The Cloud UC Calling Market
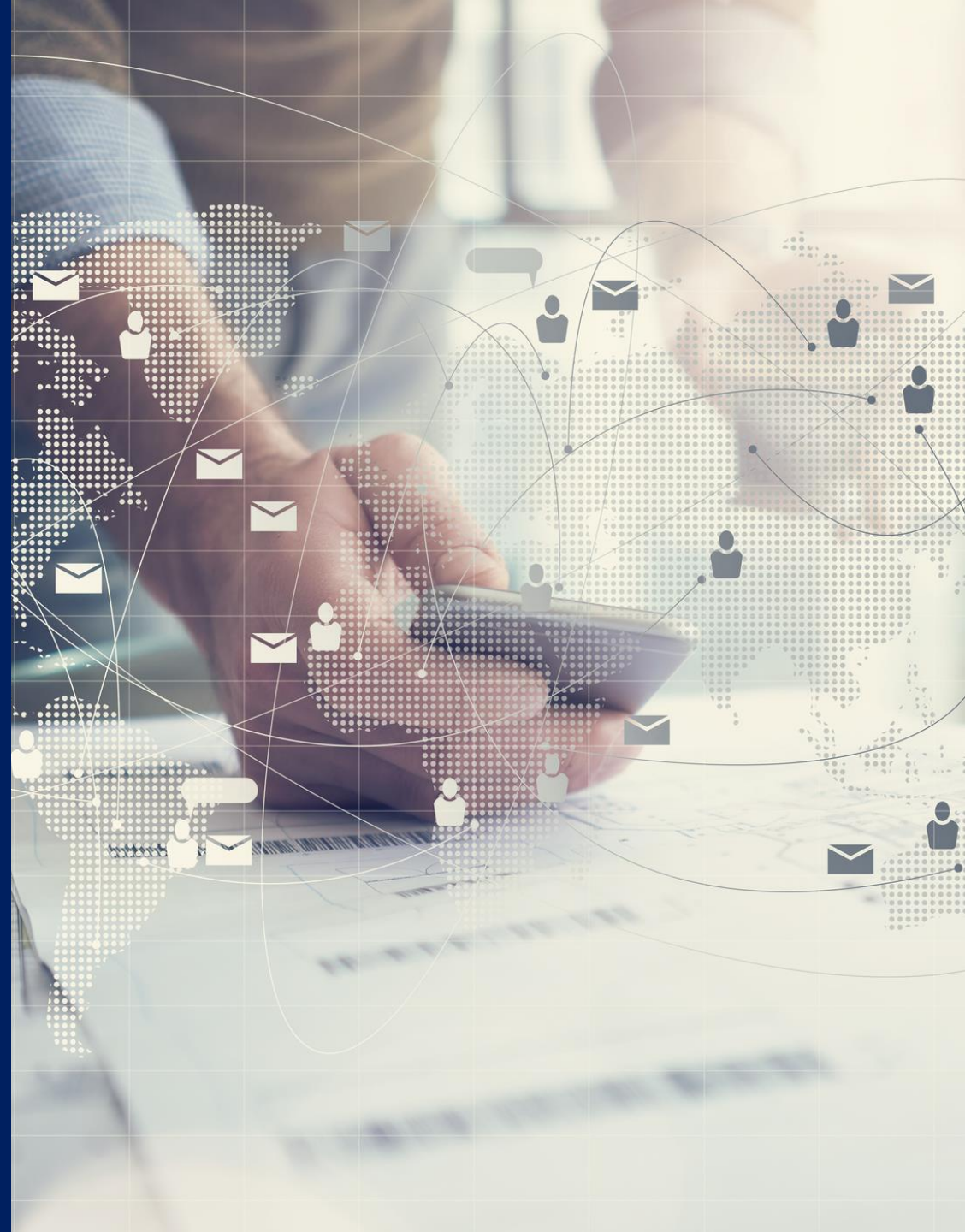
Market share, trends, and dynamics

