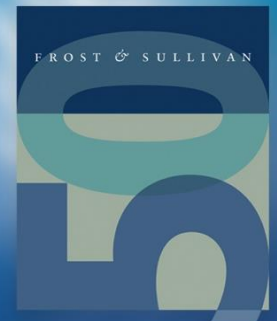# How to Become a Successful UCaaS Provider

Tracking UCaaS Perceptions and Provider Selection Criteria in the U.S. Market

Global Digital Transformation Research Team at Frost & Sullivan

K2D5-64

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Executive Summary

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Executive Summary

UCaaS Awareness and Perceptions

- High awareness of the top Unified Communications-as-a-Service (UCaaS) providers indicates that buyers are well informed about existing UCaaS solution and provider options. More than 50 percent of respondents were familiar with AT&T, Microsoft, Comcast, Vonage and CenturyLink as UCaaS providers.

- UCaaS provider sales activity is raising overall UCaaS awareness and determining individual provider mindshare and adoption among businesses. It is notable that providers which made the most sales contact with respondents in the past six months—AT&T, Microsoft, Comcast, Vonage and CenturyLink— were also identified as the UCaaS brands with which respondents were most familiar.

- Both users and non-users expect to gain operational efficiencies and reduce costs by adopting UCaaS. A notable 43 percent of current users and 40 percent of future users report that UCaaS is easier for IT to manage. Similarly, 36 percent of current users and 43 percent of future users expect to reduce costs with UCaaS.

- Quite surprising, an impressive 39 percent of current users and 32 percent of future users also perceive UCaaS as more secure.

- Four factors rank equally (at 22 percent of respondents) as adoption restraints among non-users with no plans to adopt UCaaS, as follows:
  - more limited communications endpoints options
  - service reliability
  - desire to maintain full control
  - higher total cost of ownership

Source: Frost & Sullivan

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Executive Summary (continued)

Vendor Selection Criteria

- Overall provider brand recognition plays a significant role in customer perceptions about best-of-breed UCaaS providers. Leading "household brands" such as AT&T and Microsoft stand out as best-of-breed UCaaS providers, selected by 32 and 28 percent of respondents, respectively.

- Vendor reputation also ranks highest among factors playing the largest role early in the UCaaS provider selection process. UCaaS adopters—35 percent of current users and 28 percent of future users—identify vendor reputation as the most important selection criterion early in the evaluation process.

- Besides overall brand strength, other factors may affect vendor reputation including service quality and reliability, and customer service and support. Vendor financial stability (e.g., revenue growth, profitability) and organizational activity (e.g., M&A, bankruptcy) could also affect vendor reputation.

- Four factors are critical in the final vendor selection for both current and future users, as follows:

  o reliable service (63 of current users, 59 percent of future users)

  o security (54 of current users, 58 percent of future users)

  o good user interface (44 percent of current users, 26 percent of future users)

  o cost per seat (38 percent of current users, 30 percent of future users)

- AT&T tops the list of current UCaaS providers (selected by 39 percent of respondents). Microsoft's smaller share among current users accurately reflects its lower actual market share.

- Due to the small sample size, the provider ranking and share among current users is not a reliable proxy for actual market shares. Also, respondents were only given a choice of 20 brands and the option to list other providers.

Source: Frost & Sullivan

Executive Summary (continued)

Customer Loyalty and Price Sensitivity

- Nearly two-thirds (65 percent) of current users have adopted UCaaS in the past five years. With most term commitments ranging between three and five years, many contracts are approaching expiration, which is reflected in the fact that more than half (56 percent) of current UCaaS users plan to switch providers.

- Despite the fact that many UCaaS users report their providers have delivered anticipated benefits (e.g., reliable service—54 percent, security—52 percent), security, cost and reliability represent the key reasons for wanting to switch providers for 45, 44 and 42 percent of current users, respectively. This indicates that UCaaS buyers are becoming increasingly savvy and demanding ever better service and price from their providers.

- On average, UCaaS customers pay approximately $24/user/month. While the majority (95 percent) of UCaaS users consider their service to be priced fairly and 70 percent negotiated their service price and received a discount, a surprising 84 percent are ready to switch providers, if another provider offers them a 25 percent lower price.

- Customer satisfaction and loyalty are further affected by current UCaaS provider price fluctuations. More than three-quarters (77 percent) of respondents report that their providers increased their prices since the start of the contract. Also important, 65 percent expect their providers to raise their prices within the coming 12 months.

- Price trumps other factors in final provider selection. Approximately one-third of UCaaS users are not using services from the providers they consider best-in-class. More than half of those state that they chose their current provider because it offers a better price than the one they consider best-in-class.

Source: Frost & Sullivan

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Executive Summary (continued)

Customer Loyalty and Price Sensitivity (continued)

- Customer price sensitivity represents a major challenge for UCaaS providers, which they can address by offering all-inclusive feature bundles, an option the majority (68 percent) of UCaaS users prefer vis-a-vis tiered feature bundles or a-la-carte pricing.

- To alleviate price pressures, differentiate and deliver greater customer value, providers must offer advanced video calling, web and video conferencing, and team collaboration capabilities, which were selected by 36, 34, 32 and 28 percent, respectively, of UCaaS users as most important UCaaS features to their businesses.

- Provider ability to offer broadband services is also a priority factor for 34 percent of current users in determining whether they remain with their current provider or switch to a new one.

Future Competitive Threats and Provider Competitive Strategies

- Providers must watch for existing and emerging competitive threats.

- Microsoft is rapidly gaining popularity for its evolving UCaaS portfolio. Among current UCaaS users, 28 percent of respondents planning to switch providers report their intent to adopt Microsoft UCaaS solutions in the future. The next highest-ranked future provider among current users—AT&T—is selected by only 13 percent of respondents.

- Microsoft is also the second most popular choice, after AT&T, for future UCaaS provider among non-users. Overall, there appear to exist exceptionally positive perceptions of Microsoft UCaaS solutions among current and future users.

Source: Frost & Sullivan

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Executive Summary (continued)

Future Competitive Threats and Provider Competitive Strategies (continued)

- Google and Amazon may present a major competitive threat to current UCaaS providers in the future. A notable 89 percent of current UCaaS users report that they will consider Google and/or Amazon, if they launch UCaaS solutions. Even more surprising, more than half of those will consider these providers, even if their solution functionality and price are worse or comparable to what UCaaS users are receiving today.

- The survey data demonstrate that UCaaS buyers are highly savvy with high expectations of their UCaaS providers and services. They negotiate prices and are constantly looking to switch providers for lower prices, better service or specific features.

- UCaaS providers must strive to raise their brand recognition, improve service functionality, quality and reliability, diversify their overall solutions portfolio, and maintain competitive prices. They must remain acutely aware of the threat coming from Microsoft, Google and Amazon as well as preempt any customer desertion by offering creative packaging and pricing and paying close attention to specific customer needs.

Source: Frost & Sullivan

Survey Methodology and Sample Profile

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Survey Objectives

- The purpose of the UCaaS decision-maker survey was to gain a perspective from IT and telecom stakeholders on the adoption and effectiveness of UCaaS solutions, as well as the provider success factors in the U.S. UCaaS market. More specifically, the survey aimed to identify the following:

  - what factors drive and restrain UCaaS adoption

  - how extensive the UCaaS deployment within the organization is today and how it will change within the next two years

  - which UCaaS features decision makers find most valuable for their business or organization

  - how successful the UCaaS deployment has been and what actual benefits it has delivered to the organization

  - what prices businesses are paying for their UCaaS solutions and whether they consider them fair

  - how businesses prefer to purchase their UCaaS solutions (e.g., bundles vs a-la-carte features/services)

  - which UCaaS providers decision makers are familiar with, which ones they are using and which ones they perceive as best in class

  - whether they plan to switch UCaaS providers, what are the primary factors to switch, and which providers they plan to switch to

Source: Frost & Sullivan

Survey Methodology and Sample Size

Methodology

Internet panel interviews/online survey

Sample

n=184 interviews in total

Fieldwork

March 2018 to April 2018

Criteria for Participation

Decision maker for organization's IT and telecom-related services

Regions: United States

Note 1: The survey deliberately targeted UCaaS users. Therefore, the sample is comprised primarily of UCaaS users and only a small number of non-users. Thus, the related survey data are not reflective of UCaaS adoption rates.

Note 2: The questions discussing provider choices offered the option to select one of 20 leading U.S. providers or Other.

Note 3: Percentages in the charts do not always add to 100 percent due to rounding errors.

Source: Frost & Sullivan

Survey Sample Profile—Decision-maker Roles

Key Takeaway: The majority of survey respondents are primary decision makers for their company's IT/telecom investments.

Respondent Profile by Decision-making Role, U.S., 2018

71% — You are a primary decision maker for your company's IT/telecom-related purchases

29% — You are not the primary decision maker, but you are involved at some level in the company's IT/telecom-related purchases

Percentage of Survey
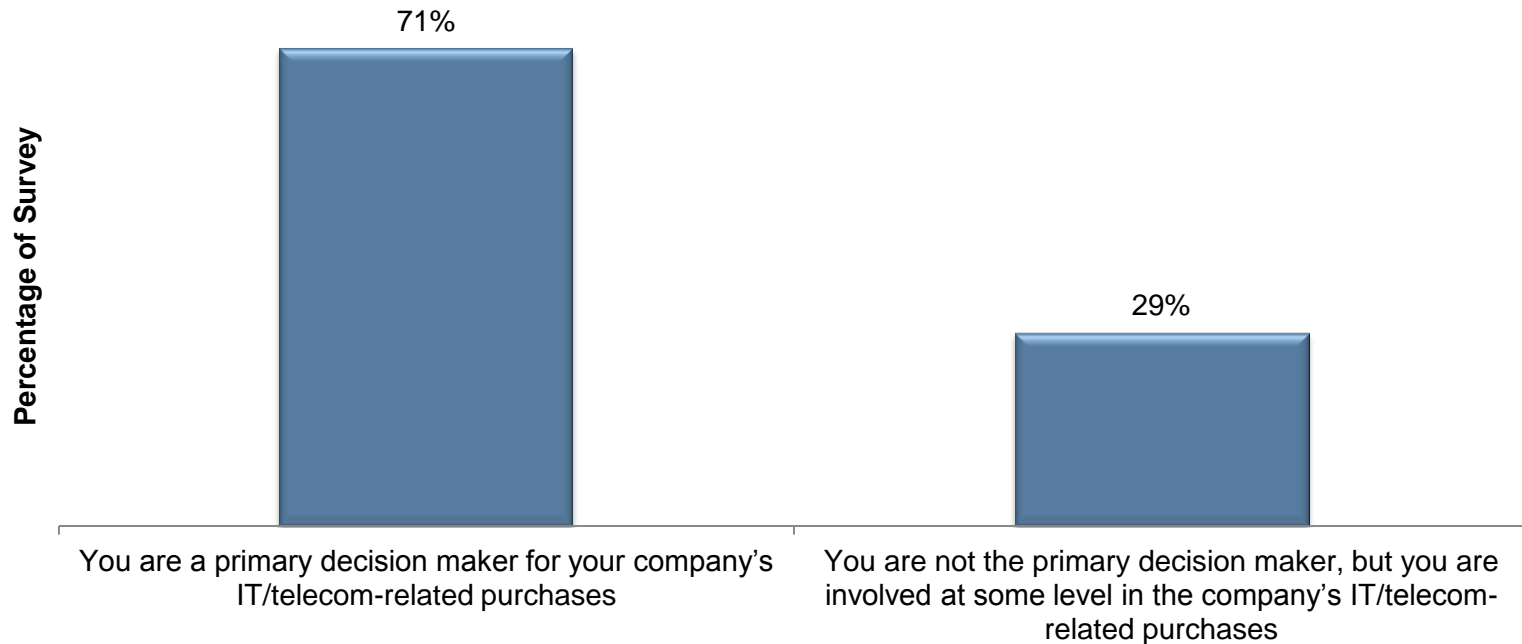
N=184

Q1 Which of the following statements best describes your level of involvement and authority within your organization as it relates to IT/telecom-related issues?

Survey Sample Profile—Respondent Industries

> **Key Takeaway: More than a quarter of survey respondents are from organizations in the IT/communications industry sector.**

Respondent Profile by Industry Sector, U.S., 2018

IT/Communication — 26%
Manufacturing — 13%
Other — 12%
Banking / Insurance / Finance — 10%
Retail — 10%
Healthcare — 10%
Education — 9%
Travel/Transportation — 5%
Government — 3%
Energy/Utilities — 2%

Percentage of Survey

N=184
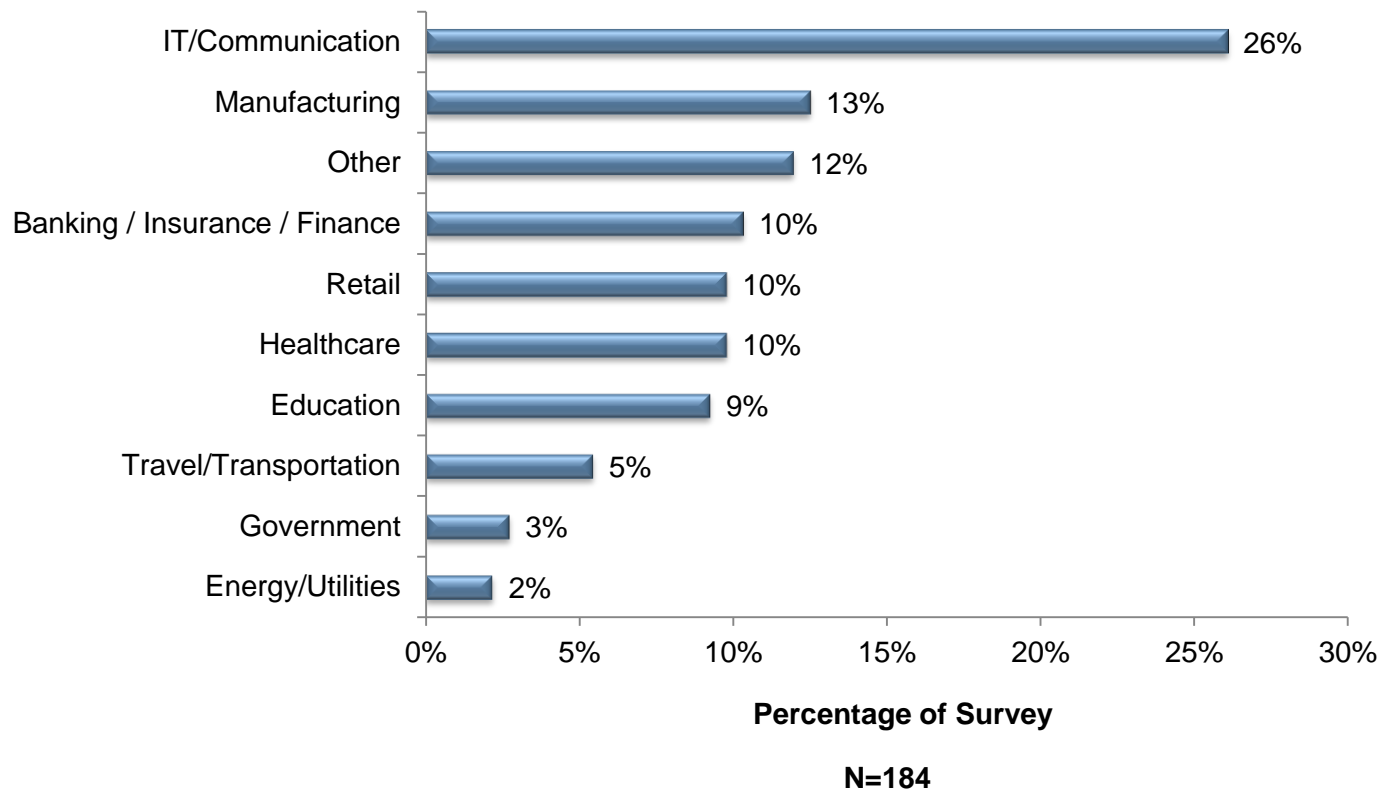
Q2 Which one of the following industry sectors best describes your company?

Survey Sample Profile—Size of Business

Key Takeaway: The sample represents a relatively balanced mix of business sizes.

Respondent Profile by Business Size, U.S., 2018

N=184
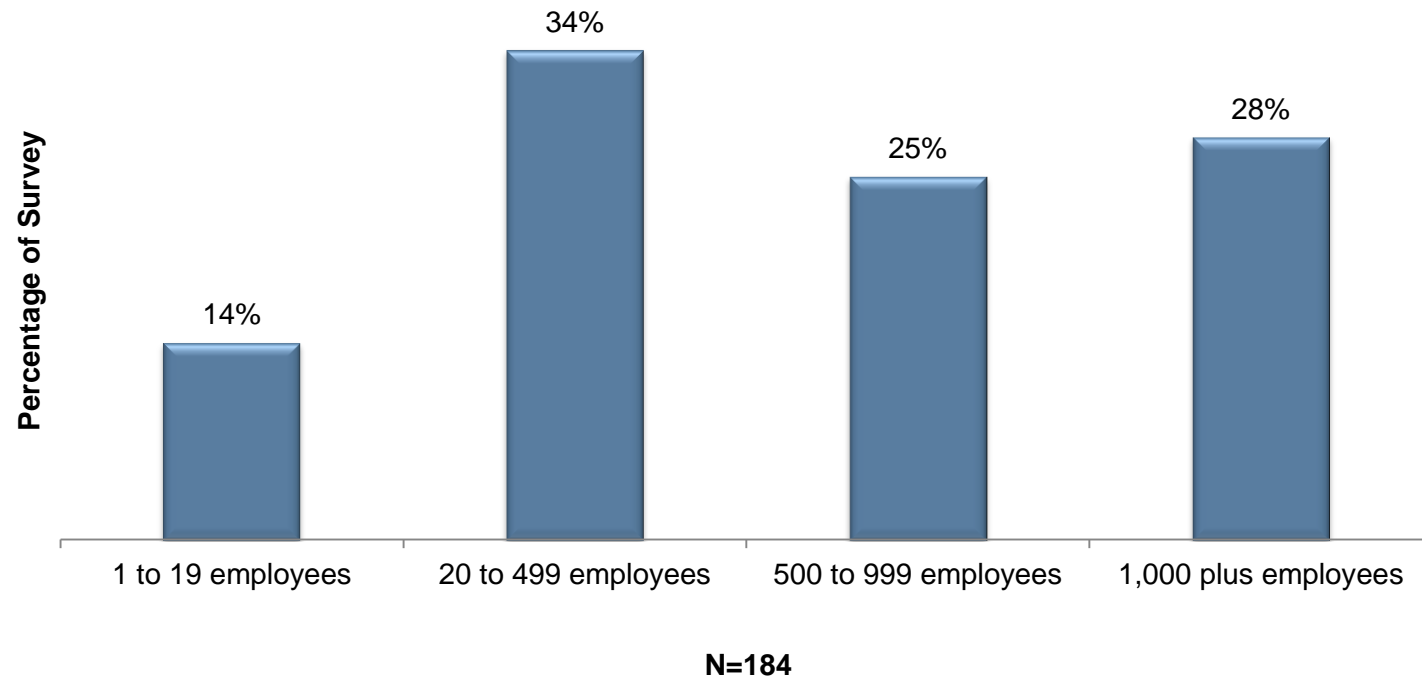
Q3 What is the number of employees across your entire organization worldwide, including all of its branches, divisions, and subsidiaries?

