

INFONETICS RESEARCH WHITE PAPER

How Much Will Cloud Unified Communications Cost? *Responses to Two RFPs*

Infonetics Research White Paper

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Cloud Unified Communications RFP

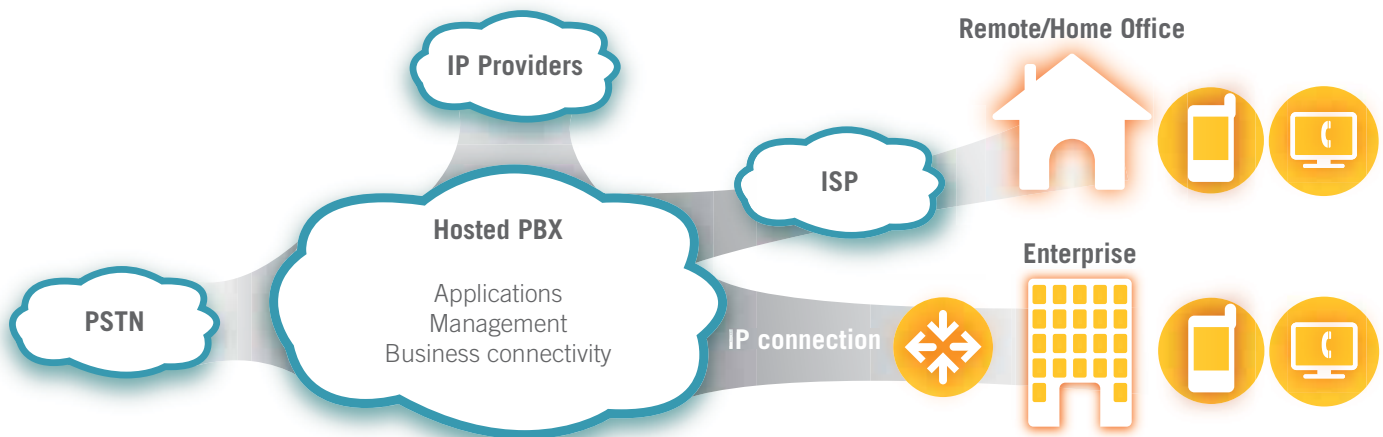
Never have there been more options for businesses looking to the cloud for PBX and unified communication (UC) solutions. And though the wide variety of choices gives businesses a good chance of finding a service that fits their unique needs, it can also be very confusing. Infonetics Research put forth a request for proposal (RFP) to hosted UC providers for two fictional companies to see what type of responses we would receive and to weigh in on the complications or ease in evaluating a cloud UC offering.

Top objectives of businesses currently evaluating new communication solutions include lowering costs, consolidating vendor and provider relationships, refocusing IT staff, and providing flexibility to employees. For these reasons, we are finding more businesses considering cloud services.

Though cloud providers initially focused on PBX replacement services, many have extended capabilities to incorporate elements of a full UC solution. These capabilities include presence, instant messaging, integrated audio and web conferencing, mobility, collaboration, video solutions, and business application integration.

All these factors are important when evaluating a hosted PBX service; however, as our survey results have shown, overall cost of communication services remains an important issue with businesses of all sizes. In the RFPs received we evaluated pricing but also looked at the full complement of capabilities, including cloud contact center service offered.

Cloud Unified Communication Service Delivery



Cloud UC RFP Requirements

To get a better understanding of the true costs and functionality available to businesses when evaluating a cloud UC service, we sent a variety of providers different scenarios for two mock US-based companies. Some providers received both scenarios, and some only received one. For each scenario, we laid out the following requirements:

- Telephony, including unified messaging
- IP phones for each user
- UC client: presence, IM, softphone/call control, call center, messaging, and conferencing
- Mobile clients
- Web conferencing
- Wide area network services (if applicable)
- Contact center support

RFP Scenarios

	Scenario 1	Scenario 2
Users	310	765
Location	3 offices HQ: 175 endpoints Remote office 1: 85 Remote office 2: 50	17 locations HQ: 350 endpoints Regional offices 1-5: 50 each Regional offices 6-16: 15 each
Contact center	3 supervisors 15 agents	8 supervisors 35 agents

We were looking for the costs, including project management/setup fees. Providers were asked to provide any recommendations and give details on regulatory compliance, service level agreements (SLAs), disaster recovery capabilities, support for international expansion, and business application integration.

The Results

We received three responses for each scenario. With the exception of pure-play provider 8x8, the providers requested we keep their names confidential. In addition to 8x8, the mix of responses included a regional CLEC, a cable operator, a hosted pure play (started as a cloud UC provider, and that remains its focus), and a nationwide CLEC.