October 2019

A Wainhouse Research Market Summary

WAINHOUSE Research

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This Wainhouse Insights Report digs into the Cloud UC Calling market, from definition to direction. This market has a lot of attention right now, from the enterprise, service provider, and analyst community. But we find a lot of confusion in this space, thanks to over-excited marketing teams and general term confusion. So, we'll start with definitions:
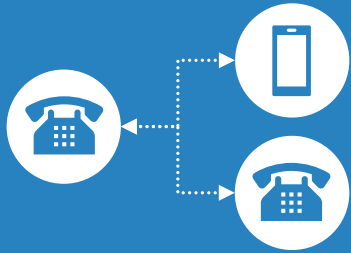
CALLING:

At its base, a UC calling platform supports **phone numbers** (DIDs / DDIs) that can be assigned to users, **and the ability to make calls to other phone numbers** (access to the PSTN and mobile networks).

Of course, today's enterprise-grade calling platforms support multiple devices and ways to make a call – from a desk phone, an application, using VoIP or PSTN networks, during a video call, to another individual, in a meeting… and a wide range of business calling features. But **to qualify as a UC Calling solution, the platform or service must support the base features at a minimum.**

UNIFIED COMMUNICATIONS (UC):

UC solutions provide the user with **an application that combines a core set of communication features – directory, messaging, presence, voice, video, and meeting capabilities** – all combined and accessed from a unified application.

Many platforms have expanded their feature-set, supporting team collaboration, file sharing, GIFs, emojis, and more – but **to qualify as a UC Calling solution, the platform must support a unified application experience** as well.
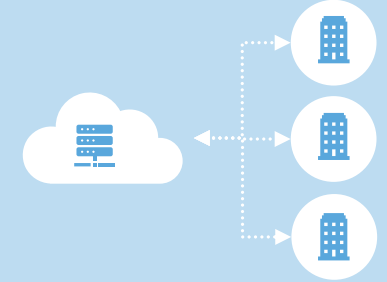
CLOUD:

Refers to **UC platforms deployed and managed by a provider, using their infrastructure, in their data center**. In contrast, those UC platforms deployed in the enterprise's datacenter fall into the On Premises market segment - regardless of the team managing the experience.

So, **to qualify as a Cloud UC Calling solution, the UC platform is deployed in a service provider's datacenter – and the provider manages, supports, and delivers the UC Calling experience.**

UC Calling – Market Introduction

Cloud UC Calling solutions are divided into two market sub-segments, based on the service's architecture and delivery model:

Cloud UC Calling

Multi-Instance

Multi-Instance UC services are delivered via individual platforms dedicated to each customer and deployed in a partner's data center. Hardware, provisioning, monitoring, and other services may be shared at an application layer, but the customer's UC experience is delivered on a dedicated platform. These dedicated platforms can be updated individually, providing each enterprise a level of control in the change-management process.

