is a blend of premises-based and cloud UC functionality. The first is "functionally based" hybrid UC, whereby some UC functions (for example, email and telephony) are located on-premises, with other UC functions (for example, IM, presence and Web conferencing) delivered via the cloud. The second is "geographically based" hybrid UC, whereby some locations for a given service (for example, telephony) receive premises-based delivery, while others receive cloud delivery.

The functionally based hybrid UC model (first model) is gradually gaining steam. Vendors and system integrators are developing the capabilities to mix and match UC functions together. For example, it is increasingly common to have email and UM delivered via the cloud (especially with Google Apps and Microsoft Office 365), with telephony and mobility secured on-premises.

However, there has been less adoption of the geographically based hybrid UC model (second model). In this scenario, the major sites would receive voice or email delivery via the on-premises infrastructure, with the regional and smaller sites receiving these services via the cloud. Interest in the geographically based hybrid model continues, especially with midsize to large enterprises, but implementations remain limited. Most organizations to date have been more binomial in their decision making, choosing either premises-based or cloud delivery.

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Tech Go-To-Market Best Practice: Communications PaaS Offers a Compelling Cloud Communications Delivery Model"

"Understanding Microsoft Partner-Hosted Lync for UCaaS Deployment"

"How to Add Business-Grade Telephony to the Google Cloud Unified Communications Ecosystem"

"SWOT: Cisco's Cloud Unified Communications and Collaboration Solution, Worldwide"

"MarketScope for Unified Communications for the SMB Market, North America"

"Vendor Rating: AT&T"

"Magic Quadrant for Unified Communications"

"Single-Vendor or Multivendor UCC: Which Approach Is Best for You?"

"Let Your Users Decide Between Using Smartphones or Desk Phones"

"MarketScope for Group Video Systems"

"How Gartner Evaluates Vendors and Markets in Magic Quadrants and MarketScopes"

Evidence

This research was completed via: (1) an information exchange with the vendors evaluated, including vendor briefings and vendor responses to a detailed Gartner questionnaire; and (2) feedback from vendor-supplied references. Gartner has also been following the UCaaS market for more than five years and has a rich, established base of market knowledge from end-user inquiries, previous research efforts (including four previous UCaaS Magic Quadrants), investors, and dialogues with more than 100 vendors. In addition, we track publicly available information from such sources as journals, publications and vendor financials to provide additional perspectives.

Note 1 UCaaS Detailed Definitions

- Voice and telephony. This area includes fixed, mobile and soft telephony, as well as the evolution of PBXs and IP PBXs. This also includes live multimedia communications, such as video telephony.

- Conferencing. This area includes separate audioconferencing, videoconferencing and Web-conferencing functions, as well as converged unified conferencing capabilities.

- Messaging. This area includes email, which has become an indispensable business tool, voice mail and UM in various forms.

- Presence and IM. These play an increasingly central role in next-generation communications, enabling the aggregation and publication of presence and location information from and to multiple sources. This enhanced functionality is sometimes called "rich presence."

- Clients. Unified clients enable access to multiple communication functions from a consistent interface. These may have different forms, including thick desktop clients, thin browser clients and mobile PDA clients, as well as specialized clients embedded within business applications.

- Communication applications. This broad group of applications has directly integrated communication functions. Key application areas include consolidated administration tools, collaboration applications, contact center applications and notification applications. Eventually, other applications will be communication-enabled. When business applications are integrated with communication applications, Gartner calls these "communication-enabled business processes."

Note 2 Deployment Size

Cloud UC deployments supporting more than 5,000 employees remain more the exception than the rule. Larger deployments above 5,000 employees tend to focus on a limited set of UC services. We expect larger, richer UCaaS deployments through 2013.

Note 3 Hybrid Deployment

This Magic Quadrant analysis considers hybrid implementations as long as the majority of functionality is delivered via the cloud. However, vendors leading with hybrid implementations have their ratings reduced for not being fully cloud-enabled. Cisco, Google and Microsoft are all branded vendors capable of supporting large installations where hybrid is their lead delivery model. Google and Microsoft offer full cloud solutions, but the resulting voice service is not sufficient for most business environments.

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills

and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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