Secure Real-Time
Communications

ribbon™

Comprehensive Insights, Trends and Opportunities for the European Enterprise Communications Market

Introduction

Ribbon, a global leader in secure and intelligent cloud communications, recently conducted an extensive market research study called UC Market Insights (UCMI) to learn the purchase drivers and buying behaviors of European small businesses (SME) and Enterprises who have switched to or are considering switching to Unified Communications (UC).

Nearly 2,700 decision-makers participated, representing multiple industries in Austria, Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Switzerland, and the United Kingdom. They work for companies ranging in size from 10 employees to well over 1,000 employees.

The goal of the survey was to gain an understanding of UC adoption rates in the enterprise and SME market including the business' existing infrastructure, their purchase drivers and buying behaviors, and service provider/product preferences for UC services. The survey also asks a number of questions about security and SD-WAN, which will be covered in future whitepapers.

Based on the UCMI results, Service Providers (SP) have a clear opportunity to grow revenue and capture market share by focusing on Unified Communications as a Service (UCaaS). The data also suggests that differentiating from competitors using security and service assurance can be a winning combination that resonates with enterprise and SME purchase drivers.

The most significant findings are:

- **Overall UC adoption rates across Europe are low.**
  Adoption rates ranged between 10% and 45% (depending on the business size), implying there is a lot of market left in converting customers from traditional phone systems to UC.

- **Interest in UC is very high.**
  80-90% of companies told us they were interested in adopting UC for their business.

- **The European market for UC will likely expand significantly.**
  More than two thirds of companies said they expected their company to adopt UC in the next two years.

- **Security and Service Assurance are top of mind.**
  Aside from the economic and feature purchase drivers, SIP security and Service Level Agreements (SLA) were important considerations for survey participants.

These findings will help European providers gain a greater understanding of the current UC market landscape in order to offer the most compelling solutions to solve customer challenges.

UCMI Methodology

The UCMI study started with questions about the current infrastructure at the survey respondent's businesses. The questions covered their company's attitude toward technology adoption, their management of Information Technology (IT), their use of video conferencing, and the type and age of their current phone system.

The survey participants were then divided into two groups: **Non-Adopters** (still using legacy phone systems) and **Adopters** (participants whose companies had already adopted prem- or cloud-based UC). For the Non-Adopters, we wanted to understand their desire to move to UC and their buying preferences. For Adopters, we wanted to understand their buying methodology and current usage patterns. Below are the detailed findings.

Baseline Questions
(all survey participants)

Attitude toward technology adoption:
One of the first things we wanted to baseline was the level of aggressiveness companies had toward technology adoption. What was discovered was that larger organizations were more apt to adopt technology than their small business counterparts. This stands to reason, as larger businesses tend to continually invest in technology to keep up with competitors. In addition, larger companies have a larger IT staff

Attitude Toward Technology

Early Adopters
Invest aggressively in new technology

Fast Follower
Technology forward but slower

Early Mainstream
Invest when there is a clear need

Late Mainstream
Behind the trends

Laggards
Very slow to adopt new technology

that can devote time in researching and testing new technologies. In contrast, SME's are generally "heads down" on their business and don't have the time to focus on newer (potentially) unproven technologies. They also have simpler business needs that don't necessarily require them to be on the cutting edge.

Managing IT: As seen below, smaller organizations manage their business systems in a more ad-hoc fashion compared to a larger company that almost certainly has dedicated staff.