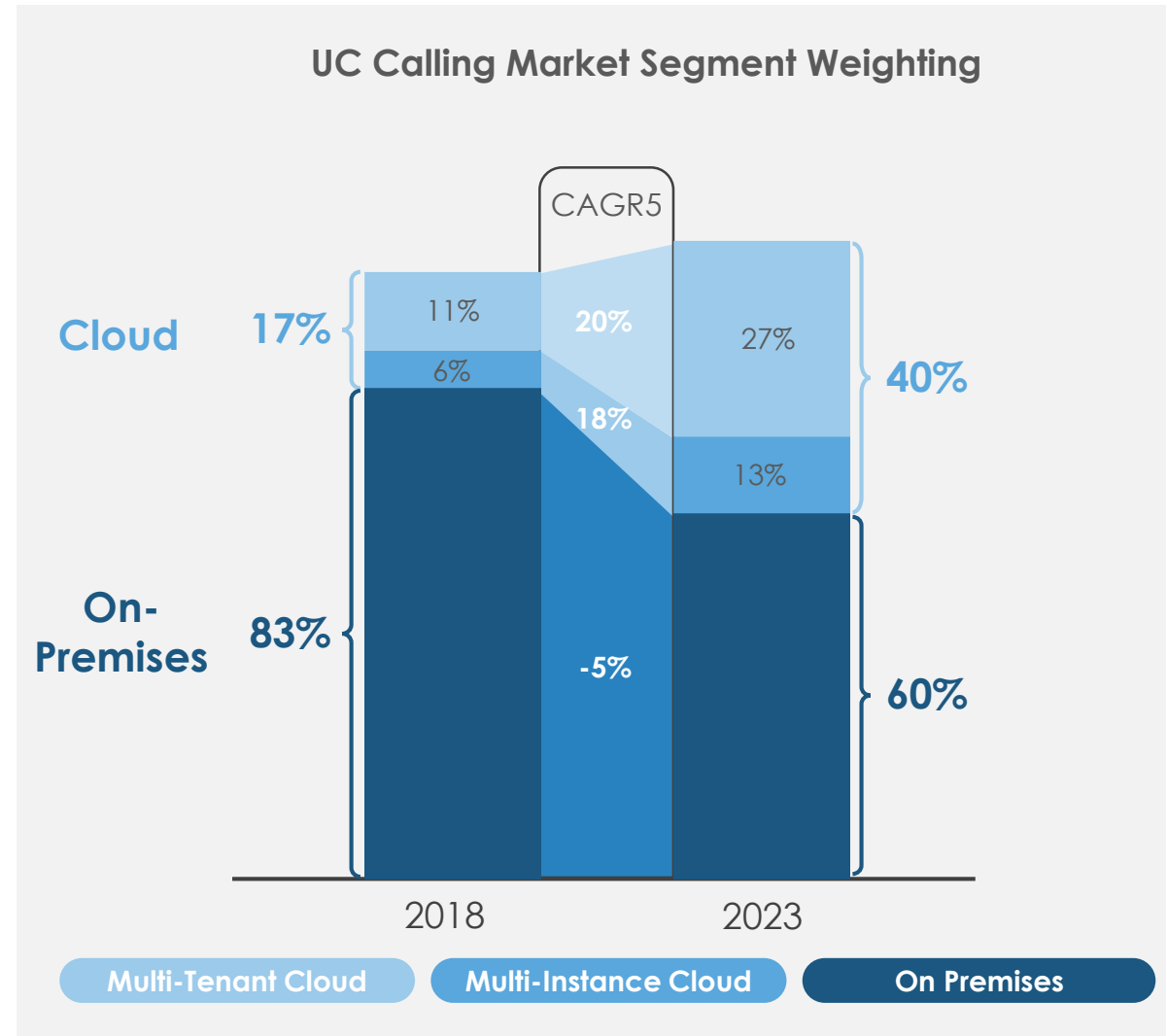## Multi-Tenant

Multi-Tenant UC services are delivered via a shared platform, hosted and maintained in the provider's data center. The platform itself is responsible for all UC services – provisioning, delivering, and supporting the customer experience, and keeping everyone's information separate. Updates are made at a platform and service level and delivered to all customers at the same time.

UC Calling – Market Trajectory

This market graph represents the full UC Calling market from 2018 through 2023, highlighting the transition from On Premises to Cloud UC Calling solutions. Here are a few observations that are most interesting to the analyst:

▶ **In 2018**, over 80% of all UC Calling seats were deployed On Premises. By comparison, the combined Cloud supported 17% of UC Calling seats – with Multi-Tenant solutions accounting for 11% of all seats.

▶ Over the **next five years**, we forecast the **Multi-Tenant Cloud to grow at a 20% CAGR**, and the Multi-Instance Cloud to grow at an 18% CAGR. On Premises UC solutions, however, will decline by a -5% CAGR, accounting for 60% of the market in 2023.

▶ **By 2023**, these growth rates result in a very different UC landscape – with the **Cloud accounting for 40% of the UC Calling market.**

UC Calling Market Segment Weighting

CAGR5

	2018	2023
Multi-Tenant Cloud	11%	20% (27%)
Multi-Instance Cloud	6%	18% (13%)
On Premises	83%	-5% (60%)

Cloud: 17% → 40%
On-Premises: 83% → 60%

Multi-Tenant Cloud   **Multi-Instance Cloud**   **On Premises**

Source: Wainhouse Research, 2019 UC Forecast

Cloud UC Calling – Drivers and Trends

We see three primary drivers shaping the UC Calling market – the Enterprise demands a specific set of requirements, Vendors are responding with new solutions, and new Technologies are accelerating the conversation.

