The Shift to Cloud

App integration, mobile enablement, cost savings drive organizations to cloud workplace collaboration services

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Executive Summary

As organizations evaluate an abundance of communications capabilities for their workplace collaboration strategies, it's vital to consider the value of different approaches. In this report, we evaluate workplace collaboration, which Nemertes defines as three core pillars: calling, meetings, and team collaboration.

In addition, workplace collaboration may include Application Programming Interfaces (APIs), mobile extensions, security, and analytics. Some providers also may offer integrated contact center or Customer Relationship Management (CRM) solutions. Because there are many options for these additional features, mapping company requirements to options available becomes a crucial step in provider selection.

The paper is based on two recent research studies: Workplace Collaboration: 2019-20 Research Study of 645 organizations; and Intelligent Customer Engagement: 2019-20 Research Study of 518 organizations.

In evaluating workplace collaboration and the trends based on the research, we recommend considering the following findings:

- Cloud adoption is on the rise: Nearly 65% of organizations are using cloud services in some fashion—either Unified Communications as a Service (UCaaS), hosted, or hybrid.
- Companies spend $224 to $338 on workplace collaboration applications per employee, per year. Nearly 30% plan to increase spending in 2020, with most of the funding coming from central IT budgets.
- Anticipated cost savings is the top driver among companies considering and using cloud services.
- Total costs decrease by 17% to 90% (depending on provider and size of rollout) by combining at least three applications with one provider. Today, 46% of companies use one key provider; 34.7% rely on a primary provider plus some supplementals.
- Most organizations have more than just calling in their cloud licenses: 57.2% also have meetings; 52.4% have team collaboration; and 31.7% have contact center.
- Small and Midsize Businesses (SMBs) are most likely to select a single vendor for their workplace collaboration services; large organizations use a primary vendor and supplemental providers.
- Team collaboration services are gaining traction, with users reporting measurable success in meeting and email reduction and overall increases in productivity.

Workplace Collaboration Landscape

Workplace collaboration technologies enable enhanced employee productivity and efficiency. By improving internal communications and collaboration, organizations can bolster customer and employee experience—ultimately supporting digital transformation initiatives.

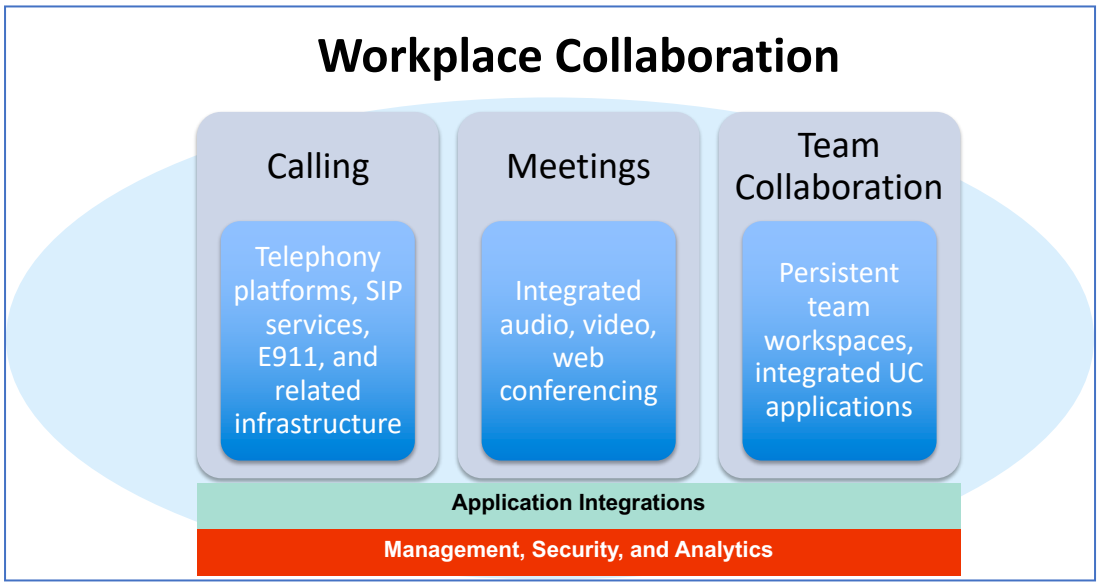

Figure 1: Workplace Collaboration

Workplace collaboration includes three main pillars:

- **Calling** – Includes telephony platforms, SIP services, E911, and all related infrastructure.
- **Meetings** – Includes integrated desktop video conferencing, audio conferencing, web conferencing/screen sharing, and mobile enablement of the meetings.
- **Team Collaboration** – Includes comprehensive, mobile-enabled applications centered around persistent team workspaces. Within the workspaces (or channels), companies can organize projects or job functions. In addition to chat, the applications also may incorporate screen sharing, voice calls, document collaboration and storage, digital whiteboards, and more.

