2025

The
UCaaS
State of
Disruption

What's happening in the next 6-12 months

Complimentary report provided by:

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Introduction

Unified Communications (UC) has existed for over 2 decades, and while the shift from legacy communications systems to digital unified communications platforms has accelerated in recent years due to the global pandemic, there is still a large swath of companies reliant on fixed or mobile telephony services for communicating externally. Research firm Cavell Group estimates that there are 467 million users in the global business calling market.[i]

While adoption has been rapid, there is a significant opportunity for growth left in the UC market. There are 39 million UCaaS users in the United States market, according to Cavell Group, yet there are 135 million employees[ii] in the national workforce.

With so much potential, and so many users still "up for grabs", vendors have stayed busy redefining the capabilities of UC platforms. Companies such as Zoom are vying to further combine communications technologies with collaboration tools, pitting them against Microsoft, which has long aimed to leverage its Office user base into the use of its Teams offering.

Microsoft's ability to push Teams adoption is changing. Regulatory pressure from the European Union resulted in the company unbundling Teams from Office 365 suites for enterprise customers in late 2023, a policy that was applied globally in April 2024.[iii] Enterprise customers will be able to choose a lower-price standalone Office suite or bundled Teams offering at contract renewal time.

While Teams has built a formidable presence in the UCaaS market, only a small fraction of Teams users are connected to the public PSTN (Public Switched Telephone Network), leaving a notable challenge for enterprises that want to leverage Teams for all their voice communication needs.

These market developments mean enterprises have more freedom to choose based on their unique organizational goals. In turn, there are significant opportunities for competitors such as RingCentral, 8x8, Vonage, Dialpad and others to stay ahead of Microsoft in offering robust UC PSTN-connected solutions. These solutions natively support and can connect to Teams to complement and enhance it with PSTN voice access.

> "58% of US companies with $1M+ revenue already use cloud-based UCaaS"
> – AVANT State of Disruption Report

What is in a UCaaS Platform Now?

Unified Communications is a concept that emerged in the late 1990s and early 2000s, born out of the desire to unify different communication methods such as voice, video, file sharing, instant messaging, and fax, into a single, integrated platform. The intent: simplify and consolidate all forms of business communications and the result would be better communication, collaboration, and productivity at a lower cost than buying individual products.

Initially, UC solutions were on-premises systems that required serious investment in hardware and software, as well as ongoing maintenance and upgrades. These systems were complex and often required specialized IT staff trained to manage and maintain them.

The evolution of UC into Unified Communications as a Service (UCaaS) was driven by the advent of cloud computing and the as-a-service business model. UCaaS extended the unified communications concept of offering a variety of communication and collaboration applications and delivered those over an IP network from a third-party provider.

Now after more than a decade of UCaaS in the marketplace, how are these platforms evolving?
Voice is still a mission-critical feature; UCaaS systems offer voice and all the other expected services, including video and text communications. With the increasing trend towards remote work and the need for tools that support collaboration from anywhere, providing a better communication experience that enhances worker satisfaction and productivity is a unifying theme, so to speak.

This is seen with the increased demand for tools like shared calendars, screen sharing, and file sharing. In some cases, there are overlaps with contact center functions and services through integrations with CRM (customer relationship management) and other back-office systems.

Ironically enough, the rise of hybrid and remote work has driven a need for "unification" of information created by workers and data about worker productivity; many UCaaS platforms now come with an array of analytics to track the use of UCaaS tools, including user engagement metrics and overall employee activity trends. The integration of generative AI technology into UCaaS platforms and other applications is in its early stages but also promises productivity improvements.

Leveraging generative AI as the integration 'glue' between enterprise knowledge discovery and communications, for example, could provide further value for UCaaS customers. With vendors having successfully driven widespread adoption of UCaaS, buyers are now prone to switching between vendors, driving price compression in the market. All this leaves a question: **will all the new capabilities and technologies impact the size of UCaaS contracts? And what capabilities are valuable enough that customers will pay more for them?**

UCaaS: By the Numbers

According to the most recent figures from International Data Corporation (IDC)[iv], worldwide revenues in the Unified Communications and Collaboration (UC&C) market will grow by 7.5% year over year to $69.1 billion for the full year 2024. In the long term, IDC predicts that the UC&C market will grow to $85 billion by 2028.

AVANT Analytics Data

After the pandemic, awareness and use of UCaaS platforms grew tremendously, but as research figures show, there are still a lot of companies either in market or on the cusp of being in market for a UCaaS solution.

