Magic Quadrant for Unified Communications as a Service, Worldwide

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Summary

UCaaS capabilities now exceed those available from premises-based UC. The pace of UCaaS innovation is accelerating as vendors focus R&D resources on cloud delivery. IT application leaders must evaluate a fragmented UCaaS landscape to ensure their selected vendor matches their requirements.

Market Definition/Description

This document was revised on 14 September 2017. For more information, see the Corrections (http://www.gartner.com/technology/about/policies/current_corrections.jsp) page on gartner.com.

Unified communications as a service (UCaaS) supports the same functions as its premises-based unified communications (UC) counterpart. The chief difference is that UCaaS adheres to a cloud service delivery model. Gartner therefore uses the same six broad communications functions for both (see Note 1 for detailed definitions):

- Voice and telephony, including mobility support
- Meeting solutions (formerly termed "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
- Communications-enabled applications — For example, integrated contact centers, communications platform as a service (cPaaS) and workstream collaboration (WSC)

Two types of cloud delivery architectures are deployed in the UCaaS market. The first is multitenant, in which all customers share a common (single) software instance. The second is multi-instance, in which each customer receives its own software instance. Both the multitenant and multi-instance architectures possess such cloud characteristics as shared infrastructure (for example, data centers, racks, common equipment and blades), shared tools (for example, provisioning, performance and network management tools), per-user-per-month pricing, and elasticity to dynamically add and subtract users.

Larger businesses (more than 1,000 employees) have traditionally preferred a separate software instance because of perceived security, integration and customization benefits. Increasingly, however, UCaaS implementations leverage the multitenant architecture, because it is easier to support, scale, manage, and enhance with new capabilities and services. In contrast, it takes more administration time to manage each user's separate software instance in the multi-instance architecture. The UCaaS platforms — from the major vendors like BroadSoft (BroadCloud), Cisco (Spark [note the alternative Cisco HCS is multi-instance]), Google (Hangouts), Microsoft (Skype for Business Online [SfBO]) — are all multitenant.

UCaaS providers are continuing to expand their capabilities to meet enterprise service requirements. Many of today's providers support global deployments spanning multiple regions (for example, 30 or more country markets). These UCaaS providers possess the requisite professional services, project management, local telephony services, customer support and import/export authority in dozens of country markets. The ability to deliver global UCaaS was validated by many of the UCaaS vendor customer references surveyed as part of this Magic Quadrant research. In general, the references reported positive feedback for numerous complex, global deployments, a sign of a maturing market.

While many enterprise IT application leaders continue to purchase on-premises UC, in most cases, they also consider UCaaS in the evaluation process. Drivers for staying on-premises include perceived/real security, reliability, customization, language support and cultural preferences. Some on-premises proponents believe that on-premises UC is lower-cost if they have a fixed IT environment (stable workforce and limited functionality change anticipated for five-plus years). In addition, enterprises with locations outside the top 30 or so country markets may stay on-premises because they cannot find a UCaaS provider that adequately supports the countries they operate in. UCaaS support in Eastern Europe, Latin America, the Middle East and Africa, and parts of Asia/Pacific is not consistently available.

IT application leaders have a broad array of UCaaS vendor options to select from, resulting in a complicated decision process. These options include communications service providers (CSPs), such as AT&T, BT, NTT, Orange Business Services and Verizon; office suite vendors, such as Google and Microsoft; application specialists, such as 8x8, Fuze, RingCentral and Star2Star; UC platform vendors, such as BroadSoft and Mitel; and value-added service providers, such as Masergy and West.

Both the CSPs and value-added providers operate a partner UCaaS stack(s) in their own data centers (or colocation facilities). These UCaaS stacks are typically licensed from a UCaaS partner vendor (typically, BroadSoft, Cisco or Microsoft). Many CSPs may support two, or even three, of the vendor UCaaS stacks.

In contrast, the office suite, UC platform and application specialists have their own proprietary UC stack that they have developed and continue to enhance. These UC stacks can be in either their own data centers or colocation facilities, or they are increasingly in infrastructure as a service (IaaS) public cloud platforms (Amazon Web Services [AWS], Microsoft Azure or Google Compute Engine).

Magic Quadrant

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

Source: Gartner (September 2017)

Vendor Strengths and Cautions

8x8

8x8 is a California-based public company that is a UCaaS application specialist. Its UCaaS offering is branded as Virtual Office (VO) and is delivered via its own multitenant platform, which 8x8 is in the process of porting to AWS IaaS. 8x8 also offers a cloud contact center solution branded as 8x8 Virtual Contact Center (VCC).

8x8's original market was North America, followed by a European expansion (following two U.K.-headquartered acquisitions), along with some Asia/Pacific coverage. Gartner estimates that 8x8 is one of the largest UCaaS providers supporting more than 1 million users.

8x8 has historically focused on small and midsize business (SMB) accounts. It has expanded over the past two years to target enterprise accounts following investments in professional services and global customer support. The majority of users connect via over-the-top (OTT) networks, although Internet Protocol (IP) Multiprotocol Label Switching (MPLS) and software-defined WAN (SD-WAN) deployments are now supported as well. Evidence of enterprise commitment includes the enterprise onboarding program (Elite Touch) and multiple certifications, such as U.S. Health Insurance Portability and Accountability Act (HIPAA), U.S. Federal Information Security Management Act (FISMA), and the Payment Card Industry (PCI). 8x8 has expanded its channel base to complement its direct sales force.

8x8 is well-positioned for both SMBs and smaller enterprises in the 1,000- to 5,000-employee range, as well as those looking for integrated UCaaS and contact center as a service (CCaaS). This includes businesses with headquarters in North America, and selected European and Asia/Pacific country markets.

STRENGTHS

8x8 users have high adoption rates for cloud telephony, UM, mobility, IM, presence and contact center.

Many customers acquire 8x8 services because of its integrated VCC CCaaS offering that includes automatic call distribution (ACD), outbound dialing, interactive voice response (IVR) and chat. 8x8 also offers a new flexible contact center — ContactNow — designed for smaller deployments.

Recent 8x8 innovations include an updated user interface, a quality of service (QoS) dashboard, native mobile dialing, a five-tier pricing plan, SD-WAN partnerships and a team messenger capability (via the Sameroom acquisition).

8x8 continues to win enterprise accounts in the 1,000- to 5,000-employee range.

CAUTIONS

Most 8x8 accounts are headquartered in the North American and U.K. markets. The IT administration tools and portals are English-only (although end-user applications and technical documentation support seven languages).

8x8 Virtual Office Meetings is not a premium video offering for executives or large corporate broadcasts. The offering is better-suited to project team meetings, both intracompany and intercompany.

The 8x8 VCC and ContactNow contact center offerings have lower brand awareness than 8x8's UCaaS solutions. 8x8 VCC does not have its own workforce management (WFM) offering, but 8x8 partners with Teleopti.

The current WebRTC client does not support all of the functionality of the rich client. Users cite that the IT administration portal can be more intuitive.

