

Gartner Reprint

Magic Quadrant for Unified Communications as a Service, Worldwide

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Summary

UCaaS is now a viable alternative for many (not all) enterprise deployments. Enterprise planners should look for expanded global capacity, better customer service and project management, an expanded set of APIs, and the ability to deploy a richer set of UC functionality led by mobility and video.

Market Definition/Description

Unified communications as a service (UCaaS) supports the same functions as its premises-based unified communications (UC) counterpart. The chief difference is that UCaaS adheres to a cloud service delivery model. Gartner therefore 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

Two types of cloud delivery architectures are in the UCaaS market. The first is multitenant, in which all customers share a common (single) software instance. The second is multi-instance, in which each customer receives its own software instance. Both the multitenant and multi-instance architectures possess such cloud characteristics as 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.

Larger businesses (more than 1,000 employees) have traditionally preferred a separate software instance because of perceived security, integration and customization benefits. However, most UCaaS implementations to date are with the multitenant architecture, because it is easier to support, manage, and enhance with new

capabilities and services. In contrast, it takes more administration time to manage each user's separate software instance in the multi-instance architecture. Gartner expects this trend to continue, given the scaling and cost benefits of multitenant deployments. Even large businesses are opening up to multitenant because they receive so many other applications this way (for example, Microsoft Office 365, Google Apps for Work [GAFW] and Salesforce).

The UCaaS market as a whole is transitioning from the "early adopter phase" to the "early mainstream phase" for enterprise delivery. Many UCaaS providers now support global deployments spanning multiple regions (for example, 30 or more country markets). The larger UCaaS providers can now provide professional services, project management, local telephony services, customer support and import/export authority in dozens of country markets. Many references provided by the UCaaS vendors participating in this Magic Quadrant were businesses spanning dozens of country markets. In general, these UCaaS references provided high satisfaction level ratings for customer support and project management compared to prior years.

This is not to say that procuring global UCaaS is yet mainstream. Enterprise planners must still perform due diligence on their UCaaS providers regarding their capacity to support the specific countries they operate in. In addition, the portals and IT documentation of many UCaaS providers are English-only.

Some UCaaS providers, led by the communications service providers (CSPs), have pursued a multi-instance cloud version of Microsoft Skype for Business (SfB) Server (SfBS). SfBS is the premises-based version of Skype, with the full feature set, which select partners have virtualized via a combination of their own and Microsoft tools. But during the past year, Microsoft has begun to emphasize Microsoft Skype for Business Online (SfBO) — delivered by Microsoft personnel and run out of Microsoft data centers — as part of Office 365. Through a series of licensing policies, R&D investment and marketing tools in the past year, Microsoft has sent the message that the future is centered on SfBO. This pivot from SfBS (the on-premises version) to SfBO has strained some of the Microsoft-partner relationships. UCaaS vendors — including AT&T, BT, Interoute, NTT Communications (Arkadin) and Orange Business Services — have invested in Microsoft Skype UC, and they are all navigating this changing landscape.

Magic Quadrant

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



Source: Gartner (August 2016)

Vendor Strengths and Cautions

8x8

San Jose, California-based 8x8 has 16 years of experience in the UCaaS market. Its UCaaS offering is branded as Virtual Office (VO) and is delivered via its own multitenant platform. 8x8 also offers a cloud contact center solution branded as 8x8 Virtual Contact Center (VCC). 8x8's core market is North America (the U.S. and Canada), and the company has expanded internationally during the past several years to support Europe, Asia/Pacific and Latin America. There are redundant data centers in all supported regions (except Latin America, with a single data center). The company can support the regional country location offices of its customers in more than 100 countries. In the past year, 8x8 increased its contact center, meetings and video functionality. Gartner estimates that 8x8 is one of the largest UCaaS providers supporting more than 700,000 users.

8x8 has historically focused on the small and midsize business (SMB) accounts (with each account having fewer than 1,000 employees), but it is now winning enterprise accounts (some in the 5,000-employee range). Evidence of enterprise commitment includes an enterprise onboarding program (branded Elite Touch) and multiple

certifications, such as the U.S. Federal Information Security Management Act (FISMA), the U.S. Health Insurance Portability and Accountability Act (HIPAA), the U.K. Authority to Operate (ATO) and the Payment Card Industry (PCI). 8x8 has expanded its channel base as a complement to its direct sales force.

8x8 is well-positioned for both SMBs and smaller enterprises in the 1,000- to 3,000-employee range seeking a cost-effective UCaaS solution, as well as those looking for integrated UCaaS and contact center as a service (CCaaS). 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 telephony, UM, mobility, IM, presence and contact center.
- The company continues to expand its VCC contact center capabilities and integrate these with the cloud UC VO offer. Capabilities include added security and compliance certifications, stronger analytics, and APIs to Salesforce and Zendesk, among others.
- 8x8's Global Reach Network and Virtual Office Analytics enable end-to-end SLAs over the public internet that includes voice mean opinion score (MOS) of 3.5 for 98% of calls.
- The company continues to expand its global capacity and project management capabilities to better support multicountry enterprise accounts.

Cautions

- 8x8's customer service maturity is not as strong outside the core North American and U.K. markets. The IT admin tools are English-only (although end-user applications and technical documentation support seven languages).
- 8x8 Virtual Office Meetings lacks integration with leading third-party video platforms and has limited group tools for larger web conferences. The video client can have performance problems for accounts above 1,000 employees.
- The 8x8 VCC contact center is not well-suited for large, complex CCaaS deployments with advanced requirements.
- Customers cite that 8x8's IT administration portal and user experience are the chief areas that they would like to see improvement in.

AT&T

AT&T is a global CSP headquartered in Dallas, Texas. While its UC services are strongest in North America, AT&T has global operations and a global network footprint, including support of Europe-based accounts.

AT&T Unified Communications Services includes cloud and hybrid cloud-premises deployments. AT&T Collaborate is a new transport-agnostic UCaaS solution (initially U.S. only but global targeted for 2017) that leverages a network function virtualization (NFV)/software-defined networking (SDN) environment. Other new AT&T

capabilities include the ability to deliver IM and presence, PBX, and desktop integration. This over-the-top (OTT) service supports mobile or wireline and integrations with other UC applications.

