UCaaS offerings are increasingly functionally competitive with their premises-based alternatives. Key 2015 improvements include an improved UCaaS user experience, API connectivity with leading cloud applications, and mobile-first user deployments.

Market Definition/Description

Unified communications as a service (UCaaS) supports the same functions as its premises-based unified communications (UC) counterpart. Only the delivery model is altered. Therefore, Gartner uses the same six broad communications functions for both (see Note 1 for detailed definitions):

- Voice and telephony, including mobility support
- Conferencing — Audioconferencing, videoconferencing and Web conferencing
- Messaging — Email with voice mail and unified messaging (UM)
- Presence and instant messaging (IM)
- Clients — Including desktop clients and thin browser clients
- Communications-enabled applications — For example, integrated collaboration and contact center applications

There are two types of cloud delivery architectures deployed in the UCaaS market. The first is multitenant, in which all users share a common (single) software instance. The second is virtualized, in which each user receives its own software instance. Both the multitenant and virtualized architectures possess cloud characteristics of shared infrastructure (for example, data centers, racks, common equipment and blades), shared tools (for example, provisioning, performance and network management tools), per-user-per-month pricing, and elasticity to dynamically add and subtract users.

Users (particularly larger businesses with more than 1,000 employees) in general prefer a separate software instance because of perceived security, integration and customization benefits. They prefer how the software they are using is their own and not used by others. However, most implementations to date are with the multitenant architecture, because it is typically easier to
support, manage, enhance and deliver. In contrast, it takes more administration time to manage each user’s separate software instance in the virtualized architecture. Gartner expects this trend to continue, given the scaling and cost benefits of multitenant deployments.

Mobility, through both smartphones and tablets, plays an increasingly prominent role in the UCaaS ecosystem. UC clients that are downloaded to mobile smartphones (or tablets) can have a business-grade PBX feature set. Businesses are now starting to deploy location-based services (LBSs) and contextual information on the mobile devices to develop communications-enabled business processes (CEBPs). There is also increasing demand for disparate businesses (for example, businesses in a supply chain) to federate with one another.

Many UCaaS offerings now support integration with common business cloud applications. This is facilitated with APIs for such cloud applications as CRM (Salesforce, Dynamics CRM and SugarCRM), storage (Box, Dropbox and Google Drive [storage]), customer service (ServiceMax) and help desk (Zendesk). These APIs integrate UCaaS with business applications to help businesses operate more efficiently. For example, a UCaaS-Salesforce integration can enable a user to place a customer voice call directly from the Salesforce record. The business may even choose to record the call and then archive it to Google Drive.

Several of the UCaaS vendors in this Magic Quadrant deliver services based on underlying Microsoft Skype for Business (SfB) technology. In 2Q15, Microsoft rebranded "Lync" to "Skype for Business." This Magic Quadrant will reference the newer SfB terminology.
Magic Quadrant

Figure 1. Magic Quadrant for Unified Communications as a Service, Worldwide

Source: Gartner (September 2015)
Northern California-based 8x8 has more than 15 years of experience in the UCaaS market. Its UCaaS offering is branded as Virtual Office and is delivered via its own multitenant platform. 8x8’s core market is North America (the U.S. and Canada), and the company has expanded internationally over the past two years to support customers with headquarters in the U.K. and Australia (and can support the regional country location offices of its customers in roughly 100 countries). Gartner estimates that 8x8 is one of the largest UCaaS providers, with more than 500,000 employees supported, mainly in North America.

In the past year, 8x8 expanded its Virtual Office UCaaS offering to support its integrated Virtual Contact Center solution (with single sign-on). Other enhancements include Virtual Office Analytics for traffic monitoring and call quality status, along end-to-end SLAs over the public Internet. The 2015 acquisition of U.K.-based DXI expands its European presence and ability to enter new lines of business.

8x8 has historically focused on the small or midsize business (SMB) market (fewer than 1,000 employees), but has started to win enterprise accounts, some in the 5,000-employee range. Evidence of enterprise commitment includes an enterprise onboarding program (branded Elite Touch) and certifications for the U.S. Federal Communications Commission’s E-rate program, the Federal Information Security Management Act (FISMA), the Health Insurance Portability and Accountability Act (HIPAA) and the Payment Card Industry (PCI). Through 2015, 8x8 expanded its channel base to complement its traditional direct sales force.

8x8 is well-positioned for both SMBs and smaller enterprises in the 2,000-employee range seeking a cost-effective UCaaS solution. This includes businesses with headquarters in the U.S., Canada, the U.K. and Australia with regional offices in North America, Europe and Asia/Pacific.

**Strengths**

- 8x8 provides a rich set of UC and contact center capabilities at a competitive price. 8x8 users have high adoption rates for voice over Internet Protocol (VoIP), UM, mobility, IM, presence and contact center.

- The company continues to expand its contact center capabilities (Virtual Contact Center) and integrate these with the Virtual Office (VO) offer. Capabilities include added security and compliance certifications, stronger analytics, and APIs to Salesforce and Zendesk, among others.

- Customers report that 8x8 has good customer service and a capable self-service portal.

- The company is increasingly global, with local infrastructure in North America and Europe, as well as with expanded capabilities in Asia/Pacific.
Cautions

- 8x8’s coverage and maturity in Europe and Asia/Pacific lag behind its North American capabilities.
- 8x8 Virtual Meeting lacks integration with leading third-party video platforms and has limited group tools for larger Web conferences, and the video client can have performance problems for accounts above 1,000 employees.
- 8x8 must demonstrate that the many new channel partners that it has added are able to effectively deliver 8x8 UCaaS.
- 8x8 is at a transition period as it seeks to become more global and support larger accounts. This requires it to continue to scale up its technology infrastructure, reporting tools and customer support.

AT&T

AT&T is a global communications service provider (CSP) headquartered in Dallas, Texas. While its UC services are strongest in North America, AT&T has global operations and a global network footprint, and continues to expand its UC capabilities, including with Europe-based accounts. However, enterprises expecting AT&T services outside of North America should verify that AT&T is willing to support all required country markets.

AT&T Unified Communications Services includes virtualized cloud-based solutions and hybrid cloud-premises deployments. The AT&T UC Voice offering is a Cisco Hosted Collaboration Solution (HCS) cloud solution or managed Microsoft SfB offering (AT&T believes the dedicated Microsoft architecture is a better fit for its SfB customers). Only its Cisco HCS offering is truly UCaaS, accessed via the Microsoft SfB client or the Cisco Jabber client, respectively. The UC functionality supported includes presence, IM, conferencing and UM. AT&T is a Microsoft ExpressRoute partner with Internet Protocol (IP) Multiprotocol Label Switching (MPLS) connectivity to Office 365 data centers (AT&T labels this offering as NetBond). In addition, AT&T offers a range of its own native audioconferencing, Web conferencing, videoconferencing and VoIP services. AT&T also markets hosted, managed and premises-based services for SfB, Cisco and Avaya UC solutions, as well as UC integrations to Google and IBM Sametime. Many AT&T UCaaS deployments span multiple contracts, and AT&T has instituted a process to coordinate these contracts for the purpose of a single project.

AT&T’s UCaaS solutions suit midsize and large enterprises that have an existing strong relationship with the service provider and desire a cloud UC solution based on Cisco or Microsoft technology. AT&T typically prefers accounts with 40% of users in North America.

 Strengths

- AT&T’s UCaaS benefits from the firm’s strong brand-name recognition, global networks, security services and global data centers. AT&T can scale to support large accounts above 10,000 employees.
AT&T has developed a strong suite of UC solutions based on Cisco’s and Microsoft’s UC that leverage AT&T’s conferencing (audio, Web and video) and professional services, including AT&T’s UC consulting practice.

AT&T has extensive conferencing capabilities, which in addition to the base UC options includes AT&T Connect (Web conferencing), AT&T Video Meetings with Blue Jeans, support for Cisco Collaboration Meeting Rooms (CMR), and AT&T Global IP Audio Conferencing with Microsoft SfB.

A recently announced offering combines Microsoft Skype for Business Online (SfBOL) with AT&T IP Flexible Reach. This includes committed quality of service (QoS) and availability SLAs for SfB voice, video and conferencing when operated by AT&T. AT&T has similar networking capabilities with other cloud providers, such as Blue Jeans Network, as part of its NetBond offer.

Cautions

AT&T’s broad array of offers can be difficult to understand. In part this is because different elements of UC functionality can be mixed and matched, and the underlying network service can be bundled in multiple ways.

Gartner clients report that billing, service and support problems can be complex to resolve, as users must work through multiple AT&T groups and contracts in support of a single project.

Customers would like more self-service capabilities for day-to-day management. AT&T does not support APIs to leading cloud applications, such as Salesforce and ServiceMax.

AT&T’s Microsoft SfB solution is a dedicated managed offer rather than a true UCaaS offer (virtualized or multitenant).