AT&T

AT&T is a global CSP headquartered in Texas, U.S. While its UC services are strongest in North America, AT&T has global operations and a global network footprint spanning Europe, Asia/Pacific, and Latin America. Sales are led by a direct sales force, complemented by channel partners (the Alliance program) mainly in the SMB market. There are three AT&T cloud-based UCaaS offers.

The first, AT&T Collaborate, is currently in the U.S. only, with global expansion slated for 2018. It is based on the AT&T Integrated Cloud (AIC) architecture that leverages network function virtualization (NFV)/software-defined networking (SDN) capabilities and is commonly deployed as an OTT service (although IP MPLS support is available). AT&T Collaborate leverages the BroadSoft platform and also includes a basic call center functionality. This solution is well-positioned to support mobile-centric and legacy voice UCaaS, whose value proposition will increase with the adoption of voice over Long Term Evolution (VoLTE).

The second AT&T cloud offering is Cisco Hosted Collaboration Solution (HCS). It is hosted in AT&T data centers located in North America, Europe and Asia/Pacific. AT&T also supports Cisco Spark for messaging, meetings (via WebEx) and calling via HCS. The third AT&T cloud UC offer is Microsoft's Skype for Business Server (SfBS), which can be deployed in a multi-instance or dedicated configuration.

AT&T's UCaaS solutions suit SMBs to very large enterprises that desire a cloud UC solution — packaged with AT&T network services — based on AT&T Collaborate (currently U.S. only), Cisco or Microsoft technology. AT&T prefers accounts with at least 40% of users in North America.

STRENGTHS

AT&T UCaaS customers value the firm's strong brand-name recognition, financial stability, mobile networks (U.S. only), global networks, UCaaS presence in 80 countries, security services and global data centers.

The new AT&T Collaborate has expanded in the past year from pockets of the U.S. to a full country rollout (global markets forthcoming). The AIC architecture allows users to procure integrated routers, firewalls and WAN optimization.

AT&T is strong across both the Cisco and Microsoft UCaaS stacks, while adding its internal functionality and professional services. Cisco capabilities include HCS, Spark, Collaboration Meeting Rooms (CMR) and WebEx. On the Microsoft front, AT&T supports both SfBS and SfBO.

Customers report both better pricing and improved customer service from AT&T in the past year.

CAUTIONS

AT&T's UCaaS portfolio is very broad and is therefore complex to manage (spanning Cisco, Microsoft, BroadSoft, Genesys and BlueJeans); the portfolio is complemented with AT&T's own UC functionality, consulting and professional services. This diversity can result in six- to 12-month delays in upgrading platforms to new releases.

Enterprises headquartered outside the U.S. should verify that they are a good match for AT&T, which prefers accounts with a high percentage of U.S.-based users.

The IT administration portals are English-only and not as intuitive as users would like. Some customers cite that they must sign in to multiple portals. Many users focus on IP telephony rather than the full UC functionality.

The new AT&T Collaborate offering has had a long rollout cycle as AT&T continues to mature, scale and automate the service. While A&T Collaborate is the company's strategic offering, it is only in the U.S. in 2017.

BroadSoft

BroadSoft is a public company headquartered in Maryland, U.S. The company markets a UCaaS platform to CSPs, application specialists and enterprises (limited). There are two product platforms: BroadWorks and BroadCloud, based on the same software.

The BroadWorks platform (the original offering from BroadSoft with 600 channel partners) calls for deployment and operation in the partner data center (typically, a CSP). BroadWorks is not part of BroadSoft's rating in this Magic Quadrant (but is captured in the relevant CSP ratings). In contrast, the newer BroadCloud platform is operated by BroadSoft, in BroadSoft-controlled data centers. This Magic Quadrant evaluation focuses on the newer BroadCloud model that is upgraded, maintained, controlled and operated by BroadSoft.

The BroadCloud offerings are sold under the BroadSoft Business brand, primarily through channel partners, which may rebrand and package with their own value-added functionality. The BroadCloud platform includes four core modules: (1) BroadSoft UC-One, which is the UCaaS solution (voice, mobility, web and video); (2) BroadSoft Hub to integrate with numerous third-party cloud services, like G Suite, Office 365 and Salesforce Service Cloud; (3) BroadSoft Team-One, which offers enterprise messaging and team collaboration (functionality that Gartner calls "workstream collaboration"); and (4) CC-One, a CCaaS offering.

BroadSoft's UC-One solution is well-suited to enterprises seeking a cost-effective complete UC solution. The solution is capable of supporting a broad set of requirements ranging from small businesses to large enterprises, with some references at more than 10,000 subscribers. The solution is available in multiple global regions, including North America, Europe and Asia/Pacific.

STRENGTHS

BroadSoft as a company, along with its partners, has significant experience developing, deploying and working in the UCaaS market. The multitenant platform is scalable, which enables BroadSoft to quickly add and subtract users.

The BroadCloud platform provides a broad range of functions in addition to UC-One, including workstream collaboration and contact center. The new microservice architecture is deployed on Google Cloud to provide scaling flexibility.

BroadSoft has established partnerships globally, which provides BroadCloud with a broad range of infrastructure, networking options and market access.

The BroadSoft platform has multiple enterprise UCaaS wins above 10,000 employees.

CAUTIONS

BroadSoft Business, BroadCloud and UC-One are not well-established enterprise brands. It will take multiple years, concerted effort and significant investment to build a global enterprise brand.

BroadSoft Business needs to prove that it can succeed as a direct competitor in the UCaaS market and execute across multiple channels, end-user customers of various sizes, and global geographies.

The various BroadWorks and BroadCloud offerings, BroadSoft Business, go-to market options and partner roles are complex to understand. There is also the potential that some BroadCloud and BroadWorks offerings compete against one another, leading to channel conflicts.

Many BroadCloud users focus on voice over IP (VoIP), with lower adoption of the richer mobile, web and video components. Users have cited BroadSoft portals as not being intuitive (although the new BroadCloud portal just introduced is expected to improve intuitiveness).

BT

BT is headquartered in London, U.K., and is a Tier 1 global network service provider. In 2016, it acquired the mobile assets of EE to support the U.K. market that should allow future deep mobile UCaaS integration in the U.K.

The BT UCaaS offering is branded as BT One Cloud, and it supports both the Cisco HCS (BT One Cloud Cisco) and Microsoft SfB (BT One Cloud Microsoft) UCaaS stacks. The company has significant UCaaS experience serving large multinational corporations (MNCs) and U.K. public-sector accounts. There are also two cloud contact center offerings based on Cisco HCS Enterprise and Enghouse. The BT One Collaborate portfolio includes audioconferencing, web-conferencing and videoconferencing capabilities. BT relies primarily on a direct sales force (except for smaller U.K.-only deployments).

During the past year, BT has been investing in enhancing its UCaaS user experience. This includes a: (1) self-service IT administration portal that supports bulk provisioning of large blocks of users; and (2) QoS dashboard monitoring and diagnosis tools. BT is also a strong Microsoft Skype Operations Framework (SOF) partner, and on the Cisco side, it supports Spark collaboration.