Enterprise Demand

The **Enterprise** has a specific set of requirements when it comes to the Cloud – our ITDM survey data shows the main focus is:

SECURITY

Top of mind for every ITDM, and the first box to check on any Cloud service. They expect the Cloud to deliver better security than they can on-prem.

CONSOLIDATION

App fragmentation is common, expensive, and increases the risk of data leakage – centralized admin and a unified experience is the target.

FLEXIBILITY

Survey says: under 15% of enterprises are *fully* Cloud-enabled.. But over 80% support users across *both* prem and Cloud solutions. Of course, this can be a headache for both IT and users alike – which is driving demand for flexible *hybrid* services.

Vendor Offers

The **Vendors** are supplying advanced Cloud solutions – both meeting and driving Enterprise demand. We are focused on:

HYBRID CLOUDS

The focus is on a common UI and admin tools, with workloads distributed from prem-to-Cloud where required. Delivers a consistent user experience, while IT migrates at their pace.

PARTNER ECOSYSTEMS

Getting Calling right often needs professional guidance. Cloud vendors are expanding their partner ecosystems across the plan / build / deploy / manage lifecycle.

INTEGRATED PLATFORMS

Calling vs. meetings vs. messaging silos are gone, replaced by platforms in the cloud. Integration happens at a platform level – the Cloud supports all workloads, integrating where needed, without fragmenting and complicating the user experience.

Technology Innovation

Cloud **Technologies** are enabling vendors and fueling demand. Tech advances driving today's Cloud UC market include:

OPEN APIs

Purpose-built for Cloud-based communications and developer-friendly, current API tech enables integration and automation between services – powerful *and* productive.
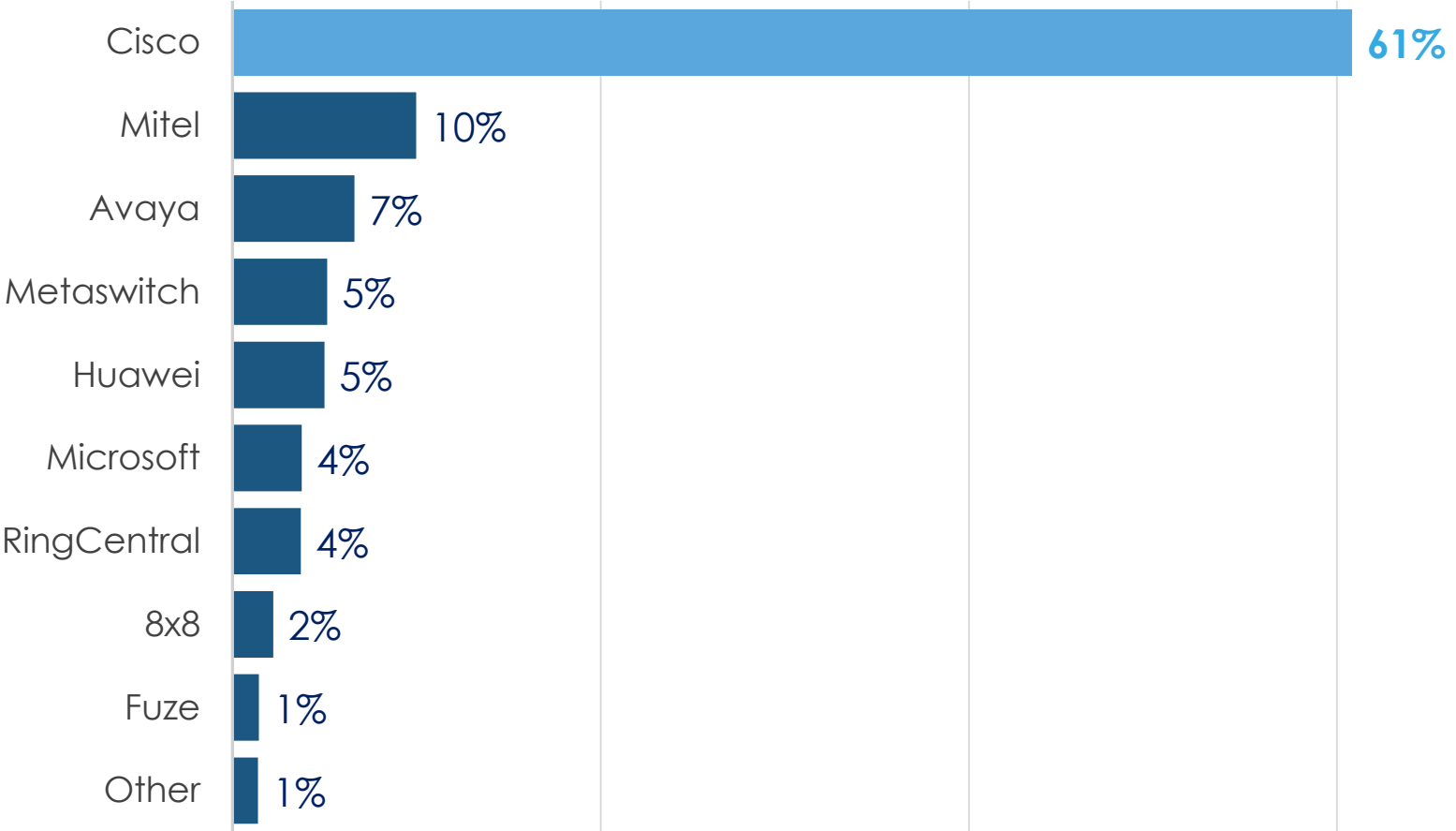
MICROSERVICES