Survey Sample Profile—Number of Business Locations

Key Takeaway: Two-thirds of the survey sample was comprised of highly distributed businesses with more than three business sites.

Respondent Profile by Number of Business Sites, U.S., 2018

Bar chart showing Percentage of Survey:
- <3: 34%
- 4-6: 27%
- 7-10: 16%
- >10: 23%

N=184
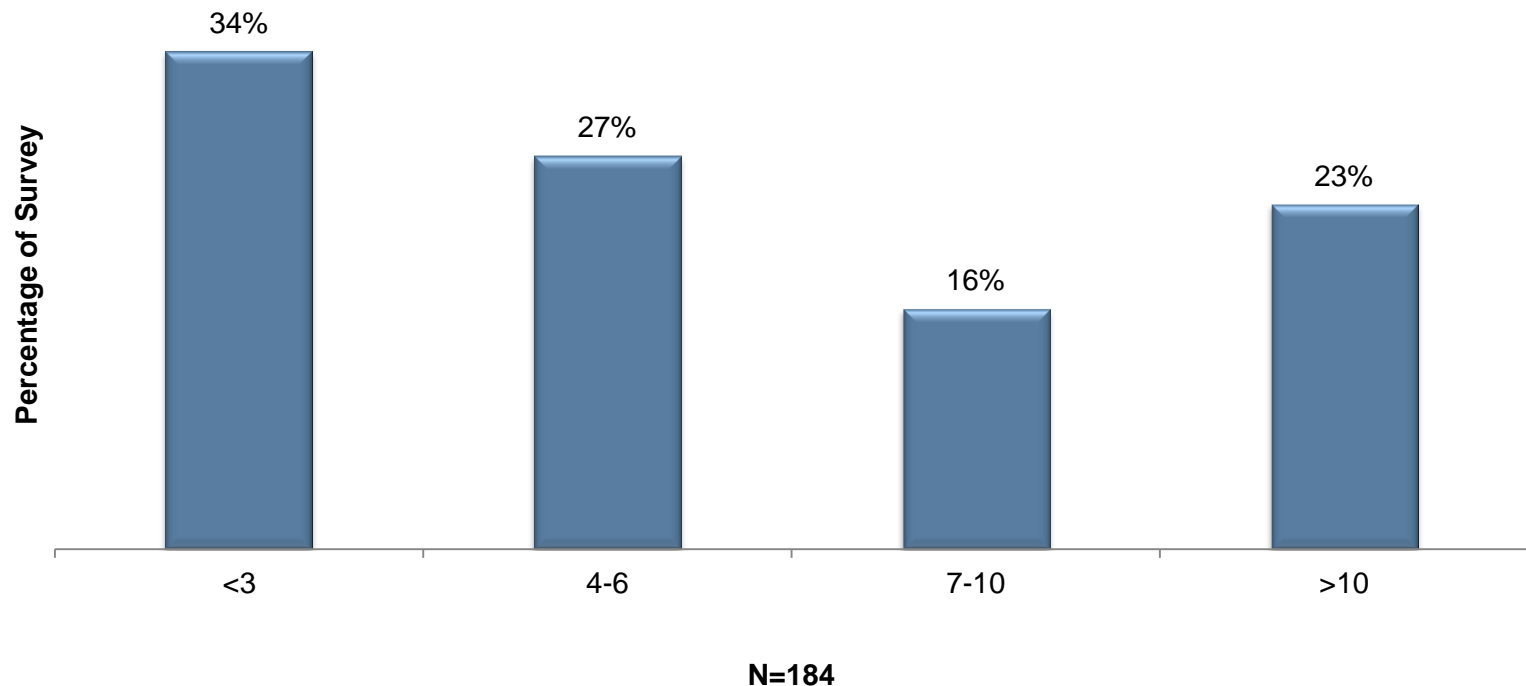
Q4 How many offices does your company have?

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UCaaS Provider Familiarity, Recent Sales Contact and Adoption

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Decision-maker Familiarity with UCaaS Providers

Key Takeaway: Household brands top the list of UCaaS providers with which respondents are most familiar.

Familiarity with UCaaS Providers, U.S., 2018

Provider	Percentage
AT&T	80%
Microsoft	77%
Comcast	68%
Vonage	55%
CenturyLink	50%
Windstream	28%
Nextiva	23%
Intermedia	22%
NetFortris	21%
Mitel	21%
Fuze	21%
TDS Telecom	20%
Momentum Telecom	20%
TPx Communications	18%
Jive Communications	17%
RingCentral	16%
Evolve IP	16%
Star2Star	15%
West	14%
8x8	13%
Other	2%

Percentage of Survey
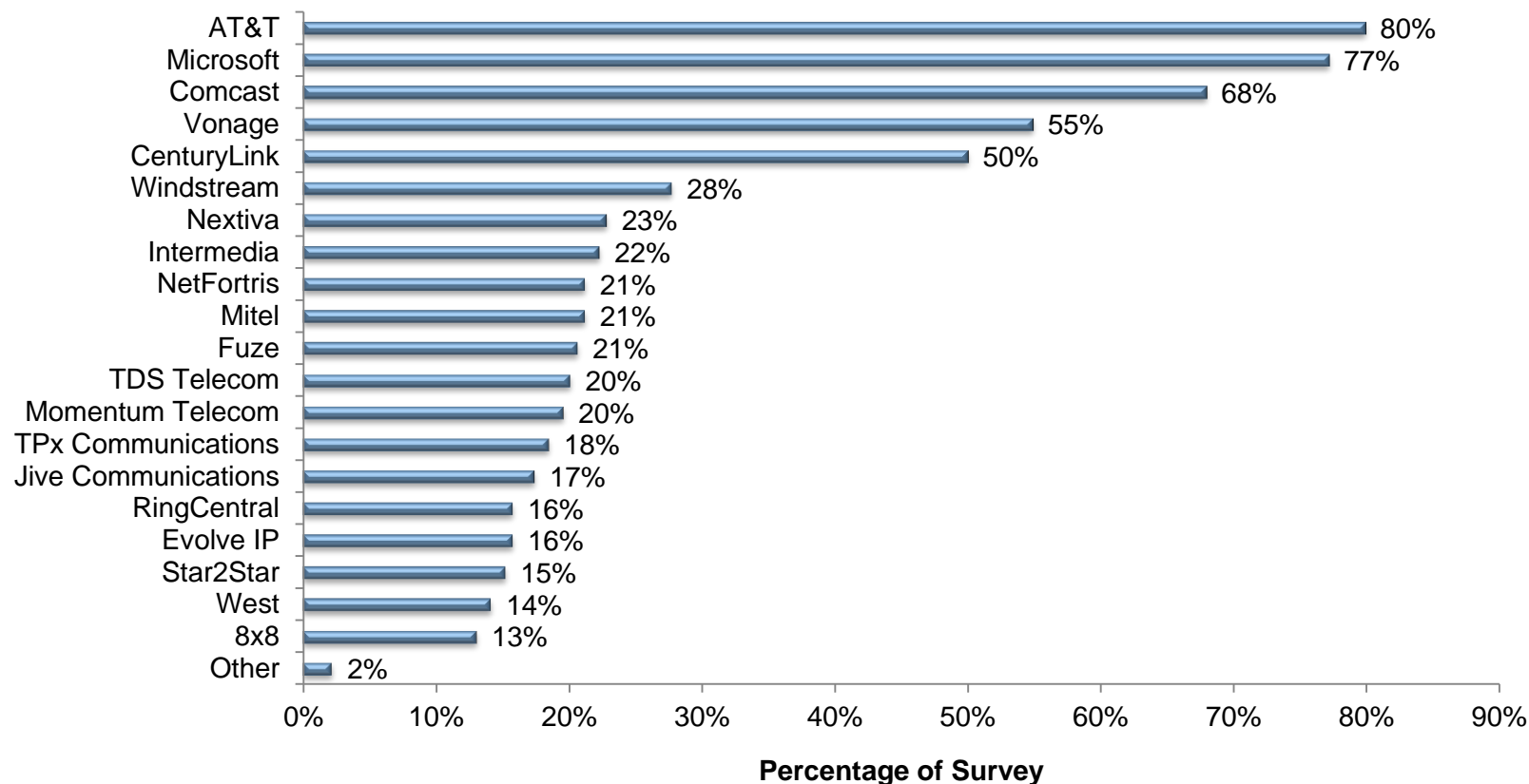
N=184

Q5 Which UCaaS providers are you currently most familiar with?
Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Source: Frost & Sullivan

UCaaS Provider Sales Outreach

Key Takeaway: Providers that were most active in the past six months were also reported as most familiar brands. A notable 20 percent of respondents have not been contacted by any of the top UCaaS providers.

UCaaS Provider Who Made a Sales Pitch in the Past 6 Months, U.S., 2018

Provider	Percentage
AT&T	46%
Comcast	37%
Microsoft	35%
CenturyLink	21%
No contact from any of these companies	20%
Vonage	16%
8x8	11%
Windstream	10%
TDS Telecom	9%
RingCentral	9%
NetFortris	9%
Mitel	8%
Intermedia	8%
Fuze	8%
Evolve IP	8%
TPx Communications	6%
Star2Star	5%
Nextiva	5%
West	4%
Jive Communications	4%
Momentum Telecom	4%
Other	1%

Percentage of Survey
N=184

Q6 In the past 6 months, have you been contacted by a sales representative from any of these companies?
Note: Respondents had the option to select one of 20 leading U.S. providers, Other or No contact from these companies.

Source: Frost & Sullivan

Perceptions of UCaaS Providers

> **Key Takeaway: AT&T and Microsoft lead by a large margin in terms of best-in-class perceptions, perhaps due to their strong brands as well as their recent activities in the UCaaS space.**

Best-in-Class UCaaS Providers, U.S., 2018

Provider	Percentage
AT&T	32%
Microsoft	28%
Comcast	10%
CenturyLink	5%
RingCentral	3%
Intermedia	3%
Evolve IP	3%
Vonage	2%
TDS Telecom	2%
8x8	2%
Other	2%
Windstream	2%
Nextiva	2%
West	1%
Momentum Telecom	1%
Mitel	1%
TPx Communications	1%
Jive Communications	1%
Fuze	1%

Percentage of Survey
N=184
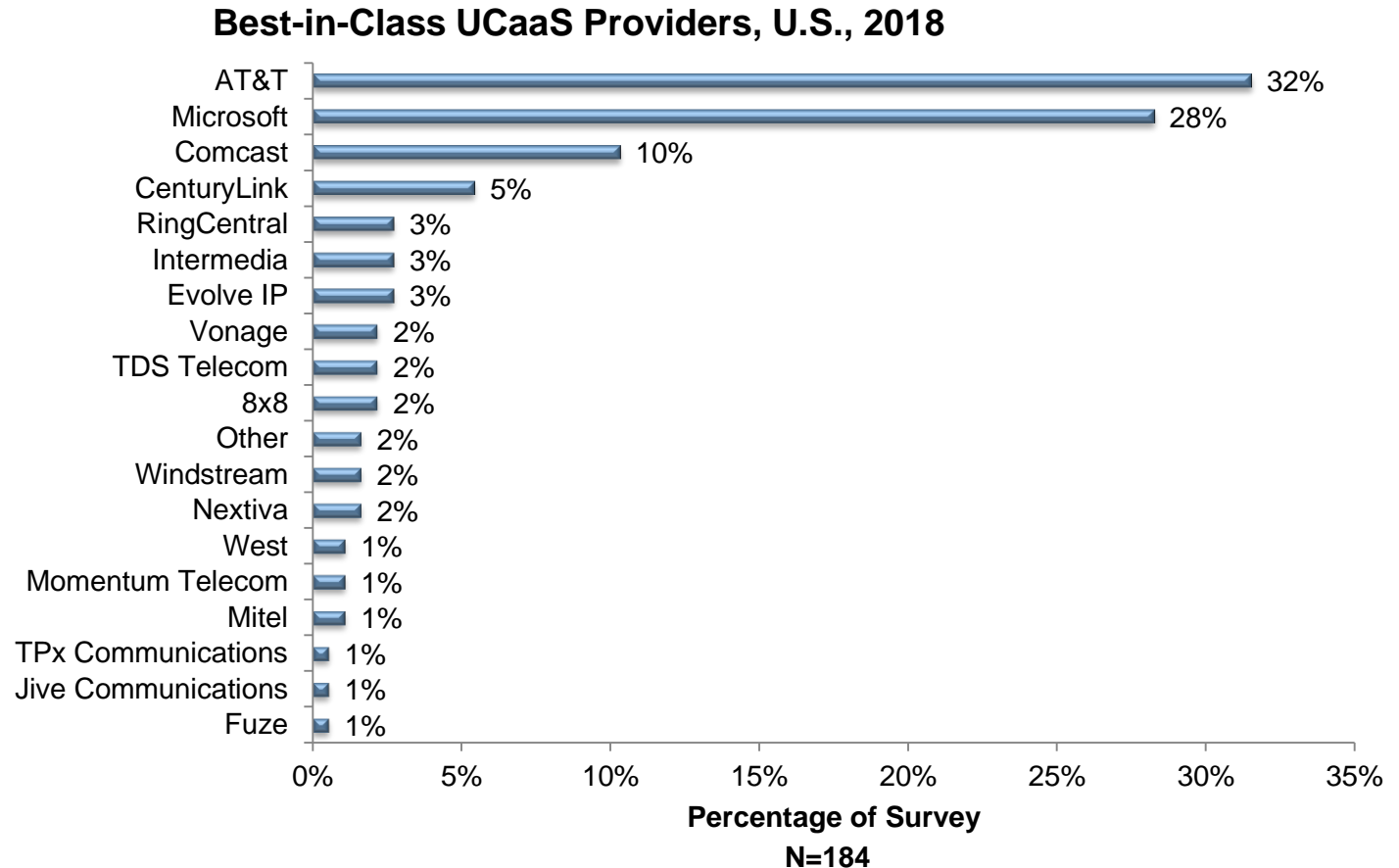
Q7 In your opinion, who do you consider to be the best-in-class UCaaS provider?
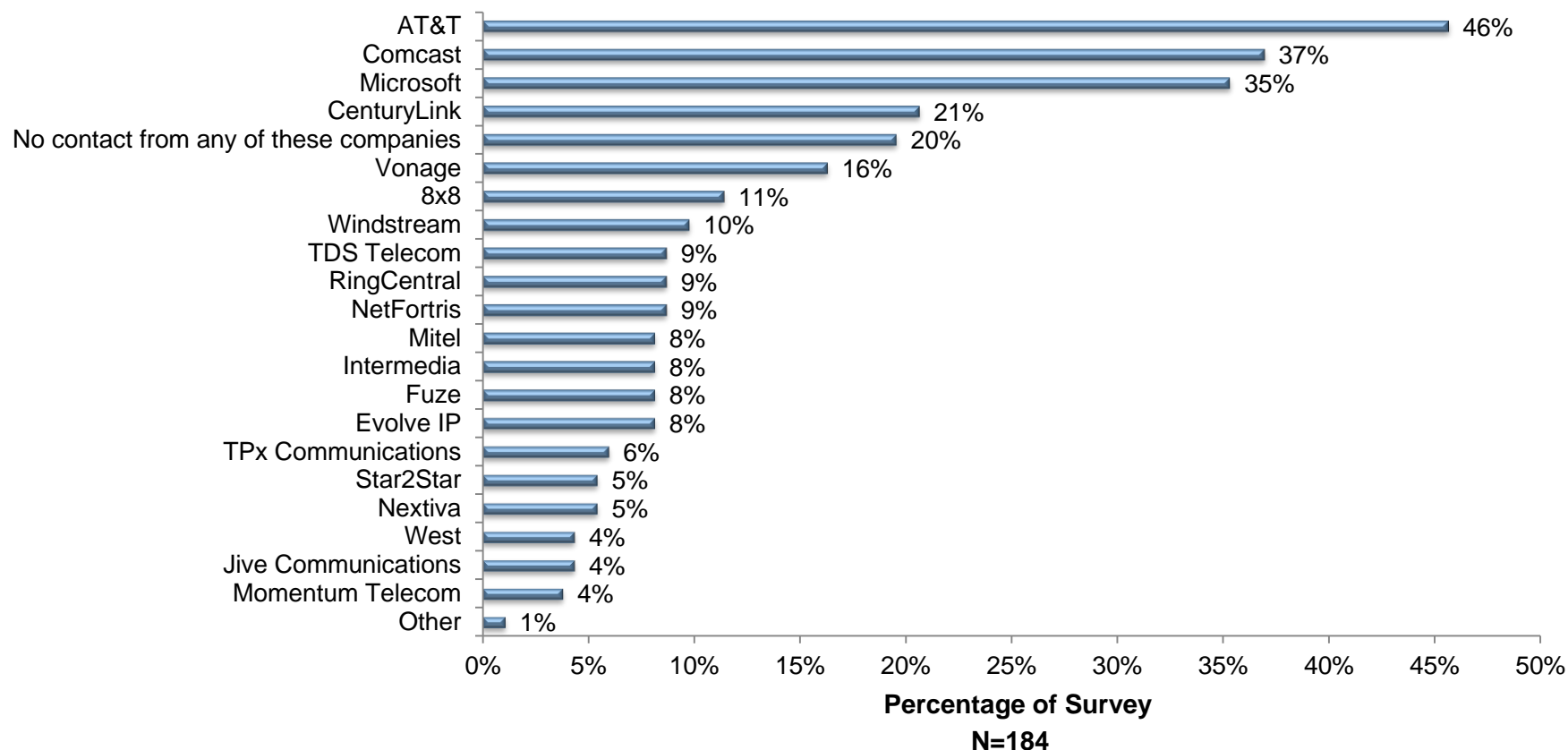Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Source: Frost & Sullivan

UCaaS Adoption

Key Takeaway: By design the survey sample was dominated by current UCaaS users and businesses planning to deploy UCaaS in the next two years.

