

Frost Radar™ : Unified Communications as a Service in North America, 2024

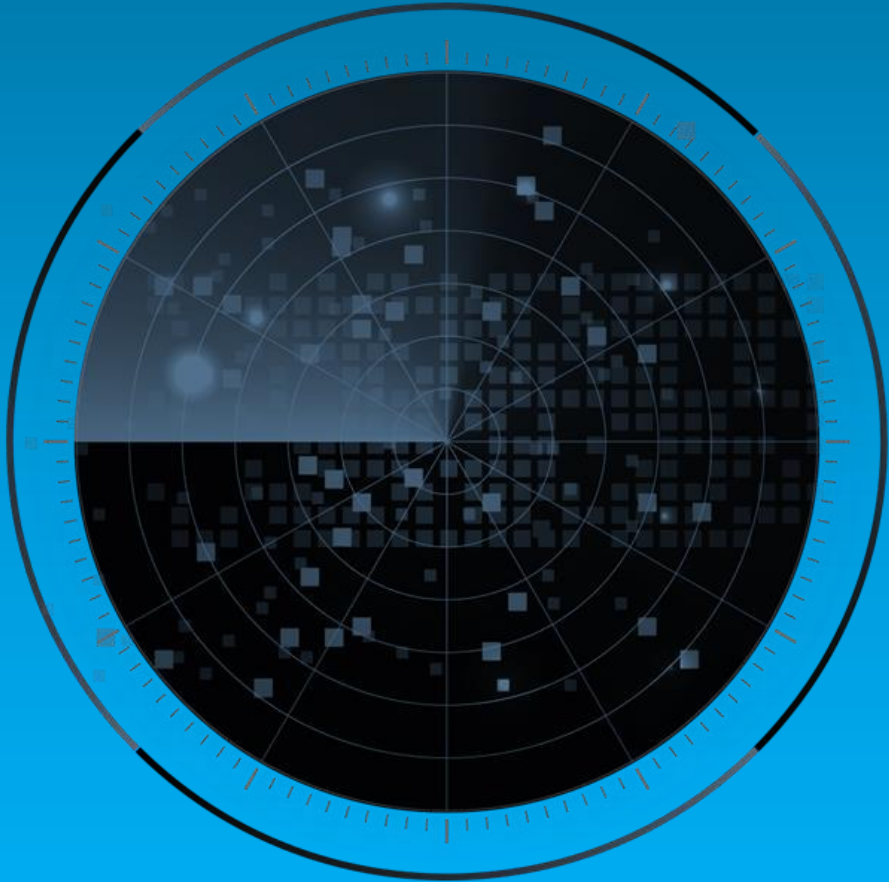
A Benchmarking System to Spark Companies to Action - Innovation That Fuels New Deal Flow and Growth Pipelines

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Strategic Imperative and Growth Environment



Strategic Imperative

- As cloud communications increasingly penetrate mainstream buyers, customer requirements become more diverse, which creates both challenges and opportunities for service providers. Furthermore, evolving portfolio and solution capabilities, go-to-market strategies, and value propositions compel market participants to constantly adjust their offerings and strategies to maintain a competitive edge.
- A service provider's background, portfolio, and skill set determine whether it straddles the full spectrum of customer needs or targets the unique requirements of specific customer segments. However, certain common trends are determining long-term success in the unified communications as a service (UCaaS) market, regardless of participants' customer focus and market strategy:
 - 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 2024 decision-maker survey show that 55% of North American organizations prefer to buy and another 40% would consider purchasing a full UCaaS stack from the same provider. In cases in which providers cannot offer compelling meeting and messaging capabilities natively on their cloud PBX platforms, they must provide effective integration with third-party collaboration solutions.
 - Integrated platforms delivering UCaaS, contact center-as-a-service (CCaaS), and communications platform-as-a-service (CPaaS) are the foundation of next-generation business communications solutions. To address customer needs holistically and tailor functionality for different user personas, providers must leverage integrated, microservices-based platforms with flexible APIs.
 - The disintegration of the value chain (applications plus connectivity) is creating new challenges and opportunities for service providers. Provider strategies must capitalize on their core competencies to deliver both complete UCaaS and tangential services (for instance, connectivity, direct inward dial [DID] numbers, calling plans, and managed services) for third-party UCaaS.