AVANT IQA (Interactive Quick Assessment) data show that 57% of respondents are "still learning" about available UCaaS solutions, while 31% are actively looking at UCaaS providers.

> **Key takeaway: Enterprises are still in the education and evaluation phase, and Microsoft Teams isn't necessarily a shoo-in for companies considering their options.**

FIGURE 1

Where are you in the UCaaS evaluation process?

Source: AVANT IQA data

- ● STILL LEARNING ABOUT UCAAS
- ● ALREADY LOOKING AT UCAAS PROVIDERS
- ● TESTING PROOF OF CONCEPTS
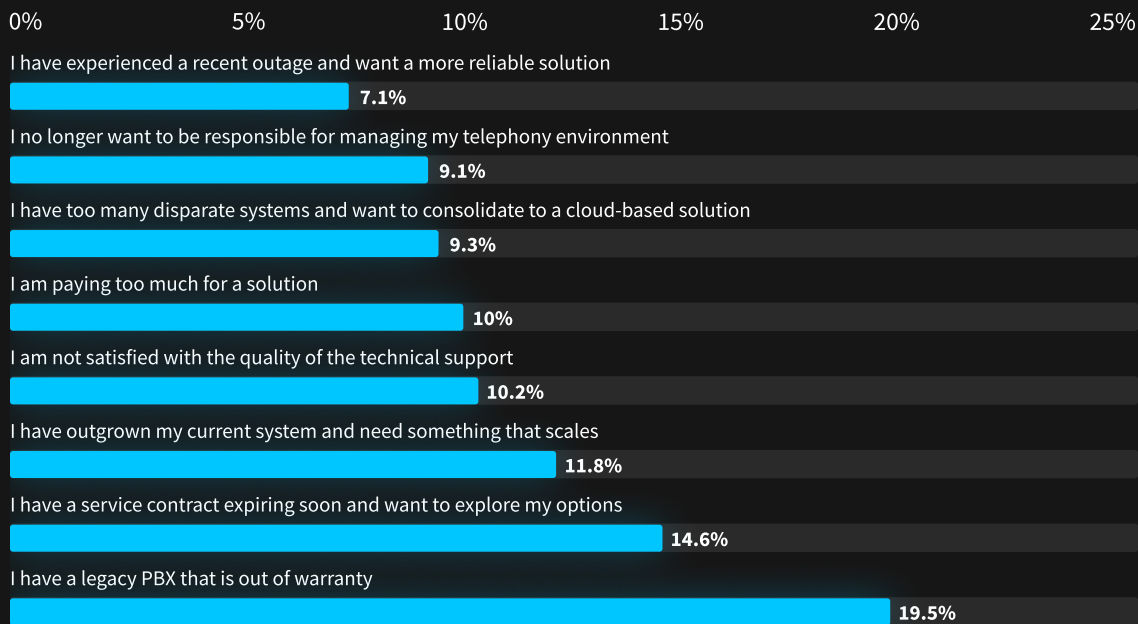- ● STILL CONSIDERING

31%
57%
4%
9%
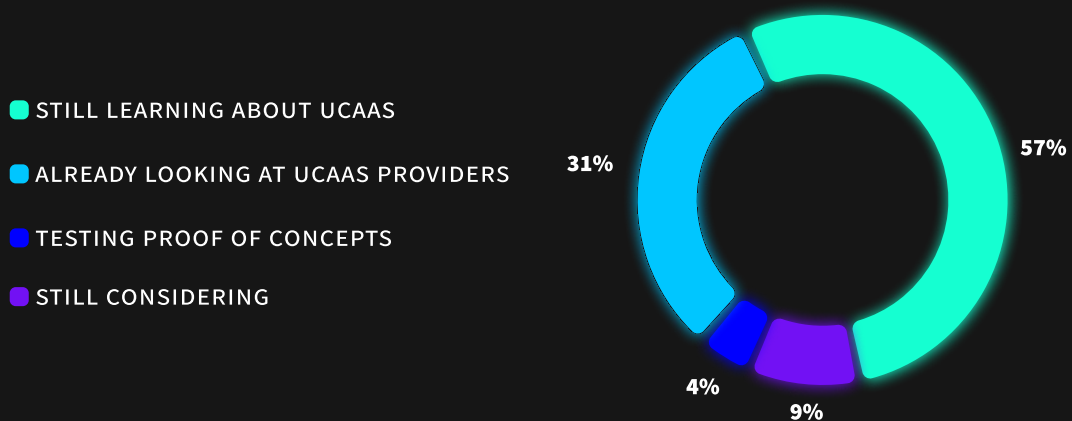
Those enterprises that are in the evaluation or testing phase are most commonly considering a new UCaaS vendor because their legacy PBX is out of warranty (19.5% of IQA respondents) or the service contract is expiring soon (14.6%). From a technology perspective, enterprises are citing a need to scale (11.8%), poor technical support (10.2%), and system management (9.1%) as key reasons to move to a new UCaaS vendor.

