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INSIGHT REPORT

NAVIGATING THE CLOUD COMMUNICATIONS LANDSCAPE: CHOOSING THE RIGHT DELIVERY MODEL FOR YOUR BUSINESS

Commissioned by Vertical Communications

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Communications and Information Systems Director
Regional Social Services Agency

Introduction

Communications technologies are used by all businesses, and the dominant trend has been to use them in a connected fashion, rather than as standalone applications. Initially, this took the form of Unified Communications (UC), where telephony, email, chat, messaging, conferencing, etc. were integrated on one platform, making workflows more seamless.

As cloud adoption has grown, many businesses have migrated from premises-based UC to cloud-based United Communications as a Service (UCaaS) or are considering doing so. The same is also true for telephony, where Plain Old Telephone Service (POTS) has been migrating to Voice over Internet Protocol (VoIP) for many years, and fewer vendors are able to still support their legacy, premises-based phone systems. There are multiple approaches to deploying cloud communications, and the path taken needs to be carefully considered. This Insight Report outlines three main approaches, and the merits of each.

Whether IT and business leaders are looking at cloud for the first time for communications technology - UCaaS - or to change from their current cloud deployment, important decisions need to be made - not just for choosing the right technology solution, but also the right technology partner and business model. One of these models – wholesale – is not well-understood, and this report showcases the benefits and advantages for certain types of businesses.

The case for cloud adoption

This foundation must be in place before considering options for UCaaS. Some businesses remain fully premises-based, but that model is getting harder to sustain. Regardless of application type, vendors have largely migrated from hardware to software, and are no longer supporting legacy technologies. Not only does this reflect how technology has evolved, but as IT budgets get smaller, Capex budgets are harder to come by, making the SaaS model increasingly attractive.

Aside from the appeal of SaaS for managing financial resources, IT welcomes no longer having to manage aging hardware, or worrying about how to replace it. Equally important is how cloud-based applications are constantly evolving, with many of the newer technologies not being familiar to IT.

Since the cloud model shifts that burden to the vendors - where updates and new applications are built into the offering – IT doesn’t have be concerned with becoming expert in these areas. With IT often being in “do more with less” mode, it’s not hard to see why they are moving to the cloud.

That said, objections to the cloud remain, whether for select use cases, or across the entire business. Initially, there were many valid concerns, such as its ability to scale, reliability and uptime, network security, and the ongoing cost. Premises-based deployments were not problematic in these areas, and with cloud being unproven, IT was not prepared to risk compromise just to save some costs. As long as they could manage with their existing deployments, IT could hold off moving to the cloud.

Much of that changed during the pandemic, when businesses accelerated their cloud plans once it became clear these capabilities were needed to support remote work, along with the hybrid model which soon followed. This was especially true for UCaaS, since this platform was central to how people communicate and work, and it performed equally well whether based at home or in the office.

Multi-site businesses in particular needed these capabilities so workers could remain productive wherever they were located, and businesses require reliable uptime to support operations. Not only are communications applications essential for everyday business continuity, but also to support customers when placing orders over the phone or online.

Given it ability to support all of these needs, coming out of the pandemic, UCaaS has become the norm, not to mention being one of the best use cases to validate cloud adoption. As UCaaS has built a solid track record, businesses have become more comfortable adopting other cloud platforms, such as CCaaS and CPaaS.

Not only have IT leaders found cloud the best way to modernize their operations, but also the best way to provide new capabilities that premises-based technology cannot support. With that, cloud has become more than a new way to deploy technology; it's also a strategic driver to make the business more successful.

Three models for cloud deployment

To whatever extent businesses are ready to deploy cloud solutions – but especially UCaaS – they will soon learn there are multiple paths forward in terms of technology partner. Each type can essentially offer the same technology platform, but each has a distinct business model with a distinct value proposition. Focusing on UCaaS, three models are the most important, and the differences need to be understood to make the right buying decision.

Model 1 – Agent

This is the most widely-used model, as it is the easiest and fastest way for vendors to penetrate the market. Agents are the middlemen between buyers and sellers, and by virtue of their relationships with customers – and ability to acquire new customers – they can shorten the sales cycle for vendors and shorten the cloud adoption cycle for businesses.

While this provides a distinct form of value for businesses, there are things that agents will – and will not do. Aside from having limited capabilities to support customers, they will typically be resellers for multiple cloud and telecom vendors, without having deep expertise for any of them. This translates into pros and cons that buyers must weigh, as summarized by Table 1 below.