Management of IT

IT Manager

IT Staff

In House, Part Time
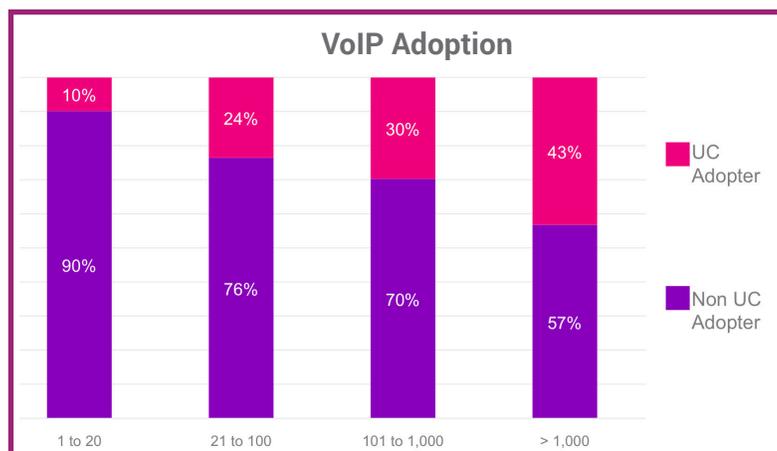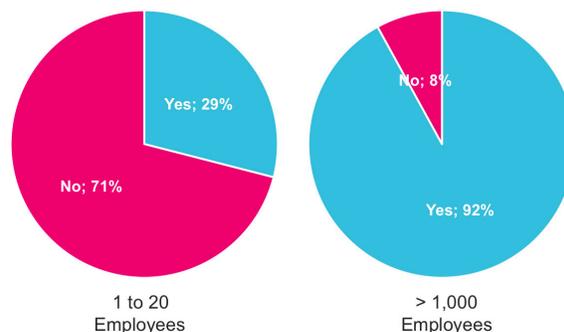
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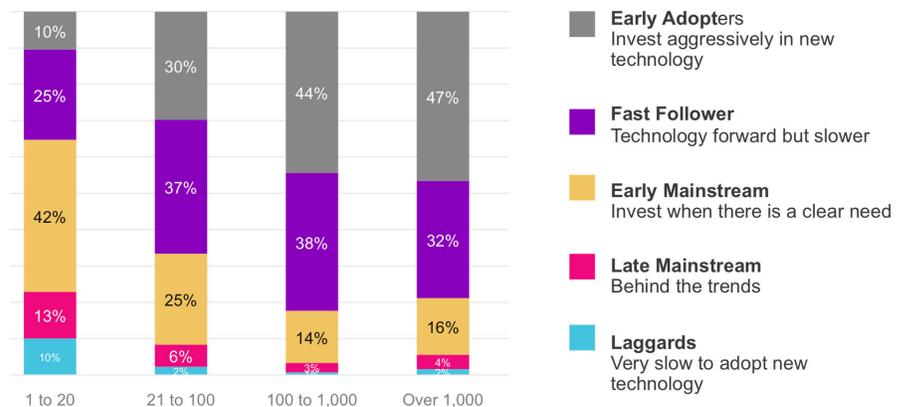
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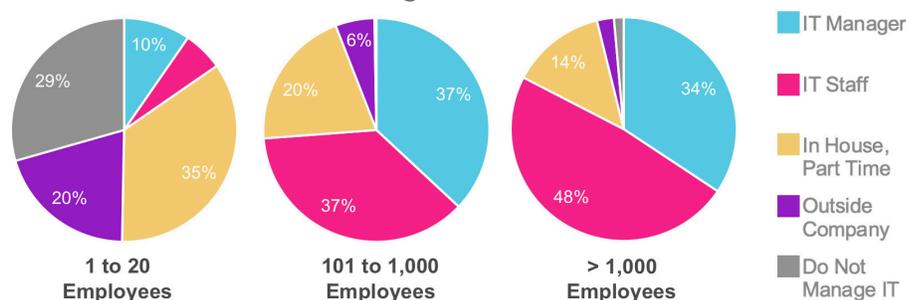
One of the implications of the above questions is that SP's need to adapt their sales process for the target prospect. If you are selling to the SME, you will be talking to a business owner with little experience in technology. To succeed, your sales team will need to sell a solution to a businessperson, highlighting business benefits in layman's terms. Up market you will be talking to an IT decision maker, so you can expect them to have researched the market and have some amount of fluency. Not only do you need to have the business benefits nailed, you need to be conversant in the underlying technology and how your solution is different than the pack.

