

A FROST & SULLIVAN EXECUTIVE SUMMARY

Using Cloud Communications for a Competitive Advantage: How a Flexible Delivery Model Can Boost Productivity and Customer Service



In Collaboration With:



8x8, Inc.



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“ Deciding whether to go to the cloud is a critical decision. It is a different means of deploying and engaging with business enterprise communications and customer contact technologies, therefore firms must take a close look at their business needs and technology environments. ”

— **Brendan Read**
Industry Analyst
Frost & Sullivan

Representatives from Frost & Sullivan, TMW Systems, and 8x8 joined together for the eBroadcast **Using Cloud Communications for a Competitive Advantage: How a Flexible Delivery Model Can Boost Productivity and Customer Service.** What follows is a summary of their discussion.

MARKET OVERVIEW

The cloud has gone from buzzword to reality. The business potential of the cloud offers the potential to provide a less capital-intensive, more efficient, and highly flexible means to deliver, deploy, and update technology rather than installing on-premises hardware and software.

Likewise, the cloud is far from a new concept as the PSTN has always been represented by the cloud. “Just as weather conditions must be right for cloud development, the same goes for a communications and computing cloud,” said Brendan Read, Industry Analyst, Frost & Sullivan.

Three elements are helping to drive the move to the cloud:

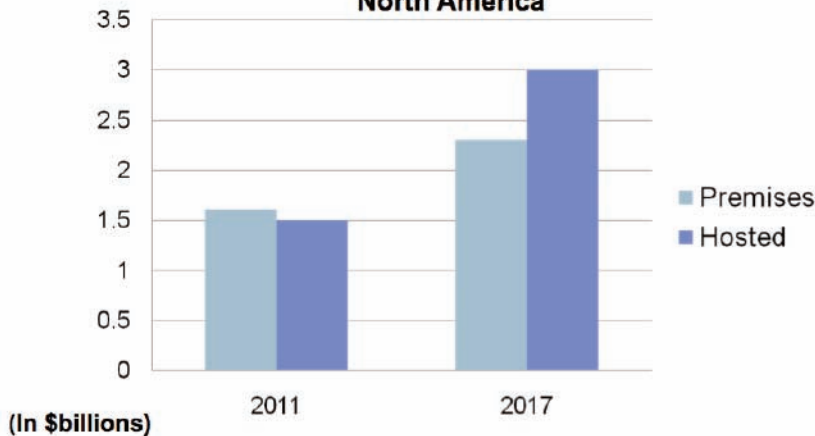
- 1. Business Environment:** Continued prosperity depends on companies keeping and growing their existing high-value customers rather than continually seeking and churning green prospects. Meanwhile, end-users have unprecedented control over the social media channels they use to interact with businesses on the devices of their choosing.
- 2. Cost Containment:** Shrinking costs is a constant concern, as are idle employees and the expense of deploying, maintaining, and updating multi-channel services.
- 3. Technology Development and the Maturity of Cloud-Supporting Solutions:** Solutions such as voice over IP (VoIP) have made the cloud a viable delivery option. Providers have learned how to deliver applications in the cloud reliably and securely, while many vendor solutions are cloud-only.

The shift from on-premises to cloud delivery is taking place most dramatically in the contact center. Frost & Sullivan forecasts that if current trends continue, annual cloud-hosted contact center revenues will exceed new premises-based sales for the first time in the next twelve months, if it hasn't occurred already.

While many companies are replacing their on-premises solutions with cloud solutions, it will take years for them to complete that transition. Even then there will likely be a sizable number of on-site contact center and telephony installations.

Cloud/Hosted Contact Center Solutions to Surpass On-Premises Solutions Revenues

On-Premises and Cloud/Hosted Contact Center Solutions Demand: North America



“Deciding whether to go to the cloud is a critical decision,” said Read. “It is a different means of deploying and engaging with business enterprise communications and customer contact technologies, therefore firms must take a close look at their business needs and technology environments.”

Companies cannot afford to do nothing in today's business environment. There are too many pressures on them to improve the customer experience, and the cloud can meet those needs, therefore businesses must not look at whether to move to the cloud, but how they can move to the cloud in manner that is in-line with their business requirements.