The largest percentage of organizations (46%) rely on one provider for all workplace collaboration applications; 34.7% rely on a primary vendor plus some supplemental providers. A single provider unifies the applications, eliminating the need for multi-vendor integration.

Foundational Elements of Workplace Collaboration

Other components of workplace collaboration include open APIs, mobile extensions, security, and analytics.

- **Open APIs** enable integration with line-of-business applications, as well as the integration of multiple technologies or tools in an end-to-end communications solution.

APIs enable technology creativity—ultimately differentiating companies from their competitors.

- **Mobile extensions** address requirements for mobile workers and remote branches. By enabling the same features and functionality on mobile devices, organizations can maintain consistency in how employees communicate and track those interactions. Mobility shouldn't impede the ability to participate in meetings or collaborate in workspaces.
- **Workplace collaboration security** protects identities, data, access, and more. Yet, the percentage of companies that have a proactive workplace collaboration strategy has increased only slightly from 19.3% of companies in 2018 to 21.3% in 2019. However, by 2020, another 29.3% planning to develop a security strategy.

50.6%
planning workplace collaboration security strategy by 2020

Workplace Collaboration Spending and Adoption

On average, companies spend between $224 and $338 on workplace collaboration applications per employee, per year. The variation in spending depends on the size of the rollout and providers. A full cost-benefit analysis should include additional operational costs, such as IT staffing, equipment maintenance, training, and managed services.

Though 41.2% expect their budgets to be flat in 2020, 29.6% say they will increase spending by an average of 13%. Only 6.4% of organizations plan to decrease their spending in 2020. Funding for workplace collaboration comes from central IT budgets among 50.4% of the research participants, noting its position as a foundational set of technologies used enterprise-wide.

Collaboration Buying Models

In making those vendor buying decisions, IT and business leaders can opt for single or multiple providers. As Figure 2 illustrates, small and midsize organizations are most likely to select a single vendor, while large organizations use a primary vendor plus supplemental providers for point products. Across all sizes, the lowest percentage uses a "best-of-breed" approach, meaning they use a variety of providers for different functions.

One reason best-of-breed as a model is declining is because organizations find success in using a single provider, or identifying a primary provider that supplies most of the workplace collaboration applications. By combining at least three applications with a single provider, costs drop 17% to 90% vs. using multiple providers (depending on the vendors involved and the size of the rollout).

This savings is driven not only by leveraging economies of scale in subscription or licensing costs, but also by staffing resources. With a single provider, IT staffs greatly reduce their time spent on integrations and troubleshooting, as well as training and certification.

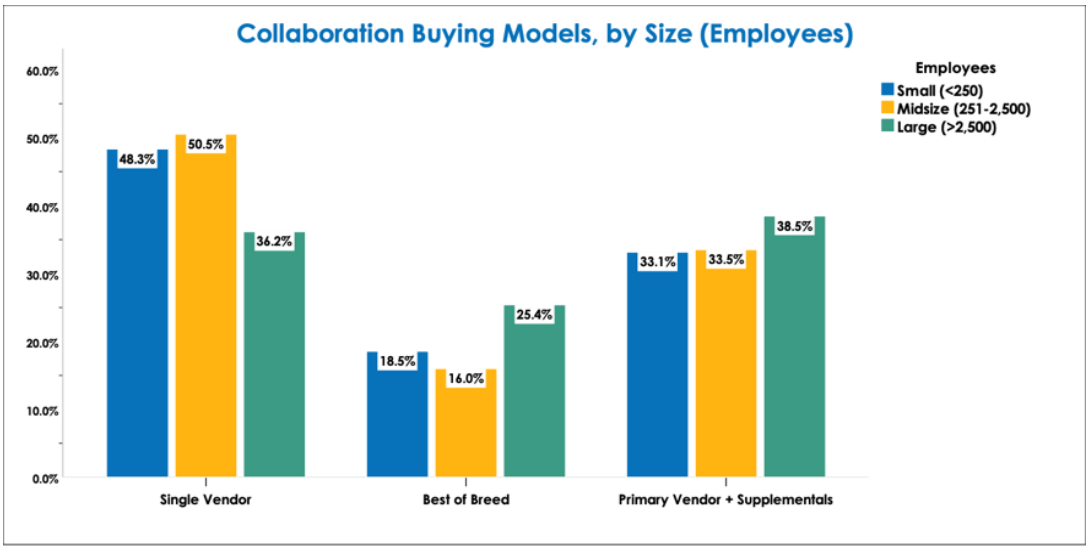

Figure 2: Collaboration Buying Models, by Size

Licenses Include Multiple Applications

Most organizations have more than just calling in their cloud licenses: 57.2% also have meetings; 52.4% also have team collaboration; and 31.7% also have contact center. Again, this underscores the value of a single user interface for multiple applications.