The second AT&T cloud offering is based on the Cisco Hosted Collaboration Solution (HCS), with redundant data centers in North America, Europe and Asia/Pacific. In addition, AT&T supports a managed Microsoft SfB offering, as AT&T believes that the dedicated SfB architecture provides a better enterprise-grade experience than Microsoft's cloud UC options. AT&T NetBond is a Microsoft ExpressRoute partner providing secure Multiprotocol Label Switching (MPLS) connectivity to Office 365 data centers. AT&T also markets hosted, managed and premises-based services for SfB, Cisco and Avaya UC solutions, as well as UC integrations to Google.

AT&T's UCaaS solutions suit midsize to very large enterprises that have a strong relationship with the service provider and desire a cloud UC solution based on AT&T Collaborate (initially U.S. only but global targeted for 2017), Cisco or Microsoft technology. AT&T typically prefers accounts with at least 40% of users in North America.

Strengths

- AT&T's UCaaS benefits from the firm's strong brand-name recognition, mobile networks (U.S. only), global networks, security services and global data centers. AT&T is well-positioned to support mobile-centric UCaaS (U.S. only), whose value proposition will increase with the adoption of voice over Long Term Evolution (VoLTE) and Rich Communications Service (RCS).
- AT&T has developed a strong suite of UC solutions, based on third-party and Cisco technology, that leverage Cisco's and AT&T's audioconferencing, web conferencing and videoconferencing functionality, as well as AT&T's professional services and UC consulting practice.
- AT&T has extensive conferencing capabilities, which include Cisco WebEx and Collaboration Meeting Rooms (CMR), AT&T's own global IP audioconferencing, Cisco WebEx Cloud Connected Audio (CCA), AT&T Video Meetings with BlueJeans Network, and audioconferencing support for Microsoft SfB.
- The AT&T IP Flexible Reach for Microsoft SfBO includes committed quality of service (QoS) and availability SLAs for voice, video and conferencing when operated by AT&T.

Cautions

- AT&T's broad array of offers can be difficult to understand, despite that it is in the process of streamlining its UC and voice portfolio. In part, this complexity is because elements of UC functionality and underlying network services can be bundled in multiple ways to support various customer requirements.
- Enterprises expecting AT&T services outside of North America should verify that AT&T is willing to support the desired UC functionality in all required country markets. Current support is available in 65 country markets.
- 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.
- AT&T can be slow in rolling out new cloud UC technology that must be integrated with all of its back-end systems. Users also cite that AT&T only supports APIs to a limited base of cloud applications.

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 (BT One Cloud Cisco) and Microsoft SfB (BT One Cloud Microsoft) 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 multinational corporations (MNCs) with a European presence and U.K. public-sector accounts. There is a complementary cloud contact center offering based on Cisco HCS. BT relies primarily on a direct sales force (except for smaller U.K.-only deployments).

In the first quarter of 2016, BT acquired mobile operator EE (formerly joint-owned by Deutsche Telekom and Orange) for \$19 billion. BT has announced plans for integrated mobile/wireline UCaaS offerings in the second half of 2016. It also plans to invest in its user experience, portals and API capabilities during the next year. Through 2016, BT continues to win large accounts — some in the 50,000-employee range — on both its Cisco and Microsoft UCaaS offerings. The company leverages Esna tools (a middleware tool [now owned by Avaya] that enables APIs to major cloud applications like Salesforce, Cisco Jabber and GAFW) to provide integrated service across BT's array of Cisco, Microsoft, hybrid and internal communications portfolios.

BT is well-suited 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 — typically down to the 1,000-employee range — for European accounts.

Strengths

- BT is a strong global Cisco UCaaS partner supporting numerous Cisco solutions, including HCS, Unified Contact Center Enterprise, WebEx and CMR. BT uses mainly 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.
- Across the globe, BT offers a deep base of networks, Session Initiation Protocol (SIP) trunking, public switched telephone network (PSTN) connectivity, Dolby high-definition voice, security, hosting and managed services to complement its UCaaS portfolio.
- BT has had numerous enterprise UCaaS wins above 5,000 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 contract 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, focused typically on larger North American MNCs with global operations.
- It can be time-consuming and complicated 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.

Fuze

Fuze, formerly known as ThinkingPhones, is a privately held UCaaS provider based in Cambridge, Massachusetts. ThinkingPhones acquired video provider Fuze in the fourth quarter of 2015, and in the first quarter of 2016, the consolidated company rebranded while also receiving a \$115 million private equity investment. Fuze uses a proprietary multitenant platform that includes open-standards-based web APIs to facilitate UC application integration. In the past year, Fuze has expanded its international capabilities, led by Europe (with data centers in Amsterdam, Netherlands; Frankfurt, Germany; and London, U.K.), where it doubled head count to nearly 100 employees. Fuze now supports the Asia/Pacific market with data centers in Singapore, Hong Kong and Sydney. More than 50% of revenue is derived from enterprise accounts above 1,000 employees.

Fuze leads with a direct sales force and internally staffed professional services because its core value proposition is based on improving business processes, which is more complex than most UCaaS deployments. This approach is well-suited for high-end retail, healthcare and high-tech companies, where businesses need data to track employee productivity, customer value and demographics. Smaller and simpler deployments are pursued via channel partners.

Fuze is well-suited for UCaaS deployments, typically in the 500- to 5,000-employee range, seeking business process differentiation. Fuze support is strongest in North America, followed by Europe, with emerging presence in Asia/Pacific.

Strengths

- The acquisition of the Fuze videoconferencing company significantly enhances the video, web, screen sharing, and audioconferencing capabilities, complete with 1080p resolution and interoperability with third-party systems (such as from Cisco and Polycom).
- Fuze has a strong innovation engine of new capabilities spanning analytics, workstream collaboration, customer identity graphs and enhanced portals, in addition to the newly acquired video offering.
- Gartner believes that Fuze revenue exceeded 40% organic growth (sans the former Fuze web conferencing/videoconferencing acquisition) in the past year, while also making major investments in its European operations.
- Users report that Fuze provides an intuitive user experience. This allows many users to use their smartphones as their primary means of business communications.

Cautions

- Fuze's business model, based on large complex deals using Fuze's internal staffing, makes it difficult to scale the business. Fuze runs into resource limitations, which, combined with its English-only IT admin portal (end-user portals are localized to four languages), reduce its ability to respond to some market opportunities.
- Fuze's brand awareness remains low, even in its home turf of North America.

- Some Fuze prospects cite high pricing and an unwillingness to provide customization on a deployment. Fuze is not well-suited for organizations that only want telephony and voice mail.
- Customers report that some Fuze employees have limited experience in their job roles. Fuze has increased employee staffing by approximately 50% in the past year to keep pace with past and projected growth.

