

Unified Communications and Collaboration Need SaaS-Based Delivery to Thrive



by Zeus Kerravala | August 2009

Executive Summary

Ubiquitous IP connectivity has created a world that is smaller today than it was just a few short years ago. As mobility and connectivity continue to shrink our world, time and place are no longer barriers to corporate communications and collaboration. Additionally, as company's extended community continues to grow, it's not just internal employees who rely on corporate collaboration; it's also customers, suppliers, vendors, partners and anyone else the company touches. To compete in this new, smaller, more real-time world, many companies have turned to unified communications and collaboration (UC & C) as a way of driving efficiency and accelerating results across the extended enterprise (see Exhibit I on the next page).

However, despite the promise of improved productivity and lower cost, UC & C deployments have been sluggish primarily due to high upfront costs and uncertainty around return on investment driven by the need to upgrade older systems, maintain existing e-mail platforms and uncertainty about new software. Clearly a new approach is needed to accelerate deployments.

By adopting a software-as-a-service (SaaS) approach to UC & C implementations, companies can have the productivity benefits of UC & C without the high upfront costs. They can quickly realize the following benefits:

- **Faster deployment times:** Up to an 80 percent improvement in deployment time can be accomplished with a SaaS-based approach.
- **Flexible payment methods:** Organizations can adopt a pay-as-you-go model where only the services that are required are deployed and paid for today. Additional services can be added as needed.
- **Limited to no upfront costs:** Because the infrastructure is located in the cloud, services are delivered via the Web, which means no new or additional hardware or software is needed.

This report defines the UC & C and SaaS markets and describes how the merging of these two markets into SaaS-delivered UC & C can accelerate deployments, enabling more companies to achieve the UC & C benefits faster.

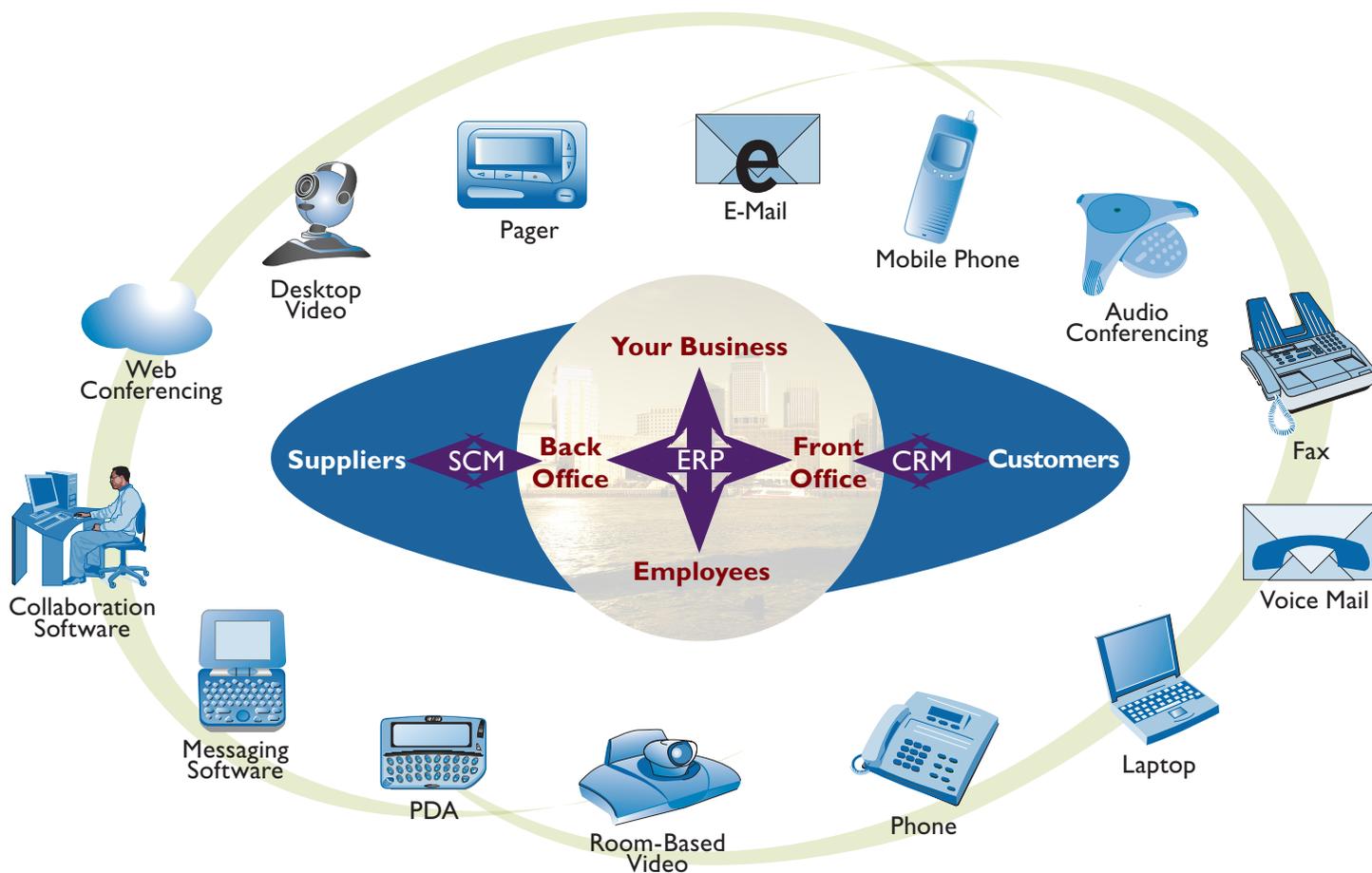
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Exhibit I. Communications Needs of the Extended Enterprise