Avanade

Avanade, a global system integrator headquartered in Seattle, Washington, was founded by Accenture and Microsoft. The company offers Microsoft-focused business technology solutions for cloud and managed deployments. The UCaaS offering leverages Microsoft-based messaging, collaboration and UC services. In the past 12 months, Avanade has retooled its UCaaS offering to support midsize-enterprise accounts in the 1,000- to 5,000-employee range. Avanade has UCaaS infrastructure in North America, Europe and Asia/Pacific, and now targets MNCs headquartered in each of these three regions. Avanade does not support a complementary contact center as a service (CCaaS) offering, but does, however, support integrations with premises-based contact centers from Aspect, Clarity Connect and Avanade’s own contact center.

Avanade’s go-to-market UCaaS strategy centers on virtualized Microsoft SfB, with SfB replacing the client’s PBX infrastructure. Proprietary management and virtualization tools are used to cloud-enable SfB in Avanade data centers. New 2015 Avanade UCaaS initiatives include an IT administration service portal, a channel partner program (complete with a UCaaS channel partner portal) for accounts in the 1,000- to 5,000-employee range, and tools for tracking voice quality. These capabilities are new and just being rolled out. Avanade uses a direct salesforce for customers
above 5,000 employees, while channels are used for accounts in the 1,000- to 5,000-employee range.

Avanade is suited for large North American, European and Asia/Pacific MNCs seeking a Microsoft-based UCaaS offering.

**Strengths**

- Avanade has extensive Microsoft IT experience and has homegrown tools to cloud-enable SfB, Exchange and SharePoint. Avanade can also integrate with the Microsoft Office 365 suite.
- Avanade has a mature SfB cloud UC reference architecture that includes network performance, session border controllers (SBCs), headsets, call recording systems, room video systems, reporting tools and network services.
- The company has strong consulting and professional services that leverage SfB UCaaS to improve business processes. Avanade is especially strong in SfB-enabled business process improvement in the healthcare and transportation sectors.
- Avanade is strong with large-enterprise accounts in the 10,000-plus-employee range.

**Cautions**

- The company’s UC skill set is Microsoft-centric, with limited expertise in offerings from such vendors as Avaya and Cisco (though Avanade can secure Cisco expertise from its parent Accenture organization). Avanade still does not possess a broad package of APIs to third-party IT applications (such as Salesforce).
- Legacy Avanade UCaaS users lack access to the IT administration portal launched in 2015 for provisioning new users, performing moves, adds, changes or deletes (MACDs), and resetting passwords (Avanade will make this portal available to legacy customers over the next year).
- Avanade’s UCaaS channel partner offering for enterprises with 1,000 to 5,000 employees is new and has limited market proof points.
- Avanade support, delivery and project management in Asia/Pacific and Latin America is less mature than in North America and Europe.

**BT**

BT is headquartered in London, U.K., and is a Tier 1, global network service provider. Its UCaaS offering is branded as BT One Cloud and supports both the Cisco HCS and Microsoft SfB UCaaS stacks. BT has dual data centers for its UCaaS infrastructure in Europe, North America and Asia/Pacific. The company has significant UCaaS experience via large U.K. public-sector accounts. 2015 upgrades include North American and Asia/Pacific data center expansion. There are plans to support the Google stack in 1H16. BT primarily relies on a direct sales force (except for smaller U.K.-only deployments).
BT has upgraded its Cisco offering to include support of Cisco HCS Release 10 and Cisco CMR (video). The Microsoft UCaaS offering is virtualized, whereby each customer secures a separate software instance. BT is a Microsoft ExpressRoute partner, which provides IP MPLS connections between BT data centers and Microsoft Office 365 data centers.

Consider BT for UCaaS deployments (both Cisco and Microsoft infrastructure) for large MNC deployments over 5,000 endpoints, especially if the MNC has a significant base of users in Europe. BT supports smaller UCaaS deployments — down to the 1,000-employee range — for European accounts.

**Strengths**

- BT offers a deep base of networks, Session Initiation Protocol (SIP) trunking, Dolby high-definition voice, security, hosting and managed services to complement its UCaaS portfolio.
- BT is a strong, global Cisco UCaaS partner supporting numerous Cisco solutions, including HCS, Unified Contact Center Enterprise, WebEx, and Collaboration Meeting Rooms. BT mainly uses an internal team for professional services, with limited Cisco Advanced Services when required.
- The company has regimented project management, installation and customer service processes. BT offers consistent MNC pricing across all regions supported.
- BT has had numerous enterprise UCaaS wins above 3,000 employees in the past year, both with Cisco and Microsoft UCaaS.

**Cautions**

- BT does not aggressively pursue SMB accounts below 1,000 employees outside of Europe. Most MNC contact durations are in the five-year range (which are not common in the SMB and small-enterprise market).
- BT is selective in pursuing North America-headquartered accounts, typically focused on larger North American MNCs with European operations. In addition, North American and Asia/Pacific UCaaS has been available only in the past year.
- It can be time-consuming to digest all of BT’s available UC, UCaaS, and conferencing options, offered through a variety of internal capabilities and vendor partnerships.
- Users report that BT should improve its UCaaS self-service portal capabilities and offer more APIs to common cloud applications.

**CSC**

CSC is a system integrator headquartered in the Washington, D.C., metro area. In May 2015, CSC announced a split of its government and commercial businesses into two separate companies, planned for October 2015. In 2014, the government business had approximately $4 billion in revenue, while the commercial business had approximately $8 billion in revenue. Although CSC has
mapped out how it plans to split its UCaaS resources as part of this divestiture, there a potential risk that the separation will result in operations complexity in support and sales.

CSC MyWorkStyle can be delivered via the cloud, on-premises or in hybrid form. The CSC MyWorkStyle UCaaS offering centers on Microsoft and Cisco technologies, complemented by Polycom video and Cisco CCaaS. CSC initially invested in Microsoft SfB technology and in the last year has increased its focus on Cisco-based UCaaS.

The objective of CSC MyWorkStyle is to offer a cost-competitive, broad IT solution set. This includes UCaaS, as well as multiple other capabilities, such as CSC integrated security, service management and service implementation. CSC has a global reach, with UCaaS marketed to North American, European and Asia/Pacific businesses. While the CSC target market has traditionally been above 5,000 employees, the industrialization of CSC MyWorkStyle now enables CSC to target accounts down to 1,000 employees. All sales are direct.

CSC UCaaS is well-suited for large enterprises (typically above 5,000 employees) and government organizations seeking a cloud solution based on Cisco or Microsoft technology. CSC targets large organizations based in North America, Europe and Asia/Pacific, most of which have an established relationship with CSC.

**Strengths**

- CSC has a cloud-first approach to UC, as well as its broader IT service portfolio. The objective is to industrialize services to both reduce costs and scale delivery.
- The CSC MyWorkStyle offering of Cisco and Microsoft solutions includes a detailed roadmap and semiannual product releases for additional functionality. These solutions can flexibly be deployed in different configurations of cloud, on-premises and hybrid.
- CSC has well-established large accounts, with approximately 10 large UCaaS private-sector customers (a combination of U.S.-only and multiregional) in the 5,000-employee range, and with multiple large public-sector clients.
- CSC has strong global presence and established data centers and staff in North America (five data centers), Europe (five data centers), Asia (three data centers) and Latin America (one data center).

**Cautions**

- Developing and launching CSC MyWorkStyle has taken 18 months to roll out, with limited new sales and product innovation over the past year. CSC must regain lost momentum despite the organizational changes and win new logos.
- CSC’s MyWorkStyle model has not traditionally targeted the sub-5,000-employee market, which is the fastest-growing UCaaS sector.
- User feedback says that CSC UCaaS needs improved self-service portal capabilities and more APIs to high-market-share cloud applications.
Selected CSC customers report that the organization can be slow to adjust to changing requirements and bureaucratic to work with.

Google

Google is based in Northern California and provides a broad base of consumer and business IT capabilities. The business UCaaS offering, Hangouts, is part of the broader collaboration suite known as Google Apps for Work. Google has UCaaS infrastructure in 14 data centers spanning North America, Europe, Asia/Pacific and Latin America — with support for over 70 languages. Google Apps for Work and, therefore, Google Hangouts by extension, continue to gain corporate mind share. Key adopters include SMBs, high tech, professional services and universities.

The Google multitenant cloud service supports such UC functions as email, UM, IM/presence, over the top (OTT) VoIP, videoconferencing, Web conferencing and mobility. Google Apps for Work offerings beyond UC include Google Docs (spreadsheets, documents and presentations), Google Calendar, Google Sites, and Google Drive (storage). Google has both a direct sales force and channel partners for securing new accounts. External Hangouts invites (outside the company) no longer need to have a Google+ account (Google’s social stream product) to participate in a meeting. Businesses can connect to Google Apps for Work via the public Internet, direct peering and carrier interconnect.

Google’s UCaaS provides an intuitive, cost-effective solution for business of all sizes, largely independent of the geographic region they are located in. Users are likely to leverage a rich UC suite, but Google customers must have alternative methods of procuring enterprise voice.