Why are you considering a new UCaaS vendor?

Source: AVANT IQA data

0%	5%	10%	15%	20%	25%

I have experienced a recent outage and want a more reliable solution
7.1%

I no longer want to be responsible for managing my telephony environment
9.1%

I have too many disparate systems and want to consolidate to a cloud-based solution
9.3%

I am paying too much for a solution
10%

I am not satisfied with the quality of the technical support
10.2%

I have outgrown my current system and need something that scales
11.8%

I have a service contract expiring soon and want to explore my options
14.6%

I have a legacy PBX that is out of warranty
19.5%

## UCaaS Insights: State of Disruption 2024

In addition to IQA data, AVANT surveyed 501 senior decision-makers at US companies for the 2024 State of Disruption report.

AVANT asked survey respondents to characterize the percentage of their phones that are cloud-based Unified Communications as a service, as opposed to premise-based systems during the specified time frames: pre-pandemic, current (as of Q1 2024) and in 12 months.

The migration from premise-based systems to UCaaS systems continues, with an average of 58% of companies across all industries surveyed starting to use cloud-based solutions in 2024, compared to 47% before the pandemic.

Companies in the financial services and insurance industry are expected to grow UCaaS seats by 11.4% from 2024 to 2025. Retail, high-tech, and construction are also set to see adoption increase another 9% to 11%.

Adoption of UCaaS, as measured by company revenue, has occurred nearly as rapidly at small companies ($1 million to $10 million) as large enterprises (over $1 billion), according to survey data.

