

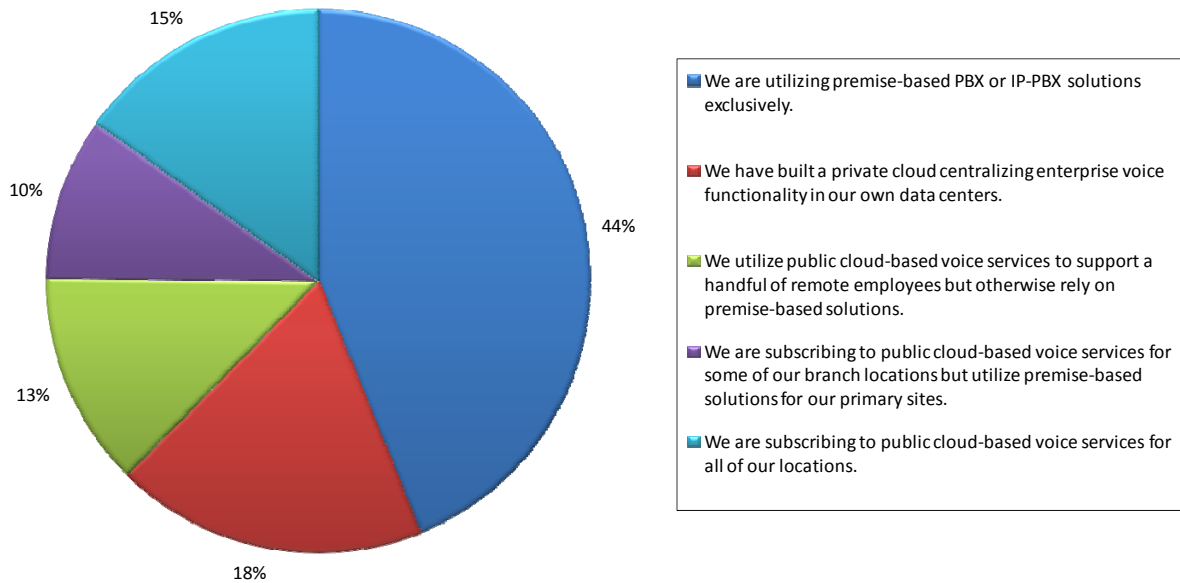
**IntelliCom Market Dashboard Spotlight:**

**Enterprise Voice Solutions Still Predominantly Premise-Based, But Global Businesses Increasingly Receptive To Cloud-Based Alternatives**

“The Cloud” continues to be a hot topic of discussion both within the Unified Communications (UC) space and across a broader range of IT applications. Virtually all major premise-based UC providers now offer some type of cloud deployment alternative whether that be private cloud solutions supported from an enterprise’s own data center, enabling technologies for service providers hosting UC cloud services, public cloud offerings that the providers themselves host, or some combination of the three. And there is no shortage of projections out there for a rapid shift to the cloud over the next few years for least a portion of applications grouped under the UC umbrella.

But while many of these UC applications are just starting to gain mainstream acceptance with customers and are largely being deployed in organizations for the first time, there is one area often included in extended UC value propositions that is more established and foundational – enterprise voice capabilities. And given that shipments of premise-based IP-PBX solutions have remained fairly consistent with broader macroeconomic trends over the past couple of years (based on figures published in the *IntelliCom Market Performance Dashboard<sup>SM</sup>*), a lot of questions are being raised on the extent to which cloud-based alternatives have actually impacted the market to date. To gain insight into how broadly public cloud-based services are being leveraged for enterprise voice functionality today, IntelliCom Analytics and TMCnet jointly conducted a survey earlier this month. (See Figure 1 below.)