Strengths

- Google’s pricing is very competitive, with annual fees ranging from $50 to $120 per user (the higher levels include unlimited storage, enhanced controls and reporting, administrative tools, and e-discovery features). This low-cost, transparent pricing policy is a key factor in encroaching on Microsoft accounts.
- Google Hangouts provides an intuitive user experience, allowing users to easily navigate across IM, presence, Web conferencing and mobility. Integration with Chromebox for meetings allows seamless integration with conference rooms, as well.
- Most customers, ranging from SMBs to MNCs, report high satisfaction levels across Google Apps for Work (including Hangouts). Ease of use, service reliability, APIs to other cloud services, and value for the money are cited strengths.
- Notable 2015 UCaaS enhancements include support of business-grade SLAs, IM archiving, improved administration controls, and integrations with RingCentral, Switch Communications and Blue Jeans.
Cautions

- Google does not support a native business voice service. This may hurt Google’s competitive positioning against Microsoft Office 365 (and SfBOL), scheduled to begin supporting North American business voice in 4Q15.

- Google Hangouts currently supports only 15 simultaneous Web conferencing sessions. Businesses, therefore, must rely on a parallel Web conferencing or use Google Hangouts On Air to broadcast to larger Web conferences.

- Gartner does not believe that the pace of Google’s 2015 UCaaS innovation matched the pace of its 2014 innovation, when the Chromebox for meetings video capability was rolled out.

- Users express dissatisfaction with the Chromebox for meetings standards-based interoperability capability (which requires working with partners for interoperability with legacy room systems).

HP

HP Enterprise Services is the multinational IT infrastructure and service business unit of HP, headquartered in Palo Alto, California. HP is separating into two large companies (estimated 4Q15). Hewlett Packard Enterprise (the group supporting UCaaS) will focus on next-generation technology infrastructure, software and services to digitalize enterprise customers. HP Inc. will be a personal-system and printing company.

HP uses a standard reference architecture with a structured approach to project management designed for large enterprises and global-scale projects. HP Enterprise Services has seven practice areas, and the core UCC functionality is part of the Mobility and Workplace Solutions practice. HP has UCaaS capabilities in the four main global regions (North America, Europe, Asia/Pacific and Latin America) and is registered as a VoIP service provider in more than 20 countries. HP continues to add countries through an ongoing telecom registration program.

HP offers cloud, on-premises and hybrid configurations of UC. Many of HP’s customers are large accounts opting for dedicated platforms rather than UCaaS. All sales are direct. HP offers virtualized SfB, SfBOL (as part of HP Enterprise Services for Office 365) and related Microsoft solutions. In addition, HP offers Avaya-based UCaaS, branded as Helion UCaaS OnAvaya (selected Avaya support personnel also transferred to HP as part of the strategic arrangement). HP recently introduced the HP Enterprise Services for Google Apps for Work, integrating Avaya telephony with Google Apps for Work.

HP UCaaS is suited for large global organizations with complex integration requirements seeking Microsoft or Avaya infrastructure.

Strengths

- HP UCaaS is available globally and can address complex enterprise deployment with legacy integration requirements. The company already has over 10 MNC UCaaS accounts.
HP offers a broad spectrum of UC services that includes private cloud UCaaS, professional services, network management and application integration with UC.

HP offers centralized SIP trunking management, voice routing for global numbering plans and in-region disaster recovery.

HP’s UCaaS deployments usually come with consulting services to promote mobility, improved business productivity and CEBPs.

Cautions

- HP has not appreciably improved its UCaaS market position in this past year in terms of adding new product features and functions, expanding market share, and promoting the UCaaS brand.
- HP has not aggressively marketed the Avaya-based UCaaS offering (after acquiring Avaya personnel in 2014), designed to provide a strong voice capability.
- The HP approach to UCaaS — promoting high-end consulting, integration and network quality — leads to a premium-priced solution, which many users are reluctant to pay for. In addition, HP does not actively target accounts below 5,000 employees, which compose the majority of the UCaaS market.
- Selected HP customers report difficulty resolving complex problems that require coordination across the multiple HP lines of business used to fulfill SfB UCaaS.

iCore

iCore is a privately held network and UCaaS provider headquartered in the Washington, D.C., metro area. Founded in 2001, the company started operations with a cloud VoIP offering based on the BroadSoft platform (multitenant) delivered over an internally provisioned IP MPLS network. Notable 2015 technology enhancements include support for an expanded base of APIs (Salesforce and Zendesk), an updated customer portal, Microsoft-Google integration, and richer contact center experience. Customers request that iCore provide better analytics relative to performance and usage metrics.

The vast majority of iCore business is in the U.S. Over the past 18 months, iCore installed BroadSoft application infrastructure in the U.K., India and Australia. These markets are being served through channel partners such as Maksat and Source A Tech.

In addition to UCaaS and network services, iCore provides complementary IT services tailored to the midmarket, including security, hosted Exchange, hosted SharePoint and virtual desktop. iCore’s sales activities are led by an internal account team, although iCore has been expanding a channel sales effort in the past 15 months.

iCore is well-suited to midsize enterprises (in the 500- to 5,000-employee range), typically with significant operations in the eastern half of the U.S. The European and Asia/Pacific UCaaS delivery partnerships are new for 2015, and as yet not widely proven.
Vonage Business announced its intent to acquire iCore just as this UCaaS Magic Quadrant report was going to publication. The actual closing date is expected to occur in late September, after the publication of the Gartner Magic Quadrant.

Strengths

- iCore is well-established in deployments with 1,000 to 5,000 employees. Gartner estimates that iCore’s revenue has been growing above 20% for the past three years.
- Key 2015 enhancements include improved customer service and more-formal project management processes.
- iCore offers a cloud contact center offering based on a combination of BroadSoft technology and proprietary solutions developed by iCore.
- The company offers an improved portfolio of IT services, such as security, well-suited to midmarket accounts.

Cautions

- iCore is one of the smaller UCaaS providers in this Magic Quadrant relative to the number of employees and total revenue. iCore will require stellar execution to stay a viable player as the UCaaS market matures, scales and consolidates over the next two years.
- iCore has little brand recognition, even in the U.S., its core market. iCore’s international brand recognition remains nascent as it tries to penetrate these new markets (Asia/Pacific and Europe).
- Some iCore customers are unaware of the expanded features and capabilities that iCore has rolled out over the past year.
- Microsoft announced that it will no longer support the multitenant pack offering, which iCore uses to support smaller and midsize accounts (iCore plans to transition this offering to a multi-instance version of SfB — a model supported by Microsoft).

Interoute

Interoute is a privately held, London-based CSP that provides services in 30 countries. Founded in 2002, Interoute’s legacy business has been enterprise voice and data network services, complemented with its deep European fiber backbone network. Interoute has since expanded into data center and cloud offerings, including UCaaS. The company’s UC strength lies in (1) SmartPoint — for video services and (2) One Bridge — for communications and collaboration.

The Interoute UCaaS offering is part of the One Bridge product portfolio, based on a multi-instance Microsoft SfB stack. The current UCaaS architecture, released in 4Q14, is designed to be agile and cost-effective, whereby an IaaS approach is used to place single-instance, Microsoft SfB customer workloads in Interoute data centers (with the objective to build new workloads within a week). Data
centers are located across Europe, North America and Asia/Pacific. Interoute states that over 50% of the Microsoft UCaaS accounts are opting for a full PBX replacement.

Consider Interoute if you are a Europe-based MNC with regional offices in North America or Asia/Pacific, seeking a Microsoft-based SfB solution. While Interoute is capable of supporting North American and Asia/Pacific MNCs, such companies are not yet aggressively targeted.

**Strengths**

- Interoute is strong in Microsoft technology — SfB, Exchange and Microsoft Office 365 integration. The IaaS UCaaS approach is flexible and scalable. This is complemented with capabilities in network services, SIP trunks, voice services, video services, colocation, hosting and CCaaS (via Clarity).

- Interoute supports a complete reference architecture with defined firewalls, SBCs, headsets, gateways, video endpoints and self-service portal. They can provide a PBX replacement in over 45 countries.

- Interoute has significant experience with enterprise video delivery with the SmartPoint offering, including multivendor support for Cisco, Skype, Lifesize and Polycom.

- Customers generally view Interoute positively for customer support and professional services. This includes MNCs spanning Europe, North America and Asia/Pacific.

**Cautions**

- Interoute’s business is skewed toward Europe. While UCaaS infrastructure is available in North America and Asia/Pacific, the Interoute account base, personnel and brand recognition are Europe-centric.

- Interoute is significantly smaller (in terms of revenue and number of employees) than many European CSPs — BT, Orange, Vodafone and T-Systems. The company therefore has fewer financial assets to expand into the highly competitive North American market.

- The latest generation of Interoute UCaaS, based on IaaS, is comparatively new (1Q14 release date) and still proving itself in the market.

- Currently there is only one UCaaS data center in Asia/Pacific (though a backup Asia/Pacific data center is planned).