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 IT collaboration suite known as Google Apps for Work (GAFW). Google has UCaaS infrastructure in 15 data centers spanning North America, Europe, Asia/Pacific and Latin America — with IT administration support for 28 languages. Among the Hangouts adopters (not exclusive) are SMBs, high-tech firms, professional services organizations and universities.

The Google multitenant cloud service supports such UC functions as email, UM, IM/presence, OTT voice over IP (VoIP), videoconferencing, web conferencing and mobility. GAFW offerings beyond UC include Google Docs (spreadsheets, documents and presentations), Google Calendar, Google Sites and Google Drive (storage). Hangouts does not provide an enterprise voice capability, although it does have partnerships with vendors like RingCentral and Dialpad. Google has both a direct sales force and channel partners for securing new accounts. In the fourth quarter of 2015, Google established a separate enterprise business unit called "Cloud Services," which GAFW reports to, as part of the Alphabet reorganization. Because of the separate business unit, users have greater transparency to Google's success and commitment to business services.

Google's UCaaS provides an intuitive, cost-effective solution for business of all sizes, largely independent of the geographic region. 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 competitive and transparent, 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).
- Hangouts provides an intuitive user experience, allowing users to easily navigate across IM, presence, web conferencing and mobility. Users of Chromebox for meetings — a video endpoint for use in physical conference/collaboration spaces — praise its low cost, high-quality video and ease of use.
- The Google cloud platform is strong globally — not just in North America. Businesses spanning multiple regions can have each employee homed to the closest data center for optimal performance.
- Notable 2016 UCaaS enhancements include a greater mix of Chromebox for meetings endpoints (large and small), WebRTC video efficiency improvements and increased number of Hangouts sessions (from 15 to 25).

Cautions

- Google does not support a native business voice service, which hurts Google's competitive positioning against Microsoft Office 365 and SfBO.

- Google Hangouts supports only 25 simultaneous web conferencing sessions. Businesses, therefore, must rely on a separate web conferencing tool (or use Google Hangouts On Air) to broadcast to larger web conferences.
- Google did not significantly expand the features and capabilities of UCaaS Hangouts in the first half of 2016. It is too premature to identify how the new Alphabet reorganization, with Hangouts being part of the Google enterprise group, will impact the future Hangouts evolution.
- Users express dissatisfaction with the lack of native interoperability between Chromebox for meetings and standards-based video platforms. They also cite the complexity in connecting Chromebox for meeting with Hangouts On Air (for corporate webinars).

Interoute

Interoute is a privately held, London-based CSP with employees in 30 countries supporting services in more than 130 countries. Interoute's core 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 offer is based on Interoute One, a set of services offering voice, conferencing and collaboration, various Skype configurations, contact center capabilities, and a range of video services. These are all complemented with Interoute's SIP-based global Virtual Voice Network (VVN).

Interoute offers a flexible set of optional enhancements to Skype, including Exchange Unified Messaging, integration with on-premises Exchange, persistent chat functionality, monitoring services, SfB 365 hybrid and SfB contact center integration. Interoute states that more than 50% of the Microsoft UCaaS accounts are opting for a full PBX replacement. Interoute's data centers, located across Europe, North America and Asia/Pacific, offer localized data sovereignty.

Interoute is best-suited for Europe-based MNCs with regional offices in North America or Asia/Pacific, seeking a Microsoft-based SfB solution. While Interoute can support North American and Asia/Pacific MNCs, it does not have significant market visibility among North American or Asia/Pacific MNCs.

Strengths

- Interoute focuses on Microsoft technology — SfB, Exchange and Microsoft Office 365 integration. The infrastructure as a service (IaaS) UCaaS approach is flexible and scalable. This approach is complemented with capabilities in network services, SIP trunks, voice services, video services, colocation, hosting and CCaaS (via Clarity Connect).
- Interoute supports a full reference architecture with defined firewalls, session border controllers (SBCs), headsets, gateways, video endpoints and a self-service portal. The company can provide a PBX replacement in approximately 50 countries.
- Interoute acquired Easynet in the fourth quarter of 2015, gaining expanded customer operations support, including project managers and local procurement, technical support staff, and additional staffing in the Americas and Asia/Pacific.

- Customers generally view Interoute positively for its overall Microsoft-based UCaaS experience.

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 smaller (in terms of revenue and number of employees [approximately 2,300]) than many European CSPs — BT, Orange, Vodafone and T-Systems. The company, therefore, has limited financial assets to expand into the highly competitive North American market.
- Over time, Gartner believes that Interoute will find itself increasingly in competition with Microsoft's SfBO offer, which will limit its ability to expand into some segments of the market.
- Interoute is still maturing its project management, platform stability and technical support capabilities for larger accounts.

Microsoft

Microsoft is based in Redmond, Washington, and offers the Skype for Business Online (SfBO) UCaaS solution as part of its cloud IT Office 365 offering. SfBO 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.

The SfBO UCaaS offering includes IM, presence, peer-to-peer voice and video, as well as conferencing support for web, audio and video. In the past year, Microsoft introduced multiple telephony, UC and PSTN services: (1) Cloud PBX, which offers a limited PBX capability (that can be packaged with several PSTN access options); (2) PSTN Calling in the U.S. and the U.K., with Microsoft planning to expand its PSTN Calling offer to other regions in the second half of 2016; (3) SfB Cloud Connector Edition to allow customer telco circuits to connect to SfB Cloud PBX; (4) PSTN Conferencing, which is available in more than 87 countries; and (5) Skype Meeting Broadcast for large broadcast meetings of up to 10,000 participants. Microsoft acquired Event Zero in the first half of 2016 for its SfBO performance management and provisioning capabilities. Microsoft also supports a hybrid voice option that enables SfBS to integrate with SfBO.

The Microsoft Office 365 SfBO solution is suitable for organizations of all sizes, in virtually all geographies, seeking cost-effective IM, presence and web conferencing. Most SfBO users also have Exchange Online and other elements of Office 365. Gartner does not believe that the recently introduced SfBO Cloud PBX functions are mature enough for a corporatewide PBX displacement for most enterprises. However, some organizations are evaluating, trialing or putting select employees (typically with limited external communications requirements) on SfBO telephony, with possible expanded deployments in 2017. Enterprises seeking organizationwide telephony adoption at this time should deploy Microsoft's more capable on-premises SfBS configuration.

Strengths

- SfBO continues to gain market momentum and market share, in large part because of the success of the broader Office 365 portfolio. Microsoft also provides extensive sales, marketing, technical and support resources to the SfBO UCaaS offering.

