OMDIA

UC as a Service (UCaaS)

Service Provider Scorecard: North America Excerpts

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Top takeaways

In this *Scorecard* we look at the top 10 UC as a service (UCaaS) providers in North America. Over the past 10 years, there has been slow and steady consolidation of business VoIP providers in North America. However, despite the mergers and acquisitions, there are still many UCaaS providers in the region, including traditional premises-based PBX and UC vendors, pure-plays, incumbent operators, cable MSOs, CLECs, ISPs, and system integrators. At the end of 2019, the providers that made the cut had over 600,000 UCaaS seats each, with over 2 million seats at the high end. A number of providers that did not make the cut have an installed base of 200,000–600,000 seats. Consolidation continues with each passing year, but the market still cannot sustain the large number of providers long term, so we will see further consolidation or providers closing down.

Among the leading UCaaS providers, a few stand out:

- As the market share leader and with above-average market growth, installed base, and financial score, **RingCentral** came out on top in this year's *Scorecard* by a large margin. Over the past two years, RingCentral has separated itself from the rest of the pack through continued focus on expanding its customer base, developing key strategic channel partnerships, filling the gaps in product development, international expansion, and continued focus addressing large enterprise requirements.

- **8x8** had a strong year in 2019, with above-average market growth that propelled it into a tie for second-largest provider based on installed base; 8x8 also had above-average service development, which helped move it into the number-two position in this report. The company has its own stack of service capabilities from UC, meetings including video, and contact center which provide 8x8 with a solid foundation.

- **Verizon** jumped to number three this year through strong growth, the fourth-largest installed base, and an above-average financial score. The company relies heavily on Cisco for its UCaaS portfolio, with a full suite of offerings geared toward multinationals, the mid-market, small businesses, and mobile-only companies. Verizon's UCaaS portfolio combined with its international network, mobile assets, and data, security, and professional services make it hard for pure-plays to match.

- **Mitel** rounded out the top four UCaaS providers, moving from second position in last year's report. Momentum slowed for the company as it underwent a lot of changes, including moving to private equity ownership and an executive leadership overhaul. Mitel moved its cloud business to its own division in 2019 to allow the business to run more like a UCaaS pure-play, but we have not yet seen the full impact of this change.

- This year's *Scorecard* shows that although the leading pure-play providers are a force, they have serious competition, particularly among older, more established companies including incumbent operators, traditional UC vendors, cable operators, and conferencing providers. The ongoing demand for UCaaS is vast with a broad set of customers and requirements.

- There is a broad mix of providers outside the top 10 that are growing and doing interesting things in regard to product innovation, channel strategy, and customer service. These include Intrado (formerly West), Windstream, NetFortris, Cox, CoreDial, CenturyLink, Dialpad, Fusion, Masergy, Intermedia, CallTower, Digium, and Evolve IP.

- Three companies worth highlighting that aren't on the list are Microsoft, Cisco, and Zoom. Microsoft Teams is a UC and meetings platform that has had tremendous adoption and is widely used globally. Businesses are just starting to widely transfer PBX and calling functionality to Teams in 2020, and we expect Microsoft will be (or will almost be) a top 10 company in next year's report. Cisco has presence in this report through key partners of its UC and voice platform business with Verizon, Comcast Business, Nextiva, and with some installed base at Vonage. Cisco's own service, Webex Calling, would fall under the *Scorecard* but does not yet make the cut, while success through partners on BroadWorks and HCS has been strong for years. Zoom launched Zoom Phone in 2019 and had tremendous adoption with the service in less than a year but falls right outside the top 20 with its installed base. We expect Zoom to continue its above-average growth, and with the popularity of its core videoconferencing service, Zoom is one to watch in 2020 as we expect it to move up the ranks.

This document is an excerpt; please contact Omdia for the full report including all provider profiles.

Background

This 12th annual *UC as a Service (UCaaS) Leadership Scorecard - North America* complements our UCaaS market report.

The purpose of this *Scorecard* is to determine which service providers currently lead the market for UCaaS and are best positioned to succeed in the long term based on a set of criteria.

First, we identified the top service providers in terms of the number of seats for UCaaS in North America. We then evaluated them based on the following four criteria:

- Financial stability
- Market share momentum
- Service development
- Support options

Please see "Methodology" (excerpted methodology is at the end of this document; the full version, with a more detailed description of the scoring process, is available from Omdia).