**Microsoft**

Microsoft is based in Redmond, Washington, and provides a broad base of IT applications for the business and consumer markets. The key to Microsoft’s cloud strategy is Office 365 (multitenant), which includes Skype for Business Online (SfBOL — previously branded Lync Online), Exchange Online, SharePoint Online and Office Professional. SfBOL and Office 365 are available in more than 140 countries and support more than 100 languages. Microsoft has two or more data centers in the North American, European and Asia/Pacific regions, as well as one in South America. Microsoft actively targets customers of all sizes in each of these four regions.
This evaluation focuses on Microsoft’s SfBOL UCaaS offering, which offers strong presence, IM and Web conferencing capabilities, along with limited videoconferencing, audioconferencing and telephony capabilities (by "limited," we mean that that the functionality of the SfBOL is behind its on-premises SfB [server] counterpart, as well as some competing UCaaS offerings).

Microsoft has announced its intent to operate SfBOL as a CSP in North America in 4Q15, with a basic telephony feature set that Gartner believes is better suited to the SMB market. In 2016, Gartner expects Microsoft to expand this service provider offering to selected European country markets, as well as expand the telephony feature set.

However, Gartner believes that for the next three years, most enterprises will need to work with one of Microsoft’s SfB hosting partners to obtain their enterprise telephony functionality (as the SfBOL feature set is insufficient). Gartner expects continued improvements to SfBOL’s native telephony and interoperability with on-premises video equipment; so far, however, the improvements have been slow to emerge.

The Microsoft Office 365 UCaaS solution is suitable for organizations of all sizes, in virtually all geographies, seeking cost-effective IM, presence and Web conferencing. Most SfBOL users also have Exchange Online and other elements of Office 365. Enterprises that wish to incorporate telephony or video functionality must use a Microsoft SfB hosting partner.

**Strengths**

- SfBOL continued to gain market momentum and market share through 2015 because it was bundled with Microsoft’s broader Office 365 portfolio. Microsoft has also added more internal support to help scale the entire Office 365 cloud IT stack.
- Microsoft has developed an extensive ecosystem of SfBOL partners (to scale the business) in professional services, devices, applications, infrastructure and network services.
- Many companies view SfBOL as an integral part of their IT cloud strategy. They start with SfBOL for IM, presence and Web conferencing capabilities, and then incrementally add voice and videoconferencing to secure full UCaaS across the entire organization.
- SfBOL customers, both small and large, cite an intuitive user experience that facilitates broad adoption across the business. Customers report high satisfaction levels with the offering.
- SfB offers multiple hybrid options, including support for on-premises SfB Server integration with Exchange Online, split user domains between SfB Server and SfB Online, integration of SfBOL with on-premises PBXs, and integration of SfB overall with standards-based video endpoints.

**Cautions**

- The capabilities, costs and partner maturity of SfBOL can vary across regions (for example, business telephony is first being rolled out in North America). Enterprises planning to deploy SfBOL globally must carefully evaluate the features, available functions, roadmaps, support options and partner availability.
Microsoft’s publicly available documentation lacks clarity regarding the functional differences between its cloud, hybrid and on-premises configurations. The roadmap for the different SfB configurations and delivery options is not transparent.

Connecting users to SfBOL via the Internet may result in poor performance for audio and video. In such cases, enterprises should leverage one of Microsoft’s ExpressRoute for Office 365 partners to improve performance.

Enterprises adopting SfBOL will face both internal pressure and pressure from Microsoft to adopt a much broader suite of Office 365 cloud applications.

**Mitel**

Mitel, based in Ottawa, Canada, markets its MiCloud UC suite based on the cloud virtualization of its premises-based platform. Key elements of MiCloud include MiVoice (telephony), MiCollab (collaboration) and MiContact Center. Mitel has a strong UCaaS presence in North America, from which it has branched out to support Europe and Asia/Pacific (Australia only) through regionally deployed data centers. UCaaS customers are sold both directly and through channel partners, with the UCaaS workload managed by Mitel in Mitel data centers. Channel partners therefore focus on sales, customer service and technical support.

Mitel has a strong corporate commitment to UCaaS, including a separate UCaaS business unit, which accounts for roughly 15% of corporate revenue and is annually growing in the 35% range. In 2014, Mitel acquired premises-based contact center platform prairieFyre, now included as a cloud version integrated with UCaaS. In 2015, Mitel acquired Mavenir to enhance its mobility capabilities and TigerTMS for the hospitality vertical. Over the past two years, Mitel has demonstrated success with enterprises in the 1,000- to 5,000-employee range.

The MiCloud solution is well-positioned for midsize UCaaS deployments in the North American, European and Australian markets. Europe- and Australia-based customers should perform due diligence to ensure that all of their country locations can be supported.

**Strengths**

- Mitel has made strides in its European expansion (in part from the Aastra acquisition), with services retailed in the three largest markets — the U.K., Germany and France. The portal supports six languages.

- The Mitel Open Integration Gateway (OIG) supports integrations with Salesforce, SugarCRM, Google, Microsoft, NetSuite and Zoho. The OIG also supports custom integrations.

- The Mitel Vidyo partnership has improved Mitel’s video capabilities, while also enabling integration with Polycom and Cisco video.

- Mitel offers a strong hybrid solution, enabling some users (of the same business) to be supported by premises-based UC infrastructure and other users to be supported via the cloud.
Cautions

- Securing UCaaS across multiple countries and regions is viable, but it requires due diligence. Users must select a channel partner (or Mitel directly) that supports all the country markets they seek service in.

- There is a wide variation across the capabilities, experiences and geographical coverage of Mitel’s approximately 500 channel partners. Users, therefore, must thoroughly investigate the match of the channel partner to their UCaaS requirements.

- Support for the Asian market is still nascent and provided via channel partners (via the Mitel UCaaS platform located in Australia).

- The Mitel UCaaS brand does not yet resonate strongly in the enterprise market, particularly for businesses above 3,000 employees (even though Mitel has multiple UCaaS deployments with larger accounts).

NTT Communications (Arkadin)

NTT Communications (Arkadin) includes the combined UCaaS capabilities of Japan-headquartered NTT and France-based Arkadin, which NTT Communications acquired in 1Q14. In addition to Arkadin, NTT Group has made other acquisitions in the past five years, such as e-shelter, Gyron, Netmagic, RagingWire, Dimension Data, and Virtela, with the objective of expanding its global capabilities outside of Asia/Pacific. NTT Communications is in the early stages of sharing resources and integrating best practices between the NTT Communications and former Arkadin group. NTT Communications typically integrates its acquisitions incrementally, in order to gracefully bridge the cultural and geographic gaps between the companies.

The NTT Communications unit brands its UCaaS offering for large enterprises as Arcstar, initially based on Cisco technology (specifically the Cisco Hosted Collaboration Solution [HCS] platform) and since expanded to include Microsoft UCaaS. The SMB UCaaS offering is branded as Arkadin Total Connect, which has a legacy in conferencing services and the Microsoft UC stack, specializing on midsize accounts.

Consider NTT Communications for larger enterprises seeking Cisco or Microsoft UC technology with significant presence in Japan and Asia/Pacific. NTT Communications is capable of supporting the North American and European sites of these multinational corporations (MNCs), as well. Consider the Arkadin group for midsize businesses interested in a Microsoft UCaaS solution, with the ability to replace the PBX.

Strengths

- NTT Communications can support a rich Cisco cloud UC stack for large enterprises, along with complementary offerings in IP MPLS networks, SIP trunks and data centers. In addition, NTT Communications can support multivendor UCaaS environments based on Microsoft and Google technology.
- NTT Communications' Cisco UCaaS users report good customer support and project management capabilities.
- Arkadin is strong in the Microsoft SfB UC stack, as well as hybrid integrations that integrate with Microsoft Office 365 and the Clarity Connect contact center.
- Arkadin has strong presence across Europe and North America, with a legacy in conferencing for the SMB and small-enterprise market.

Cautions

- The NTT Communications and Arkadin business units are run separately. Their respective UCaaS roadmaps are maintained separately, as well.
- NTT Communications' brand recognition is low outside of Asia/Pacific. NTT Communications' regional staffing is typically concentrated in the top three city markets in North America and Europe.
- Many NTT Communications Arcstar UCaaS customers primarily deploy only the basic VoIP and UM components of UCaaS.
- Some Arkadin accounts are not fully satisfied with the customer support and voice quality of the SfB deployments (possibly because of insufficient network bandwidth).

Arkadin’s multitenant SfB offering is no longer supported by Microsoft (Arkadin is therefore in the process of developing a multi-instance version of Microsoft SfB as well as becoming a Microsoft SfBO channel partner to fill this void).

Orange Business Services

Orange Business Services is a global service provider based in Paris, France. The company brands its UCaaS offering as Business Together as a Service, which can be delivered via Cisco HCS infrastructure or Microsoft private cloud SfB (both of which are virtualized). Orange deploys a reference architecture for its UCaaS offerings with a defined set of SBCs, gateways, headsets, handsets, routers, video endpoints and switches. UCaaS is a core business for Orange, and the company has spent significant resources industrializing the processes, R&D and customer support. Business Together as a Service UCaaS is sold primarily via direct sales.