PANEL DISCUSSION

Top Issues When Implementing UC

The eBroadcast's panel discussion began with a formal definition of what unified communications (UC) means, as well as why UC is becoming important to enterprises and contact centers:

Frost & Sullivan defines UC as an integrated set of voice, data, and video communications applications all of which leverage PC and telephony-based presence information.

A hosted UC solution involves the delivery of pre-integrated network-based applications. For contact centers, UC refers to presence solutions that enable agents to see who is available in the enterprise to help a customer with a challenging solution or who may be a strong sales lead. UC is becoming important for two reasons: first, customers are using multiple channels to contact organizations, and second, the contact center agent they talk to initially may not be the best person to help them.

Next, Ron Godine, Director of IT, TMW Systems discussed the top four issues that his company encountered when implementing UC in the enterprise and in the contact center:

- 1. The Cost Model for Purchased Solutions vs. Service (CAPEX Model vs OPEX Model):** “We found that with buying that capacity, very often you're buying something that becomes obsolete,” said Godine, noting also that there are occasions when the hardware, software, consulting, and training a business has purchased can become a cost burden even before the end of a lease term.
- 2. Internal Network Readiness:** “When you think about implementing UC at the ground level, you really need to ensure that your internal network is able to cope with traffic that it may not have dealt with before.” VLANs and quality of service ensure that the voice experience is where it needs to be.
- 3. Wide Area Network Redundancy and Link Reliability:** When connecting back to a hosted environment, it is critical to make sure that the WAN, link control, and availability are set up to support heavy reliance on internet and data quality.
- 4. Staff Training and Familiarization:** In the cloud, services from the provider can be leveraged to help with critical issues rather than on a single IT or telephony contact.

Huw Rees, Vice President, 8x8 also shared his high-level views on this issue as well as 8x8's top four issues when implementing UC:

- 1. Diverse Platforms Across the Enterprise:** Often, customers have diverse platforms across their enterprise that can't easily be linked into a unified system.
- 2. Difficulty of Managing Multiple Platforms:** “It takes valuable IT resources that should really be working on improving the business processes of that organization rather than fixing phone systems,” said Rees.
- 3. Large Capital Outlays to “Upgrade”:** For any premises-based solution there are always points in time when you have to spend large amounts of capital to upgrade the solution, which often means upgrading hardware as well as software.
- 4. Up-Front Costs and Project Time:** Premises-based solutions can be very expensive, both in terms of the upfront cost and the professional services to implement them. “With a cloud-based solution, it is cost effective to have smaller contact centers as it is pay as you go, and you can even scale up or scale down,” said Rees.

Living on Borrowed Time

Firms that purchased solutions such as IP PBXs in the years prior to 2001 may find that their hardware is out of date. “The downturn hit in 2007, right when these tools came up for replacement. Now they are living on borrowed time,” said Read. “Moreover, these old products cannot support contact channels like chat, SMS, text, and social media, and capabilities like proactive multi-channel customer contact without serious integration work.”

Frost & Sullivan forecasts TDM line shipments will drop 15% from 2012 to just 2% in 2019, while IP PBX line shipments will grow from 85% to 98% over the same period; yet these old tools still work.

A cloud solution, however, can be built piece-by-piece. For that reason, Frost & Sullivan believes that most business enterprise and contact center applications will be “hybrid hosted” to maximize investments in old premises equipment, while phasing in cloud solutions.

The Remote Employee Challenge

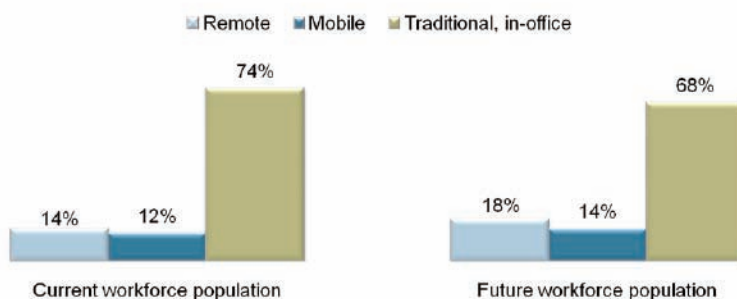
The increase in remote, home and mobile workers has brought about changes in how organizations approach their contact center systems as well as new challenges in using premises-based systems to cope with this new environment.

There are some difficulties in dealing with remote employees as current premises-based solutions do not offer a cost effective or technologically suitable solution for remote employees. “They don't offer flexibility for scaling up, scaling down,” said 8x8's Rees.