UCaaS Adoption, U.S., 2018

N=184
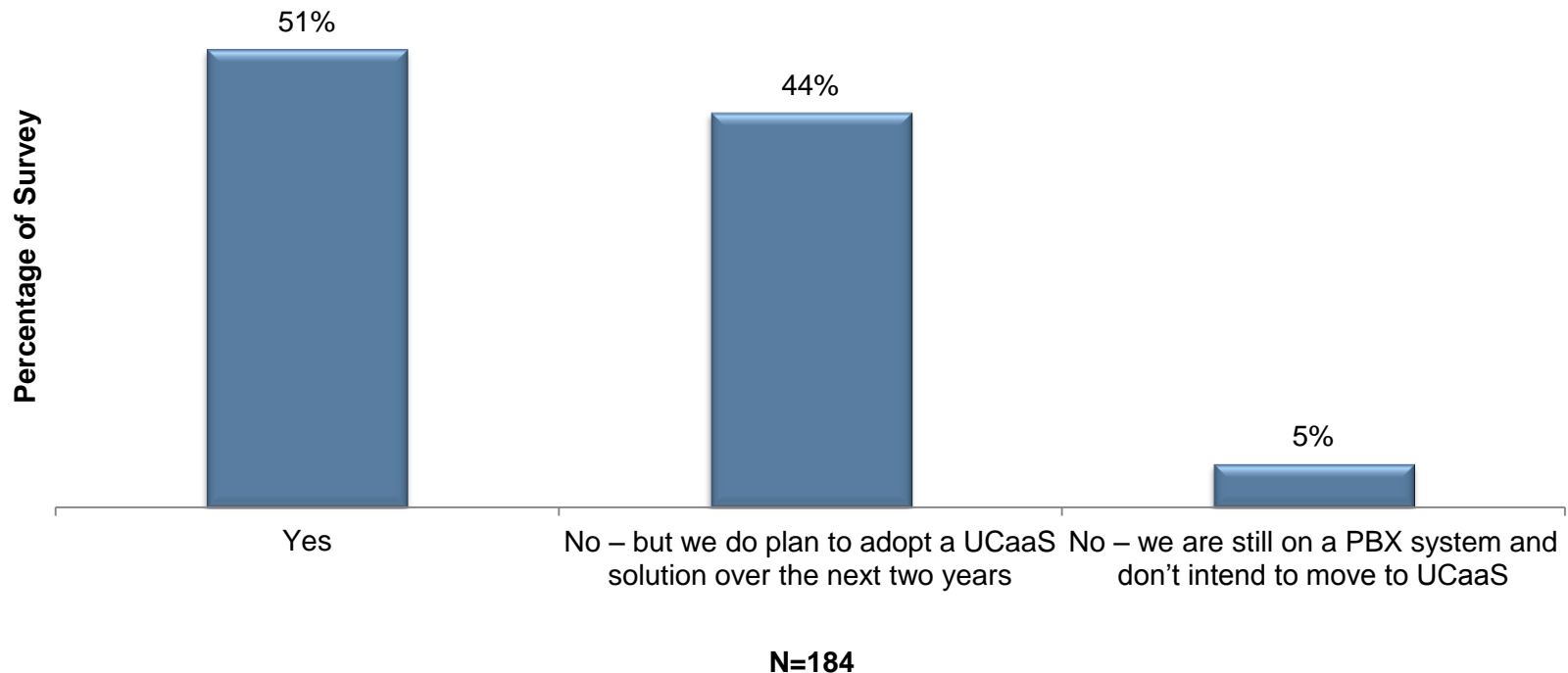
Q8 Do you currently use a UCaaS (Unified Communications-as-a-Service) solution?

UCaaS User Perceptions and Investment Plans

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Top Reasons to Adopt UCaaS

Key Takeaway: As expected, operational efficiencies top the list of perceived UCaaS benefits. Surprisingly, UCaaS is also perceived as more secure than alternative solutions.

Top Reasons to Adopt UCaaS, U.S., 2018

Reason	Percentage
It's easier for IT to manage	43%
UCaaS is more secure	39%
Ability to reduce costs	36%
It allows us to gain access to newer features faster	31%
It's a benefit for remote and mobile employees	30%
It allows more flexible integrations with third-party software	28%
It allows us to better focus on our core business	26%
It allows us to scale up and down more easily and cost effectively	26%
It offers a better selection of endpoints (from a variety of vendors rather than just one)	22%
It enables more effective customization	20%
Other	0%

Percentage of Sub-Survey

N=94

Q9 What are the top three reasons you use UCaaS for some or all of your communications?

Source: Frost & Sullivan

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Current UCaaS Providers

Current UCaaS Providers, U.S., 2018

Provider	Percentage
AT&T	39%
Comcast	22%
CenturyLink	14%
Windstream	3%
RingCentral	3%
Microsoft	3%
8x8	3%
Others	2%
Vonage	2%
West	1%
TPx Communications	1%
Mitel	1%
Jive Communications	1%
Intermedia	1%
Fuze	1%
Evolve IP	1%

Percentage of Sub-Survey

N=94
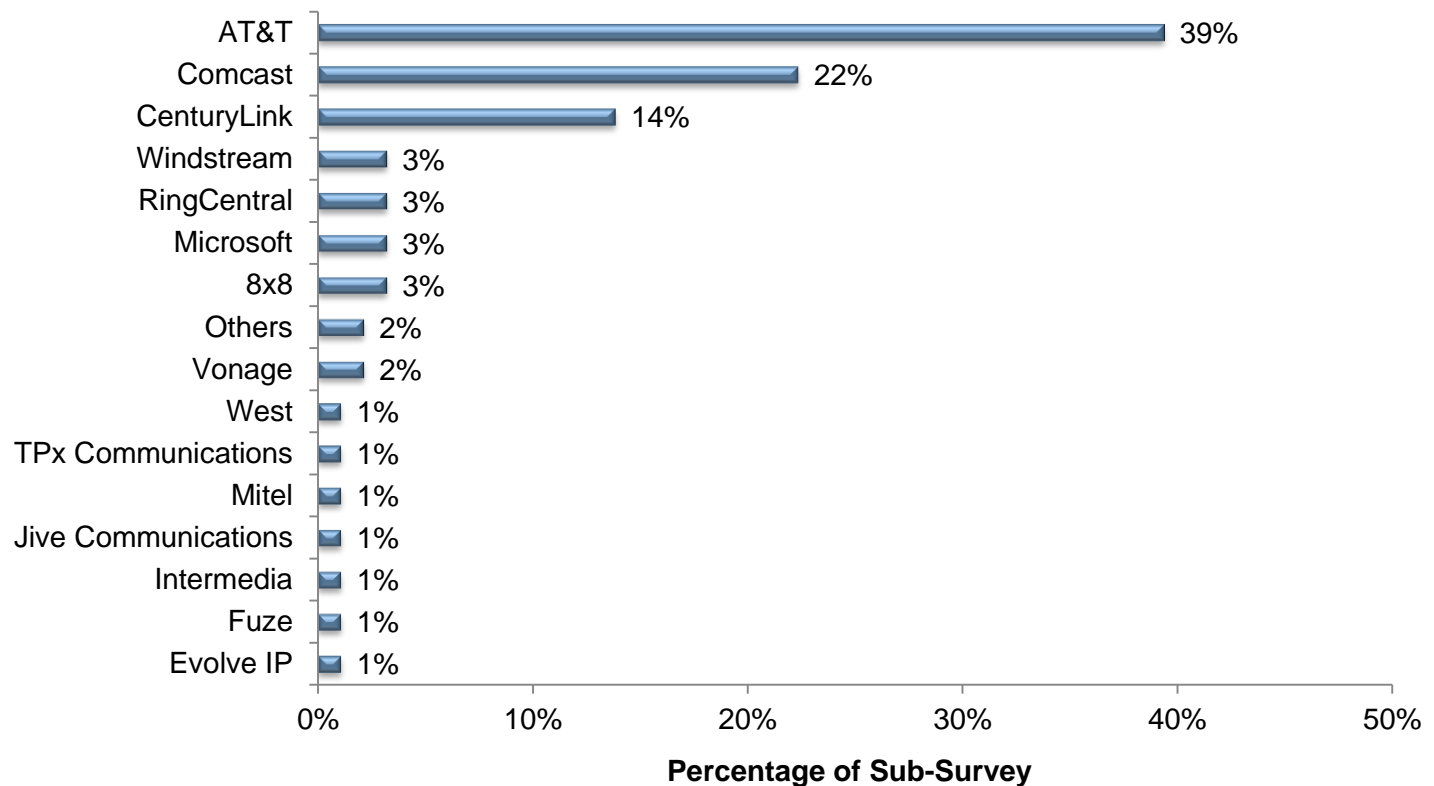
Q10 Who is your current UCaaS Provider?
Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Source: Frost & Sullivan

Time Length of Using UCaaS

Key Takeaway: Survey data show accelerated UCaaS adoption in recent years. The gap in UCaaS adoption in 2003 and 2009 may be due to macro-economic factors.

Time When UCaaS was Adopted, U.S., 2000–2017

Year	Percentage
2017	20%
2016	14%
2015	16%
2014	4%
2013	11%
2012	3%
2011	4%
2010	4%
2009	0%
2008	3%
2007	3%
2006	4%
2005	3%
2004	4%
2003	0%
2002	2%
2001	1%
2000	2%

Percentage of Sub-Survey

N=94
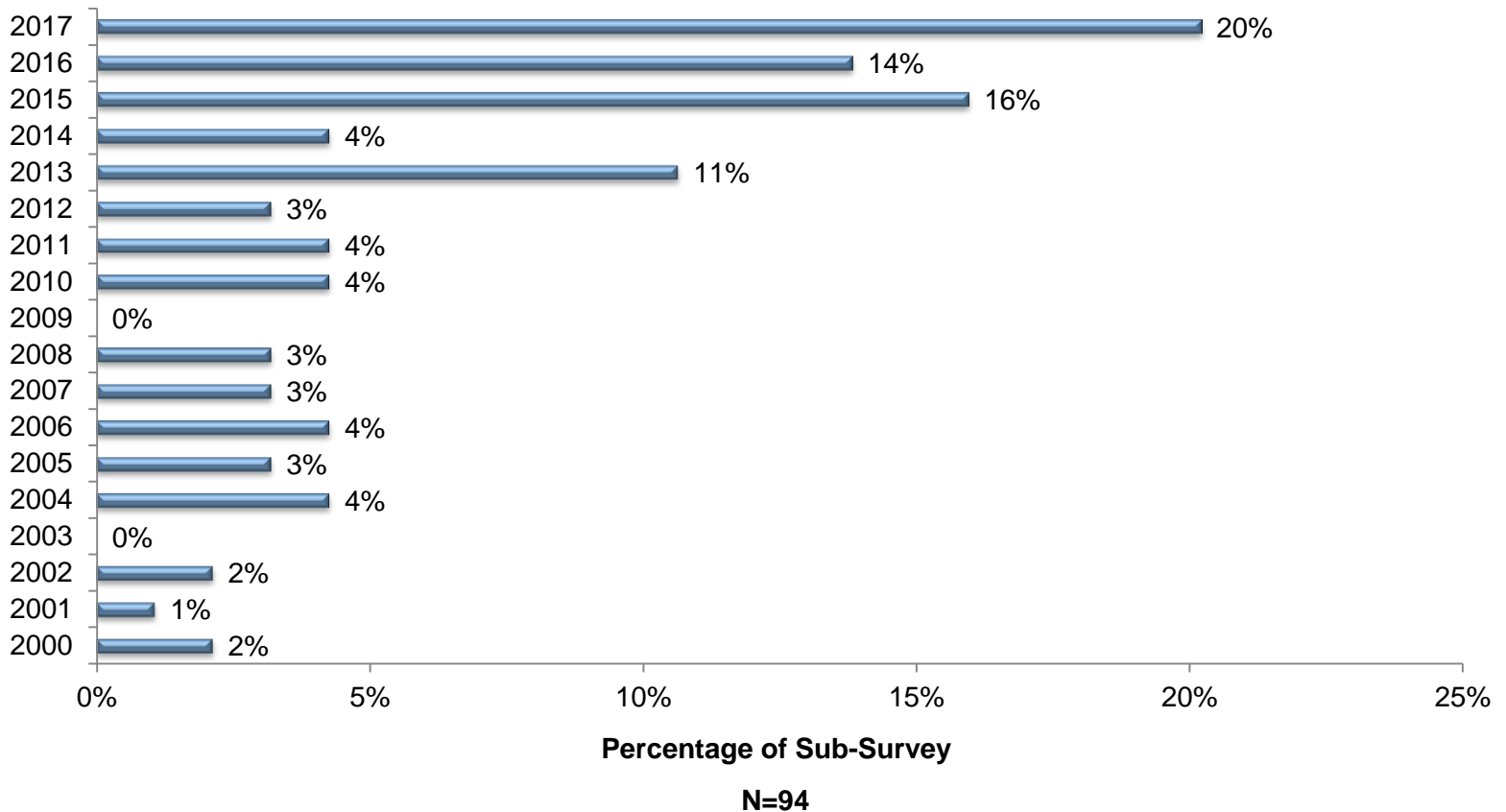
Q11b When did you adopt UCaaS?

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UCaaS Adoption within the Organization

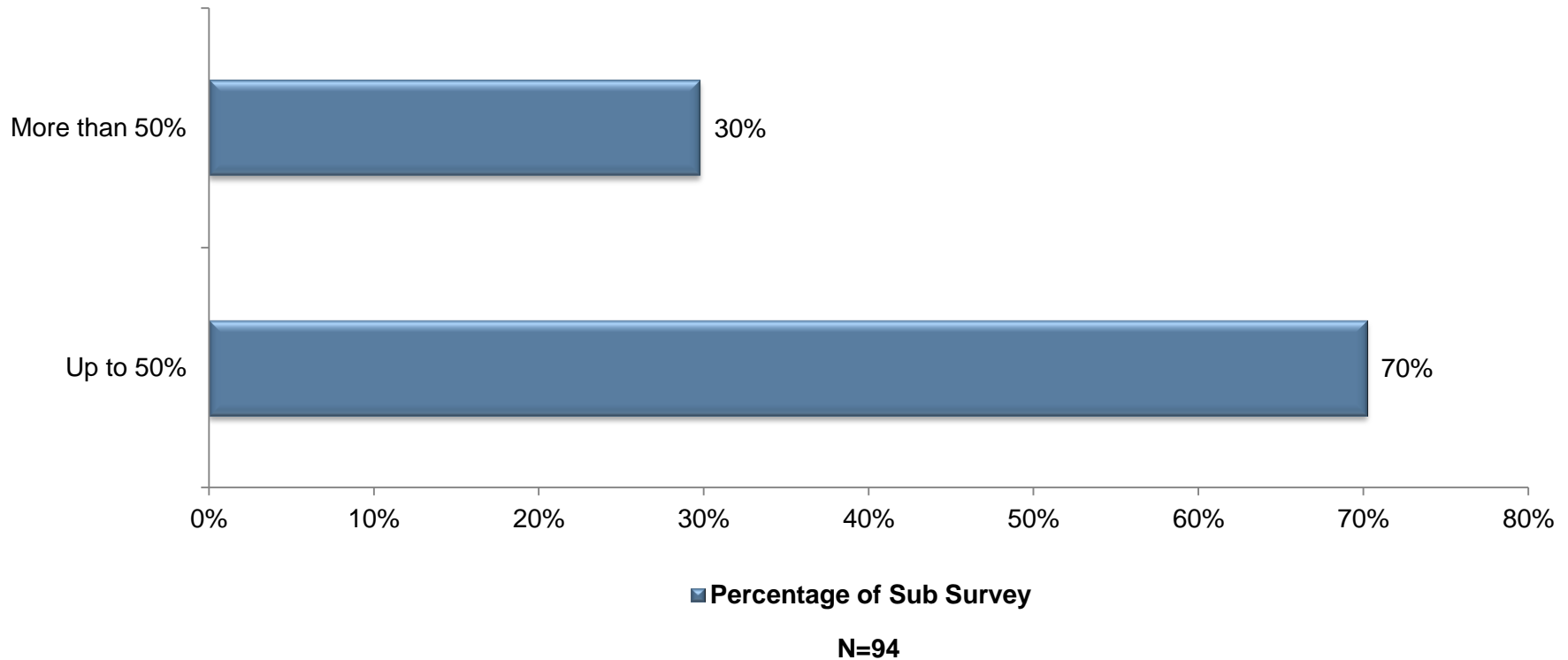> **Key Takeaway: UCaaS penetration is still limited within customer organizations. Most businesses, particularly multi-site organizations, typically migrate to the cloud only gradually as their existing solutions reach end of life.**

Percent of UCaaS Users within the Next 12 Months, U.S., 2018

More than 50% — 30%

Up to 50% — 70%

■ **Percentage of Sub Survey**

N=94

Q12b What % of all employees (up to 100%) do you expect to have deployed on the UCaaS service in the next 12 months?