Strategic Imperative (continued)

- 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 business communications functionality anywhere, anytime. New mobile PBX/UCaaS solutions enabling native mobile calling with the users' cloud PBX phone number appeal to organizations looking to provide reliable, secure mobile communications solutions to remote/hybrid desk workers, frontline employees, and field staff.
- AI technologies, including generative AI, are maturing fast and enabling organizations to optimize business operations, enhance workflows, and foster better customer and employee experiences. AI is driving much of the innovation in communications and collaboration solutions today. Technology developers and service providers that fail to embrace AI in their product development roadmaps will be left behind. However, the focus must be on delivering true, measurable benefits by addressing key customer pain points with the right AI-powered solutions.
- Security, regulatory compliance, 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 (including voice, video, and messaging). The growing risk of cyberattacks coupled with evolving regulations and policies is driving 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.
- Vertical strategies revolving around frontline worker enablement and bridging departmental silos create new opportunities for service provider differentiation. In the past, technology providers aimed primarily at one main persona—the white-collar knowledge worker. Leading providers are now tailoring solutions for different users and lines of business across a host of industries.

Strategic Imperative (continued)

- In addition, providers are offering composability through a broad set of APIs and no-code/low-code platforms that allow businesses to create their own apps, as well as integrate cloud communications with important workflows.

Growth Environment

- A global Frost & Sullivan survey of IT/telecom decision makers in January 2024 revealed that 96% of North American organizations will have adopted cloud or mobile PBX solutions to some degree by the end of 2026. However, even three years from now, only 17% will be managing entirely cloud-based telephony environments. The vast majority, 82%, expect to be managing hybrid environments with elements of both cloud-based and premises-based solutions in 2026. Service providers should anticipate a slow and gradual customer migration to cloud communications, which may yield lower cloud PBX and UCaaS growth rates in the near term but an opportunity to sustain a growth trajectory for a longer period.
- Frost & Sullivan survey data indicate that 58% of North American organizations expect communications and collaboration technology budgets to increase in 2024 compared with 2023 while 39% 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 due to international conflicts, restrained technology investments throughout most of 2023 and 2024 to date. It should also be noted that budget increases may be partially due to inflation, which may indicate that technology adoption may not accelerate in proportion to budget increases.
- Evolved work models are among the leading drivers for cloud communications adoption. Organizations embracing flexible work styles and supporting a large number of 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.

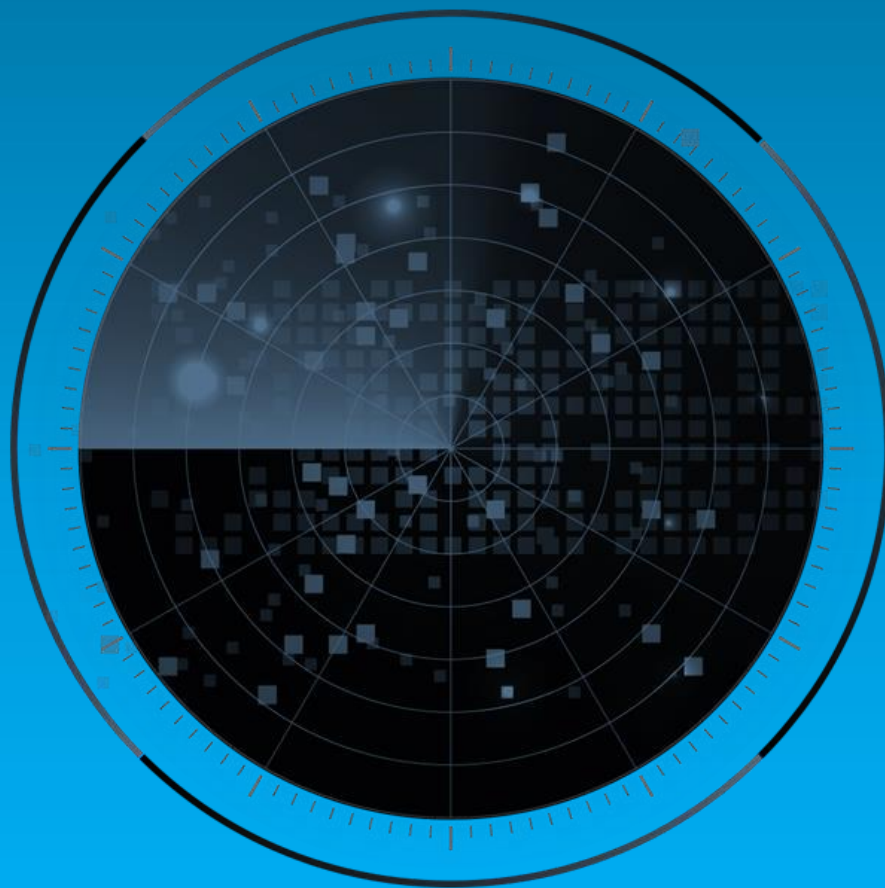
Growth Environment (continued)