Table 1 - Pros and Cons of the Agent Model

PROS	CONS
Many agents to choose from – lots of choice	Does not own the customer relationship
Able to offer a wide range of vendors and options beyond cloud communications	Can sell you anything, not just UCaaS or CCaaS – that's their business model
Can get you through the process quickly	No deep product expertise
Agents are small players – they understand the needs of SMBs	Not in the business of providing customer or technical support
Can offer flexible options for pricing and bundling with other offerings	Little ability to add value or differentiate from other agents, or help customers differentiate

Model 2 – Direct

In this model, the vendor – UCaaS cloud provider – sells directly to the end customer, rather than through a channel partner, such as a Value-Added Reseller (VAR) or systems integrator. There are many cases where the customer is strategically important to the vendor, and a direct sales relationship is required.

Not only does this ensure customer control for the vendor, but margins will be higher since there is no reseller involved. Another scenario would be where the deployment scale is large – usually global – with complex requirements that are best managed directly. This results in a different set of pros and cons for buyers, summarized in Table 2 below.

Table 2 - Pros and Cons of the Direct Model

PROS	CONS
No middleman to get in the way	On your own – nobody to advocate for you
Great when you have decided on a vendor	Onus falls to the buyer to manage everything
Have some options to access their service and support teams	Must follow vendor's terms for the contract, billing, payments and getting support
Should have a smoother implementation if already using that vendor	Limited flexibility for making changes as your situation evolves – not a high touch partner
May be able to get favorable pricing	No access to higher tiers of customer support

Model 3 – Wholesale

Not as widely used as the above models, wholesale offers the best of both worlds for buyers. While all three models may end up selling the exact same UCaaS offering, the wholesale model provides buyers the highest level of expertise and support without having to deal directly with the vendor. This matters especially for mid-sized businesses who are too small to warrant support directly from the vendor, but are big enough to have complex needs that require external expertise.

Wholesale differs from agents in that they own the customer, both in terms of the business relationship, and for providing technical support. Agents essentially just re-sell vendor offerings, but do not control the customer relationship, nor do they have technical support capabilities. As such, the agent model is more transactional, while the wholesale model is more consultative. To further illustrate, the pros and cons for buyers are tabled below.

Table 3 - Pros and Cons of the Wholesale Model

PROS	CONS
Partner fully owns customer relationship	Buyers may not be aware of this model
Contract is with partner, not the vendor	Very few wholesale options to choose from
Primary business is about providing end to end support, including implementation	Limited number of vendor partners they can offer, so cannot shop the entire market
Deep product expertise for a select set of cloud communications vendors	Dependent on wholesale partner to manage the vendor relationship – must have trust
Can access highest tiers of vendor support	Partner could have a falling out with vendor

Roadmap for buyers

There are many considerations here for IT leaders, and for any type cloud communications platform – UCaaS, CCaaS or CPaaS – the platform itself is really just the foundation for your cloud roadmap. Unlike the days of buying a legacy phone system, where the product would remain static over its lifetime, cloud platforms are fluid – they will never be a finished product.

This requires a different mindset for buyers, where new features will constantly be added, and deeper integrations will be needed with other cloud services. Also, being SaaS-based, IT must rely more now on external expertise, as they will have less direct control over the platform.

One way to help with this roadmap is to frame buyer needs in terms of personas for each type of model.

Persona 1 – Agent model

For this buyer persona, the IT leader is pursuing the path of least resistance for cloud platforms. In the case of UCaaS, the thinking might be that communications applications have become commodities, and there is little differentiation among UCaaS providers. This is an ideal scenario for agents, as the buyer will be more price-driven than trying to be leading edge with cloud, so that simplifies what a buyer is looking for.

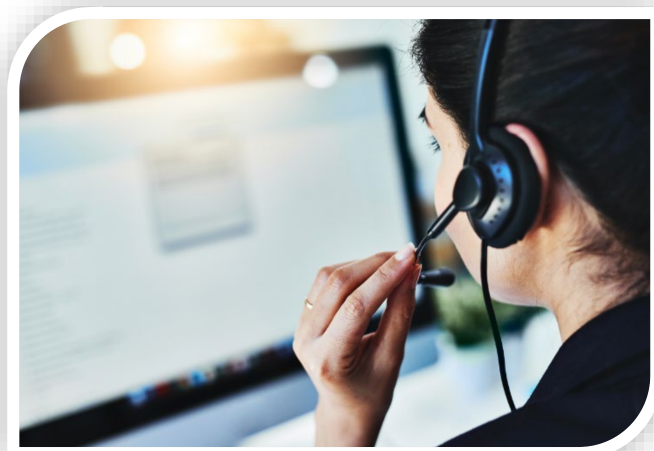
Also important to note is that agents have often been serving their customers for a long time. That may translate into being a trusted partner for buyers, but in many cases that only applies to legacy, premises-based telephony. Migrating to cloud is different from updating a phone system, and many agents will lack the expertise to properly support UCaaS and the value proposition for cloud communications.

