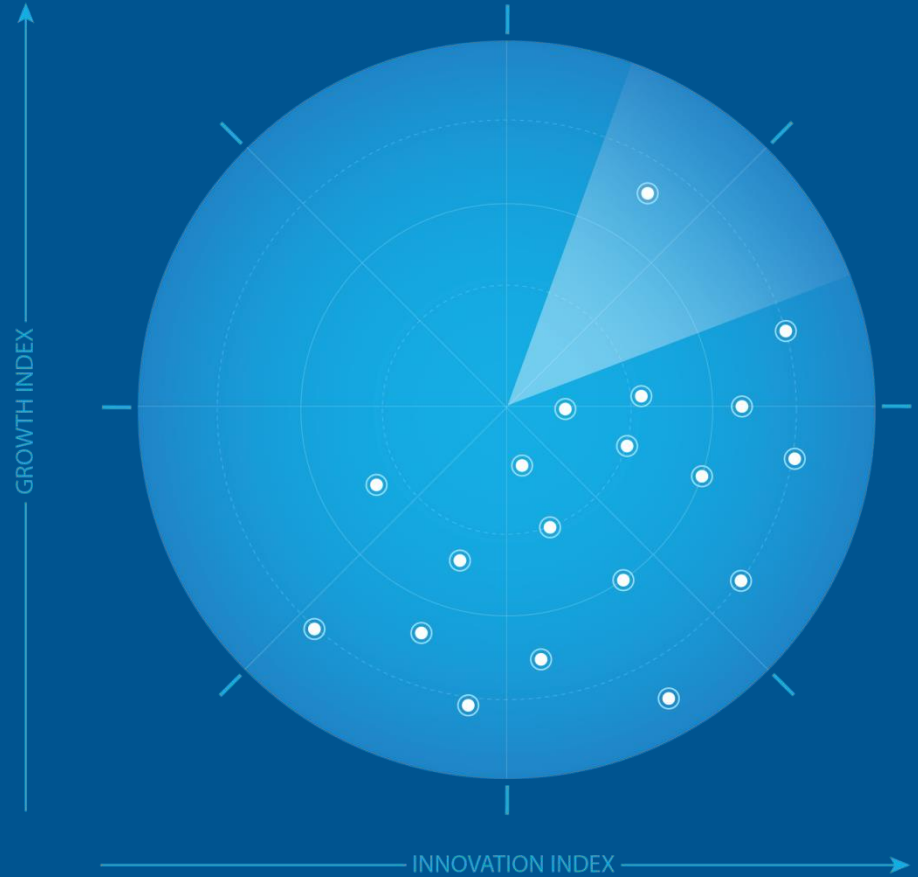# FROST & SULLIVAN

Frost Radar™: North American UCaaS Providers, 2023

Authored by: Elka Popova
With contributions by: Robert Arnold and Michael Brandenburg

A Benchmarking System to Spark Companies to Action - Innovation That Fuels New Deal Flow and Growth Pipelines

July 2023

Strategic Imperative

- Cloud PBX and UCaaS solutions have firmly established themselves as viable alternatives to premises-based communications systems, providing both flexibility and cost-efficiency benefits to organizations of all sizes, verticals, and geographies. As cloud communications increasingly penetrate mainstream buyers, customer requirements become more diverse, creating challenges and opportunities for service providers.

- A service provider's background, solution portfolio, and skill set determine whether it straddles the full spectrum of customer needs or focuses on the unique requirements of specific customer segments. However, certain common trends are determining long-term success among UCaaS market participants regardless of their customer focus and market strategy:

  o Full-stack UCaaS, comprising calling, meetings, and messaging services, has become the norm for most organizations evaluating cloud communications solutions. Frost & Sullivan data from a 2023 decision-maker survey show that 33% of North American organizations "prefer to buy," and another 51% "would consider purchasing" a full UCaaS stack from the same provider. When providers cannot natively offer compelling meeting and messaging capabilities on their cloud PBX platforms, they must provide robust integration with third-party collaboration solutions.