- Microsoft is aggressively expanding the PSTN and conferencing capabilities of SfBO, indicating a clear intent to offer a complete native cloud UCaaS solution.
- Microsoft has an extensive ecosystem of SfBO partners offering professional services, devices, applications, infrastructure and network services.
- Many organizations view Office 365 as a key part of their IT cloud strategy, which allows them to incrementally add SfBO features, starting with IM, presence and web conferencing capabilities, before expanding to audioconferencing, videoconferencing and telephony.

Cautions

- The SfBO telephony capabilities lag considerably behind most competing UCaaS offers. Additionally, Microsoft does not support an open SfBO API ecosystem, which makes it impossible to replicate what can be supported in SfBS partner solutions.
- Microsoft's SfB roadmap and different configurations are complex to understand. Enterprise planners should understand the functional differences between its cloud, hybrid and on-premises configurations. For functional differences and information on the Skype roadmap, see Note 2.
- Connecting users to SfBO via the internet may result in poor performance for audio and video. To mitigate risk, customers should execute a network assessment with an SfB partner to see whether ExpressRoute for Office 365 is warranted to improve network performance.
- Enterprises adopting SfBO will face both internal pressure and pressure from Microsoft to adopt a much broader suite of Office 365 cloud applications. Not all of these applications are best-in-class.

Mitel

Mitel, based in Ottawa, Canada, offers a broad set of cloud services, with roots in the premises-based PBX and UC markets. MiCloud Office is a multitenant UCaaS offering for SMB customers. The MiCloud Enterprise offering is a multi-instance cloud solution for midmarket and large enterprises. Key elements of MiCloud include MiVoice (telephony), MiCollab (collaboration) and MiCloud Contact Center. MiCloud can be delivered via public, private and hybrid deployments. Mitel has a strong UCaaS presence in North America and Europe, with more limited presence in Asia/Pacific. Its global service offerings comprise 14 regional data centers operated directly by Mitel staff. Channel partners, therefore, focus on sales, customer service and technical support.

In the second quarter of 2015, Mitel acquired Mavenir Systems to capitalize on adjacent mobile opportunities (such as VoLTE). In the second quarter of 2016, Mitel introduced MiTeam, a workstream collaboration solution for project teams that also integrates with the MiCollab suite. During the past several years, Mitel has demonstrated increased success penetrating enterprises in the 1,000- to 5,000-employee range. Mitel also has a longtime partnership with Vidyo, a Leader in Gartner's 2016 group video systems Magic Quadrant.

The MiCloud solutions are well-positioned for midsize UCaaS deployments in the North American, European and selected Asia/Pacific markets. Asia/Pacific customers should perform due diligence to ensure that all of their country locations can be supported.

Strengths

- Mitel continues to expand in Europe, with cloud services now available in multiple European markets supported by data centers in three of the largest markets — the U.K., Germany and France. In the last year, Mitel also began to build out its cloud channel in Asia, including China. The Mitel portal supports six languages.
- The Mitel Open Integration Gateway (OIG) supports integrations with Salesforce, FieldAware, SugarCRM, Google, Microsoft, NetSuite and Zoho. The OIG also supports custom integrations enabling vertical solutions.
- Mitel continues to enhance its product capabilities in 2016, adding MiTeam workstream collaboration and mass notification, while improving its video functionality, and its ability to support a mix of public, private and hybrid deployments.
- Mitel's UCaaS customer satisfaction has improved in the past year, especially in customer service and project management.

Cautions

- Mitel has made numerous cloud acquisitions, technology acquisitions, product introductions and channel relationships in the past three years, while also supporting on-premises UC. Gartner is concerned about Mitel's capacity to support this expanded service and product portfolio.
- Users should perform due diligence to ensure that the selected MiCloud channel partner (or Mitel directly) can deliver in all the country markets required. Spanning multiple providers can introduce risks.
- There is wide variation of capabilities, experiences and geographical coverage across Mitel's approximately 2,500 channel partners. Users, therefore, should investigate the match of the channel partner to their UCaaS requirements.
- While Mitel has demonstrated the ability to support large enterprises, its UCaaS brand does not resonate strongly in the enterprise market, particularly for businesses above 3,000 employees.

NTT Communications (Arkadin)

NTT Communications includes the combined UCaaS capabilities of Japan-headquartered NTT Communications and France-based Arkadin, which NTT Communications acquired in 2014. In addition to Arkadin, the parent 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 and Arkadin are run as separate business units. However, they perform joint marketing, planning and investment at the management level. They also exchange personnel to facilitate knowledge transfer. Both NTT Communications and Arkadin focus on delivering foundational UCaaS services by leveraging proven vendor platforms. They are not strong in advanced services, such as communications platform as a service (CPaaS) and workstream collaboration.

NTT Communications brands its UCaaS offering for large enterprises as Arcstar UCaaS, based on the Cisco HCS platform. Arcstar UCaaS is complemented with NTT Communications' software-defined WAN, LAN and Exchange services. NTT Communications uses primarily a direct sales model for its large accounts.

The Arkadin Total Connect UCaaS offering targets midsize businesses with the Microsoft UC stack, complemented with Arkadin's conferencing services. Arkadin also provides services to help customers transition to Microsoft Office 365. Arkadin's sales are secured via a combination of an internal sales force and channel partners.

NTT Communications is well-positioned for larger enterprises seeking Cisco UC technology with significant presence in Japan and Asia/Pacific. Arkadin is well-positioned for midsize businesses interested in a Microsoft UCaaS solution, with the ability to replace the PBX.

Strengths

- NTT Communications has strong capabilities across the Cisco UCaaS stack, including HCS, WebEx, CMR and now Spark. It also has a proven ability to support very large enterprises above 20,000 employees.
- NTT Communications has invested in its own portal to support large-scale onboarding. It also has developed web-based APIs to integrate with the Google and Microsoft IT productivity stacks.
- Arkadin is strong across the Microsoft SfB UC stack, as well as hybrid integrations that integrate with Microsoft Office 365 and the Clarity Connect contact center. Arkadin also offers a broad mix of audioconferencing, web conferencing and videoconferencing capabilities (both via proprietary technology and partners [such as BlueJeans Network, Pexip and Vidy]).
- Arkadin is strong globally, with IT portals in seven languages. Arkadin can help midsize clients support their global operations across Europe, Latin America, Asia/Pacific and North America.