UCaaS Growth by Company Revenue

Source: AVANT State of Disruption 2024 report
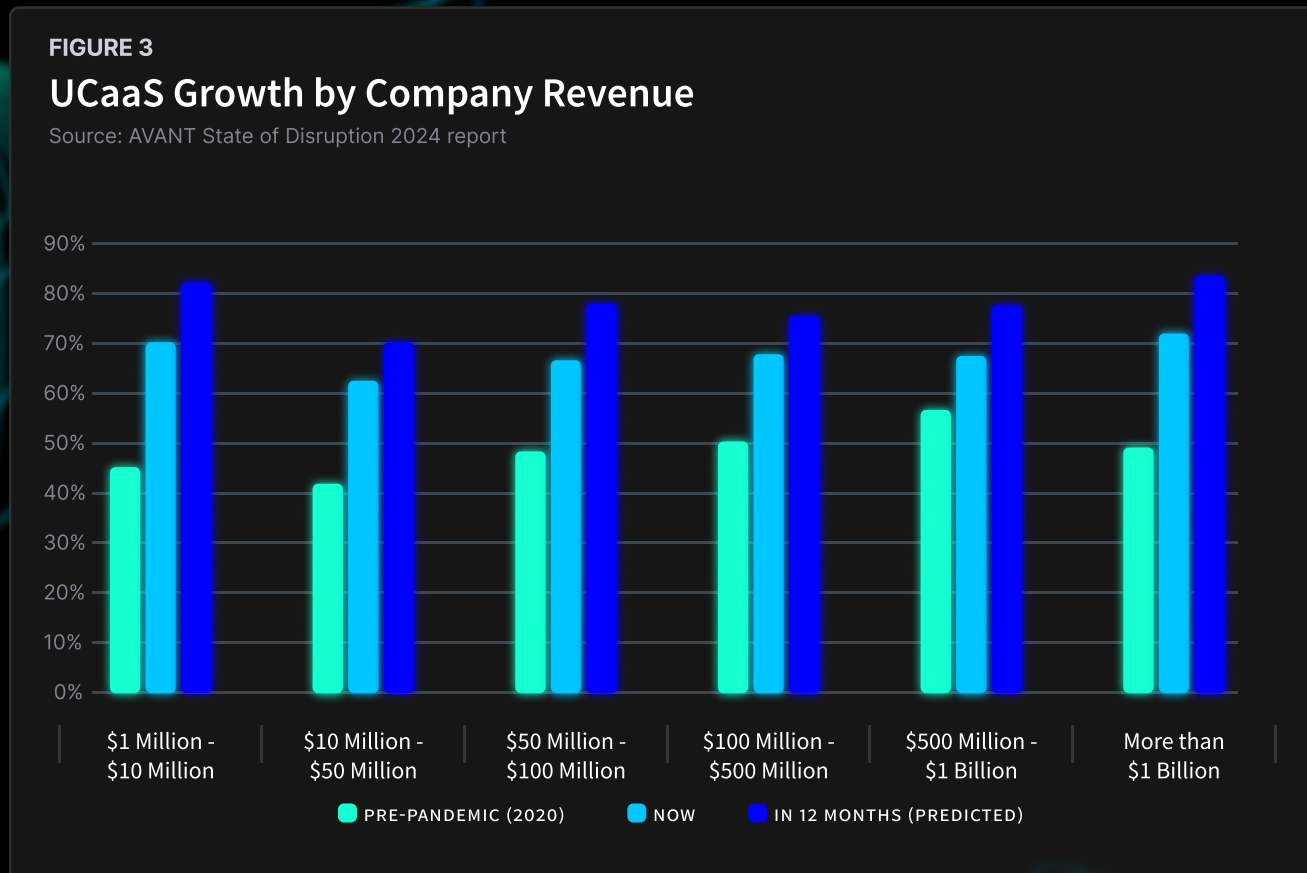
Companies in the $50 million to $100 million range will be another strong segment, growing UCaaS seats by 9.6% in 2024 compared to pre-pandemic levels. There is significant variation between the top and bottom industries for near-term UCaaS adoption.
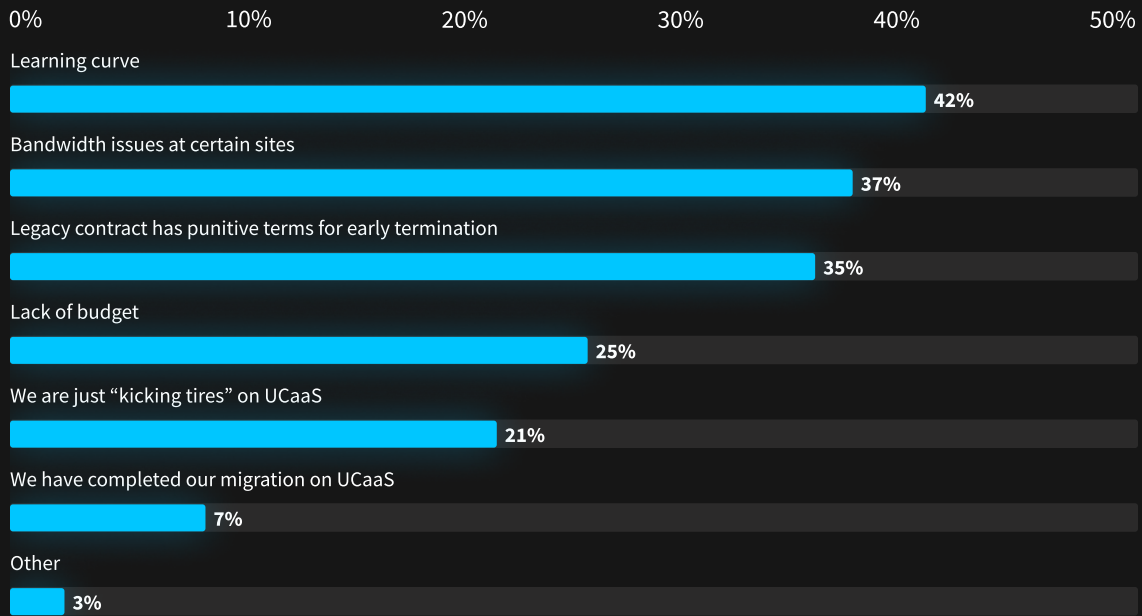
Prior State of Disruption data suggests the high-tech industry is the most likely industry to adopt UCaaS by the end of 2025, followed closely by real estate and then the financial services and insurance markets. The consulting and business services market was least likely to have completed their UCaaS deployments by 2025, followed by healthcare, medical, and biotech companies.

Issues that may be behind slow or non-existent migration can vary, but respondents reported that the decision to defer migration is most often based on the learning curve associated with using a new system, as opposed to an outright rejection of UCaaS.