Source: Frost & Sullivan

Strategic Imperative (continued)

o   Integrated platforms delivering UCaaS, CCaaS, and communications platform as a service (CPaaS) are the foundation of next-generation business communications solutions. Providers must leverage integrated, microservices-based platforms with flexible application programming interfaces (APIs) to address customer needs holistically and tailor functionality for different user personas.

o   The disintegration of the value chain (applications + connectivity) creates new challenges and opportunities for service providers. Provider strategies must capitalize on their core competencies to deliver both complete UCaaS and tangential services (e.g., connectivity, direct inward dial [DID] numbers, calling plans, and managed services) for third-party UCaaS.

o   Fixed-mobile convergence (FMC) is in the spotlight again with the rise of highly distributed organizations. Each UCaaS solution must provide some form of FMC, whether app-based or native/core-based, to enable access to communications anywhere, anytime.

o   AI is a true game changer that is creating entirely new markets. It revolutionizes business operations, enhances workflows, and fosters better customer and employee experiences. AI drives much of the innovation in meetings and team collaboration software and devices. Going forward, the focus will be on speed of execution to deliver true, measurable benefits of AI.

Source: Frost & Sullivan

Strategic Imperative (continued)

o Security and data privacy have always ranked high among customer communications solution selection criteria but have become even more important with the pervasive adoption of flexible work models and the use of multiple communications modalities (e.g., voice, video, and messaging). The growing risk of cyberattacks and evolving regulations and policies drive many organizations to choose solutions that keep their data private and secure. UCaaS providers must constantly update their security and compliance postures as they evolve.

o Vertical strategies focusing on frontline worker enablement and bridging departmental silos create new opportunities for service provider differentiation. Previously, technology providers focused primarily on one main persona— the white-collar knowledge worker. Leading providers are now tailoring solutions for different users and business lines across various industries, such as healthcare, education, government, retail, hospitality, utilities, and manufacturing. In addition, providers offer composability through a broad set of APIs and no-code/low-code platforms that allow businesses to create their apps and integrate cloud communications with important workflows.

Growth Environment

- A global Frost & Sullivan survey of IT/telecom decision makers in January 2023 revealed that 86% of North American organizations will have adopted cloud or mobile PBX solutions to some degree by the end of 2025. However, even three years from now, only 9% will be managing entirely cloud-based telephony environments. Three-quarters of organizations expect to manage hybrid environments with cloud-based and premises-based solutions in 2025. Service providers should expect a slow and gradual customer migration to cloud communications, which may indicate lower cloud PBX and UCaaS growth rates in the near term but an opportunity to sustain a growth trajectory for a longer time period.

- Frost & Sullivan survey data indicate that 51% of North American organizations expect communications and collaboration budgets to increase in 2023 compared with 2022, while 42% expect no change. However, service providers and channel partners report lengthier sales cycles and increased restraint in technology spending. Volatile political and macroeconomic conditions and supply chain disruptions, primarily in the aftermath of the COVID-19 restrictions and the Russo-Ukrainian War, have restrained technology investments throughout most of 2022 and 2023

Source: Frost & Sullivan

Growth Environment (continued)

- Evolved work models are among the leading drivers for cloud communications adoption. Organizations embracing flexible work styles and supporting many remote and hybrid workers are leveraging UCaaS and cloud collaboration solutions to enable flexible and cost-effective connections among employees and between employees and various external parties.

- Enhanced value propositions, including vertical/frontline workflow improvements and talent utilization optimization, boost UCaaS adoption in organizations pursuing broad digital transformation. Improved security, reliability, and quality of service (QoS) performance because of the leverage of SD-WAN services, redundant data centers, and maturing technologies enhance UCaaS appeal among more demanding buyers.

- Diverse features, price, design, and architecture offerings—including mobile UCaaS and highly customizable solutions—are driving broad penetration within the entire customer spectrum. Diverse business models, including fully digital customer journeys, white-glove customer engagements, and various reseller/partner models (agency, white-label wholesale, strategic partnerships, and BYOC), also expand providers' market reach.

Growth Environment (continued)

- UCaaS adoption will remain strong, although annual growth rates will continue to decline as the market matures further. Customer churn among UCaaS providers is expected to be relatively high; however, churn away from UCaaS to other types of solutions (e.g., premises-based enterprise telephony systems, consumer services, or cloud meeting/messaging solutions) will remain low.