Delivers a platform experience via a group of smaller programs, enabling agile development and continuous delivery – more features, faster innovation, with less downtime.

"ACTIONABLE" INTELLIGENCE

Machine learning finds patterns in massive amounts of data, but without business context, the intelligence is just 'artificial'. Those teams who apply ML and AI with context are delivering actual value – proactive alerts, user guidance, and improved experience.

Cloud UC Calling Market Share
Licensed Users

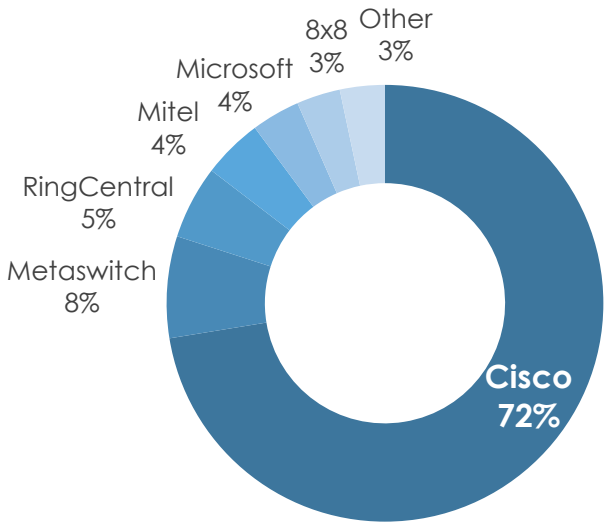| Vendor	Market Share
Cisco	61%
Mitel	10%
Avaya	7%
Metaswitch	5%
Huawei	5%
Microsoft	4%
RingCentral	4%
8x8	2%
Fuze	1%
Other	1%

In terms of market share, Cisco's Cloud UC platforms, including Cisco HCS, BroadWorks, and Webex Calling, account for over 60% of the total market.

