

Why Cloud Telephony in 2021?

Key Data Points and Market Analysis

Researcher

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State of the Legacy PBX, Limitations, and Beyond

While traditional PBXs have served an important role, many are rapidly becoming outdated and often do not serve the needs of a modern enterprise.

Most are characterized by **Operational Complexity** — which includes:

Specialty Deployments



Deployments of new physical on-premises PBXs (IP-PBX servers & appliances) are increasingly limited to specialty applications in hospitality, government, and where there is a requirement for a custom application, a need for one-time capital cost (vs. operating cost), feature control, and/or security control.

Mixed Media



Most accommodate a combination of IP (SIP) and TDM (PSTN) trunks but are more often IP trunks with SBCs for PSTN access.

Mixed Vendor Estate



Through mergers and consolidation, many enterprises have 3+ PBXs either from different vendors or a least different models with different functionality; for IT, this is costly and challenging to support.

Manual Maintenance



Moves, adds, changes, and software updates (especially security updates) are often not automatically and easily conducted, creating critical delays that could be costly or dangerous for an enterprise.

State of the Legacy PBX, Limitations, and Beyond (cont.)

Additional considerations include:

Network Complexity



Requires enterprise to deploy, manage, and monitor a secure IP connection and/or TDM circuit for every PBX deployed – this requires oversight, management, and diligence for security.

Mobility



Is often through find-me follow-me feature rather than a native mobile app for enterprise calling, although many have fixed/mobile convergence.

Administration



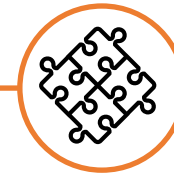
Is often limited to provisioning and call history reporting (call logs) rather than real-time analytics enabling real-time problem resolution via a cloud-based admin portal.

Conferencing



Nearly all systems enable native 3-to-15-party conferencing. Larger conference calls often require additional licenses, or just lack expandability beyond 15-party calls. And, if using third-party meeting apps, there is a loss of productivity due to poor or non-existent integration to other workplace communications like active directory, calendars, presence, messaging, workflow apps, etc.

App Integration



While third-party app integration is available for many platforms, these are typically limited to just the top 3-5 (Microsoft, Salesforce, etc.) – not the larger universe of cloud apps used by nearly every enterprise today.

Initial & Ongoing Cost



Initial deployment costs can be very high due to a one-time perpetual license cost. Then annual maintenance may cost 25% of original license + internal cost of IT engineering and help desk (meaning they are paying for a new license every 4 years through maintenance).