Use of Video Conferencing: Video has emerged as a key enabling technology for business. Once an expensive luxury requiring costly hardware, dedicated bandwidth, and expensive service fees, video is now ubiquitous and a valued component in how work gets done.

As seen at the right, even the smallest businesses are starting to use video to enable their business. Nearly 30% of SME's are using video is some way, growing to over 90% in enterprise. Much of this has been driven by low/no cost consumer-based applications that have demonstrated the utility of video, which led to business-grade solutions. If you're a UCaaS provider, video is a must.

Video Conferencing Adoption

1 to 20 Employees — No; 71%, Yes; 29%

> 1,000 Employees — No; 8%, Yes; 92%

VoIP Adoption

UC Adopter: 1 to 20 = 10%, 21 to 100 = 24%, 101 to 1,000 = 30%, > 1,000 = 43%
Non UC Adopter: 1 to 20 = 90%, 21 to 100 = 76%, 101 to 1,000 = 70%, > 1,000 = 57%

UC Adoption: We wanted to understand from EMEA decision makers what type of phone system they used, from basic single line service through IP-based solutions. The implication is that the non-adopters are the target market to move to UCaaS – the more non-adopters, the more attractive the market. What we discovered, seen at left, is that a large percentage of the EMEA market has yet to move to IP. While there is greater adoption in enterprise (agreeing with the "technology" question above), the SME market segment is largely untouched.

Applying the non-adopter rate to the employee base in EMEA, there is a potential market of over 75 million "seats", or users. Applying an average seat price of €15/month, this represents an annualized potential market of €13.5 billion!

Company Size	Number Employed	Non-Adopter Rate	Available UC Seats
< 20	20,059,619	90%	18,053,657
20 – 1,000	42,348,084	73%	30,914,101
> 1,000	49,034,623	57%	27,949,735
		Total	76,917,493

Table 1 - Estimate of Available UC Seats in Ten European Countries

Let's now look at the Non-Adopters in greater depth.

UC Non-Adopters

Level of Familiarity: For those non-adopters, the question arises – how much do they know about UC and what are their preconceptions? Here, we asked what they most identified with when they think of UC, and their esponses fell into three main categories:

- Positive (UC is cheaper, has more features, better way to manage my business)
- Negative (UC is difficult to deploy, has quality issues, is too complicated for my business)
- Unfamiliar with UC

For the smallest SMEs, most were unfamiliar with UC. Those that were familiar were split between positive and negative opinions. These smaller organizations will need to be educated on UC and its benefits, much more than a larger business.

Up market, nearly all were familiar with UC. Their opinions were also quite positive, in some cases more positive by a 3:1 margin. These larger businesses clearly understand UC and its benefits.

Considerations for Change: We wanted to understand what factors would drive non-adopters to move to an IP-based solution. We asked them to rate the importance of each factor on a 1-5 scale (with 5 being the most important). Summarizing the factors in 4 categories, we have:

- **Cost**: TCO, monthly cost
- **Product**: UC's feature set and ease of use
- **Provider**: attributes of the provider, their reputation, and their sales process
- **Change Event**: business is moving, end of contract