The buyer persona here will typically be an SMB, looking for a fairly basic solution at an attractive price point. For smaller businesses, the buyer could be IT, but just as likely an owner/operator, often with a limited understanding of cloud technologies. They will likely be fairly new to the cloud, and not thinking long-term about what really drives value here.

These businesses will not be a good fit for the direct model, and they will likely have limited understanding of the wholesale model. Agents are highly visible in the SMB space, so buyers will not have to look long or far to find suitors willing and able to line them up with UCaaS. Short-term, this match can work very well; but over time, getting the right support can become problematic, at which point they become good candidates for wholesale.

Persona 2 – Direct model

As noted earlier, this model works best for large-scale, complex requirements. The buyer persona here feels the size of their deployment warrants a direct relationship with the vendor. This is a costly position to maintain, as cloud vendors only want to deal directly with the largest customers, so everything will be at a premium, especially for technical support.



Large enterprises are the ideal customers here, but this model can also work for the upper end of the SMB space, presuming IT can make the business case. One scenario would be where the business was using an agent, but after realizing the agent could not provide proper support, IT felt that they had no choice but to go direct, even if the cost was higher.

This may look like the right move, but could also end badly if IT underestimates the level of service expected from buying directly. Put another way, IT may overestimate how important they are to the vendor, only to find out later they are not as customer-centric as thought. Furthermore, if the expectation is about getting personalized service and a direct relationship with the vendor, IT will soon be disappointed. The reality is that most vendors are primarily in the business of selling their solutions, not supporting them, especially for smaller customers.

Persona 3 – Wholesale model

The buyer persona here has done their homework, and possibly gone through some of the above scenarios. For the agent model, they have come to see that their focus is on selling and not servicing. This wouldn't be an issue in a perfect world, where UCaaS worked as advertised, every time, all the time. However, *all* technologies have problems, and when they can't be addressed in-house, they will quickly find agents lacking when needed the most.

Also, this type of buyer recognizes they won't get good support going direct, and need a better type of partner for when technical problems arise. In some cases, the vendor has simply been non-responsive – especially for smaller customers, who may not be seen as worthy to support - or has told the customer they do not qualify for higher levels of service; both of which shifts the onus on the customer to find a solution on their own. An even worse scenario is only getting access to lower tiers of support, where agents lack the expertise and/or competence to provide a decent solution.

For all these scenarios, this buyer persona will reach a point where it becomes clear that dealing direct with the vendor is not the way to go, especially for getting service and technical support. In the course of researching other options, they learn how the wholesale model best serves their needs. Not only do they get the right technology platform, but also the right partner who can support it.

The case for wholesale

Each of the above personas exist in the cloud communications market, so there is a valid use case for all these scenarios. Every business will have its own needs and buying criteria, and hopefully all three business models will be considered. Given that wholesale is less known than the agent or direct models, the following three elements will further illustrate what makes it different.

1. Service-centric partner

This is really the core focus of the wholesale model, and is the value-add that agents cannot provide, and in most cases, that vendors themselves won't provide. To better understand what being service-centric looks like, a wholesale partner would typically have 24/7 support, nation-wide. Not just full-time technical staff, but developers, product engineers, and customer support reps.

Agents cannot match this, and vendors have a one-size-fits-all model of support that does not lead to personalized relationships or direct accountability when things go wrong. In some cases, the very best customers may get premier levels of service, but this is exception, not the rule. Most SMBs – especially those in the 500-1,000 range - will never get to this level, and if buying on the basis of getting long-term support, wholesale is a much better fit.

"For supporting Mitel, it's absolutely a dream with Vertical. When we have issues, they get on it immediately. They're so responsive - I deal with other maintenance vendors, and they're not as responsive. The kind of dedication and quality of support that we get from Vertical - no matter what questions I have, they've been very accommodating, and their engineers are top-notch. When things are working, nobody notices, but when it's not, everybody has a problem. With Vertical, when things aren't working, they're on top of it."