- The migration from premises-based enterprise telephony solutions to cloud PBX and UCaaS is increasingly the result of a pull-through effect from organizations adopting modern collaboration solutions such as Cisco Webex, Microsoft Teams, or Zoom Workplace. Whereas enterprise telephony upgrades were typically separate from video conferencing deployments and the result of deliberate PBX replacement strategies, communications solutions modernization now often starts with meetings solutions, which then leads to the adoption of a cloud PBX that is part of the same cloud services suite. The cost savings and user experience benefits of adopting an integrated solutions set from the same vendor are driving this trend.
- Enhanced value propositions including vertical/frontline workflow improvements and employee skills optimization are boosting UCaaS adoption in organizations pursuing broad digital transformation. Improved performance in terms of security, reliability, and quality of service (QoS) owing to the use of SD-WAN services, redundant data centers, and maturing technologies is enhancing UCaaS appeal among more demanding buyers.
- Diverse offerings in terms of features, price, design, and architecture—including mobile UCaaS and highly customizable solutions—are driving broad penetration across the entire customer spectrum. Diverse business models including fully digital customer journeys, white-glove customer engagements, and a variety of reseller/partner models (agency, white-label wholesale, strategic partnerships, and BYOC) are also expanding providers' market reach.
- AI-driven solution enhancements will have a significant impact on UCaaS market growth. Free-of-charge, AI-powered features will increase cloud communications appeal across the customer spectrum and may accelerate UCaaS adoption. Premium AI features will enable innovative providers to increase seat prices of upper-tier solution bundles, as well as cross-sell and upsell to customers.

