



Why UCaaS Isn't Always the Right Answer

*On-premises and hybrid solutions may offer
lower operating costs, customizability, reliability, and security*



metrigy

Why UCaaS Isn't Always the Right Answer

On-premises and hybrid solutions may offer lower operating costs, customizability, reliability, and security

Q3 2022

Irwin Lazar

*President and Principal Analyst
Metrigy*

Table of Contents

<i>Executive Summary</i>	3
<i>UC Architecture: Cloud Is Not the Only Option</i>	4
<i>Where On-prem Still Makes Sense</i>	5
<i>Cloud at Your Own Pace</i>	7
Flexible Deployment Options	7
Simple Migration to the Cloud	7
Customization and Business Process Optimization	8
Reliability	8
Security	8
Scale	8
Contact Center Capabilities	9
<i>Conclusions and Recommendations</i>	9

Executive Summary

As adoption of Unified Communications-as-a-Service (UCaaS) has grown, many organizations are continuing to rely on custom-hosted, on-premises, or hybrid solutions to meet their communications needs. For these companies, on-premises, hosted, and hybrid options provide a variety of benefits including lower total cost of ownership, greater flexibility and control, enhanced ability to integrate communications and workflows, and a higher level of reliability. As companies develop their go-forward strategies, they should look to implement solutions that best meet their needs, regardless of deployment architecture, and they should ensure that the solution they deploy today provides a clear path to where they want to be tomorrow.

IT leaders responsible for go-forward strategies should:

- Evaluate their on-premises provider's ability to support cloud integration and/or migration, including the ability to meet requirements for security, scale, reliability, and flexibility
- Ensure that cloud solutions are capable of supporting complex customization to support digital transformation initiatives
- Consider solutions that enable contact center interoperability to deliver demonstrable business benefit

UC Architecture: Cloud Is Not the Only Option

The UC landscape has rapidly changed over the last several years as cloud-based options have emerged. These typically fall into two buckets:

- **UC-as-a-Service (UCaaS):** delivered via public cloud infrastructure on a subscription basis, with all customers obtaining the same features and performance guarantees
- **Hosted (or private cloud):** provisioned and managed by a service provider that builds a dedicated instance of applications for each customer, enabling extensive customization

While these options are popular, nearly 29% of the more than 900 companies¹ Metrigy recently benchmarked for our global *Workplace Collaboration MetriCast 2022* research study continue relying on-premises solutions for their UC needs. In addition, approximately 10% of participating companies use a combination of services. For example, they may rely on on-premises platforms for larger offices and only use UCaaS for small and remote branches where they do not have available IT personnel.

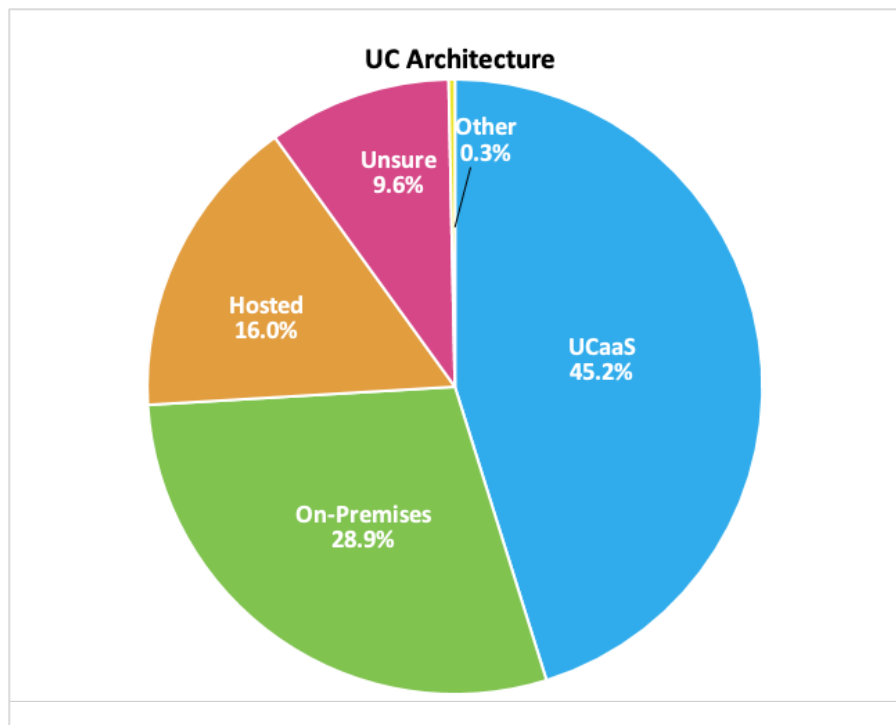


Figure 1: UC Architecture (916 companies)

