Taking the UCaaS Plunge

Now even unified communications is moving to the cloud. But is UC as a service the right move for your enterprise?

UCaaS at Your Service

MOVING ENTERPRISE COMMUNICATION services and applications to the cloud has generated great interest recently. Enterprises can access these flexible cloud-based services for everyday operations, including voice and video capabilities. Cloud services simply offer more operational agility for an organization compared to the more rigid on-premises options.

Another result of this growing trend is that unified communications as a service, or UCaaS, has emerged as a way to integrate and interoperate seemingly disparate communications applications. UCaaS is a cloud-based alternative to the conventional on-premises deployment model and offers organizations greater flexibility in managing and using communications services.

A company's IT department, too, can reap the benefits of UCaaS. Instead of managing a UC platform and hosting it on-site, the services reside elsewhere in a data center used and managed by a UC partner.

Additionally, many popular UC-related applications already live in the cloud, so the pathway for UC as a service has become clearer. Not only has the technology been proven on a scale that enterprises demand, but the business model has also gained enough traction to be used for unified communications. Cloud-based services have also proven to be cost-effective, but security is a concern for larger enterprises.

In the following chapters, we explore some key topics surrounding the cloud and UCaaS, including how the technology emerged as a viable deployment model, the business benefits and use cases and how to measure the return on investment of a UCaaS implementation.

Read on to see how UCaaS works and whether it's for you. ∎

LUKE O'NEILL
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UCaaS Delivers Collaboration to All

When businesses are ready to seriously consider unified communications (UC), a fundamental decision emerges about the deployment model. The conventional path is to deploy a premises-based system, much like what has been done with other communications technologies to date. This is the familiar model where an IT team prefers to own and operate the technology solution, but not every IT department can do that. In many cases, the expertise is lacking, and shrinking budgets dictate a more economical approach.

Unified communications as a service (UCaaS) is emerging now as a viable alternative for businesses of all sizes, regardless of the resources available to an IT team. The emergence of UC as a service speaks to the broader trend of hosting services and applications in the cloud. Instead of having the IT department manage the UC platform and host it on-site, the answer resides elsewhere in a data center

used by the UC partner and managed by them.

In some cases, it will be their own data center; in others, it will be with a third-party provider that could offer UC in either a public or private cloud environment. These distinctions require further consideration, but the main point is that UCaaS is a cloud-based alternative to the conventional premises-based deployment model.

HOW UCaaS EVOLVED

Variations of UC as a service have been in the market for years, starting first with basic [VoIP](#), offered either on a hosted or managed basis. The difference was based on whether the service was hosted off-site or if the management of the related network operations was included as well. VoIP is a subset of UC and relatively simple, so the decision to go hosted was not a difficult one.

UC, on the other hand, is a platform that integrates many applications, including VoIP. This presents more challenges for UC vendors, but also new opportunities once the complexities have been addressed.

A key reason why UC has been slow to gain acceptance is the difficulty of integrating not just the various communications applications—such as voice, chat, video, email and fax—but also the various elements that are supported by a network, including the phone system; conferencing systems; and business applications such as Office, customer relationship management (CRM) and enterprise resource planning.

None of these were developed to interoperate with each other, but that is the product promise of UC. Vendors have worked hard to develop premises-based UC solutions that do this seamlessly, but that has proven to be difficult. As IT resources continue to be stretched, an easier approach was needed, and that brings us to UCaaS.

The "as a service" model has come into vogue mainly because hosted services are economically appealing, and cloud has matured to the point where scale, security and reliability are pretty much enterprise-grade. These attributes may not be fully ready, but they are close enough to have earned the trust of IT decision makers.

The "as a service" model has come into vogue mainly because hosted services are economically appealing, and cloud has matured.

Communications applications have lagged with this trend as real-time modes such as voice and video are particularly challenging to support on a hosted basis. VoIP has been offered this way for some time, and, more recently, the other core UC applications have caught up, making UCaaS a viable alternative to premises-based solutions.

Another driver for UC as a service is that many complementary applications that strengthen the value proposition are also hosted in the cloud—and have been for quite some time. Examples include Salesforce for CRM, Dropbox for file transfer,

Zendesk for customer support, and, on a broader scale, Office 365 for everyday desktop applications.