Frost Radar™: North American UCaaS Providers, 2023
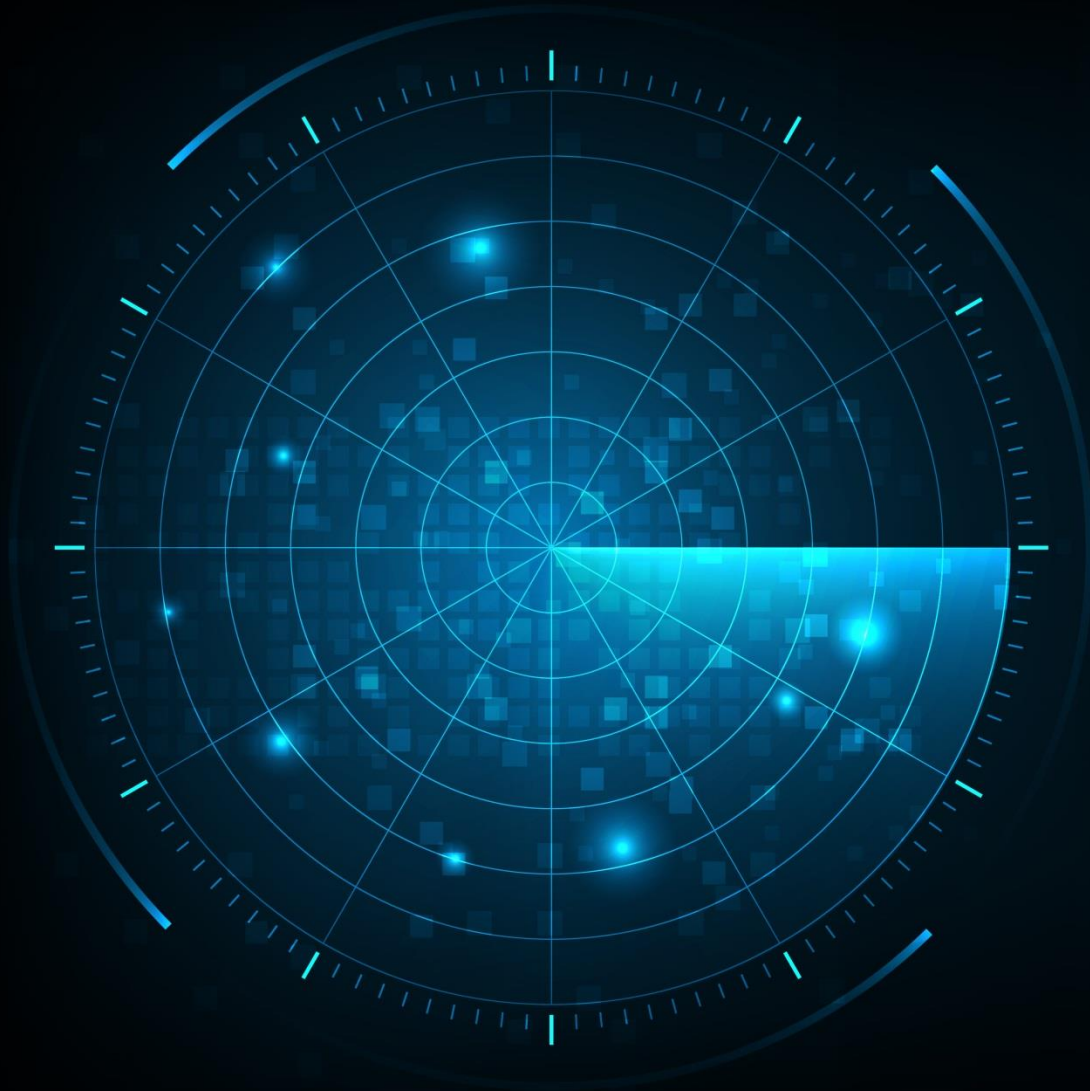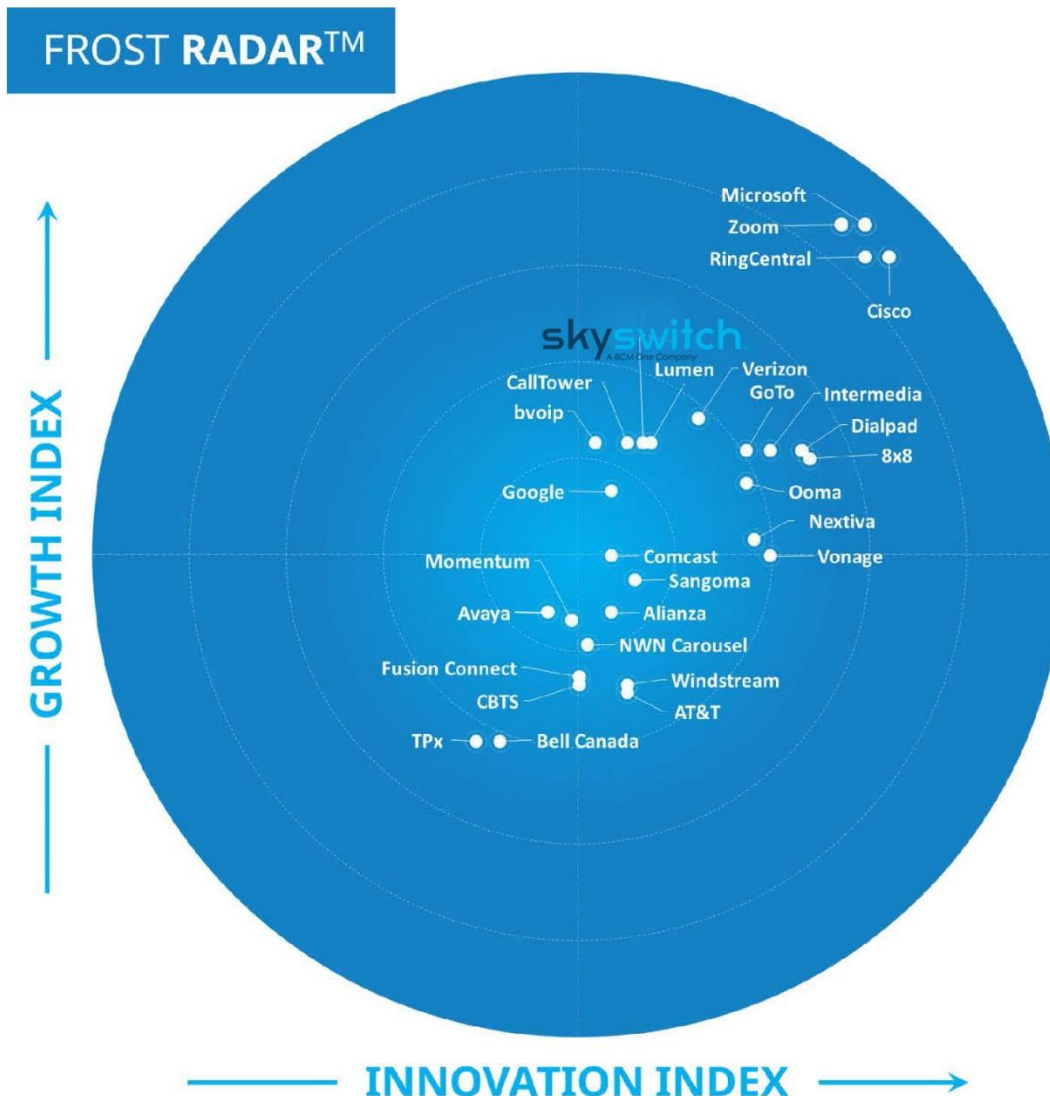
Frost Radar™
Competitive Environment