Source: Frost & Sullivan

UCaaS Provider Selection Factors

Key Takeaway: Vendor reputation stands out as the most influential factor early in the process of selecting a UCaaS provider.

UCaaS Provider Selection Factors Early in the Process, U.S., 2018
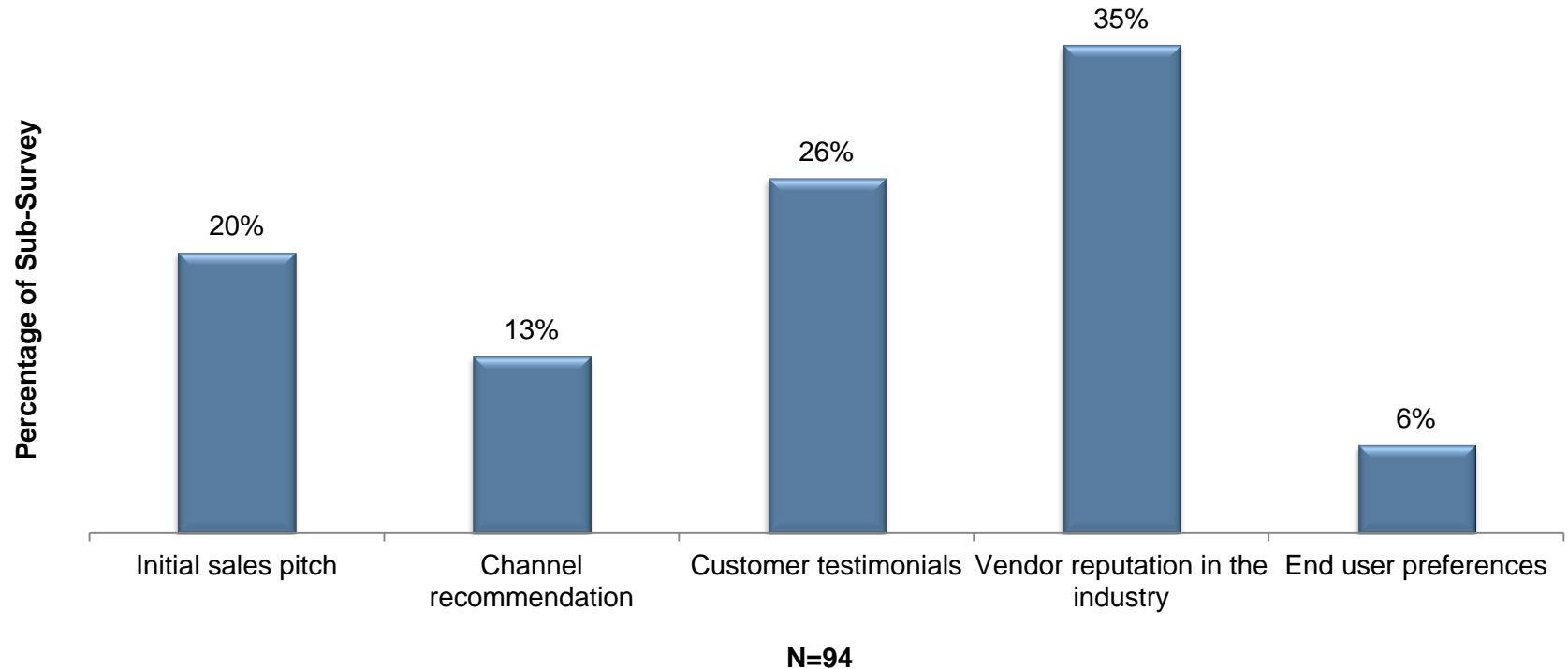
Q13 Which factor plays the largest role early in the process of selecting a UCaaS provider??

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UCaaS Provider Selection Factors (continued)

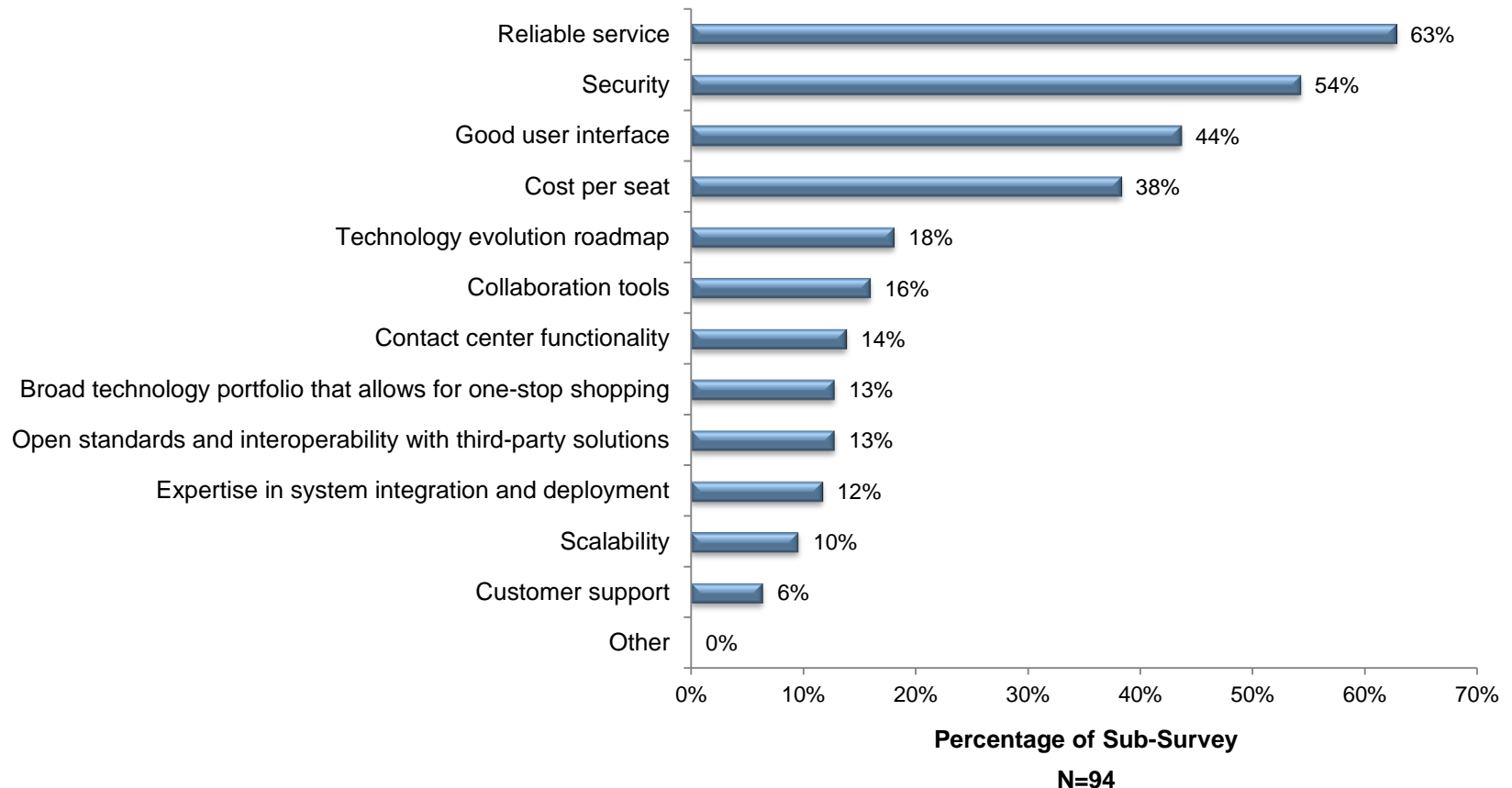> **Key Takeaway: Service reliability, security, and price, as well as good user experience are clearly critical factors for provider success.**

Decision-making Factors in Final UCaaS Provider Selection, U.S., 2018

Factor	Percentage
Reliable service	63%
Security	54%
Good user interface	44%
Cost per seat	38%
Technology evolution roadmap	18%
Collaboration tools	16%
Contact center functionality	14%
Broad technology portfolio that allows for one-stop shopping	13%
Open standards and interoperability with third-party solutions	13%
Expertise in system integration and deployment	12%
Scalability	10%
Customer support	6%
Other	0%

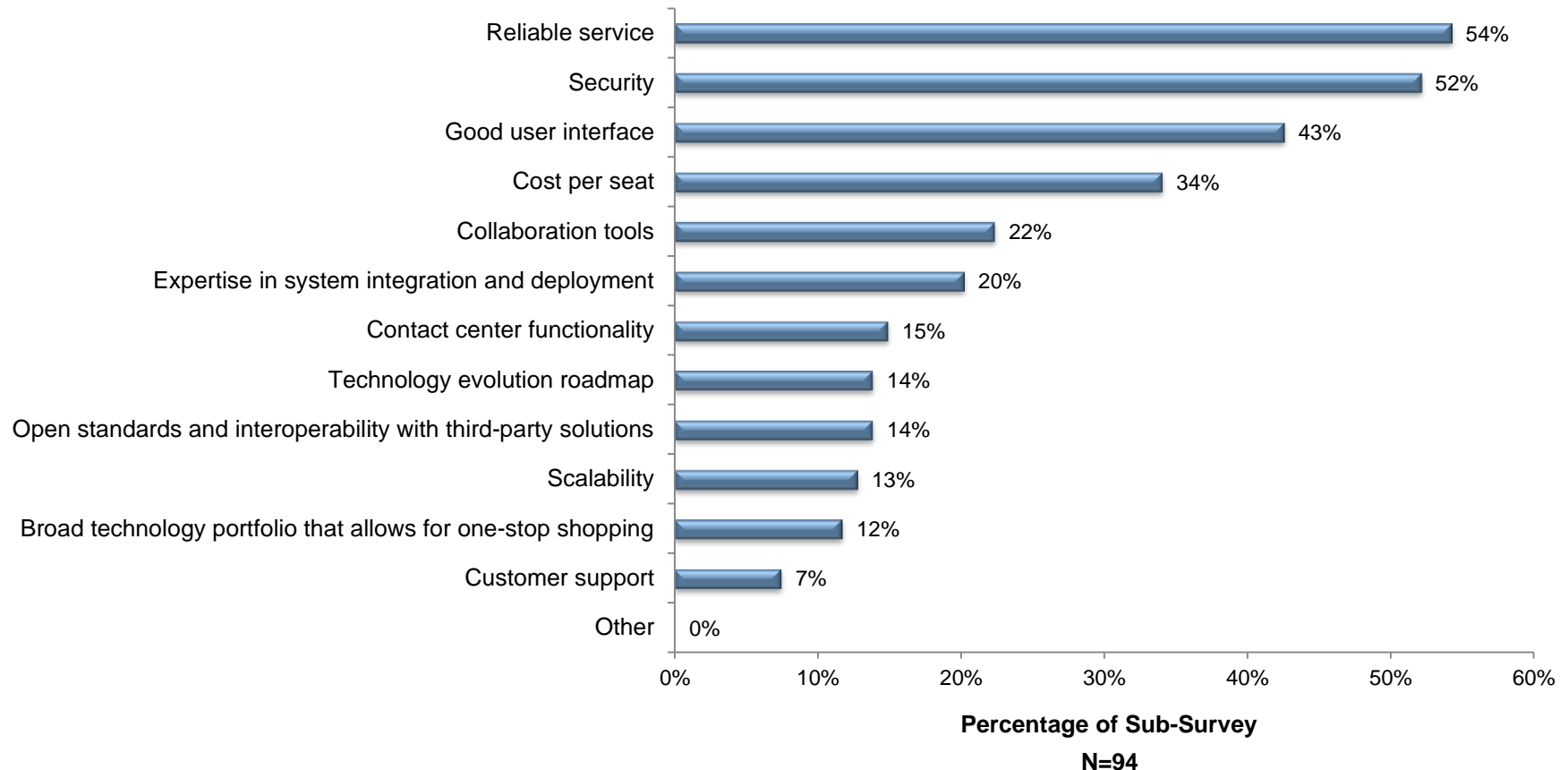**Percentage of Sub-Survey**

N=94

Q14 What were your top three decision-making factors in the final selection of a UCaaS provider?

Source: Frost & Sullivan

Actual Service Provider Attributes Delivered to Date

Key Takeaway: More than half of survey respondents report that their providers have delivered the expected service reliability and security. More than one-third are satisfied with the user experience and service price.

Actual Attributes Delivered to Date, U.S., 2018

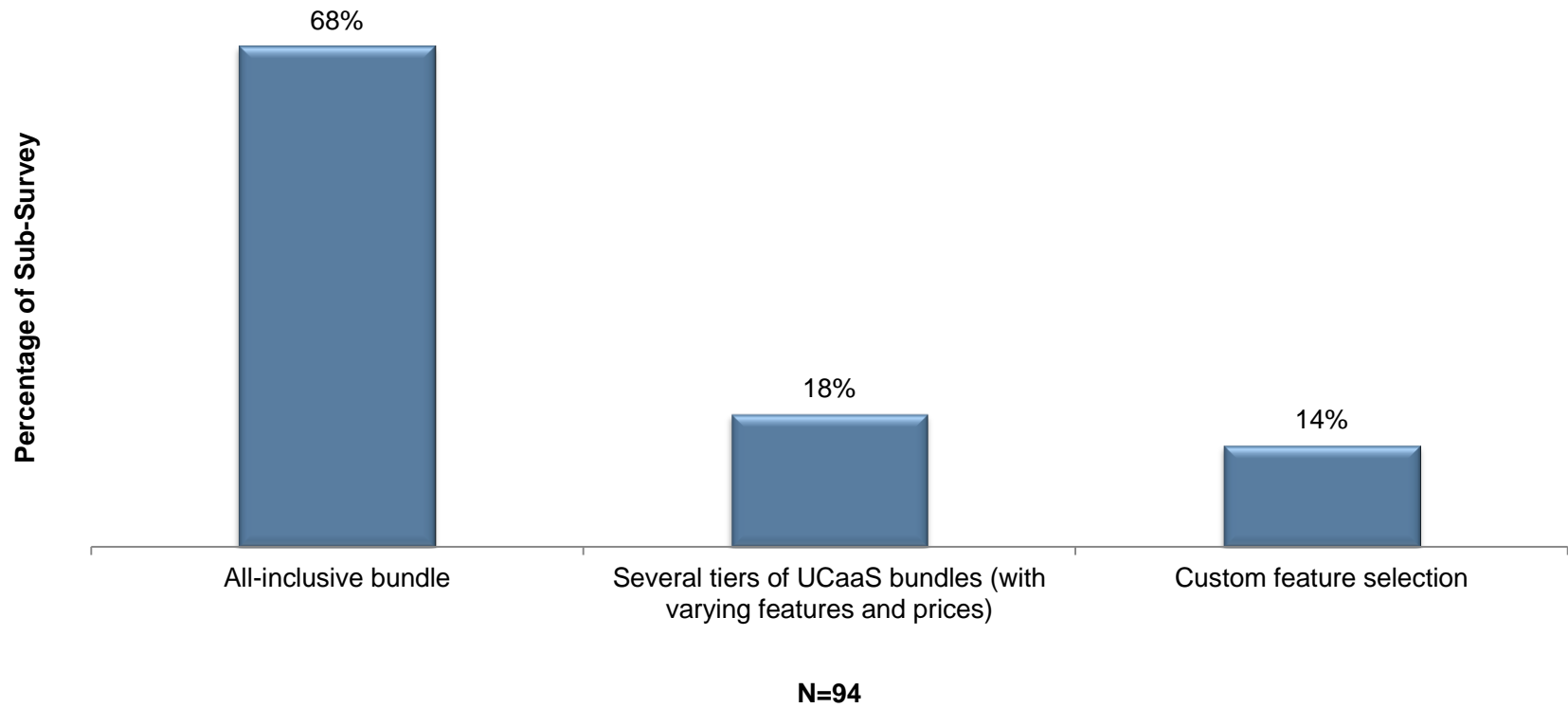| Attribute	Percentage
Reliable service	54%
Security	52%
Good user interface	43%
Cost per seat	34%
Collaboration tools	22%
Expertise in system integration and deployment	20%
Contact center functionality	15%
Technology evolution roadmap	14%
Open standards and interoperability with third-party solutions	14%
Scalability	13%
Broad technology portfolio that allows for one-stop shopping	12%
Customer support	7%
Other	0%

Percentage of Sub-Survey

N=94

Q15 Which of the following attributes has your UCaaS provider actually delivered to date??

Source: Frost & Sullivan

Customer UCaaS Purchase Preferences

Key Takeaway: The vast majority of UCaaS buyers prefer all-inclusive bundles, which simplify budgeting and license management.