**Figure 1: What best describes your organization’s current approach for supporting enterprise voice functionality?**



**Percent of Global Businesses**

*IntelliCom Market Dashboard/TMCnet Business Survey (n=383), October 2013*

The short answer is that traditional premise-based deployment remains the most common approach today. Of the 383 global businesses that responded to the survey, 44% utilize traditional or IP-PBX solutions exclusively to support their enterprise voice needs. Another 18% are providing these capabilities through a private cloud arrangement hosted from their own data centers. Most of these solutions are essentially next-generation IP-PBX architectures that support virtualization technologies enabling their deployment on data center infrastructure rather than dedicated servers or proprietary PBX hardware. On a combined basis, that equates to 62% of businesses surveyed that still deploy enterprise voice applications entirely on their own premises today.

Hybrid deployment options allowing businesses to blend premise-based solutions with services delivered by public cloud providers have been heavily promoted by vendors as a means to provide customers with flexibility to support their evolving infrastructure, as well as, targeted user needs. These value propositions appear to be beginning to resonate with enterprise voice customers based on the survey results. 13% of respondents indicated that while premise-based PBX or IP-PBX solutions still serve the bulk of their organization, they do leverage public cloud-based services to support the enterprise voice needs of some of their remote employees. Another 10% are utilizing public cloud-based services to extend these capabilities to certain branch locations while premise-based solutions continue to serve their primary sites.

The remaining 15% of businesses surveyed now utilize public cloud-based voice services exclusively. While more modern cloud-based UC services tend to get all the credit for the current interest in hosted voice solutions, it should be noted that the overall percentage now deploying such solutions is comparable to what we have historically observed for legacy Centrex services. It would appear then, that much of this activity is actually satisfying a slice of the market long receptive to an external voice service of some type rather than representing a significant shift away from premise-based solutions to date.

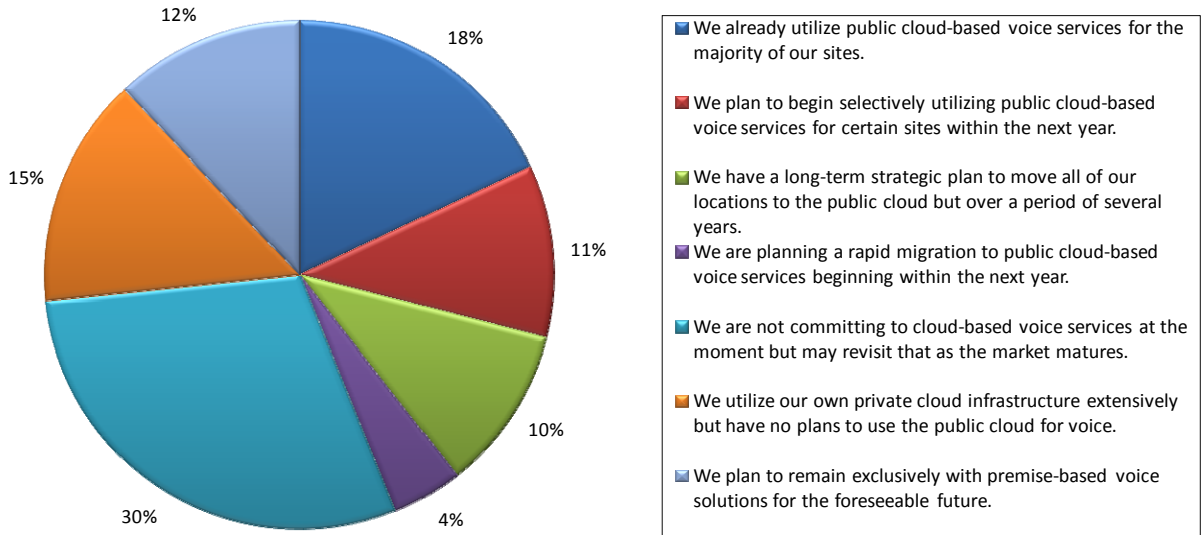
Business size impacted the results of a couple of the response options significantly, however. As expected, the pure public cloud model has proven most attractive to small businesses which include start-ups that are more likely to have limited existing premise-based infrastructure. Specifically, 25% of respondents from businesses with less than 20 employees indicated that they were using public cloud-based voice services exclusively compared to the 15% total rate expressed overall. At the opposite end of the spectrum, large enterprise organizations with greater than 1,000 employees were 50% more likely to opt for the private cloud deployment model than respondents in total. This too is not surprising, as larger enterprises are most likely to have existing data center infrastructure in place and may already be supporting the private cloud model for a number of other IT applications.