6 Reasons Some Companies Still Use Legacy Telephone Systems

Source: State of Disruption 2024

| | 0% | 10% | 20% | 30% | 40% | 50% |

Learning curve
42%

Bandwidth issues at certain sites
37%

Legacy contract has punitive terms for early termination
35%

Lack of budget
25%

We are just "kicking tires" on UCaaS
21%

We have completed our migration on UCaaS
7%

Other
3%

Network issues are the second most common issue; 37% of respondents say bandwidth issues at some sites are the reason their legacy systems are still in use. Another 35% of respondents can't leave legacy systems in the dust, citing punitive early termination clauses as a reason for using existing systems.

Market Trends

The pandemic drove UCaaS adoption starting in 2020 because of a need to rapidly shift to remote work, but the reverberations from that event continue.

The debate between hybrid work-from-home and return-to-office policies will continue among executives in 2024. The consensus seems to be leaning towards hybrid work models, with various reports suggesting that the share of full-time in-office workers is shrinking as hybrid work grows.

From Collaboration to the Future of Work

Where the drivers for UCaaS in the past were COVID-19 and cost savings, the rationale has shifted towards support for digital transformation and Future of Work. Despite some large companies like Amazon forcing a return to work, 27.5% of employees have adopted a hybrid work model, according to WFH Research, a collaborative academic research project.[v]

One side effect of remote and hybrid work is the impact on productivity and performance management practices. There is a need to focus more on measuring outcomes rather than tracking time spent on tasks, for instance, resulting in a need for employee management tools within UCaaS platforms.

These market forces are driving greater integration of collaboration and productivity capabilities. Newer technologies like generative AI are a key part of the equation as well and are the focus of significant research and experimentation by enterprises.

Technology Trend: Generative AI

Generative AI refers to a type of artificial intelligence that, as the name suggests, can generate new content. The content can be text, images, music, or even code. The content is created using machine learning models that are trained on a large amount of data and learn to create new content that reconstitutes the training data.

Generative AI is most commonly being used in marketing and sales, product and service development, and IT service operations, such as customer care and back-office support, according to the report.

> **"In August '23, 33% of C-level and managers were using generative AI in at least one function. Eight months later, that number had leapt to 65%."** [vi]
> – McKinsey Global Survey

Vendors have been quick to highlight ways they are using AI in the UCaaS stack. Common features include:

- **Live phone call transcriptions and closed captioning:** The AI models convert spoken words into written text in real time during phone and video conversations. Transcriptions can be downloaded for review as well as documentation and compliance purposes.
- **Call summaries and highlights:** Uses AI to generate summaries, call highlights, and keywords from each call, allowing users to quickly find specific moments in a conversation.
- **Sentiment analysis:** AI is used to detect the emotional tone of conversations and identify potential misunderstandings. This is useful for customer-facing teams that need to proactively clarify and resolve issues.
- **AI-generated action items:** A feature that helps organize the next steps and suggest impactful actions.
- **Personal assistants:** Generative AI's capabilities extend to content creation (including audio and video), enabling a personal assistant of sorts.

Microsoft is positioning its generative AI product, Copilot, as a personal assistant. It is being integrated with products across its portfolio, including Teams. This cross-product integration enables access to data such as Teams conversations, emails, and other company data to generate relevant content.

However, Copilot requires a separate license starting at $30 per month in addition to the qualifying Microsoft 365 and Teams license. Zoom, Dialpad, and other vendors are including many of the same features in existing subscriptions; still, tracking Copilot's feature developments will be a big topic for UCaaS vendors in the months to come.

With the rapid-fire changes coming in AI alone, selecting the right UCaaS vendor is a challenge. Decision makers could choose to go to a vendor like Microsoft with its Teams offering — most companies have licenses to an array of Microsoft products. The company can put a lot of money into R&D, too. Its investments in AI companies like OpenAI and Mistral top the $14 billion mark. Plus, it is investing further in infrastructure such as data centers and the incorporation of generative AI into its Office products. **So, is Microsoft the way to go for UCaaS?**

Vendor Selection: Choices and Challenges

In the UCaaS market, customers hear about Microsoft Teams and are frequently asking Trusted Advisors about using Teams for voice service (PSTN). Microsoft's dominant position in the PC market means Teams is nearly omnipresent. Using it for voice communications outside the enterprise WAN seems like a natural fit — **or is it?**

The truth is that Microsoft's position in the UCaaS market, while significant, is not as unassailable as it might seem. Teams was launched by Microsoft in 2017 and added PTSN calling just a few months after its initial launch.