Source: Yankee Group, 2009



I. Unified Communications and Collaboration in the Anywhere Enterprise

Enterprises have torn down their corporate barriers and are moving toward becoming an Anywhere Enterprise®. An Anywhere Enterprise is a globally integrated organization that is networked together with a number of other constituents. In an Anywhere Enterprise, customers, partners, suppliers and employees are all viewed as equally critical. They need the ability to communicate and collaborate faster, over a variety of devices and networks.

Over the years, companies have deployed communications tools and devices to help workers communicate with other individuals. Each tool solves a specific problem in the communications path. For example, chat solves a distance problem by allowing workers to communicate in real time no matter where they are; e-mail solves a time problem by allowing workers to send each other messages that can be responded to at a later time; and mobile phones solves a location problem where individuals can reach one another no matter where they are located. Although these tools and devices each solve a specific problem, few of them are linked together. This

lack of unification creates a manageability and usability headache for workers and IT departments, and holds the enterprise back from reaching its full potential.

In today's global and distributed business environment, all the constituents in a company's ecosystem need the ability to communicate and collaborate quickly and efficiently—anytime, anywhere, with anyone. Today, competitive advantage is no longer about any single person or core capability. The ability for a company to harness the knowledge of the entire extended enterprise is the basis for competitive advantage.

For example, a global director may need to pull information from several people in various parts of the globe to beat a competitor to market (see Exhibit 2). The technology inefficiencies created by having multiple communications tools are a significant challenge for workers as they attempt to communicate and react faster in an increasingly competitive environment. Organizations have turned to unified communications and collaboration as a method of meeting this challenge.

Exhibit 2. Collaboration Requires Global, Real-Time Interactions

Source: Yankee Group, 2009



Unified communications (UC) brings together all of a company's communications capabilities, allowing for faster, more accurate collaboration. By extending UC with collaboration capabilities, the right unified communications and collaboration strategy will make the enterprise more agile and responsive, and remove much of the human latency built into business processes by improving the manageability of corporate communications and collaboration tools. The coming together of communications and collaboration tools—wired and wireless—proves to be one of the biggest transitions in enterprise technology since the birth of the Internet. UC & C enables companies to achieve their full potential and ultimately leapfrog the competition through the creation of new communications-enabled business processes.

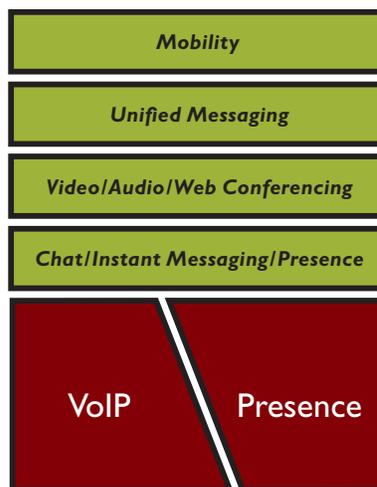
UC is the foundation of UC & C and is defined as the convergence of all forms of video, audio, Web, desktop, mobile and cloud-based communications on an IP network. It breaks down all forms of distance, time and media barriers. UC enables individuals to communicate and collaborate with each other no matter where they are, what network they are on, what time zone they are in or what device they are using.