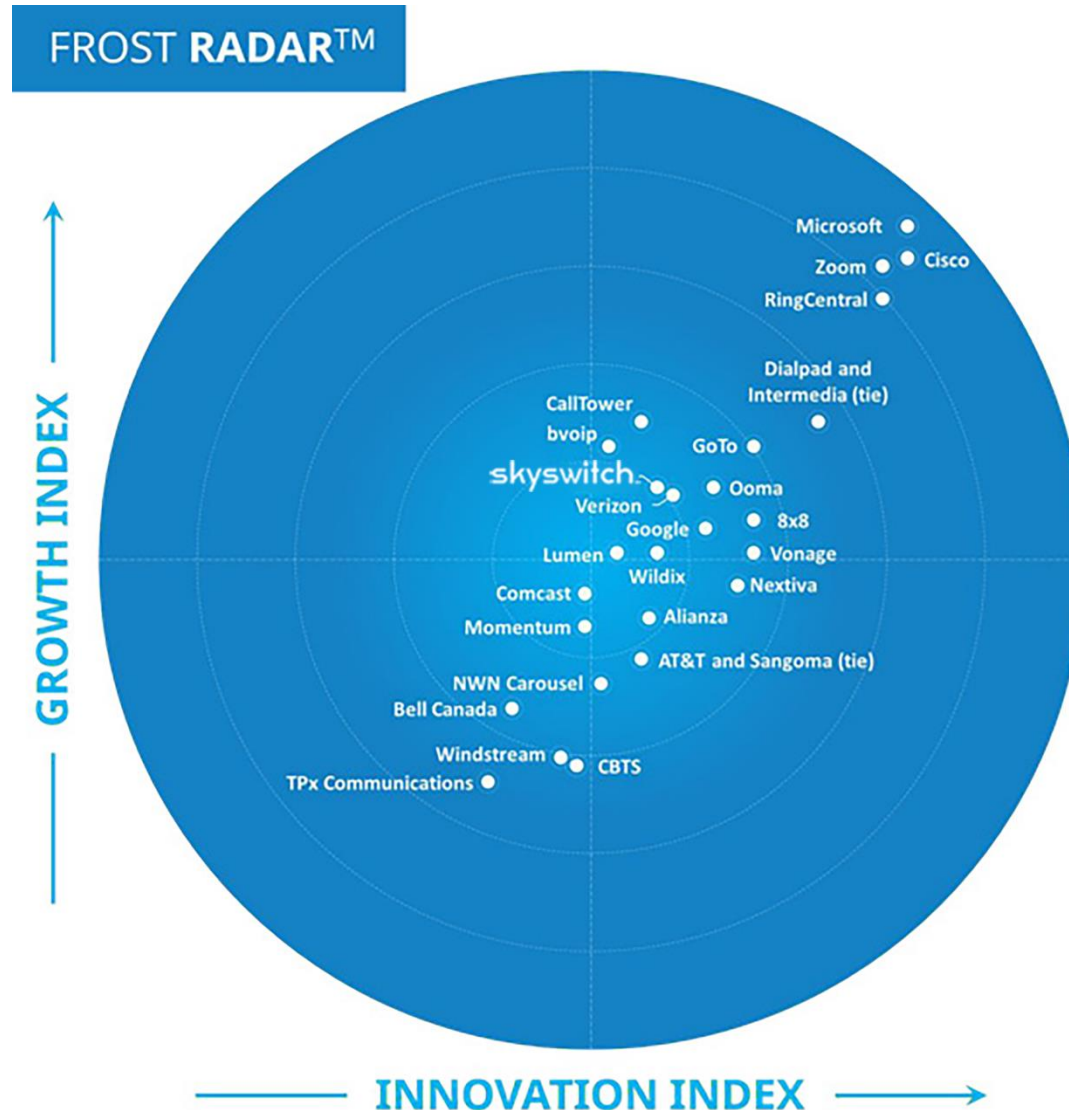
Growth Environment (continued)

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

Frost Radar™: Unified Communications as a Service in North America, 2024



Frost Radar™: UCaaS in North America, 2024



Frost Radar™ Competitive Environment

- Frost & Sullivan has evaluated service providers based on the capabilities they offer to end customers, whether developed, hosted, and managed by the providers or their technology partners. They receive credit for their innovation in solution packaging and positioning, network capabilities, tangential solutions (for instance, mobility and IoT), managed and professional services, and other aspects of their portfolios and strategies that determine customer value in cloud communications deployments.
- Intensified M&A activity over the past few years has consolidated power and created new levels of competition. Activity slowed in 2023 and 2024 to date due to tough macroeconomic conditions and volatile company valuations. The future will bring further consolidation activity. Providers must seek opportunities to enhance their portfolios, scale, and tap into new market segments through M&A.
- The rise of the giants—Cisco, Microsoft, RingCentral, and Zoom—is forcing other UCaaS providers to reevaluate their business models. In addition to M&A, BYOC and resale partnerships are among the strategies that providers employ to capture new growth opportunities. Coopetition is the best way for many UCaaS providers to secure a niche for themselves while also providing additional value in competitor environments. Direct Routing, Operator Connect, and native mobile calling solutions for Teams Phone are services employed to voice-enable Microsoft Teams environments. They are also examples of growth strategies capitalizing on providers' strength in voice connectivity and managed services to capture a share of customer technology spend in Microsoft Teams Phone deployments.
- Over the past two decades, telecom operators and next-generation service providers have leveraged their voice networks and third-party cloud PBX/UCaaS platforms to deliver end-to-end cloud communications solutions to businesses. With the widening gap between leaders and stragglers in the UCaaS market, the value chain is increasingly disrupted and market participants not developing their own UCaaS platforms are facing growing challenges.