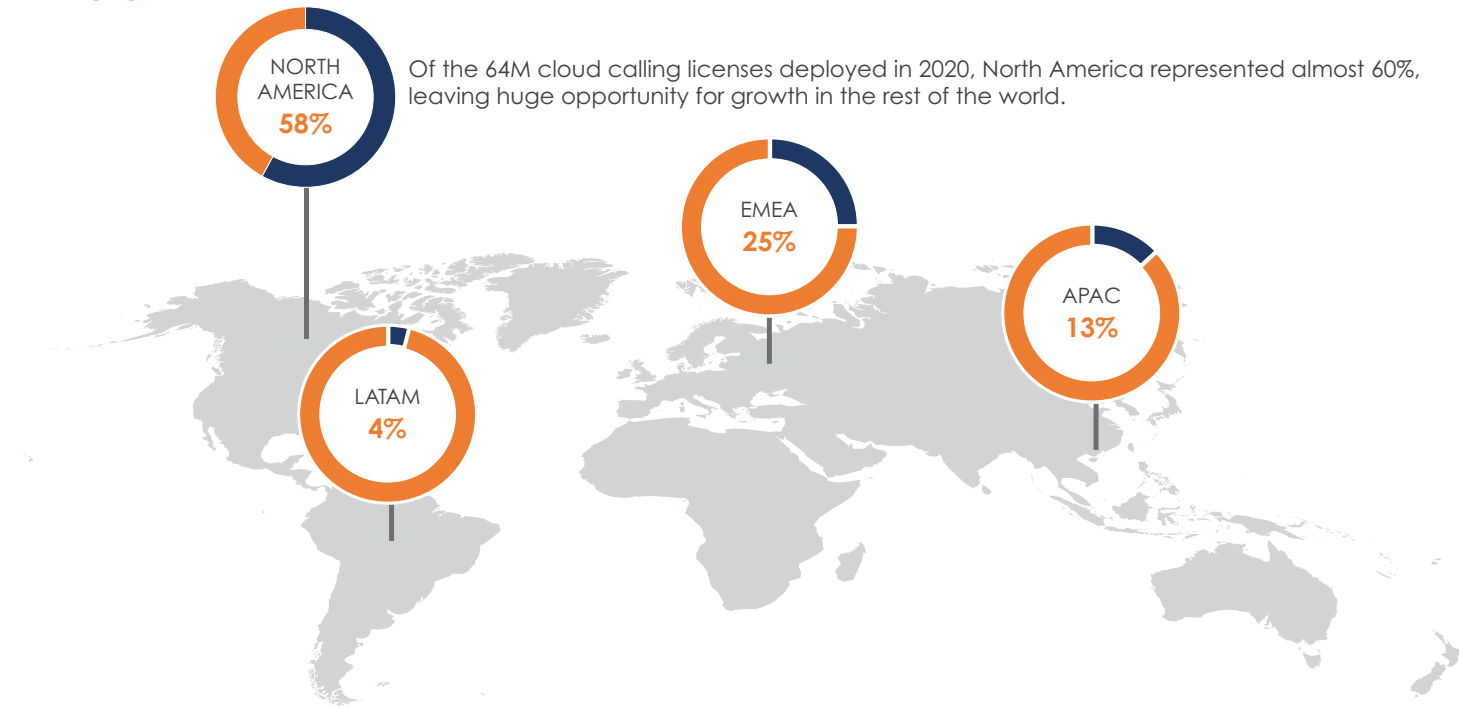
Organizational Knowledge



Internal IT expertise and help for legacy PBXs is highly constrained today (limited availability of people and organizational knowledge). Often, staff that remain in charge of traditional telephony are aging and will be retiring soon.

State of Migration to Cloud Telephony

BY REGION - YE 2020



It is important to consider the entire workplace communications market for peer-to-peer connections when thinking about calling.

- **~600M** licensed users of calling, messaging, and team collaboration
 - Calling = PSTN enabled – phone # (DID/DDI) + voice plan
 - Messaging = e.g., SfB Server/Online, Cisco BroadSoft UC-One Communicator, etc.
 - Team Collaboration = MSFT & Cisco Teams, Zoom Chat, Slack, etc.
- Est. **237M** on-premises IP line licenses YE 2020 declining to 165M by YE 2025
- Est. **64M** cloud calling licenses YE 2020 growing to 124M by YE 2025

What happens to 13M licenses between 2020 & 2025?

WH estimates 13M will drop out – no longer needing PSTN access in their workplace communications – instead, using mobile, meetings, or messaging-only.



State of Migration to Cloud Telephony

RECENT HISTORY

2020 was clearly the best year for cloud calling in recent history, and the worst year for on-premises IP lines.

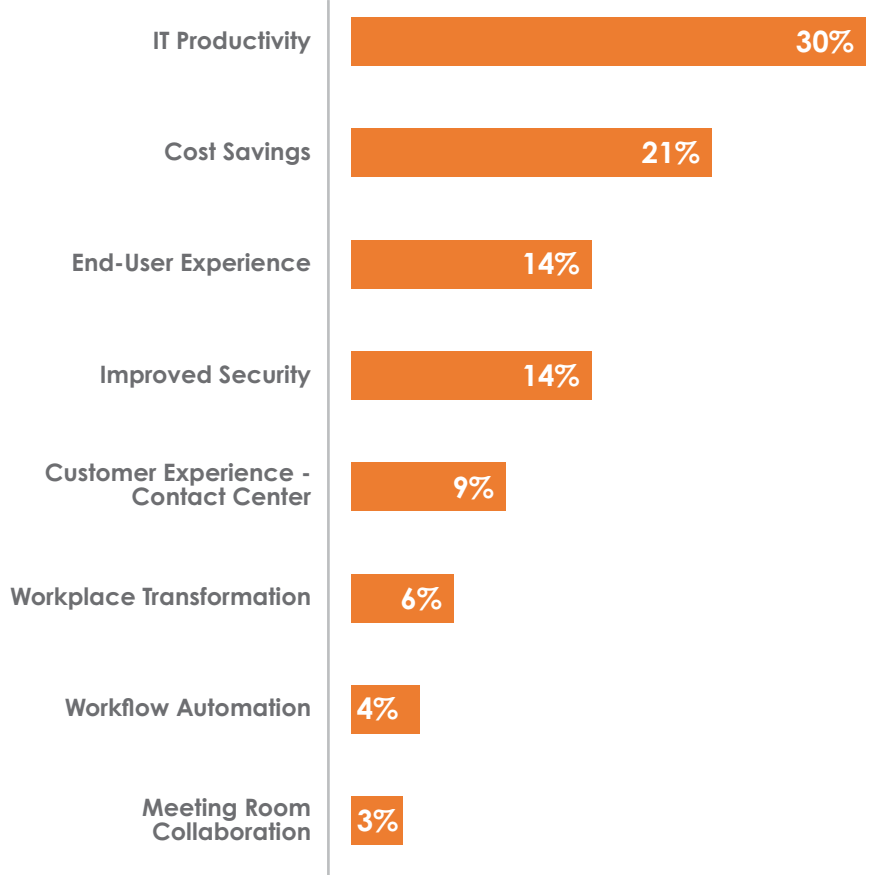
In 2020, on-premises IP line shipments declined by 1.3M, and cloud calling net new subscriptions grew by almost 900K.

