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Unified Communications: Death of the Desk Phone, Birth of Opportunity

By Becky Bracken

You're busted. We know you've stopped answering your desk phone. You only pick up a mobile call if you recognize the caller ID. You haven't listened to an actual voicemail in about 18 months. And, really, the best way to reach you is by email. It's something people who work with you regularly know all too well. But what about the poor saps buried behind that blinking red light?

Now take out your business card and count up how many different ways there are to reach you embossed on that fancy paper stock. We'll wait. Five or six? But that's not really true. The best way to reach you is by email.

All of your different points of communication aren't making you more accessible, they're making it complicated to track you down. One day, your business card will have one number, one point of contact and you will be able to control where that information is directed across IP, voice and mobile networks in the blink of an eye. That's the dream and the promise of Unified Communications.

Don't Call it UC, Call it Collaboration

But the dream of the end-user is a potential nightmare for service providers tasked with delivering

Unified Communications to business. To start, suggests Frost & Sullivan Analyst Elka Popova, it's important to understand what the term Unified Communications really means.

Three years ago, Popova said you couldn't go anywhere in the industry without hearing about Unified Communications.

"You could go deaf from all the talk about UC," Popova said. Now, the terminology has shifted away from UC toward terms like "collaboration." "It's totally a marketing shift."

Popova adds that she suspects the reason for the decline in the term "Unified Communications" in the marketplace is because it sounds too technical and "backend-ish" to appeal to the enterprise customer, who is really interested in increasing employee productivity through efficiency and collaboration.

But what you're really talking about is an integrated set of capabilities accessed through a single point of contact. Whether it's click-to-call, click-to-message, or any of the other thousands of business applications available, all the enterprise customer cares about is that the services are integrated and accessed by a single point of contact, Popova adds.

SP Sweet Spots

Christopher May, vice president Marketing and Business Development with VOSS said he sees a "perfect storm" type of opportunity for Service Providers looking to deliver UC.

"SP's have a competitive advantage and the question is whether they can take advantage," May said.

New entrants, including cloud providers and Over-the-Top (OTT) providers in enterprises like Amazon and Google pose a threat to SP's. Most notably though, is Microsoft with its recent acquisition of 365 and Skype. With those types of services, Microsoft cuts the service provider out of the equation.

"Greed and Fear are driving a lot of activity," May adds. "SPs have invested in IP-centric stuff, which is Cloud. Microsoft is attractive to SMEs, and SPs will lose unless they improve customer service. Microsoft is attractive to SMEs and the SME market will likely disappear for SP's."

May added that carriers who have recently invested in mobile networks are in the best position to provide

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the reliability and service large business requires. The opportunity will be for network operators to move into the 5000+ employee enterprise space. The 5000+ enterprise requires the most sophisticated performance and operations. For the large corporation, those phones have to work all the time. SP's who own the network will have a huge advantage because they control the end-to-end.

"SP's can provide the four-nines and five-nines of resilience and reliability because they own and control the switches and local gateways," May said. "All, or most other competitors, will require a rip-and-replace strategy."

'Hey Google, Got My Data?'

Cloud is an extremely attractive option for the SME market. It allows a company to give up tasking without giving up control.

There are some exciting things happening with cloud that offer a real value proposition for business. May said he sees 100 percent of tier-1 SPs launch a large enterprise cloud initiative in the next year.

And while there have been noticeable moves to the cloud, what becomes the central question for business when deciding between hosted, cloud environments or on-premesis data centers, comes down to a decision about the function of on-site IT departments. Hosted, cloud-based services eliminate much of the need for deep on-site IT support, but relinquish control.

May points out that for large-scale 5000+ enterprises, there could come a point where data ownership becomes nebulous in a hosted cloud. "The question becomes, 'Who owns my data?' and that answer isn't always clear," May said. "Can you imagine trying to get your data out of Google?"

Bootstrapped is Best

Finally, the trend toward UC solutions doesn't mean each customer will want to buy a whole bucket of one-size-fits-all applications.

An AMI report from November 2011 said the opportunity to sell UC components to the SMB market will more than double over the next five years, but the providers who will take advantage of the market are those that will offer individual services at low prices in order to offer a competitive advantage to business for adopting their UC solutions. "In the future, although the applications will be fully integrated, not every business will want a full suite of solutions," Popova said.

Businesses in North America with fully hosted voice are still relatively low in number. Popova estimates less than 15 percent of SMBs in the U.S. have hosted voice which is why providers need to appeal to the SMB market with competitive pricing to gain market share and that will eventually lead to the up-sell of additional services.

So while SPs of all types scramble to capture the fully integrated communications market, it seems that there's plenty of opportunity for all sorts of players to meet the needs of varying business segments. From hosted cloud providers like PanTerra Networks and 8X8, to legacy carriers, UC will continue to require a sound business proposition to grab a foothold in the business environment.

Turns out the dream of UC and that one contact number you can control on the fly will not only be a complicated solution to provide, but will require a buy-in from all levels of enterprise prior to adopting a UC solution. But providers who can invest in networks and guarantee a reliable service, will be ready to grab the top-tier global business, particularly those who have invested in mobile.

"SPs get a pretty bum rap for how they deliver services, but what they do is very difficult–its one of the hardest things to do in the world," May said. "The issue they have is that they have to spend on mobile to maintain position. So it's all about fighting for capital."

The Reality of Unified Communications

The promise of one number to reach you anywhere you go isn't quite a reality–yet. But SMEs are increasingly investing in at least one component of

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UC. According to a recent report from IDC, at least 30 percent of small businesses and 55 percent of medium-sized enterprises will add at least one UC component in the next 12 months.

IDC researchers also noted," VoIP technology is gaining steam in the SME market with more than 30 using this technology." The report goes on to explain that small businesses tend not to deploy VoIP because of a combination in f a lack of awareness and a resistance to investing in a new technology.

The primary barrier to more widespread UC adoption in the business market, according to Don Van Doren, principal analyst for UniComm Consulting, LLC, is the misunderstanding, both on the part of customers and service providers, about the business case for UC implementation. He uses the example of being able to hover over someone's name online and right-clicking to call them. A cool tool, but certainly not a game-changer in the larger business sense.

"Where the real benefits come–10 times more important in our studies–is when you change how work gets done by providing speedy, timely access to people and information for communication and collaboration as well as a number of new tools to enhance these processes," Van Doren said. "Those opportunities are more difficult to understand, and sometimes require process changes to gain full advantage."

But despite the confusion, Van Doren adds, there are three primary reasons UC adoption is gaining steam. First, the cost of hosted solutions continues to drop, making it more attractive to the SMB market. Second, the cloud is making it easy to provide hosted solutions by vendors and independent hosting companies. And third, all-in-one and bundled solutions are rapidly being designed for organizations.

And while the full suite of UC services isn't quite a reality, there are some in the market who are getting close. From a telephony perspective, Van Doren says, the leaders include Cisco, Avaya, Siemens, Interactive Intelligence Mitel, and others. Desktop providers like Microsoft and IBM are also getting into the act. But, Van Doren says, it's the applications providers, like Salesforce.com that are likely poised to make the most of UC.

"In the long run, the applications providers may be the road to highest UC benefits," Van Doren says. "Because communication and collaboration tools are embedded in the work activities and software applications that workers use all the time – improving timely access to people and information, offering significant work process change opportunities, and showing dramatic ROI."