Frost Radar™ Competitive Environment (continued)

- Many enabling technology vendors have made a strategic shift toward becoming service providers themselves, forcing service providers to resell vendor-managed cloud services rather than build their own solutions using third-party software. As a result of these trends, service providers are seeing shrinking margins on cloud PBX and UCaaS services, reduced brand equity and customer ownership, and limited differentiation opportunities.
- Service provider strategies in response to adverse market shifts vary. Some have chosen to solely focus on delivering connectivity and managed services in third-party UCaaS environments. A few remain committed to offering their own managed and branded UCaaS solutions. The majority are choosing a balanced portfolio approach that comprises provider-hosted and vendor-hosted solutions, as well as connectivity services for the most popular third-party UCaaS platforms.
- 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.

Frost Radar™: 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 cloud PBX and UCaaS solutions. Compelling wholesale prices enable SkySwitch resellers to offer affordable services to their customers while also generating solid profit margins for themselves.
- SkySwitch's private-label UCaaS offerings 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.
- The SkySwitch UCaaS reseller platform leverages NetSapiens' technology, 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.
- More than 200 APIs enable SkySwitch to differentiate and deliver tailored solutions to businesses. SkySwitch supports more than 250 integrations with CRM systems, Microsoft Teams, and other third-party solutions.

SkySwitch, a BCM One Company

INNOVATION

- 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, 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. New customers on existing platforms can evaluate the new Omni-Channel Contact Center and decide whether they want to switch from legacy offerings.
- Benefits of the new solution include faster deployment time and reduced need for white-glove services and involvement of professional services. In 2023, SkySwitch continued enhancing the new Omni-channel Contact Center, adding new dashboard layouts, scheduled reports, a preview dialer, transcription, video documentation, white-label branding, workforce management, and support for more devices (i.e., Grandstream, Poly, and Yealink). It also removed any extension range limitations.
- In 2023, SkySwitch also launched the new ConnectUC desktop and mobile clients, which provide access to calling, visual voicemail, call transfer and parking, business SMS (including image sharing), team messaging, video meetings and screen share, and fax. The ConnectUC client is included in all SkySwitch user seats. SkySwitch also launched CloudMessage, an enhanced business SMS solution that allows businesses to send individual SMS or blast out mass messages or auto responses. CloudMessage can be custom-branded with customer logos and colors.

SkySwitch, a BCM One Company

INNOVATION

- The 2023 acquisition of Pure IP enhanced BCM One's portfolio with PSTN-replacement capabilities in 50 countries and the ability to provide cloud voice services to Cisco Webex, Microsoft Teams, and Zoom users. In 2024, in a partnership with Tango, Pure IP launched Mobile Connect for Microsoft Teams Phone, an innovative solution enabling native mobile calling for Teams Phone users.

SkySwitch, a BCM One Company

GROWTH

- SkySwitch operates as the white-label UCaaS arm of BCM One's family of brands and receives BCM One's strong financial backing. Founded in 1992, BCM One has steadily grown to establish itself as one of the leading providers of cloud communications solutions and managed network services in North America. Strategic M&As have represented a key element of BCM One's growth strategy. From February 2019 to June 2024, BCM One made nine strategic acquisitions, each adding different capabilities to the company's portfolio, as well as expanding its customer base.
- With the acquisition of SkySwitch in early 2021, BCM One gained a strong foothold in the North American white-label UCaaS market. With the subsequent 2021 acquisition of CoreDial, BCM One diversified its cloud communications portfolio and nearly tripled its installed base of UCaaS seats. It also more than doubled the size of its partner network and further solidified its position as a leading provider of private-label cloud services for North American resellers.
- BCM One's ability to execute is evidenced by its ability to drive organic growth on all its reseller platforms post-acquisition. It continues adding thousands of net new seats to its installed base each month, which will enable it to maintain a strong competitive position in the near future.
- Pure IP's PSTN replacement services in 50 countries significantly expand BCM One's international presence. Although not technically UCaaS services, based on Frost & Sullivan's definitions and methodology, Pure IP's voice solutions for third-party UCaaS platforms will provide BCM One with additional sources of revenue and may also create pull-through for its own UCaaS solutions.