Customer UCaaS Purchase Preferences, U.S., 2018

Percentage of Sub-Survey

68% — All-inclusive bundle
18% — Several tiers of UCaaS bundles (with varying features and prices)
14% — Custom feature selection

N=94
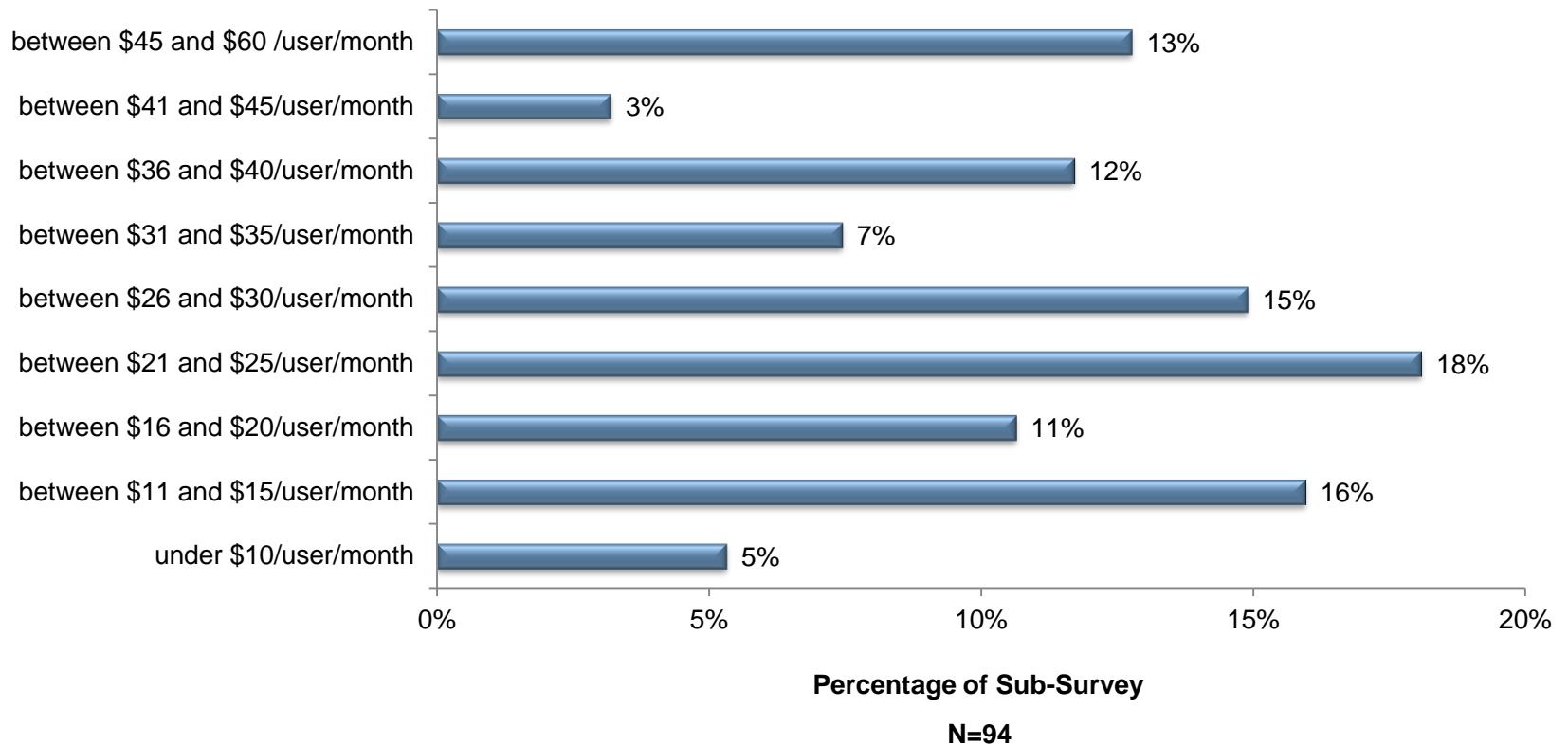
Q16 How do you prefer to purchase UCaaS??

Source: Frost & Sullivan

Average Monthly UCaaS Price per User

Key Takeaway: Average monthly UCaaS prices vary significantly. The weighted average price across respondents is approximately $24/user/month.

Average Monthly UCaaS Price per User, U.S., 2018

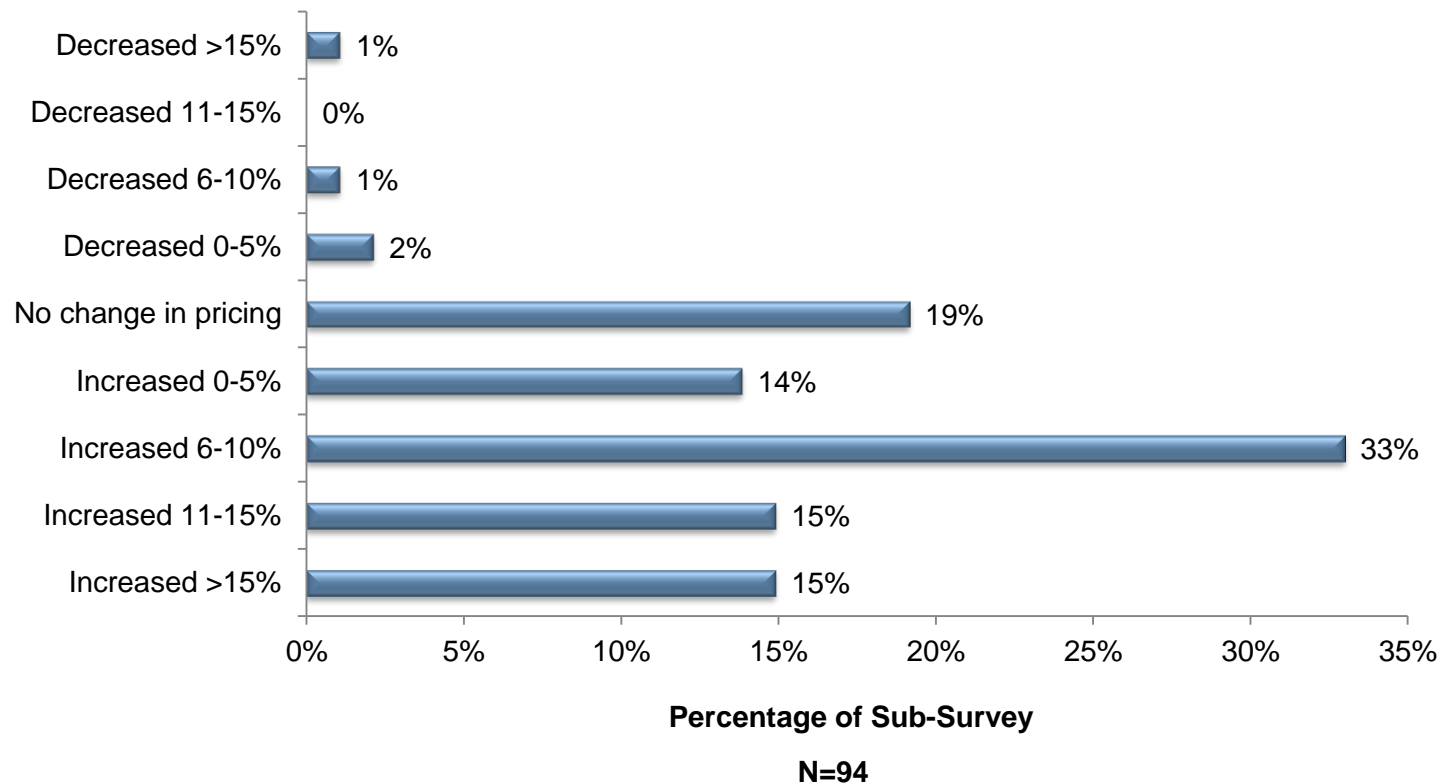| Price Range	Percentage
between $45 and $60 /user/month	13%
between $41 and $45/user/month	3%
between $36 and $40/user/month	12%
between $31 and $35/user/month	7%
between $26 and $30/user/month	15%
between $21 and $25/user/month	18%
between $16 and $20/user/month	11%
between $11 and $15/user/month	16%
under $10/user/month	5%

Percentage of Sub-Survey

N=94

Q17 What is the average MONTHLY price per user (ARPU) you are paying to your UCaaS provider? Please include calling charges (bucket of minutes or unlimited calling), but exclude connectivity and bandwidth charges.

Source: Frost & Sullivan

Price Change Since the Beginning of the Contract

Key Takeaway: More than three-quarters of UCaaS users have experienced price increases over the course of their service contracts. Most commonly, UCaaS prices increased between six and ten percent.

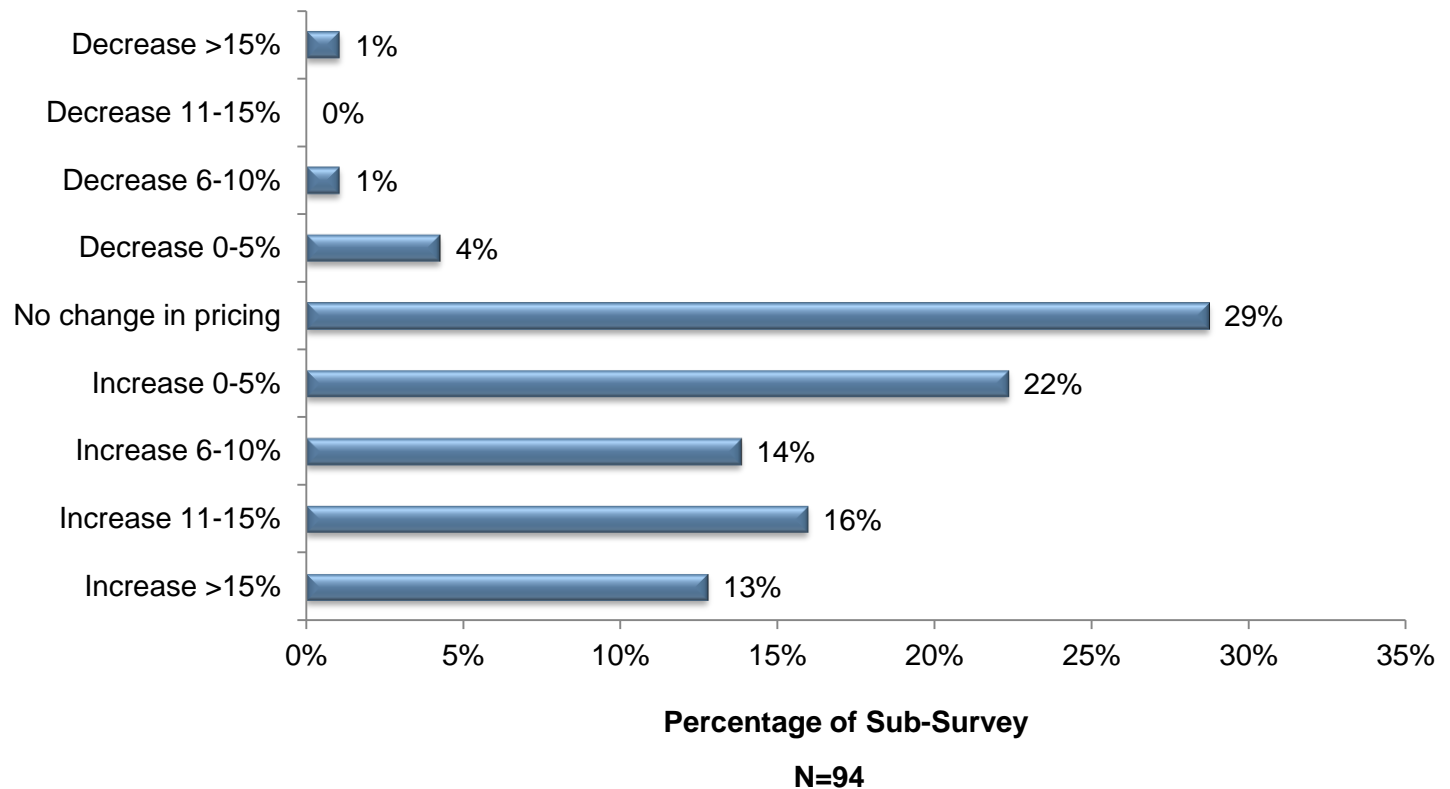### Price Change Since the Beginning of the Contract, U.S., 2018

Category	Percentage
Decreased >15%	1%
Decreased 11-15%	0%
Decreased 6-10%	1%
Decreased 0-5%	2%
No change in pricing	19%
Increased 0-5%	14%
Increased 6-10%	33%
Increased 11-15%	15%
Increased >15%	15%

Percentage of Sub-Survey

N=94

Q18a How has your UCaaS provider changed its pricing since you started your contract??

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Expected Price Change in the Next 12 Months

Key Takeaway: More than two-thirds of UCaaS users expect their service prices to increase in the next 12 months.

### Expected Price Change in the Next 12 Months, U.S., 2018

Category	Percentage
Decrease >15%	1%
Decrease 11-15%	0%
Decrease 6-10%	1%
Decrease 0-5%	4%
No change in pricing	29%
Increase 0-5%	22%
Increase 6-10%	14%
Increase 11-15%	16%
Increase >15%	13%

Percentage of Sub-Survey

N=94

Q18b How do you expect your UCaaS provider pricing to change in the next 12 months?

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Price Negotiations and Outcomes

Key Takeaway: Most UCaaS buyers negotiate their service price and a notable 70 percent succeed in obtaining a discount.

UCaaS Price Negotiations and Outcomes, U.S., 2018

Percentage of Sub-Survey

N=94
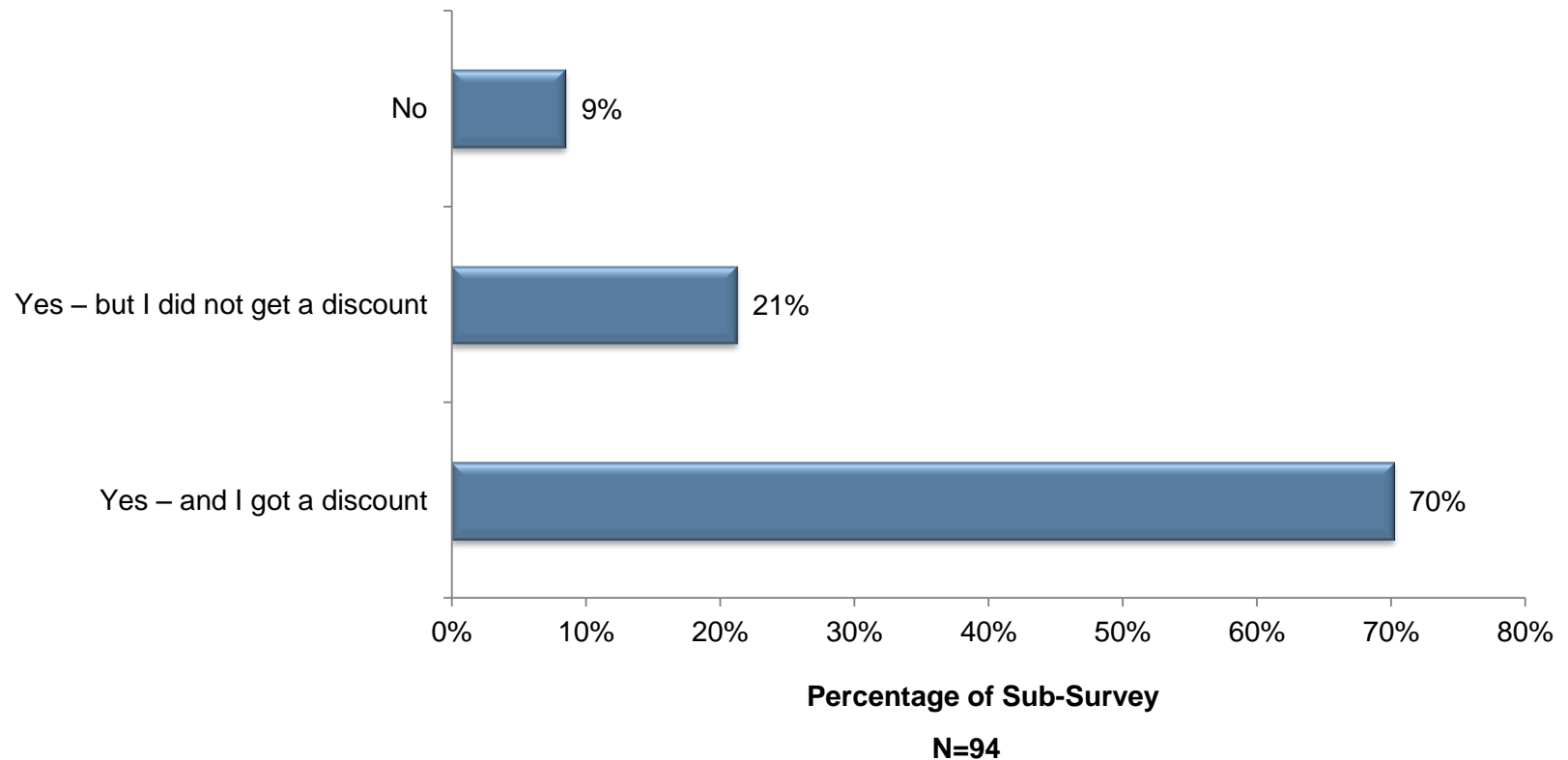
Q19 Did you negotiate your contract?

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Estimated Price Discount Received

Key Takeaway: Most commonly, UCaaS buyers negotiated price discounts of six to 15 percent. No one obtained a discount of more than 25 percent.