Organizations also are increasingly integrating their contact centers with workplace collaboration. Already, 42.1% of organizations have done so, with another 33.1% planning to do so in 2019 or 2020. At the same time, they are moving their contact center platforms to the cloud, making it easier to buy bundled services from cloud providers. By the end of 2019, 45% of companies will have Cloud Contact Center as a Service.

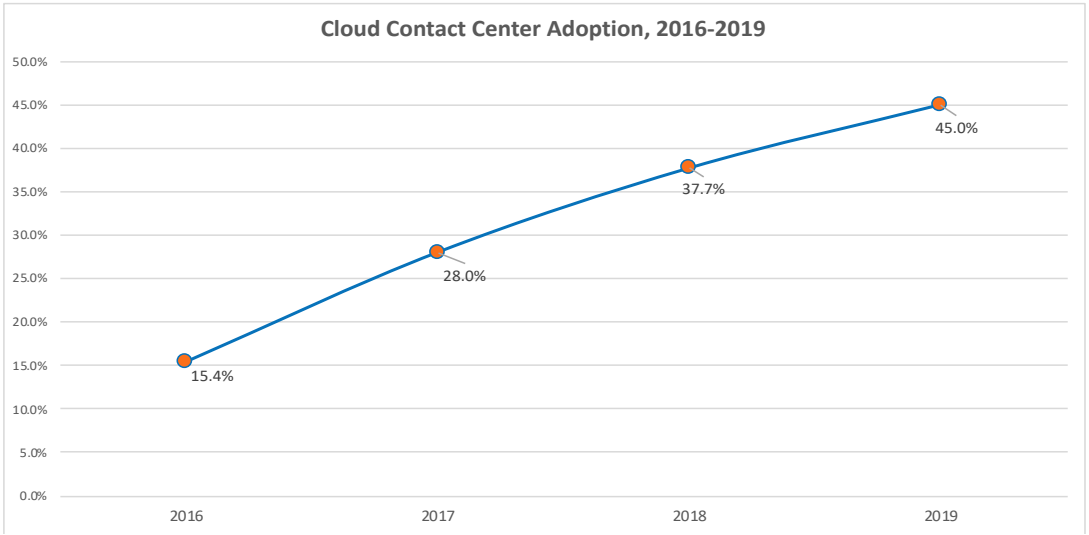

Figure 3: Cloud Contact Center Adoption, 2016-2019

Architecture Shifts to Cloud

The decision to select a single or primary provider becomes even more compelling when companies move their workplace collaboration applications to the cloud. Rather than addressing cloud-to-cloud or cloud-to-on-prem integrations, IT staffs can rely on the built-in integrations of a single provider. What's more, cloud providers are making it easier to integrate applications using Application Programming Interfaces (APIs).

In our latest research, nearly 65% of companies are using cloud-based calling services in some form—either single-server hosted or multi-tenant UCaaS, and either solely UCaaS/hosted or hybrid with some on-premises equipment still in place.

