

Intensifying competition in the unified communications market presents new threats for network operators

October 2020

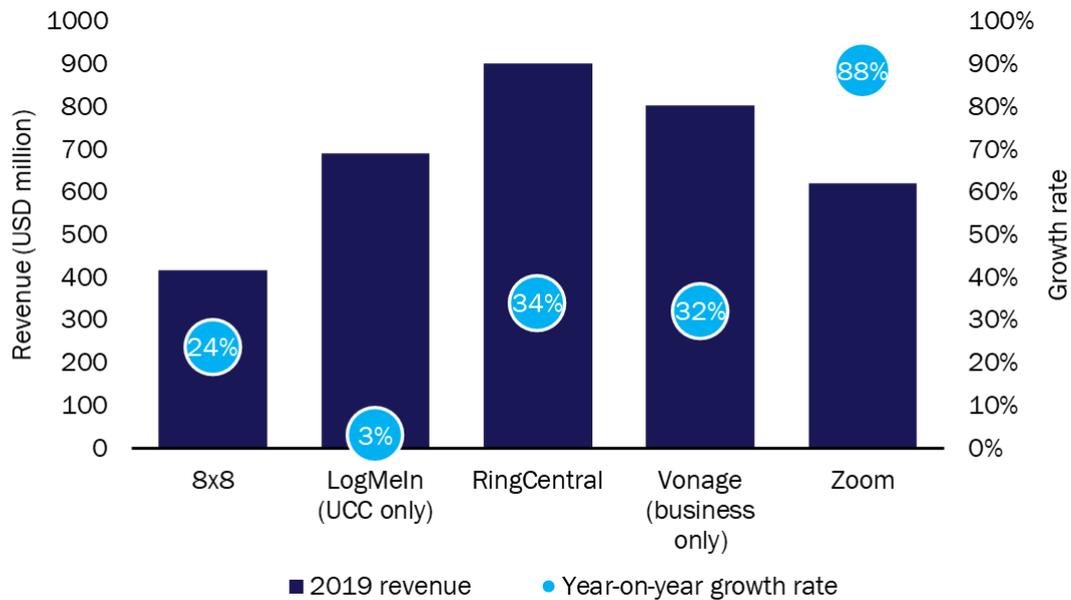
Catherine Hammond

Unified communications (UC) providers have achieved significant revenue growth over the past few years and have also benefited from an acceleration in service adoption during 2020 due to the impact of COVID-19. Many providers are now expanding their portfolios and geographical reach to sustain revenue growth and to increase market share. This is intensifying competition in what is already a complex and crowded market. In particular, UC vendors pose an increased threat to telecoms operators, as these vendors extend PSTN integration and PBX replacement services. This article highlights some key findings from Analysys Mason's report *Unified communications technology providers: case studies and analysis*, which provides full profiles of the vendors discussed.

The potential for revenue growth and service breadth in the unified communications market has attracted a diverse range of players

UC services integrate multiple communication features including voice, video, chat, file sharing, customer relationship management (CRM) and business process tools. UC services are also closely related to the delivery of contact centre services and omni-channel communications platforms. The rapid revenue growth potential of the UC market has attracted a diverse range of players with expertise in one or more of these areas.

Many providers report strong revenue growth for their cloud-based UC services (see Figure 1), though for those with an on-premises heritage this may come at the expense of falling revenue from legacy solutions.

Figure 1: UC service revenue growth and year-on-year growth rates, selected providers, calendar year 2019¹

Source: company reporting

UC providers' revenue growth strategies present new threats to network operators

Many UC providers are expanding their proprietary portfolios and geographical reach to sustain the rapid revenue growth that they have experienced to date. This tends to bring them into more-direct competition with one another and with network operators. The threats to network operators are clear: UC specialists are offering cloud-hosted voice solutions to rival those of operators, coupled with full PBX replacement in a growing number of countries. Portfolios are expanding to a breadth that few operators have the scale to compete with. New players are also challenging in the contact centre market, traditionally a point of strength for many network operators.

Many UC providers are seeking to expand geographically into new markets and are investing heavily in their channel strategy, particularly those that lack an existing customer base of on-premise or other solutions. For example, 8x8 grew its number of channel partners from around 100 in 2018 to more than 1000 by mid-2020. RingCentral has struck a series of deals over the last 12 months with ALE, Atos and Avaya to exclusively market a RingCentral-powered UCaaS solution to their installed PBX bases.

A growing number of UC providers offer PSTN integration and PBX replacement services to rival those of network operators. Many cloud-native voice providers were already active in this market in the USA but are expanding to new geographies; 8x8, RingCentral and Vonage each now provide full PSTN replacement services in 30–40 countries. Since 2018, businesses that purchase Microsoft Teams are able to add a cloud-PBX solution and PSTN integration to their Teams installation. This is often done via a third-party service provider but Microsoft also offers its own calling plans in 12 countries. Zoom Phone, launched in 2019, is currently available in more than 40 countries.

A significant number of UC providers are developing proprietary solutions for services that have previously relied on partner technology, providing them with greater control over user experience and costs. For example,

¹ The data is for the year ending 31 January 2020 for Zoom.

Mitel (in March 2020) and RingCentral (in April 2020) launched their own video meetings services. Many providers have also extended their in-house capabilities via acquisition. For example, Vonage's acquisition of NewVoiceMedia in 2018 provided enhanced contact centre capability.

There is also a trend towards the delivery of a converged user experience across UC, contact centre and other adjacent services such as CRM tools. Cloud-native voice providers such as 8x8, RingCentral and Vonage are particularly active in this area, with an emphasis on proprietary solutions for UCaaS and omni-channel contact centres, integrated with third-party applications via their open API platforms.

Operators should evaluate new partnership opportunities in the context of their broader UC strategy and market position

Network operators make attractive partners for UC specialists because operators have established customer relationships, local sales channels and control of the underlying connectivity on which UC services depend. Many operators already partner with Cisco to deliver hosted voice solutions and also offer PSTN integration for Microsoft Teams. It makes good sense to build further partnerships with UC providers that are relatively weak in PSTN integration, and smaller operators may be able to offer a much-expanded portfolio through partnership with specialist providers, even when they present a competitive threat in the voice market.

Network operators can also deliver multi-vendor solutions. At its simplest level, this can merely mean acting as a point of sales for multiple different solutions. Many operators already offer hybrid on-premise/cloud solutions and support technology from multiple UC specialists. Some operators, however, are seeking to go further in terms of integration. For example, BT Global's Connected Workplace solution is built around Zoom but is also intended to provide a fully integrated user experience across Cisco Webex and Microsoft Teams platforms and its own global voice network.

Some operators are attempting to compete more directly with UC providers by further establishing their own proprietary capabilities. Verizon, for example, has a suite of UC solutions integrated with its mobile network, global voice backbone and contact centre capabilities. Its acquisition of Blue Jeans in April 2020 extends its capabilities in meetings, events and rooms, and its retention of the Blue Jeans brand and web presence enables Verizon to offer the 'try-before-you-buy' sales strategy adopted by many over-the-top (OTT) UC providers.² This is an interesting acknowledgement of the value of both OTT and network-integrated solutions for different use cases and channels.

Further information about the ways in which operators are developing their own UC strategies is available in our report [Operator approaches to unified communications: ten case studies](#).

² More than 90% of Blue Jeans sales leads are from free trials.