It should be noted that the term “on-premises” is often a misnomer. Today’s on-premises solutions may be hosted in public cloud infrastructure such as Amazon Web Services, Google Cloud Platform, or Microsoft Azure, providing customers with a means to optimize availability

¹ Metrigy conducted our global *Workplace Collaboration MetriCast 2022* research study in Q2-2022. We surveyed 935 IT leaders responsible for communications and collaboration purchasing and/or operations from organizations headquartered in 11 countries in Asia, Australia, Europe, and North America across 42 separate industries.

and spend while maintaining tight control over application deployment, management, and customization.

Architectures vary by region, with APAC and North America the largest adopters of on-premises platforms. APAC also uses hosted services the least, and UCaaS the most as shown in Figure 2 below:

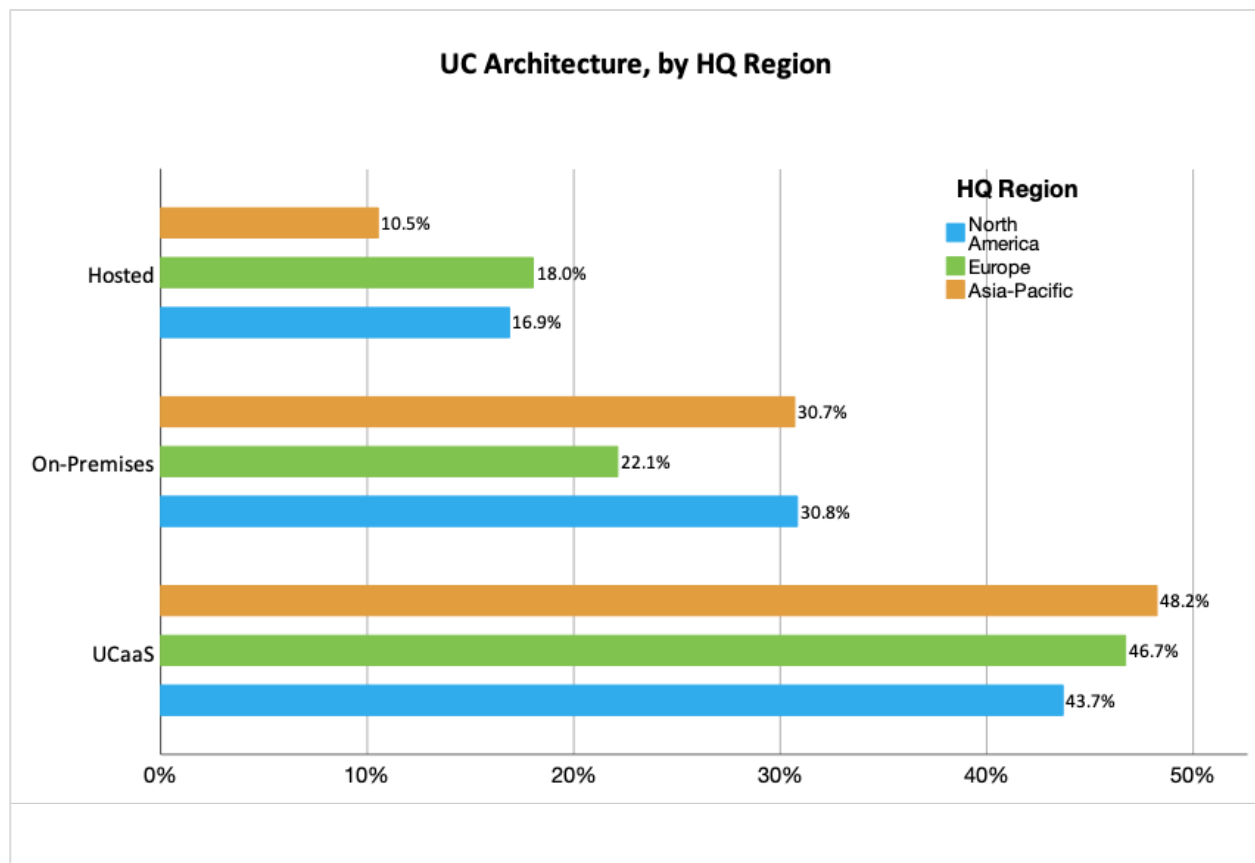


Figure 2: UC Architecture, by Region

We also see variations by industry, with Aerospace and Defense, Construction, Education, Energy & Utilities, Hospitality, Government, Healthcare and Pharma, and Retail having the highest percentage of on-premises adoption.