- The North American UCaaS market remains highly fragmented.

- On the Frost Radar, providers operating their proprietary platforms are positioned more favorably on the Innovation Axis because of their ability to control their innovation roadmaps.

- Intensified M&A activity over the past few years helped consolidate market power and create new levels of competition. M&A activity slowed in 2022 and 2023 because of harsh macroeconomic conditions and volatile company valuations.

- Further consolidation activity is expected in the future. Providers must seek opportunities to enhance their portfolios, scale, and tap into new market segments through M&A.

- Frost & Sullivan expects mixed-provider UCaaS environments to become more common. These will include scenarios in which multiple providers jointly power the UCaaS user experience. For evaluation, Frost & Sullivan considers all parties involved to reflect the evolution of the value chain.

Significance of Being on the Frost Radar™

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

GROWTH POTENTIAL

Your organization has significant future growth potential, which makes it a Company to Action.

BEST PRACTICES

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

COMPETITIVE INTENSITY

Your organization is one of the key drivers of competitive intensity in the growth environment.

CUSTOMER VALUE

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

PARTNER POTENTIAL

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company

INNOVATION

- SkySwitch, a BCM One company, stands out in the North American market as a leading provider of private-label services for voice and data resellers looking to augment their portfolios with sticky, high-value UCaaS solutions. Compelling wholesale prices enable SkySwitch resellers to offer affordable services to their customers while also generating solid profit margins for themselves.