The responses were highly varied, not so much in price as in how the packages were presented and in the components included. Some deals included the network component, which naturally raises the overall price, and others required the customer to bring their own broadband. The size of both scenarios required at least a dedicated connection at the HQ, raising the monthly cost with at least a second service provider. Most providers included the phones in the monthly recurring charges, but there were some that required the purchase of the phone outright, which raised the one-time upfront costs and lowered the monthly recurring charges (MRC). The majority of providers included local and domestic long distance charges in the overall MRC, but others required either a metered or separate plan. Taking all this into consideration, evaluating options on a pure cost basis can be challenging. Therefore, customers need to value other capabilities such as UC features, QoS guarantees, conferencing options, business application integration, and international support (if applicable).

For business application integration, connectors or APIs into Salesforce.com are common, but some providers have gone above and beyond by extending capabilities to other CRM platforms and business platforms such as Google Apps and Microsoft Lync. Almost all the offers included Polycom IP phones.

310 Employee Business

In this scenario, businesses will spend \$7K–\$9.6K monthly in addition to fees for access either from the hosted provider or a third party (exception is the cable operator where call capacity is built into the offering). Smaller sites might be able to run the voice over existing broadband connections, but the larger sites would likely require data access to handle necessary call volumes.

More specifics from each of the proposals:

- The **8x8** proposal is for Virtual Office Pro with unlimited extension bundle, which includes Virtual Meeting, call recording, softphone, and internet faxing. The unlimited long distance includes international calling to Canada, France, Ireland, Italy, Spain, and the UK. Customers bring their own broadband. The proposal states that recommendations would be provided on broadband. 8x8 provides a link for an automated network assessment to determine if the network is VoIP-ready. The phone pricing is for entry level devices, but a larger suite of offerings is available. Leasing is also an option for the phones. 8x8 meets a long list of requirements including HIPAA, FISMA, PCI DSS, and CPNI. The 8x8 solution also provides disaster preparedness profiles for management of service continuity and disaster recovery. The Virtual Contact Center (VCC) is a secure solution supporting multi-channel interactions, skills-based routing, and inbound and outbound communications in a browser-based platform. The system provides administrative, reporting, and management tools. VCC network availability exceeds 99.99%. 8x8 provides prebuilt integration with CRM vendors including Salesforce, NetSuite, and Zendesk and other applications such as Teleopti for workforce management and Knoahsoft for quality management. The provider also includes local support outside the US and Canada. Pricing reflects a one-year term.
- The **cable operator** pricing is based on a three-year contract. All users are provided a UC license. Additional standard seats were included in the proposal under the assumption that there will be conference rooms. Receptionist and auto attendants are included for each location. The receptionist software console allows for monitoring and managing users in the enterprise via a graphical user interface. A range of phones is included in the proposal from basic two-line phones up to executive devices. The cable operator includes an enterprise session border controller (SBC) on the customer premises for additional security and monitoring.
- The **regional CLEC** requires broadband connections from the provider at each of the locations. If the connectivity pieces were removed, the MRC would be \$8,295 which puts the deal on a more comparable basis with 8x8 but still slightly higher than the cable operator. This provider gave detailed information on failover plans for alternative broadband if the main connections go down.

Cloud UC RFP Results: Scenario 1

	8x8 Virtual Office Pro	Cable Operator	Regional CLEC
Per seat pricing	Included in MRC	Bundled proposal pricing	Bundled proposal pricing
IP phones	Phones available for purchase or lease	Phones included in MRC	Phones included in MRC
UC clients	Included in MRC	Instant Message and Presence not included	Included in MRC
Mobile clients	Apple and Android supported	Apple and Android supported	Apple and Android supported
Web conferencing	Included in MRC (with video)	Not available	Included in MRC (with video)
Contact center	Included in MRC	Agent capabilities included in MRC; supervisor support coming	Included in MRC
Local/domestic LD	Included in MRC	Included in MRC	Included in MRC
Wide area network services	Customers bring their own broadband with quality management recommendations	Not necessary; phone line requirements are included	Access included in MRC with 10Mb/s EoC at HQ, 3.0 bonded T1 at remote office 1 and 1.5 T1 for office 2
SLAs	Available on a per-product basis; network availability exceeds 99.997% for Virtual Office	Deployed on dedicated IP network	Available on per product basis
International support outside North America	In-country presence: UK, Hong Kong, Australia; local numbers available across Europe	None	None
Business application integration	Prebuilt integrations with apps including Salesforce, Netsuite, Zendesk Teleopti, and Knoahsoft	Salesforce.com, Google, Microsoft Lync	Connector for Salesforce.com
Monthly recurring charges	\$9,517 OR \$11,079 (with phones leased)	\$7,030	\$14,291
One-time costs	\$1,200 (with phones leased) OR \$19,797 (purchase phones)	\$5,115	\$5,430

765 Employee Business

In this scenario, businesses will spend \$26K–\$31K excluding access charges. All the proposals include the cost of the IP phones in the MRC but phones can be purchased in several cases. Part of the decision comes down to whether a business prefers a higher monthly expense or a larger one-time capital expense, in addition to functionality, quality of service and service mix.