These applications are all offered on a subscription basis, where the enterprise does not own the software outright. In return, they receive ongoing updates and virtually 100% uptime; the host manages the data storage, has variable scaling to always be right-sized, offers highly trained technical support, and provides on-demand access for employees from any broadband connection.

With so many UC-related applications already in the cloud, the pathway for UC as a service has become clearer. Not only has the technology been proven on a scale that enterprises demand, but the business model has gained enough currency to be used for UC.

Vendors with a telecom pedigree are the main providers of premises-based UC and they bring strong product-based mindsets. Over time, however, UC has increasingly become software-based, allowing it to fit more comfortably into the "as a service" model that most software offerings now embrace.

HOW UCaaS IS SOLD

Now that UC has almost fully evolved to being software-based, it can be offered "as a service" with few restrictions in terms of hardware. This means that telecom vendors are not the only ones who can offer UCaaS. When call control can be managed from the cloud, the range of options for UCaaS providers opens up.

Since the core value now lies in providing a service rather than a proprietary phone system around which other applications must conform, service providers have become bona fide UCaaS players. Competitive operators have long been cloud-based—namely competitive local exchange carriers (CLECs) and over-the-top (OTT) providers. For these providers, UCaaS is a natural extension of the hosted VoIP they are already selling to businesses.

As these operators continue to take market share from incumbent telecommunications providers, they too have become UCaaS providers. In most cases, these operators have partnered with third-party UC platforms that are then white labeled as their own brand of UCaaS. Along the same lines, systems integrators have also entered the market, further

demonstrating that you don't need to be a telecom vendor to offer UC.

This range of options is a radical shift in how communications technology is sold, and the main takeaway is for businesses to be aware of how different the vendor landscape is with UCaaS.

There are benefits to deploying UC as a service with each type of provider, and enterprises need to carefully consider those options. They will need more extensive preparation for a good buying decision, but if they have already been successful using the "as a service" model with other applications, the research effort for hosted UC will be warranted.

WHY ADOPT UCaaS?
Cost savings generally should not be a core driver for UC, whether it is premises-based or hosted. The main driver should be productivity gains, which while difficult to quantify have clear strategic value to management.

With UCaaS, the adoption drivers need to be built around the deployment model. In that regard, there are two prime considerations.

First is the cash-flow-friendly nature of UC as a service. With this model, UC can be entirely Opex-based, which is easier to justify for an IT department's budget than a premises-based product. Not only does this reduce the risk associated with UC—in terms of the ROI being difficult to quantify—but it also allows for predictable cost control since licenses can easily be scaled up or down as needs dictate.

Second, UCaaS removes complexity from the equation, again reducing the risk of deploying a system where the business benefits are not entirely clear. Most IT teams will have challenges managing UC on their own. With a hosted provider, a company can deploy UC more quickly, allowing it to realize the benefits early enough to validate the cloud as the right choice.

Furthermore, by letting the UCaaS provider manage all this complexity, IT departments can focus on other areas where they can add business value. Once this new equilibrium has been established, the business will be well-positioned to leverage the cloud as new applications come along and make UC an even more powerful enabler for collaboration.

— Jon Arnold

Three UC as a Service Business Benefits

REALIZING THAT UNIFIED communications provide more business value than voice over IP (VoIP) alone is rather straightforward. In many ways, VoIP is the litmus test for IP communications, and once that passes, the business will be ready for UC, which then introduces strategies beyond VoIP in terms of IP-based applications and new business benefits.

The next decision would be whether to choose a premises-based UC service or one that is cloud-based. The following analysis should help decision-makers understand if cloud-based unified communications is right for their business.

KEY CLOUD BUSINESS BENEFITS
On a business level, these three key benefits of the cloud support a move to UCaaS:

  1. The SaaS model is proven: Most

businesses are already using cloud-based software applications more than they think, with common examples being Salesforce for customer relationship management (CRM) or hosted email. The scale, reliability and performance of the SaaS model have reached the point where communications platforms such as UC can effectively be hosted, even for real-time modes such as voice.