- Over 200 APIs enable SkySwitch to differentiate and deliver tailored solutions to businesses. SkySwitch supports over 250 integrations with CRM systems, Microsoft Teams, and other third-party solutions.

GROWTH

- SkySwitch operates as the white-label UCaaS arm of BCM One's family of brands and is supported by the financially strong backing of BCM One. Founded in 1992, BCM One has steadily grown to establish itself as one of North America's leading providers of cloud communications solutions and managed network services. Strategic mergers and acquisitions have represented a key element of BCM One's growth strategy. From February 2019 to March 2022, BCM One made eight strategic acquisitions, each adding different capabilities to the company's portfolio and expanding its customer base.

- At the end of 2022, BCM One reported two-year revenue growth of 115%. The company's ability to execute is evidenced by its ability to drive organic growth on both the SkySwitch and CoreDial UCaaS reseller platforms post-acquisition.

FROST PERSPECTIVE

- The choice to acquire partner-centric companies such as SkySwitch and CoreDial enables BCM One to differentiate effectively from competitors. BCM One supports its white-label UCaaS partners with various services, including implementation, integrations, number porting, and migrations. Its SaaS platforms facilitate partner purchase and ownership experiences by automating the quoting, provisioning, billing, taxation, and management processes.

- BCM One offers additional services such as Global Managed Connectivity, SIP trunking, SD-WAN, Managed Security, and SASE. These capabilities will enable BCM One to address diverse customer use cases and capture more growth opportunities.

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company (continued)

INNOVATION

- SkySwitch's private-label UCaaS offerings, which incorporate two platforms—the original SkySwitch UCaaS reseller platform and the CoreDial UCaaS reseller platform (per BCM One's acquisition of CoreDial in November 2021), are based on mature cloud communications platforms that enable broad feature sets and high service reliability, security, and extensibility. Under BCM One's leadership, SkySwitch continues to develop and enhance both platforms to effectively support and provide continuity to its entire reseller base and all partner channels.

GROWTH

- BCM One continues adding approximately 10,000 net new seats to its installed base each month, likely enabling it to maintain a strong competitive position in the foreseeable future.

- Most recently, BCM One acquired UK-based Pure IP. Pure IP provides PSTN replacement services in 47 countries and coverage in 137 countries, significantly expanding BCM One's international presence.

FROST PERSPECTIVE

- BCM One's robust network of approximately 1,700 private-label UCaaS resellers enables it to scale its operations more rapidly and to provide tailored services locally to businesses throughout North America. For many resellers— particularly those with established customer relationships and strong brand recognition—the ability to customize the UCaaS solution under their own brand is important. BCM One is one of few companies in the North American market providing resellers with the opportunity to build brand equity in UCaaS, which will likely help it expand its partner network and thrive despite increasing competition.

- Historically, BCM One has seen the most traction among SMBs. It must expand into larger organizations, which have been slower to adopt UCaaS and present a more significant growth opportunity.

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company (continued)

INNOVATION

- The SkySwitch UCaaS reseller platform leverages NetSapiens' platform, which provides UCaaS, contact center, and video meeting services delivered in a single pane of glass to the end user.

- SkySwitch has also customized and enhanced the platform via continuous development investments to deliver business SMS, a mobile app (messaging, video, and calling), virtual fax, call recording, and broadcasting, and an enhanced omnichannel contact center.

- Furthermore, SkySwitch has built a geo-redundant network supporting its critical cloud-based phone system for its resellers and their customers to ensure business continuity.

GROWTH

- Pure IP also brings important Microsoft Teams Operator Connect capabilities to BCM One. With the growing adoption of Teams Phone, Operator Connect is the preferred method for many BCM One customers to add reliable, secure, and automated PSTN connectivity and calling plan services to their Microsoft Teams deployments.

- Pure IP will augment BCM One's portfolio with voice-enablement services for Webex Calling and Zoom Phone. These capabilities will significantly expand BCM One's addressable market and create opportunities for the provider to enhance customer value.

FROST PERSPECTIVE

- Traditionally, BCM One has served primarily US businesses. The Pure IP acquisition will significantly accelerate BCM One's growth rates as it opens opportunities for the provider to expand its addressable market, tap into less mature markets, and better serve distributed organizations with larger enterprise business sites across multiple countries and regions.

