

Adoption of cloud communications by small and midsize businesses is delivering enhanced digital customer engagement.

The Value of Cloud-Based Unified Communications for Small and Midsize Businesses

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Introduction

The post-pandemic acceleration to the cloud is driven by the necessity for flexible hybrid work processes, as well as digital customer engagement. Companies are taking the opportunity to pivot to the adoption of cloud-based unified communications (UC) and contact center (CC) as on-premises legacy platforms reach the end of their life cycle and proven agile technology options emerge.

While the pandemic forced businesses of all sizes to evaluate their IT strategy, the COVID-19 pandemic impacted small and medium-sized businesses (SMBs) at a much higher rate than large enterprises.

Companies in this sector experienced significantly more negative impact on revenues and pressure on the business model than large enterprise models. They also had less resources to deal with contingencies such as a pandemic.

According to IDC research, the COVID-19 pandemic induced several major tactical and strategic responses from companies. The initial response was focused on crisis management and implementing business continuity measures. This gave way to cost optimization and reorganizing the workforce and infrastructure to meet the immediate needs of employees and customers. As the pressure of the pandemic eased, companies have begun pivoting to the future, implementing business-targeted investments and business resiliency strategies to prepare for the new normal.

As companies look to the post-pandemic future, priorities have changed. Companies have accelerated digital transformation and the migration to cloud-based applications. The most important trends have been the adoption of cloud-based applications to support secure remote access solutions, employee productivity solutions, and CRM solutions. While the majority of SMBs are already leveraging cloud services, the pandemic stimulated an additional surge in the adoption of cloud applications. According to IDC's *Enterprise Networking Services* survey data, in 2020, 59.8% of medium-sized companies (100–499 employees) had adopted SaaS applications; however, another 29% plan to adopt SaaS by 2022.

AT A GLANCE

KEY STATS

- » By 2022, SMBs expect 28% of employees will primarily work from home or a remote location.
- » 47.3% of organizations are prioritizing future spending on cloud-based UC platforms (i.e., UCaaS), leveraging cost effective, cloud-scale connectivity.

Another key trend in the shift to the digital platforms is the recognition that cloud communications facilitate greater agility and flexibility, which in turn promotes enhanced employee productivity and revenue growth. Digital workspace solutions such as UC as a service (UCaaS) promote employee collaboration, which is the foundation for increased innovation and productivity. Coupled with a modern digital contact center solution delivered as a service (CCaaS), this can provide an enhanced customer engagement solution that can create and sustain competitive differentiation

Definitions

- » **Cloud communications:** IDC defines cloud communications as the adoption of a third-party hosted or managed solutions, delivering an integrated platform of internal and customer-facing applications. These can include voice, video, presence messaging, meeting, and contact center services accessed via IP in the cloud and sold on a monthly recurring subscription basis. The hosting infrastructure includes SaaS-based solutions, as well as private or public cloud-based platforms. Companies can also leverage CPaaS APIs to integrate with various proprietary applications or create innovative personalized customer engagement applications. Applications from these platforms can be consolidated into a flexible scalable solution.
- » **UCaaS:** IDC defines UC as a service (UCaaS) solutions as integrated voice/telephony, conferencing (audio, video, web), and messaging (email, voicemail, UM, IM, chat) delivered via IP in the cloud and sold on a monthly or annual recurring subscription basis.
- » **CCaaS:** Contact center as a service (CCaaS) offerings are also delivered via IP in the cloud, providing automated functions related to the support of customers and the customer experience (CX). Contact center functions can include automated call distribution (ACD), integrated voice response (IVR), predictive dialing, computer telephony integration (CTI), workforce optimization (WFO), and call monitoring and quality management.

Benefits of Migrating to a Cloud with a Focus on UC and CC

Cloud communications reduces the dependence on proprietary hardware as well as expensive and time-consuming maintenance. The release from frequent capital expenditure and adoption of the cloud model means companies don't have to face daunting up-front hardware costs and can leverage the flexibility and versatility of rapidly scaling cloud resources as needed. Being able to respond to customer needs and an ever-changing environment is a critical success factor for businesses of all sizes. Small businesses have become increasingly aware of their unique need for reliable bandwidth and solutions that are flexible, cost-effective, and designed to work together from the start. Small businesses face today's hybrid work environment but with fewer dedicated IT resources for the required hands-on implementation and integrations needed to make their communications technologies work seamlessly with their customer support technologies.