Perceptions of UC
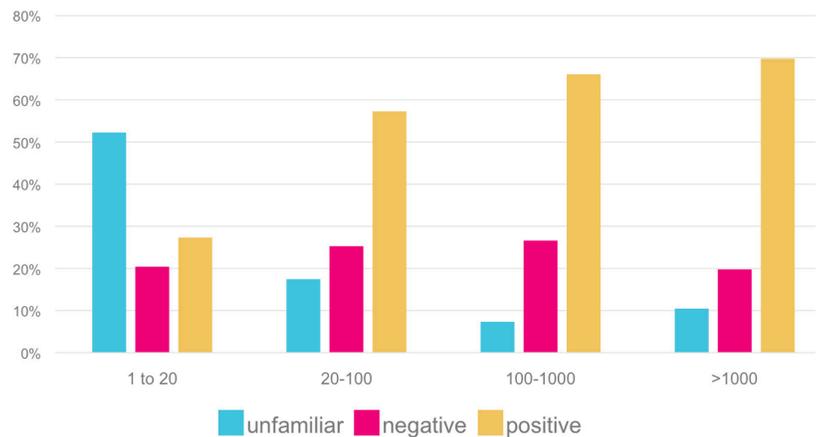

Considerations for Changing
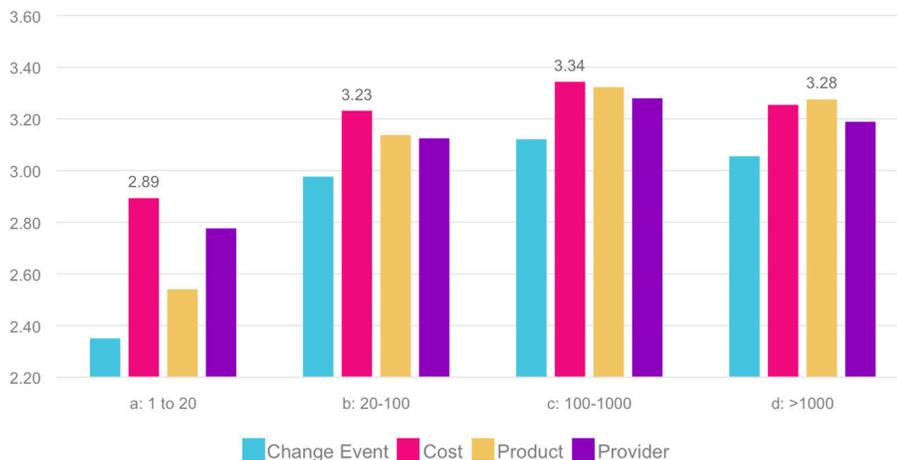
Summarizing these attributes and looking at them across the 4 business sizes yields the following chart. For the small business (1-20), cost was the primary factor in changing, with the provider the 2nd highest. As we move up market, other factors come into play. As we get to the enterprise segment, cost is still important but the product attributes begin to win out. It's probably no surprise that cost will poll the highest, so considering the other elements like provider and product are very relevant.

Next is a deeper dive into the product attributes. Here you can see the differences between the very small and mid-market segments (mid and large were very closely aligned). Two things rose to the top in terms of importance – ease of use and guaranteed quality of service. These should be areas of focus in your product positioning.
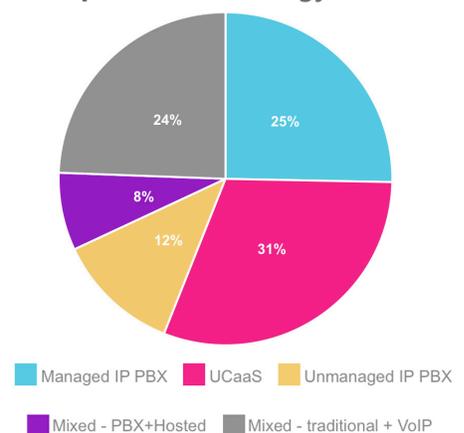
Most Important Features
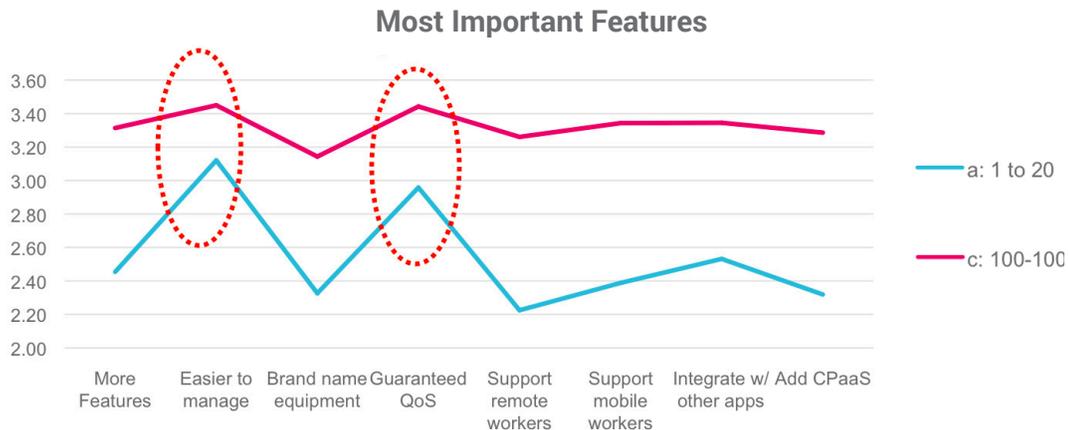
Likelihood of switching and timing: Finally, we asked these decision makers their desire to move to UC. As seen below, there is a high level of interest in UC, and most respondents are looking to move within the next 2 years. As we saw earlier, this equates to a large potential market.

