Magic Quadrant for Unified Communications as a Service, Worldwide

Published 10 October 2018 - ID G00342303 - 56 min read

By Analysts Daniel O'Connell, Megan Fernandez, Rafael Benitez, Bjarne Munch, Christopher Trueman, Mihai Nguyen

The UC market is making a fundamental shift from premises-based UC to cloud UCaaS. Digital workplace application leaders should deploy UCaaS when possible, because virtually all vendor R&D investment is going to cloud solutions, with little investment for premises-based UC.

Strategic Planning Assumption

By 2021, 90% of IT leaders will not purchase new premises-based UC infrastructure — up from 50% today — because future cloud UC offerings will be far ahead in terms of features, functions, portals, analytics and dashboards.

Market Definition/Description

Gartner defines unified communications as a service (UCaaS) as supporting the same functions as its premises-based unified communications (UC) counterpart. Only the delivery model is altered. Therefore, Gartner uses the same six broad communications functions for both:

- **Voice and telephony —** This area includes fixed, mobile and softphone enterprise telephony, including PBX functionality.
- **Meeting solutions —** This area includes multiparty voice (audio) conferencing, videoconferencing and web-conferencing capabilities, including screen/application sharing.
- **Messaging —** This area includes voicemail and unified messaging (UM, where voicemails can be sent to email applications).
- **Presence and instant messaging (IM) —** IM allows individuals to send text and other information to others or to groups in real time. Presence services allow individuals to see the status of other people and resources.
- **Clients —** Unified clients enable access to multiple communications functions from a consistent interface. These may take different forms, including thick desktop clients, thin browser clients and clients for mobile devices, such as smartphones and tablets, as well as specialized clients embedded within business applications.
- **Communications-enabled business processes —** The ability to integrate the UC solution with the broader work and business application context offers significant value. Integration options include contact centers, ChatOps/workgroup applications, workstream collaboration, plug-in integrations for leading business

applications and browsers, communications platform as a service (cPaaS) for digital business application integrations, and integration with business analytics and artificial intelligence (AI) capabilities.

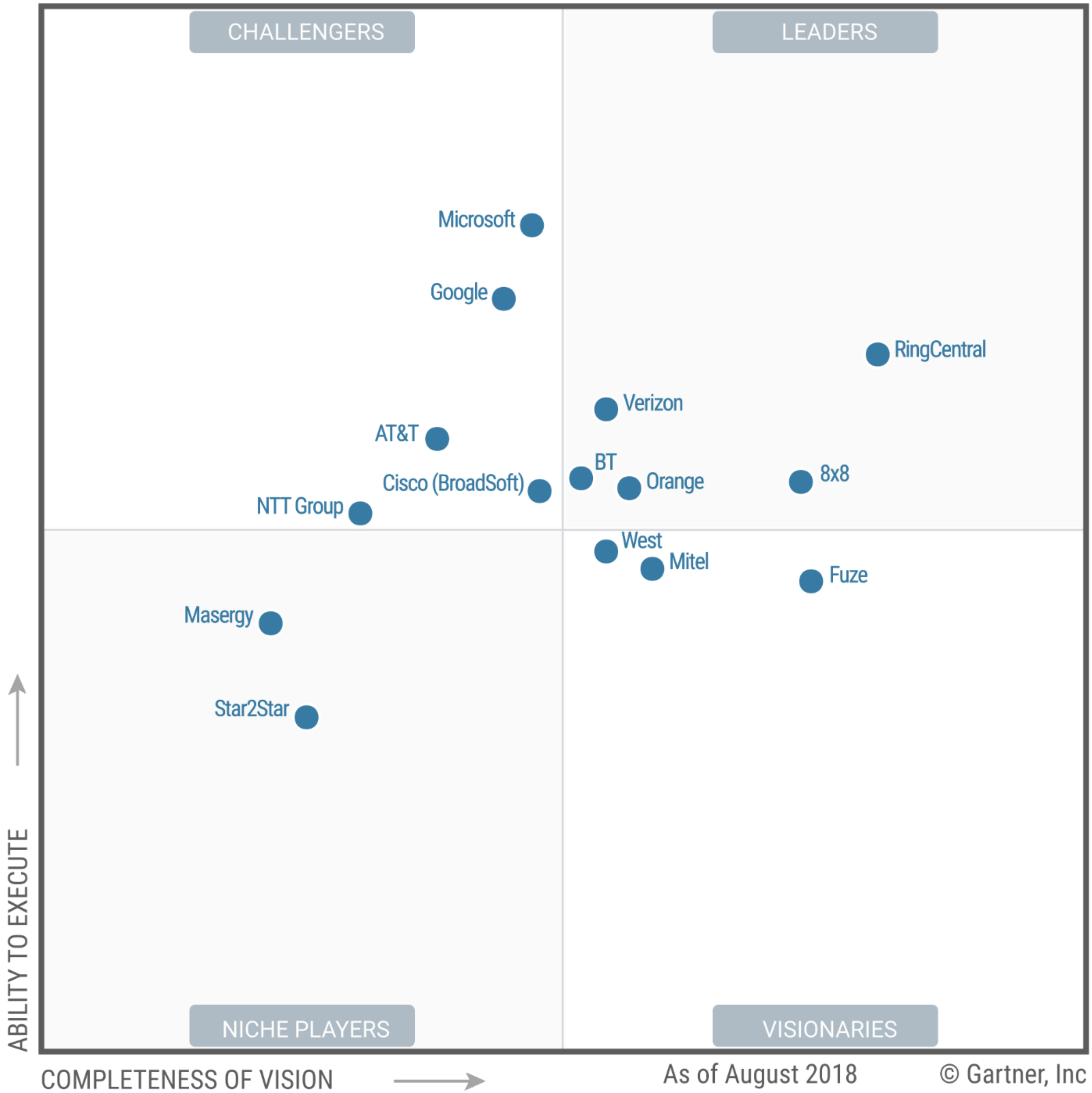
There are two types of UCaaS cloud delivery architectures: multitenant and multi-instance. Both architectures possess the standard cloud characteristics of shared infrastructure (for example, data centers, racks, common equipment and blades), shared tools (for example, provisioning, performance and network management tools), per-user-per-month pricing, and elasticity to dynamically add and subtract users.

However, in the multitenant version, all customers share a common (single) software instance, while in the multi-instance architecture, each customer receives its own software instance. The advantage of multitenant is that it is easier for the vendor to maintain, build and upgrade users when they are on the same software instance. In contrast, the advantage of multi-instance is that it allows customization to the needs of each organization, which is often favored by large customers.

Today, virtually all UCaaS vendors are embracing a multitenant, microservices, infrastructure as a service (IaaS) architecture in some form. In many cases, the applications reside in a public IaaS cloud, with the media running in traditional data centers. These platforms are built, operated and upgraded by the UCaaS vendor in public cloud data centers (such as Amazon Web Services [AWS], Azure and Google Compute Engine), as opposed to a data center controlled by a communications service provider (CSP) or system integrator (SI). This includes the megavendors like Cisco, Google and Microsoft, as well as applications specialists like 8x8, Fuze and RingCentral. In the past two years, the market has witnessed better management tools with UCaaS offerings. They include IT administration portals, usage dashboards, network performance portals and onboarding tools. These tools are particularly effective in identifying and remedying service quality issues. They are also effective in enhancing the overall user experience of large customers, particularly those with sites spread across the globe.