FIGURE 5

Estimated Teams Monthly Active Users
Source: Microsoft Public Data

Only 6% of Teams users are PSTN-enabled

Year	Users
2019	25 M
2020	110 M
2021	200 M
2022	275 M
2023	300 M
2024	320 M
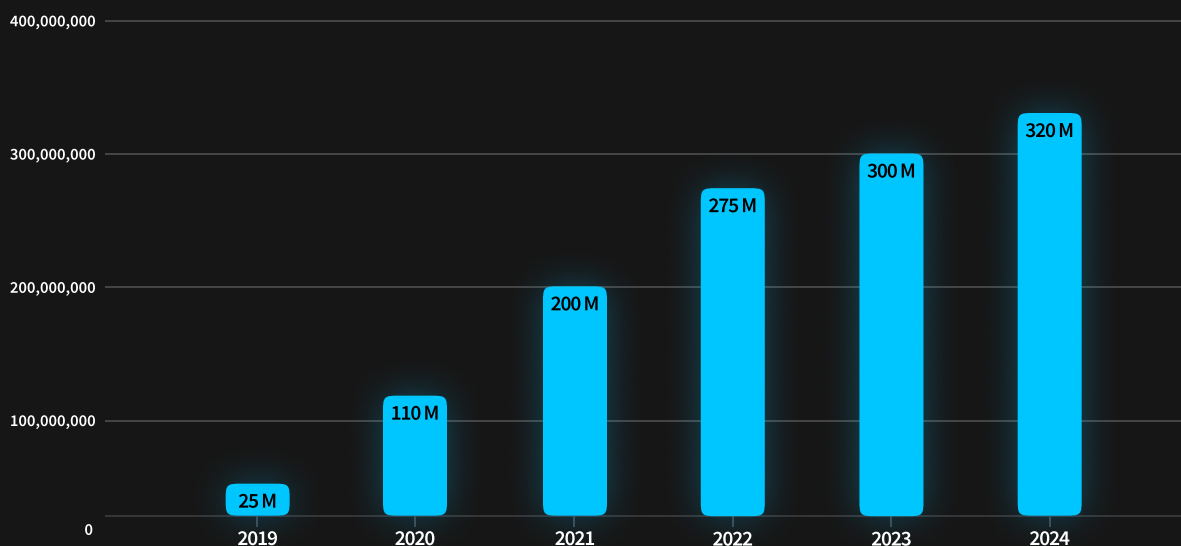
Microsoft said it has 320 million paid Office seats as of January 2024 — which is a staggering number. However, considering that Teams leverages the Office bundling strategy, that's not surprising.[vii]

Looking at voice calling (VoIP) usage within Teams, there are an estimated 80 million users. Again, that figure overstates its usage for calls that eventually traverse the PSTN. The number of Microsoft phone seats using PSTN for voice is 20 million, Microsoft announced on its earnings call in April 2024. (To use PSTN calling, users need to have a Microsoft Phone System license and a Calling Plan subscription. Alternatively, they can use their own telephony provider with Direct Routing.)

> **Key takeaway: 20 million PSTN-enabled Teams users represent a very small fraction of the total 320 million active Teams user base.**

According to communications market research firm Cavell Group, the global business calling market has over 467 million users.[viii] That figure includes the use of a fixed or mobile telephony line for either internal or external business communications. In the enterprise telephony market, Cavell counts more than 84 million unified communications users, which equates to 18% overall market penetration for Teams.

In other words, not everybody is using Teams for UC, and there is a significant transition away from existing calling systems that lies ahead.

Teams and PBX: Not Like PB&J

"There are [roughly] 40 million people in the United States across the top four vendors alone that are on unified communications, and we still have a long way to go," said John Paullin, Senior Analyst of UCaaS and CCaaS at AVANT.

"You can't talk about unified communications without [talking about] Teams, but there's an entire ecosystem that goes along with that. Should I be putting my PSTN voice or my PBX in Teams? Or should I not? These are conversations that we have every day with customers because it's top of mind."

"Every Teams user is likely using Teams chat and/or video but is it right for your phone system is a very different question that we help customers navigate every day," Paullin notes.

Microsoft Teams isn't going to be the answer to every enterprise's need for voice services. Trusted Advisors can add PSTN voice services to a UCaaS platform from many sources in the AVANT portfolio.