Cautions

- The NTT Communications and Arkadin business units are run separately. While the two business units do coordinate, users will not see significant synergies between the two organizations.
- NTT Communications' brand recognition is low outside of Asia/Pacific. NTT Communications' regional staffing is typically concentrated in selected major markets in North America and Europe.
- Many NTT Communications' Arcstar UCaaS customers primarily deploy only the basic VoIP and UM components of UCaaS.
- Microsoft's UCaaS strategy is increasingly focused on delivering UCaaS directly, thereby reducing the role of partners like Arkadin. Arkadin is adapting to this changing landscape by also delivering managed SfBO services, complemented with Arkadin value-added services.

Orange Business Services

Orange Business Services (hereafter referred to as Orange) 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 during the past five years, the company has

spent significant resources industrializing the processes, R&D and customer support. Business Together as a Service is sold primarily via direct sales.

Orange has redundant UCaaS data centers spanning Europe, Asia/Pacific and North America. 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 deep skill sets across both the Cisco and Microsoft UC stacks. 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 large and midsize MNCs seeking global UCaaS support. Orange's North America-headquartered UCaaS customers usually have 50% or more of their endpoints in other global regions.

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 more than 80 countries, with support for more than 30 languages. Orange's pricing is market-competitive.
- Orange has enhanced its Cisco UCaaS competitive position by upgrading to Cisco HCS 10. In addition, Orange now promotes Cisco's new Spark solution.
- Orange has built APIs to integrate the Jive Software collaboration tool with UCaaS (starting with Cisco UCaaS). This capability enables a mix of integrated real-time, collaboration and business social capabilities for improving business efficiency.
- The company added the Learnfast development program. The intent of Learnfast is to have continuous feedback and coordination to ensure customer expectations are fully aligned at the outset of the project.

Cautions

- Orange has limited brand recognition in North America, especially in comparison to its brand recognition in Europe, Latin America and Asia/Pacific. However, Orange does target select North American accounts that have a significant global presence.
- Orange's long-term competitive position supporting the Microsoft UC stack is threatened by Microsoft's focus on its internally supported UCaaS as part of Office 365.
- Orange does not focus on complex deployments that include analytics, SMS, CPaaS and business operational improvement. Instead, the focus is on delivering the foundational services provided with the Cisco and Microsoft UC stacks.
- 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 entering Asia/Pacific in 2015. In the past year, RingCentral has added a

workstream collaboration capability to its UCaaS suite for improving team productivity (via the Glip acquisition). RingCentral invests heavily in U.S. mass-market media branding, particularly radio, digital signage and sporting events.

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 conferencing and videoconferencing, inContact for cloud contact center, and Google for cloud IT services. 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 OTT QoS performance management capabilities.

RingCentral is a strong option for SMBs and midsize enterprises (up to 5,000 employees) seeking mobile-first UCaaS. RingCentral currently supports North America, the U.K. and Singapore-headquartered businesses, along with regional office support for roughly 80 countries.

Strengths

- Gartner believes RingCentral to be the top UCaaS provider across multiple metrics, such as supported endpoints, revenue, number of UCaaS employees and capital investment (although much of the customer base is concentrated on SMBs). Users report good customer satisfaction.
- RingCentral continues to expand capabilities in such areas as multilanguage IT administration portal support (English, French and German), integrated billing across 80 countries, an expanded base of APIs (for example, ServiceMax), and support of software-defined (SD)-WAN for improved internet QoS.
- The company has a strong internal sales force organization that is complete with web sales, telesales, in-region sales and support for channel partners. In the first quarter of 2016, it added a team focused on sales for large organizations above 10,000 employees.
- The RingCentral UC stack is intuitive, and users often leverage multiple UC services (not just VoIP), including SMS and IM, workstream collaboration, mobility, web conferencing, and videoconferencing.

Cautions

- RingCentral is not yet widely available across Europe and Asia/Pacific. The European focus is on the U.K., while the Asia/Pacific focus is on Singapore (however, RingCentral can support the affiliate offices of its customers in more than 80 country markets).
- RingCentral lacks strong brand awareness for businesses with more than 3,000 employees, as such larger businesses favor the large branded vendors, such as Cisco, Microsoft, Avaya and Google.
- Some RingCentral prospects view the standard contract language as written in favor of RingCentral. They also cite that the CCaaS functionality provided with the inContact partnership can be expensive.
- On the basis of the generally accepted accounting principles (GAAP), RingCentral is not profitable, but the company has posted positive cash flow from operations for each of the past five quarters and positive free cash

flow for the past two quarters. RingCentral is using its cash flows to reinvest in its business to fund its revenue growth.

ShoreTel

ShoreTel is headquartered in Northern California, with roots as a PBX vendor. In the second quarter of 2015, ShoreTel introduced Connect Cloud, which achieved general availability in the first quarter of 2016, as the replacement for ShoreTel Sky. The new cloud platform draws from the existing ShoreTel 14.2 on-premises UC distributed architecture, enabling the same software to be used in on-premises, cloud or hybrid configurations. Gartner expects existing Sky customers to transition to the more feature-rich Connect Cloud platform through 2016 and 2017. ShoreTel also offers the Connect Contact Center geared toward small and midsize contact centers with modest needs. In the past year, ShoreTel acquired CCaaS vendor Corvisa to provide a richer set of multimedia capabilities and APIs. The Corvisa technology is not yet integrated into general availability UCaaS offerings.

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, with ShoreTel operating the regional data centers. But businesses seeking UCaaS services across multiple global regions must deal with multiple ShoreTel service providers.

ShoreTel Connect Cloud is a viable alternative for small and midsize enterprises of up to 2,000 employees seeking a combined cloud UC and optional added contact center capability within a single geographic region. ShoreTel is well-established in North America; enterprises planning deployments in other regions should validate service availability with regional partners and ShoreTel.

Strengths

- ShoreTel is well-suited for hybrid environments. Connect Onsite is a premises-based, distributed architecture that provides a survivable appliance at some locations, while allowing other locations to be served by Connect Cloud.
- ShoreTel continues to expand, train and incentivize its UCaaS sales distribution base to promote the new Connect Cloud solution. This includes transitioning both existing Sky users and on-premises users to Connect Cloud.
- ShoreTel offers easy-to-understand service plans that allow the mixing of premises and cloud deployments. Users do not double-pay as is the case in some competing UCaaS offerings.
- ShoreTel customers report notable improvements in Connect Cloud over the legacy Sky in such areas as desktop client, portals and ease of use.

Cautions

- The majority of Connect Cloud's installed base is composed of SMBs. To succeed in the enterprise UCaaS market, ShoreTel will have to establish a stronger base of midsize enterprises, which is a challenge given that many competitors have greater enterprise resources.