SkySwitch, a BCM One Company

GROWTH

- Pure IP 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. The recent launch of Mobile Connect for Microsoft Teams Phone creates opportunities for BCM One to capitalize on the growing demand for mobile-first solutions among remote/hybrid desk workers, frontliners, and field staff.
- Pure IP also augments 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.

SkySwitch, a BCM One Company

FROST PERSPECTIVE

- The choice to acquire partner-centric companies, such as SkySwitch and CoreDial, enables BCM One to effectively differentiate itself from competitors. BCM One supports its white-label UCaaS partners with a variety of services, including implementation, integrations, number porting, and migrations. Its Software-as-a-Service (SaaS) platforms facilitate partner purchase and ownership experiences by automating the quoting, provisioning, billing, taxation, and management processes.
- BCM One's vast network of approximately 1,700 private-label UCaaS resellers allows it to scale its operations more rapidly and 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 help it expand its partner network and thrive despite increasing competition.
- BCM One offers a variety of additional services, such as Global Managed Connectivity, SIP trunking, SD-WAN, managed security, SASE, and, more recently, voice-enablement services for third-party UCaaS solutions. These capabilities will allow BCM One to address diverse customer use cases and capture more growth opportunities.
- Traditionally, BCM One has served primarily US businesses. Its Pure IP acquisition may 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.

SkySwitch, a BCM One Company

FROST PERSPECTIVE

- Throughout its history, the company 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.
- A stronger focus on tailored strategies for different verticals and, more specifically, frontline workers can unlock competitive advantages for BCM One 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 more effectively.
- BCM One's family of brands includes BCM One, SkySwitch, SIP.US, SIPTRUNK, Flowroute, and Pure IP. Each addresses a specific customer profile across NextGen Communications and Managed Services.

Best Practices & Growth Opportunities



Best Practices

1

The addressable market is becoming more clearly segmented between organizations and/or users looking for collaboration-rich UCaaS and those with a preference for voice-centric cloud communications solutions. Specific workflows, user demographics or job roles, interaction cultures, 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 CX, driving growth, and attracting the best talent top the list of end-user organizations' communications investment objectives. This is driving investments in cloud contact center and CX management solutions, and full-stack UCaaS solutions that include video meetings and team collaboration. Providers with integrated, collaboration-rich UCaaS and CCaaS offers are better positioned to address evolved customer expectations 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 aim to address organizations' need for mobile access to secure, reliable, compliant business communications and collaboration. Providers must evaluate the feasibility of providing both app-based and native-dialer-based solutions for different types of users.

Growth Opportunities

1

Acquire cloud contact center assets or partner to bring such capabilities to market quickly. Alternatively, develop CX capabilities internally to better control the technology roadmap and prices. Simple ACD functionality with reporting capabilities may suffice among cost-conscious SMBs. Multichannel contact center with advanced analytics, IVR, call recording, and AI-powered features is required in the mid-market and large enterprise. Leverage flexible APIs to embed communications services in customer-facing portals.

2

Offer a consistent user experience across networks and devices: PC/Mac (desktop and web clients), desk phone, and mobile device (native or app-based dialer). Enhance your mobile/WebRTC app or mobile UCaaS to provide more than a voice-service replacement option. Leverage existing mobile assets, acquire an MVNO status, or explore partnerships to deliver native mobile calling with the cloud PBX user number.

3

Gain deep understanding of business processes within different verticals and among job functions to identify use cases for embedded and/or integrated communications features. Leverage integrated, extensible platforms to enable unique persona-based user experiences (e.g., front desk, field sales) that combine UC and contact center features. Offer APIs and SDKs that enable developers to embed your communications functionality into a website, business application, desktop client, or mobile app.

Frost Radar™ Analytics



Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

Growth Index

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 (continued)

Innovation Index

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.



III

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.

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