The unified communications ecosystem is large and encompasses many components. The Yankee Group UC definition and taxonomy are based on the concept that there are two foundational elements and a number of other related but optional applications (see Exhibit 3). The foundational components of UC are:

- **Presence:** Presence provides visibility into the status of another user or endpoint. Presence can tell you if another user is online and ready to communicate, away from his or her primary location, not available at all, or offline. Consumer instant messenger tools have raised awareness of what presence is but have incorrectly linked it to chat. Over time, presence will be embedded into corporate applications and devices, streamlining many processes that have large amounts of human delay.
- **IP telephony/Voice over IP (VoIP):** Voice over IP is the technology that allows voice calls to be placed over traditional data networks rather than a traditional voice network. VoIP is another component of UC, but many buyers consider it to be the most important and core to any UC & C strategy. Most of the organizations that Yankee Group has interviewed on this topic have stated that a solid, stable VoIP foundation is required to build UC on.

Exhibit 3.
The Unified Communications Taxonomy

Source: Yankee Group, 2009



Additionally, an IP network is required to deliver the information and communications to all the endpoints. IP is the only communications protocol that is scalable and simple enough to bring the vision of UC & C to a reality. It will be the common network that enables organizations to extend UC & C outside of their corporate network as well.

The additional UC components that are layered on the foundational technologies are:

- **Voice mail:** This has been a basic telephony feature for years and is widely deployed through businesses of all sizes. Innovation around voice mail in the UC space is to provide a single voice mail box that is accessible from multiple devices from a variety of means such as traditional audio voice mail, speech to text, etc.
- **E-mail:** Another widely deployed application, many other UC components will be integrated into e-mail.
- **Unified messaging (UM):** This is the convergence of voice mail and e-mail. This is the most basic form of non-real-time UC and has been around for more than a decade. However, current focus is on making the UM capabilities available from mobile devices.
- **Multimedia conferencing:** Conferencing applications have been in existence for more than a decade but only recently have been considered a key UC application.

These conferencing apps include video, audio and Web conferencing. Exhibit 4 shows the conferencing applications that are currently the most well-adopted UC applications.

- **Mobile client:** A robust mobile client is needed to allow a worker to access all the UC tools from a mobile device.

Although the above UC tools are the main components of UC, there are other communications tools and collaborative applications that could fall into this taxonomy. These include:

- Soft phones
- Speech recognition
- Social networking tools
- Fixed-mobile convergence
- Presence-enabled applications

As the UC definition has continued to evolve, one of the most significant trends has been in the blending of UC capabilities with noncommunication-centric collaboration capabilities. From document-sharing and editing tools to Web 2.0 tools like blogs and wikis, as these capabilities get blended into the core of unified communications, there's an increased potential for the benefits of UC & C within the enterprise.

When done right, UC & C is one of the few technology initiatives that can help organizations lower IT spending, improve user productivity and simplify the work process. Specifically, UC & C can accomplish the following:

- Reduce the cost of enterprise-wide communications
- Raise the bar on worker productivity through the use of advanced collaboration tools
- Streamline existing business processes
- Create new communications-enabled business processes
- Improve customer satisfaction

UC & C is the most significant, transformational technology since the rise of the Internet and will eventually be part of our everyday lives.