UCaaS leadership scorecard

The UCaaS market in North America is marked by a large and dynamic provider landscape. Mergers and acquisitions continue as providers look to gain scale, new capabilities, and long-term survivability. Additionally, traditional PBX and UC vendors such as Cisco, Mitel, Unify, Microsoft, Alcatel-Lucent Enterprise, and Avaya continue their push into the cloud either directly, with platform sales, or through partnerships with pure-play providers.

The top 10 providers have been fairly consistent over the past few years. Compared with our 2019 report, LogMeIn and Fuze made it into the top 10 while Windstream and Intrado (formerly West) just dropped off. RingCentral continued to strengthen its position in 2019 through sales momentum, partnerships, and product development. The consistency of the top providers indicates that many continue to do the right things, in some cases expanding through acquisitions and growing organically.

In this year's *Scorecard*, **RingCentral** led by a large margin because of its market share position as the largest provider in North America with its Office offering, its strong market momentum, and a high financial score. RingCentral continues to outpace the market in growth and along the way has built strong channel partnerships and overall brand awareness. RingCentral operates its own platform and has focused on expanding its own meeting capabilities while making sure its platform offers a seamless transition for Avaya customers, a new and important channel for the company.

8x8 has consistently been near the top of our *Scorecard* and is a longstanding stalwart of the UCaaS market. The provider has a strong position with small and mid-market businesses and continues to expand upmarket to large enterprises directly and through channel partners. 2019 was about realizing potential with the X Series of packages that it put in place in 2018 to simplify service consumption, and this strategy bore fruit with above-average market growth that put the company back in a strong market share position after it slipped in 2018.

Verizon is the one traditional telco that has successfully made the transition to advanced business voice services, including UCaaS. It is the fourth-largest UCaaS provider in North America and serves small, mid-market, and large enterprises through a set of services based on Cisco platforms. Verizon is in a unique position as it can sell UCaaS services integrated across its fixed and mobile networks across all major geographies and provide advanced professional services for businesses with unique requirements. In this year's *Scorecard*, Verizon's strengths were in its installed base and financial strength.

Mitel and **Comcast Business** rounded out the top five UCaaS providers and are separated by only 0.2 points. Mitel is the second-largest provider in North America but was below average in market momentum and financial strength, which pulled its position down this year. Mitel is the only traditional PBX and UC vendor in the *Scorecard* and has operated more like a traditional equipment vendor than a nimble, pure-play UCaaS provider. Having sold the company to private-equity firm Searchlight Capital in 2018, the UCaaS business was split into its own unit in part to get the company moving in that direction. Mitel has two UCaaS offerings: MiCloud Connect, its multi-tenant-based service for the SMB market, and MiCloud Flex for larger enterprise requirements.

Comcast Business jumped in this year's report because of its strong market momentum and financial strength, which gave the provider an edge over others and boosted its installed base. The company utilizes Cisco BroadWorks for call control and features but in 2020 acquired Blueface, a UCaaS provider based in Ireland. Blueface has its own UCaaS platform for call control and enhanced features, which we anticipate Comcast Business to work into its platform over the course of the next year. We have not taken Blueface into account for Comcast Business's current scoring, but we do view it as a positive sign for 2020.
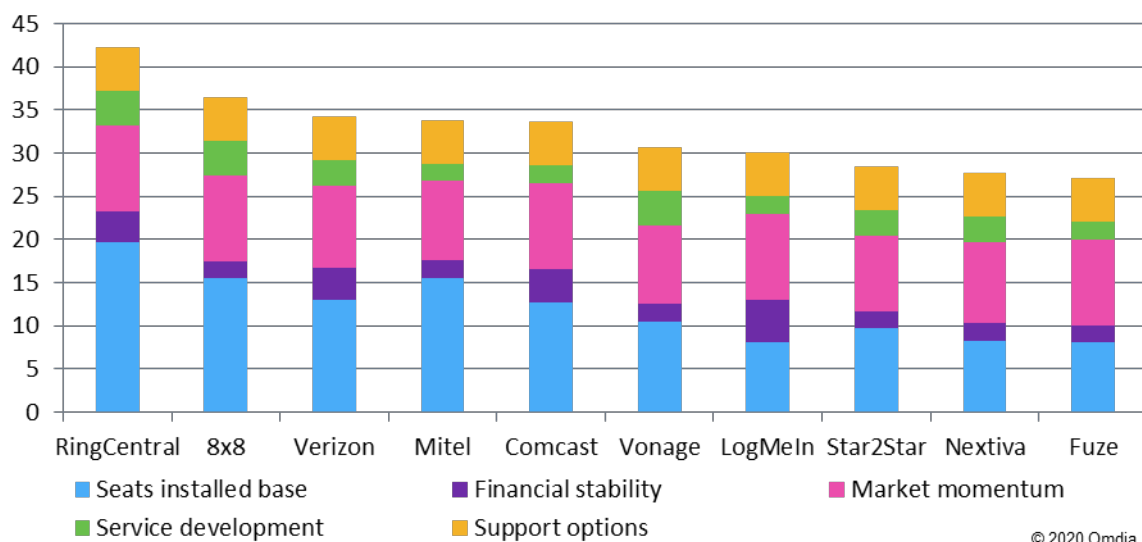
In our February 2020 *Unified Communication (UC) Strategies and Leadership North American Enterprise Survey*, we asked the respondents who are implementing at least part of their UC solution through UCaaS to rate various criteria for selecting providers. The top four criteria, rated *very important* by the most respondents, are security, financial stability, quality of service, and the underlying infrastructure and software. This corresponds with informal discussions with enterprises that express their desire to go with a provider that is stable, offers a high-quality service, and can support their needs to grow.