Magic Quadrant

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



Source: Gartner (October 2018)

Vendor Strengths and Cautions

8x8

8x8 is a publicly held UCaaS application specialist. In 1Q18, 8x8 rebranded its product portfolio to the X Series, positioning 8x8 as a communications cloud portfolio with integrated UC, contact center, workstream collaboration, meetings (video) and analytics. This includes a role-based, mix-and-match pricing menu for quick procurement. In 2Q18, 8x8 acquired machine learning startup MarianaIQ to deliver contextual personalization for omnichannel services.

8x8's roots are in the U.S. small and midsize business (SMB) market. Over the past five years, 8x8 has targeted larger accounts, along with selected European and Asia/Pacific accounts. It now states that over one-third of its user base is for enterprises above 1,000 seats. The company leverages a blend of both direct sales and channel partners for reaching new accounts. 8x8 has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

The majority of 8x8 customers are connected via the internet as opposed to Internet Protocol (IP) Multiprotocol Label Switching (MPLS). 8x8 continues to invest in automation tools for customer self-service installations. For large customers above 3,000 seats, there is the Elite Touch program to provide a structured project management methodology. Notable certifications supported include U.S. Health Insurance Portability and Accountability Act (HIPAA), Payment Card Industry (PCI) and EU General Data Protection Regulation (GDPR).

8x8 is well-positioned for both SMBs and enterprises in the 1,000- to 5,000-seat range, especially those seeking integrated contact center as a service (CCaaS). This includes businesses with headquarters in North America, and selected European and Asia/Pacific country markets.

Strengths

- 8x8 has a track record of successful deployments in the 1,000- to 5,000-seat enterprise market.
- Gartner believes that well over 50% of 8x8 customers purchase 8x8 CCaaS to complement their UCaaS deployments. The 8x8 CCaaS has such capabilities as omnichannel, interactive voice response (IVR) and quality management, and is well-integrated with UCaaS.
- The 8x8 platform received multiple enhancements in the year including the IT administration portal, user interface, WebRTC video, workstream collaboration and enhanced analytics.
- Customers cite 8x8's pricing as competitive and a good value for the array of capabilities provided. It is also easy to manage once up and running.

Cautions

- 8x8 lacks a strong brand with enterprises, especially businesses over 2,500 seats. Many enterprises never even consider 8x8 as a UCaaS option.
- The video/meeting capability is insufficient for formal meetings with business partners and executives. It is, however, good for internal usage and informal external communications.
- The 8x8 X Series contact center offerings are insufficient for some customers relative to reporting, workforce management and omnichannel integrations.
- Some customers report dissatisfaction with technical support and onboarding.

AT&T

AT&T is a global CSP. Sales are led by a direct-sales force and complemented by channel partners (the Alliance program) targeting the SMB market. There are three AT&T cloud-based UCaaS offers, which AT&T augments via best-of-breed integration, professional services and project management.

The first, AT&T Collaborate, is part of the AT&T Integrated Cloud (AIC) architecture that leverages network function virtualization (NFV) and software-defined networking (SDN) capabilities and is typically deployed as an over-the-top (OTT) service. Over the past 12 months, AT&T launched Enhanced Mobile, a voice over Long Term Evolution (VoLTE) native service that provides enterprise telephony capabilities to mobile devices. AT&T has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

The second AT&T UCaaS offer is part of the Cisco Webex portfolio (formerly branded Cisco Hosted Collaboration Solution [HCS]), and also includes Webex Calling, Webex Meetings and Cisco Jabber. This solution is hosted in georedundant AT&T data centers located in North America, Europe and Asia/Pacific, with service available in over 150 countries. The third cloud UC offer, Microsoft Skype for Business with AT&T, is suited for organizations with a Microsoft UCaaS strategy.

AT&T's UCaaS solutions suit businesses ranging from SMBs to very large enterprises — often bundled with AT&T network services — that seek AT&T Collaborate (U.S. and Mexico), Cisco or Microsoft technology. Most AT&T UCaaS accounts have a base of users in North America.

Strengths

- AT&T UCaaS customers value the firm's financial stability, mobile networks (U.S. and Mexico), global network coverage, and security services.
- AT&T offers three UCaaS solution options enabling the company to fulfill the UC requirements of most small to very large enterprises.
- Enterprise customers value AT&T's dedicated account and project management teams, particularly in the deployment phase.
- AT&T has made enhancements to simplify and improve the customer experience with a new upfront requirement design team, automated migration tools and postsales deployment services.

Cautions

- AT&T can be slow to upgrade its UCaaS platforms to latest releases, in part due to AT&T supporting multiple UCaaS platforms (including Cisco, Microsoft and legacy BroadSoft) and the associated regression testing efforts to ensure service quality.
- AT&T may struggle to differentiate itself from competitors as the UCaaS vendors — namely Cisco (BroadSoft) and Microsoft — increasingly run and control the UCaaS application stack, as opposed to running the stack in AT&T-controlled data centers.
- The AT&T Collaborate offering is available in the U.S. only. Furthermore, IT administration portals across its UCaaS solutions are English-only.
- Customers cite complexities with the Cisco HCS VOSS provisioning tool for self-administration and for moves, adds and changes. They also say that API integrations with other cloud applications are still maturing.

BT

BT is a global CSP. BT's UCaaS portfolio includes five offers. The One Cloud Cisco (Cisco HCS) and One Cloud Microsoft (Skype for Business Server) are offered globally and are the focus of this Magic Quadrant evaluation.

The One Cloud iComms (Ribbon Communications), Cloud Phone (BroadSoft) and Cloud Voice (RingCentral) target the U.K. market only.

The majority of BT Global Services' UCaaS base is represented by large multinational corporations (MNCs) and U.K. public-sector accounts. BT offers two CCaaS options for integration with UCaaS: Cloud Contact (Enghouse Interactive) and Cloud Contact Cisco. Adjacent BT One Collaborate services include audioconferencing, web-conferencing and videoconferencing capabilities. BT relies primarily on a direct-sales force (except for U.K.-only deployments). BT has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

During the past year, BT has invested in UCaaS self-administration portals, dashboards, and management and reporting tools for use by end-user administrators. Additionally, BT has invested in its Cloud Solution Builder and Cloud Bulk load tools to accelerate the onboarding process and simplify the implementation process.

BT is well-suited for large organizations that prefer Cisco/Microsoft UCaaS infrastructure, particularly those operating in multiple regions across the globe.

Strengths

- BT has a wide range of network, Session Initiation Protocol (SIP) trunking, wireless LAN (WLAN), security and application services that can be bundled with its UCaaS solutions. This simplifies the procurement process for multinationals.
- BT has a broad array of consulting resources, user adoption programs, standardized methodologies and service management capabilities to migrate MNCs with complex premises-based UC environments (usually multivendor) to UCaaS.
- BT has skills in both the Cisco and Microsoft UCaaS technology stacks, and can support large global MNCs, including Latin American sites. BT can also support hybrid Cisco-Microsoft solutions.
- The BT Benefits Acceleration plan (for five-year contracts) does not charge customers for recurring charges for the first six months of a new contract. This helps larger customers avoid double payments as they migrate away from their legacy solutions.

Cautions

- The interdependency between the numerous BT services and technology providers, and the global scale of BT's operation result in a slower pace of innovation relative to UCaaS specialists.
- BT lacks a strong brand with North America-centric companies, but rather selectively targets North America-headquartered accounts with significant global operations.
- BT can lag rolling out its new intellectual property — such as analytic tools, dashboards and portals — to its customers. Sometimes customers are not even aware of their existence.
- BT customer complaints include inflexible billing reports, IT administration portal complexity, and limited visibility on product roadmaps.