The following three major benefits of migrating to a cloud solution with a focus on UC and CC are:

- » **Cost-effective access to pre-integrated UCaaS and CCaaS capabilities, saving deployment time and resources.** Native integrations between voice, messaging, and chat communications services in the cloud and contact center capabilities in the cloud give SMBs the ability to leverage real-time information data and analytics, call controls, chats, and more in communications and collaboration activities at a lower cost and resource level than they would have had with a disparate and on-premises UC and CC solution approach.

- » **Single administrative portal, giving SMBs the ability to scale and operate flexibly across UC and CC needs.** Cloud delivery models can significantly reduce the time required to deploy UC&C services and applications by decreasing the provisioning time from months to weeks, and possibly even days in some circumstances. With SMBs often operating with fewer dedicated resources for in-house IT support resources, being able to have one centralized management portal to get UC and CC seats activated as roles requires the agility of the cloud work for the SMB.
- » **Redundancy and security maintain SMBs' relationships with employees and clients.** With a common cloud for UC and CC, all the cloud's inherent security, quality of service commitments, and even backup disaster recovery processes apply equally to internal and external communications. This means that businesses of all sizes can operate without undue concerns and often with better redundancy and security than they themselves could have provided.

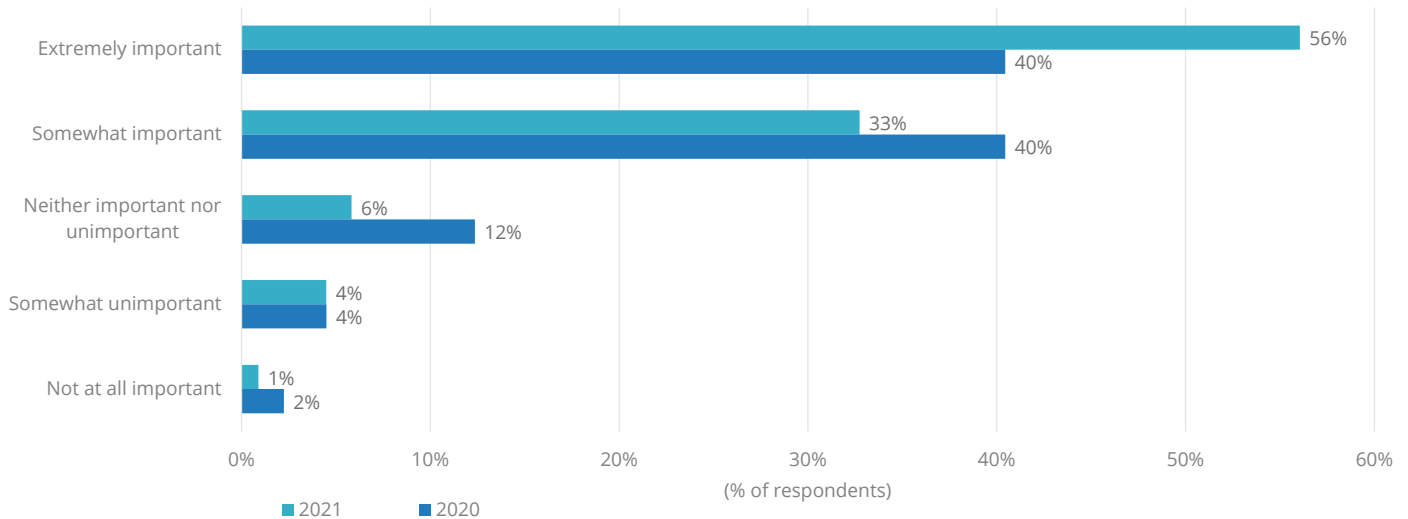
Benefits to Employee Experience

With employees working from a mix of onsite and remote locations, the imperative is for the business to provide a communications environment that gives parity of experience to employees regardless of location. A cloud-based solution that enables UC and CC capabilities does just this. Employees using cloud-based communications can conduct their business activities anytime and anywhere, ensuring continuity of their jobs in the hybrid work environment.

As depicted in Figure 1, 9 out of 10 SMBs say that it was even more important in 2021 than in 2020 for employees to have access to UC services through mobile devices, such as smartphones, tablets, or laptops. Cloud communications solutions deliver this experience in a consistent way for employees, and if both UC and CC are enabled in that cloud, the business gains confidence that internal and external communications can be handled appropriately and in a timely way despite the hybrid working norms of today.

FIGURE 1: **Importance of Employee Unified Communications Access via Mobile Devices**

Q How important is the ability to access unified communication services using a smartphone, tablet, or laptop when outside the company location?



n = 89 (2020); 223 (2021)

Base = Respondents use unified communications applications.