- The ShoreTel Connect Director administration portal is not as automated as IT administrators would like and is available only in English. This constrains global adoption.
- ShoreTel cloud options are sold by regional partners (in North America, Europe and Asia/Pacific) and delivered by ShoreTel. This arrangement makes it difficult for users to get a partner to provide UCaaS in a multiregional deployment.
- The ShoreTel video offering does not yet offer multiparty conferencing and does not interoperate with third-party solutions (such as from Polycom and Cisco).

Star2Star

Star2Star is based in Sarasota, Florida, with sales exclusively through 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 optimized for organizations with multiple distributed sites requiring a high degree of survivability. Star2Star's technology (with traffic prioritization algorithms) is designed to support sites connected by broadband connectivity in harder-to-support rural markets (which are typically older and operate on slower speeds than in Tier 1 markets). The UCaaS provider's architecture combines centralized multitenant UCaaS with a survivable appliance installed at each site. If the WAN connection becomes unavailable, the StarBox continues to provide full intrabuilding functionality. The solution also includes an inbound contact center capability. The platform supports multiple mobile clients and an improved partner portal.

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 it continues to experience market and revenue growth.
- 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 is limited relative to leading UCaaS vendors. For example, it does not support screen sharing (expected end of year 2016) or provide native video integration (meaning that professional services are required) with third-party video endpoints, such as those from Cisco, Polycom and Lifesize. Its user interfaces are viewed as dated.
- The Star2Star portals and IT documentation are only in English, limiting its global growth opportunities.
- Many Star2Star customers focus on the VoIP component of UCaaS, which places Star2Star in a commodity provider position.
- Star2Star has limited brand recognition, resources and visibility compared with many competitors. This poses a challenge, as it competes with the larger vendors in this market offering a richer UC experience.

Verizon

Verizon is a global CSP, headquartered in New York City, supporting two UCaaS offerings. The lead UCaaS offering, branded Unified Communications and Collaboration as a Service, is based on the Cisco HCS platform and targeted to customers with more than 500 employees. This Cisco cloud offering is available in North America, Europe and Asia/Pacific (with data centers in the U.S., the U.K., the Netherlands, Hong Kong and Singapore). Cisco HCS sales are primarily via a direct sales force, complemented with selected channel partners across the globe. Verizon has a strong partnership with Cisco, and the combined teams co-market UCaaS worldwide. Verizon UCaaS also supports integrated Cisco cloud UC offerings, such as WebEx (web conferencing), CMR (video), Cloud Connected Audio (audioconferencing), and, most recently, Spark. In the U.S., Verizon launched joint mobile and wireline UCaaS services that enable free mobile calls to Verizon mobile users, 4G LTE as a backup/temporary access solution, and QoS within 4G LTE.

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 VCE customers as well. VCE sales are supported both through its own sales force and channel partners. 2016 initiatives focus on mobile-first telephony via VoLTE technology. VCE is available only in North America (with U.K. and Germany rollouts scheduled for end of year 2016).

Verizon's UCaaS is a viable option for both SMBs and 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 typically have at least 40% of their footprint in North America.

Strengths

- Verizon continues to roll out innovative joint mobile/wireline services (U.S. only) that are packaged with both the cloud BroadSoft and Cisco UC solutions. The mobile-first BroadSoft offering will be sold in Verizon's 1,800 retail stores by end of year 2016.
- Verizon possesses a strong brand across the enterprise and public sectors, where it continues to win Cisco HCS-based UCaaS deployments. Many of these wins are joint efforts between Cisco and Verizon.

- As a global CSP, Verizon is well-positioned to complement UCaaS with related offerings in SIP trunks, CCaaS, wireless, security, change management, managed, professional and data center services. Verizon's bundles can result in a reduced total cost of ownership for the combined offering.
- Notable recent upgrades include support for an expanded set of APIs (to offerings from vendors such as Microsoft, Salesforce, ServiceNow, Jive Software, Slack and HipChat), support of Cisco cloud HCS Contact Center Enterprise, and automated project management and service processes to streamline UCaaS deployments.

Cautions

- Some UCaaS prospects in the sub-3,000-employee range believe that it can be difficult to work through Verizon's various delivery groups (for example, sales, installation and customer service).
- Verizon has not made significant Microsoft Skype UCaaS investments. Verizon believes that the Cisco and BroadSoft platforms are better for integrating its mobile, wireline and IT solutions.
- Some of Verizon's joint mobile/wireline services for UCaaS are new and lack a long market track record.
- Users acquiring integrated mobility with UCaaS must examine the differences between what is available between the Cisco and BroadSoft UCaaS platforms. The BroadSoft mobility offerings are more advanced than the Cisco mobility offerings, as the BroadSoft architecture is designed specifically for CSP environments.

Vonage

Vonage, headquartered in Holmdel, New Jersey, acquired and integrated numerous UCaaS-related companies during the past three years — Vocalocity, Telesphere, SimpleSignal, gUnify and iCore Networks. In the second quarter of 2016, Vonage acquired Nexmo, a vendor in the high-growth CPaaS market, for \$230 million. Vonage acquired Nexmo to pursue business productivity enhancements with integrated employee and customer communications, cloud productivity and CRM tools, and embedded mobile applications.

Vonage's go-to-market cloud UC solution is a combination of the BroadSoft platform, complemented with Vonage's value-added capabilities such as the Zeus self-service portal, IP MPLS and SD-WAN networks (with QoS), call recording, video bridging, Microsoft Skype integration, and gUnify APIs. The majority of business accounts are less than 1,000 employees, although Vonage has numerous accounts well above 1,000 employees. Vonage has four sales channels: telesales, in-region field sales, enterprise sales and channel partners.

Vonage's core market is North America, complemented with infrastructure and personnel in Europe and Asia/Pacific. Vonage has expanded its European sales effort in the past year, most recently focusing on Germany. The Nexmo acquisition expands its capabilities in both Europe and Asia/Pacific.

Vonage is suitable for North American SMBs and midsize enterprises looking for a cost-effective UCaaS offering with strong VoIP and network service requirements. European and Asia/Pacific businesses should perform due diligence on the particular country markets supported.