Cisco (BroadSoft)

Cisco is a global IT enterprise vendor. Cisco acquired BroadSoft in 1Q18 for $1.9 billion. This section evaluates the Cisco BroadCloud component, where Cisco (BroadSoft) builds, operates and maintains the UCaaS stack in its managed data centers. This evaluation does not assess the Cisco BroadWorks and Cisco HCS platforms, which together support 25 million seats, because these platforms are embedded in partner data centers (see Note 2).

The BroadSoft acquisition provides Cisco with multiple cloud calling capabilities for telephony along with the cloud-based Cisco Customer Journey Platform (CJP) for contact center. In addition, Cisco brings its existing products, Webex Meetings (video) and Webex Teams (workstream collaboration), to complement these BroadSoft pieces. Cisco has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

Cisco BroadCloud is sold to companies headquartered in 10 country markets spanning North America, Europe and Asia/Pacific, with two more European countries planned for 4Q18. In addition, Cisco BroadCloud can support the regional offices in 11 other country markets. Cisco BroadCloud is also part of the Cisco Collaboration Flex Plan to enable users to migrate to the cloud at their own pace.

The Cisco BroadCloud solution is capable of supporting a broad set of requirements ranging from small businesses to large enterprises. The solution is available in multiple global regions, including North America, Europe and Asia/Pacific.

Strengths

- The combination of Webex Calling, CJP, UC-One client, Webex Meetings and Webex Teams should become more powerful over time as Cisco integrates them.
- Cisco possesses a strong UC brand and deep base of channel partners. This has the potential to allow the Cisco BroadCloud offering to ramp up more quickly compared with what BroadSoft could have done on its own.
- The Cisco BroadCloud platform is scalable and capable of supporting large customers, as evidenced by selected accounts over 10,000 seats. Its "SMB brand" was partially a result of BroadSoft's limited visibility among enterprises, as opposed to architectural limitations.
- The Cisco BroadWorks and Cisco BroadCloud architecture, planned to enhance Webex Calling, will integrate into mobile network operators via IP Multimedia Subsystem (IMS) to support VoLTE mobile devices. Users will, therefore, not have to purchase wireline voice as it is all handled via the mobile contract.

Cautions

- Customers are still learning how the acquired BroadSoft portfolio and associated sales organizations fit in with parent Cisco. The full integration strategy may continue to evolve and is not yet well-understood by many customers and channel partners.
- The legacy Cisco BroadCloud component evaluated in this assessment is one of the smaller UCaaS solutions in this Magic Quadrant report relative to endpoints served and revenue.
- Gartner believes that users will have to adapt to a changing landscape of interfaces and tools as Cisco R&D integrates Webex Calling, UC-One, Webex Teams, Webex Meetings and Cisco CJP. There is also an execution

risk in bringing these capabilities together.

- Users report that the Cisco BroadCloud APIs are still maturing, and they would like them to be easier to work with. Some channel partners are new to the service, resulting in longer-than-expected customer onboarding.

Fuze

Fuze is a privately held UCaaS application specialist running its own UCaaS multitenant platform. Fuze now supports workstream collaboration, while its conferencing supports up to 1,000 participants, with up to 12 simultaneous video streams. In 2017, Fuze partnered with AppNeta to provide proactive voice and video quality monitoring and reporting capabilities.

More than 50% of revenue is derived from enterprise accounts above 1,000 seats, including a base of accounts exceeding 10,000 seats. Fuze has three contact center offers: Fuze Contact Center for small voice-only use cases, complemented with Five9 and NICE inContact for customers with more-advanced requirements.

Fuze leads with a direct-sales force and internally staffed professional-service teams in pursuit of improving customer business processes for larger complex deals. This approach is well-suited for verticals where businesses leverage data to track employee productivity, customer value and demographics. Smaller organizations with simpler deployments are targeted via channel partners. Fuze has invested in sales analytical tools to identify and prioritize new accounts.

Fuze is well-suited for UCaaS deployments, typically in the 500- to 5,000-seat range, which seek a differentiated and unified UCaaS experience. Fuze support is strongest in North America and Europe.

Strengths

- Fuze customers rate it highly for its pace of innovation. Noted upgrades in the past year have focused on analytics, workstream collaboration and a richer video experience.

- Fuze reports 2017 revenue growth of 40% plus, well above the market average. Much of this expansion was outside North America, particularly in its newer markets of Asia/Pacific and Latin America.

- Fuze's new management team has made inroads in shoring up customer service, installation and project management challenges that had been notable shortcomings in 2016 and 2017.

- Users report that Fuze provides a modern, differentiated and intuitive user experience on desktop and mobile devices.

Cautions

- The complexity of large and MNC deployments can result in longer-than-expected customer implementation schedules. Some customers say some new capabilities are released prematurely and need additional beta testing.

- Fuze's total staff, at under 1,000 employees, is lower than the staffing levels of many of its competitors. UCaaS staffing resources are still maturing in Asia/Pacific.

- Digital workplace application leaders do not have strong brand awareness of Fuze. This places Fuze at a competitive disadvantage in larger enterprises predisposed to procure UCaaS from telecom operators or global managed service providers.

- Despite improvements, select customers continue to report problems with customer support and professional services.

Google

Google is a publicly held IT application and service vendor. The UCaaS offering is branded as Hangouts, part of the multitenant G Suite cloud office bundle. The service is available globally with support of a multitude of languages.

Google implements Hangouts across two separate web-based clients — Hangouts Meet and Hangouts Chat. Hangouts Meet supports audioconferencing, videoconferencing, whiteboarding and screen sharing. Recent Hangouts Meet upgrades include support for 100 simultaneous participants, enhanced noise cancellation, and Jamboard for team whiteboarding. The new Hangouts Chat provides a workstream collaboration capability. Google has a Strong financial rating based on Gartner's financial assessment tool (see Note 1).

Business PBX functionality is primarily secured through partnerships from Dialpad and RingCentral via the G Suite Marketplace. However, in 3Q18, Google Voice was launched as a beta trial in 10 country markets to provide enterprise telephony, complete with E911 support. Google has both a direct-sales force and channel partners for securing new accounts.

Google UCaaS is well-suited for businesses of all sizes seeking an intuitive, cost-effective unified communications and collaboration (UCC) solution, so long as they presently have alternative methods of procuring enterprise voice.

Strengths

- Google continues to invest in its enterprise service delivery that spans product development, channel partners, customer service and support, and regulatory compliance. This is done at a global level spanning North America, Europe, Asia/Pacific and Latin America.

- Google's UCaaS offering has received numerous updates in the past year in terms of new clients, endpoints, user experience and dashboards, in addition to Hangouts Meet and Google Voice.

- Hangouts Meet has improved audio quality, a cleaner browser client (no plug-ins) and a simpler guest access. The Google architecture is capable of supporting real-time service quality for MNCs because it allows employees to connect to their closest regional data center (as opposed to all employees having to home to one data center).

- Gartner clients report that Hangouts fosters a more collaborative work experience that is intuitive to the employee base, simple and fast to deploy, and cost-effective.

Cautions

- The Google native business PBX functionality (based on Google consumer voice) is new to the enterprise market and available in only 10 country markets as a beta trial.

- Google's service availability SLA is 99.9%, lower than many competitors. In addition, Google does not provide quality of service (QoS) monitoring/reporting tools.

- Google does not offer a unified Hangouts client. Rather, Google purposely has two separate UCaaS clients — Meet and Chat (new) — based on customer feedback that preferred different clients for different use cases.

- Customers cite a wish for a more advanced Hangouts Meet experience to include support for webinars, larger group sizes (above 100), public switched telephone network (PSTN) integration in more country markets, and more-advanced administrative controls. The new third-party video integration requires an investment in Pexip infrastructure.