Interest and Purchase Intent
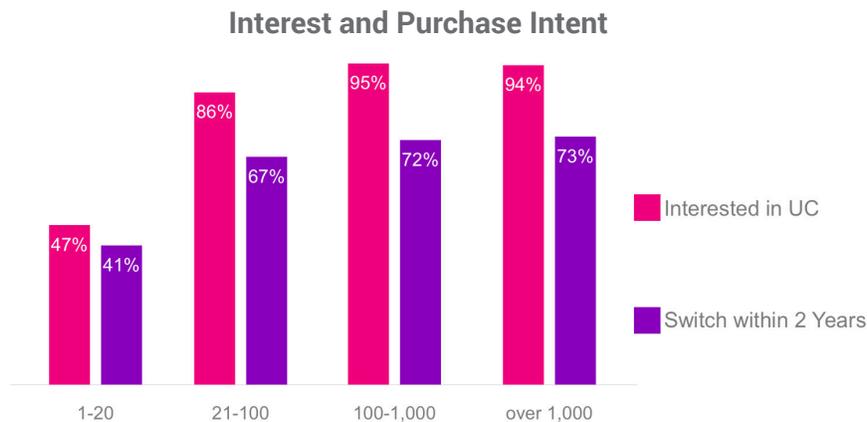
UC Adopters

For the organizations that have already adopted UC, we asked them a different series of questions. We wanted to understand their motivations in switching to UC, their experience with the product, and their level of contentment. First, here is our starting point – the type of IP-based system they've deployed. About a third of EMEA UC users are using a cloud-based product, and about 40% are using IP-PBXs. The balance are in mixed environments, either a combination of IP-PBX/cloud or legacy/IP-based. As for when they've moved to IP, nearly 70% have made the transition in the last 2 years.

Adopters - Technology Used

Managed IP PBX   UCaaS   Unmanaged IP PBX

Mixed - PBX+Hosted   Mixed - traditional + VoIP

Factors in selecting a Service Provider: Here we look at the most important factors associated with the decision to move to UC. The graph represents respondents that put the factor in the top 2 category – either 'highly important' or 'very important'.

**Selection Factors - Provider and Offer**

Several factors were most important by the EMEA respondents. Support for all locations was the #1 item. The implication here is that SP's need to support not only locations in their own footprint, but "over-the-top" locations as well. Other items that scored high were good contract terms, a good product, and a reputation for good customer service – all things that should be central to a solid product offer.

Product Factors: Examining the macro product factors yielded the information below. Not surprisingly, most companies were looking for a better product! Specifically, they want application integration with other business systems, as well as features like mobile integration and Auto Attendant.

