



I D C A N A L Y S T C O N N E C T I O N



Amy Lind
Research Manager, VoIP and UC Services

The Value of Hybrid Communication Solutions for SMBs

January 2017

Small and medium-sized businesses (SMBs) are looking to modernize their communications environments by adopting IP voice and unified communications and collaboration (UC&C). These organizations recognize the need to improve productivity, foster employee collaboration, and increase efficiency by replacing outdated legacy telephony solutions. Today, organizations increasingly are turning to next-generation on-premises systems as well as hybrid and cloudbased solutions that are built to meet the rapidly changing needs of their organizations and users.

To understand the value of communications and collaboration solutions for SMBs, ALE (operating under the Alcatel-Lucent Enterprise brand) addressed the following questions to Amy Lind, research manager for IDC's UC&C research program.

Q. What are the top technology investment priorities for SMBs?

- A. In 2016, IDC surveyed 600 small and medium-sized businesses (SMBs) with 10-999 employees about their top technology investment areas over the next three years. Cloud services (cloud-based services, storage, apps, or communications) was the top SMB investment priority. However, unlike larger organizations, SMBs said upgrading their network infrastructure was a slightly higher priority than improving WAN/network security. SMBs also ranked improving data backup and recovery capabilities, putting business apps on mobile devices, and converging voice and data onto IP networks as high priorities.

For many SMBs, UC&C -- a solution that integrates telephony, messaging, conferencing, and mobility with presence and other features -- is gaining importance as a key investment area. In fact, one-fourth of SMBs said deploying UC&C was a top investment priority in the 2016 survey, up from 16% in the previous survey.

Q. Why are SMBs investing in IP voice and UC&C solutions?

- A. Factors influencing SMB technology investment decisions are shifting from tactical, near-term considerations like immediate cost savings to more strategic objectives such as increasing productivity. Many SMBs, particularly those with fewer than 100 employees, lack the internal IT staff or expertise needed to implement IP voice and UC&C. Thus, SMBs are often looking for simple solutions that require little training or ongoing maintenance and support.

We asked SMBs about their use of VoIP. Like their larger counterparts, the majority of SMBs are in the process of migrating from legacy voice solutions to IP voice. The survey shows that

roughly 74% of SMBs have deployed some VoIP within their organization. Moreover, 48% of SMBs still using TDM plan to migrate a portion of employees to VoIP in 2016. The primary reason both SMBs with VoIP and VoIP intenders gave for investing in IP voice is cost savings achieved from reducing spending on voice calling or reducing opex and capex. But simplicity or ease-of-management (the solution requires little to no support from IT) and improved feature functionality are also gaining importance in the decision to implement VoIP.

Similarly, top drivers of SMB investment in UC&C include increasing productivity, enabling faster decision making, and improving collaboration. For many SMBs, UC&C creates a more connected work environment. It improves productivity, fosters collaboration, and facilitates decision making by enabling employees to meet and collaborate anytime, anywhere, and on almost any device they want. Additionally, with UC&C, SMBs can more easily and quickly share documents and information across multiple locations and devices.

Q. Are SMBs migrating to cloud-based solutions?

- A. SMBs are embracing cloud communications. Cloud delivery models make communications affordable and available instantly over any device and in any location. The cloud lets users pay for what they consume and provides organizations the flexibility to scale up or down as growth and business requirements dictate.

Until recently, premises-based systems dominated the market. However, growing acceptance of cloud delivery models is accelerating SMB adoption of both private and public cloud-based UC&C solutions. Survey data supports this view—in IDC's annual Enterprise Communications Survey, we asked businesses about their current and future plans to implement UC&C. Among current users, on-premises solutions have a slight edge as 43% said they implemented an on-premises solution, compared with 39% that deployed a public cloud-based solution and 18% that implemented a private cloud or managed UC&C solution. But among intenders, public and private cloud-based solutions are more prevalent with roughly two-thirds indicating they plan to migrate some portion of their communications and collaboration environment to the cloud. The survey also shows that a growing number of SMBs have deployed or are planning to deploy a hybrid solution, that is, a mix of on-premises and cloud-based solutions, with 15% of current users and intenders reporting they have or plan to implement a hybrid solution within the next 1-2 years.

Many SMBs are distributed businesses, meaning they have multiple locations and/or remote and home-based employees. Thus, they need a solution that supports all employees, regardless of where they are located, and that is not a major administrative undertaking for IT. Solutions delivered in a cloud or hybrid manner also are ideal for distributed organizations as they can readily be deployed regionally or globally and they create a consistent user experience for both employees and customers.

At the same time, workers are becoming more mobile and remote. For SMBs with employees in the field, on the road, or just not at their desk, cloud-based technologies and mobile apps make it easy for them to access the data, systems, and tools they need from wherever they are. Cloud-based collaboration services also make it simple for administrators and IT staff to remotely manage the solutions, services, and apps that ensure mobile and remote workers have access to the tools they need to get work done.

Q. Is there a standard approach to migrating to cloud-based unified communication solutions? What are the benefits of implementing a hybrid communication solution?

- A. Adoption of cloud services continues to expand, driven by growing businesses comfort with cloud delivery models. The UC&C deployment options available to SMBs have also

expanded far beyond the premises-based solutions that dominated the market several years ago. Communications Service Providers (CSPs) have refined and expanded their offerings to include public and private cloud-based UC&C solutions. Vendors have also responded by expanding their UC&C product portfolios to include cloud and hybrid delivery options.