Masergy

Masergy is a privately held vendor, with roots in global networking. It has since expanded to support UCaaS and managed security services, delivered from its Software Defined Platform.

The company provides localized PSTN replacement service in 23 countries, can deliver direct inward dialing in 60 countries, and supports UCaaS across North America, Europe and Asia/Pacific. Sales are led via Masergy channel partners complemented with an internal sales force.

The Masergy Global UCaaS offer is powered by BroadWorks (now Cisco) technology, managed by Masergy, and delivers the full span of UC functionality: voice, voicemail, collaboration and meetings (audio, video and web conferencing). Masergy's Cloud Contact Center solution, also powered by BroadSoft, includes omnichannel support, call recording, business analytics and APIs. Masergy's UCaaS Analyst is a performance monitoring application that offers QoS reporting and mean opinion score (MOS) scoring on web and mobile clients.

Masergy is recommended for organizations between 100 and 5,000 seats, with multinational operations in North America, Europe and Asia/Pacific, seeking to procure UCaaS over Masergy's private or public internet networks.

Strengths

- Masergy reports UCaaS revenue growth of 30% in the past 12 months, with this growth occurring both in the core U.S. market and globally.

- Masergy provides a strong adjacent portfolio of data networking, SIP trunking, software-defined WAN (SD-WAN), CCaaS and managed security services that are bundled with UCaaS. This resembles larger CSPs, but its smaller organization size provides it with greater customer agility.

- Customers value Masergy's SIP, gateway integration and engineering services to tie in hard-to-serve customer locations across the globe, including some emerging markets.

- Customers cite good technical support, integration capabilities and APIs to third-party applications (including Masergy's recording capabilities). Masergy also communicates well with customers on product roadmap plans.

Cautions

- Masergy is a smaller UCaaS provider relative to both seats and revenue. Known primarily as an emerging CSP, Masergy also lacks strong UCaaS brand recognition.

- Many Masergy UCaaS customers focus on enterprise telephony and networks, with lower utilization relative to meetings, mobility and IM/presence.

- Masergy competes with numerous providers running the BroadSoft (Cisco) technology, which may pose a long-term differentiation challenge. Current differentiation is focused on advanced voice capabilities, such as hybrid deployments, voice quality and dialing plans.
- Masergy relies heavily on channel partners for new accounts, and many of these channels also represent competing solutions.

Microsoft

Microsoft is a publicly held IT application and service vendor. Its new UCaaS application is branded as Microsoft Teams, part of Microsoft's cloud IT Office 365 suite offered globally. For distribution, Microsoft utilizes a mix of direct sales and channel partners.

Microsoft indicates that Teams will replace Microsoft's Skype for Business Online (SfBO) over time. Microsoft Teams roughly achieved SfBO UC functionality parity in 3Q18, and Teams will start to exceed SfBO UC functionality by 4Q18. Gartner expects Microsoft Teams and SfBO to run in parallel for the next 18 to 24 months, but with new product development focused on Teams. Microsoft has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

The Microsoft Teams UCaaS offering is built on a microservices architecture and supports workstream collaboration, presence, voice, video, audio and screen sharing, as well as Teams Broadcast Meetings for up to 10,000 attendees. Basic PBX functionality is provided by Phone System (part of the E5 license), with the new direct-routing capability supporting third-party PBX integration.

Teams is well-suited for customers needing workstream collaboration and conferencing capabilities for informal meeting usage. The Teams voice functionality is at an early stage of maturity, and enterprises should pilot solutions to ensure the performance and functionality can meet their requirements.

Strengths

- Teams was built from inception to run in the Azure, IaaS, microservices environment. Gartner believes this is a better long-term platform for supporting UCaaS than its SfBO predecessor relative to stability and innovation.
- Teams continues to gain market momentum and market share across both desktops and mobile devices, in large part because of the success of the broader Office 365 portfolio.
- Microsoft has an extensive ecosystem of professional service partners, endpoint devices, applications, infrastructure and network services. This is complemented with Microsoft's own global customer support and FastTrack services.
- Many organizations incrementally add Teams UCaaS features, starting with workstream collaboration, presence and web-conferencing capabilities, before expanding to audioconferencing, videoconferencing and, eventually, enterprise telephony.

Cautions

- Clients report that Microsoft's sales and its channel partners continue to promote users to adopt new SfBO deployments, even though the strategic focus is on Microsoft Teams.

- The Teams telephony capabilities lag behind competing UCaaS offers in real-time APIs to contact centers and CRM platforms.
- Customers have encountered changing Microsoft messages about its UCaaS approach, solutions and roadmap. Over the past decade, Microsoft has shifted from Office Communications Server (OCS), to Lync, to SfBO, and now to Teams.
- Gartner clients report that acquiring Microsoft's full UCaaS stack (with telephony capabilities) can be complex and more expensive than originally planned. The licensing options can be confusing, and assessing country delivery capabilities and phone (handset) support can be challenging.

Mitel

Mitel is currently a publicly held technology vendor with roots in the premises-based PBX market. In 3Q17, Mitel acquired ShoreTel for its multitenant UCaaS platform. In 2Q18, Mitel announced plans to be acquired by private investors; the acquisition is expected to close in 4Q18. Mitel UCaaS operates across North America, Western Europe and Asia/Pacific, spanning 40 countries. Sales are achieved through a blend of channel partners (78% share) and Mitel direct (22% share).

Mitel leads with two global UCaaS solutions, MiCloud Flex and MiCloud Connect. MiCloud Flex is a multi-instance solution for organizations with customization and security requirements. MiCloud Connect is a multitenant solution for customers seeking agility and scalability. There are also two white-label solutions for service providers, MiCloud Telepo (Europe) and carrier-grade Clearspan (U.S.). Mitel plans to connect its broad portfolio of on-premises PBXs with MiCloud Connect capabilities via its emerging CloudLink integration. Mitel has a Caution financial rating based on Gartner's financial assessment tool (see Note 1).

Recent MiCloud Connect enhancements include the new Teamwork collaboration tool for team workspaces, packaged with integrated videoconferencing and desktop sharing. MiCloud Flex upgrades include an omnichannel contact center capability with workforce management and real-time dashboards.

MiCloud solutions are suited for small to midsize UCaaS deployments or highly distributed enterprises in North America, Europe and select Asia/Pacific markets.

Strengths

- Mitel's UCaaS portfolio supports users with customized requirements (multi-instance Flex) and users with standard requirements (multitenant Connect).
- Mitel UCaaS is co-marketed with its own contact center capabilities, which include automatic call distributor (ACD), omnichannel, workforce management (WFM) and IVR (with some of this functionality delivered via vendor partnerships).
- Customers are starting to leverage Mitel's video capabilities (Vidyo partnership) as well as APIs to third-party applications.
- Mitel has a large installed base of over 60 million premises-based endpoints from which to convert to UCaaS.

Cautions

- Gartner believes it will be difficult for Mitel to invest in and support its multiple premises-based and cloud UC solutions, while simultaneously transforming to a cloud-first company. The CloudLink tool for connecting premises-based voice platforms to cloud UC is nascent.

- Mitel UCaaS does not possess a strong brand with large enterprise accounts. Many large enterprises require global support, while most Mitel channel partners support only a single region.

- Gartner inquiries indicate that most Mitel cloud interest is from existing premises-based Mitel customers upgrading to the cloud, as opposed to new logos (Mitel reports that 25% of UCaaS wins are new logos).

- Users cite Mitel's end-user and IT administration interfaces as less intuitive than some competitors'. In addition, some users cite quality variation across Mitel's UCaaS channel partners in installation and project management.