Notes:

Data is managed by IDC's Quantitative Research Group.

Data is not weighted.

Use caution when interpreting small sample sizes.

Mean rating is based on a scale of 1 to 5, where 1 = not at all important and 5 = extremely important.

Source: IDC's SMB Telecom Emerging Services Survey, August 2020; IDC's SMB Communications Services Survey, June 2021

Further, employees whose businesses are on a digital transformation journey, a journey that almost always includes a transition to cloud-based communications, experience major productivity improvements. According to IDC's June 2021 *Future Enterprise Resiliency and Spending Survey, Wave 5*, 93% of businesses indicated employee productivity improvement of up to 49% due to investment in digital transformation (DX) last year. Roughly a third (34%) of those respondents indicated employee productivity improvement from 25% to 49%.

Benefits to the Customer Experience

Historically, SMBs have written the book on customer experience – they know their customer base, and they provide the goods and services that their customer base needs. Large organizations have long since lost that direct contact with the customer and have turned to data and analytics to understand the customer and recreate that "mom-and-pop" feel. The traditional SMB is being outmaneuvered from their core competency.

Cloud-based UCaaS and CCaaS put the tools in their hands that they have lacked – the ability to compete on the same playing field and present themselves on par with those larger entities, giving them the same tools to reach, communicate with, and service their customers. According to IDC's May 2021 *Future Enterprise Resiliency and Spending Survey, Wave*

4, organizations with 500–999 employees cited "customer experience" and "operational efficiency" as being tied as the top 2 business priorities. A combination of UCaaS and CCaaS hits both priorities and allows the organization to focus on the processes that support the improved customer experience that results in customer satisfaction.

Other Benefits of the Cloud Ecosystem

Important to businesses of all sizes is using a future-proof approach to digital transformation and the journey to cloud communications. For small businesses, this means that the cloud communications strategy is one built on open architectures, with available APIs and other such integration points. Some SMBs begin the transformation process with an integrated UCaaS and CCaaS rollout, but many others begin with the UCaaS rollout only.

As business needs change, it is crucial that communications cloud platforms be ready and capable of integrating with CRM, ERP, and other software solutions, as well as the benefits of the latest customer interaction video and chat technologies of managed services. Businesses of all sizes count on the cloud communications provider for infrastructure innovations and managed services. With an ecosystem made up of software solution vendors, network service providers, security providers, and more, SMBs will be able to stay with a single approach to cloud communications and enhance that as needed with that same common platform.