Orange has seven UCaaS data centers located in Atlanta, Georgia, U.S.; Washington, D.C., U.S.; Paris, France; Normandy, France; Frankfurt, Germany; Sydney, Australia; and Singapore. As a global CSP, Orange complements its UCaaS offering with network services, SIP trunks, managed services, mobility, security, data storage and number portability. Orange has a strong Microsoft UC skill set and is accredited as a Microsoft SfB Elite launch partner. The Cisco version of Business Together as a Service can now be integrated with Google and Jive Software. Europe is Orange’s primary market, but it has numerous MNC accounts headquartered in North America and Asia/Pacific.

Orange is well-positioned for midsize and larger MNCs seeking global UCaaS support. North America-headquartered UCaaS customers usually have at least 30% of their endpoints in Europe.
**Strengths**

- Orange can support UCaaS customers with global needs, including those with sites in the Middle East, Africa, Asia/Pacific, Europe, Latin America and North America. Services are available in over 80 countries, with support for over 30 languages.
- Orange’s internally developed UCaaS portal is more intuitive and functional than the portal offered by many competitors supporting Cisco and Microsoft UCaaS.
- Orange has enhanced the user experience of its Microsoft SfB multi-instance UCaaS offering. This reduces the cost and hastens the speed at which new users can be added (this upgrade is only available in Europe at this time).
- Orange has strong processes, methodologies, and project management capabilities. This is complemented with deep technical staff for both the Cisco and Microsoft UCaaS stacks.

**Cautions**

- Orange has limited brand and marketing resources devoted to North America, especially compared with the resources devoted to Europe, Latin America and Asia/Pacific. Orange typically targets North American accounts that also have a strong presence in Europe.
- Gartner believes Orange has lost some momentum in the past year with its Cisco UCaaS offering, where most deployments are VoIP-focused (Orange is, however, positioned to regain momentum with its 3Q15 launching of the more feature-rich Cisco HCS Release 10).
- Customers indicate that Orange does not support a deep base of APIs to other cloud applications (such as Salesforce).
- Some customers cite that Orange can be inflexible to work with and slow to respond to service requests.

**RingCentral**

Northern California-based RingCentral is a UCaaS application specialist. The company started in North America and then expanded to Europe, before expanding to Asia/Pacific in 2015. RingCentral has mature processes for inside sales, channel support, customer support and technical support. Gartner believes that RingCentral is one of the largest global UCaaS providers, supporting more than 300,000 companies (with many of the traditional customers being small businesses).

The company uses an internally developed, multitenant solution branded as RingCentral Office with a rich UC suite. Core technology partnerships, which are tightly integrated, include Zoom for Web and videoconferencing and inContact for cloud contact center. RingCentral also has large service provider channel partners — AT&T, BT and Telus — to accelerate market share and enter new global regions. Most customers connect via broadband, for which RingCentral has invested in significant OTT QoS performance management capabilities. In late 2Q15, RingCentral acquired Glip to expand its team messaging collaboration suite. While this acquisition has potential, it is too recent to be evaluated in this study.
RingCentral is a strong option for SMBs (and businesses up to 2,000 employees) seeking cost-effective UCaaS optimized for mobility. RingCentral currently supports North America, the U.K. and, more recently, Singapore-headquartered businesses, along with regional office support for roughly 40 countries.

**Strengths**

- RingCentral is one of the largest global UCaaS providers relative to UCaaS-devoted endpoints supported, revenue, market growth, number of employees, and capital investment. Users report good customer satisfaction.
- RingCentral continues to expand its capabilities and in 2015 added integration with Google Apps for Work, Microsoft Office 365, and a RingCentral-branded contact center (inContact).
- The company continues to invest in its project management, processes and account management for supporting accounts over 1,000 employees.
- The Ring Central UC stack is intuitive, and users often leverage multiple UC services, including SMS and instant messaging, mobility, Web conferencing and videoconferencing (not just VoIP).

**Cautions**

- RingCentral is not yet widely available across Europe and Asia/Pacific. The European offering is now available in only the U.K., while the Asia/Pacific offering is in Singapore only (however, RingCentral can support the affiliate offices of its customers in over 40 country markets).
- RingCentral lacks strong brand awareness for businesses over 2,000 employees.
- RingCentral is still maturing its professional services and onboarding processes for large accounts above 5,000 employees.
- Most RingCentral accounts are supported over broadband, even though RingCentral does support carrier-grade IP MPLS interconnection upon request by enterprise customers.

**ShoreTel**

ShoreTel is a publicly held company headquartered in Northern California (Silicon Valley). ShoreTel’s legacy cloud offer is based on ShoreTel Sky, acquired from M5 Networks in 2012. In July 2015, ShoreTel introduced its Connect Cloud product line, which draws from its more feature-rich on-premises appliance distributed architecture. Through 2016, ShoreTel will be navigating a major UCaaS transition from the older Sky platform to the more feature-rich Connect Cloud platform. This Magic Quadrant report evaluates the existing Sky offering, because the Connect Cloud offer has insufficient market proof points to be evaluated.

ShoreTel sells its UCaaS solutions both directly and via channel partners in North America. Customers in Europe and Asia/Pacific secure the service via channel partners, such as G3, Vordis Technologies and Telstra (with ShoreTel operating the regional data centers). But businesses seeking support across multiple global regions must deal with two or more ShoreTel Sky service providers.
ShoreTel Sky is a viable alternative for small and midsize enterprises of up to 5,000 employees seeking a combined cloud UC and contact center capability within a single geographic region. Most ShoreTel Sky users will be focused on the cloud VoIP, UM and mobility components. ShoreTel is well-established in North America; enterprises planning deployments in other regions should validate service availability with the relevant regional partners.

**Strengths**

- ShoreTel experienced steady revenue growth in the UCaaS market over the past year, possesses a top 10 North American market share position, and has a solid brand in a fragmented UCaaS market.
- ShoreTel continued to expand its UCaaS sales distribution base, and has been training it on the new Connect Cloud solution.
- The legacy Sky UCaaS offering is strong in mobility, has APIs to CRM and HR applications, and supports an integrated (VoIP-focused) contact center functionality.
- ShoreTel customers cite improved customer service and service reliability in the past year.

**Cautions**

- The majority of ShoreTel Sky's installed base is made up of small businesses with fewer than 50 seats (though 10% of ShoreTel's endpoint service businesses are above 1,000 seats). To succeed in the enterprise market, ShoreTel will have to establish a stronger base of midsize enterprises.
- The ShoreTel Sky Portal is not as automated as IT administrators would like and is available only in English, which limits adoption outside North America. The legacy Sky platform also lacks the kind of rich IM, presence, Web and video experience that leading UCaaS offerings have.
- ShoreTel cloud options are delivered by regional partners. Although ShoreTel cloud is available in North America, Europe and Asia/Pacific, this is done via different partners, so it is difficult to get a partner to support a multiregional deployment.
- ShoreTel's new Connect Cloud offer has not yet proven itself in the market. Developing seamless on-premises, cloud and hybrid offers is complex to architect, manage and sell. ShoreTel must prove it can execute in all these areas.

**Star2Star Communications**

Star2Star Communications is based in Sarasota, Florida, with sales exclusively through a diverse set of channel partners. It operates two data centers in the U.S., along with data centers in the Netherlands and Australia. As deployments are via channels, securing UCaaS across multiple geographical regions is not yet core to the business.

Star2Star's UCaaS solution is well-suited to organizations with multiple distributed sites. The architecture combines a centralized multitenant UCaaS service with a survivable appliance installed
at each site. The on-premises portion of Star2Star’s solution, the StarBox Cloud Connection Manager (CCM), comes in multiple sizes, depending on the number of users and trunks supported locally. If the WAN connection becomes unavailable, the StarBox continues to provide full intrabuilding functionality. When connected to the centralized services, more advanced (including dynamic) routing is supported. The solution also includes an inbound contact center capability. Star2Star recently introduced StarBox CCM 2.0 to facilitate onboarding and support for large enterprises with specialized or complex dialing needs. The company also introduced StarBand, which supports primary and secondary circuit support, traffic prioritization, and automatic failover and service quality monitoring. Forthcoming 2H15 capabilities (but too late for evaluation in this report) include Android mobile support, screen sharing and an automated quoting tool.

Star2Star is well-suited for small and midsize organizations with multiple sites looking for a cost-effective UCaaS solution centered on PBX replacement. Star2Star is also well-suited to large retail deployments that are VoIP-centric. Star2Star is well-established in North America; enterprises planning deployments in other regions should validate service availability via the appropriate partners.

Strengths

■ Star2Star provides a highly reliable offering with strong local survivability and a protocol optimized to work well over networks with limited broadband (well-suited to highly distributed organizations and support of rural locations).

■ Star2Star has a cost-effective solution with a few brand-name customers, including well-known retail chains (some exceeding 10,000 employees).