Given that 85% of businesses responding to the survey still rely on premise-based solutions as their primary voice architecture, and the consistency of that level with traditional businesses deployment patterns, one must ask whether the cloud is being overhyped, at least within a narrow enterprise voice context. But it also begs the question of whether the intense level of industry discussion on this topic is, in fact, driving the market toward a tipping point that will lead to a broader migration to the cloud. To address those questions, we also asked survey respondents about their future plans for deploying enterprise voice technologies. (See [Figure 2 on the next page.](#))

Global businesses responding to the survey appeared more open to at least exploring cloud-based alternatives over the next few years than present deployment patterns would indicate. Only 12% have essentially ruled it out and plan to stick entirely with premise-based PBX or IP-PBX solutions for the foreseeable future. Another 15% have already deployed a private cloud serving the bulk of their sites and are unlikely to consider public cloud-based services. The net result of that is only 27% of responding businesses reporting no plans for leveraging the public cloud for any aspect of their future enterprise voice needs compared to 62% indicating in the prior question that they do not utilize such services today.

However, a larger group appears to be taking a wait-and-see approach to the issue, as 30% of respondents indicated that while they would not commit to a public cloud-based enterprise voice service today, they may revisit the issue in the future as the market further matures. Another 11% planned to begin experimenting within the next year by selectively utilizing public cloud-based voice services for some of their branch offices while still primarily relying on their existing premise-based infrastructure. So essentially, 41% of businesses responding are interested in evaluating cloud-based alternatives but are looking for additional proof points before more broadly embracing these approaches.

**Figure 2: What are your future plans for supporting enterprise voice functionality through public cloud-based services?**



**Percent of Global Businesses**  
*IntelliCom Market Dashboard/TMCnet Business Survey (n=383), October 2013*

A smaller number of businesses are already sold on the value of public cloud-based voice solutions and have made the strategic decision to move to the cloud but plan to do so over a phased, multi-year transition. This was the approach favored by 10% of those responding to the survey. Another 4% expressed an even deeper level of commitment and are planning a rapid migration over the next year. Just these two groups alone could nearly double current levels of adoption for public cloud-based voice services if these businesses follow their plans through to fruition.

Finally, 18% indicated that they were already utilizing public cloud-based services for the bulk of their enterprise voice needs. This number includes a relatively small percentage of businesses either still in the process of phasing out legacy premise-based solutions or those planning to retain them for a minority of users. Many, though, are small businesses utilizing them exclusively.

Based on the survey results, a majority of those not utilizing public cloud-based voice services today are at least open to considering doing so in the future. However, most are not comfortable moving forward in an aggressive fashion at this stage. The 14% of respondents that did indicate a planned major commitment to implement public cloud options will likely generate significant growth for these services over the next couple of years, but the broader, more transformational shift that many have predicted will be dependent on addressing the concerns of the much larger group that have adopted a more cautious stance. This puts the onus back on public cloud-based voice providers to more tangibly demonstrate the advantages of implementing their services relative to premise-based solutions that also continue to evolve in form and functionality.



Frank Stinson is a Partner and Senior Analyst with IntelliCom Analytics and leads the firm's *IntelliCom Market Dashboard (IMD)* and *IntelliCom Market Performance Dashboard (IMPD)* research programs. In this role, Stinson provides clients with ongoing strategic assessments of the positioning, direction, and market performance of leading Business Communications providers in the context of key trends transforming the industry. The rapidly unfolding shift to software-centric communication architectures now underway is central to this analysis, along with the UC and business application integration initiatives that leverage them.

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