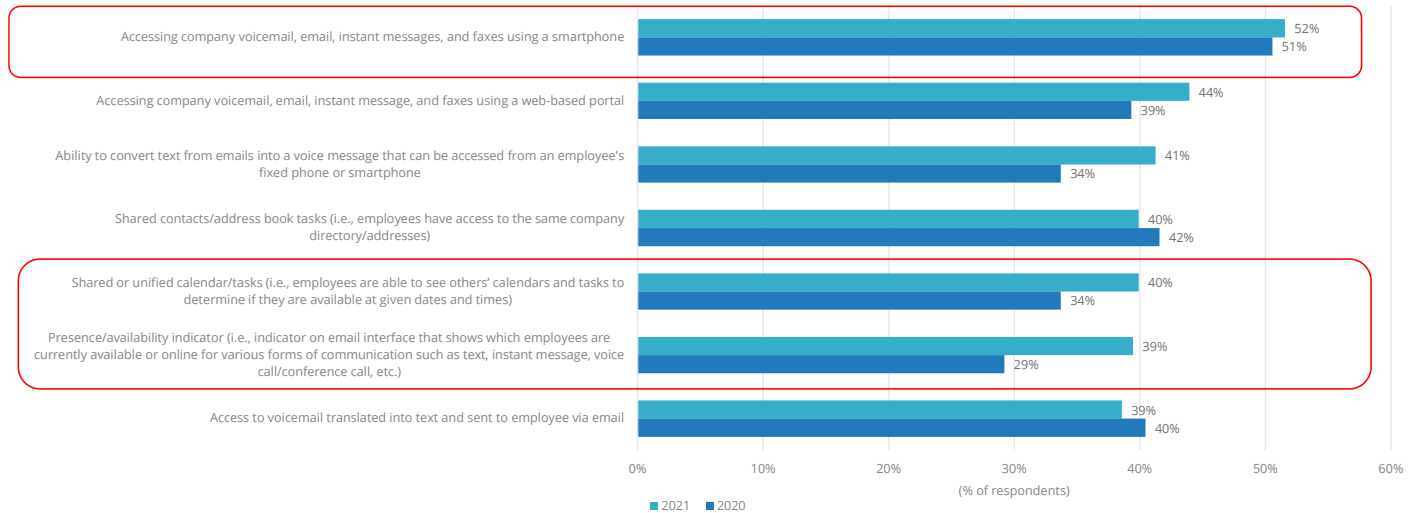
Key Cloud Communications Trends

If there is anything that the past two years has proven to SMBs, it is that the investment in cloud-based communications is critical to their operational livelihood, including employee productivity and customer engagement. IDC research reveals that businesses of all sizes see cloud-based unified communications as the ultimate approach for the future, and many have begun the transition already. Among enterprises, cloud-based UC is one of the top 5 drivers of improved communications and collaboration among employees, as well as customers and business partners. Nearly one out of two organizations are prioritizing future spending on cloud-based unified communications, and nearly one out of three organizations are using or plan to use integrated business applications (e.g., CRM, ERP) as part of their UC&C implementation.

SMBs are planning to maintain or increase spending levels on UC services. Roughly 75% of SMBs either currently use unified communications or plan to in the coming years. The number of businesses that have no plans to use UC services has declined significantly over the past two years, as companies recognize the benefits of UC to support remote or hybrid work, communication, and collaboration across the business.

Key Drivers for Adoption of Cloud-Based UC

Businesses of all sizes are attracted to cloud-based communications for the flexibility and scalability it brings to their day-to-day tasks and engagement across employees and customers. A deeper look at UC feature use among SMBs shows that accessing company communications via mobile devices, particularly given today's hybrid workforce needs, is a key adoption and usage driver, as depicted in Figure 2.

FIGURE 2: **Popular Unified Communications Features Among SMBs****Q Which of the following unified communications features does your company use?**

n = 89 (2020); 223 (2021)

Base = Respondents use unified communications applications.

Notes:

Data is managed by IDC's Quantitative Research Group.

Data is not weighted.

Multiple responses were allowed.

Use caution when interpreting small sample sizes.

Source: IDC's SMB Telecom Emerging Services Survey, August 2020; IDC's SMB Communications Services Survey, June 2021

Mobility and connectivity of employees has increased in importance with the rise of remote and hybrid work and the need for communication and collaboration. To this end, many SMBs (54%) plan to increase spending on UC services over the next two years. This is driven by the need for additional connected employees and access to expanded feature sets in UC services.

Key Drivers for the Adoption of CCaaS

The contact center, even a simple contact center, is a complex mix of infrastructure functionality including communications, core contact center capability, and add-on modules such as workforce management and workforce optimization. The overall software-as-a-service model applied to the contact center environment has been a boon to the SMB. As is the case with most SaaS-based products, the reduced capital investment, flexibility of implementation, improved user interfaces, and scalability in terms of adding or decreasing agent seats alleviate tremendous resource burdens on SMBs and are key drivers for the adoption of CCaaS. These drivers come with the additional benefits of delivering key functionality and eliminating supplier lock-in.

In addition, there are several other advantages to the CCaaS model. First, CCaaS offers continuous access to innovations in functionality through regular upgrades serving to keep the organization current without the added cost,

implementation, and training burdens that SMBs can't afford in both time and money. Artificial intelligence (AI) and machine learning capabilities are good examples of additional functionality. Second, organizations using CCaaS tend to use more modules within the CCaaS suite over time by easily activating modules inherently built into the CCaaS platform. Many organizations start with the core capabilities of automated contact distributor (ACD), interactive voice response (IVR), and quality management and then add capabilities such as analytics, customer journey, and workforce management and workforce optimization.

Third, the open platforms, open APIs, and marketplaces offered within the CCaaS ecosystem enable the addition of partner capability into the environment for a highly tailored contact center solution.

The Future of Work: Hybrid and Remote Work Trends

Nearly 50% of businesses envision the ultimate, desired state of their workforce to be primarily from home or in a non-physical office (source: IDC's *Future Enterprise Resiliency and Spending Survey*, July 2021). This is up significantly from what the reality was for businesses' workforce before the onset of COVID-19.

Core to hybrid workforce arrangements is the ability to communicate with colleagues and customers efficiently and effectively on a consistent level, regardless of the work location. IDC's Future of Work research reveals that while experience parity has not yet been achieved by most organizations, nearly half the companies surveyed by IDC indicated that their hybrid work technologies, policies, and processes were "in progress" with most key resources available to remote employees with some lingering access or user experience issues. U.S. organizations have made slightly more progress toward experience parity, but considerable work remains to be done.