BT is well-suited for UCaaS deployments (both Cisco and Microsoft infrastructure) for large MNC deployments of more than 5,000 endpoints, especially those spanning multiple geographic regions.

STRENGTHS

BT has a deep base of skills in both the Cisco and Microsoft UCaaS stacks, and it can support large accounts across the globe, including Latin America.

Most BT UCaaS customers purchase a bundle of complementary services, spanning CCaaS, data networks, Session Initiation Protocol (SIP) trunking, Dolby audio, security, and managed services. BT also does a good job explaining the product portfolio and roadmap of these offerings.

Standardized methodologies and project management enable BT to price its UCaaS offerings at competitive rates.

BT continues to invest in UCaaS IT self-administration, dashboards, management and reporting tools.

CAUTIONS

BT is selective in pursuing North America-headquartered accounts, focused typically on larger North American MNCs with significant global operations.

BT can lag in upgrading its UCaaS product portfolio as new vendor releases are introduced. In part, this is because of the broad UCaaS product portfolio that BT supports.

BT does not aggressively pursue SMB accounts below 1,000 employees outside of Europe.

BT customers would like to see improved portals and administration tools (meaning that the newer enhancements that BT has made are not fully rolled out). BT provided only a minimal number of references to support this Magic Quadrant.

Fuze

Fuze is a privately held UCaaS provider based in Massachusetts, U.S. In 2016, the company rebranded from ThinkingPhones and obtained $115 million in private equity investment. In the first quarter of 2017, Fuze received $134 million in additional venture funding, in part to bolster its executive and customer service teams.

Fuze uses a proprietary multitenant platform that includes open-standards-based web APIs to facilitate UC application integration. In the past year, Fuze added a messaging platform that supports persistent chat (Gartner classifies this as part of workstream collaboration); it increased its conferencing capacity from 250 to 1,000 participants; and it released Spanish, French and German localized versions of the app experience. The company has international service delivery capabilities — with data centers in North America (three), Europe (three) and Asia/Pacific (three) — and it also expanded support in the Latin American region with a data center located in Brazil. More than 50% of revenue is derived from enterprise accounts above 1,000 employees.

Fuze leads with a direct sales force and internally staffed professional services teams in pursuit of improving business processes for its customers. This approach is well-suited for professional services, high-end retail, manufacturing, media and high-tech companies, where businesses leverage data to track employee productivity, customer value and demographics. Smaller and simpler deployments are pursued via channel partners. Fuze has invested in analytical tools to identify and prioritize new accounts.

Fuze is well-suited for UCaaS deployments, typically in the 500- to 5,000-employee range, which seek business process differentiation. Fuze support is strongest in North America and Europe, with Asia/Pacific support still maturing.

STRENGTHS

Fuze continues to expand its UCaaS and related capabilities, including analytics, workstream collaboration, customer identity graphs, and video, complemented with a robust product roadmap. Many customers leverage Fuze to displace separate videoconferencing and web-conferencing offerings.

Gartner understands that Fuze's revenue is expanding in the 40% range, well above most of its peers. This growth is strongest outside the core North American market.

Users report that Fuze provides an intuitive user experience. This allows many users to leverage their smartphones as their primary means of business communications.

Fuze has invested in significant management, financial and technical resources in the past year to improve customer service, project management and operations to keep up with its high growth.

CAUTIONS

- Fuze deployments are often complex, require significant professional services and are difficult to scale. This is because Fuze customers look to drive innovation with analytics, integration across multiple cloud applications and change management.
- Fuze's brand awareness remains low, even in its home turf of North America. This places Fuze at a competitive disadvantage with larger enterprises predisposed to better-known vendors.
- UCaaS staffing, resources and delivery for customers located in Asia/Pacific are still maturing.
- Some customers report low satisfaction levels regarding installation, project management and customer service (indicating that the recent investments to shore up these issues are not fully implemented).

Google

Google is based in California, U.S., and it provides a broad base of consumer and business IT capabilities. The UCaaS offering is branded as Hangouts, which is part of the multitenant G Suite office bundle that also includes Gmail, Google Docs (spreadsheets, documents and presentations), Google Calendar, Google Sites and Google Drive (content collaboration platform). Google has UCaaS infrastructure in 15 data centers spanning North America, Europe, Asia/Pacific and Latin America — with IT administration support for 28 languages. Among the Hangouts adopters are high-tech, education and professional services, along with SMBs and enterprises across the board.

Google has made numerous Hangouts updates in the past year, including the re-engineering of Hangouts across two web-based clients — Hangouts Meet and Hangouts Chat. Hangouts Meet supports audioconferencing, web conferencing, videoconferencing and screen sharing. The new Hangouts Chat client (now in Early Adopter Program [a large beta trial]) is a workstream collaboration tool that supports team messaging, chat and file sharing. Other updates include enhanced voice quality with noise cancellation and the launch of Jamboard, a collaborative whiteboard for teams.

Hangouts Meet does not currently provide its own enterprise voice capability and, instead, leverages technology partnerships with vendors like RingCentral and Dialpad that are available on G Suite Marketplace. Gartner understands that Google will offer its own enterprise telephony offering in 2018. Google has both a direct sales force and channel partners for securing new accounts.

Google's UCaaS provides an intuitive, cost-effective solution for business of all sizes, largely independent of the geographic region. Users are likely to leverage a rich UC suite, but today's Google customers must have alternative methods of procuring enterprise voice.

STRENGTHS

- Google as a corporation continues to invest in its enterprise service delivery that spans product development, channel partners, customer service and support, and regulatory compliance. This is done at a global level spanning North America, Europe, Asia/Pacific and Latin America.
- Google's UCaaS offering has received numerous updates in the past year in terms of new clients, endpoints, user experience and dashboards, complemented with a solid roadmap.

Hangouts Meet has improved audio quality, a cleaner browser client (no plug-ins), and a simpler guest access. Real-time service quality is enhanced as enterprise users are able to connect to their closest regional data center (as opposed to all employees having to home to one data center).

Google marketing is more transparent (than it was in the past) to enterprise accounts in terms of product roadmaps and listening to customer suggestions.

CAUTIONS

Google does not support a native business voice service, which hurts Google's competitive positioning against other UCaaS providers.

Most of the discussed Hangouts improvements are new to the market and not fully stress-tested in the field. In addition, Hangouts Chat is only in a large beta trial.

Google Hangouts supports only 30 (with plans to increase to 50 by the fourth quarter of 2017) simultaneous participants per meeting. Businesses, therefore, must rely on a separate web-conferencing tool to broadcast to larger web conferences.

Google does not have a single Hangouts client. Rather, Google chose two separate, integrated UCaaS clients — Meet and Chat — based on customer feedback that preferred different clients for different use cases.

Masergy

Masergy is a private U.S. company headquartered in Texas. Masergy started as a network service provider spanning multiple geographic regions, and it has since added UCaaS and security services.

The company provides local public switched telephone network (PSTN) calling service in 22 countries, and it operates three UCaaS data centers in the U.S., two in Europe, and three in Asia/Pacific. Sales are led via Masergy channel partners complemented with an internal sales force.