Strengths

- Vonage is well-funded and able to leverage profits from its mature consumer market to invest in the business market. It is one of the few UCaaS providers investing in mass-media advertising.
- The Vonage management team has proven its ability to successfully acquire and integrate UCaaS assets. It is now starting to integrate newly acquired CPaaS vendor Nexmo.
- Vonage continues to expand its UCaaS functionality each year, led by its new SD-WAN capability (with QoS over the internet), Vidyo-based video offering (for third-party video integration), and APIs to cloud services (through its gUnify capability).
- Vonage possesses strong project management, account management and customer support capabilities. The Zeus portal helps automate the onboarding of large accounts.

Cautions

- The Nexmo CPaaS acquisition is not yet tightly coupled with Vonage's core UCaaS business. Vonage will have to carefully manage this acquisition, maintain employee morale, motivate the third-party development community and build business synergies to ensure long-term valuation.
- Vonage coverage in Europe and Asia/Pacific is still maturing. The portal is English-only.
- Many customers are VoIP-focused and do not use the full UC stack now offered by Vonage. The web conferencing and videoconferencing offerings have low adoption.
- Vonage does not possess a rich native CCaaS offering. Customers with basic requirements can use BroadSoft CCaaS complemented with Vonage capabilities, such as recording. Customers with advanced CCaaS requirements can procure integrations with inContact, LiveOps or Transera (now owned by BroadSoft).

West

West, based in Omaha, Nebraska, continues its rebranding strategy, in which multiple business units are now under the common West brand. In addition to UCaaS, West provides conferencing (formerly InterCall), emergency, interactive and notification, and specialized agent services. This common brand has the potential to expand West's UCaaS market opportunity in North America and globally. West's core strength is with businesses in the 500- to 5,000-employee range. In the fourth quarter of 2015, West acquired CCaaS provider Magnetic North based out of the U.K. to be its lead CCaaS offering. Magnetic North also improves West's European market positioning.

VoiceMaxx CE, based on the Cisco HCS platform, is West's lead UCaaS offering. West expanded its CCaaS capability by supporting the Cisco Contact Center Enterprise (CCE) for complex requirements. It also supports video solutions from BlueJeans and Vidyo. West has UCaaS infrastructure in North America, Europe (U.K. only) and Asia/Pacific. West's large InterCall sales force (the conferencing business) can now sell UCaaS.

West is a well-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 is a strong Cisco UCaaS stack partner. It is usually one of the first partners to begin deploying a new Cisco offering ranging from HCS, Expressway, CCE, CMR and Spark.
- West is active in the Cisco UCaaS midmarket. Customers cite West's tools, processes, experience and infrastructure to consistently deliver a solid UCaaS solution.
- West has a system integrator mindset. Customers value West's willingness to integrate with their legacy environment.
- The Magnetic North acquisition and new support of Cisco HCS CCE enhance West's CCaaS value proposition. Businesses can now secure a UCaaS/CCaaS integrated bundle.

Cautions

- West has overlapping cloud communications solutions centered on Cisco, Microsoft and its proprietary platforms. Gartner is concerned whether West has the resources to continue investing in the acquired Magnetic North CCaaS platform. Mastering all these overlapping suites spreads resources thin.
- West faces an increased base of competent CSP UCaaS competitors that run the Cisco HCS platform. Many of these CSP competitors can support large accounts above 5,000 employees spanning multiple global regions.
- Many West customers and potential customers are not yet aware of the West rebranding strategy. West has focused on its internal rebranding and reorganization, and now it needs to cement the message to the global market.
- West is not strong in supporting advanced UCaaS capabilities in analytics, workstream collaboration, CPaaS and business process integration. Its IT administration portal is English-only.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant 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.

Added

No vendors were added.

Dropped

The following vendors were dropped:

- Avanade — Its current go-to-market focus is dedicated hosted UC infrastructure (not shared UCaaS).
- CSC — Its current go-to-market focus is dedicated hosted UC infrastructure (not shared UCaaS).

- Hewlett Packard Enterprise (HPE) — Its current go-to-market focus is dedicated hosted UC infrastructure (not shared UCaaS).
- iCore — It was acquired by Vonage in the second half of 2015 (note Vonage is a vendor in this Magic Quadrant).

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, solution providers must be among the top 16 providers by market share and 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.
 - Dedicated managed and hosted UC solutions (that lack multitenant/multi-instance characteristics for sharing hardware, software and management) will not be included.
 - Vendors that (1) resell the UCaaS application stack of other UCaaS vendors and (2) do not own/support/operate the UCaaS platform will not be considered.
- The types of UCaaS providers to be considered must meet one of the following two profiles:
 - Be a leading global UCaaS platform vendor that has developed its own proprietary UCaaS application stack. The UCaaS provider must design, build, upgrade, support and operate the UCaaS platform (typically in its data center or in a partner data center [for example, Amazon]). The UCaaS platform provider can either sell services directly or sell through channels.
 - Be a leading global service provider or system integrator selling UCaaS based on a third-party UCaaS platform. The UCaaS vendor must own, support, manage and operate the third-party UCaaS platform (typically in its data center, or that of a data center partner).
- 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, pure VoIP-centric solutions are not considered.
 - Related capabilities, including support for cloud contact center, collaboration, analytics, CPaaS, workstream 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).

- The UCaaS offering must have UC application infrastructure (not just media gateways) in multiple geographical regions.
 - The UCaaS offering should be regionally localized, such as local 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 must possess marketing collateral (including the website) that explicitly markets UCaaS to the North American, European and Asia/Pacific regions.
- The vendor must display the ability (demonstrated through references) to support customers with more than 2,000 employees.
 - The vendor must provide five references.
 - Supplied references must use a broad set of UC capabilities (not just one or two).

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 include technology vendors such as Alcatel-Lucent Enterprise; CSPs such as CenturyLink, Comcast, Telefónica and Vodafone; system integrators such as Dimension Data; and application specialists such as Dialpad, Evolve IP, Fusion, and Interactive Intelligence. A summary of other notable players is as follows:

- Fonality — It is headquartered in Plano, Texas, and it is a cloud UC provider operating its own cloud UC stack, which also includes call center and SMS. The "Heads Up Display" user interface is optimized for the mobile experience. Fonality supports cloud, hybrid, and on-premises deployments, with most accounts in the range of 10 users to 1,000 users.