- A stronger focus on tailored strategies for different verticals and, more specifically, frontline workers can help BCM One enable competitive advantages for its partners. A more consultative approach, as well as flexible APIs and integrations, may enable BCM One and its resellers to streamline and accelerate important customer workflows in each vertical.

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company (continued)

INNOVATION	GROWTH	FROST PERSPECTIVE
• The CoreDial UCaaS reseller platform, now operating under the SkySwitch brand, is a proprietary platform using open-source technologies at the foundation. It provides a broad applications suite, including a robust cloud PBX, voice messaging, and desktop and mobile UC soft clients, which enable convenient access to voice and video calls, conferencing, instant messaging, and chat. • In December 2022, SkySwitch launched a new, more robust, and partner-friendly Omni-channel Contact Center solution (CCaaS) that is fully brandable by partners and stands out with its omnichannel capabilities and ease of setup.		• BCM One's family of brands includes BCM One, SkySwitch, SIP.US, SIPTRUNK, and Flowroute. Each addresses a specific customer profile across NextGen Communications and Managed Services.

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company (continued)

INNOVATION	GROWTH	FROST PERSPECTIVE
• New customers on the CoreDial platform will be offered the new Omni-Channel Contact Center. Existing CoreDial partners and their customers can evaluate the new solution to decide whether they want to switch from the legacy CoreDial Contact Center Essentials. • Benefits of the new solution include faster deployment time, reduced need for white-glove services, and involvement of professional services. In 2023 to date, SkySwitch continued enhancing the new Omni-channel Contact Center, adding new dashboard layouts, scheduled reports, a preview dialer, transcription, video documentation, white-label branding, and support for more devices (i.e., Grandstream, Poly, and Yealink). It also removed any extension range limitations.		

Source: Frost & Sullivan

Companies to Action: SkySwitch A BCM One Company(continued)

INNOVATION	GROWTH	FROST PERSPECTIVE
• The CoreDial UCaaS platform also includes a multichannel contact center solution that resellers can offer stand-alone or integrated with CoreDial's UCaaS solution. Key functionalities supported on the CoreDial Contact Center platform include IVR, outbound dialers, call recording, live web chat, email, ACD, SMS, and call-back in the queue. On the CoreDial platform, the UCaaS and CCaaS features support third-party software and services integration via flexible APIs and/or professional services.		