There are a handful of UCaaS providers that just miss the top 10 cutoff for this report but are worth highlighting. These providers include Windstream, Intrado (formerly West), NetFortris, CoreDial, Cox, Masergy, CenturyLink, Dialpad, Fusion, Zoom, Microsoft, Intermedia, Digium, CallTower, and TPx. These are all important providers to watch, and many are doing interesting things with applications and go-to-market strategies focused on specific verticals, market segments, and next-generation services.

One important trend in the UCaaS market is the growth of larger enterprise deals in the past six years. As adoption has risen, we see changing requirements around quality, support for hybrid environments, security, APIs for third-party application integration, and a real need for enhanced collaboration tools. The companies adopting UCaaS are public and private sector firms ranging all the way up to tens of thousands of endpoints. Many of these larger deals are with organizations that are highly distributed, where the benefits of cloud across many locations are readily apparent. With the rise of these opportunities, many providers are evolving their businesses to chase down these deals. However, not all cloud providers are suited for the rigors of large enterprise deals, and there are risks to chasing and winning them, with high requirements for features and ongoing support.

In 2020, we know the UCaaS market is hitting a pivot point with the onset of the COVID-19 pandemic and businesses moving to the cloud for their collaboration and communication needs to better support remote workforces. We believe how providers are able to deal with the near-term demand operationally and with customer service will have a sorting effect on the market and will lead to shifts in the landscape. The chart below shows each provider's total score, calculated as noted in the previous section.

Figure 1: 2019 North American UCaaS leaders

Source: Omdia

Table 1: 2019 North American UCaaS leadership scorecard

Service Provider	Installed Base	Financials	Market Momentum	Service Development	Support Options	Total
RingCentral	19.6	3.6	10.0	4.0	5.0	42.2
8x8	15.5	2.0	10.0	4.0	5.0	36.5
Verizon	13.0	3.6	9.6	3.0	5.0	34.2
Mitel	15.5	2.0	9.2	2.0	5.0	33.8
Comcast Business	12.7	3.9	10.0	2.0	5.0	33.6
Vonage	10.5	2.0	9.2	4.0	5.0	30.7
LogMeIn	8.1	5.0	10.0	2.0	5.0	30.0
Star2Star	9.7	2.0	8.8	3.0	5.0	28.4
Nextiva	8.3	2.0	9.3	3.0	5.0	27.6
Fuze	8.0	2.0	10.0	2.0	5.0	27.0

Source: Omdia

UCaaS provider analysis

RingCentral

RingCentral finished another incredible year, continuing to put more distance between itself and its closest competitors. RingCentral is the leader of this year's *Scorecard* owing to its position as the largest UCaaS provider in North America in terms of installed base of seats. Even with the largest installed base, it continues to outperform average market growth, which has helped the company continue to outpace the competitive field. Rounding out RingCentral's strong leadership score this year is a healthy financial score and above-average service development.

RingCentral got its start by focusing on small businesses with the flexibility of bring-your-own bandwidth but has grown upmarket, securing mid-market and large enterprise customers. Although it maintains a customer base of small businesses, primarily 100 users or fewer, it has also driven growth by onboarding larger customers including ones with over 10,000 seats. The mid-market and enterprise segment is RingCentral's fastest growing part of the business, with annualized recurring revenue (ARR) in this segment up 59% YoY in 2019. The push into larger enterprises has fueled architecture initiatives around MPLS network options, SD WAN capabilities, and emergency survivability.