NTT Group

The NTT Group's UCaaS portfolio is from the combined assets of Japan-based NTT Communications, France-based Arkadin and South Africa-based Dimension Data. The three UCaaS groups are run as separate business units, though they perform joint marketing, planning and investment. The NTT Group has a Positive financial rating based on Gartner's financial assessment tool (see Note 1). When a UCaaS business opportunity is targeted, the NTT Group identifies which of the three groups should lead the opportunity.

NTT Communications brands its large-enterprise offering as Arcstar UCaaS, based on Cisco HCS. These large accounts — with significant Asia/Pacific presence — are targeted by a direct-sales team.

Arkadin Total Connect targets midsize businesses and (via the acquisition of Applicable) large businesses with the Microsoft and, more recently, Cisco UC stacks, complemented with Arkadin's internally built Vision conferencing service. Arkadin uses a combination of internal sales and channel partners.

Dimension Data is a strong Cisco UC partner, with complementary skills in Microsoft UC and Genesys contact center. Dimension Data leads with direct sales, complemented with select channel partners.

The NTT Group can collectively support businesses of diverse sizes across North America, Europe and Asia/Pacific. Users should work with the NTT Group to identify the business unit best-suited for their environment.

Strengths

- The NTT Group has made methodical gains aligning its three UCaaS groups together — NTT Communications, Dimension Data and Arkadin. Examples include shared data centers, joint planning and single contracts.

- The NTT Group collectively has broad global coverage, the ability to support midsize businesses to large MNCs, and expertise in both the Cisco and Microsoft UCaaS stacks. This is complemented with strong technical support and project management.

- The NTT Group offers a wide variety of adjacent UCaaS capabilities spanning consulting, contact centers, WANs, SIP trunks, security and managed services.

- Notable 2018 initiatives are (1) a digital transformation program that includes bots, AI and cPaaS, (2) an investment in Highfive cloud and video endpoint meeting solution provider, and (3) automated processing tools to help streamline UCaaS deployments.

Cautions

- UCaaS buyers must select among the three different NTT UCaaS units, each with different profit and loss (P&L) centers, core competencies and regional strengths (NTT Holding seeks to streamline this structure based on a restructuring announcement in 3Q18).
- The NTT Group has lower brand awareness than that of its three business units. Buyers are more familiar with the NTT Communications, Dimension Data and Arkadin brands.
- Most of the NTT Group's UCaaS offerings are the technology stacks of major-vendor platforms running in NTT data centers, often with a voice over IP (VoIP) focus with limited API integrations.
- NTT Group's new offerings in bots, AI and cPaaS are still maturing. Users are not consistently informed about these roadmap offerings. NTT is in the early stages of being a digital transformation partner with these new capabilities.

Orange

Orange is a global CSP. The company offers two UCaaS services: (1) Cisco-based Business Together as a Service and (2) Skype-based Business Together Microsoft. Sales are 100% direct as Orange targets large, complex deals.

Both the Cisco and Microsoft UCaaS solutions are multi-instance. Orange deploys a reference architecture for its UCaaS offerings with a defined set of session border controllers (SBCs), gateways, headsets, handsets, routers, video endpoints and switches. This standardization is designed to deliver predictable outcomes, translating to fewer customer problems. Orange has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

Orange has UCaaS infrastructure spanning Europe, Asia/Pacific and North America. Project management and system integration capabilities enable large, phased deployments that can tie-in customer legacy PBX environments. Orange has deep skill sets across both the Cisco and Microsoft UC stacks. The company leverages the Kurmi Software platform for an enhanced IT administration of Cisco HCS.

Orange is well-positioned for midsize and large 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 is well-proven for large UCaaS accounts with over 10,000 seats for both the Cisco and Microsoft stacks. The company is also equipped to serve the regional offices for companies with staff in the Middle East, Africa and Latin America.
- Orange's UCaaS pricing is competitive. Orange has mature UCaaS processes, automation tools, project management and offshore customer support to keep its business model cost-efficient.
- Orange customers typically acquire a rich bundle of services along with UCaaS. Complementary components include contact center, SIP trunks, SD-WAN, security, managed LANs, Wi-Fi and managed mobility.

- Orange has a strong set of vendor contact center expertise that includes Genesys, Cisco, Anywhere365 and Flexible Contact Center (FCC). This includes support for IVR, workforce optimization (WFO) and omnichannel capabilities.

Cautions

- Orange has limited brand recognition in North America. Those MNCs that are North America-headquartered also have significant presence in Europe, Orange's home market.
- Orange's UCaaS revenue growth rate is lower than that of numerous competitors. Likely reasons for this slower growth is a focus on larger, complex deployments, and Orange does not leverage third-party channel partners.
- Orange is not a technology innovator in terms of AI, bots, APIs, virtual assistants and cPaaS, with the focus instead being on operational efficiency. Orange does, however, plan to start infusing these capabilities over the next 12 months.
- In the longer term, Orange's ability to differentiate may be challenged as the UCaaS vendor platforms are developed, operated, maintained and secured by Cisco (including BroadSoft) and Microsoft.

RingCentral

RingCentral is a publicly traded UCaaS application specialist. With SMB UCaaS roots, RingCentral has successfully expanded its presence across midsize, enterprise and global accounts.

New accounts are obtained through a combination of direct sales (spanning e-commerce, inside sales and in-territory sales representatives) and channel partners, including CSPs such as AT&T, BT and TELUS. RingCentral is promoted by Google as a cloud telephony partner and is available through the Google G Suite Marketplace. RingCentral has a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

The company uses an internally developed multitenant platform branded as RingCentral Office, which includes the full UCaaS stack, along with its Glip workstream collaboration capability. Recent enhancements include a new multisite switchboard to enable location-specific configurations along with a new dashboard and monitoring tool to diagnose service quality problems. Most RingCentral customers connect via broadband, with increasing adoption of SD-WAN.

RingCentral is a good option for small to midsize enterprises (up to 5,000 seats) seeking a mobile-first UCaaS solution. RingCentral supports companies headquartered in North America, multiple European countries and parts of Asia/Pacific.

Strengths

- RingCentral has a strong UCaaS market positioning for customers leveraging the full suite of UC services. The company posts robust 2017 revenue growth of 34%.
- The RingCentral UCaaS offering is strong across the board — UCaaS features and capabilities, project management, sales, and operations. RingCentral invests in mass-market media branding, including radio, print media, digital signage and sporting events.

- RingCentral has a strong API ecosystem that includes: (1) RingCentral-built integrations to other cloud applications, (2) other cloud applications built into RingCentral, and (3) customer-built integrations to RingCentral (for example, Brinker International).
- Users report good customer service and support, including for accounts in the 5,000-seat range. Channel partner feedback is generally positive, as well.

Cautions

- RingCentral's meeting solution and contact center capabilities are secured through multiyear vendor partnerships. There is a business risk that these vendor partnerships could change as business environments change.
- Some large customers say that the RingCentral interfaces and capabilities change too quickly, without sufficient notice. They also cite a want for customized billing reports.
- Businesses seeking a telephony-centric solution report that RingCentral has high pricing. Other prospects view RingCentral's pricing strategy as inflexible, not always allowing customers to mix and match service plans across employees.
- RingCentral Global Office (with full PSTN support) does not extend to selected country markets in Eastern Europe, Middle East/Africa, emerging Asia/Pacific, sub-Saharan Africa and Latin America.

Star2Star

Star2Star is a private UCaaS application specialist. It delivers UCaaS to businesses spanning SMBs to large enterprises via a multitenant UCaaS architecture based on open-source FreeSWITCH. In 1Q18, Start2Star merged with Blueface of Ireland for expanded coverage in Europe and Asia/Pacific.