Masergy's flagship UCaaS offer is branded Global UCaaS — based on the BroadSoft platform that delivers the full span of UC functionality. Masergy's meeting service (audioconferencing, videoconferencing and web conferencing) can be delivered via desktop, web and mobile clients. Masergy's Cloud Contact Center solution, also powered by BroadSoft (Transera), includes omnichannel support, call recording, business analytics and integration to leading cloud applications, such as Salesforce Service Cloud. Masergy also offers a Visual Automated Attendant that leverages WebRTC technology to embed voice services into customers' websites. Masergy's UCaaS Analyst is a performance monitoring application that provides QoS reporting, visualization and calculated Mean Opinion Score (MOS) scoring on web and mobile clients.

Masergy is well-suited for organizations between 100 and 2,500 employees seeking to secure a combination of network services and UCaaS. Masergy is well-suited for companies operating in multiple geographic regions spanning North America, Europe and Asia/Pacific.

STRENGTHS

Masergy has a focused strategy to combine network, UCaaS and security services to midsize enterprises with global footprints. Adding UCaaS to its foundational network services has proven to be a successful decision.

Masergy provides high-quality, high-reliability voice and network services that can be customized to user requirements.

The new SD-WAN offerings can be combined with UCaaS to reduce costs and complexity, while still maintaining QoS.

Masergy provides a flexible portfolio of networking and communications services resembling that of larger carriers, but its smaller size provides it with greater agility.

CAUTIONS

Masergy is a smaller, private company with limited UCaaS brand-name recognition. Few larger companies are aware of Masergy's UCaaS offering, with Masergy known primarily as a network provider.

Most of Masergy's UCaaS customers focus on core telephony services. While Masergy offers a full range of UC functions, the adoption of web conferencing, videoconferencing and contact center is just starting to take off.

Masergy relies primarily on channel partners for new accounts, many of which also represent competing solutions.

Users would like to see more local contacts for customer service and greater visibility into product roadmaps.

Microsoft

Microsoft is headquartered in the state of Washington, U.S., and it offers the Skype for Business Online (SfBO) UCaaS solution as part of its cloud IT Office 365 suite. SfBO and Office 365 are available in more than 150 countries, with IT administrator portal support for more than 110 languages. Microsoft has two or more data centers in North America, Europe and Asia/Pacific, as well as one in South America.

The SfBO UCaaS offering includes IM, presence, peer-to-peer voice and video, and screen sharing, as well as conferencing support for web, audio and video. Microsoft SfBO now offers: (1) PSTN Calling in the U.S. and five European countries; (2) an upgraded SfB Cloud Connector Edition (CCE) for customer PSTN circuits to connect to SfBO Cloud PBX; (3) PSTN Conferencing in 72 countries, with dial-in support in more than 90 countries; and (4) Skype Meeting Broadcast for large broadcast meetings of up to 10,000 participants. Microsoft also supports a hybrid voice option that enables SfBS to integrate with SfBO.

Clients report satisfactory results with the IM and internal web-conferencing portions of SfBO, as well as with the SfBO audioconferencing and videoconferencing functionality for internal and partner teams of users. While Microsoft's SfBO Cloud PBX and PSTN calling functions have improved over the last year, Gartner still considers these to be at an early stage of maturity. Cloud PBX references and operating experience are limited. As a result, enterprises should pilot or trial solutions to ensure the performance and functionality will meet their requirements.

STRENGTHS

SfBO continues to gain market momentum and market share, in large part because of the success of the broader Office 365 portfolio. Microsoft also provides extensive sales, marketing, technical and support resources to the SfBO UCaaS offering.

Microsoft has expanded its Skype Operations Framework (SOF) model and resources. The SOF approach has proven useful to enterprises, both for internally led and for partner-led deployments and operations.

Microsoft has an extensive ecosystem of SfBO partners offering professional services, devices, applications, infrastructure and network services.

Many organizations view Office 365 as a key part of their IT cloud strategy, which allows them to incrementally add SfBO features, starting with IM, presence and web-conferencing capabilities, before expanding to audioconferencing, videoconferencing and telephony. This leads to increasingly broader UCaaS adoption over time.

CAUTIONS

The SfBO telephony capabilities lag behind most competing UCaaS offers, and Microsoft has been slow to advance this element of its portfolio. While there has been progress in the last year, Microsoft has also been slow to overcome some critical limitations, including limitations in the CCE product and SfBO APIs.

Microsoft's advancement in the market has been hindered by its changing marketing messages to customers and partners about the roadmap for Skype. For instance, while the hybrid option can be more effective for many enterprise requirements, it may not be adequately promoted by Microsoft partners, which may instead recommend a rapid migration to a complete online solution.

Connecting users to a UCaaS solution via the public internet may result in poor performance for audio and video for some users and locations. To mitigate risk, customers should execute a network assessment as part of their SOF process.

Microsoft recently introduced its Teams workstream collaboration product that has overlapping communications functionality redundant to Skype. While integrating communications into Teams is part of Microsoft's workstream collaboration strategy, this redundancy can create confusion with customers trying to understand the roles of Skype and Teams.

Mitel

Mitel, based in Ottawa, Canada, offers a broad set of cloud unified communications and collaboration (UCC) services, with roots in the premises-based PBX and UC markets. In the fourth quarter of 2016, Mitel sold its mobile business (formerly Mavenir) to Xura to improve its capital structure and focus on its core UC business. Approximately 70% of UCaaS wins are new Mitel accounts, with the remaining 30% of wins being Mitel premises-based users migrating to the cloud. Channel partners account for 90% of sales, with Mitel direct sales accounting for the remaining 10%.

The Mitel UCaaS brand is MiCloud, of which there are two versions. MiCloud Enterprise is a georedundant multi-instance platform that uses the same software stack as Mitel's on-premises offering. MiCloud Enterprise focuses on midsize businesses of 250 employees or more (with selected accounts over 3,000 employees) and is the focus of this Magic Quadrant. For the lower end, there is the MiCloud Office multitenant platform. As this Magic Quadrant was in production, Mitel announced its intention to purchase ShoreTel in the third quarter of 2017; however, the ShoreTel solution is not considered in this evaluation.

MiCloud Enterprise includes telephony, web conferencing and videoconferencing, and contact center. During the past 16 months, Mitel integrated its workstream collaboration functionality into a single client that also supports UC. MiCloud Enterprise can be delivered via public, private and hybrid deployments. Notable innovations in the past year include new APIs to cloud applications, expanded global offerings to manage multiregion deployments, QoS dashboard and SD-WAN availability.

MiCloud solutions are typically targeted to midsize UCaaS deployments in the North American, European and selected Asia/Pacific markets.

STRENGTHS

- Mitel UCaaS is particularly well-suited to users (1) with existing Mitel on-premises infrastructure transitioning to the cloud while protecting the user handset investment; and (2) that seek hybrid deployments.
- Many customers opt for Mitel because they can get an integrated, cost-effective CCaaS offering with UCaaS. The CCaaS offering supports multimedia, WFM and IVR.
- The company now has better tools, processes and support to help customers manage deployments that span multiple geographic regions.
- Mitel's UCaaS customers generally like the service once it is up and running. It is stable and easy to manage.