■ The company has found its business niche with distributed environments and has experienced revenue growth exceeding 40% in the past 12 months. Star2Star’s account base generally provides favorable customer support reviews for this VoIP-based solution.

■ The company has created several effective go-to-market strategies that enable it to reach new prospects via nontraditional UC channel partners. These include a co-op marketing program and a concierge digital marketing program for partners.

Cautions

■ The UC feature set has numerous limitations, lacking Android support and screen sharing. The Web conferencing and video capabilities (no support for high-end endpoints, such as those from Cisco, Polycom and Lifesize) are behind those of competing UCaaS providers. Many installations are VoIP- and call-center-centric.

■ The Star2Star IT administrator portal is not intuitive and lacks certain automation features (such as a simple process to upload large blocks of employee configuration data).

■ Customer service can get stretched given the growth of the Star2Star business. The Star2Star RFP and contract process is not as formal as some prospects expect.

■ Star2Star is a company with limited brand recognition and visibility, which will pose a challenge as it competes with the larger vendors in this market offering a richer UC experience.
ThinkingPhones

ThinkingPhones is a privately held UCaaS provider based in Cambridge, Massachusetts. It uses a proprietary multitenant platform that includes open-standards-based Web APIs to facilitate UC application integration. While North America is the core UCaaS market, in 2014, the company expanded into Europe with the addition of data centers in the U.K., Germany and the Netherlands. In 2015, ThinkingPhones expanded to Asia/Pacific through a Singapore data center (with others planned).

ThinkingPhones leads with a direct sales approach because its core value proposition is based on improving business processes (and hence not a simple value proposition to sell). This approach is well-suited for high-end retail, healthcare and high-tech companies, where businesses need data to track employee productivity and/or customer value and demographics. ThinkingPhones has invested in stronger security processes, including compliance with the Statement on Standards for Attestation Engagements (SSAE) No. 16, SOC 2, of the American Institute of Certified Public Accountants, to support enterprise accounts. Smaller and simpler deployments are pursued via channel partners. Much of the international business (outside North America) is led by channel partners, as well.

The company made two notable acquisitions in 2015. The Contactive acquisition provides the capability to mine social networks and secure customer demographic information. The acquisition of Whaleback Managed Services, a smaller competing UCaaS provider, supplies ThinkingPhones with additional R&D talent and UCaaS customer service experience.

ThinkingPhones is well-suited for midsize UCaaS deployments seeking business process differentiation, which are open to using an internally developed platform. North American and European support is market-proven, with Asia/Pacific being new.

Strengths

- ThinkingPhones is experienced supporting UCaaS accounts above 1,000 employees over carrier-grade IP MPLS networks (the average 2015 deal size is now over 1,000 employees). Users report strong customer service, voice quality and user experience.

- ThinkingPhones has a strong innovation engine via internal R&D and acquisitions. Notable 2015 enhancements include support for an expanded base of APIs (for example, Salesforce, Marketo, Google stack and Microsoft Office 365), social media tracking, WebRTC video, and analytics.

- The company has formalized its sales processes, relying on a combination of field sales, inside sales and channel partners. Gartner believes that this has played a key role in enabling ThinkingPhones to expand revenue in the 40% range over the past year.

- Users say that ThinkingPhones provides an intuitive user experience. This allows many users to use their smartphones as their primary means of business communications.
Cautions

- ThinkingPhones is one of the smaller UCaaS providers, with approximately 475 employees, making it difficult to keep pace with the breadth of larger competitors.
- ThinkingPhones' brand awareness remains low, even in its home, North America. Asia/Pacific support is nascent.
- ThinkingPhones' customer service, while still a strong point overall, struggles to keep up with business growth. Customers report that new hires take a few months to become proficient.
- User adoption of ThinkingPhones' Web and videoconferencing services is low (in part because WebRTC video has only recently been launched). The packaged CCaaS offering is not feature-rich (voice-centric).

Verizon

Verizon is a global CSP, headquartered in New York City, supporting two UCaaS offerings. The lead UCaaS offering is based on the virtualized Cisco HCS platform and marketed to customers with more than 500 employees. This Cisco cloud offering is available in North America, Europe and in the past year, Asia/Pacific (with data centers in the U.S., the U.K., the Netherlands, Hong Kong and Singapore). Cisco HCS sales are primarily achieved via a direct sales force, complemented with selected partners in North America and Europe. Over the past 12 months, Verizon has expanded its partnership with Cisco, and now co-markets and co-sells with Cisco worldwide. Verizon also supports integrated Cisco cloud UC offerings, such as WebEx (Web conferencing), CMR (video), and Cloud Connected Audio (audioconferencing). Verizon has also started to integrate some of its UCaaS customers with the Microsoft SfB platform. In 1Q16, Verizon plans to integrate UCaaS with its wireless voice over Long Term Evolution (VoLTE) service.

Verizon’s second UCaaS offering, Virtual Communications Express (VCE), is based on the multitenant BroadSoft platform. Most VCE customers are in the SMB market (below 1,000 employees), however, Verizon has a base of large price-sensitive VCE customers, as well. Sales are supported directly via Verizon and through channels. In 2015, Verizon has been working with its VCE customers to increase the penetration of IM/presence, conferencing and mobility utilization. VCE is available only in North America.

Verizon’s UCaaS is a viable option for enterprises, including MNCs, seeking a cloud UC offering with strong mobility capabilities. Services are available in North America, Europe and Asia/Pacific. However, most Verizon UCaaS customers have at least 30% of their footprint in North America.

Strengths

- Verizon’s expanded partnership with Cisco enables it to more quickly expand its portfolio in such areas as upgrading the HCS platform to Release 10, an Asia/Pacific rollout, and new APIs — including Salesforce and ServiceNow.
Verizon possesses a strong brand across the enterprise sector and continues to appear on large UCaaS deployment RFI shortlists. Verizon also wins its fair share of bids, including wins with large enterprises with more than 5,000 employees.

As a global CSP, Verizon is well-positioned to complement UCaaS with related offerings in SIP trunks, CCaaS, wireless, security, managed services and data center services. These bundles can result in a reduced total cost of ownership for the combined service.

Verizon’s ability to support and execute larger UCaaS deployments has improved in the past year now that it is teaming with Cisco for operational services.

Cautions

Many Verizon UCaaS customers focus on the VoIP part of UCaaS, with a smaller percentage deploying IM/presence, Web conferencing and videoconferencing.

Verizon’s UCaaS delivery in Asia/Pacific is recent and still maturing.

Customers cite difficulty working across multiple working groups (for example, sales and installation) involved in a Verizon UCaaS deployment. Users also would like a stronger UCaaS portal.

Verizon has been late maximizing its full wireless potential into the UCaaS portfolio. Integrated wireline/wireless contracts are not yet mainstream.

Vonage Business

Vonage Business, headquartered in Holmdel, New Jersey, has acquired numerous UCaaS assets over the past two years — Vocalocity, Telesphere, SimpleSignal and gUnify. Telesphere, acquired in 2014, was evaluated in Gartner’s 2014 North American UCaaS Magic Quadrant. The Vocalocity offering is based on a proprietary platform and focuses on small businesses below 20 employees. The Telesphere and SimpleSignal acquisitions leverage an underlying BroadSoft platform for UCaaS, complemented with Vonage’s value-added intellectual property, such as its Zeus self-service portal. Most legacy Telesphere accounts are connected via carrier-grade networks.

Vonage offers a full UC suite of services, though most implementations focus on the telephony and mobility functions. Vonage pricing is competitive, which Vonage attributes to its automated provisioning tools (providing a low-cost structure). The majority of users are businesses below 1,000 employees, though Vonage has recently added accounts above 10,000 employees. Vonage revenue is up 38% over the past year, and the company now supports over 400,000 business endpoints.

Vonage sells its UCaaS offering both directly and with channels. The vast majority of accounts are based in North America. Support for European and Asia/Pacific accounts is new, currently limited to the U.K. and Australia, respectively (and supported by channel partners).

Vonage is suitable for North American SMBs and smaller enterprises looking for a cost-effective UCaaS offering with strong VoIP and network service requirements. The partner-delivered European and Asia/Pacific offerings are new.
Vonage Business announced its intent to acquire iCore just as this UCaaS Magic Quadrant report was going to publication. The actual closing date is expected to occur in late September, after the publication of this Magic Quadrant report.

Strengths

- Vonage Business has a stronger brand (in North America only) than many competitors. It is one of the few UCaaS providers investing in mass media campaigns tailored to the business market.
- The 2015 gUnify acquisition provides Vonage with a platform to integrate with leading cloud applications, such as Salesforce, Zoho, Zendesk, and Google Apps for Work.
- Vonage is acquiring global industry recognition as a UCaaS vendor consolidator, with the potential to be a long-term market force.
- Vonage possesses strong project management, account management and customer support capabilities, largely acquired as part of the 2014 Telesphere acquisition. The Zeus portal plays a key role in automating the onboarding of large accounts. Existing customers are pleased with their service and support.