This trend will continue as costs decline and as private cloud adoption increases. The latter is particularly important where data sovereignty and IT compliance requirements call for a more secure and localized source of hosting.

2. Improved agility: Full-scale UC is far more complex than VoIP, and the do-more-with-less mantra that most IT departments face is undoubtedly going to continue. Not only

does IT have to juggle shifting priorities, but it's also getting harder to secure new budgets, especially for capital expenditure initiatives.

Despite this, agility has become a corporate mantra, as businesses must be more responsive, not just for customer satisfaction, but also for adapting to changing requirements. For employees to make the business more agile, business processes must flow smoothly and communication needs to be seamless.

Both requirements are well-served by UC, but its complex nature poses a challenge to IT departments and has been a barrier to adoption. And this is a key reason why UCaaS appeals to IT staff—since the UC complexity is managed in the cloud, IT managers can focus resources in other areas where their expertise can still add value.

3. **Employee productivity:** Cloud-based unified communications provides speed and ease of deployment. Not only does UCaaS make life easier for IT, but the business becomes more agile as employees now have the tools to work more productively.

This matters because consumer-based innovation has long outpaced the business world, and now customers expect that businesses cannot match those advances. Cloud UC helps close that gap.

Catching up with today's customer demands is a big step forward, but it will be equally important to keep pace with new applications. For example, UC still faces a slow adoption of mobile devices, and vendors have only just started using predictive analytics for communications applications.

By nature, UCaaS providers are focused on keeping their offerings current, something an IT department would be hard-pressed to do if going with premises-based UC. On a business level, the cloud provides ongoing value by enabling productivity with the latest applications at all times.

UCaaS USE CASE: COST CONTROL

The rationale for buying cloud-based unified communications can also be built around use

cases that showcase the inherent cost benefits of cloud. IT and management are often looking for cost savings and certainty to better support longer-term business planning. UCaaS is here to help.

Without UC, communications applications are used in a standalone fashion, meaning separate budgets for voice, video, conferencing and storage. Many departments have their own budgets for these applications, making the total cost of communicating difficult to manage. With UC, all of this can be integrated and managed by the IT staff, providing overall savings to the company.

Furthermore, as workforces become more dispersed and contract-based, overall demand for UC capabilities can be highly variable. The scalable nature of UCaaS helps to [right-size coverage](#), regardless of where employees are located and without needing new infrastructure.

With the only cost variable being the number of UC licenses in use, the hosted model provides budgeting certainty that premises-based UC cannot offer.

UCaaS USE CASE: CAPEX TO OPEX

This factor, related to the above use case, is not exclusive to UC. As businesses increasingly virtualize and shift away from hardware to software, their operating costs decline, but they also become more agile and, by extension, more competitive. Anything that aligns with this trend can form a strong use case, and cloud-based UC is a prime candidate.

Premises-based UC is rooted in legacy telephony, which has long been capital expense-intensive. Times have changed, and all forms of communication—including telephony—have become software-based and no longer require Capex funding.

Now that UC can be hosted in the cloud, it fits the SaaS model where the business

When UC is hosted in the cloud, it fits the SaaS model where the business only pays for what it uses, making it a cash-flow-friendly form of Opex.

only pays for what it uses, making it a cash-flow-friendly form of Opex. Of course, the main tradeoff is that the organization's IT department gives up ownership of the communications platform, but in return IT gets a high-value service that can comfortably be factored into its monthly operating budget.

UCaaS USE CASE: WORKFORCE SUPPORT

Today, most people don't work solely at their office desk, and many don't even go to an office at all. This trend will continue because it satisfies two competitive objectives for businesses.

First, a decentralized workforce lets management keep operating costs under control, both in terms of labor and office space. Second, this communication mode supports a lifestyle that today's generation values. Many workers now prefer being remote so they can balance work and life demands, and this makes for more motivated and productive employees.

UC in the cloud supports this use case by delivering a consistent user experience for any connectivity scenario. For employees to

UC in the cloud supports a decentralized workforce by delivering a consistent user experience for any connectivity scenario.

collaborate effectively, they need to use the same tools and a common interface for sharing information. If using different versions of an application, or if a browser or operating system doesn't support it, collaboration will suffer, defeating the purpose of having widely dispersed teams.

