



Secure Real-Time
Communications

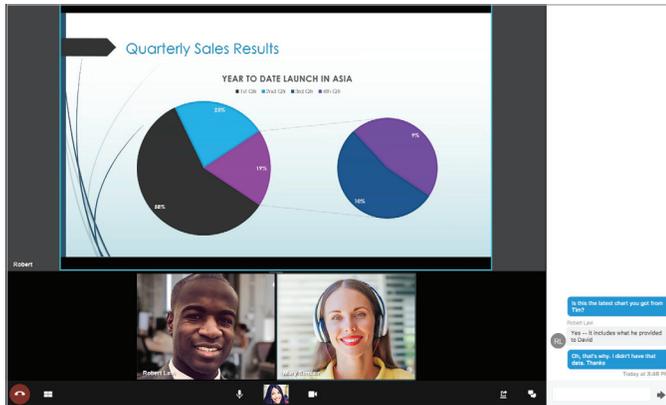


Making the move from Cap-ex to Op-ex in the UCaaS market

Overview

Are you offering Unified Communications as a Service (UCaaS) to your customers? If not, you should be. Industry analyst firm Gartner forecasts a nearly 15% CAGR for UCaaS worldwide from 2018 to 2022. Ribbon's own proprietary research into the Small and Medium Enterprise (SME) market for UCaaS shows IP adoption rates at only 20 to 30%, implying a large potential market. The same study predicts rapid adoption by SMEs, with 90% saying they are interested in UCaaS and 75% expecting their business to switch to a cloud solution in the next two years.¹

If you are not offering UCaaS, the time is right to enter the market. Not only is the market growing but third party UCaaS platforms offer an easy way to get started with little investment in infrastructure. Most new market entrants are going the 3rd party route, as it gives the provider a high quality product offer that's easy to productize, as well as flexibility to change if conditions warrant.



If you are already in the UCaaS market, chances are you are delivering the service on a platform from one of the major vendors, installed in your private cloud and managed by internal staff. You have gone through the pains of productizing UCaaS, and hopefully have hit a steady state of customer acquisition that meets your financial goals. For you, there may be no reason to change this approach. For others, a change might be warranted, for reasons such as financial flexibility, resource challenges, and product limitations.

This Solution Brief looks at the costs, benefits, and drawbacks of the two approaches for UCaaS: CapEx and OpEx. Platforms that you host and manage require CapEx for infrastructure

and labor costs to operate the platform, provision services, and provide support to customers. Third party platforms can shift many of those costs to OpEx, allowing you to scale the platform as sales grow, but offer fewer opportunities for customization.

Over 90% of Small to Medium Enterprises are interested in UCaaS

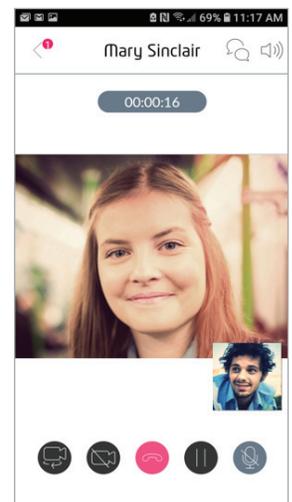
We will review the financial, product, and resource aspects of CapEx versus OpEx.

Financial

If you've already made the investment in a platform, on the surface moving to a cloud platform wouldn't seem to make sense. However, looking a bit deeper might tell a different story.

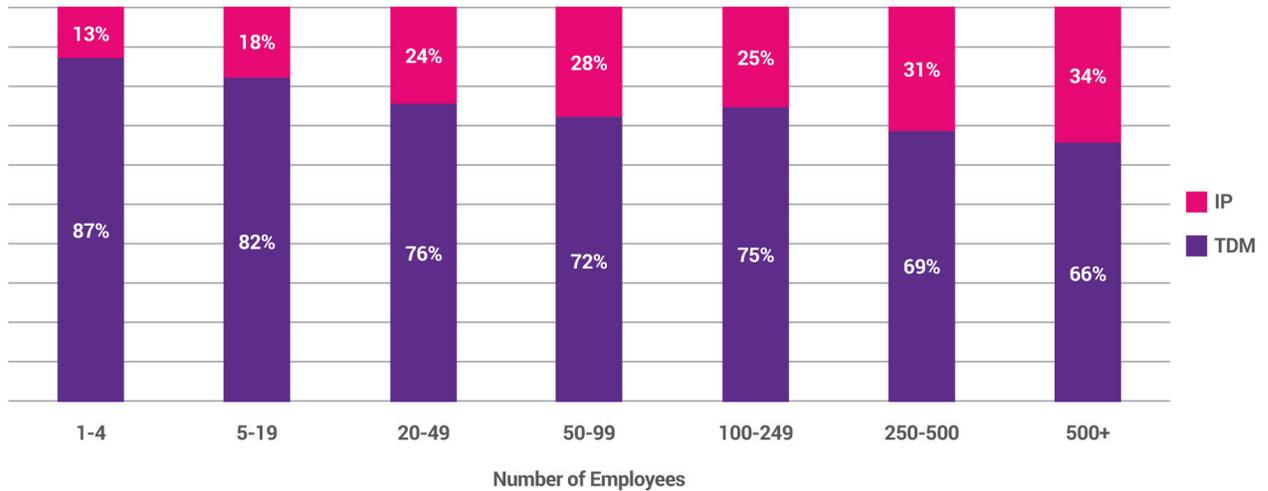
- Technical resources to manage the server environment and application, provision and maintain customers, and provide technical support
- Training of technical resources on managing and maintaining the server
- Annual maintenance expenses, typically 10-20% of the cost of investment you've made
- Additional licenses for new features or adding more customers

Opportunity cost is another big financial consideration and a common refrain for both small and large providers. Constraints on back office resources with the right skill sets limits the number of customers you can bring in on in a given time period. In essence, you're leaving "money on the table" – turning away customers or slowing down acquisition programs because you don't have the capacity to serve them.



