

THE STATE OF CLOUD COMMUNICATIONS

A No Jitter Industry Insights Report



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Executive Summary

In its second-annual Cloud Communications Survey, conducted in late August and early September, No Jitter Research set out to assess the attitudes of the No Jitter enterprise audience regarding the use of cloud-hosted services to meet communications needs. The 2016 results reveal continued growth, with the two-thirds of respondents already using cloud-hosted communications indicating they will be bringing on additional services within the next 12 months. What's more, year-over-year comparisons show rising interest in and use of cloud communications in four particular functional areas: cloud PBX, mobile applications (video calling and team collaboration, for example), unified communications (IM/presence, conferencing, and voice and video calling), and contact center services. Clearly, companies of all sizes and across industries are finding value in the agility, cost efficiency, global reach, resiliency, and scalability afforded by the use of cloud-hosted communications services.

State of Cloud Communications

Over the past decade or so, the cloud model has evolved from a novel idea into a strategic force in enterprise IT. Companies of all sizes and across industries are finding value in the agility, cost efficiency, global reach, resiliency, and scalability afforded by the use of cloud-hosted resources, be those related to delivery of software, infrastructure, or platform as a service. The growing comfort companies have with cloud-hosted applications, storage and compute resources, and development platforms has of late been extended to mission-critical communications services. In fact, as shown in a recent survey of the No Jitter audience, cloud services are indeed starting to disrupt entrenched legacy communications systems.

In its second-annual Cloud Communications Survey, conducted in late August and early September, No Jitter Research set out to assess the attitudes of the No Jitter enterprise audience regarding the use of cloud-hosted services to meet communications needs. Similar to the 2015 survey results, this year's findings show respondents far and away favoring a model in which a provider owns, operates, and maintains the communications software on its cloud infrastructure versus a model in which the enterprise owns, operates, and maintains its own communications software on a provider's cloud-based platform. This year, just shy of half (49%) of 255 respondents said their organizations have embraced the first model, while only 27% said the same of the second model. Of that survey base, 45% of respondents work at companies that have 1,000 or more employees, 14% work at companies with between 500 and 999 employees, and 41% work at companies that have 499 or fewer employees.

Exploring the predominant model more closely, the response ratio remains relatively flat one year to the next, with a fairly even split in 2015 and 2016 between respondents who said their organizations already use cloud-hosted communications services and those whose organizations don't use cloud-hosted communications services. However, the 2016 results do reveal continued growth, with the two-thirds of respondents already using cloud-hosted communications indicating they will be bringing on additional services within the next 12 months. What's more, year-over-year comparisons show rising interest in and use of cloud communications in four particular functional areas: cloud PBX, mobile applications (video calling and team collaboration, for example), unified communications (IM/presence, conferencing, and voice and video calling), and contact center services.

The 2016 Cloud Communications Survey shows:

Cloud PBX: Overall, 28% of 2016 survey respondents using cloud-hosted communications are getting PBX/call control functions from the cloud, a significant jump from 2015, when only 20% of respondents said their organizations were using cloud PBX. The forecast for 2017 looks promising, as well, with 11% of this year's respondents indicating they would be adding PBX services to their cloud portfolios within the next 12 months.

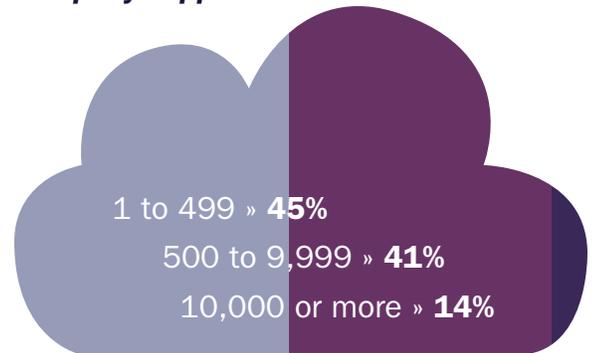
Mobile apps: 2016 survey results show 36% of respondents using video calling, team collaboration and other mobile cloud communications services, compared to only 28% in 2015. Another uptick should follow in 2017, with 16% of respondents indicating their organizations would be adding mobile apps to the list of cloud communications services they use in the next 12 months.

UC: One-third of this year's respondents (34%) said they are already using the cloud for UC, with 20% signaling they would be doing so within the next 12 months. (No Jitter Research did not break out UC as an option in the 2015 survey, so year-over-year comparative data is not available for this category.)