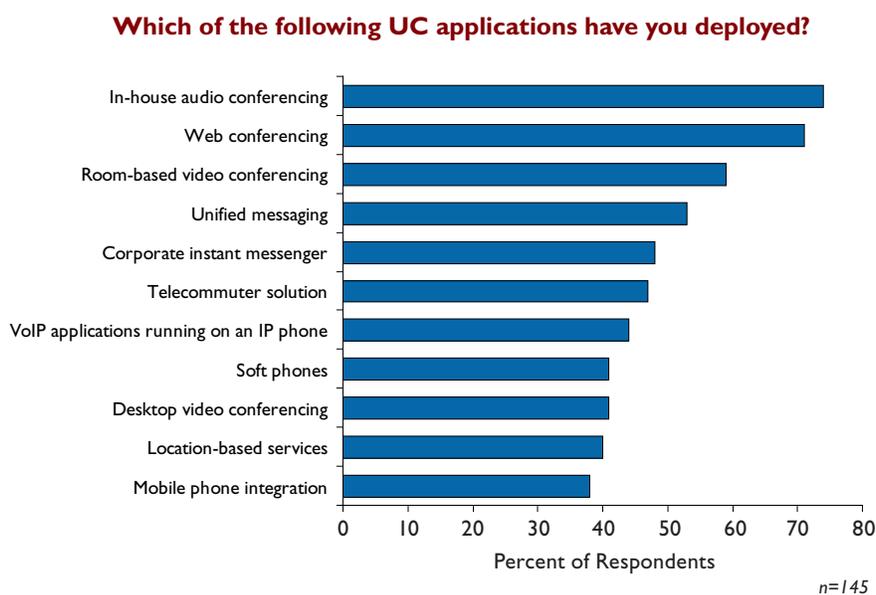
II. UC & C Challenges

The previous section of this report defined UC & C and highlighted its value proposition. However, this begs the question: If the value of UC & C is so strong, why hasn't it been adopted by everyone? Despite the obvious value, deployments remain low.

Exhibit 4 shows strong adoption in the areas of conferencing and unified messaging, which are relatively mature UC areas, but UC tools such as presence, video and mobility fall near the bottom of the list.

Exhibit 4. Conferencing Applications Are the Most Adopted UC & C Applications

Source: Yankee Group Anywhere Enterprise—Large: 2008 U.S. Fixed-Mobile Convergence/IP Communications Survey



If UC is not deployed correctly as the foundation, the value of UC & C may itself turn into a risk for the organization. Exhibit 5 highlights many of the common value points for UC & C and outlines what the risk is to the organization if the deployment goes awry.

There are several factors that can prevent UC & C from reaching its full potential as a transformational technology in organizations:

- **High upfront equipment costs:** For many organizations, the communications systems may be very old—more than a decade in some cases. The high cost of having to perform a forklift upgrade on the entire infrastructure required to deploy UC & C could act as a barrier to deployment.
- **High upfront software costs:** The majority of UC & C tools are software applications that run on a desktop or possibly a mobile device. In many cases, organizations may need to purchase new software in conjunction with upgrading existing software such as e-mail servers or desktop operating systems to get full UC functionality.
- **Complexity of deployment:** UC is the integration of network and desktop, voice, data and video, and multiple modes of communications. Additionally, many of these applications

are real time in nature, putting significant demands on the network and communications teams within companies. The Yankee Group Anywhere Enterprise—Large: 2008 U.S. Fixed-Mobile Convergence/IP Communications Survey revealed that 52 percent of organizations feel that they are only somewhat capable of supporting unified communications.

- **Security concerns:** Exhibit 6 on the next page shows that security is as big a barrier to broader UC deployments as uncertainty of price-cost advantage. Securing all the disparate systems can create a significant challenge for most IT departments.

Overall, UC & C has tremendous potential to change the very nature of the way users work. It will enable companies to react faster, speed up the decision-making process and improve end-users' efficiency. However, to approach this "UC & C utopia," many of the challenges and inhibitors need to be removed from the deployments, starting with the UC foundation. Similar to the other software being deployed today, a shift to a software-as-a-service model can achieve this goal.

**Exhibit 5.
The Values and Risks of UC & C**

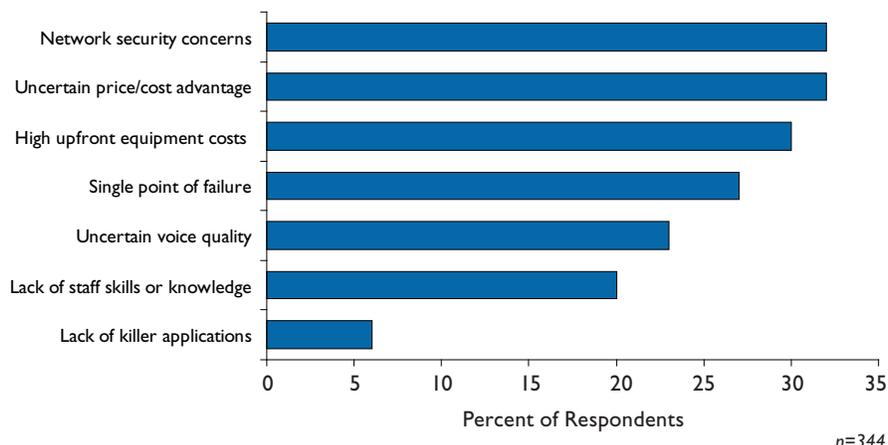
Source: Yankee Group, 2009

UC & C Value	Related Risk
UC & C will allow organizations to gain a competitive advantage	Can create a competitive disadvantage if performance is erratic
Lower TCO than separate communications tools	May increase TCO without proper prework and network analysis
Improve efficiency of end-user	User could be inefficient if tools are not deployed correctly
Can increase productivity through the unification of collaborative applications	Users will not use tools with inconsistent user experience
Will lead to communications-enabled applications	Communications enablement may be difficult if solution provider is not open and standards based

Exhibit 6. Security and Uncertain Costs Are the Biggest UC & C Inhibitors

Source: Yankee Group Anywhere Enterprise—Large: 2008 U.S. Fixed-Mobile Convergence/IP Communications Survey

What are the main challenges in deploying IP telephony?