- Jive Communications — It is based in Orem, Utah, and it runs a proprietary cloud UC stack with an integrated contact center. Recent upgrades include a richer, multiparty video experience. Jive Communications is particularly strong in the public-sector, nonprofit and education verticals.
- Masergy — It is headquartered in Plano, Texas, and it leverages the BroadSoft UC stack that is integrated with its IP MPLS, managed and security services. Masergy is well-suited for North America-based accounts in the 250- to 5,000-user range with offices in Europe and Asia/Pacific. It has a reputation for good customer service and high quality networks.
- Tata Communications — It is based in India with a strong Asia/Pacific presence, and it is now expanding into Europe and North America. Tata is well-suited to large enterprises above 5,000 users seeking Cisco and Microsoft cloud UC. Tata also supports cloud contact center and telepresence.
- Telstra — It is based in Australia with strong support for the Asia/Pacific market. It also supports large Asia/Pacific MNCs with offices in the other global regions. Telstra's cloud UC focuses on the Cisco and Microsoft stacks, combined with other services, such as mobility, IP MPLS networks, SIP trunks, contact centers and security.

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.

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

Evaluation Criteria	Weighting
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	High
Marketing Execution	Medium

Customer Experience	Medium
Operations	Medium

Source: Gartner (August 2016)

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

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	Medium
Vertical/Industry Strategy	Medium
Innovation	Medium
Geographic Strategy	High

Source: Gartner (August 2016)

Quadrant Descriptions

Leaders

Vendors in the Leaders quadrant have been delivering complete UCaaS solutions for multiple years, have clients with more than 5,000 employees supported and have more than 400,000 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, do not offer differentiated services, 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 5,000 employees supported, they may have not scaled the business, 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, UCaaS provides a strong value proposition. SMBs commonly opt for UCaaS when considering costs, the limitations of their internal IT staff, 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 typically possess fewer customization and regulatory requirements.

Midsize Enterprises

For the midsize-enterprise market, 1,000 to 5,000 employees, UCaaS is an increasingly viable option. Most of these enterprises seek a well-branded UCaaS provider with a proven track record for supporting larger customers.

Some, however, will opt for UCaaS application specialists because of their innovation and customer service. Midsize enterprises will also look to consolidate point communications solutions (such as web conferencing) and fold them into the selected UCaaS offering. Some midsize enterprises believe they have very stable communications requirements, and therefore have long ROI financial timelines (over five years), which favor a premises-based offering. After factoring in the many pros and cons of UCaaS/premises-based UC, many midsize enterprises may continue to opt for traditional premises-based deployments.

Large Enterprises

The UCaaS hurdle for large enterprises above 5,000 employees remains high, but the hurdle gets lower each year. A case for the lowered UCaaS hurdle is that UC vendors are now investing more resources in the cloud than in on-premises solutions. Larger enterprises are concerned that the on-premises solution they invest in today will not be upgradable in three to five years. However, there are many factors that favor large enterprises' on-premises investment. Enterprises with operations in many country markets (particularly in emerging markets), as well as enterprises with strict regulatory, compliance and customization requirements, continue to adopt on-premises UC. In addition, large enterprises with legacy systems (for example, IP PBXs) that they wish to connect to also adopt premises-based UC. Nonetheless, an increasing proportion of large enterprises are selecting UCaaS because of their conviction that it is the superior long-term option.

Market Overview

UCaaS Vendor Types

Enterprises can secure UCaaS from four types of providers. They are:

- **CSPs** — These include companies such as AT&T, BT, Interoute, NTT Communications, 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, Fuze and RingCentral, which are both the platform provider and the service provider. Gartner also groups Vonage, which appends its own value-added functionality onto the BroadSoft platform, into this group.
- **System integrators** — This includes 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 five key trends identified in this research are globalization, service maturity, workstream collaboration, improved video experience and API proliferation.

Globalization — The better UCaaS providers have built out their global capacity significantly in the past year. Many now possess the ability to support dozens of country markets spanning North America, Europe, Asia/Pacific and Latin America. This support includes in-country telephone numbers, project management, import/export authorization and customer service. Support of multiple countries takes significant legwork on the part of the UCaaS provider relative to regulatory approvals, hiring staff and third-party partnerships.

However, ubiquitous global UCaaS delivery is far from complete. The market is dominated by organizations with headquarters in English-speaking countries (although they support the branch sites of these companies located in other country markets [for example, Germany or Hong Kong]). In addition, the portals and IT documentation are still primarily English-only.

Service maturity — Gartner has witnessed a significant improvement relative to end-user UCaaS satisfaction levels in 2016, including the roughly 100 reference checks as part of this Magic Quadrant. Users express higher satisfaction levels in customer support, project management and platform stability. In addition, users are expanding the breadth of communications modalities deployed, particularly related to web conferencing/videoconferencing and mobility. VoIP-centric solutions are now less prevalent.

However, support outside of the UCaaS provider's home region is often a step below that of its in-region support. While users cite that IT administration portals have improved, they state room for continued improvement in such areas as onboarding large volumes of users and portal intuitiveness.

Workstream collaboration — Selected UCaaS providers now include a workstream collaboration service as part of their portfolio. This is a "Slack-like" service designed to help teams of employees solve business problems with project management capabilities. Key features typically included with workstream collaboration include mobile messaging, file sharing and synchronization, and search and archives. Part of the workstream collaboration objective is to reduce the utilization of email, allowing employees to concentrate on their projects.

Improved video experience — UCaaS offerings possess an enhanced video capability in such areas as high-definition resolution, number of active users, integration with standard compliant endpoints (such as from Cisco and Polycom), screen sharing and ease of use. Some users will find a segment of today's UCaaS solutions technically capable and far less costly than their existing videoconferencing/web conferencing offerings. This can result in a significant cost-savings opportunity.

API proliferation — Two years ago, the UCaaS providers supported APIs to Salesforce (and a handful of other CRM solutions), as well as the Google and Microsoft IT application stacks. Many UCaaS providers are now leveraging REST-based protocols to significantly expand their base of APIs to include storage, video (such as from Blue Jeans), cloud contact center providers and help desk. UCaaS providers now publish their APIs, enabling third-party applications (for example, an employment recruitment CRM) to build their own integrations. As the number of APIs expands, it becomes increasingly difficult to identify the quality of the integrations.

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 nine years and has a rich, established base of market knowledge from thousands of end-user inquiries, previous research efforts (including seven previous UCaaS Magic Quadrants), investor conversations, participation in industry conferences (including Gartner events) and dialogues with more than 100 UCaaS vendors. Gartner analysts also 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 (cloud or on-premises) or Google Gmail (cloud only).
- 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, workstream collaboration 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."

Note 2

Functional Differences Between Microsoft's Cloud, Hybrid and On-Premises Configurations, and Information on Skype Roadmap

A table of functional differences is available at [Skype for Business Online Service Description](#). Furthermore, information on Skype roadmap is available at [Office 365 Roadmap](#).

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.



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