Cisco's approach to partner-enablement has driven this dominant market position over time – over 700 partners are currently delivering a Cloud Calling solution based on a Cisco UC platform.
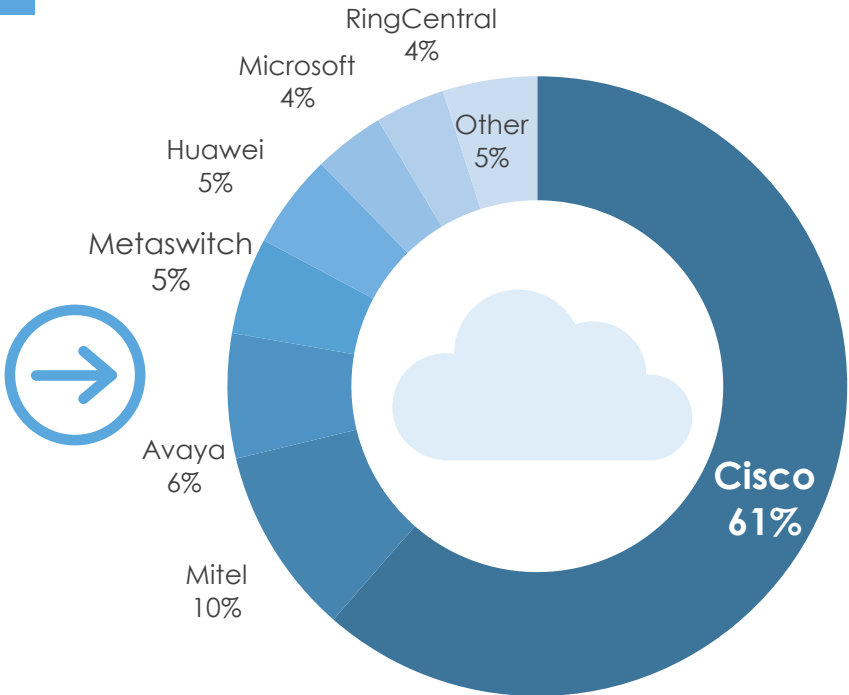
Source: Wainhouse Research, 2019 UC Forecast

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Cloud UC Calling Market Share
Licensed Users

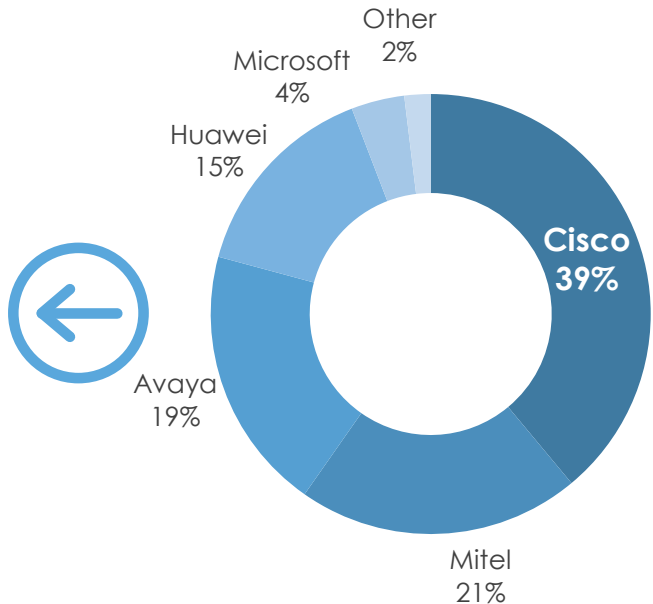Market share for Cloud UC Calling solutions. Based on licensed user estimates as of Q1 2019.

MULTI-TENANT CLOUD

TOTAL CLOUD UC CALLING

MULTI-INSTANCE CLOUD

Multi-tenant cloud chart:
- Other 3%
- 8x8 3%
- Microsoft 4%
- Mitel 4%
- RingCentral 5%
- Metaswitch 8%
- Cisco 72%

Total Cloud UC Calling chart:
- RingCentral 4%
- Microsoft 4%
- Huawei 5%
- Metaswitch 5%
- Other 5%
- Avaya 6%
- Mitel 10%
- Cisco 61%

Multi-instance cloud chart:
- Other 2%
- Microsoft 4%
- Huawei 15%
- Avaya 19%
- Mitel 21%
- Cisco 39%

Telephony-enabled, shared platforms and services capable of delivering a full UC experience – 72% of the total Cloud UC Calling market.

The combined Cloud UC Calling market delivers cloud-based telephony and UC services to small, medium, and large enterprises, with Cisco Cloud UC Calling platforms accounting for 61% of the total market.

Telephony-enabled, dedicated platforms, capable of delivering a full UC experience – 39% of the total Cloud UC Calling market.

