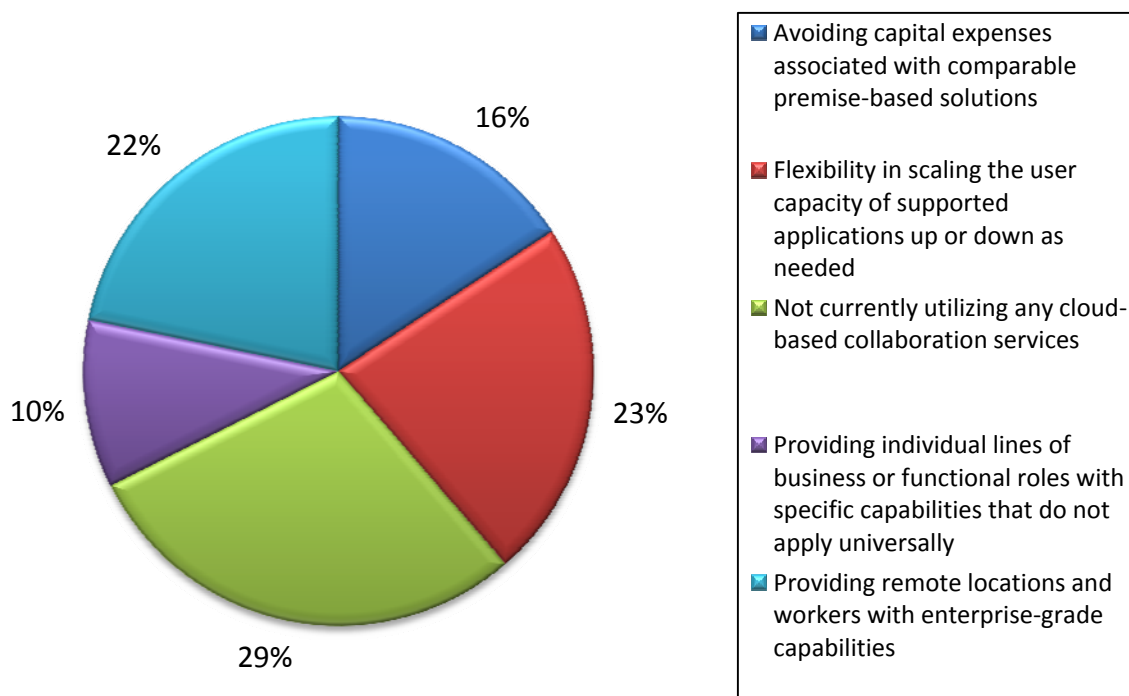


IntelliCom Market Dashboard Spotlight:
Business Flexibility Trumps Capital Expense Avoidance as Key Cloud Driver

Surging interest in “The Cloud” continues to dominate the industry discussion in both the Unified Communications (UC) and broader collaboration space. But as the market begins to move beyond hype to real-world implementations, the decision drivers appear to be shifting from the upfront cost advantages of an on-demand model, to delivering greater business flexibility and value. To get a better handle on exactly what is currently driving global businesses to consider implementing cloud-based collaboration services, IntelliCom Analytics and TMCnet jointly conducted a survey last month to determine the main reasons they cite for doing so. (See chart below.)

What is your organization’s primary motivation in deploying cloud-based collaboration services?



Percent of Global Businesses

IntelliCom Market Dashboard /TMCnet Customer Survey (n=432), April 2012

As a natural outcrop of a challenging economic environment, cost savings and avoidance have been important considerations highlighted as drivers for implementing these services. Implementing cloud-based collaboration services potentially eliminates the initial capital investment associated with supporting these applications through premise-based architectures. However, just 16% of global businesses responding to the survey indicated that was the primary reason they have implemented specific cloud-based services to date. While many businesses have substantial existing investments in premise-based architectures that may make consideration of the cloud less compelling in the short term, those with a longer term horizon (3-5 years) may actually realize a lower total cost of ownership for similar functionality delivered through a premise-based solution. And as we will see in the discussion that follows, business flexibility factors are clearly resonating with many customers.

On the other end of the spectrum, ease of scaling user capacity up or down as needed was the number 1 driver at 23% for those that are already implementing at least one collaboration application through a public cloud-based service. For businesses that are seasonal in nature, these cloud-based solutions can easily expand capacity during peak periods and reduce it when business volumes and staffing needs are lighter. This can also be a compelling

driver for start-up organizations that expect to grow but are not certain at what pace. In either scenario, the use of cloud-based services allows these organizations to avoid purchasing a fixed-capacity solution that they may either outgrow before the end of its useful life or not fully leverage.

Another 22% of businesses responding to the survey indicated that they have been using the public cloud to extend enterprise-grade collaboration capabilities to their remote branch offices and workers. While premise-based UC solutions aimed at the SMB market have become increasingly sophisticated in recent years, it typically is not feasible to deploy a full spectrum of enterprise-grade collaboration applications on the physical infrastructures of small branch offices. Although these facilities can often be supported from centrally-deployed enterprise servers, accessing these capabilities from cloud-based services is also an option. Some providers like Cisco, Mitel, and Siemens now offer versions of their premise-based enterprise UC software that leverage virtualization technology to package the same functionality into a form hosted providers can use to build services on. Others, like Microsoft has done with its Office 365 offerings, are supporting an extended collaboration suite through their own infrastructures. Either approach can deliver a comparable user experience to the employee working from a small branch or home office to those physically accessing these applications from the corporate headquarters.

Cloud-based delivery also has the potential to deliver targeted functionality to specific lines of business or even individual users. While only 10% of respondents indicated this as their primary justification, it can be a compelling driver where there are very specific needs. Larger organizations with several lines of business could potentially deploy a core set of applications on premise that apply universally across their businesses, while cloud-based services add targeted capabilities on top of that which are specific only to the area of the business or group of individuals that needs them. Similarly, specific functional department like sales or customer service often have distinct application needs that can be supported in this fashion. Hosted CRM solutions like Salesforce.com have certainly demonstrated the potential of cloud-based offers targeted to specific functional areas, so it is not surprising that some businesses are thinking about deploying collaboration applications in the same way.

Combining the three preceding business flexibility drivers discussed above accounts for 55% of the responses to the survey compared with 16% that cited capital expense avoidance as their primary justification for implementing cloud-based services. That more than half of organizations are now finding compelling business value in leveraging the cloud for at least a portion of their collaboration needs may be part of the reason why a shrinking minority of businesses – 29% in this survey – have not implemented any collaboration applications at all in the cloud to date. While many responding businesses are leveraging the cloud for just one or two hosted collaboration applications like E-mail (the most popular in the survey) and web conferencing, their growing focus on business flexibility and value bodes well for the implementation of a broader collaboration spectrum over time.



Frank Stinson is a Partner and Senior Analyst with IntelliCom Analytics and leads the firm's *IntelliCom Market Dashboard (IMD)* and *IntelliCom Market Performance Dashboard (IMPD)* research programs. In this role, Stinson provides clients with ongoing strategic assessments of the positioning, direction, and market performance of leading Business Communications providers in the context of key trends transforming the industry. The rapidly unfolding shift to software-centric communication architectures now underway is central to this analysis, along with the UC and business application integration initiatives that leverage them.

IntelliCom Analytics is a professional services and business research provider focused on the rapidly evolving Business Communications and Collaboration market. With a broad set of competencies ranging from competitive assessments and benchmarking to highly targeted demand forecasts based on detailed embedded base analyses, IntelliCom Analytics brings a wealth of finely honed skills, expertise and market opportunity insights to client engagements. For further information, visit www.intellicom-analytics.com.

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