III. An Introduction to Software as a Service

The software industry survived its first three decades with two basic business models: selling customers licenses for software that customers installed at their site, and, less frequently, selling customers licenses for software that was maintained in a remote data center such as an application service provider (ASP). The late 1990s introduced a new software delivery model called software as a service. SaaS is the ability to use business applications in the cloud for a monthly subscription.

SaaS has not only revolutionized the way companies purchase software, but also fundamentally changed the way software is built, delivered and supported. Depending on the ISV and architecture, SaaS products that are optimized for the cloud offer open APIs, prebuilt integrations to cloud services and platforms to create custom applications that exist in the cloud. SaaS offer real-time customization, granular security models and sometimes programmable cloud logic. With the increased enterprise-class functionality, SaaS has gained traction in larger businesses.

The Success of SaaS

To date, the uptake of SaaS has been very strong. According to the Yankee Group Anywhere Enterprise—Large: 2008 U.S. Mobility and Business Applications Survey:

- Ten percent of software purchased and deployed today is delivered as SaaS and growing 20 percent per year.
- Twenty-eight percent of businesses are using SaaS today with another 17 percent planning to adopt it within the next 12 months.

Understanding the Value of SaaS

SaaS has proven to be a cost-efficient way of deploying enterprise applications. Many companies are unaware of all the cost components of implementing a premises-based business application, let alone understand that the license cost of the application is only a small part of the cost of ownership, with many costs incurred after the initial license is purchased.

The typical investment of deploying traditional, on-premises software requires significant upfront costs including software licenses for the core application, database, security, middleware and Web server software; hardware costs for servers, storage and network hardware; training costs for IT and end-users; consulting costs for implementation and unique customizations of the software; and internal IT staff costs to support and manage the application and components.

In most instances, payback for SaaS is between 6 and 12 months. SaaS:

- Eliminates the cost of customization, which can be two to four times the software costs
- Eliminates annual maintenance fees for software and puts the onus of software upgrades on the software vendor
- Minimizes the dependency on IT departments, putting more power in the line of business and dramatically reducing the decision-making and implementation time of most traditional IT departments; this frees up IT departments' time so they can focus on more strategic initiatives
- Has a lower overall TCO than traditional software, leading to faster ROI and faster time to market

UC & C is a market that has been steamrolling toward a pure software-driven industry and can benefit from this major shift to SaaS.

IV. SaaS-Based UC & C

UC & C has a number of benefits for companies of all sizes.

However, due to the issues listed in Section II, not all companies can deploy it today and those that do may get stalled along the way. Yankee Group's opinion is that shifting UC & C delivery from traditional software to cloud-based delivery can help accelerate deployments for a number of reasons:

- **Almost all of the UC & C vendors are building current products as software today.** This is different from years past when many of the UC & C solutions were developed as hardware appliances. As can be seen from the previous section, software is rapidly driving toward SaaS, which means UC & C will be as well.
- **SaaS-based UC & C is built on standardized Session Initiation Protocol (SIP).** Historically, standardized SIP lacked many features such as intercom capabilities and call park. The lack of a full enterprise feature prevented SIP systems from being a viable enterprise alternative. Today that is not the case. Standards-based SIP has a robust enough feature set to be a viable alternative to the proprietary voice protocols that exist today.

- **SaaS-based UC & C integrates with other carrier services such as SIP trunking and other hosted services.** As network owners continue to evolve network services that can enhance UC & C, a SaaS-based approach will provide a simpler integration approach.