Selection Factors - Product

Feature Considerations: When examining features, we were interested in two points in time. First, what was important when making a purchasing decision, and second, what is important today. Certain features were important then and now – integration with the Microsoft application suite (primarily Outlook, but also Skype/Teams) and video conferencing/collaboration. Contact Center features were one of the few features that were more important today than at the time of purchase.

Features - Important When Buying vs. Today
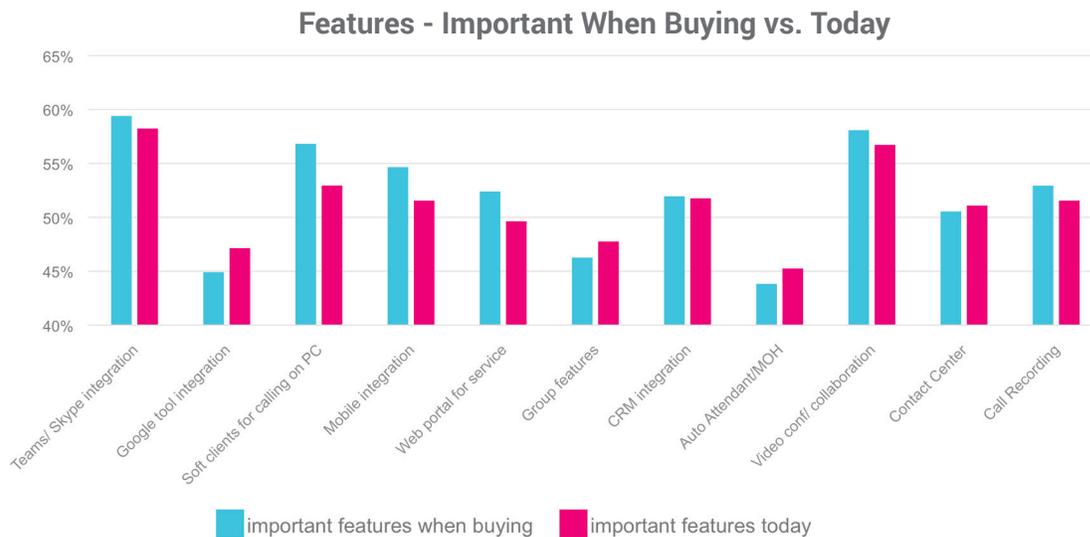
Overall, **level of satisfaction** with the **service** was high, with 75% either 'extremely' or 'very' happy with their service, and only 5% stating they were not happy. Interestingly, cloud-based customers were the most satisfied as compared to their premises-based counterparts, 80% to 72%. Satisfaction with the **provider** was also high at about 73%. Overall, EMEA survey respondents were happy with their product and provider, and will overwhelmingly recommend them to their business peers.

Conclusion

This paper summarized a significant amount of data collected from IT decision makers on their technology path, likes and dislikes, and knowledge of Unified Communications. Some key takeaways include:

- Considerable market still exists in converting customers using legacy technologies to UC. As legacy systems become antiquated, this market will accelerate considerably.

- Small, midsize, and large enterprises have very different buyer personas and needs. Using the data above, ensure they tailor your marketing and sales approach to these different customer segments.

- Its not just the product (although its important you have a well equipped UC offering). Buyers expect a high degree of quality and customer service. In fact, quality of service guarantees were the #1 item prospective customers were seeking. Look to add this into your product using SLA's and edge hardware to ensure QoS.

About Ribbon

Ribbon delivers market-leading software solutions that secure and power many of the world's leading service provider and enterprise communications environments. Built on world-class technology and intellectual property, the company's cloud-native solutions deliver intelligent and secure real-time communications solutions for the cloud, network and enterprise edge. Ribbon's Kandy Cloud real-time communications software platform delivers advanced and embedded CPaaS and UCaaS capabilities enabling service providers to rapidly create and deploy high-value communications services.

To learn more, visit ribboncommunications.com.