Where On-prem Still Makes Sense

The characteristics of companies remaining with on-premises solutions varies. No longer is size of the company a determining factor in UC architectural decisions. Rather, the greatest variant is industry, with technology companies, healthcare and pharmaceuticals, hospitality, manufacturing, retail, and education the biggest adopters of on-premises platforms, according to Metrigy's research. As shown in Figure 3 below, primary factors driving companies to prefer on-

premises platforms include the need for reliability and survivability at each location, more control over platform security, and a lower TCO.

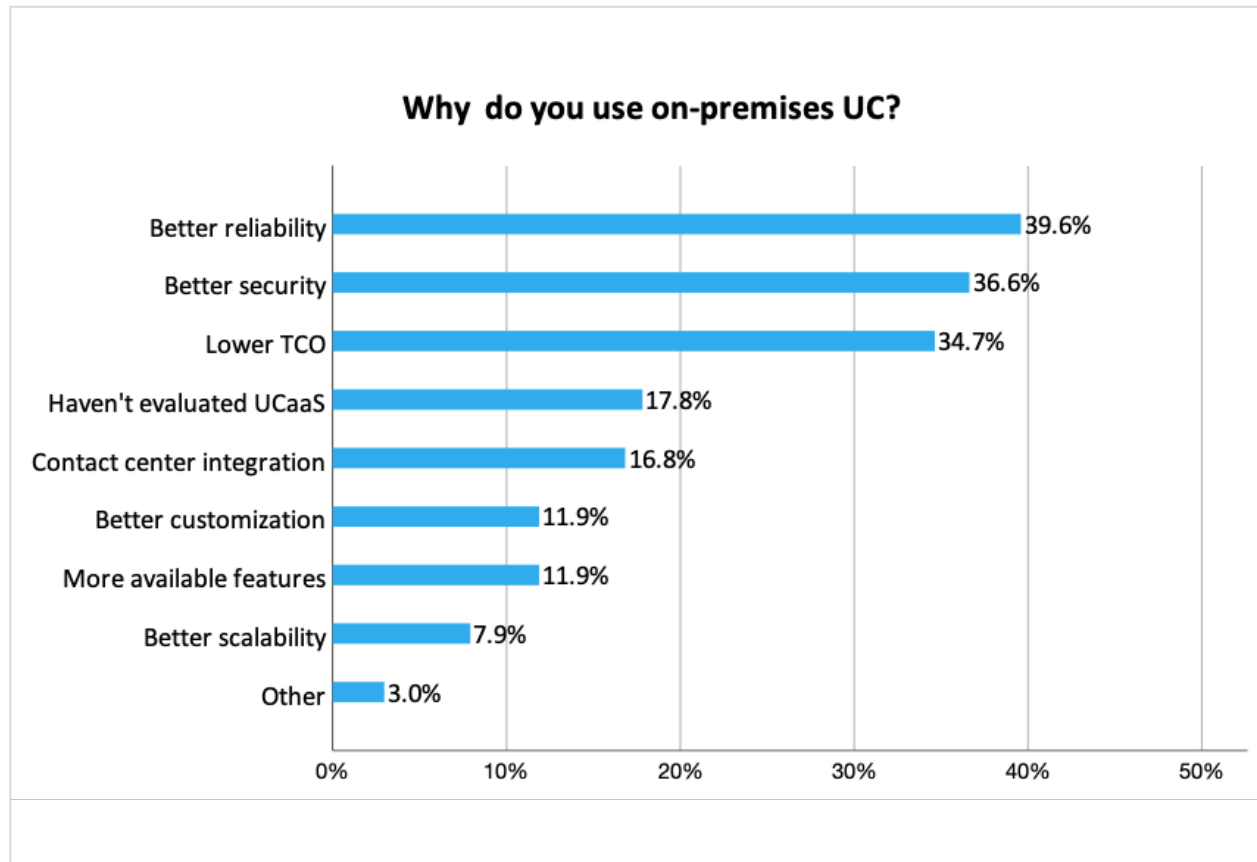


Figure 3: Why do you use on-premises UC?