Cautions

- Vonage Business has acquired multiple UCaaS assets over the past two years, and their integration will take time to mature.
- Vonage coverage in Europe and Asia/Pacific is still maturing. Vonage-operated UCaaS is resold by six partners in the U.K. and one partner in Australia. The portal is English only.
- Many Vonage customers are VoIP-focused and do not use the full UC stack. Vonage's Web and videoconferencing offerings have low adoption and are not viewed as leading-edge.
- The integrated contact center from Broadsoft is VoIP-centric and lacks the multimedia, workforce optimization and outbound dialing capabilities of the leading providers (alternatively, Vonage UCaaS can be paired with CCaaS vendor inContact for a richer contact center offering).

West

West Corp. is based in Omaha, Nebraska. The company is now undergoing a rebranding strategy, consolidating multiple business units under a single name. West offers multiple UCaaS solutions across a common delivery platform. Marketing has historically focused on the midsize- to small-enterprise market, typically with 500 to 5,000 employees. In 2015, West started to market and penetrate a few larger accounts in the 10,000 employee range. In addition to UCaaS, West offers a range of communication and network infrastructure solutions, including conferencing and collaboration, public safety, telecom and agent services, CCaaS, interactive voice response (IVR), and notifications/mobile solutions.

West’s lead UCaaS offering, VoiceMaxx CE, is based on virtualized Cisco HCS, intended for enterprises seeking a full UC suite. In the past year, West has continued to expand its base of Cisco HCS customers in North America, Europe and Asia/Pacific (with data centers in the U.S., the U.K.)
and Singapore), and can support users across 30 countries. West’s legacy UCaaS offering, VoiceMaxx, is based on the company’s 2011 acquisition of Smoothstone IP Communications. This legacy multitenant offering is marketed to West’s smaller customers (North America only), which focus on telephony and low price. West has a Microsoft SfB practice, but it is not delivered as a UCaaS solution and therefore is not evaluated in this report.

West is an established UCaaS provider for midsize enterprises in the 500- to 5,000-employee range. West is well-proven in the North American market and has been in the European market for two years. Its Asia/Pacific support is nascent.

**Strengths**

- West has the tools, processes, experience and infrastructure to consistently deliver a UCaaS solution and user experience. West possesses a deep base of well-known, midsize UCaaS customers.
- West’s brand consolidation and reorganization should help it acquire greater visibility, as well as better leverage its broad offer set across its sales channels.
- West continues to augment its UCaaS solution with additions, including high-end videoconferencing support, contact center functions, SfB integration and, most recently, the 911 Enable acquisition.
- West is known for its willingness to provide limited UCaaS customizations for simpler client requirements.

**Cautions**

- West does not maximize the collection of corporate communications capabilities that it owns (because many divisions are run separately and are not well-integrated). This reduces West’s ability to deliver more complex and industry-specific UCaaS solutions.
- West needs to demonstrate that its corporate rebranding and reorganization will enhance its UCaaS brand, operational efficiency and sales potential to better compete against major competitors.
- West does not typically pursue installations for more than 5,000 employees, believing that such deployments have long sales cycles and require significant customization.
- West is not strong in supporting advanced UCaaS capabilities in analytics, mobility, HD video integration and business process integration. Customers cite that West can be slow to resolve complex technical requirements.

**Vendors Added and Dropped**

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor’s appearance in a Magic Quadrant or MarketScope
one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Vendors Added and Dropped (Not Applicable)**

This 2015 UCaaS Magic Quadrant is global and requires the UCaaS vendor to support services in the three markets of North America, Europe, and Asia/Pacific. In contrast, last year’s 2014 UCaaS Magic Quadrant focused on North America.

Gartner, therefore, views this 2015 global UCaaS Magic Quadrant as new. Hence, it is not appropriate to benchmark the two Magic Quadrants against each other. This also means that it is not applicable to identify vendors added and dropped, as the 2014 and 2015 UCaaS Magic Quadrants are different (with 2014 focused on North America and 2015 being global).

**Added**
Not applicable

**Dropped**
Not applicable

**Inclusion and Exclusion Criteria**

To be included in this Magic Quadrant, solution providers must meet the following criteria:

- The UCaaS delivery model. Typical characteristics include a shared multitenant or virtualized (also known as multi-instance) UC infrastructure that is owned, maintained and hosted by the provider. Users then purchase a flexible service (paid via the SaaS model) that is typically based on a per-user, per-month fee.

- A UCaaS offering that includes VoIP, with integrated conferencing (audio, video and Web), IM/presence, UM, and mobility.
  - The UC functions must be well-integrated with a consistent interface; specifically, VoIP-centric solutions are not considered.
  - Related capabilities, including support for cloud contact center, collaboration, and APIs to third-party applications, will be considered, but they are not a prerequisite.

- The UCaaS solution must be commercially offered in three regions: (1) North America, (2) Europe and (3) Asia/Pacific.
  - References must include accounts headquartered in multiple regions (that is, they cannot be solely of North America-headquartered references, or solely of Europe-headquartered references, or solely of Asia/Pacific-headquartered references).
References must show ability to support accounts that span multiple geographic regions (for example, a UCaaS customer with employees in North America, Europe and Asia/Pacific).

The UCaaS offering must have UC application infrastructure (not just media gateways) in multiple geographical regions.

The UCaaS offering should be regionally localized, for example, languages and currencies.

The UCaaS offering must have the ability to support in-country telephone numbers in the three regions served (North America, Europe and Asia/Pacific).

The UCaaS offering should possess marketing collateral (such as the website) that actively markets UCaaS to North America, Europe, and Asia/Pacific regions.

UCaaS annual revenue must exceed $50 million.

The vendor must display the ability (demonstrated through references) to support customers with more than 1,000 employees.

The vendor must provide five references.

References must use a broad set of UC capabilities.

Evaluation Criteria

Ability to Execute

Gartner analysts evaluate UCaaS providers based on the breadth, quality and overall maturity of their applications, processes, tools and procedures that enhance individual, group and enterprise communications. Ultimately, UCaaS providers are judged on their Ability to Execute in capitalizing on their vision.
Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
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<tr>
<td>Product or Service</td>
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<td>Customer Experience</td>
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</tr>
<tr>
<td>Operations</td>
<td>Medium</td>
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</tbody>
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Source: Gartner (September 2015)

Completeness of Vision

Gartner analysts evaluate UCaaS providers based on their ability to convincingly articulate logical statements on current and future market directions, innovations, customer needs and competitive forces and how well these map to Gartner's overall understanding of the marketplace. Ultimately, UCaaS providers are rated on their understanding of how market forces can be exploited to create opportunities for providers and their clients.

Table 2. Completeness of Vision Evaluation Criteria

<table>
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<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
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</tr>
<tr>
<td>Marketing Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>High</td>
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<tr>
<td>Business Model</td>
<td>Medium</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>Medium</td>
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<tr>
<td>Innovation</td>
<td>Medium</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Gartner (September 2015)
Quadrant Descriptions

Leaders
Vendors in the Leaders quadrant have been delivering complete UCaaS solutions for multiple years, have clients with more than 2,000 employees supported and have more than 300,000 total employees supported. These vendors have their accounts implementing a comprehensive and integrated UCaaS solution set that addresses the full range of market needs, along with the proven ability to service large accounts. These vendors have defined migration and evolution plans for their products in core UCaaS areas and are using their solution sets to acquire new clients, expand their geographical footprints, and innovate to new functional areas.

Challengers
Vendors in the Challengers quadrant have the potential to deliver to large enterprises, and they are poised to move into the Leaders quadrant but have not yet done so. They have yet to bridge this gap because their UCaaS solution is missing selected elements, they are unable to provide references on the full suite, they are still evolving their customer support, or the majority of their users deploy only a segment of UC.

Visionaries
Vendors in the Visionaries quadrant are close to, or are already, delivering differentiating UC functionality or services but have not yet established themselves in the enterprise market (for example, they may not yet have numerous accounts above 2,000 employees supported, they may have weaknesses in selected geographic regions, or they may have limited brand recognition). For instance, a Visionary may offer useful social or collaboration functionality to its portfolio, APIs for third-party applications (such as CRM), unique mobile UC capabilities, superior video integration capabilities or exceptional customer service.

Niche Players
Vendors may be in the Niche Players quadrant for different reasons. They may have elements of their portfolio not well-integrated, the feature set may be weak in certain areas, or their customer base may deploy only a limited base of functionality. Finally, some vendors are in the Niche Players quadrant because, despite their full UC solution, they do not have the brand recognition or marketing ability to sell globally (that is, beyond their core territory), their UCaaS offerings are still maturing, or they have inconsistent customer service.
Context

SMBs

Business users must make the choice between UCaaS and premises-based UC solutions. For the SMB market below 1,000 employees, the UCaaS value proposition is strong. SMBs increasingly opt for UCaaS when factoring in service costs, the difficulty of obtaining internal technical expertise, the operational-expense business model and the pace of cloud innovation. In addition, SMBs are more open to leveraging UCaaS providers with limited brand and have less rigorous integration requirements.