Estimated UCaaS Price Discount Received, U.S., 2018

Percentage of Sub-Survey
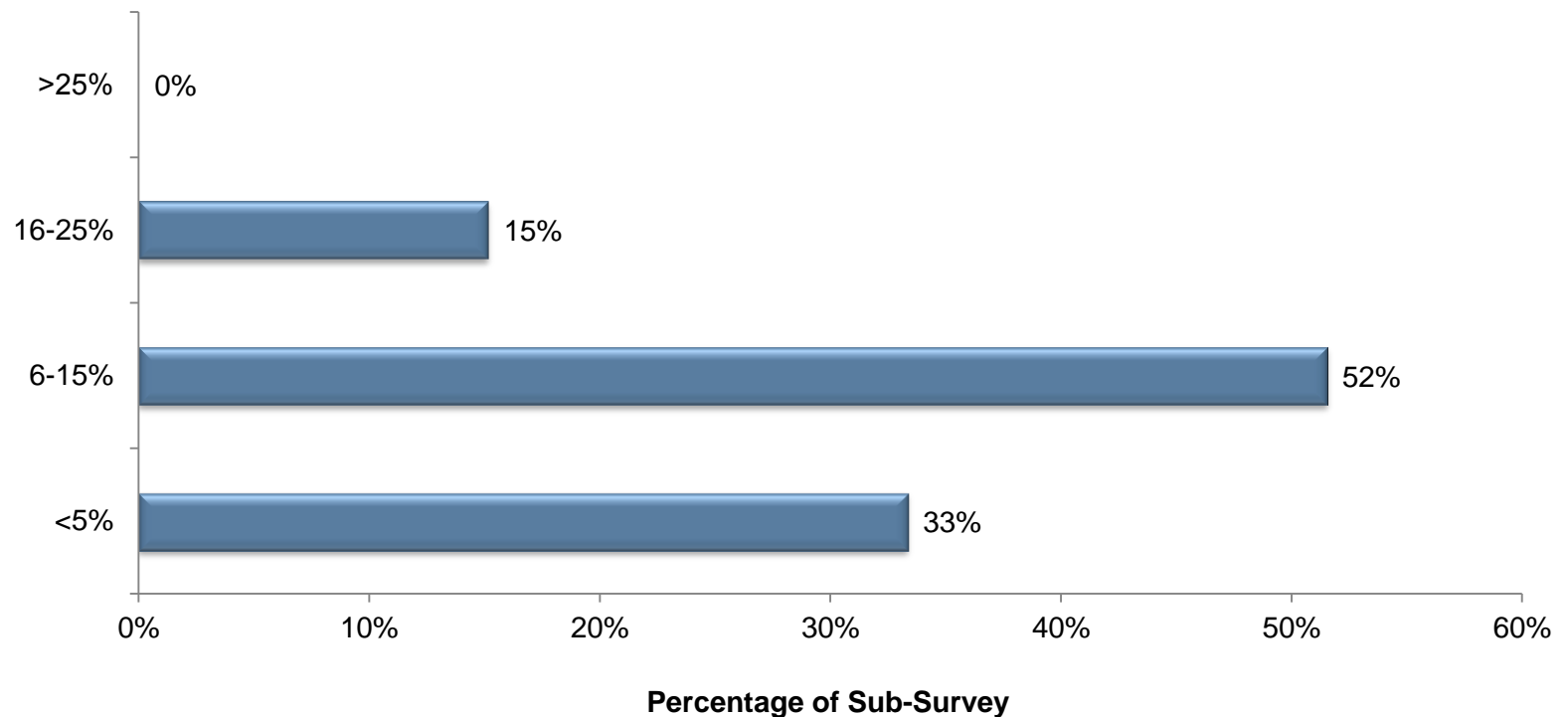
N=66

Q20 What do you estimate was your discount?

Price Fairness Perceptions

Key Takeaway: Fortunately for UCaaS providers, the vast majority of UCaaS buyers consider their providers' prices to be fair.

UCaaS Price Fairness Perception, U.S., 2018

Percentage of Sub-Survey

95%

5%

Yes

No

N=94
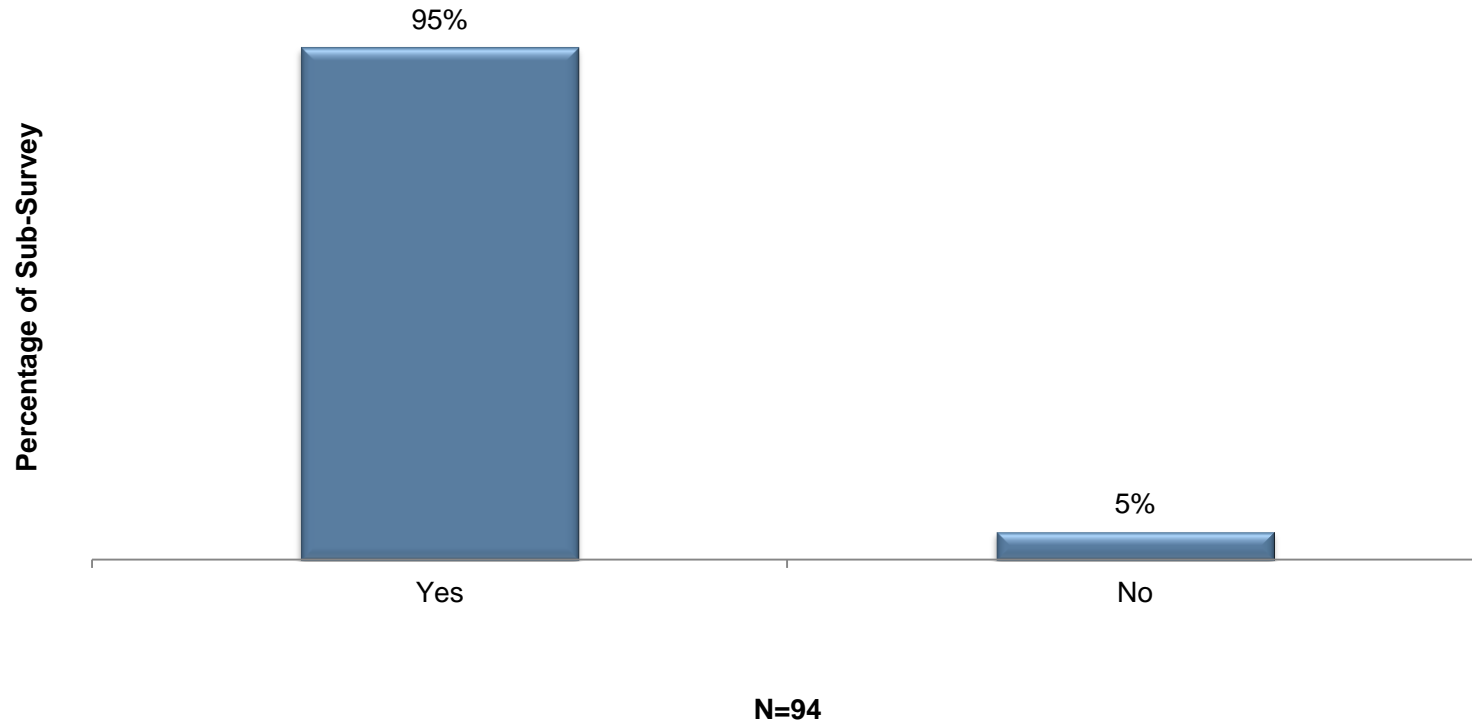
Q21 Do you think your UCaaS provider is priced fairly?

Source: Frost & Sullivan

Reasons for Not Using Best-in-Class Provider

> **Key Takeaway: More than half of respondents are using a different provider chosen for lower cost rather than the one they identified as best-of-breed.**

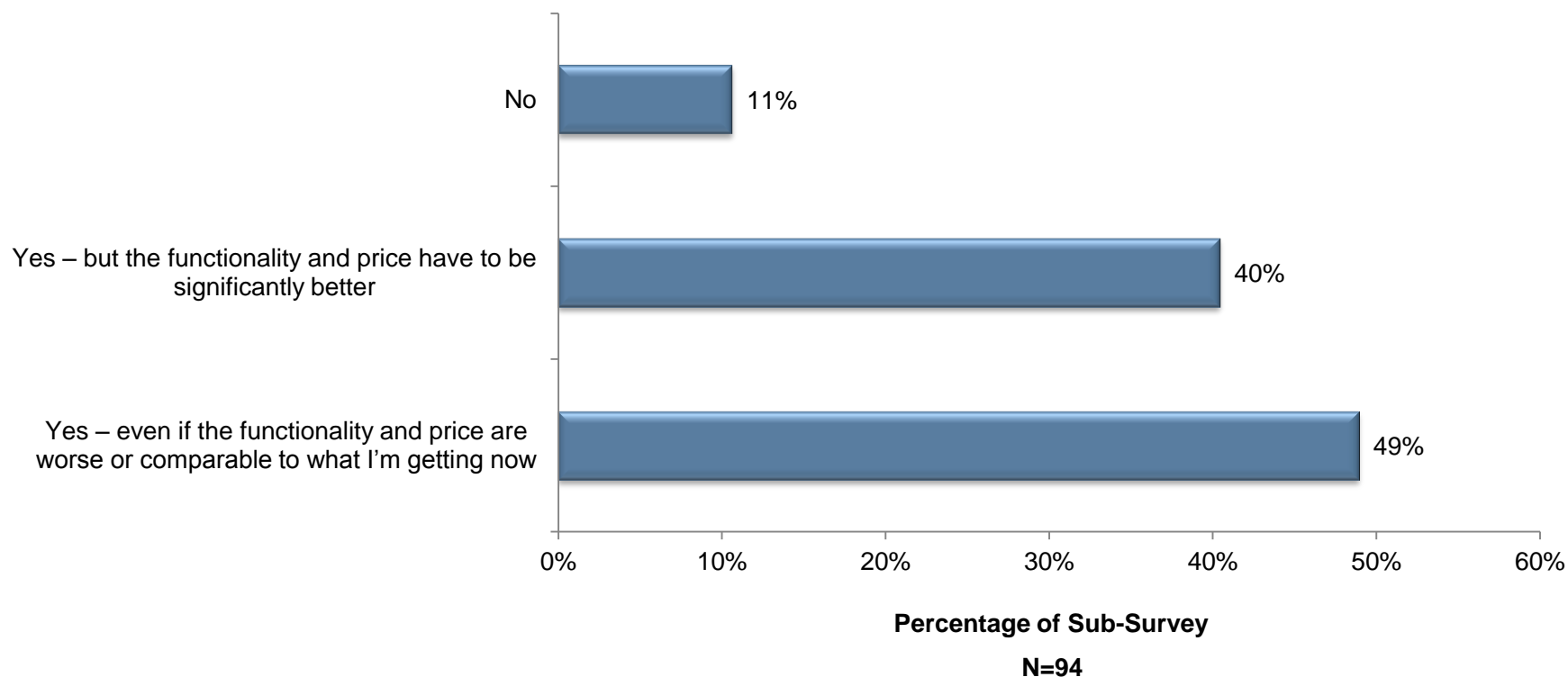## Reasons for Not Using Best-in-Class UCaaS Provider, U.S., 2018

Reason	Percentage
Best-in-class UCaaS provider does not offer services in my region	6%
My current provider is good enough for my firm	19%
Switching burden is too high (retraining employees, cancelling contracts, etc.)	16%
My current provider is at a better cost	59%

Percentage of Sub-Survey

N=32
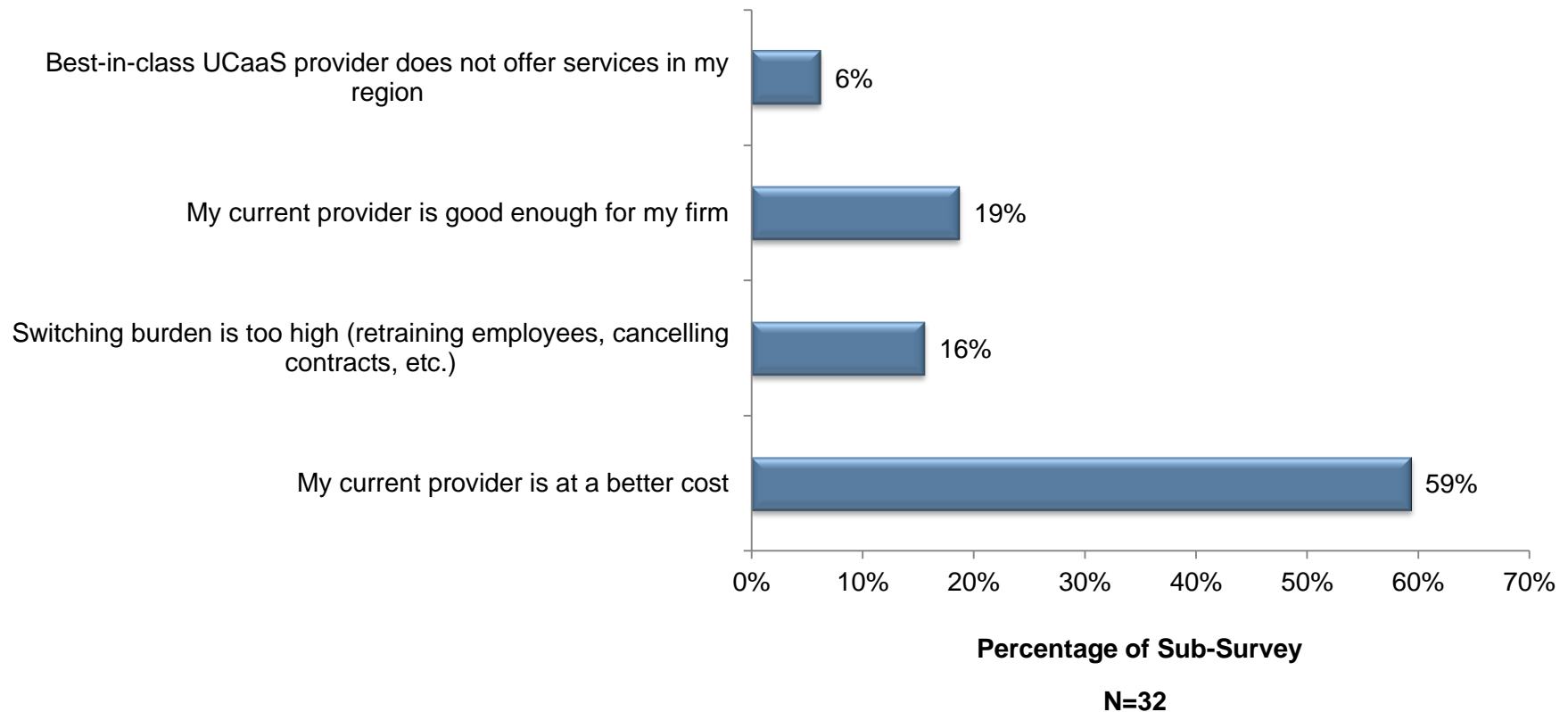
Q22 What is the main reason why you don't currently use the provider you consider as best in class?

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Possibility to Consider Switching Providers if Google or Amazon Offered UCaaS Solutions

Key Takeaway: Almost 90 percent of UCaaS users would consider purchasing UCaaS from Google or Amazon, if they offered such solutions. Almost half would do so even if the price and functionality were worse or comparable to those of their current solutions.

Possibility to Consider Switching Providers if Google or Amazon Offered UCaaS Solutions, U.S., 2018

Response	Percentage
No	11%
Yes – but the functionality and price have to be significantly better	40%
Yes – even if the functionality and price are worse or comparable to what I'm getting now	49%

Percentage of Sub-Survey

N=94

Q23 Would you consider switching off your current UCaaS provider, if Google or Amazon offered a solution?

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Intent to Switch Providers When the Contract Expires

Key Takeaway: More than half of UCaaS users are considering switching to a new provider when their contract is up, which creates pressure on providers to improve performance and lower prices.

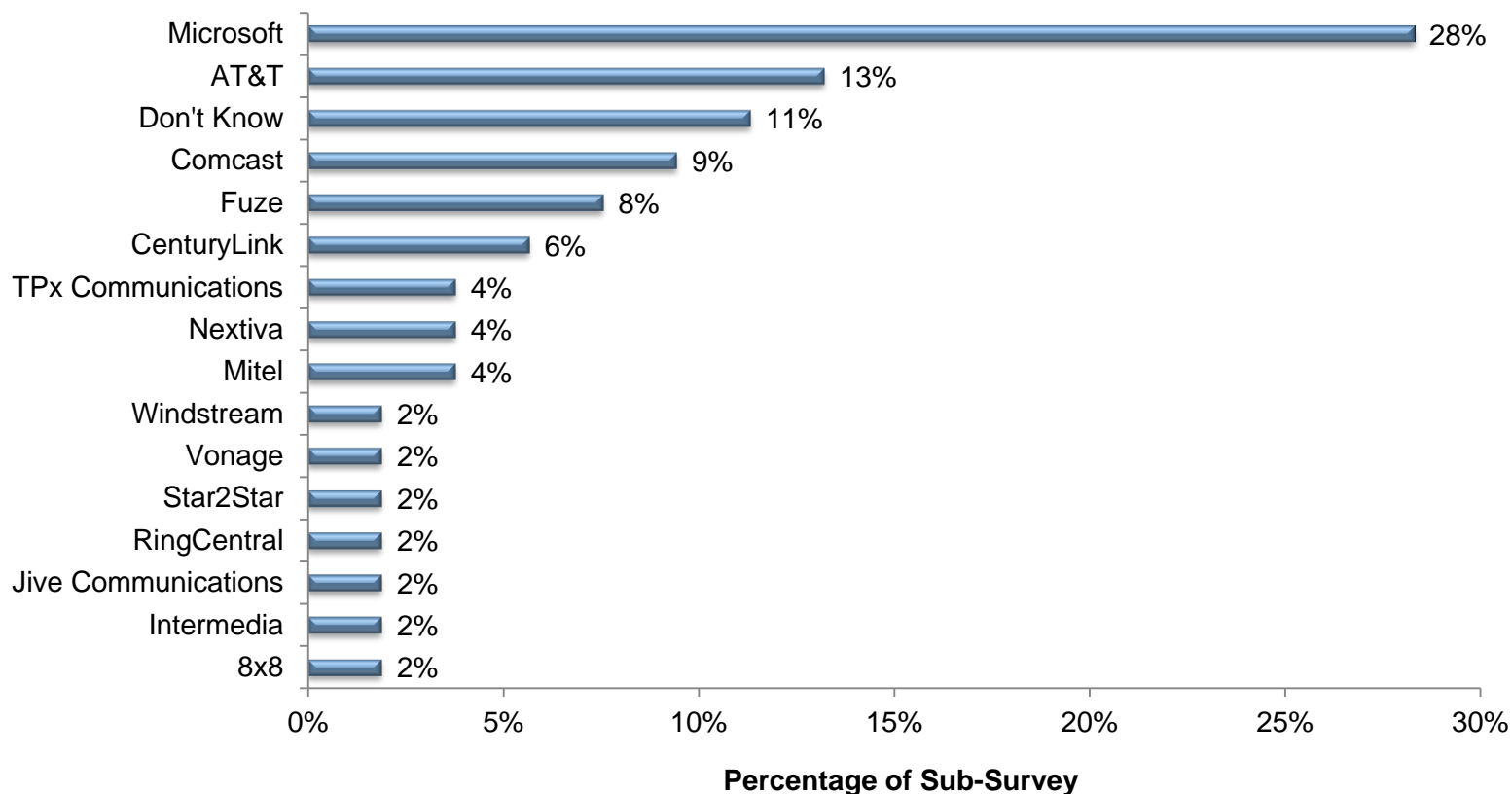### Intent to Switch UCaaS Providers When the Contract Expires, U.S., 2018