These are key benefits of the cloud, as all end users will be routed to a common server where the applications are optimized for use across all types of devices, screens and network environments. Premises-based UC only does this to a limited degree, with success largely dependent on a business' existing infrastructure and IT expertise.

THE CASE FOR UCaaS

Many other use cases exist, but these examples provide a strong foundation for deploying UC

in the cloud. Premises-based UC certainly has its virtues, but the cloud is gaining acceptance as businesses consider the range of challenges associated with deploying UC. The cloud is still evolving, but the complexities of UC can be managed there now, even for large-scale deployments.

Businesses may not be happy giving up ownership control of their UC platform, but this has not hurt them with other cloud-based applications. And as these use cases become proven over time, those concerns will pass, validating the decision to go with UCaaS.

—Jon Arnold

Measuring the UCaaS Return on Investment

ONE OF THE biggest challenges in measuring the benefits of unified communications is quantifying the return on investment, or ROI. Simply "improving collaboration" doesn't mean anything unless it translates into reducing costs or improving revenues. But moving to UCaaS adds a new wrinkle.

IT leaders need to understand the specific and measurable ROI benefits offered by cloud services, not just in reducing operational and capital costs, but enabling buyers to take advantage of faster upgrades and broader accessibility to UC applications.

Any ROI exercise for UC as a service (UCaaS) should start with measuring the total cost of ownership (TCO), which is just one component of ROI calculations. To decipher TCO, companies can start with this ROI template:

- **Upfront investment:** Some UCaaS providers charge initial setup fees or require customers to pay the costs of phones, gateways or other on-premises hardware. Other providers bundle these elements into the monthly per-user cost.

- **Network upgrades:** These updates can include power-over-Ethernet-compliant switches to support a migration from digital to IP phones, additional Internet bandwidth or private wide area network (WAN) connections to support accessing the UCaaS provider's network.

- **WAN optimization or software-defined WAN (SD-WAN):** These devices help ensure voice performance over public Internet or private network connections.

- **Implementation costs:** Network assessments and optimization can be calculated as:

    [(staff time × loaded hourly rate) + third-party costs] ÷ number of licenses

- **Training:** Employees and other staff who may support the UCaaS solution will need proper preparation.

- **Operational cost per license:** This includes any monthly service fee plus staff time, equipment maintenance, third-party managed services, training and certification, calculated as:

  [monthly service fee + (number of full-time equivalents × average annual loaded salary) + equipment maintenance + managed services + training and certification] ÷ number of licenses

Network upgrades, implementation time, training, and phone and gateway investments often apply to both on-premises and UCaaS solutions. However, shifting the back-end platform to an operational expenditure (Opex) reduces the need for upfront investment, especially in capital costs.

Thus, companies evaluating a UCaaS ROI template need to answer this question: Will the savings in capital expenditures, and possibly in Opex, offset the monthly operational and licensing costs for a given UCaaS solution?

The appeal of eliminating capital expenses associated with on-premises platforms is a major reason why roughly 30% of companies that Nemertes Research has interviewed, mostly small and medium-sized businesses, are using UCaaS today, and why another 56% are planning to do so or are evaluating the potential of moving to the cloud in the near future.

Unfortunately, this calculation isn't always that straightforward.

BEYOND THE ROI TEMPLATE
Nemertes' annual study of UC TCO looks at the capital and operational costs for UCaaS. For on-premises services, UCaaS offerings are typically cheaper in the first year of ownership.

Eliminating the capital expenses of on-premises platforms is why roughly 30% of companies that Nemertes interviewed are using UCaaS today.

But, by the fifth year, cloud service annual costs usually exceed those of on-premises services—with the caveat that this ROI template assumes no additional capital expenses over the five-year cycle.

As noted earlier, however, TCO isn't the only element of an ROI template. IT leaders also find that cloud services provide tangible benefits, including faster upgrades, easy support for remote and guest workers, and integration of UC services with other cloud apps like customer relationship management and enterprise resource planning.

To determine a true ROI template for UCaaS, buyers must evaluate not just the cost of procuring and supporting the applications, but also the positive impact that UCaaS delivers to business processes. —*Irwin Lazar*

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