Source: Frost & Sullivan
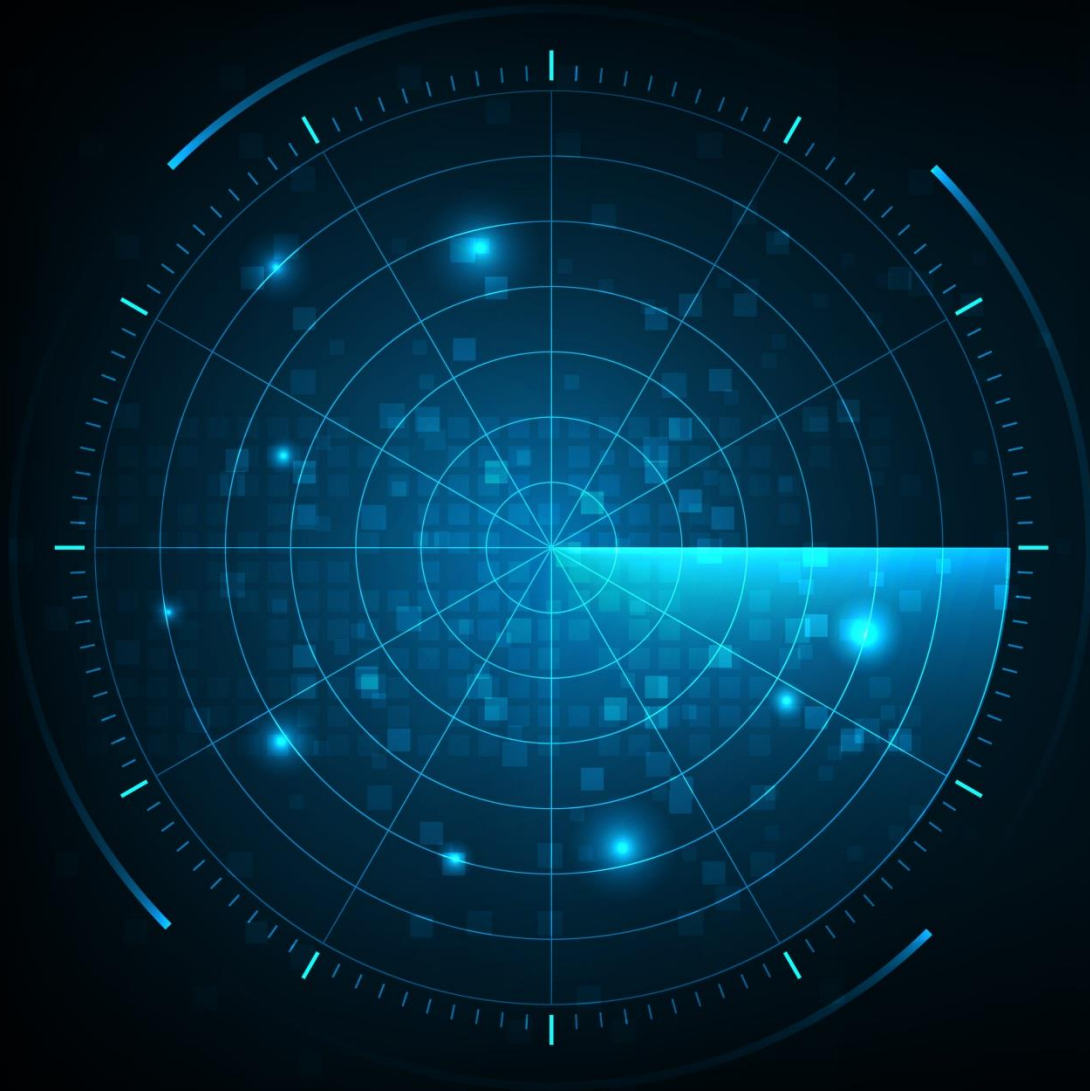
Frost Radar™

Key Takeaways

Key Takeaways

1 The addressable market is segmenting more clearly between organizations and/or users looking for collaboration-rich UCaaS and those who prefer voice-centric cloud communications solutions. Specific workflows, user demographics or job roles, or types of communications approaches (e.g., single vendor versus multivendor/best of breed, and security posture) often determine each organization's choice of a UCaaS solution.

2 Improving the CX, driving growth, and attracting the best talent tops the list of end-user organizations' communications investment objectives. This drives investments in cloud contact centers, CX management solutions, and full-stack UCaaS solutions, including video meetings and team collaboration. Providers with integrated, collaboration-rich UCaaS and CCaaS solutions are better positioned to address pressing customer concerns than those relying solely on a PBX- replacement sales motion.

3 FMC via software applications, WebRTC, or mobile-core-based solutions are appealing as organizations become more distributed. Novel mobile UCaaS solutions address organizations' need for mobile access to secure, reliable, compliant business communications and collaboration. Providers must evaluate the feasibility of providing app-based and native-dialer-based solutions for different users.

Source: Frost & Sullivan

Key Takeaways

4 Technology advancements (e.g., 5G, flexible APIs, and programmability) and UCaaS provider search for growth and differentiation opportunities are powering vertical industry strategies. Increased focus on frontline worker empowerment and workflow optimization drives communications integration with productivity, business, and vertical software and services.

5 A robust 76% of IT/telecom decision makers surveyed by Frost & Sullivan in January 2023 stated that empowering frontline workers is an important driver for their communications and collaboration investments. Providers with a strong focus on APIs and communications integrations into workflows are poised to capitalize on vertical growth opportunities.