What does it mean to put a PBX in Teams? What is the cost? What is the architecture? Enterprises are asking these questions, and Trusted Advisors can help guide enterprises to the right answers for their needs.

"'What are the features and functions that I get differently than if I went with a UCaaS vendor like Zoom, RingCentral, 8x8, and Dialpad?' There is a difference between what they provide and what Teams provides and most people don't know that unless they speak with someone who understands this world, or they sign up for the wrong architecture and they find out the deficiencies later," Paullin cautions.

Challenges with Teams

The dynamics of using PBX systems with Teams changed in 2020 with Microsoft Direct Routing, which allows connecting PSTN carrier, cloud-based PBX with features, functions, and support from multiple vendors. Direct Routing allowed companies to connect their Microsoft Teams phone system to the PSTN through third-party providers, opening a backdoor for companies that focus on cloud-based voice. These providers offer a variety of different architectures and features for customers.

With over 100 Direct Routing vendors, finding the right one for a domestic or global company requires an understanding of their strengths and weaknesses. Trusted Advisors can help guide enterprise buyers through the process of selection for those who want to combine Teams and UCaaS together.

Microsoft Teams vs. UCaaS Vendors: Friend or Foe?

Many enterprises find that Microsoft Teams voice capabilities are still lacking in comparison to other UCaaS vendors. Customers are choosing a dedicated UCaaS vendor over Microsoft for reasons including:

- UCaaS vendors are more customer focused, adapting to evolving customer needs like SMS integration, while Microsoft is slower to change due to its large size and conservative approach.
- UCaaS vendors prioritize voice features and support, knowing that customers will switch providers if they don't receive adequate support.
- Teams' simplicity makes it a good choice for customers who do everything in Teams, but not for those who don't.
- Microsoft Teams Voice has less country support compared to its main UCaaS competitors.

Microsoft Teams + PTSN = UCaaS

Research suggests that upwards of 85% of Teams users are connected to PSTN services via third-party telephony providers.

In addition to the popular UCaaS providers, there are a variety of other Microsoft-certified vendors that can provide companies of all sizes with global telephony plans and integration with Teams. A partial list of vendors includes: CallTower, Momentum, PureIP, SCB Global, SIPPIO, Vonage, and others.

A third-party provider is needed to enable a full experience that has native voice capabilities and number transport portability (meaning, phone numbers can be moved to different voice providers more easily), said Andy Bird, Vice President of CX at AVANT. Third parties can solve for functions such as fax, SMS, MMS, and omnichannel experiences, he explained, noting that market verticals such as retail stores, hospitality, and finance can be served out of the box since more of these vendors specialize in these use cases while Microsoft does not.

Costs of Microsoft Teams versus UCaaS Vendors

Microsoft Teams' popularity among enterprises is due to their integration with Office 365 and executive agreements. When it comes to adding PSTN connectivity, many are surprised by the licensing structure and the "Microsoft tax." AVANT's John Paullin notes that most customers are on an E1 or E3 license with Microsoft, which limits their ability to make calls without paying an $8 phone system license.
He also notes that there is a limited support structure and SLA enforceability with Teams, which can cause issues for businesses relying on phone systems.

Voice Technology Advancements and Industry Trends

Innovation in voice technology is accelerating, with AI and sentiment analysis being integrated into UCaaS and CRM systems. Some possibilities for how the landscape will evolve relative to Teams versus its competitors:

- **UCaaS vendors are ahead in using AI for personalization of content and experience**; Microsoft can never be counted out, though, as the company has a long-term strategy and product roadmap backed by R&D dollars — or money for an acquisition, if it feels the needs are urgent enough.
- **The shift from on-premises unified communications to UCaaS will continue** with a focus on Microsoft Teams and the importance of cellular connectivity.
- **UCaaS will become more like the cellular market,** with users migrating between vendors as their needs change.
- **The use of eSIM technology will enable companies to allow employees to bring their own devices and use native cell phone dialers for business calls**, potentially challenging traditional UCaaS vendors as the need for smartphone applications fades away. UCaaS vendors could fend off the challenge, easing device and number management by either building out their platforms or partnering with mobile device management (MDM) vendors.

Evaluations and Decisions

Enterprises have become more comfortable with the process of selecting unified communications systems, perhaps in part because the market appears to be relatively mature. Yet, while UC and its UCaaS offspring are known product categories, developments in the market, along with continuing changes in workforce management and end-user needs, mean enterprises should still consider bringing in Trusted Advisors to guide them through the process.