Sr. Telecommunications Analyst, Healthcare Services Provider

2. Deep product expertise

This is definitely not in the domain of agents, but if only buying the most basic UCaaS solution, it won't be a major factor. However, at some point, all cloud communications deployments will need technical support, and given how mission-critical UCaaS is for business continuity, this expertise can make all the difference. This is especially true in cases where businesses are still managing a mix of premises-based telephony along with VoIP, and even more so when needing to support multiple phone vendors.

The core expertise of agents is selling, and they sell everything, not just UCaaS. By nature, they won't have the kind of expertise a business will need when problems occur, and this is a key area of differentiation for the wholesale model.

Rather than offering every UCaaS platform on the market, wholesale partners focus on a handful of leading vendors, and they know them very well. An indicator of this is how many product certifications the partner has, and this should be a key buying criterion for IT leaders. Wholesale partners can readily provide this, and another validation to look for will be industry-based awards. With cloud being new for most businesses, IT leaders may be challenged to assess depth of expertise, making third-party forms of recognition a valuable form of assurance.

"We've used Vertical for three different implementations, including two acquisitions, of both 8x8 Work and Contact Center systems and it's been a pleasure each time. Our IT department is relatively small, so we find it more effective to depend on Vertical for assistance when needed. We have a good working relationship with Vertical, allowing us to speak directly with anyone for whatever our needs are, and we don't have to worry about our phone systems any longer."

Vice President, Information Technology,
Wholesale Distribution for Commercial Building Products

3. Own the customer relationship

There are many aspects to this, and all are in the service of making it easier to do business with the buyer. With the wholesale model, the contract is with the partner, not the vendor. This means that the partner has direct responsibility for supporting the customer, not just for implementation and training at the outset, but also for ongoing technical support.

For smaller businesses new to the cloud, this provides a clearer path to adoption, and faster time to value. With wholesale, the partner manages the payment and customer billing, which is much more manageable than dealing with a vendor, and doing business on their terms. This also means having more flexibility for special requests and last-minute changes. For these types of customers, this end-to-end relationship can be just as valuable as the UCaaS platform itself.

"One thing that stood out for us was the high quality of support from Vertical. It was more than just doing what we needed to fix things and providing generic support. They never seemed annoyed about being called, and we would get responses early in the day or after hours from them. They convey the feeling that we're in this together - something we never got with AT&T."

Communications and Information Systems Director
Regional Social Services Agency

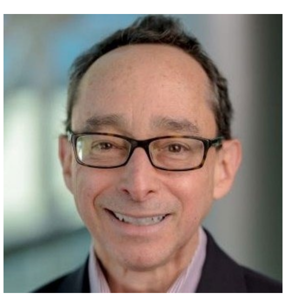
Conclusion

There are many factors leading businesses to adopt the cloud for communications, and every business will have a unique journey along this path. Some will only take small steps, and look to continue using premises-based deployments for as a long as possible. Others will have greater urgency, looking to migrate quickly, especially when legacy systems break down or can no longer get support. Still others will be more than ready, with a strategy in place to fully move to cloud, even while premises-based solutions are still operational.

Regardless of your situation, success with cloud is much more than just flipping a switch and deploying a platform like UCaaS or CCaaS. Not all cloud vendors are created equal, and in most cases, this will be new territory for the business. Often, these will be new vendors, new applications, new integrations, and new support requirements, most of which IT will not be equipped for.

This is where the choice of technology partner is so important. Unlike legacy telephony, where the offerings are highly familiar, cloud platforms have far more variables to consider for getting things right. Taking a holistic view here is critical, where the buyer must assess their end-to-end needs, and not buy just on price or from the telephony vendor they've always used.

While the easy choice is to buy from an agent, there are alternatives, especially if considering those end-to-end needs. Agents may still be the right choice in some cases, but as this paper has outlined, the direct and wholesale models both have virtues that go well beyond what agents can provide. All three models have been reviewed herein, and taking the bigger picture into account, it should be clear that the wholesale offers distinct advantages, especially for businesses that are early along in their cloud journey.



As Principal of *J Arnold & Associates*, Jon Arnold is an independent research analyst providing thought leadership and go-to-market counsel with a focus on the business-level impact of disruptive communications technologies. This Insight Report was authored by Jon Arnold, and is based on ongoing industry research about cloud adoption by businesses for communications and customer service.