Source: Frost & Sullivan
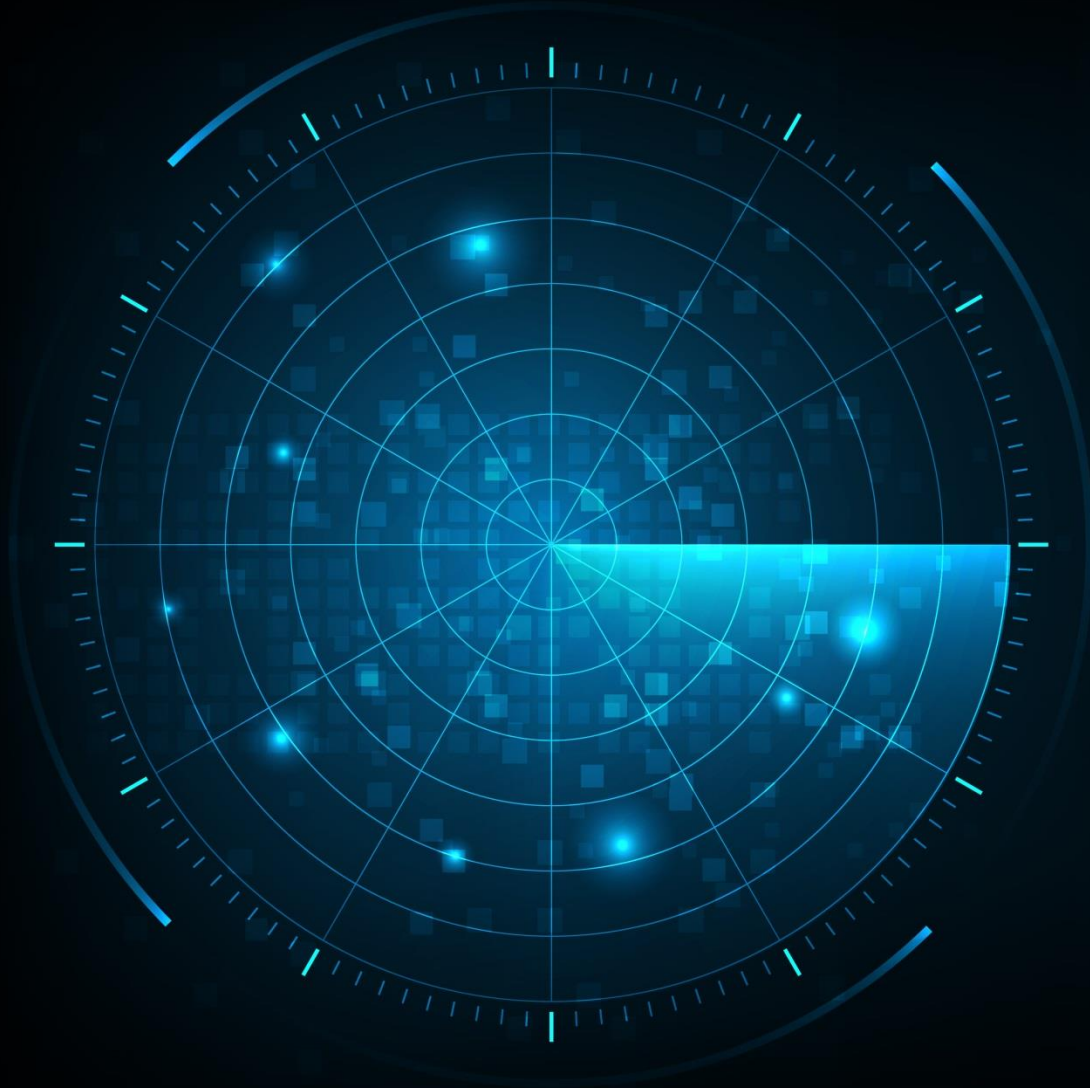
Frost Radar™

Analytics

Frost Radar™: Benchmarking Future Growth Potential
2 Major Indices, 10 Analytical Ingredients, 1 Platform

GROWTH INDEX ELEMENTS

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market, competitor, and end-user focused sales and marketing strategies.

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
  This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.

- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
  This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.

- **GI3: GROWTH PIPELINE**
  This is an evaluation of the strength and leverage of a company's growth pipeline system to continuously capture, analyze, and prioritize its universe of growth opportunities.

- **GI4: VISION AND STRATEGY**
  This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?

- **GI5: SALES AND MARKETING**
- This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

INNOVATION INDEX ELEMENTS

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

- **II1: INNOVATION SCALABILITY**
  This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

- **II2: RESEARCH AND DEVELOPMENT**
  This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

- **II3: PRODUCT PORTFOLIO**
  This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.

- **II4: MEGA TRENDS LEVERAGE**
  This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found here.

- **II5: CUSTOMER ALIGNMENT**
  This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

Legal Disclaimer

Frost & Sullivan is not responsible for any incorrect information supplied by companies or users. Quantitative market information is based primarily on interviews and therefore is subject to fluctuation. Frost & Sullivan research services are limited publications containing valuable market information provided to a select group of customers. Customers acknowledge, when ordering or downloading, that Frost & Sullivan research services are for internal use and not for general publication or disclosure to third parties. No part of this research service may be given, lent, resold, or disclosed to noncustomers without written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the publisher.

For information regarding permission, write to: permission@frost.com