Star2Star's go-to-market sales are 100% channel-based. Most channel partners white-label Star2Star's offer under their own brands, thereby limiting Star2Star's visibility. The Star2Star value proposition is well-suited for price-sensitive customers seeking reliable, high-quality voice communications over unmanaged broadband internet. The architecture is particularly well-suited to organizations with offices in second-tier markets connected by broadband with constrained bandwidth.

Star2Star has two UCaaS offerings: StarSystem Hybrid and StarSystem Cloud. StarSystem Hybrid has a StarBox edge device to provide survivability, local voice and video, device management, monitoring, and remote access for support. StarSystem Cloud does not require any customer premises equipment, yielding a lower cost structure. Star2Star UCaaS also includes support for call centers, call recording, CRM integration, e-fax and a new cPaaS capability.

Star2Star is recommended for organizations between 50 and 2,500 seats seeking lower-cost OTT connectivity. Star2Star is widely available in North America, and offered in select European and Asia/Pacific markets.

Strengths

- The addition of Blueface provides Star2Star with greater European and Asia/Pacific presence, along with a deeper pool of management expertise.

- Star2Star's pricing is competitive. The value proposition is well-suited to organizations needing to support distributed sites connected by broadband internet, such as retail and restaurants.
- StarSystem Hybrid is resilient and can offer good voice quality over unmanaged broadband service. Star2Star has invested in voice quality remediation capabilities to support remote sites.
- Users report good satisfaction levels across contracting, service support and product capabilities. They also value the call center capability.

Cautions

- Star2Star is among the smaller UCaaS providers featured in this report measured by revenue and number of employees. This constrains Star2Star's marketing and expansion capacity.
- The company has limited brand name recognition, with few Gartner clients aware of its availability. In part, this low branding is due to the 100% channel approach to sales, along with white-labeling by most channel partners.
- The Star2Star business is skewed to the North American market. In addition, most Star2Star customers secure their UCaaS within a single geographical region, as opposed to panregional deployments.
- Star2Star's desktop conferencing user experience is behind those of many competing UCaaS providers. The mobile client provides only VoIP capabilities and lacks workstream collaboration and meetings capabilities.

Verizon

Verizon is a public global CSP. For enterprise accounts, Verizon UCaaS sales are primarily sold directly. SMB sales are sold both directly and through channel partners (U.S. and Europe).

The company offers three different UCaaS options. The lead global offering is branded Verizon Unified Communications and Collaboration as a Service (UCCaaS), based on the Cisco HCS platform, targeting enterprise accounts with locations in over 140 countries. Verizon has a go-to-market partnership with Cisco to co-sell Webex Teams, Webex Meetings, Cloud Connected Audio and Contact Center Enterprise. Verizon has also integrated 4G LTE mobile access with QoS into the UCCaaS platform. Verizon possesses a Positive financial rating based on Gartner's financial assessment tool (see Note 1).

Verizon's One Talk (BroadSoft [Cisco]) is its flagship mobile-first solution (U.S. only). It allows a mobile-only contract, along with desk phones and apps. One Talk is marketed to small businesses and the midmarket (100 to 1,000 seats) and, more recently, the enterprise and public sector. The third UCaaS option is BroadSoft-based, branded as Virtual Communications Express (VCE).

Verizon UCCaaS is well-positioned for North American, European and selected Asia/Pacific-based MNCs above 1,000 seats. Most UCCaaS MNC accounts have some users in North America.

Strengths

- Verizon has five-plus years of experience supporting the Cisco-based UCCaaS offering, including large panregional customers above 5,000 seats.

- Verizon One Talk has proven itself in the small business market and, more recently, the midsize market. It is available in Verizon's mobile stores, channel partners' stores and Verizon e-commerce.
- The Verizon UCaaS Adoption Program promotes customer utilization of the full suite of capabilities. Verizon tracks customer UC adoption over time and provides recommendations for expanding adoption to promote improved business outcomes.
- New capabilities include an expanded base of UCCaaS APIs, an integrated portal to allow third-party portals to manage the UCaaS environment, and location-based services (LBS) for field forces.

Cautions

- Mobile-first Verizon One Talk, its greatest source of differentiation, is available only in the U.S. market. One Talk has only been available in the enterprise market for about a year.
- Verizon is dependent on Cisco for significant parts of its intellectual property. Unlike many CSPs, Verizon has opted not to pursue a strong Microsoft UCaaS strategy (though it does support hybrid Microsoft deployments).
- Many of Verizon's recent innovations in integrated portal, LBS UCaaS, expanded API set and chatbots are new, maturing and proving themselves in the field. In addition, Verizon has not marketed its product roadmaps to many of its customers.
- Some customers report that Verizon's self-service UCaaS portals are not intuitive (although an updated portal has just been launched). In addition, Verizon support personnel are not always proactive.

West

West is now privately held following its 4Q17 purchase by private equity investor Apollo Global Management. As part of the acquisition, West underwent a leadership and structural reorganization. West provisions services across North America, Europe and Asia/Pacific. West's sales are roughly balanced between its own sales force and channel partners.

The lead UCaaS offering, branded as VoiceMaxx CE, is based on the Cisco HCS platform. West also supports HCS CCaaS from Cisco, as well as its own CCaaS, branded Cloud Contact Pro. The West UCaaS offering is complemented with adjacent services, including web and audioconferencing, emergency services, notification, IVR, and networking.

The Apollo funding has allowed West to make four adjacent acquisitions of AVOKE (analytics), Nasdaq (the digital marketing component), PhoneTree (appointment reminders) and ECaTS (emergency call tracking). It is too early to assess how these acquisitions will be integrated, but is important for West to continue to invest in their product development.

West is a well-established UCaaS provider for midsize to large enterprises in the 500- to 5,000-seat range interested in Cisco infrastructure. West is well-proven in the North American market and has expanded Asia/Pacific coverage via the Vocus acquisition.

Strengths

- Gartner's early opinion is that Apollo is investing in West to improve its competitive positioning (as opposed to a cost reduction play). The new organizational structure promotes a "One West" integrated company that can cross-sell West's portfolio of UC and related capabilities.
- West is a strong Cisco UCaaS stack partner. It has expertise across numerous Cisco UCaaS-related offerings, such as HCS, Webex, networking and Contact Center Enterprise. West has a project management mindset and can integrate across the customer's legacy environment.
- Customers value West's strength in combined UCaaS and CCaaS solutions, which typically have stable reliability and good media quality.
- The 2017 acquisition of Australian Cisco HCS partner Vocus enhanced West's Asia/Pacific UCaaS visibility and market presence.

Cautions

- West remains highly dependent on Cisco technology, making long-term differentiation difficult and commoditization a concern. West must accelerate its investment into its own intellectual property to achieve such differentiation, an area where West has not excelled in the past.
- UCaaS buyers do not view West as a digital workforce enabler. Many deployments are focused on VoIP, networks and contact centers, as opposed to a video-centric meeting focus.
- Some users report insufficient customer support, complex IT administration portals that are difficult to manage, and limited understanding of the West product roadmap.
- While West UCaaS covers the regions of North America, Europe and Asia/Pacific, the vast majority of customers reside in the English-speaking countries of the U.S., U.K. and Australia.

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

Cisco (BroadSoft) — BroadSoft appeared in the 2017 UCaaS Magic Quadrant report. It is now participating as part of Cisco, which acquired BroadSoft in 1Q18.

Dropped

BroadSoft — BroadSoft was acquired by Cisco in 1Q18. It now appears as Cisco (BroadSoft) for 2018.