Organizations that choose to utilize a SaaS-based approach to UC & C will gain a number of business benefits that will create a faster, simpler deployment for organizations. Based on a number of ongoing interviews Yankee Group has done with companies both large and small, we estimate UC & C deployments will be at least 80 percent faster than deploying via traditional premises-based software. In addition to the speed of deployment, companies will get the following benefits:

- **Flexible, cost-effective payment model:** Because the services are deployed in the cloud, any cloud-based service can be provisioned "on-demand," meaning that organizations only pay for what they need and what they consume.
- **Always current technology:** Because the services are located in the cloud, when the SaaS provider upgrades the service with new features and functions, the purchasing enterprise has access to them without having to install any hardware or software. This ensures that enterprise workers always have the most current technology without incurring the traditional upgrade time and costs of traditional models.
- **Simplified deployment model:** A typical premises-based deployment of UC & C can take several servers and software implementations for the various tools. With a SaaS-based delivery model, all of the infrastructure and related integration complexity is pushed into the cloud. This has been one of the big benefits of SaaS for traditional corporate software and will be similar for UC & C.

Using a SaaS-based delivery model can greatly accelerate UC & C deployments, enabling organizations to capitalize on the benefits immediately with a very modest upfront commitment.

V. What to Look for in a Solution Provider

Organizations looking to unleash the full potential of the enterprise need to make UC & C an imperative. A SaaS-based solution can be a strategic alternative for companies looking to gain immediate benefits from a UC & C strategy. However, because many vendors claim to be a best-of-breed solution provider, it can be confusing for any IT evaluator. The following criteria can be used to help guide any organization considering a SaaS-based UC & C solution:

- **Secure solution:** With the solution being based in the cloud, there's an obvious and natural fear customers will have regarding the security of the solution. Evaluators should select a vendor with the highest levels of security built into the solution.
- **Enterprise management and policy:** Any viable long-term strategy and solution must have a robust enterprise management and policy engine to meet enterprise requirements.
- **Market leadership:** Choose a solution provider with a market-leading position to ensure that the vendors have the resources to continually reinvest in product development so they can continue to deliver advanced features. Additionally, market leadership generally means a large ecosystem of partners that will interoperate with the solution.
- **Developer interface:** Part of the value of any software platform is the ability to integrate components of the software into other applications. Whether the software solution is a traditional packaged application or delivered as SaaS, there needs to be a robust developer interface to the software.
- **Breadth of features:** UC & C is obviously a very large market category and there are many niche vendors that can provide part of the UC & C solution. Evaluators should use solution breadth as an important evaluation criterion for a solution provider. Trying to cobble together a “unified” solution from a number of solution providers will create challenges that do not need to exist and can in fact eliminate some of the advantages of moving to the cloud (i.e., traditional IT resources dedicated to the in-house solution).

- **Integration with business processes:** One of the main value propositions of UC & C is the ability to streamline or create new business processes that are “communications and collaboration-enabled.” Companies evaluating solutions should understand how the vendor's offering or service integrates into their own business processes.
- **Referenceable customer base:** With UC & C, experience matters. Choosing a solution provider with a range of customers across various verticals that are willing to act as references is an excellent indicator that the solution can and will work in your environment.
- **A solution provider that can offer on-premises and mobile solutions:** Although SaaS-based delivery has a number of great benefits, it's important that a solution provider also offer integrated solutions that allow a company to build out its own enterprise cloud, and have a broad premises-based solution as well as mobile offerings. This will allow a company to choose the deployment model that makes the most sense for its organization with a hybrid approach.

VI. Conclusions and Recommendations

For the majority of organizations, UC & C is a matter of when, not if. The productivity benefits are undeniable, but the complexity and upfront costs can cripple an IT organization's ability to deliver a quality solution, eliminating many of the benefits.

Choosing to migrate to a SaaS UC & C solution can create a simplified, low-cost alternative to the traditional deployment methods in use today. This will enable organizations to get started with UC & C today and begin realizing the benefits immediately, which ultimately will accelerate the deployment through the organization. To get started, Yankee Group recommends the following:

- **Think of UC & C as a software platform—not a series of individual products.** Too many companies only look at very specific desktop components. However, UC & C needs to be integrated throughout business processes—meaning buyers should evaluate solutions as a platform.

- **Choose a vendor that supports industry standards such as SIP, XMPP and XML.** Many solution providers claim to follow standards, but in reality the solution is built on many proprietary extensions to the standards. Challenge the vendors to disclose how their products are built and which features are truly open and standards based.
- **Establish a UC & C strategy by starting small and accelerating quickly.** Organizations should get started with a relatively small UC & C deployment with a business unit that is heavily communications and collaboration dependent. Use this as a proof point in the organization to build a business case and develop metrics for success. This information can then be used to ensure a successful, larger deployment.

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