CAUTIONS

- Many customers focus on Mitel's core telephony and optional contact center capabilities. They view the portal and interfaces as dated, resulting in lower adoption of the full UC stack, including mobile, web, video and WSC.
- There is wide variation of capabilities across Mitel's UCaaS channel partners in such areas as installation and project management. Users should investigate the match of the channel partner to their UCaaS requirements.
- Mitel lacks strong brand-name recognition for business above 3,000 employees. While Mitel has selected references in the 5,000-employee range, fewer larger companies place Mitel on their UCaaS shortlist.
- Mitel supports multiple on-premises offerings (including the 2017 SMB Toshiba UC acquisition and the announced ShoreTel acquisition) and cloud UC offerings tailored to various customer deployment scenarios. Gartner is concerned whether supporting this diverse portfolio may impact Mitel's customer service, support and product development.

NTT Group

The NTT Group's UCaaS portfolio is from the combined UCaaS assets of Japan-headquartered NTT Communications, France-based Arkadin and South Africa-based Dimension Data. Other related acquisitions that NTT Group has made during the past six years include Ceryx, Applicable, e-shelter, Gyron, Netmagic, RagingWire and Virtela.

NTT Communications, Arkadin and Dimension Data are run as separate business units. However, they perform joint marketing, product management, planning and investment. They also exchange personnel to facilitate knowledge transfer. All three — NTT Communications, Arkadin and Dimension Data — focus on delivering foundational UCaaS services by leveraging proven vendor platforms. When a UCaaS business opportunity is targeted, the NTT Group identifies which of the three groups should lead the project.

NTT Communications brands its UCaaS offering for large enterprises as Arcstar UCaaS, based on the Cisco HCS platform, complemented with SD-WAN, WAN and LAN services. It primarily uses a direct sales model for its large accounts, focusing typically on accounts with a strong Asia/Pacific presence.

Arkadin Total Connect targets midsize businesses with the Microsoft UC stack, complemented with Arkadin's conferencing services, and provides support to help customers transition to Microsoft Office 365. The 2016 acquisition of Applicable now allows Arkadin to target large enterprises deploying Skype. Arkadin uses a combination of internal sales and channel partners, pursuing customers in multiple geographic regions.

Dimension Data is a strong Cisco UC partner, but it also has skills with the Microsoft Skype stack. Its support is global, including the Asia/Pacific and African markets. Dimension Data leads with direct sales, complemented with select channel partners.

The NTT Group can support business of all sizes across North America, Europe and Asia/Pacific, with both Cisco- and Microsoft-based UCaaS. Users should work with the NTT Group to identify the right business unit (NTT Communications, Arkadin or Dimension Data) best-suited for their environment.

STRENGTHS

The NTT Group collectively has a deep a skill set in both the Cisco and Microsoft cloud UC stacks. It can support customers ranging from 100 employees to more than 50,000 employees.

The composite organization has broad global coverage across Asia/Pacific, Europe and North America. This is complemented with tangential UCaaS functionality spanning networks, security, contact center and managed services.

The NTT Group has a long-term vision, along with executive patience, for slowly building greater integration of services, operations and automation across the three groups.

The Dimension Data part of NTT Group adds consultative and professional services to support complex and multivendor environments.

CAUTIONS

The three units that comprise NTT Group UCaaS are run separately, which limits the operational synergies that can be delivered across the three organizations.

NTT Group's UCaaS brand recognition is low. Most users have greater brand awareness of the individual business units that comprise it (NTT Communications, Arkadin and Dimension Data) and are not aware of the collective assets.

The NTT Group does not provide significant value-added services — such as analytics, bots, and artificial intelligence — on top of the core UC vendor offering stacks that it supports.

Many NTT Group users emphasize a subsection of the UC stack, concentrating on either telephony or web conferencing.

Orange Business Services

Orange Business Services (hereafter referred to as Orange) is a global CSP based in Paris, France. The company offers two UCaaS services. The first is Cisco-based, branded as Business Together as a Service. The second is Microsoft Skype-based, branded Business Together Microsoft.

Both are based on a global private cloud configuration (multi-instance) and are offered to midsize accounts through large multinational customers. Orange deploys a reference architecture for its UCaaS offerings with a defined set of session border controllers (SBCs), gateways, headsets, handsets, routers, video endpoints and switches. UCaaS is a core business for Orange, and the company has spent significant resources industrializing the processes, R&D and customer support. This standardization tends to result in high customer satisfaction. UCaaS solutions are sold primarily via direct sales.

Orange has redundant UCaaS data centers spanning Europe, Asia/Pacific and North America. As a global CSP, Orange complements its UCaaS offering with network services, SIP trunks, managed services, mobility, security, data storage and number portability. Orange has deep skill sets across both the Cisco and Microsoft UC stacks. Europe is Orange's primary market, but it has numerous MNC accounts headquartered in North America and Asia/Pacific.

Orange is well-positioned for large and midsize MNCs seeking global UCaaS support. Orange's North America-headquartered UCaaS customers usually have 50% or more of their endpoints in other global regions.

STRENGTHS

Orange can support UCaaS customers with global needs, including those with sites in the Middle East, Africa, Asia/Pacific, Europe, Latin America and North America. Services are available in more than 90 countries, with support for more than 30 languages. Orange's pricing is market-competitive, and the company communicates its roadmap well to customers.

Orange continued to enhance its Cisco UCaaS competitive position by upgrading its Cisco HCS infrastructure, supporting eight new country markets, and adding Spark functionality.

Orange has increased investment with Microsoft Skype, and it is a strong, global SOF partner. The company possesses the technical expertise to help customers run Skype in Orange's cloud or Microsoft Office 365. It is also starting to support Skype CCE to connect remote offices.

Orange positions UCaaS as a digital workplace tool so that customers will deploy the full UC stack, leverage data analytics and embrace change management.

CAUTIONS

Orange has limited brand recognition in North America, especially in comparison to its brand recognition in Europe, Latin America and Asia/Pacific.

Orange's long-term competitive position supporting the Microsoft UC stack remains threatened by Microsoft's positioning in several ways. Microsoft focuses on its own SfBO that is part of Office 365, Orange has limited maturity supporting CCE hybrid, and finally, Microsoft's E5 licensing costs and sales incentives cause clients to overlook Orange's Skype capabilities.

Orange does not yet focus on complex deployments that include SMS, artificial intelligence and cPaaS.

Customers report that Orange's rigorous processes result in slow deployment of new UC capabilities and long lead times to make changes.

RingCentral

California, U.S.-based RingCentral is a public UCaaS application specialist. With UCaaS roots focused on the small business market, RingCentral has successfully expanded support during the past four years to include the midmarket, enterprise and global accounts. Through 2016 and 2017, RingCentral has increased its European footprint, and it now sells directly in 14 European country markets (along with offering local language support).