Contact center: Year-over-year growth in cloud contact center isn't as dramatic, but is still noteworthy. In this year's survey, 22% of respondents using cloud-hosted communications services counted cloud contact center among those services, up 2% from 2015. Ten percent of respondents said they'd be bringing on cloud contact center services in the next 12 months.

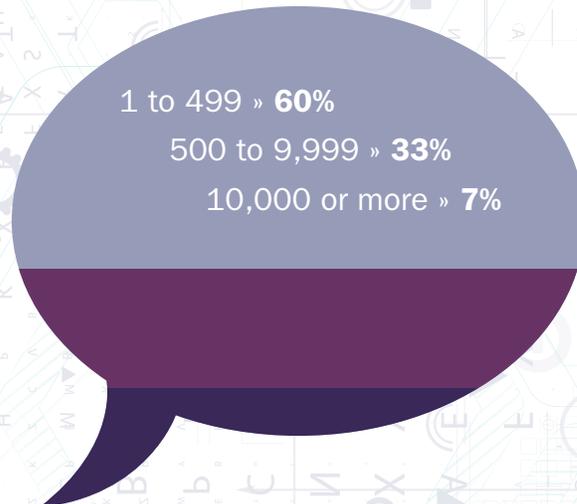
Calling in the Cloud

How many cloud PBX users does your company support?



Customer Service in the Cloud

How many contact center agents in the cloud?



The growth in these four functional areas add to cloud communication's already strong showing in video conferencing, audio conferencing, and Web conferencing, the most-used cloud-hosted services among respondents, at 47%, 44%, and 43%, respectively.

Charting Growth in 4 Cloud Service Types

For which functions does your enterprise use a hosted cloud service provider?

	2015	2016
Cloud PBX	20%	28%
Team Collaboration & Other Mobile Services	28%	36%
UC	N/A*	34%
Contact Center	20%	22%

Which additional communications functions will you get from a cloud provider in the next 12 months?

Cloud PBX	11%
Team Collaboration & Other Mobile Services	16%
UC	20%
Contact Center	10%

*UC not broken out in 2015 survey

In addition to overall increased use of cloud communications services, the survey finds that companies of all sizes consider cloud an increasingly viable option for their communications needs. Consider this statistic: Nearly half of respondents whose organizations have adopted cloud-hosted communications services have between 250 and 10,000 users. Taking a closer look, No Jitter Research has found that companies with 1,000 or more employees are even likelier than the overall survey base to have started down the cloud communications path. For example, 30% of enterprises with more than 1,000 employees are getting PBX functionality from the cloud, and 41% of that group are using cloud UC services (compared to 28% and 34%).

Cloud Communications & Company Size

Companies with 1,000 or more employees are likelier than the overall No Jitter Research survey base to be using cloud communications services.



Meantime, for cloud contact center, most usage to date falls in the sub-500 agent range. However, one-third of respondents report having between 500 and 9,999 agents in cloud contact centers.

As yet one more sign of the overall positive attitude about cloud communications, more than half of No Jitter survey respondents — 55% — said they believe the benefits of moving to the cloud are either clearly identified or underestimated. That figure bumps up slightly, to 57%, when looked at from the perspective of respondents working at organizations with 1,000 or more employees.

Why Cloud Communications Matters

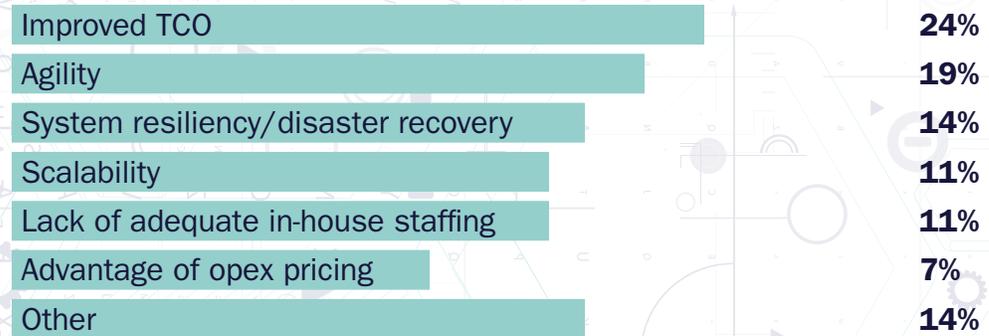
Enterprises turn to cloud communication services for a wide variety of reasons, with the top three compelling advantages being:

- ▶ Reduced total cost of ownership (TCO) compared to premises-based solutions (24% of respondents)
- ▶ Agility, with the ability to add features, functions, and/or users quickly to respond to business needs (19% of respondents)
- ▶ System resiliency/disaster recovery (14% of respondents)

In addition, more than 10% of respondents said cloud communications offered better scalability over premises-based installations, and that use of cloud communications services helped them address a lack of adequate in-house IT/communications staffing. Other cited advantages include global reach, speed of getting users — or, in the case of cloud contact center, agents — up and running, and flexibility in migration and deployment choice.

Why Cloud Matters

What's the most compelling reason for using cloud communications services?



As the No Jitter Research numbers show, cloud communications does increasingly matter for enterprises — but the data shows no consensus on the best path forward. Of those planning cloud migrations, respondents are fairly equally divided on whether they will proceed into the cloud with their legacy communications vendors, either fully or in premises-cloud hybrids, or whether they will move forward with a provider that hasn't been part of a legacy environment. Likewise, just shy of half of all respondents said the ability to build a hybrid communications environment, mixing and matching premises and cloud functionality, was important to very important to their organizations. For organizations with 1,000 or more employees, the importance of hybrid communications environments grows to 57%, No Jitter Research found.

What to Ask Cloud Communications Providers

As enterprises explore the migration to cloud communications, in full or via a hybrid model, they will have no shortages of options to consider. Some, as noted above, see a cloud migration as a way to supplement or complement a legacy on-premises deployment. Others view the cloud from more of a green-field perspective, opening the opportunity for modernizing their communications strategies and working with a best-of-breed cloud-first provider. Regardless, enterprises are well advised to have deep and detailed discussions with their potential cloud communications providers around several critical factors: services offered, approach to integration, and the cloud infrastructure on which they're hosting and delivering communications functions.

Breadth of Services Portfolio - Modern workforces tend to be highly distributed and often on the go. They need the ability to communicate wherever they are, whenever they want, and from the most convenient device at hand. At times, those demands can lead to a mishmash of tools from disparate vendors that end up stymieing communications and collaboration rather than enabling it. As enterprises grow their use of cloud communications, they may find value in consolidating with a single provider and to obtain a complete and seamless communications solution — from voice services to team collaboration and beyond — for any user's needs.

Besides enabling a consistent and cohesive user experience, the single-provider approach delivers the benefits of simplified billing and management, and familiarity with a provider can lead to faster deployment of additional cloud communications functionality and onboarding of users and agents, as the case may be. And, when cloud contact center is involved, enterprises are better able to support seamlessness between inward- and outward-facing communications, as well. Lastly, enterprises that use one vendor to deliver both UC and contact center solutions can realize cost savings.

In a nutshell, having a single cloud communications provider capable of meeting all of an enterprise's needs presents the opportunity for consolidation and the reduced complexity and greater operational and cost efficiencies that come along with it.

Integration: Business people today need to be super responsive, agile, and always reachable. Integrated cloud communications solutions can enable them to do all that.

When a cloud communications provider offers a full range of functionality, a follow-on discussion point must be around its approach to integration. Is the provider offering disparate, standalone services, or does it support integration among them — and how deeply? For example, can users easily escalate a cloud-based text chat, via the UC client's instant messaging capability, to a voice or video call? Likewise, for administrators, are cloud-based communications services manageable from the same dashboard? In moving to the cloud, many enterprises are striving to reduce the complexity they've been living with in premises-based environments, and integration among cloud services is a key for achieving simplicity.

Integration of a provider's own communications solutions is but a starting point here. Just as important, if not more so, is consideration of how a provider enables the integration of its cloud communications capabilities into the myriad of other cloud-hosted applications enterprises find themselves using today. Enterprises should look for a cloud communications provider to support out-of-the-box integrations with established cloud applications for business basics like CRM, document management, service and support, and workforce productivity.

If agility is a goal, look for cloud service providers that offer open developer platforms using industry-standard APIs. With access to cloud-based communications platforms, developers will be able to embed communications into business-critical applications and processes, enabling click-to-call (voice or video) or click-to-chat capabilities. Eliminating the barriers to communications holds the promise of productivity improvements, as well as greater customer satisfaction. (Note, slightly more than a quarter of No Jitter survey respondents said their organizations already are or will be taking advantage of communications APIs and communications platform-as-a-service, or CPaaS, offerings in the next 12 months.)