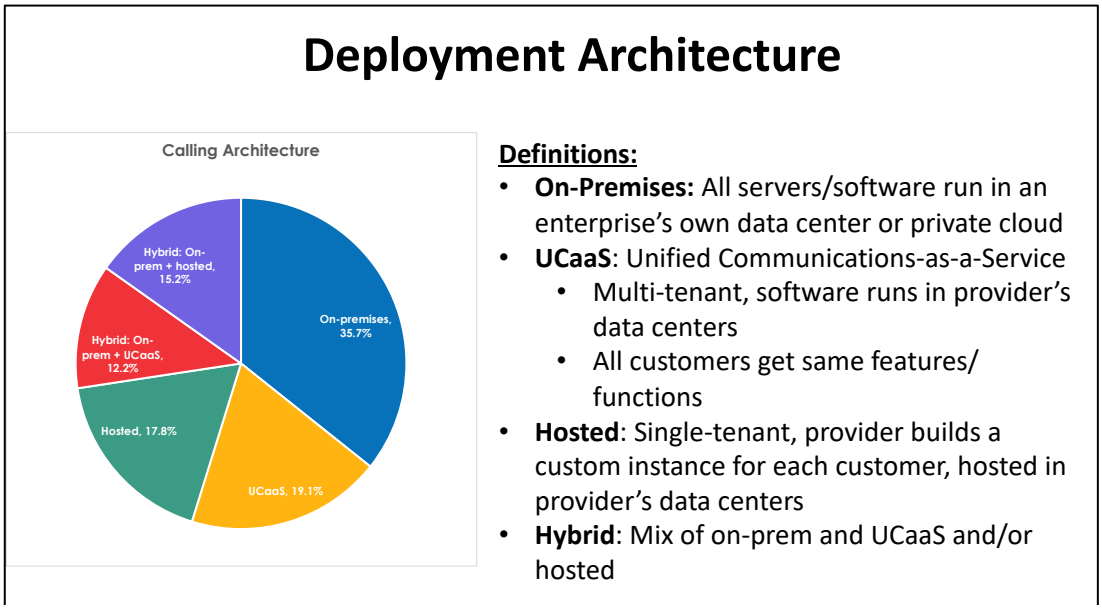

Figure 4: Deployment Architecture

UCaaS adoption is highest among SMBs (up to 2,500 employees), but all sizes of organizations are adopting it. SMBs also typically find greater cost savings than larger counterparts that already are managing a 24 x 7 Network Operations Center and do not cut their staffs when moving to the cloud. Nonetheless, large organizations are shifting to or considering cloud because of the agility it affords them.

Cloud Drivers

In fact, when we ask IT leaders what's driving them to use or consider cloud for workplace collaboration, 47% cite cost savings, whether perceived or real. Cost savings is, by far, the key driver for midsize companies, with 250 to 2,500 employees. They say cloud reduces or eliminates capital expenditures and may reduce operating expenses, as well, depending on changes in internal staffing and existing equipment maintenance costs.

The top cloud driver is cost savings, followed by agility-related features, such as better scale, feature availability, speed of feature availability, and remote worker support. Remote worker

support is a key consideration, particularly considering nearly one-third of organizations are increasing their percentage of telecommuters or virtual workers this year.

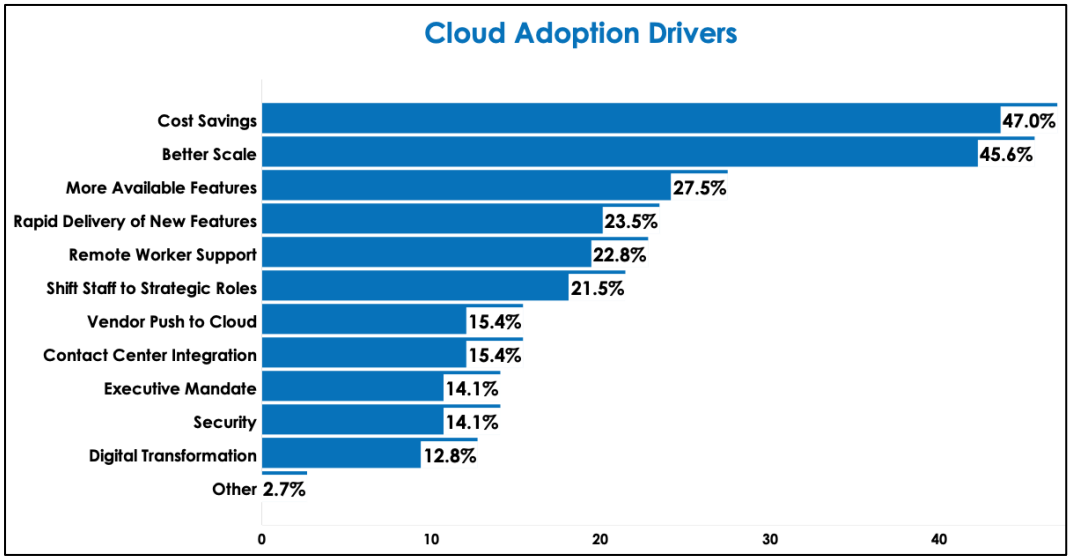

Figure 5: Cloud Adoption Drivers

Organizational Changes for Cloud Adoption

The IT staff looks different in on-premises vs. cloud architectures. Most organizations don't cut their staffs when moving to the cloud; they reassign them to more strategic roles. In many cases, organizations invest in their staffs at least for the first two years as they shift to cloud services to ensure success. Staff changes occur in the following areas:

- **Technical** – The number of full-time equivalents required for technical, day-to-day functions decreases slightly with a move to the cloud. Though companies turn over many technical functions to their cloud providers, they take on new ones internally. Those may include integration between cloud calling or meetings and enterprise applications. We expect the number of technical staff members required to decline further over time, as IT staffs slowly release control to their providers and complete integrations.
- **Relationship management** – As organizations outsource to the cloud, they must actively manage their relationship with their providers.
- **User Awareness and Adoption (UAA) programs** – Organizations must market the value of any new IT capability. They are most successful when they hire experts *within IT* to oversee marketing and communications to employees about which workstream collaboration services are available. More importantly, they market *why* they should use them vs. *how* to use them. Once they understand the value the services can bring (i.e., shave time off a particular function, help to speed decision-making, etc.) they train employees on how to use them.
- **Business Liaisons** – Some organizations see a move to the cloud as an opportunity to increase the number of people who are working directly with the business units to promote IT services, or work together to determine how technology can solve problems or create opportunities.

Team Collaboration Showing Value

Team collaboration is the holy grail for employee productivity. Because of the integration and improvements in productivity, some already are replacing their traditional calling or meetings applications with team collaboration applications that offer embedded calling capabilities.

Nearly 64% of organizations are using or planning to use team collaboration applications. Interestingly, the top two reasons for *not* using team collaboration are "lack of demand" and "no benefit." This is important to note because employees don't know what they don't know. That's one reason UAA programs are so vital to this fast-paced, innovative field.

In fact, not all employees understand the value of these collaborative applications. Consider these data points:

- 37.4% of organizations view team collaboration as "just another application"
- 28.9% view it as the "hub for all work and collaboration"
- 27.5% say team collaboration "will vary by role"

Those in the middle—who view team collaboration as the hub for all work and collaboration—will get the most value out of the technology. Additionally, user analytics help determine which applications are in use most, which are producing measurable success, and which are lagging. This data can help IT marketing teams expand on what's working, and pull back on what's not.

Success Metrics Showcase Value

Already, organizations are reporting measurable success with team collaboration. Nearly a quarter have measured a decline in the number of meetings they are having—by an average of 22.8%. Team collaboration, integrated with workflows, may reduce the number of meetings by enabling teams to manage projects and task status from within the app.

Team Collaboration apps:

- √ reduce meetings required by 22.8%
- √ reduce emails by 12.2%
- √ improve productivity by 13%

Additionally, 18.6% measured an average 12.2% decline in email. Team collaboration may replace email conversations, improving context of conversations and the ability to add new employees or external business partners to discussions.

Most importantly, 26.7% say they measured an average productivity increase of 13%. In a 40-hour work week, team collaboration is saving employees an average of 5.3 hours.

Conclusion and Recommendations

Workplace collaboration is increasingly broad and complex. IT leaders who use single providers realize the most significant cost benefits.

Along with an increased focus on how workplace collaboration can make organizations more effective and productive, IT leaders must examine costs—and the *value* of the product or service. Moving to cloud may do wonders for agility, but it may not save money. That may be perfectly fine for some organizations but not for others. Similarly, using best-of-breed may get extra features startups may offer, but it comes at the cost of integration and increased vendor management.

When evaluating workplace collaboration, consider the following:

- Evaluate the move to cloud UCC with a broad perspective. Do not just evaluate single applications, such as calling or meetings. Consider the entire portfolio of applications, including but not limited to, calling, meetings, team collaboration, contact center, and even CRM.
- Assess ongoing operational costs realistically. Though some costs, such as technical staffing, will decrease, others will increase. And consider the potentially huge cost savings that results from using a single or primary provider vs. multiple.
- Consider cloud services if rapid deployment of new features, scalability, and offload of day-to-day technology management are key to your organization. Additionally, if uptime and redundancy are key—particularly with crucial communications of a contact center or sales organization—cloud backup and redundancy typically out-perform on-premises deployments, ultimately delivering a return on investment.
- Don't overlook mobile requirements. As employees and customers increasingly use mobile devices for all types of interactions, consider where you can deliver a mobile-first deployment best—from the cloud or on-premises.
- Develop a UAA program to ensure widespread adoption and value from your workplace collaboration applications.
- Select the right provider for your requirements. Map your needs with the capabilities of those providers on your short list. Additionally, evaluate providers' stability and breadth of experience across all workplace collaboration applications and ancillary services.