New accounts are obtained through a combination of direct sales (spanning e-commerce, inside sales and in-territory sales representatives) and indirect channel partners, including CSPs such as BT and Telus. RingCentral invests heavily in mass-market media branding, including radio, print media, digital signage and sporting events.

The company uses an internally developed multitenant solution branded as RingCentral Office, with a rich UC suite that includes the full UCaaS stack, along with WSC for teams. The UCaaS software is being adapted to run in a microservice public cloud environment. Some recent enhancements include a new Glip user interface (that unifies UCaaS with WSC), QoS dashboard, and more comprehensive professional services and project management. Most customers connect via broadband.

RingCentral is a strong option for SMBs and midsize enterprises (up to 5,000 employees) seeking mobile-first UCaaS. RingCentral currently supports companies headquartered in North America, multiple European countries and Singapore (along with users in subsidiary offices in 80 countries).

STRENGTHS

RingCentral is a top-tier UCaaS vendor in terms of both revenue growth and total number of UCaaS endpoints. UCaaS revenue grew by more than 30% in 2016. The company continues to expand on its base of enterprise customers, many with global requirements.

The RingCentral Connect Platform has a strong set of APIs that includes: (1) integrations built by RingCentral to other cloud applications (for example, Salesforce Service Cloud); (2) other cloud applications building integrations to RingCentral (for example, Zoho); and (3) customers building their own integrations to RingCentral (for example, Airbnb).

Users generally report good customer service and support for at least three consecutive years. Channel partner feedback is positive as well.

Many RingCentral customers purchase Office because it provides a strong meetings experience, which enables them to consolidate (and thereby reduce costs) separate web-conferencing/videoconferencing solutions.

CAUTIONS

RingCentral does not have strong brand-name recognition with larger enterprise accounts above 5,000 employees. These larger enterprises favor typically major brands like Microsoft, Cisco and Google, along with the major CSPs.

RingCentral lacks a strong sales presence in Asia/Pacific. Currently, the company focuses only on Singapore-based accounts.

Some potential customers report that RingCentral has high pricing (these potential customers typically have VoIP-focused requirements). Some customers would like greater reporting detail in their bills.

Some potential customers report inflexible packaging that requires all employees of a given company to purchase the same edition of functionalities. These users feel that they are paying for capabilities that some of their staff does not have a need for.

Star2Star

Star2Star is based in Florida, U.S., and it delivers UCaaS to businesses spanning SMBs to large enterprises via its proprietary multitenant platform. Star2Star operates regional data centers in the U.S., the Netherlands and Australia.

Sales are 100% channel-based, with different channels catering to different-sized customers. Some channels white-label Star2Star under their own brand, so end users may not be knowledgeable of the underlying UCaaS vendor stack they are deploying. Star2Star's value proposition has been on price-sensitive customers looking for reliable, high-quality voice communications over broadband. The architecture is well-suited to organizations with offices in second- and third-tier markets connected by lower-speed broadband.

Star2Star's UCaaS offering is branded StarSystem, a solution that can deliver services: (1) in a hybrid cloud/premises configuration for high resiliency; or (2) completely from the cloud (lower cost). Star2Star's service also includes CRM integration into Salesforce Service Cloud and SugarCRM (StarContact), a fax solution for PCs and mobile devices (StarFax), and a desktop voice presence solution that provides call management features via drag and drop (StarScope). Star2Star's contact center solution, StarCenter, can be purchased as stand-alone, or it can be an incremental add-on to StarSystem. The latest version of StarCenter supports a web client for contact center agents. Notable upgrades in the past year include SD-WAN functionality, IP MPLS support and cPaaS integration (for communications-enabled business processes) that together improve the competitive positon of the Star2Star UCaaS stack.

Star2Star is well-positioned for organizations between 50 and 2,500 employees seeking lower-cost OTT connectivity. Star2Star is widely available in North America, but availability is more limited in Europe and Asia/Pacific from a smaller base of channel partners.

STRENGTHS

Star2Star's pricing is very competitive. The value proposition is well-suited to organizations needing to support dozens/hundreds of sites, in such verticals as retail, restaurants, professional services and the public sector.

The Star2Star hybrid architecture is highly resilient and can offer high reliability over lower-speed (often rural) broadband networks. Star2Star has invested in numerous tools for improving voice quality.

The user, IT administrator, contact center and mobile experiences have improved in the past year. They are now more contemporary and have a similar look and feel to competing offers.

Star2Star's customer satisfaction levels have increased in the past years in such areas as technical support, installation and user experience.

CAUTIONS

Star2Star is smaller than most other UCaaS providers in terms of revenue, number of employees and capital structure.

Star2Star has low brand-name recognition and is not well-known across Gartner clients. A channel-only sales approach impedes Star2Star's ability to build a strong end-user brand.

The Star2Star business is skewed to the North American market. The service coverage and number of channels in Europe and Asia/Pacific are limited.

The current web and conferencing capabilities are limited in terms of number of users supported, lack of broadcast capabilities, and interoperability with third-party video systems. Usage is best-suited to smaller teams within the company.

Verizon

Verizon is a global CSP, headquartered in New York, U.S., and it supports three UCaaS offerings. For enterprise accounts, Verizon UCaaS sales are primarily sold directly. SMB sales are sold both directly and through channel partners (U.S. only).

The lead UCaaS offering, branded Verizon Unified Communications and Collaboration as a Service (UCCaaS), is based on the Cisco HCS platform. This Cisco cloud offering is available in North America, Europe and Asia/Pacific, and it targets customers with more than 250 employees in North America and 1,000 employees in other regions. Verizon has a strong partnership with Cisco, and the combined teams co-market UCaaS worldwide. Verizon UCaaS also supports integrated Cisco cloud UC offerings, such as WebEx (web conferencing), CMR (video), Cloud Connected Audio (audioconferencing), Contact Center Enterprise and Spark. Many larger deployments result in hybrid configurations that tie in UCaaS with legacy PBX infrastructure.

Verizon's One Talk (delivered on the BroadSoft platform) is focused on the U.S. SMB market. It offers a single-contract, mobile-first UCaaS service that enables QoS within 4G Long Term Evolution (LTE), 4G LTE backup and free mobile calls across the U.S. A major part of the One Talk value proposition is that users only need to make a mobile purchase, thereby saving the costs of a separate wireline purchase. The third UCaaS option is also BroadSoft-based, and it is branded Virtual Communications Express (VCE). VCE is targeted to the SMB market (below 1,000 employees) and is now available in the North American and seven European markets.

Verizon UCCaaS (Cisco-based) is well-positioned for North American, European and selected Asia/Pacific-based MNCs above 1,000 employees. Those headquartered outside of North America typically have 40% or more of their sites U.S.-based. Verizon's BroadSoft-based offerings are SMB-focused and available in North American and selected European country markets.

STRENGTHS

One Talk allows U.S.-based customers to have a mobile-first option that can also tie in with traditional handsets. This allows customers to reduce costs and secure an integrated mobile UC experience. The offering is SMB-focused today, with expected enterprise deployments in 2018.