Inclusion and Exclusion Criteria

To be included in this Magic Quadrant, solution providers must meet the following criteria:

- Solution providers must use 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 multitenancy/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/operate/maintain 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 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). The UCaaS platform provider can either sell services directly or sell through channels.
  - Be a global service provider or system integrator selling UCaaS based on a third-party UCaaS application stack. The UCaaS vendor must own, support, manage and operate the third-party UCaaS application stack (typically in its data center or in a partner data center).
- Solution providers must have a UCaaS solution with VoIP, meetings (audio, video and web conferencing), IM/presence, UM and mobility. This can be attained via a single stack or through an integrated partner.
  - The UC functions must be well-integrated with a consistent interface. Specifically, stand-alone VoIP-centric solutions will not be considered.
  - Related capabilities — including support for cloud contact center, analytics, workstream collaboration, APIs to third-party applications, workstream collaboration, cPaaS, bots and AI solutions — may be considered if they enhance the value proposition. But they are not a prerequisite.
- The UCaaS solution must be commercially offered in three regions: North America, Europe and Asia/Pacific.
  - The UCaaS offering must possess marketing collateral that explicitly markets UCaaS to the North American, European and Asia/Pacific regions.
  - The UCaaS offering must have UC application infrastructure (not just media gateways) in multiple geographical regions.
  - The UCaaS offering should be regionally localized by means 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 vendor must display the ability (demonstrated through references) to support customers with more than 3,000 employees.

  - The vendor must provide five references.
  - References must include accounts headquartered in all three regions (meaning at least one reference in North America, one reference in Europe, and one reference in Asia/Pacific).
  - Each reference must have at least 100 employees in the region it represents and must also have a local website, phone number and street address that Gartner can verify.
  - Supplied references must use a broad set of UC capabilities (not just one or two).

- All participants must support the following:
  - Support over 400,000 UCaaS users in total.
  - Support over 15,000 UCaaS users in each of the three regional markets — North America, Europe and Asia/Pacific, with users in headquartered companies in these regions.

Notable UCaaS Vendors

The UCaaS market is highly fragmented, with many focused on a particular region. Examples of notable UCaaS vendors, along with why they are not included in this Magic Quadrant, include:

- CBTS — primarily focuses on the North American market.
- Dialpad — is one of the newer global UCaaS application specialists that is still building its total user base up.
- LogMeIn — includes the acquired Jive Communications, but lacks sufficient full UCaaS coverage in Asia/Pacific.
- Nextiva — primarily focuses on the North American market, as opposed to Europe and Asia/Pacific.
- Tata — has limited focus on North America-headquartered accounts.
- Telstra — is a large Asia/Pacific-based UCaaS vendor but does not actively target North America-headquartered businesses.
- Telefónica — is a large European-based UCaaS vendor but does not actively target North America-headquartered businesses.
- Vodafone — is a large European-based UCaaS vendor but does not actively target North America-headquartered businesses.
- Vonage — would have been included in the Magic Quadrant had it not been for the fact that Vonage does not meet the Gartner criteria for providing UCaaS to Asia/Pacific-headquartered businesses. (Note that Vonage does provide cPaaS to Asia/Pacific customers via its Nexmo business.)

Evaluation Criteria

Ability to Execute

We evaluated vendors' Ability to Execute in this market by using the following criteria:

Product/Service: Core UCaaS services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, whether offered natively or through OEM agreements/partnerships as defined in the market definition. Key components:

- UC functionality — voice, IM, presence, web, video and mobility
- Portals, dashboards and administration tools
- Related offerings such as contact center, networks, analytics, artificial intelligence and cPaaS

Overall Viability: Includes an assessment of the organization's overall financial health, as well as the financial and practical success of the business unit. Includes the likelihood of the organization to continue to offer and invest in the product as well as the product position in the current portfolio. Key components:

- Corporate financial health
- Corporate commitment to UCaaS
- Revenue trends

Sales Execution/Pricing: The organization'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. Key components:

- Direct sales
- Channel partners

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 to changing market demands.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand, increase awareness of products and establish a positive identification in the minds of customers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, social media, referrals and sales activities.

Customer Experience: Products and services and/or programs that enable customers to achieve anticipated results with the products evaluated. Specifically, this includes quality supplier/buyer interactions, technical support or account support. This may also include ancillary tools, customer support programs, availability of user groups, and service-level agreements. Key components include:

- Portals
- Intuitiveness
- Customer technical support

Operations: The ability of the organization to meet goals and commitments. Factors include quality of the organizational structure, skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently. Key components include:

- Professional services
- Project management
- Global operations
- Success programs

Table 1: Ability to Execute Evaluation Criteria

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

Source: Gartner (October 2018)

Completeness of Vision

We evaluated vendors' Completeness of Vision in this market by using the following criteria:

Market Understanding: Ability of the vendor to understand buyers' needs and translate these needs into sophisticated UCaaS products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those wants with their added vision. Key components:

- Completeness of UCaaS offering
- Complementary support services
- History of UCaaS functionality and service

Marketing Strategy: Clear, differentiated messaging consistently communicated internally and externalized through social media, advertising, customer programs, the website and positioning statements.

Sales Strategy: A sound strategy for selling that uses the appropriate networks, including direct and indirect sales, marketing, service, and communication. Partners that extend the scope and depth of market reach, expertise, technologies, services and their customer base.

Offering (Product) Strategy: An approach to product development and delivery that emphasizes market differentiation, functionality, methodology and features as they map to current and future requirements. Also includes bundling strategies, user adoption of full UC functionality, and acquisitions/partnerships if needed.

Business Model: The design, logic and execution of the organization's business proposition to achieve continued success.

Vertical/Industry Strategy: The strategy to direct resources (sales, product and development), skills and products to meet the specific needs of individual market segments, including verticals. Also includes vertical regulatory compliances.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, and defensive or pre-emptive purposes. Also includes pace of product, technology and service innovation.

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.

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 (October 2018)

Quadrant Descriptions

Leaders

Vendors in the Leaders quadrant have been delivering complete UCaaS solutions for multiple years, have a base of enterprise clients and support a large volume of total users. These vendors have their accounts implementing a comprehensive and integrated UCaaS solution set that addresses the full range of market needs; a proven ability to service large accounts; and a commitment to the North American, European and Asia/Pacific markets. 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 ability to deliver UCaaS 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 UCaaS suite, customer support is still evolving, they do not offer differentiated services, or the majority of their users deploy only a segment of UC.

Visionaries

Visionaries have an ambitious vision of the future, and are making significant investments in the development of unique technologies. Their services are still emerging, and they have many capabilities in development that are not yet generally available. While they may have many customers, they might not yet serve a broad range of use cases well.

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. This may be an inability to support multiple large customers, lack of proven ability to support panregional UCaaS deployments, or limited brand name recognition. Others may be in this quadrant because there is one element holding them back, such as inconstant customer service.

Niche Players

Vendors may be in the Niche Players quadrant for a variety of reasons. Some vendors are Niche Players because of low brand recognition or because they lack a robust marketing ability to sell globally (that is, beyond their core territory). Others are Niche Players because their customer base may be using a limited base of UC functionality, the feature set may be weak in certain areas, or customer service is inconsistent.