Considering Mitel

Mitel is a global provider of unified communications and collaboration solutions targeted to small and medium-sized businesses. Mitel has been providing a broad portfolio of on-premises and cloud-based UC solutions to businesses for many years, with a current priority focus on enabling a mix of multitenant, hosted cloud-based implementations of UC in partnership with RingCentral MVP and dedicated, premises-based UC solutions in cases where client needs require it.

Mitel brings depth of expertise in UC solutions, particularly regarding UC call control, and is intently focused on helping businesses transition to the cloud with hybrid solution approaches as needed. Mitel offers private and hybrid cloud solutions supported by a dedicated sales team that can help small and medium-sized businesses in key verticals such as government and healthcare that may benefit from a private/hybrid cloud vertical market opportunity.

MiCollab and Mitel Contact Center, including add-on contact center solution options, bring experience in integrations to a wide range of business-focused collaborations solutions such as Zoom, BlueJeans, and Microsoft Teams, as well as other third-party web and app dialers. Mitel can customize and enable customers to ultimately customize integrations to address business-specific needs and use cases.

Challenges

SMBs have several concerns about adopting cloud infrastructure. Many companies see security as a key inhibitor, particularly with the proliferation of ransomware attacks and other high-profile intrusion issues. Many companies lack internal IT resources that can coordinate a security road map. This presents the challenge of a lack of the available technologies, which in turn leads to a lack of executive support since there is no internal cloud evangelist. Another key challenge is formulating and implementing a compliance and regulatory strategy as an integral aspect of a cloud strategy.

The following are SMB inhibitors to the adoption of cloud-based communications:

- » Lack of internal management support
- » Lack of training processes
- » Lack of knowledge of emerging technology
- » Implementation of an integrated solution that meets security requirements

Conclusion

The future of work will be driven by the adoption of cloud platforms to facilitate the adoption of modern digital communications functionality. Cloud-based services offer the benefits of agility and flexibility. They reduce capital expenditure and allow communications to rapidly scale as required. Cloud allows SMBs to implement sophisticated digital features and workflow automation that have primarily benefited large enterprises in the past.

The use of UCaaS and CCaaS is steadily growing in the SMB segment. Implementing an integrated platform reduces vendor complexity and reduces the need for additional IT expertise and training. The future of hybrid work, software-driven on-demand communications, and personalized digital customer engagement will require a creative melding of digital platforms and innovative multichannel options that will offer delightful customer experiences.

Businesses of all sizes are attracted to cloud-based communications for the flexibility and scalability it brings to their day-to-day tasks and engagement across employees and customers.

About the Analysts



Courtney Munroe, Research Vice President, Worldwide Telecommunications Research

Courtney Munroe is responsible for supporting IDC's continuous research on global Telecommunications trends. The core research includes the evolution of WAN networking to Software-Defined Hybrid Wide Area Networking and the impact of Digital Transformation on the WAN architecture. His research focus also includes consumer and Enterprise networking requirements and analysis of Communications Service Provider strategies as they transform to implement new business models.



Denise Lund, Research Director, Worldwide Telecom and Unified Communications

Denise Lund is a Research Director on IDC's worldwide telecom team. Her research focuses on advanced communications services including VoIP and unified communications as a service (UCaaS). In this position, she provides coverage of voice communications including fixed and legacy voice (local, long distance, and PRI ISDN) and IP voice (hosted VOIP with/without UC, SIP trunking, IP phone) as well as emerging migration and usage trends that are occurring in the voice market.



Mary Wardley, Program Vice President, Customer Experience

Mary Wardley is a Program Vice President in IDC's Customer Experience group of services where she leads the Customer Care and CRM service. Mary currently researches the fields of customer service and contact center applications. As part of the Customer Experience practice, Ms. Wardley's research views the customer interaction environment from the perspective of both the ultimate customer experience and the enterprise applications architecture and services that support it.

MESSAGE FROM THE SPONSOR

About Mitel

A global market leader in business communications, Mitel has helped organizations of all sizes communicate, collaborate, and work better for nearly 50 years. Today, customers in more than 100 countries trust Mitel's unified communications, contact center and collaboration applications to keep employees, customers and stakeholders connected from anywhere.

Through the unprecedented changes of the past few years, organizations of all sizes across all industries have relied on Mitel communications solutions to adapt and thrive in the new world of hybrid work. As we look forward, Mitel remains intently focused on delivering flexible, future-proof communications solutions that meet each customer's needs today and provide a foundation for them to achieve their future goals throughout the life of their business.

Visit www.mitel.com or follow us on LinkedIn or Twitter to learn more.



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