As a global CSP, Verizon is well-positioned to complement UCaaS with related offerings in SIP trunks, carrier-grade networks, CCaaS, wireless, security and managed IT services. Verizon's bundles can result in a reduced total cost of ownership for the combined offering.

Customers report that Verizon's pricing is competitive, and that the UCaaS services are stable and reliable, with good voice quality once they are up and running.

For the U.S. market, Verizon is integrating its mobile capabilities (Verizon Wireless) into both its Cisco and BroadSoft UCaaS solutions. This can yield such benefits as improved voice quality, reduced mobile charges and more flexible backup alternatives.

CAUTIONS

The joint mobile/wireline services are only available in the core U.S. market. In addition, many of these mobile/wireline services have only recently been "generally available" and lack a multiyear field track record.

Cisco HCS installations can take longer than anticipated as customers work both through Verizon and Cisco resources for project management and implementation.

Verizon is selective as to which Europe- and Asia/Pacific-headquartered customers it targets. The focus is on larger companies above 5,000 employees, with a significant U.S. presence that also procure network services.

Some customers report that the One Talk mobile app for iOS and Android is still maturing. They also cite that Verizon can be slow to respond to unexpected change requests.

West

West, based in Nebraska, U.S., is a public company that is scheduled to become private (estimated in the fourth quarter of 2017) following the purchase by Apollo Global Management. One objective of the acquisition is to provide West with financial flexibility to invest for long-term growth. Roughly 60% of sales are achieved directly with West's own sales force, with the remaining 40% secured from channel partners.

The lead UCaaS offering branded as VoiceMaxx CE is based on the Cisco HCS platform. West also supports HCS CCaaS (branded as Cloud Contact CE), as well as its own CCaaS branded as Cloud Contact Pro (acquired with the Magnetic North acquisition). In the first quarter of 2017, West acquired the UCaaS business of Vocus in Australia, a Cisco HCS partner, to expand its Asia/Pacific footprint. The West UCaaS offering is complemented with adjacent services, including conferencing (formerly InterCall), 911/safety services (formerly Intrado), notification, IVR and networks.

West focuses on Cisco technology and works with Cisco Spark, routers, LANs and Wi-Fi. We expect forthcoming SD-WAN offerings to leverage Cisco's Intelligent WAN (IWAN) and Meraki solutions, along with an offer developed by West. As West has been an HCS partner for roughly six years and delivers most services internally, it has mature delivery processes and project management. Most customers also receive West's IP MPLS network services.

West is a well-established UCaaS provider for midsize enterprises in the 500- to 5,000-employee range interested in Cisco infrastructure. West is well-proven in the North American market and has been in the European market for two years, with expanded Asia/Pacific coverage following the Vocus acquisition.

STRENGTHS

- West remains a strong Cisco UCaaS stack partner. It has expertise across a range of Cisco UCaaS-related offerings, such as HCS, Spark, Expressway and Contact Center Enterprise.
- The acquisition of the Cisco HCS business of Vocus provides West with a stronger Asia/Pacific footprint.
- West has a system integrator mindset. Customers value West's willingness to integrate with their legacy environment.
- West has good CCaaS capabilities ranging from its Cloud Contact Pro (West's intellectual property) to its Cloud Contact CE (based on Cisco HCS contact center). Many customers value West's ability to support both UCaaS and CCaaS.

CAUTIONS

- West is not a UCaaS technology innovator. Rather, it focuses on deploying proven vendor offerings, complemented with West's project management and service delivery.
- West is highly dependent on Cisco technology and therefore possesses long-term differentiation challenges from the dozens of other Cisco UC partners, especially the large CSPs. This may hurt West's ability to win large enterprise accounts above 5,000 employees (although West has some accounts above 5,000 employees).
- Customers cite that West's UCaaS support outside of North America is not as strong, software upgrades are complex, and IT administration portals could be more intuitive.
- Expect some West changes following the Apollo acquisition (estimated in the fourth quarter of 2017), which may impact customers in terms of organization structure, staffing, services and contracting.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant 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

The following vendors were added:

- BroadSoft

Masergy

Dropped

The following vendors were dropped because they were not among the providers meeting all of Gartner's inclusion criteria for this year's Magic Quadrant:

- Interoute — A London-based CSP that provides global network voice and data services, complemented with UCaaS based on Microsoft Skype technology.
- ShoreTel — A Northern California-based provider of both cloud and premises-based UC. The UCaaS offering is branded as Connect Cloud. Mitel has also announced that it will be acquiring ShoreTel.
- Vonage — A New Jersey, U.S.-based provider of UCaaS and cPaaS services. Vonage UCaaS is branded as Vonage Premier, and the company is starting to integrate its cPaaS functionality acquired via Nexmo.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, solution providers must meet the following criteria:

- Use the UCaaS delivery model. Typical characteristics include a shared multitenant or virtualized (also known as multi-instance) UC infrastructure that is owned, maintained and hosted by the provider. Users then purchase a flexible service (paid via the SaaS model) that is typically based on a per-user, per-month fee.
  - Dedicated managed and hosted UC solutions (that lack multitenancy/multi-instance characteristics for sharing hardware, software and management) will not be included.
  - Vendors that (1) resell the UCaaS application stack of other UCaaS vendors; and (2) do not own/operate/maintain the UCaaS platform will not be considered.
- The types of UCaaS providers to be considered must meet one of the following two profiles:
  - Be a global UCaaS platform vendor that has developed its own proprietary UCaaS application stack. The UCaaS provider must design, build, upgrade, support and operate the UCaaS platform (typically in its data center or in a partner data center). The UCaaS platform provider can either sell services directly or sell through channels.
  - Be a global service provider or system integrator selling UCaaS based on a third-party UCaaS platform. The UCaaS vendor must own, support, manage and operate the third-party UCaaS platform (typically in its data center or in a partner data center).
- Have a UCaaS offering that includes VoIP, with integrated conferencing (audio, video and web), IM/presence, UM, and mobility.
  - The UC functions must be well-integrated with a consistent interface; specifically, VoIP-centric solutions are not considered.
  - Related capabilities — including support for cloud contact center, collaboration, analytics, team messaging, APIs to third-party applications, workstream collaboration, cPaaS, bots, and other artificial intelligence (AI) solutions — will be considered, but they are not a prerequisite.

- The UCaaS solution must be commercially offered in three regions: North America, Europe and Asia/Pacific.
  - References must include accounts headquartered in multiple regions (that is, they cannot be solely of North America-headquartered references, or solely of Europe-headquartered references, or solely of Asia/Pacific-headquartered references).
  - The UCaaS offering must have UC application infrastructure (not just media gateways) in multiple geographical regions.
  - The UCaaS offering should be regionally localized, such as local languages and currencies.
  - The UCaaS offering must have the ability to support in-country telephone numbers in the three regions served (North America, Europe and Asia/Pacific).
  - The UCaaS offering must possess marketing collateral, including the website, that explicitly markets UCaaS to the North American, European and Asia/Pacific regions.
- The vendor must display the ability (demonstrated through references) to support customers with more than 3,000 employees.
  - The vendor must provide five references.
  - Supplied references must use a broad set of UC capabilities (not just one or two).
- Of the remaining providers that meet all of the above criteria, the top 15 (based on Gartner's view of estimated lines, revenue, globalization and enterprise support) are included in this report. These providers all had at least 300,000 or more UCaaS seats globally.