Additional factors may also drive the use of on-premises platforms, including the need for complex integrations with other business applications. An organization may wish to tightly align its communications strategy with its business applications strategy, creating communications-enabled business processes. Examples include:

- In-application calling based on rules triggered by alarms
- Mass notifications using policy-based call routing and notification integrations with text and email platforms
- In-room communications capabilities serving the unique needs of the hospitality industry
- Integration of paging and patient management systems into healthcare organizations' communications platforms
- Survivable communications with hardened endpoints for use by utilities at power generation facilities

In many cases, UCaaS providers either simply do not support these types of customizations or, if they do, they would require the use of additional third-party platforms and/or complex custom application development.

Cost is another factor that drives companies to stay with on-premises solutions. A Metrigy study found that in the first year, on-premises solutions are approximately 21% less expensive to operate than UCaaS. This is due to realized costs of acquisition, lower costs of maintenance contracts versus subscription-based software licenses, and the need for up-front investment in new endpoints and other hardware, as well as management tools and staff training, to support a UCaaS migration.

On-premises solutions also provide more flexibility in terms of financial options. Buyers may choose from a capital expenditure model, or a subscription model, typically with monthly or annual payments. Or, they may potentially be able to leverage a hybrid model combining both capital and subscription payments. Purchasing flexibility is a key driver for adoption of on-premises solutions.

Cloud at Your Own Pace

Of those using on-premises solutions today, 61.2% of those on-premises now plan to stay that way. However, even these organizations may one day consider UCaaS for some locations where it makes sense, or they may acquire other companies that use UCaaS already.

When evaluating the right go-forward approach, it's important to consider the capabilities and partnerships of your UC vendor, not just today, but in the future. The ideal provider won't force you to UCaaS if it doesn't meet your needs or offer clear benefit today, but it will provide a simple pathway to cloud should that addresses your business needs and ultimately become advantageous for you in the future.

Key factors to look for in a provider include:

Flexible Deployment Options

Providers that offer flexibility to support a variety of deployment models, including in company-owned data centers or on public cloud infrastructure, hosted, and UCaaS offer the best opportunity to preserve existing investments while enabling a move toward cloud when cloud is the best option. An ideal partner will offer not just a mix of architectural options, but also integration between the various platforms, enabling customers to easily run a mix of on-premises and cloud as necessary.

Simple Migration to the Cloud

Cloud migration shouldn't require a complete redo of configurations, user accounts, calling plans, call rules, and dial plans. Nor should it require wholesale replacement of all infrastructure including phones, PSTN gateways, and session border controllers. Rather, the ideal provider will

offer a seamless pathway to the cloud enabling reuse of existing hardware to reduce investment cost and upheaval. The provider should also offer migration services capable of supporting the needs of the customer, including support for all business locations.

Customization and Business Process Optimization

A cloud provider that only offers a single set of feature options is not likely going to be able to meet the needs of larger, more complex, and often regulated customers. For these organizations, the ability to support customized communications-based workflows and integrations with business applications and devices is not just a nice to have, but rather a critical requirement to ensure success. The ideal provider will offer not only the ability to obtain features as necessary, but also composable components, available via API and/or software development tool kits that allow customers to fully customize their communications platform as needed. Providers should also offer application development and management support to enable implementation of customized and packaged solutions supporting digital transformation needs.

Reliability

As noted in Figure 2 above, reliability is the primary reason companies choose to stick with on-premises platforms. Critical infrastructures that must maintain high reliability, up to 100%, may not be suitable for cloud. But cloud providers should offer a minimum of 99.999% reliability, meaning no more than 5.3 minutes of unscheduled downtime per year. Additional reliability capabilities should include support for remote survivable gateways to ensure the availability of calling services (especially emergency calling) in the event of a network failure. Highly reliable solutions will also take advantage of public cloud infrastructure and localization, protecting services in one region from impact of an outage in another region. In some cases, organizations may require distribution of tenancy, meaning different business units using their own server instance so the failure of one instance will not result in an outage for the entire organization.

Security

Security concerns remain one of the primary reasons some companies choose to stay with an on-premises platform. Security requirements may include end-to-end encryption and support for compliance standards under U.S., EU, and other regulation frameworks. For example, a healthcare organization may require support for HIPAA standards while a financial services firm may need assurances that its chosen communications solution can support ISO 27001, SOX, and PCI compliance. In all cases, buyers should evaluate vendor security controls and capabilities to ensure that they are adequate, especially as they consider a move from on-premises to cloud.