“ When you think about implementing UC at the ground level, you really need to ensure that your internal network is able to cope with traffic that it may not have dealt with before.”
 — Ron Godine
 Director of IT
 TMW Systems

Overall Workforce Trends

View of Workforce (Based on Mean Percents): United States, 2012



Base: All respondents (n=880).
 Q1. Currently, approximately, what percent of your organization's workforce consists of remote/telecommuters, mobile workers, and/or traditional, in-office workers?
 Q2 Thinking about the next five years, approximately what percent of your organization's workforce is expected to be remote/telecommuters, mobile workers, and/or traditional, in-office workers?

Source: Frost & Sullivan analysis.

“ Users love cloud solution’s support for BYOD mobile devices and CIOs don’t have to worry about the support as this is done by the service provider. ”

— **Huw Rees**

Vice President

8x8

Frost & Sullivan has observed a slow but notable shift toward mobile and remote workers, which is expected to increase with the new workforce generation that insists on working on their own terms, including remotely.

Business Continuity/Disaster Recovery

The two biggest constraints on BC/DR are the difficulties with making the business case and limited budgets, said Read. The cloud, offering offsite contact center functionality, provides a solution for offering business continuity in the event of a natural disaster.

Disaster recovery was one of the driving forces behind TMW’s move away from a premises-based solution. When a winter storm caused TMW’s hardware-centric solution to go offline for three hours, TMW’s Godine began looking for a cloud solution. “That was the final straw,” he said. “It was unacceptable to have no response to customers at this time.”

Cloud Evolution and Challenges

The cloud has emerged as a viable and mainstream alternative to premise-installed enterprise communications and contact center routing applications, but it has been several years in the making. During this section of the eBroadcast, TMW’s Godine and 8x8’s Rees discussed how the cloud has evolved, the challenges that have been faced with successfully implementing cloud solutions, and how have these issues been overcome.

TMW’s perspective on the evolution of the cloud:

1. **Cloud Features and Range of Services:** Services are, in general, better than what most customers can reasonably build themselves.
2. **Cost:** Cost is scalable based upon business demand, providing “Service-on-Demand” where costs are predictable and fairly transparent compared to in-house solutions.
3. **Complexity/Managing Risk:** There is a more predictable outcome of project and business initiatives, less IT control, more business focus on outcomes, reduced headcount, reduced reliance on specific employees, and tribal knowledge.
4. **C-Level Perceptions:** The cloud is viewed by C-level executives as a reliable/resilient solution in case of disasters.

8x8's perspective on the evolution of the cloud:

1. There have been **major improvements** in terms of **availability and quality**:
 - a. Platforms are now 99.99%+
 - b. Broadband is now high bandwidth, low latency, low jitter; and no packet loss
2. Larger businesses are now comfortable using cloud solutions due to:
 - a. Proven scalability (deployment of 1,000s of lines not just 100s)
 - b. Secure deployments with encrypted authentication
 - c. The cloud offers a comprehensive UC feature set, integration with other business processes (e.g., Salesforce), and constant improvements/upgrades at no additional costs
 - d. Budgetable OPEX model, no CAPEX surprises
3. The cloud provides **increased mobility and support for BYOD**:
 - a. Users love the cloud solution's support for mobile devices and CIOs don't have to worry about the support as this is done by the service provider

Remaining Challenges for the Cloud

Many issues still remain with the cloud for UC and the enterprise, and in the contact center. Participants next discussed matters such as customization, reliability, security, compliance, international, and IT and C-suite acceptance.

Remaining issues from TMW's perspective include:

1. **Cloud Feature Complexity:** Simple features can become complicated and proprietary.
2. **Getting Results Quickly:** Necessary customizations in UC environments are slow to develop since this requires a critical mass of client pressure to effect change.
3. **Quality of Feature Delivery:** Features must be tested to work consistently and reliably.
4. **Service Monitoring:** Providers are still developing monitoring technology that detects system problems before customers do.
5. **Alerting:** Customers need to be aware of a problem without thinking it's their problem.
6. **UC in a Global Environment:** Presence in other countries goes beyond caller ID tricks.