Notable UCaaS Vendors

The UCaaS market is highly fragmented, with many focused on a particular region. Examples of notable UCaaS vendors not in this Magic Quadrant include.

- Bell Canada
- CenturyLink
- Dialpad
- Evolve IP
- Interoute
- Jive Communications
- Tata Communications
- Telstra
- Atos (Unify)
- Vodafone
- Vonage

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.

Table 1. Ability to Execute Evaluation Criteria

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

Source: Gartner (September 2017)

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.

Table 2. Completeness of Vision Evaluation Criteria

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

Weighting	High

Source: Gartner (September 2017)

Quadrant Descriptions

Leaders

Vendors in the Leaders quadrant have been delivering complete UCaaS solutions for multiple years, have a base of enterprise clients and support a large volume of total users. These vendors have their accounts implementing a comprehensive and integrated UCaaS solution set that addresses the full range of market needs; a proven ability to service large accounts; and a commitment to the North American, European, and Asia/Pacific markets. 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, expand their geographical footprints, and innovate to new functional areas.

Challengers

Vendors in the Challengers quadrant have the potential to deliver to large 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 UCaaS suite, customer support is still evolving, they do not offer differentiated services, or the majority of their users deploy only a segment of UC.

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 enterprise market (for example, they may not yet have numerous large enterprise accounts, they may have not scaled the business, they may have weaknesses in selected geographic regions, or they may have limited brand recognition). For instance, a Visionary may be strong in one or two particular areas, such as social or collaboration functionality to its portfolio, APIs for third-party applications (such as CRM), unique mobile UC capabilities, superior video integration capabilities or cPaaS.

Niche Players

Vendors may be in the Niche Players quadrant for different reasons. They may have elements of their portfolio not well-integrated, the feature set may be weak in certain areas, or their customer base may deploy only a limited base of functionality. 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 globally (that is, beyond their core territory), their UCaaS offerings are still maturing, or they have inconsistent customer service.

Context

SMBs

Business users must make the choice between UCaaS and premises-based UC solutions. For the SMB market below 1,000 employees, UCaaS provides a strong value proposition, and it is increasingly the preferred option.

SMBs opt for UCaaS over premises-based UC when factoring internal IT staff limitations, the operational-expense payment model and the pace of cloud innovation. Pricing for UCaaS is typically lower than on-premises UC because a dedicated platform's costs are spread over a smaller base of employees. SMBs are also more open to leveraging UCaaS providers with limited brand and typically require fewer customization and regulatory certifications.

Midsize Enterprises

For the midsize enterprise market, 1,000 to 5,000 employees, UCaaS is in most cases a viable option as well. All of the UCaaS vendors in this Magic Quadrant (along with others not included) target the 1,000- to 5,000-employee range with a proven track record of customer success stories.

Midsize enterprises have an increasingly broader selection of UCaaS providers to select from. In many cases, the depth of features and capabilities, user experience, future roadmap, and flexibility yield a stronger value proposition compared with on-premises UC. Other midsize enterprises opt for UCaaS to cut costs. This is done by consolidating multiple point communications solutions (such as web conferencing) and folding them into a single UCaaS contract.

Midsize enterprises continue to adopt on-premises UC as well. Some midsize enterprises believe they have stable communications requirements and, therefore, have long ROI financial timelines (over five years), which favor a premises-based offering.

Large Enterprises

The large enterprise market is adopting UCaaS, but at a lower rate than SMBs and midsize enterprises. Large enterprises tend to favor larger brands, ruling out many of the UCaaS vendor options. In addition, large enterprises have more regulatory, cultural, reliability and customization policies that favor on-premises or dedicated hosted/managed UC. Other large enterprises opt out of UCaaS because they have employees in country markets not well-supported by UCaaS vendors.

Nonetheless, Gartner is starting to see some large enterprise UCaaS adoption. They are particularly concerned about making major on-premises UC investments that may be technologically obsolete in three-plus years compared with their cloud counterparts. Cisco, Google (with telephony partnerships), and Microsoft are megavendors making significant cloud investments. Even some of the application specialists, such as 8x8, Fuze and RingCentral, are starting to win some large enterprise accounts.

Market Overview

UCaaS Vendor Types

Enterprises can secure UCaaS from four types of providers. They are:

CSPs — These include companies such as AT&T, BT, NTT Group, Orange and Verizon. These are the legacy network service providers, with core strength in voice and data services. CSPs typically support UCaaS with UC stacks from vendors like BroadSoft, Cisco and Microsoft. UCaaS service differentiation across the CSPs is difficult given that they use the same line of technology partners.

Technology vendors — These include companies such as BroadSoft, Google, Microsoft and Mitel. All these well-established vendors now provide a UCaaS offering that they market directly to end users.

Application specialists — These include companies, such as 8x8, Star2Star, Fuze and RingCentral, which are both the platform provider and the service provider.

Value-added service providers — These include Masergy and West. These vendors usually provide UCaaS by running commercial UC applications (often BroadSoft, Cisco or Microsoft) out of their own data centers, complemented with other value-added services, such as network services, security, onboarding portals, integration capabilities and CCaaS. Long-term differentiation for value-added service providers, similar to CSPs, is harder as they typically leverage a common base of UCaaS stacks.

In some cases, a given company may have attributes that fit into multiple types of UCaaS providers. Gartner categorizes such companies in the group that they are most aligned to.

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. In addition, Gartner has been following the UCaaS market for 10 years and has a rich, established base of market knowledge from thousands of end-user inquiries, previous research efforts (including eight previous UCaaS Magic Quadrants), investor conversations, participation in industry conferences (including Gartner events) and dialogues with more than 100 UCaaS vendors. Gartner analysts also 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 category includes options for voice and video that bypass traditional connectivity methods, such as direct internet-based connections.

Meeting experience (formerly termed "conferencing") — This area includes multiparty voice (audioconferencing), videoconferencing and web conferencing. It also includes document and application sharing capabilities.

Messaging — This area includes email (typically, Microsoft Exchange or Google Gmail), which has become an indispensable business tool, voice mail and various forms to UM.

Presence and IM — IM allows individuals to send text and other information to others or to groups in real time. Presence services allow individuals to see the status of other people and resources.

Clients — Unified clients enable access to multiple communications functions from a consistent interface. These may take different forms, including thick desktop clients, thin browser clients and clients for mobile devices, such as smartphones and tablets, as well as specialized clients embedded within business applications.

Communications application integrations — Integrating communications with the broader ecosystem and business application context offers significant value. Integration options may include contact centers, collaboration and ChatOps/workgroup applications, workstream collaboration, plug-in integrations for leading business applications and browsers, cPaaS for digital business application integrations, and integration with business analytics capabilities.

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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