Percentage of Sub-Survey

N=94
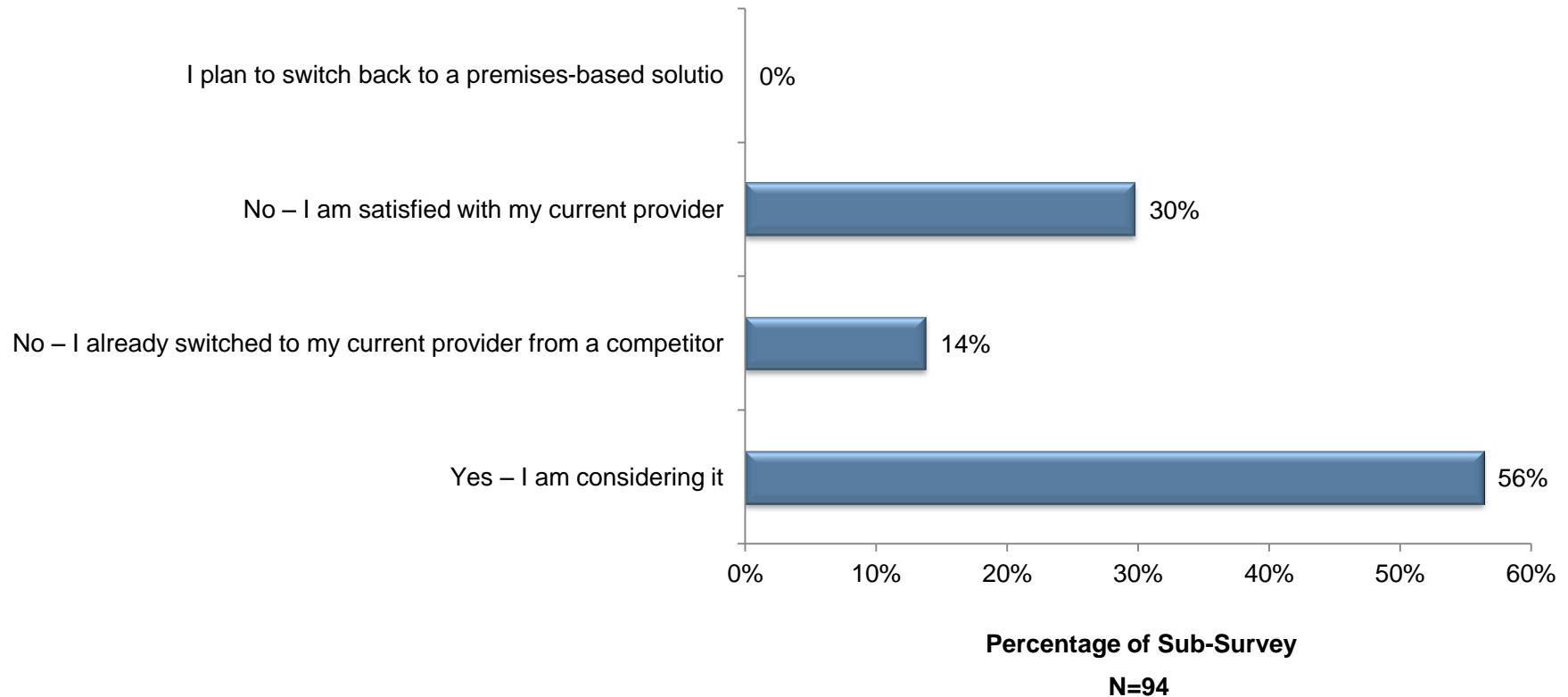
Q24 Do you intend to switch UCaaS providers when your contract is up?

Future UCaaS Provider

Key Takeaway: Microsoft stands out as respondents' top choice of future UCaaS provider. It is likely due to Microsoft's concerted efforts to enhance its UCaaS portfolio and promote its UCaaS capabilities.

Future UCaaS Provider, U.S., 2018

Provider	Percentage
Microsoft	28%
AT&T	13%
Don't Know	11%
Comcast	9%
Fuze	8%
CenturyLink	6%
TPx Communications	4%
Nextiva	4%
Mitel	4%
Windstream	2%
Vonage	2%
Star2Star	2%
RingCentral	2%
Jive Communications	2%
Intermedia	2%
8x8	2%

Percentage of Sub-Survey

N=53

Q25 Which UCaaS provider do you plan to switch to?
Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Previous UCaaS Providers

Key Takeaway: AT&T holds the largest share among current UCaaS users in the sample, yet is also the top provider that users switched away from.

Previous UCaaS Providers, U.S., 2018

Provider	Percentage
AT&T	38%
Microsoft	15%
Windstream	8%
Vonage	8%
Intermedia	8%
Fuze	8%
Comcast	8%
CenturyLink	8%

Percentage of Sub-Survey
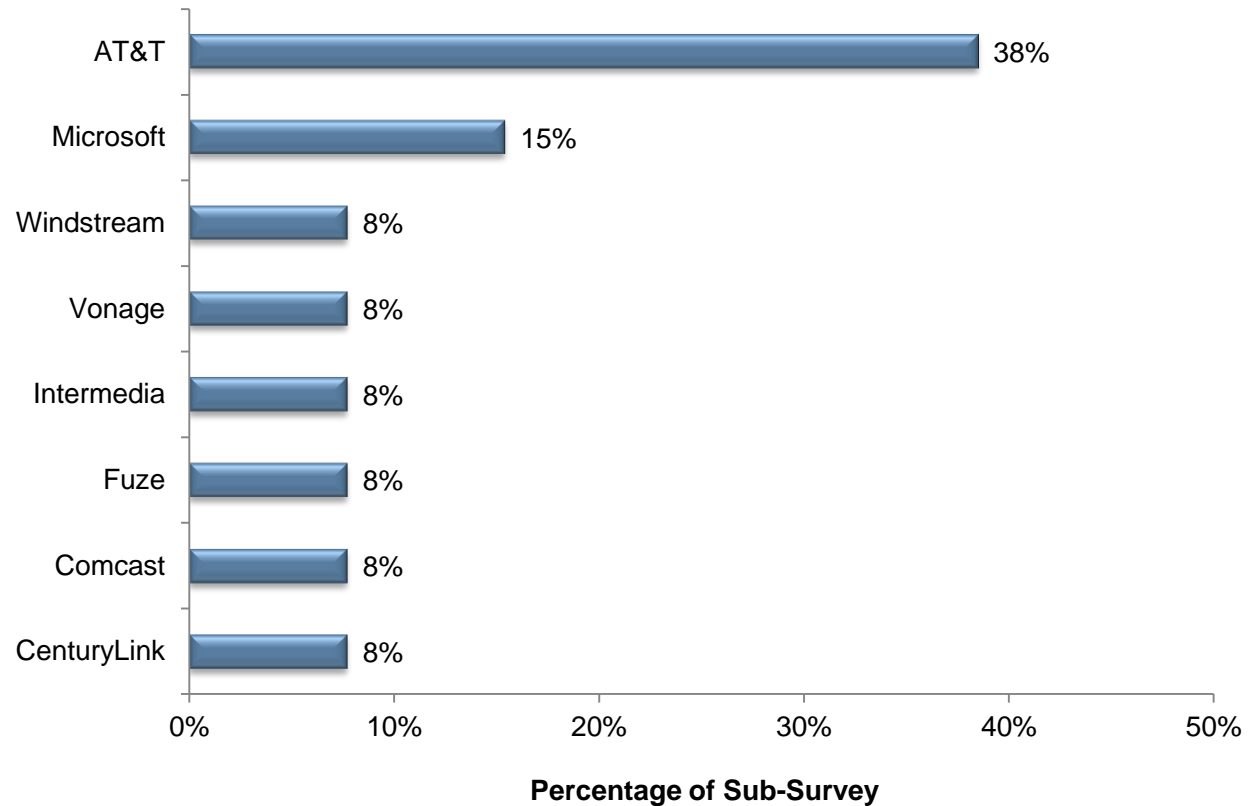
N=13

Q26 What UCaaS provider did you switch away from?
Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Source: Frost & Sullivan

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Reasons to Replace Current UCaaS Provider

Key Takeaway: The key factors driving UCaaS provider replacement are the same as the most important initial provider selection criteria. Security and cost top the list, followed by service reliability and user experience.

Reasons to Replace Current UCaaS Provider, U.S., 2018

Reason	Percentage
Security	45%
Cost per seat	44%
Reliable service	42%
Good user interface	33%
Collaboration tools	24%
Contact center functionality	23%
Technology evolution roadmap	18%
Broad technology portfolio that allows for one-stop shopping	15%
Open standards and interoperability with third-party solutions	14%
Scalability	12%
Service provider geographic footprint	11%
Expertise in system integration and deployment	11%
Customer support	8%
Other	0%

Percentage of Sub-Survey

N=66

Q27 What are the top 3 reasons you replaced or want to replace your current UCaaS provider?

Source: Frost & Sullivan

Intent to Switch Providers if a Competitor Offers 25 Percent Cheaper Price

Key Takeaway: The vast majority of UCaaS users are ready to switch providers for a 25 percent less expensive price.

Intent to Switch Providers if a Competitor Offers 25 Percent Lower Price, U.S., 2018

Percentage of Sub-Survey

- Yes: 84%
- No: 16%

N=94
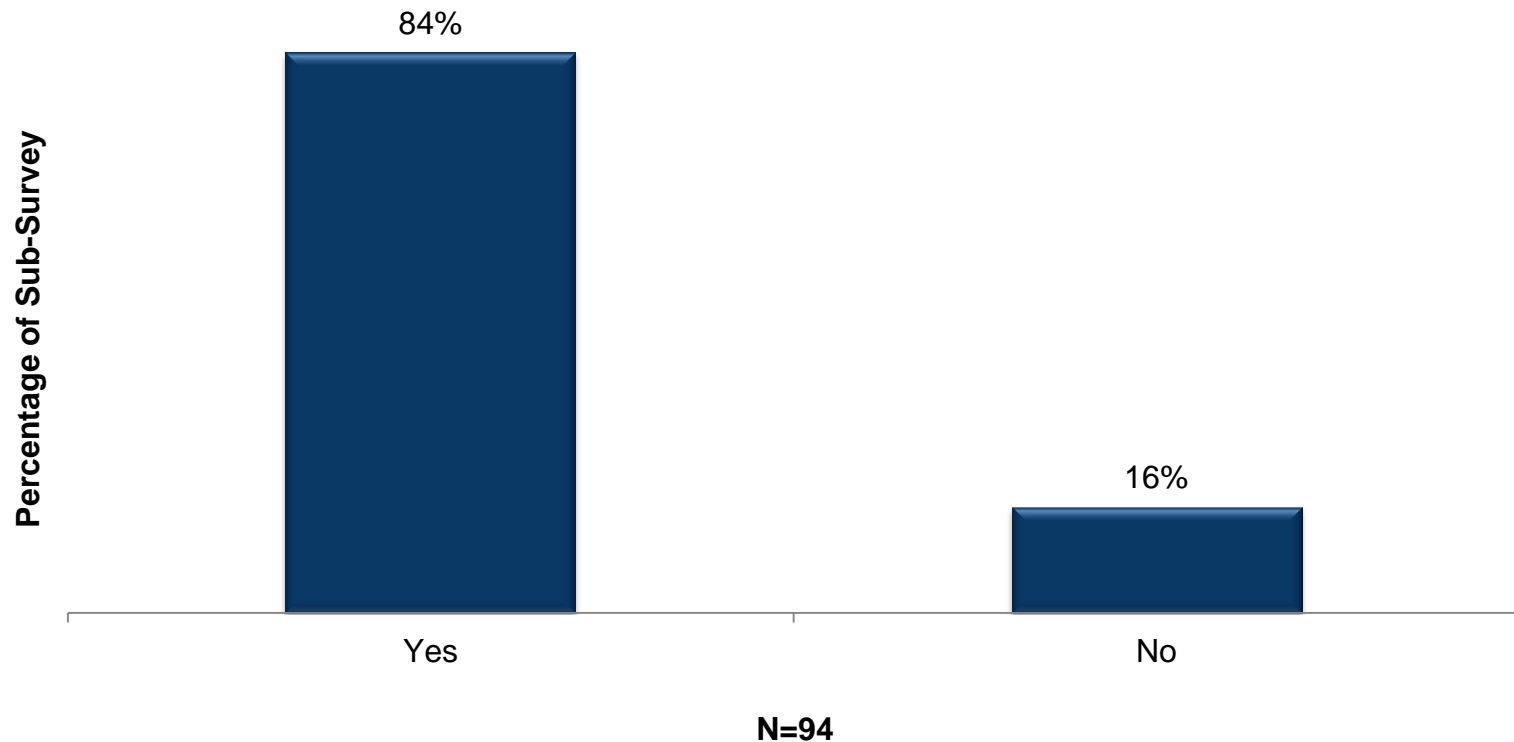
Q28 If a competitor UCaaS provider came in with a 25% cheaper price – would that be enough for you to consider switching?

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Most Important UCaaS Features

Most Important UCaaS Features, U.S., 2018

Feature	Percentage
Video calling	36%
Web conferencing and screen share	34%
Many-to-many video conferencing	32%
Team spaces/ team collaboration	28%
Reporting/analytics	26%
Desktop (online) fax	24%
SMS	22%
Contact center	21%
Intelligent edge (on-prem) device for quality and survivability	18%
Chat	18%
Call recording	16%
Mobility	14%
Legacy fax	11%
Other	0%

Percentage of Sub-Survey

N=94

Q29 Which UCaaS features are most important for your business?

Source: Frost & Sullivan

Important Tangential Services

Key Takeaway: More than one-third of respondents consider broadband access services important in selecting or switching UCaaS providers. Notably, more sophisticated network technologies such as SD WAN and MPLS are less important.

Important Tangential Services, U.S., 2018

Service	Percentage
Broadband	34%
Physical security integrations	18%
Artificial Intelligence integration	15%
LTE failover	14%
Video room systems	7%
SIP trunking	4%
SD WAN	3%
IoT	2%
MPLS	2%

Percentage of Sub-Survey

N=94
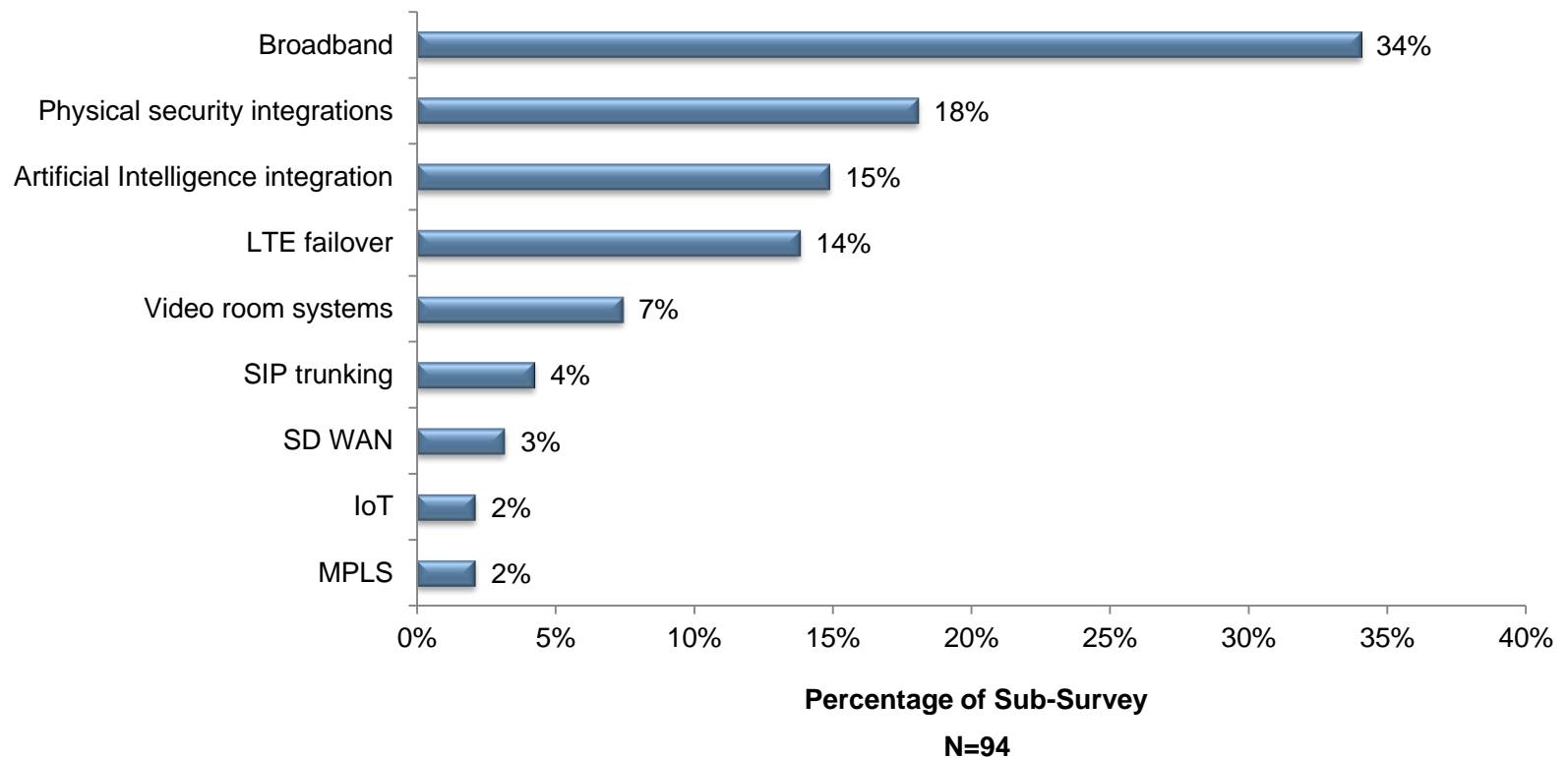
Q30 Which tangential services offered by your current or future UCaaS provider are most likely to keep you with your current service provider or make you switch?