In fact, one of the fastest growing trends we are seeing is the increase in hybrid deployments, where a mix of on-premises assets and cloud services are deployed across the same organization. For example, an SMB may choose to keep a central location or corporate office on-premises, while specific business units, branch offices, and remote locations or workers are migrated to the cloud. In other scenarios, SMBs are taking a more measured approach, implementing a hybrid solution in the interim with the intention of migrating the entire organization to a cloud services delivery model over time. Ultimately, there is no standard approach to migrating to the cloud as it is dependent on the needs and culture of each organization. Some SMBs migrate the entire business to the cloud at one time, while others pursue a more gradual approach to the cloud. The key is that hybrid deployments give SMBs the flexibility and choice to deploy a mix of on-premises and cloud *where* it makes sense and to make the move to the cloud *when* it makes sense.

While organizations will migrate to the cloud at different rates, many SMBs are considering a cloud UC&C deployment, whether it is a public, multi-tenant cloud-based UC&C solution or private, dedicated hosted UC&C cloud offering. Hybrid deployments are also expanding – 15% of businesses surveyed in our annual Enterprise Communications Survey have deployed or plan to deploy a hybrid solution and we anticipate that the number of businesses implementing a hybrid UC&C solution will increase rapidly in the next several years.

Interest in hybrid solutions is accelerating because many vendors are taking a customer-driven approach to cloud. Customers are able to migrate to the cloud when it makes business sense for them but they can stay on-premises or pursue a hybrid approach as needed as well. A key consideration for SMBs debating whether to migrate to the cloud or not is selecting a partner that can accommodate all three deployment options to give the SMB the flexibility to migrate to the cloud if and when it's appropriate for them.

Q. How can UC&C help SMBs reach their business goals and transform their business?

A. IDC's research suggests that even though most SMBs recognize how UC&C can reduce the costs associated with communications and collaboration spending, few are able to see beyond the cost implications to how UC&C can help them achieve their business goals, and drive the business imperatives that all organizations strive for, including:

- *Innovation* – drive product, process, technology, and market innovation
- *Time-to-market and agility* – gain competitive advantage and enhance business competitiveness by working smarter, faster, and more efficiently, thereby increasing productivity, and improving collaboration
- *Productivity and efficiency* – increase operational efficiency and productivity and enable more efficient collaboration by providing workers with the services, tools, and apps needed to get their work done inside and outside the organization, effectively improving employee productivity, reducing latency in business processes, and improving quality of work product
- *Customer satisfaction and loyalty* – improve customer satisfaction and increase and maintain market share by improving response times and serving customers more efficiently and effectively

- *Mobilize the workforce* – Provide greater flexibility by accommodating mobile and remote workers and supporting a mobilized workforce with consistent user experience across range and type of devices

UC&C provides many benefits ranging from employee productivity gains to improved business interactions, all of which can – and should – transform how an SMB conducts business. As collaboration becomes more mission critical, UC&C can significantly improve how individual employees and teams within the business as well as suppliers, customers, and others external to the organization perform and interact with one another. In addition, with UC&C SMBs gain the flexibility needed to respond to rapidly changing business opportunities and challenges while controlling costs through more efficient use of assets.

SMBs need to shift their focus from tactical, near-term considerations like costs savings, to more strategic, transformative business benefits such as driving productivity gains and fostering more effective collaboration both internally and externally. They need to consider how UC&C can enable new applications and transform business processes. Equally important is building out a strong business case for UC&C that includes a reliable technology component and demonstrates the business benefits that a particular technical solution brings to the organization. Business cases that focus on solving business process or collaboration challenges that relate directly to the objectives of the business are more likely to receive funding and support both pre- and post-implementation than those that do little more than simply reduce communications costs.

Additionally, hybrid solutions that leverage existing investments in on-premises systems combined with the flexibility and scalability of real-time voice and collaboration capabilities that are delivered via the cloud are ideal for SMBs. By adopting a hybrid cloud model, SMBs are able to keep their on-premises platforms to make the most of their existing investments and add-on cloud-based services and capabilities on an as-needed basis. As a result, hybrid solutions enable SMBs to reap the benefits of the cloud's pay-as-you-go pricing model where and when it makes sense but without having to commit fully to adopting a cloud solution. This minimizes the risk to existing investments while still enabling the business to stay on top of current technology trends and not fall behind the cloud curve.

ABOUT THIS ANALYST

Amy Lind is a Research Manager with IDC's Enterprise Voice & IP Communications Services program and is a member of the Unified Communications research team. Ms. Lind provides analysis, forecasting, and consulting on voice and IP communications industry dynamics, service provider positioning, business model innovation, and industry evolution. Specifically, her research focuses on the evolution of enterprise voice services including the migration from legacy voice to emerging VoIP services such as hosted IP Centrex and SIP trunking as well as unified communications, telepresence, and enterprise video.

ABOUT THIS PUBLICATION

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

COPYRIGHT AND RESTRICTIONS

Any IDC information or reference to IDC that is to be used in advertising, press releases, or promotional materials requires prior written approval from IDC. For permission requests, contact the Custom Solutions information line at 508-988-7610 or gms@idc.com. Translation and/or localization of this document require an additional license from IDC.

For more information on IDC, visit www.idc.com. For more information on IDC Custom Solutions, visit http://www.idc.com/prodserv/custom_solutions/index.jsp.

Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.872.8200 F.508.935.4015 www.idc.com