Midsize Enterprises

For the midsize-enterprise market, typically 1,000 to 5,000 employees, UCaaS remains an option. However, these midsize enterprises put their potential UCaaS partners under far greater scrutiny. First, the enterprise seeks well-branded UCaaS providers with a proven track record for supporting larger customers. In addition, the enterprise has greater customization requirements. After reviewing these factors, many midsize enterprises opt for traditional premises-based deployments.

Large Enterprises

The UCaaS hurdle for large enterprises above 5,000 employees is high. In addition to the factors just discussed for midsize enterprises, large enterprises have more international locations, regulatory and compliance requirements, and integration requirements with legacy communications systems. This more complex scenario results in UCaaS adoption for large enterprises being the exception rather than the rule. Nonetheless, a limited base of large enterprises select UCaaS centered on its accelerated pace of technical innovation.

Market Overview

UCaaS Vendor Types

There are four types of providers from which enterprises can secure UCaaS. They are:

- CSPs — These include companies such as AT&T, BT, Interoute, NTT Group, Orange Business Services and Verizon. These are the legacy network service providers, with core strength in voice and data services.

- Technology vendors — These include companies such as Google, Microsoft, Mitel and ShoreTel. All these well-established vendors now provide a UCaaS offering that they market directly to end users.

- Application specialists — These include companies, such as 8x8, Star2Star Communications, ThinkingPhones and RingCentral, that are both the platform provider and the service provider. Gartner also groups companies such as iCore and Vonage Business, which append their own value-added functionality onto the BroadSoft platform, into this group.
System integrators — These include companies such as Avanade, CSC, HP and West. System integrators usually provide UCaaS by running commercial UC applications (often Cisco or Microsoft) out of their own data centers.

In some cases, a given company may have attributes that fit into multiple types of UCaaS providers. Gartner categorizes such companies in the group that they are most aligned to.

Key Market Trends

The four key trends identified in this research were mobile-first deployments, vendor differentiation, API support and user experience.

**Mobile-first deployments** — UCaaS vendors and their references report an acceleration of mobile-first deployments. It is increasingly common for users to have a major segment of their workforce not use a traditional handset at all. Their voice communications are entirely through softphones and mobile devices. Some deployments may request that 80% of users want a handset, while other companies may request phones for only 20% of users. In some isolated cases, the entire workforce is mobile-only. Users of Microsoft SfB are the biggest proponents of mobile-first deployments. However, the mobile-first trend is now playing out for virtually all UCaaS providers.

Whether users choose to adopt a mobile-only deployment depends on a number of factors, including employee age, business vertical and geographic location. Employees who are younger (below 40), who are in verticals such as high-tech, realty and entertainment, and who work in a major metropolitan market (for example, London, New York City, San Francisco or Singapore) are statistically stronger mobile adopters. Gartner expects the mobile-only trend to accelerate.

**Vendor differentiation** — The Magic Quadrant graphic (Figure 1) identifies two pockets of differentiated vendors. First, in the Challengers quadrant, there are Google and Microsoft, appreciably higher in execution. Both vendors provide a scalable UCaaS portfolio that is low-cost and intuitive, and strong in IM, presence, mobility, UM and videoconferencing. IT leaders report that it is very common for virtually their entire employee base to routinely implement the full suite of UC applications. Both vendors are getting massive adoption, typically adding more new customers in a single month than most of their competitors add in a full year. Their customer base can range from small offices and home offices all the way up to mega users with over 20,000 employees. These vendors fail to achieve a leadership position in the Magic Quadrant, because they do not support enterprise-grade telephony.

The second set of differentiated vendors fare well on the vision axis. RingCentral, 8x8, and ThinkingPhones all run proprietary UCaaS applications stacks and are the service provider, as well. These vendors are strong in innovation. By controlling their own UCaaS platform, they have a direct pulse on the customer demand, as well as having the ability to quickly respond to changing market dynamics. This vendor set is strong in APIs, analytics, customer portals, text messaging, mobility and integrated contact centers.

**API support** — UCaaS users express a strong interest in connecting their UCaaS functionality with other leading cloud applications, primarily accomplished with APIs. This started with APIs to Salesforce, a popular cloud CRM application, but extends to other cloud CRM vendors, such as
Microsoft Dynamics, SugarCRM, Zoho and Marketo. There is also strong demand for UCaaS APIs to the Microsoft and Google IT stacks, with the UCaaS supplier driving voice functionality. Other applications that users express interest in integrating with include help desk (Zendesk and Desk.com), storage (Box and Dropbox), and field service management (ServiceMax and TOA Technologies).

Integrating UCaaS with leading cloud applications via APIs enables businesses to operate more efficiently. A user running Salesforce can place a call via the customer’s Salesforce record and have the connection added to the record. The business may even choose to record and archive the call.

**User experience** — Today’s UCaaS offerings increasingly have an improved user experience. By user experience, we mean the ease by which users can navigate across the various communications modalities, including IM, presence, telephony, Web conferencing and videoconferencing. An intuitive user experience is essential if businesses are to maximize the potential of UC and create better collaboration across the employee base. It is important to have this user experience to extend across desktops, mobile smartphones and tablets.

**A Worldwide Magic Quadrant**

This Magic Quadrant is worldwide. Participants must have the ability to provide services in the three core regions — North America, Europe and Asia/Pacific. Support for other global regions — Latin America, the Middle East and Africa — is considered to be a favorable asset but not needed as part of the core inclusion criteria.

To be included in the Magic Quadrant, participants may be strong in one or two regional markets, while still maturing in one or two of the other regions. In some cases, a vendor may have only entered a region in the past year and may support only a limited number of country markets. For example, many of the participant vendors have only begun supporting Asia/Pacific in the past year or two.

**Other Notable UCaaS Vendors**

Gartner estimates there are approximately 100 North American UCaaS vendors and 250 vendors worldwide. There are, thus, many notable UCaaS vendors not analyzed in this Magic Quadrant. In many cases, otherwise strong vendors are not included because of insufficient global coverage. Examples of notable UCaaS vendors not addressed in this report are Alcatel-Lucent Enterprise, CenturyLink, Comcast, Dimension Data, EarthLink, Evolve IP, Fonica, Fusion, Interactive Intelligence, Intermedia, Jive Communications, MegaPath, Sprint, Switch, Tata, Telefonica and Vodafone, among others.

Gartner expects future Magic Quadrants to be fluid regarding vendor participation. The market is maturing, vendors are consolidating, regional vendors are expanding globally, and new vendors are entering the market.
Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Magic Quadrant for Unified Communications"

"Five Core Recommendations for Achieving a Successful Cisco UCaaS Deployment"

"Tech Go-to-Market: Leverage Channels to Expand Your Share in the Consolidating UCaaS Market"

"Toolkit: Is UCaaS a Good Fit for Your Enterprise?"

"Magic Quadrant for Unified Communications for Midsize Enterprises, North America"

"Digital Workplace Employees Need an Enriched Voice to Collaborate More Effectively"

"Know How to Choose Between Web Conferencing and Videoconferencing"

"Leverage Bimodal IT Methods to Advance UCC"

Evidence

This research was completed via: (1) an information exchange with the vendors evaluated, including vendor briefings and vendor responses to a detailed Gartner questionnaire; and (2) feedback from vendor-supplied references. In addition, Gartner has been following the UCaaS market for eight years and has a rich, established base of market knowledge from end-user inquiries, previous research efforts (including six previous UCaaS Magic Quadrants), investor conversations, and dialogues with more than 100 UCaaS vendors. In addition, Gartner analysts track publicly available information from such sources as journals, publications and vendor financials to provide additional perspectives.

Note 1 UCaaS Detailed Definitions

- Voice and telephony. This area includes fixed, mobile and soft telephony, as well as the evolution of PBXs and IP PBXs. This also includes live multimedia communications, such as video telephony.

- Conferencing. This area includes separate audioconferencing, videoconferencing and Web conferencing functions, as well as converged unified conferencing capabilities.

- Messaging. This area includes email, which has become an indispensable business tool, voice mail and UM in various forms. The vast majority of email deployments are implemented via either Microsoft Exchange or Google Gmail.

- Presence and IM. These play an increasingly central role in next-generation communications, enabling the aggregation and publication of presence and location information from and to multiple sources. This enhanced functionality is sometimes called "rich presence."
Clients. Unified clients enable access to multiple communications functions from a consistent interface. These may have different forms, including thick desktop clients, thin browser clients and mobile PDA clients, as well as specialized clients embedded within business applications.

Communications applications. This broad group of applications has directly integrated communications functions. Key application areas include consolidated administration tools, collaboration applications, contact center applications and notification applications. Eventually, other applications will be communications-enabled. When business applications are integrated with communications applications, Gartner calls these "communications-enabled business processes."

Evaluation Criteria Definitions

Ability to Execute

**Product/Service:** Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability:** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

**Market Responsiveness/Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.
**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

**Completeness of Vision**

**Market Understanding:** Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers’ wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor’s approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor’s underlying business proposition.

**Vertical/Industry Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.