RingCentral operates its own platform with continued enhanced service development but is not averse to technology acquisition. Most notably, the acquisition of Glip in 2015 gave RingCentral key team collaboration capabilities, which it integrated with RingCentral Office and made part of its core service packaging. Other recent acquisitions for the company include Dimelo and Connect First.

RingCentral has led the way in integration of team collaboration within its core Office stack and a wide range of user interfaces, including a new browser-based application with WebRTC, called RingCentral Video, and native applications for iOS and Android. Through 2017–18, key developments included enhancements to administration and analytics; expanded integrations with third-party applications such as Google Hangouts Chat, Slack, Amazon Alexa Skills, and Microsoft Teams; and improvements to its PBX capabilities to better meet the needs of large enterprises, including items such as failover capabilities, boss/admin support, and IMS core integration to provide a module for its partner Ericsson and others to deliver UCaaS capabilities to Ericsson's IMS carrier customers. In April 2020, RingCentral launched RingCentral Video, its own standalone meeting offering, which it developed over the past several years to include full videoconferencing capabilities, with features coming for rooms, meeting transcriptions, and backgrounds. RingCentral Video is expected to be available as a standalone service but is fully integrated today with RingCentral Office and provides an alternative to the Zoom-powered partner solution as its default meeting platform.

One differentiator is that the company does not require a contract for RingCentral Office; however, pricing becomes more attractive with contracts. There are four editions of RingCentral Office: Essentials, Standard, Premium, and Ultimate. Additionally, the provider offers Global Office Unlimited, which allows for unlimited international calling to over 100 countries and is available to enterprise customers in the US. RingCentral Global Office extends its Office capabilities for multinational businesses in up to 41 countries and starts at $9.99 per month per user added on to the Standard Global Office service plan. All plans include enhanced capabilities such as team messaging, collaboration, conferencing, SMS, fax, online meetings, mobile phone apps, and softphone capabilities. IP phone options include either Polycom, Cisco, or Yealink IP phones. All editions include integration with Google and Outlook. The Premium and Ultimate editions include integration with Box, Dropbox, Salesforce, Zendesk, Microsoft Dynamics, and Desk.com.

RingCentral has opened up its platform by exposing APIs for developers. Developers can choose to build integrations as one of two types: private and public. These allow customers and partners to integrate with the RingCentral platform and develop levels of customization. The public APIs also allow integration with other cloud applications such as Dropbox, Google, Office365, Zendesk, Zoho, HubSpot, Microsoft Teams, and Salesforce. The RingCentral platform is extensible through more than 70 APIs including active call control, Glip calendar, and international SMS support so businesses can integrate RingCentral into their workflows. The company also delivers a web widget for developers to quickly add voice and text to web applications. RingCentral has 35,000 developers using the APIs and 300 ISV integrations for Office, Contact Center, and Glip. It also provides API exposure for messaging and collaboration, resulting in over 50 integrations such as Confluence, Salesforce.com, and ServiceNow.
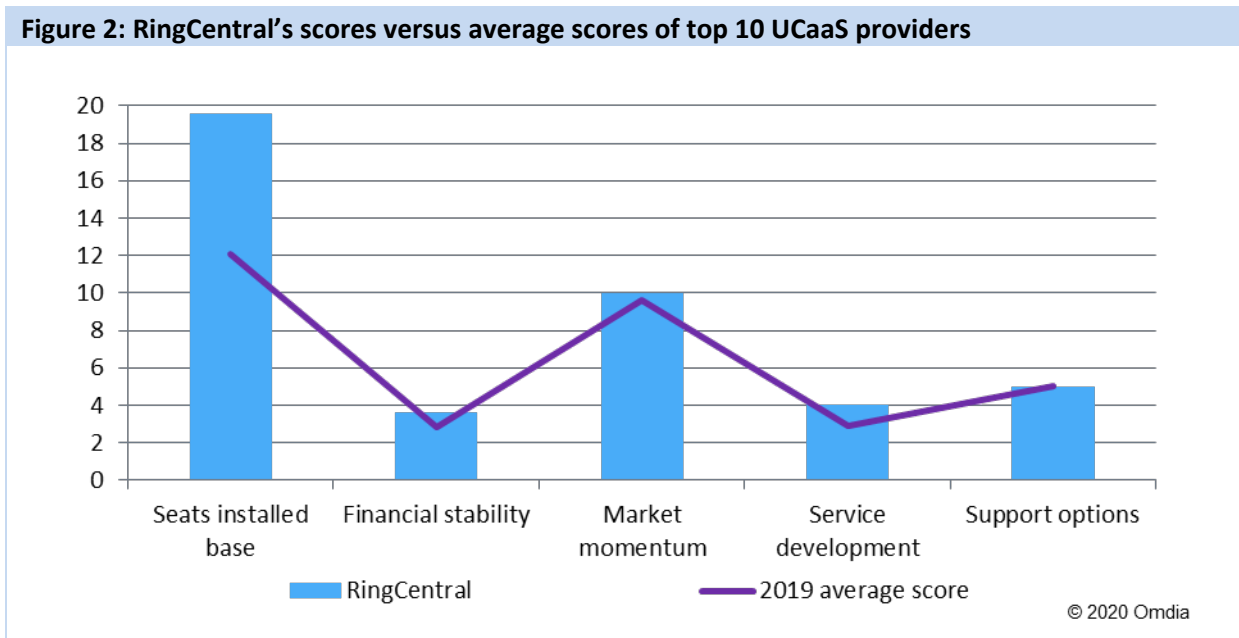
RingCentral offers cloud contact center through a partnership with inContact. Branded RingCentral Contact Center, it is tightly integrated with the company's Office product as a unified solution. In 2019, RingCentral acquired Connect First, which became the foundation for RingCentral Engage Digital. This platform allows companies to work with customers across 20 digital channels and RingCentral Engage Voice, which is a contact center solution that manages inbound and outbound calls between organizations and their customers and prospects. RingCentral provides the telephony, service and support, and hosting for the contact center offering. Additionally, RingCentral recently introduced Live Reports, which provides call analytics and reporting in real time (for $25 per seat). This capability combined with RingCentral Office provides a solution for informal call center needs. Contact center is a key area of focus for most UC cloud providers to drive more revenue per customer and is proving to be a key growth area for RingCentral.