Scale

The ability to scale in support of both changes in numbers of endpoints and geographic reach is a critical consideration when determining a go-forward communications strategy. Today, multi-national organizations have demonstrated the ability to serve all locations through a single managed communications instance. Moving to cloud requires this same level of configuration

ability, including support for global dial plans, fail-over resiliency, and local PSTN connectivity to minimize telecom costs. Providers must be able to deliver the geographic reach and ability to scale to potentially thousands or tens of thousands of users to match what has been available in the on-premises world.

Contact Center Capabilities

One of the primary use cases for on-premises communications platforms is in the contact center and customer engagement segment, especially for large, complex contact centers requiring custom integration. For example, the average airline contact center, which must handle thousands of weekly calls and integrate extensively with customer and airline management solutions, is not a likely candidate to move to a cloud-based service. As companies consider their pace of moving to the cloud, they must pay special attention to the needs of the contact center and how it integrates into their broader communications architecture. Providers capable of natively supporting the needs of large complex contact centers while offering a pathway forward for moving certain communications components to the cloud have an advantage over those offering limited functionality or separate UC and contact center platforms. Metrigy's data shows benefits of an integrated UC and contact center platform, as shown in Figure 4 below.

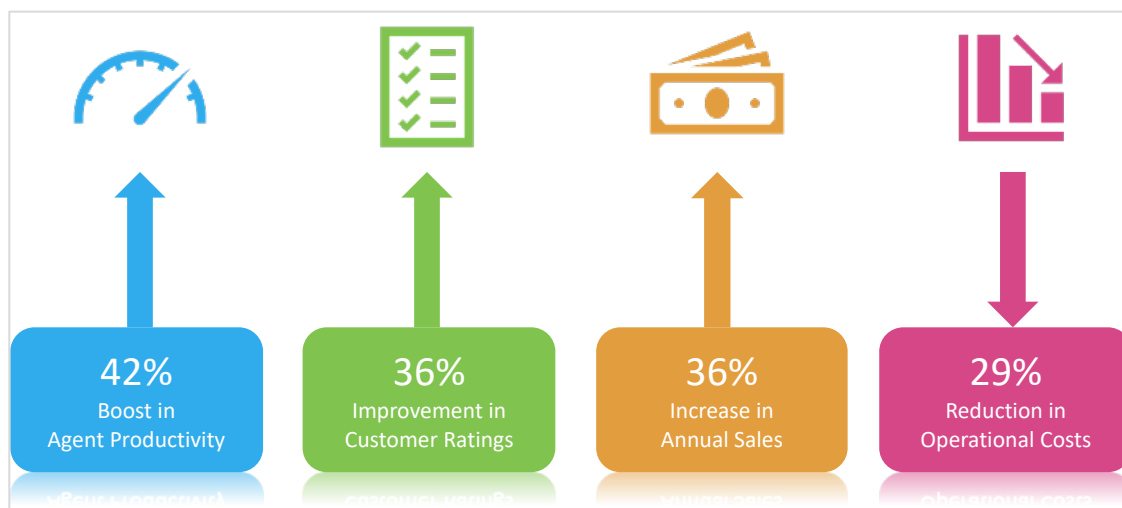


Figure 4: Benefits of UC and Contact Center Integration

Conclusions and Recommendations

While UCaaS offers significant advantages and benefits to some segments of the market, it is not the best option for everyone. Those requiring complex, customized communications, a high level of control and security, and the ability to manage scale and reliability may continue to find that an on-premises communications platform is the ideal choice, potentially with even lower total cost of ownership than cloud. However, even those deciding to stay on-premises should consider a provider that offers a seamless pathway to UCaaS where and when it makes sense.

IT leaders considering their on-premises and cloud options should:

- Evaluate their on-premises provider's ability to support cloud integration and/or migration, including the ability to meet requirements for security, scale, reliability, and flexibility
- Ensure that cloud solutions are capable of supporting complex customization to support digital transformation initiatives
- Consider solutions that enable contact center interoperability to deliver demonstrable business benefit.

ABOUT METRIGY: Metrigy is an innovative research firm focusing on the rapidly changing areas of Unified Communications & Collaboration (UCC), digital workplace, digital transformation, and Customer Experience (CX)/contact center—along with several related technologies. Metrigy delivers strategic guidance and informative content, backed by primary research metrics and analysis, for technology providers and enterprise organizations.