Source: Frost & Sullivan

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UCaaS Perceptions and Investment Plans Among Non-Users with Plans to Use UCaaS in the Future

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Reasons to Adopt UCaaS Among Non-Users

Key Takeaway: Operational efficiencies as well as cost reduction rank the highest among UCaaS adoption drivers among current non-users. Also notable, many perceive UCaaS as a better solution for supporting remote and mobile employees.

Drivers to Adopt UCaaS Among Non-Users, U.S., 2018

Driver	Percentage
Ability to reduce costs	43%
It's easier for IT to manage	40%
It's a benefit for remote and mobile employees	40%
It allows us to scale up and down more easily and cost effectively.	35%
UCaaS is more secure	32%
It allows us to better focus on our core business	27%
It enables more effective customization	25%
It allows more flexible integrations with third-party software	22%
It offers a better selection of endpoints (from a variety of vendors rather than just one)	20%
It allows us to gain access to newer features faster	17%

Percentage of Sub-Survey

N=81

Q31 What are the top three reasons you plan to use UCaaS for some or all of your communications?

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Decision-making Factors in Final UCaaS Provider Selection

Key Takeaway: More than half of future UCaaS users rank service reliability and security the highest among provider selection criteria. More than a quarter also consider price and user experience very important.

Decision-making Factors in Final UCaaS Provider Selection, U.S., 2018

Factor	Percentage
Reliable service	59%
Security	58%
Cost per seat	30%
Good user interface	26%
Contact center functionality	25%
Scalability	20%
Broad technology portfolio that allows for one-stop shopping	19%
Open standards and interoperability with third-party solutions	17%
Collaboration tools	15%
Technology evolution roadmap	11%
Other	9%
Expertise in system integration and deployment	9%
Service provider geographic footprint	4%
customer support	0%

Percentage of Sub-Survey

N=81

Q33 What will be your top three decision making factors in the final selection of a UCaaS provider?

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Knowledge of Future UCaaS Provider

Key Takeaway: More than one-half of future UCaaS users have already decided on a provider, which shows that UCaaS buyers are well informed and prepared.

Knowledge of Future UCaaS Provider, U.S., 2018
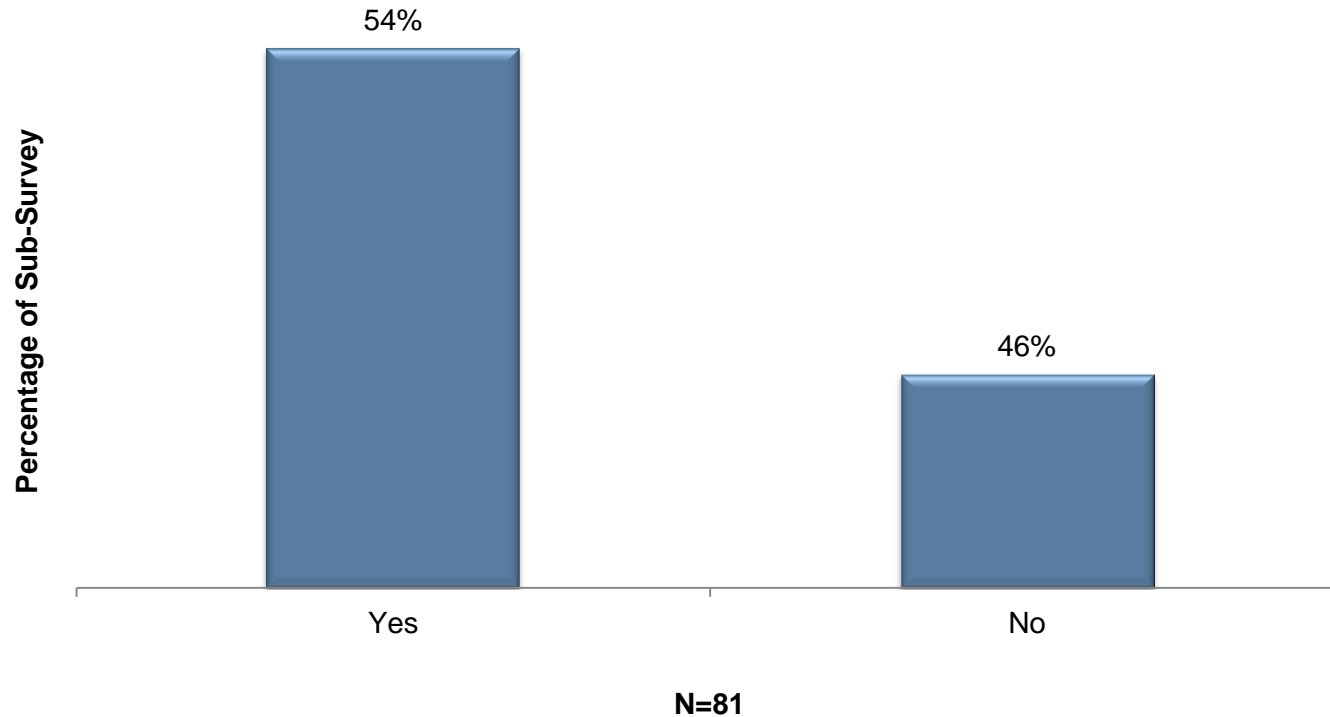
Q34 Do you know which UCaaS provider you would want to use?

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Future UCaaS Provider

Key Takeaway: AT&T and Microsoft stand out as the top choice of future UCaaS providers, which may be due to their strong overall brands as well as robust UCaaS portfolios.

Future UCaaS Provider, U.S., 2018

Provider	Percentage
AT&T	41%
Microsoft	27%
Comcast	14%
Evolve IP	7%
Others	2%
West	2%
TDS Telecom	2%
Fuze	2%
CenturyLink	2%

Percentage of Sub-Survey

N=44
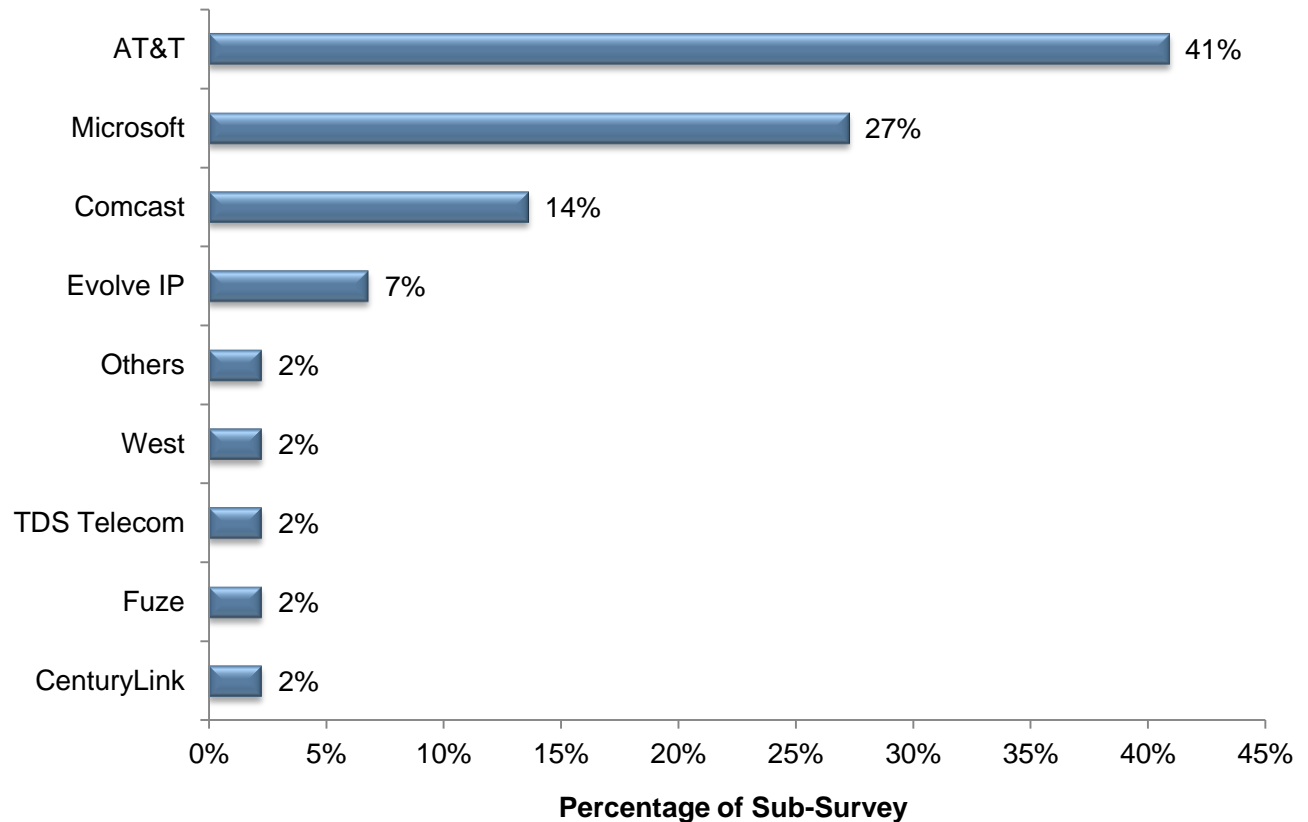
Q35 Which provider will you use?
Note: Respondents had the option to select one of 20 leading U.S. providers or Other.

Source: Frost & Sullivan

UCaaS Perceptions Among Non-Users with No Plans to Use UCaaS in the Future

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Reasons for Not Moving to a UCaaS Provider

Key Takeaway: Not surprising, reliability, control and cost remain top concerns among businesses choosing to keep their communications solutions on their premises. It is notable that more limited endpoint choices also rank very highly among the reasons for not adopting UCaaS.

Restraint to Moving to a UCaaS Provider, U.S., 2018

Reason	Percentage
More limited choice of communications endpoints	22%
Cloud is not reliable	22%
We prefer to maintain full control	22%
Cloud has a higher total cost of ownership than premises-based solutions	22%
We prefer to deploy on the premises for tighter integration with other solutions	11%
Other	0%
Service provider financial viability	0%
Service provider geographic footprint	0%
Cloud provides an inferior feature set compared to premises-based solutions	0%
Premises-based solutions allow for a greater degree of customization	0%
Cloud presents a security risk	0%

Percentage of Sub-Survey

N=9

Q36 What is the primary reason you do not intend to move to a UCaaS provider?

Source: Frost & Sullivan

Last Word

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Key Takeaways for UCaaS Providers

1 Provider reputation, service reliability and security, and user experience represent key factors in UCaaS provider selection. However, price can make or break a deal as UCaaS providers engage in price wars to address high buyer price sensitivity.

2 As leading providers (e.g., Microsoft, Google and Amazon) from the adjacent IT, software-as-a-service (SaaS) and cloud spaces increasingly tap into the UCaaS market many businesses will consider purchasing services from such providers because they trust their brands.

3 UCaaS providers must continue to enhance their solutions with conferencing, collaboration, analytics and other advanced features and create compelling all-inclusive bundles to more effectively attract and retain customers.

4 Providers that offer broadband services will enjoy a competitive advantage in the UCaaS space. Providers can also boost their position with physical security integration, artificial intelligence and long-term evolution (LTE) network failover.

5 The market remains untapped with significant growth potential. Even among adopting organizations, only 16 percent report that 100 percent of their employees are on UCaaS today.

6 The market is highly dynamic. Although customer churn is costly for both businesses and providers, it drives competition and creates opportunities for providers to attract customers using a stronger value proposition.

7 Providers must continue to invest in customer education to overcome concerns about cloud security and higher total cost of ownership as well as to ensure businesses are aware of their various options in a crowded and highly competitive market.

Source: Frost & Sullivan

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Appendix

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List of Exhibits

List of Exhibits (continued)
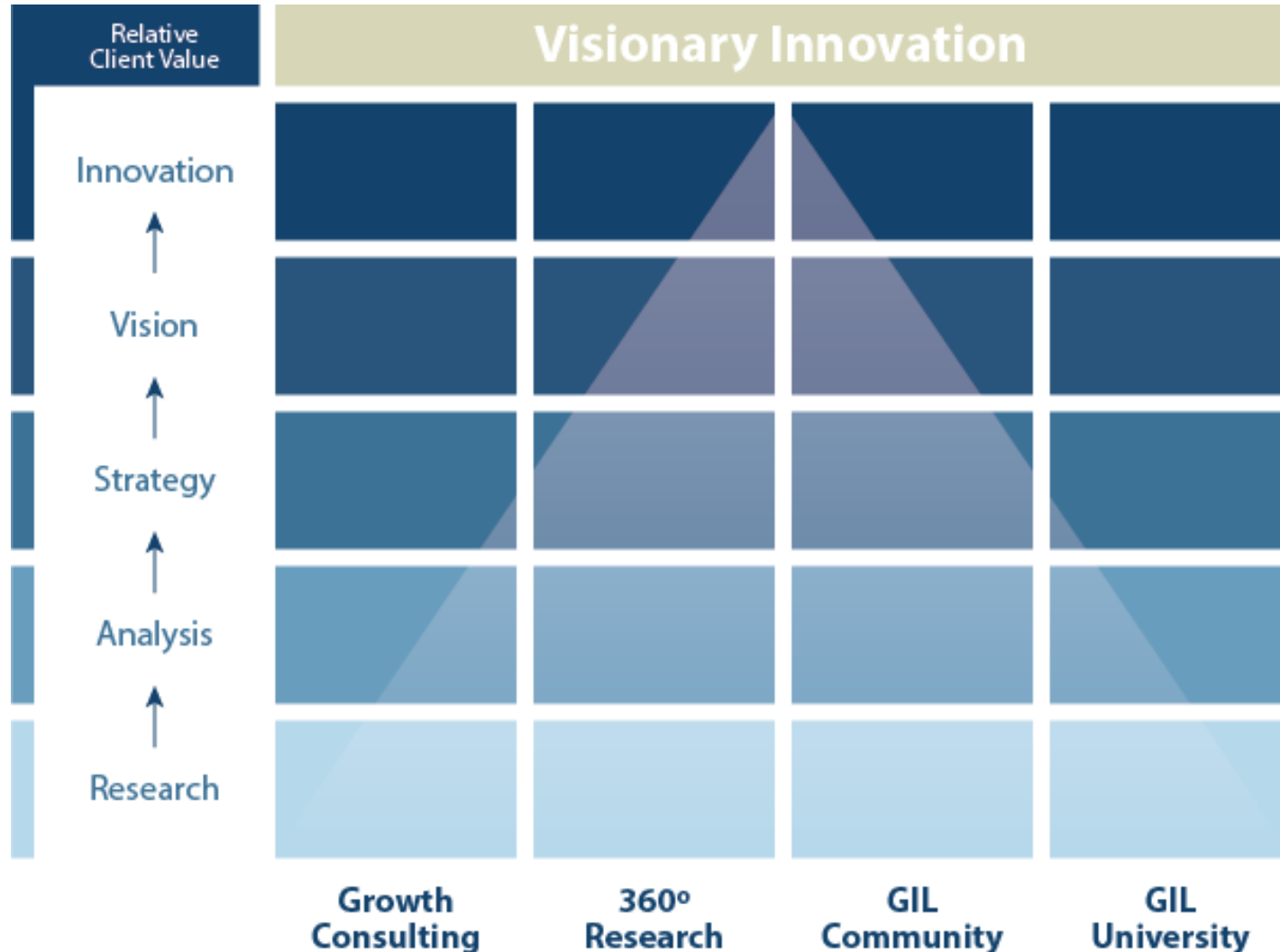
The Frost & Sullivan Story

The Journey to Visionary Innovation

The Frost & Sullivan Story

Value Proposition—Future of Your Company & Career

Our 4 Services Drive Each Level of Relative Client Value

Global Perspective
40+ Offices Monitoring for Opportunities and Challenges

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Industry Convergence
Comprehensive Industry Coverage Sparks Innovation Opportunities

Aerospace & Defense

Measurement & Instrumentation

Consumer Technologies

Information & Communication Technologies

Automotive Transportation & Logistics

Energy & Power Systems
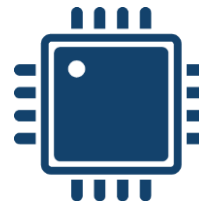
Environment & Building Technologies

Healthcare

Minerals & Mining

Chemicals, Materials & Food

Electronics & Security

Industrial Automation & Process Control

360⁰ Research Perspective

Integration of 7 Research Methodologies Provides Visionary Perspective

Implementation Excellence
Leveraging Career Best Practices to Maximize Impact

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Our Blue Ocean Strategy
Collaboration, Research and Vision Sparks Innovation

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