More specifics from each of the proposals:

- **8x8**: the notes above for scenario 1 apply here.
- The **pure-play provider** in this response is focused on larger businesses with an extensive portfolio of IPBX and UC capabilities including video, conferencing, IM and presence, softphone and web clients, and contact center application. For the network, the provider includes two pricing options, which we note in the following table. This company allows a customer to use an existing MPLS network with proper QoS implementation and a VoIP-ready LAN if already in place. If this is not the case, all new hardware for a LAN deployment to support VoIP will be implemented. Additionally, the design will take into consideration existing WAN capability as a secondary traversal path for service continuity and disaster recovery. New customers are provided with an implementation team that consists of a project manager, project management coordinator, and dedicated voice and data system configuration engineers. On-site and remote training is part of the package, with a dedicated training resource. An extensive SLA agreement is provided. In terms of this specific proposal the provider included a mix of basic, common, and advanced IP phones, in addition to conference phones. Additionally, these included analog telephone adapters to help manage any legacy analog devices. Attendant consoles—hardware and software—are included for each location.
- **Nationwide CLEC** offers businesses the ability to bring their own broadband after conducting assessment of the network, which is the offer put forward. This is a new direction for the company in the past eight months. However, direct broadband options are available including business class DSL, T1, bonded T1 or business Ethernet. Receptionist software for each location is included in the proposal. The phones offered in the proposal are basic devices from either Polycom or Cisco, but higher-end devices are available for additional cost.

Cloud UC RFP Results: Scenario 2

	8x8 Virtual Office Pro	Pure Play	Nationwide CLEC
Per seat pricing	Included in MRC	Included in MRC	Bundled proposal pricing
IP phones	Phones included in one-time fee	Included in one-time fee	Included in MRC with 3-year contract
UC clients	Included in price	Included in price	Included in price
Mobile clients	Apple and Android supported	Apple and Android supported	Apple and Android supported
Web conferencing	Included in MRC (with video)	Included in MRC (with video)	Not available yet
Contact center	Included in price	Included in price	Included in price
Local/domestic LD	Included in price	Included in price	Included in price
Wide area network services	Customers bring their own broadband with quality management recommendations	2 options available based on provider's assessment; if an existing MPLS network and sufficient LAN is in place it may be used—otherwise it is provided in the costs below	Existing price is based on customers bringing own bandwidth but optional connections over operators MPLS network available
SLAs	Available on a per product basis; network availability exceeds 99.997% for Virtual Office	Network service availability 99.999%; mean time to repair: 4 hours	Available on a per product basis
International support outside North America	In country presence: UK, Hong Kong, Australia. Local numbers available across Europe	Data center in Europe for local coverage. DIDs available throughout Europe and parts of Asia	None
Business application integration	Prebuilt integrations with apps including Salesforce, Netsuite, Zendesk Teleopti, and Knoahsoft	Integrates with suite of CRM applications, and home grown apps specific to individual customers	Integrates with Salesforce.com
Monthly recurring charges	\$23,344 OR \$27,199 (leased phones)	\$25,847 (utilizing existing MPLS and LAN equipment); \$33,270 (provided access and LAN equipment)	\$30,562
One-time costs	\$47,092 (phones purchased) OR \$1,200 (phones leased)	\$193,923 (existing network); \$238,092 (provided network)	Project management fees and network devices dependent on existing infrastructure assessment

To stand out, providers need to demonstrate a commitment to service quality.

Key Takeaways

Though there has never been a better time to shop for a new telephony system that incorporates a number of enhanced unified communication capabilities, it can be overwhelming and challenging to compare the options.

We have found that hosted systems in general have much more streamlined pricing and packaging, but as witnessed by the six responses we received for this mock RFP, the details and range of pricing options vary. Some of the responses were highly detailed in the capabilities, SLAs, roadmap of future features and capabilities, screen shots of client applications, device options and disaster recovery capabilities. The thoroughness of these responses showed the seriousness they took in capturing larger businesses.

Ensuring apples-to-apples comparison can be daunting. For larger enterprises, managing a full transition to a new phone and UC solution requires dedicated project management in the initial stages and, depending on the complexity and number of locations, a phased deployment. There are many factors to consider in choosing a solution; cost is always important, but it's not the only factor.

In our recently published survey, *UC Cloud and On-Premises Strategies*, we interviewed 134 medium and large businesses; respondents indicated that in choosing a cloud provider the most important factor was service and support, quality of service guarantees and security levels, and the ability to support a hybrid (premises/hosted) deployment. It is imperative for cloud UC providers to focus on the quality of the service and the QoS and security related to that service to win and retain medium and large enterprises such as the ones in this mock RFP. The pricing and features need to be there, but we have found that many are within a similar range, all things considered. To stand out, providers need to demonstrate a commitment to service quality.

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About Infonetics Research

Infonetics Research is an international market research and consulting analyst firm serving the communications industry since 1990. A leader in defining and tracking emerging and established technologies in all world regions, Infonetics helps clients plan, strategize, and compete more effectively.

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