7 Critical Cloud Talking Points

When you sit down with a cloud communications provider, be sure to come armed with questions on these key differentiators:

1. SERVICES MIX

2. INTEGRATION STRATEGY

3. CLOUD INFRASTRUCTURE

4. CONNECTIVITY OPTIONS

5. GLOBAL REACH

6. PRICING

7. PROFESSIONAL SERVICES AND SUPPORT

Cloud Infrastructure: For many enterprises, cloud architectural choices boil down to the essential question: private or public? They're either going to build out cloud infrastructure in their data centers, for their exclusive use — because they have particularly stringent security or privacy requirements, for example — or they're going to use services hosted in cloud infrastructure they don't own, manage, or control. That's where the decision gets more complicated. Some cloud communication providers host their services on general-purpose public cloud infrastructure such as Amazon Web Services or Google Cloud, while others have purpose-built their own private cloud backbones for hosting and delivery of communications functionality. In either case, factors to consider when evaluating providers include:

- » **Connectivity options:** Enterprises will typically access cloud communications services via public Internet connections, and those “over the top” connections suffice in most use cases. However, some enterprises may want a higher level of connectivity and quality of service for mission-critical capabilities. In such cases, direct connectivity to the cloud is essential. Ask potential providers whether they offer direct connectivity, and if so, where such interconnections are available and in what sorts of configurations.
- » **Global presence:** Well-established cloud communications providers will have fully geo-redundant, distributed networks for serving up functionality in any region — Asia-Pacific, Europe, Latin America, or North America — in a highly scalable, resilient fashion. Look, too, for cloud communications providers that interconnect directly with service providers as this enables provision of carrier-grade reliability and quality of service. With such peering relationships, cloud communications providers can provide local services, which can give a business localized presence for regional customers while enabling it to operate in integrated fashion around the world. In addition, in-country data centers allow businesses to meet data residency and data sovereignty requirements.
- » **Pricing:** Cloud communications providers like to tout their services as a way to switch from capital expenditure to operational expenditure models and reduce TCO. But pricing isn't always straightforward or easy to analyze for an enterprise's particular needs, especially for complex solutions involving myriad services and over time. Look for transparency and simplicity in licensing plans, with clear articulation of per-user pricing and minimum monthly commitments, if any. So as not to be caught off guard by hidden costs, enterprise decision makers should be sure to ask potential providers about fees for setup and activation, pricing for toll-free calling, and how many users are covered in the pricing of video conferencing and online meetings, for example.

» **Professional services and support:** As welcome as it might be, moving mission-critical communications functionality into the cloud can be a daunting prospect for many enterprises. Be sure to evaluate providers on their services and support organizations, which should be able to support an organization's planning, designing, and implementation needs globally. And, of course, the engagement shouldn't stop once the initial deployment is up and running. Select a provider that offers ongoing project management, support, and consulting — as an enterprise grows into a cloud deployment, tweaks may be in order to improve efficiency and boost performance. Additionally, should your enterprise be interested in CPaaS, look for your selected provider to offer professional services around application development, as well.

Conclusion

As the No Jitter Research shows, delivery of communications functionality from the cloud is increasingly a choice enterprises are making for their modern business operations. The benefits are clear: Cloud communications can be ubiquitous, always there when and where needed by distributed, mobile workforces. Cloud communications enables greater agility, scalability, mobility, and interoperability at a lower TCO. No doubt, cloud communications is the right solution for internal- and external-facing engagements today and going forward, for enterprises of all sizes.

About RingCentral

RingCentral harnesses the power of the cloud to help today's modern, mobile businesses communicate faster, smarter, and more effectively than ever before. Built on a secure and reliable cloud communication and collaboration platform, RingCentral goes beyond cloud PBX, combining voice, team messaging, collaboration, video conferencing, online meetings, and contact center capabilities. Available across multiple devices — from smartphones, tablets, and computers to desk phones — RingCentral's unified communications as a service (UCaaS) solution scales globally, making it easy to administer across countries from a single platform. With a robust set of open APIs, RingCentral enables businesses to seamlessly embed communications into custom or everyday business applications, improving workflow productivity. Businesses worldwide rely on RingCentral to connect their workforces, build relationships with customers, share knowledge, and get work done — how they want, wherever they want. Learn more at ringcentral.com.