Net Adds Annually	2018	2019	2020
Cloud Calling (licenses)	7.5M	8.4M	9.3M
On-Premises Calling (licenses)	20.0 M	17.9M	16.6M
Cloud Calling (annual change in licenses bought)		+900K	+900K
On-Premises Calling (annual change in licenses bought)		-2.1M	-1.3M

Insight from IT decision makers indicates the top four drivers to consolidate to a single communications & collaboration platform are:

- productivity gains within IT
- cost
- better end-user experience
- security improvements

Top Benefits of Communication and Collaboration Platform Consolidation



Sources: Wainhouse Research Survey; Q1 2020. Q: What is the top benefit driving you to consolidate your organization's communication and collaboration to a single platform? WH Survey — 2020Q1

Why Is It Time to Migrate Now?



MEETINGS MATTER MORE

Today's modern cloud telephony services provide native, highly integrated team collaboration, meeting, and event capabilities for the office, WfH, and mobile worker.



WORKFORCE WORKFLOW

Seamlessly integrate and work with preferred workplace apps. Cloud telephony vendors organize a huge community of cloud app partners at a scale, speed, and quality typically not achievable for traditional PBX vendors.



HUGE IT TALENT GAP

Enterprises are not able to find and hire IT talent to manage telephony – 2020 KPMG CIO survey concluded 65%¹ of CIOs stated hiring challenges are hurting them. Cloud telephony addresses the talent gap and allows enterprises to hire from anywhere.



SECURITY IS A FULL-TIME JOB

Securing enterprise communications services has never been harder or required more diligence. With cloud, the enterprise gains economies of scale, agility, and diligence the enterprise itself is unable to provide.



HYBRID WORKPLACE ACCELERATION

We know it takes most organizations 45+ days to move from decision to planning and into implementation. We'll note the cloud grew across each period in 2020 – a likely sign that a) the pandemic pushed more organizations to cloud calling, and b) we may see above-average growth in 2021 as larger and slower-moving enterprises follow suit.

1. Source: <https://www.hnkpmgciosurvey.com>

Next Steps

There is no one prescription for every organization, with each having unique needs. Wainhouse recommends a simple six-step approach in determining your next course of action.



1 Assess
Your current communications and collaboration estate. Historically, many enterprises have 2-3 different calling platforms, 1-2 different messaging services, and 3-4 different meeting services.

2 Determine
Where there are specific needs by personas, teams, departments, etc. Some individuals and groups need simple calling and messaging, others are meeting-heavy, some require event services. One size does not fit all.

3 Consolidate
Look to reduce the number of different platforms, apps, and vendors required to fulfill your enterprises, needs. This will reduce overhead in IT, tighten up security, cut expenses, and improve the user experience.

4 Seek Out
A vendor who is sensitive to the unique needs of your organization, who is in tune with the needs of today's modern workforce, and who has the breadth and depth of features, process, and experience to ensure a successful transition. Communications are critical; quality is imperative. Seek out a vendor who meets your quality bar.

5 POC
Conduct a proof of concept (POC) trial with the selected vendor – it can be a limited set of people, an entire department, or a remote office, but consider including key personas that are heavy communication users for real-world insight.

6 Cost Benefit Analysis
And finally, make sure it makes fiscal sense. Consider the total internal and external costs and what's required to keep your service up-to-date, secure, and relevant to the workforce for both your legacy PBX and a cloud telephony service.

1. Source: <https://www.hnkpmgciosurvey.com>

About Wainhouse Research

Wainhouse provides in-depth research and analysis that helps you gain a clear perspective on the market, technology, and services for workplace communications and collaboration. Wainhouse analysts are industry experts in enterprise voice, video, team collaboration, and streaming applications, services, and devices. Our expertise is backed by one of the most comprehensive data sets and models in the world. Our domain expertise and market data combine to deliver in-depth forecasts, enterprise insight, and objective product evaluations that frame the industry's current state and anticipated direction. Services include syndicated market insight, custom research, and sales enablement. Content and additional detail is available at <https://insight.wainhouse.com> and www.wainhouse.com/intro

About the Research Team



Marc F. Beattie is a **Senior Analyst & Partner** at Wainhouse Research, LLC where he focuses on cloud-based workplace communications and collaboration. He has authored public and private reports on product strategies, distribution structures, emerging technologies, and industry applications. He regularly consults with end users, established vendors, emerging companies, and the financial community. Prior to joining Wainhouse Research, Marc was an early member of PictureTel and Polycom (now Poly) - holding positions in product management, business development, and sales management - and spent 13 years working within the industry. He has been an independent analyst and consultant since founding Wainhouse Research in 1999. He can be reached at mbeattie@wainhouse.com