Cloud UC Calling – Cisco's Approach

The UC Cloud is hot – a fact that has attracted new vendors into the market, each looking to 'get in on the action'. Despite this competition, Cisco continues to grow its market share. We think these key differentiators are responsible for Cisco's success:

Enterprise Expertise

Cloud Credentials

Partner Ecosystem

Cisco's Webex Cloud reflects years of experience delivering voice, video, and web collaboration to the enterprise. This includes Broadsoft's expertise delivering cloud-based, enterprise-grade calling and contact center solutions. And don't forget that Cisco is also a leader in the on-premises UC market – the company was an early pioneer across the IP PBX, telepresence, and web collaboration markets, each fine-tuned for the workplace.

Cisco has built considerable trust with the enterprise, and a massive installed base as a result. We see this experience surface in today's Webex Cloud – delivering features, quality, administration, a hybrid architecture, and security models directly aligned with today's enterprise requirements.

Webex launched in 1995 as a cloud-native solution and is one of today's most recognized enterprise brands. But today's Webex Cloud was rebuilt within the last five years – think microservices, RESTful APIs, containers, and integration with BroadSoft's cloud-first technology, Accompany's AI platform, and more.

The new **Webex Edge for Calling** represents the latest evolution with Webex Calling Enterprise, User, and Network services. These services deliver a consistent cloud-based application experience integrated with Cisco and 3rd-party on-premises infrastructure. This approach protects existing investments, reduces migration time and costs, delivers a central admin portal, creates a unified user experience, and provides turn-key access to the Webex Cloud's global footprint.

One of the first lessons a new Cloud UC vendor learns: delivering an enterprise-class experience is often harder than selling it. Moving Calling from prem-to-cloud sounds simple, but the average enterprise has a complex mix of technology and business process that must be addressed through the transition. A skilled partner is often the right resource to make sure the transition is done right.

Enter Cisco's established partner network, with over 450 global service providers and an extensive VAR ecosystem with deep experience building, delivering, and supporting Cisco communications. This partner community has experience supporting the solutions in place today, across prem and Cloud deployment models, with existing enterprise relationships – a unique asset in today's Cloud UC Calling market.

Cloud UC Calling Market Summary

From our position as a UC research firm, **the shift from data center to cloud is gaining serious traction. Based on current course-and-speed, we will see more UC Calling seats delivered from a Cloud service than deployed on premises by 2025 – a crossover that implies the mid-to-large enterprise has fully embraced the Cloud as a viable calling solution.** This shift is key to the Cloud's future growth, as the larger enterprise typically has the highest demand for UC services – requiring a combination of business-class calling, reliable meetings, and high-quality video, all wrapped in a secure, compliant, and trusted service offering.

Of course, IT decision maker trust is a hard thing to come by. To gain this trust, the leading Cloud UC providers leverage a combination of current Web 2.0 technologies, enhanced enterprise support services, standard security and compliance certifications, and have been proving their models over time. **The Cloud has reached a critical point of maturity, delivering quality, reliability, security, and compliance as foundational components to the overall experience.**

The platforms driving today's Cloud UC Calling experience have also evolved with the larger enterprise in mind, with a focus on distributed architectures. **In short, this trend enables an enterprise to integrate on-premises UC solutions with services hosted in the cloud – delivering a unified user experience via a hybrid architecture.** This model breaks down a traditionally critical cloud barrier, providing a fast path to a current UC Calling experience while the enterprise migrates on-premises workloads over time.

About Us

About the Author

Bill Haskins is a Senior Analyst at Wainhouse Research with a strategic focus on unified communications products and services. Bill has over 15 years of experience supporting, delivering, and designing converged Collaboration services in a global communications environment. He has authored multiple white papers and articles detailing the keys to a successful UCC implementation and delivered various UCC presentations, highlighting his experience integrating Collaboration solutions into business process and enterprise applications. He can be reached at bhaskins@wainhouse.com.

About Wainhouse Research

Wainhouse Research is an independent analyst firm that focuses on critical issues in Unified Communications and Collaboration (UC&C). The company conducts multi-client and custom research studies, consults with end users on key implementation issues, publishes white papers and market statistics, and delivers public and private seminars as well as speaker presentations at industry group meetings. Additional information is available on the company's website: www.wainhouse.com