Services are sold directly and through channel partners, which include service providers and system integrators. Their execution has helped RingCentral obtain business from some of the top service providers including Telus and BT, as well as AT&T, which announced a renewed partnership in 2020. In one of the most significant new partnerships announced in 2019, RingCentral became Avaya's provider for its UCaaS solution, which was marketed to Avaya's large installed base of customers as an upgrade path to the cloud. The agreement required development on RingCentral's side to ensure feature parity and interworking with Avaya endpoints. In February 2020, RingCentral entered into an agreement with Atos, wherein the system integrator will add RingCentral to its Digital Workplace as the preferred provider of UCaaS solutions with a co-branded offering. As part of the partnership, RingCentral will acquire IP, including a portfolio of patents, from Atos. The goal of these partnerships is to take advantage of their broad customer base with co-branded services powered by RingCentral.

RingCentral works with more than 9,000 channel partners such as Ingram Micro, ScanSource, Carousel Industries, and CDW.

On the support front, RingCentral's service and support options include dedicated customer success managers focused on individual accounts at the enterprise level, quarterly account reviews, and RingCentral University for customer training. The company also has quality of service analytics, which gives administrators a dashboard to diagnose voice and video quality issues in real time. The customer service organization has also greatly expanded its professional services offerings to include advanced implementation, planning and design, project management, and on-site deployment services. RingCentral maintains multiple language support as it expands internationally.

Figure 2: RingCentral's scores versus average scores of top 10 UCaaS providers

Source: Omdia

Methodology

The UCaaS market leadership was based on the following steps:

1. Identified the top service providers by the installed base of North American UCaaS seats, based on actuals provided by providers

2. Calculated each of the service providers' share based on total seats, which was then converted to points

3. Calculated financial score based on Altman Z-score non-manufacturing model

4. Calculated market share momentum

5. Determined two additional metrics important to leadership and long-term success: service development and support options

6. Rated each provider on a 1–5 scale for the categories. See the next section for the specific rating definitions for each metric; the following are general definitions:

   - 5 =leading the market
   - 4= advancing
   - 3 = moderately positioned
   - 2 = limited position
   - 1 = market laggard

7. Weighted each metric (based on relative importance in determining market leadership): installed base of lines/trunks or seats (4), financials (2), market momentum (2), service development (1), and support options (1)

8. Calculated results

Service definition

UC as a service (UCaaS): Hosted, multi-tenant solutions that replace a premises-based PBX or key system, including value-added applications and unified communications (UC); UCaaS aggregates telephony, presence/IM, messaging, collaboration, and conferencing into a unified service delivered to multiple devices that is managed and sold as a subscription-based model

Appendix

Further reading

VoIP & Unified Comm. (UC) Services Market Report – 2020 (April 2020)

Unified Comm. (UC) Strategies & Vendor Leadership N.A. Enterprise Survey – 2020 (April 2020)

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