Before signing any UCaaS purchase order, enterprise decision-makers should host a proof-of-concept (PoC) evaluation to understand how well the proposed system will work in their environment. The advent of cloud-based UCaaS means that testing a system is much easier than when hardware had to be installed on-premises; still, the PoC provides hands-on experience that can help in rolling out the system to the entire enterprise. **So, what steps should decision makers take to prepare for, execute, and analyze their evaluation?**

Before the PoC

Gather requirements and feedback from different employees (especially those outside of the IT department) across the organization prior to the PoC. Consult users about desired improvements during the down pre-selection process to avoid going to PoC with a vendor that doesn't have the capabilities that are needed. There can often be "shadow IT" processes or technologies in place that the IT department is unaware of; having a diverse set of users included in the process will help decision makers understand gaps in the current tools.

Companies should create PoC scorecards to better track attitudes around collaboration functionality, features, ease-of-use, ease-of-management, and the effectiveness of any mobile applications. The task force should clearly define parameters for success and look at how to weigh those parameters in cross-platform comparisons and evaluations. Also, if the organization runs multiple PoCs, try to have the same people, length of time, and success criteria across all vendors. This allows for an "apples to apples" evaluation.

PoC

Engage power users or tech-savvy users who would be able to see not only the strengths and weaknesses but will also evangelize the deployment after the final decision is made.

Make sure that the chosen UCaaS system works and integrates with the applications and workflows that your company has in use. Examine how it works for remote workers. Things might be fine in the office, but functionality could decrease when people are mobile. A cloud system's architecture might have network bottlenecks that make the service hard to use on mobile devices, for example.

As the search begins to narrow to a few preferred options, benchmark the test experience by requesting customer references. Make sure the references are companies of similar size, geographic reach, or market vertical. Speaking with a project's implementation project manager can reveal challenges that a PoC didn't uncover; a discovery call can also lay the groundwork for a statement of work and help establish familiarity with the implementation process.

Post PoC

Another best practice at this stage is to have a meeting with the vendor's implementation project manager to get a better understanding of each party's responsibility during an implementation. Once the final decision is made, your Trusted Advisor can be there on the front line to assist with the integrations and other technical considerations to help get the system into production.

The next step: focus on user adoption. This includes training, but also articulating the benefits the new system will bring to the business. Use the detailed end-user analytics of the UCaaS vendor to see who hasn't logged in or made a call. These users should be contacted individually to see if there are unaddressed training issues or potential technical problems preventing adoption. The transition will be more successful if the marketing user education process is more than a one-shot deal; user assistance should remain available over time.

Key Roles

Product Vendors

These are the companies that develop the software, hardware, platforms, and solutions. You will likely find some options to be more effective than others, and some will work together in the same environment better than others. When they don't interoperate very well, they might cancel out one another's benefits, or cause the systems to work more slowly, due to the different products struggling for dominance. Vendors often rely upon Trusted Advisors, MSPs, and other members of the indirect sales channel to bring their products to market, though some also may sell through their internal sales forces. From the customer's standpoint, direct sales efforts are led by people with sales quotas. Thus, the product they're offering may or may not be the best fit for your circumstances.

Managed Service Providers (MSPs)

MSPs use vendor products to deliver a solution. They are not developers of the product, although sometimes they may combine different products into a unified offer; these products are sometimes combined with an additional homegrown service or software that differentiates them from their competition. MSPs often optimize a given solution to customer needs and function in a mode very similar to consultants. Often, the buyer will have certain options available in their service selection but will be unable to make detailed requirements on which vendors and solutions will be used. This limitation is typically balanced by enhanced simplicity.

Trusted Advisor: Consultant/Agent/Reseller

This segment of the IT industry typically does not have an internally developed product or technology. They function as independent entities that can help you sort through the available options based on your company's specific needs, budgets, and legacy infrastructure. Their role is to do the necessary legwork, understanding the differentiators among the various offerings as well as those of the vendors that provide them. Aside from helping with the pre-sales phase of the engagement, they also play a key role in deployment, optimization, support, training, and other facets of technology.

On the buyer side of an engagement, the personnel often involved in the decision-making process include:

Executive Management
Chief Technology Officer (CTO)
Chief Information Officer (CIO)

IT and Facilities Management
IT Director
IT Infrastructure Manager
IT Project Manager
Director of Telecoms

Network
Network Architect
Network Engineer
Network Administrator

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