Context

SMBs

For the SMB market, below 1,000 employees, UCaaS provides a strong value proposition and is vastly preferred over premises-based solutions, which are chosen by SMBs only under exceptional circumstances. The majority of SMBs opt for UCaaS due to internal IT staff limitations, the operational expense (opex) payment model, the rapid pace of cloud innovation, and the relative ease of supporting SMB UCaaS. Pricing for UCaaS is typically lower than premises-based UC because dedicated platform costs are spread over a smaller base of employees. SMBs are also 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 increasingly the preferred option as organizations realize that the vast majority of vendor R&D investment is cloud-based. All of the UCaaS vendors in this Magic Quadrant (along with many others not included) target the 1,000- to 5,000-employee range and have a proven track record of customer success stories.

Midsize enterprises have a broad selection of UCaaS providers to select from. Increasingly the depth of features and capabilities, user experience, future roadmap, and flexibility yield a stronger value proposition compared with premises-based UC. Other midsize enterprises opt for UCaaS to cut costs. This is done by consolidating multiple point communications solutions (such as web conferencing) and folding them into a single UCaaS contract.

A select base of midsize enterprises continues to adopt premises-based UC. Midsize enterprises that buy premises-based solutions tend to have stable communications requirements, be VoIP-centric and, therefore, have long ROI financial timelines (over five years). Gartner expects most of today's buyers of premises-based UC solutions in the midsize enterprise market to select UCaaS solutions for their next purchasing decision (five-plus years out).

Large Enterprises

For large enterprises, above 5,000 employees, UCaaS adoption continues to grow, but below that of SMBs and midsize enterprises. Large enterprises tend to favor well-known vendor brands and will often rule out some of the more agile, innovative UCaaS vendors, leaving them with fewer available options.

Many large enterprises are risk-averse and believe that premises-based UC better matches their regulatory, cultural, reliability and customization requirements. In addition, UCaaS vendors may not cover certain country markets in which a large enterprise may have operations. Gartner receives numerous inquiries expressing the need for UCaaS in key markets like India, China and Brazil (which UCaaS providers have difficulty supporting due to regulatory policies).

Some large enterprises considering cloud UCaaS may prefer the privacy of multi-instance solutions over multitenant solutions. This, however, must be balanced against the additional complexities of multi-instance software upgrades, whereas multitenant software upgrades occur much more seamlessly.

Nonetheless, Gartner is starting to see more large-enterprise UCaaS adoption. Of particular concern to large enterprises is the meager R&D investment in vendor premises-based solutions. They are concerned that a major premises-based UC investment today will be technologically obsolete in 2020 compared with their cloud counterparts. Megavendors, such as Cisco, Google, Microsoft and even Avaya are making significant cloud UC investments, but little premises-based UC investment. Application specialists, such as 8x8, Fuze and RingCentral, are starting to win some large-enterprise accounts.

Market Overview

Four key market trends were identified in this research. They were:

Improved Dashboards, Portals and Tools — UCaaS providers have invested heavily in improving dashboards, portals, analytics and automated tools. These tools are used for such purposes as onboarding new customers, IT self-administration and measuring service performance. They are particularly effective for diagnosing service quality issues with customer service calls. Both CSPs and system integrators, which leverage partner UC technology stacks, have invested in these tools as they look to catch up with the application specialists.

Workstream Collaboration — Most selected UCaaS providers now include some form of workstream collaboration capability as part of their UCaaS portfolios. Key features of workstream collaboration solutions are their shared, persistent, conversational workspaces, content and file sharing, search functionality, and activity streams. They support team-driven work and are particularly strong when workflows and processes are implicit or where team coordination is important for success.

In many cases, these tools from UCaaS vendors are still evolving. While they may be well behind more mature offerings from Slack and Mattermost, they do offer a workstream collaboration capability that some users are starting to value.

Globalization — UCaaS providers have continued to build out their global capacity over the past year. Most of the providers featured above have significantly expanded their number of service and support staff to better serve the dozens of country markets in North America, Europe, Asia/Pacific and even Latin America. While most providers remain strongest in English-speaking countries, the gap is shrinking and most providers now feature documentation in multiple languages. However, 24/7 live support for non-English languages is the exception rather than the rule.

Video-Centric User Experiences — In previous years, we have seen the development of enhanced video capabilities such as high-definition resolution, greater numbers of participants for video meetings/call, and collaboration features such as whiteboards and screen sharing. Over the past year, a select number of UCaaS providers have rolled out updates focused on improving the user experience and a more video-friendly design. A key feature of many of these updates is ensuring a clear and uncluttered interface that allows users to hide menus that are not in use so they can focus on the other participants or content being shared.

Coming, but Not Yet Happening — Emerging technologies such as virtual assistants, AI capabilities, conversational user interfaces, Internet of Things integrations and virtual/augmented reality have yet to make a major impact on the UCaaS market. While a select few UCaaS providers had some of these features on their roadmaps, most providers still lack even basic capabilities in these areas today. The one related area where there is some progress is in chatbots. Several forward-thinking UCaaS providers have invested in chatbots over the past year and are incorporating them into their workstream collaboration and contact center tools. Many of these capabilities will emerge from the gradual shift in the market from discrete tools to integrated solutions, and from greater use of platform environments, such as cPaaS, to create UCaaS solutions.

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 over 10 years and has a rich, established base of market knowledge from:

- Thousands of end-user inquiries
- Previous research efforts (including nine previous UCaaS Magic Quadrants)
- Investor conversations

- Participation in industry conferences (including Gartner events)
- 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
Gartner's Methodology for Evaluating the Financial Position of UCaaS Vendors

Gartner uses a standard methodology for deriving its vendor financial rating, to provide a like-for-like view between vendors. This is based on four key criteria taken from public financial statements. All use a 12-month rolling period to the most recently announced quarterly results. These indicators are:

Last 12 months' year-over-year revenue growth

Last 12 months' net profit margin (net income as a percentage of revenue)

Net debt to last 12 months' operating income before depreciation and amortization (OIBDA)

Free cash flow as a percentage of last 12 months' revenue

Gartner's policy is to use financials reported according to generally accepted accounting standards (international financial reporting standards) in calculating the ratios needed for the vendor rating; however, we may choose to use adjusted financials in some situations.

Table 3 presents descriptions of the vendor financial ratings.

Table 3: Vendor Financial Rating Descriptions

Rating ↓	Description ↓
Strong	Is viewed as a provider of strategic products, services or solutions: ■ Customers: Continue with planned investments. ■ Potential customers: Consider this vendor a strong choice for strategic investments.
Positive	Demonstrates strength in specific areas, but execution in one or more areas may still be developing or inconsistent with other areas of performance: ■ Customers: Continue planned investments. ■ Potential customers: Consider this vendor a viable choice for strategic or tactical investments, while planning for known limitations.

Rating	Description
Variable	Shows potential in specific areas though still variable in more than one of the required categories: ■ Customers: Consider the short- and long-term impact of possible changes in status. ■ Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this vendor.
Caution	Faces challenges in multiple required categories and execution is inconsistent: ■ Customers: Understand challenges in relevant areas, and develop contingency plans based on risk tolerance and possible business impact. ■ Potential customers: Account for the vendor’s challenges as part of due diligence.
Weak	Has difficulty responding to problems in multiple areas: ■ Customers: Execute risk mitigation plans and contingency options. ■ Potential customers: Consider this vendor only for tactical investment with short-term, rapid payback.

Source: Gartner (October 2018)

Note 2
Cisco (BroadSoft) BroadWorks and HCS

These two platforms are embedded in the data centers of channel partners. Hence, this Magic Quadrant report evaluates them relative to the particular channel partner assessed. In this Magic Quadrant report, AT&T, BT, Masergy, Orange, NTT Group, Verizon and West all operate at least one, often two of these Cisco (BroadSoft) platforms. The Cisco BroadWorks platform supports roughly 20 million seats, while Cisco HCS supports roughly 5 million seats.

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.