In this competitive marketplace that's likely a customer that's lost forever. A cloud platform provider is optimized to scale, eliminating this constraint.

¹ Unified Communications Market Report: Purchase Drivers for North American SMBs. <https://view.highspot.com/viewer/5c79afd181171714bcc0640e>



Ribbon proprietary research shows that considerable market adoption is still to come, making for an attractive addressable market.

When you add up the costs and consider the loss of potential revenue, it could make sense to pursue a cap and grow strategy with your existing platform, moving new customers to the 3rd party platform.

Product

As the UCaaS market is evolving quickly, platforms are adding new and important features like collaboration, video conferencing and APIs to allow customers to add real time communications to their business applications. For providers, these features mean new revenue opportunities.

As a provider managing your own environment, you will need to continually update and add new features to stay competitive. On the other hand, a cloud platform provider will work hard to provide the latest, most competitive features to meet the market demands. If you as a seller don't have these features, you can quickly lose business to providers that do.

Another aspect to the product is the markets that you can serve. Cloud platform providers can offer out-of-footprint services such as number management, porting, and E-911. This gives you a larger share of the market in which to prospect, even if it's supporting a customer in your network footprint that has branch offices off-net. Finally, many cloud platform providers can also offer SIP trunks anywhere in the country and many places in the world.

If your target customers for UCaaS do not require extensive customization or business system integration, a cloud platform could be the right choice to scale.

Resources

A self-managed UCaaS platform requires skilled resources to run and manage the platform, provision customers, and provide technical support to the customer base. Many providers can't afford to scale their teams proportional to market opportunity.

You may also be in an area where skilled resources are hard to come by or you may have key staff retiring without someone ready to take their place. Cloud platform providers can augment your staff in these areas or provide automation to allow your team to be more efficient.

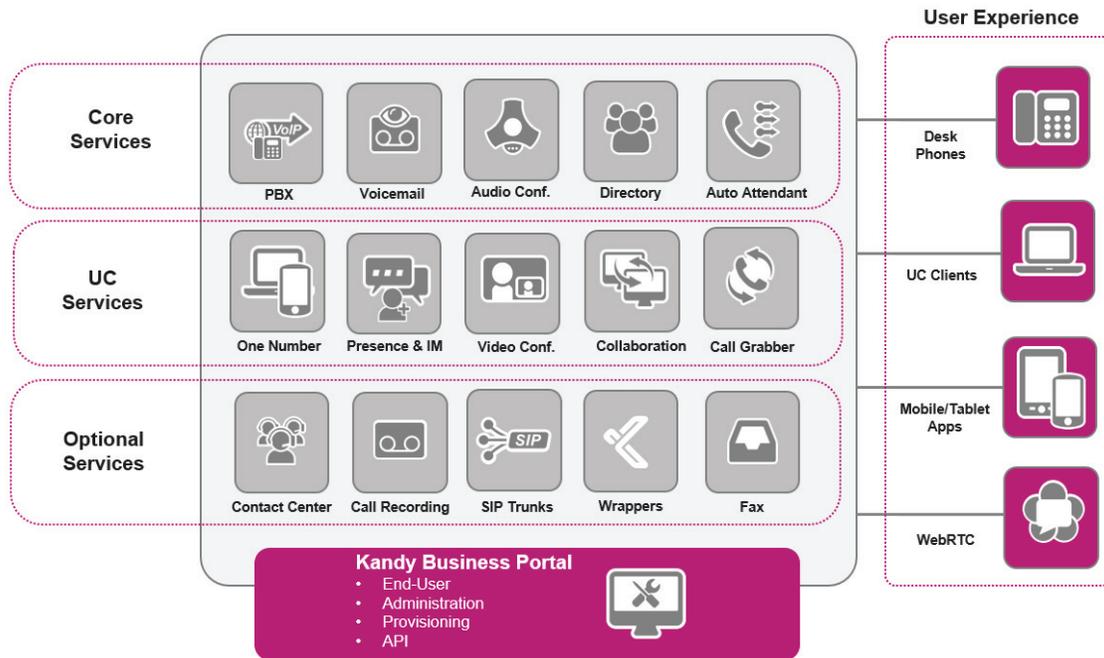
Beyond technical staff, you also need marketing support to develop collateral, product guides, how-to videos, and a plan to prospect for leads. If you have trouble finding talent to produce these materials, many third-party providers can provide support or take on the duties entirely.

With the right cloud platform, you can escape these resource issues and focus on growing your UCaaS business.

Summary

If To sum up, sticking with your existing Hosted PBX or UCaaS application server may not be the best course. A 3rd party provider that is in the business of turning up and supporting UCaaS customers gives you a competitive advantage and allows you to focus on selling and customer management, not complex back-office problem solving.

Kandy delivers cloud UCaaS and hosted business phone services with all the features organizations expect. Services such as instant messaging, mobile apps, collaboration, video conferencing and more are all contained within the Kandy infrastructure. Kandy takes all of the guesswork away by offering a cost-effective, pay-as-you-grow, service. It doesn't skimp on quality or features, it won't hurt the bottom line and it will continue to deliver innovative services year after year.



Kandy provides all the features you need to support your business customers.