Issues that 8x8 sees remaining include:

- 1. Many vendors are still coming up to speed with regard to security**
 - a. Look for vendors with critical certifications such as HIPAA, FISMA (U.S. Government requirement), PCI (payment card industry) and FCC compliance
- 2. Check the vendors actual Availability Metrics:**
 - a. Should be at least 99.99%
 - b. What is their backup and redundancy — are the services in multiple, geographically diverse data centers? Are they hot failover capable?
 - c. What is their DR plan?
- 3. International Availability of Services Concerns:**
 - a. Requires investment in infrastructure outside the U.S.
 - b. Some tricky regulatory issues but for the most part not insurmountable
 - c. Needs a dedicated program to deliver the same quality and reliability in foreign countries as we do in the U.S.

Best Practices for Moving to the Cloud

During the final part of the discussion, Frost & Sullivan's Brendan Read and 8x8's Huw Rees explained their recommended best practices in deciding whether and how to go to the cloud, and in selecting the right supplier.

Read suggested doing upfront analysis to decide between an on-premises or a cloud-based solution before selecting a specific vendor.

Further recommendations from Frost & Sullivan include:

- 1. Do your homework on the provider and research their:**
 - a. Reputation
 - b. Online feedback
 - c. Transparency in discussions
 - d. Pilot proof of concept
- 2. Develop an executive-level relationship between the customer and service provider.** This channel helps escalate issues that require special attention.
- 3. Develop a good operational/working set of contacts between customer and provider to make the servicer's team be an extension of your staff.**
- 4. Develop processes and procedures for working with the provider so that new employees understand how to efficiently operate with the provider.**

8x8's recommendations include looking into:

1. **Financial Strength:** Are they going to be around for the long term?
2. **Scalability:** Can they demonstrate real scalability with reference accounts similar to yours? Is the service a real multi-tenant architecture or a more of a managed service in a data center?
3. **What are their real availability metrics? What SLA will they offer?**
4. **Does their service have redundancy and hot fail over capabilities?**
5. **Is the service in geographically diverse data centers?**
6. **How secure is the service? Does the vendor have any security certifications to prove their attention to this important question?**
7. **Is the vendor capable of providing service anywhere in the U.S.? Any other countries where you may operate?**
8. **Will the vendor do a no cost or low cost trial?**
9. **Does the vendor offer great value? Are all the features you want available and is the cost competitive?**

Final Thought

The market for cloud solutions for both enterprise, including UC, and contact center applications is growing as firms seek to increase their productivity and reduce their costs, while obtaining greater flexibility to meet the expectations of their customers.

At the same time, companies are facing technology issues, such as communications software and hardware obsolescence, and whether to migrate from PSTN/TDM to VoIP. They are seeking cloud solutions that perform flawlessly and securely, across all networks, and which can integrate with their existing other cloud and on-premises products.

The question that organizations are now asking is less, "Should I go to the cloud?" and more, "How should I use the cloud?" For the best set of answers, firms need to look at their own needs, IT environment, and processes, at whether cloud delivery will enhance them and at less cost, at the solutions available, and at the suppliers who are offering them.

ABOUT TMW SYSTEMS

TMW Systems is a leading provider of enterprise software to transportation and logistics companies, operating within the Trimble Global Transportation & Logistics Division. TMW delivers technology that enables companies to improve operational efficiencies, improve transactional velocity as well as resource utilization, deliver superior customer service and ensure long-term profitability. Learn more at www.tmwsystems.com.

ABOUT 8X8

8x8, Inc. (NASDAQ: EGHT) is the industry's leading provider of cloud-based voice, video and unified communications solutions. In 2012, 8x8 was named the No. 1 Provider of Hosted IP Telephony by Frost & Sullivan. Based entirely on internally-developed technologies, 8x8 solutions include hosted PBX phone service with built-in mobile apps, hosted contact center service, web conferencing, Internet fax, call recording and video conferencing. 8x8 solutions dramatically reduce telecommunications and IT infrastructure expenses while enabling access from multiple locations to powerful features that increase productivity, flexibility and mobility. Learn more at www.8x8.com.

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This Executive Summary discusses key insights and excerpts from a live presentation and panel discussion by Frost & Sullivan, TMW Systems and 8x8 on June 20, 2013. This summary presents industry insights, best practices, and case studies discussed by the presenters, in the context of the live presentation and panel discussion. For more details, visit www.frost.com/boost. Frost & Sullivan is not responsible for the loss of original context or the accuracy of the information presented by the participating companies.