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THE VALUE OF **VOICE-ENABLING** OFFICE 365

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EXECUTIVE SUMMARY

The importance of email continues to grow: it's the most widely used communications tool in most organisations, it's the primary file transport system for most users, and it's used more than any other single application by most corporate users. Far from being displaced by social networking, collaboration or other tools, email use continues to dominate the corporate communications landscape and we anticipate that it will for many years to come.

However, email is but one piece of the communications arsenal employed by users along with telephony and instant messaging that, in combination, are used by information workers for more than four hours during a typical day. Moreover, the synergy of integrating these capabilities into a unified communications solution provides significant benefits to employees and organisations alike.

The question now is how best to integrate communications and control its costs. For a growing number of organisations, cloud delivery of email, telephony and instant messaging are displacing on-premises systems because the cloud is typically cheaper, its costs more predictable, and its delivery more reliable. Because Microsoft Exchange dominates the on-premises market for business-grade email, it stands to reason – and our research bears this out – that Office 365 and its integrated telephony and real time communications functionality will be a leading contender in the hosted communications market.

KEY TAKEAWAY

As organisations make the decision to migrate email to the cloud, the next logical decision point becomes how best to integrate email, telephony and instant messaging. Here again, a logical choice for many decision makers to consider is the deployment of Office 365 and hosted Lync, the latter Microsoft's real time communications and telephony platform.

ABOUT THIS WHITE PAPER

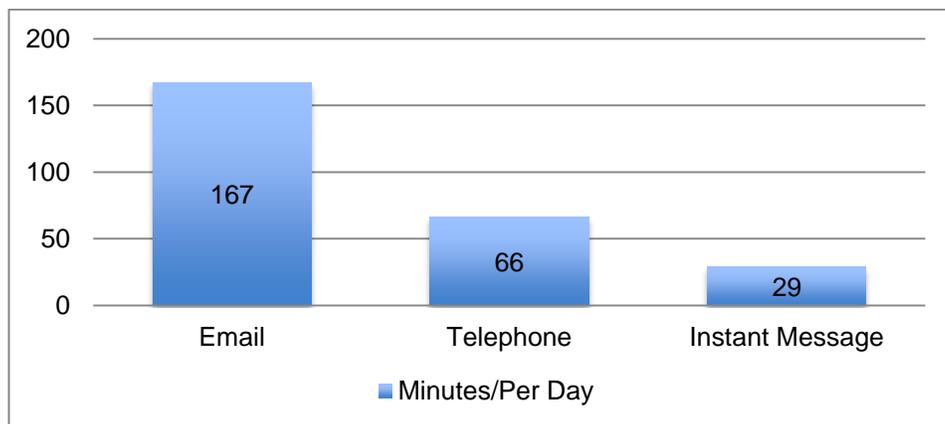
This white paper discusses available options for managing telephony and the advantages of cloud-based telephony provision, specifically the advantages of hosted Lync in an Office 365 environment. The paper also provides a brief overview of Arkadin, the sponsor of this white paper, and the company's relevant offerings.

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TELEPHONY IS STILL A MAINSTAY COMMUNICATIONS MEDIUM

EMAIL IS THE PRIMARY FORM OF COMMUNICATIONS IN BUSINESSES OF ALL SIZES

Email remains the undisputed king of communications across organisations of all sizes and in virtually all industries. As shown in Figure 1, the typical information worker employs their email system for a mean of 167 minutes per day, sending and receiving a mean of 47 and 147 emails, respectively, on a typical workday. This data is consistent with numerous Osterman Research surveys that have found email use to be the dominant form of communications in the workplace.



Graph 1: Minutes per Day Spent Using Various Communications Systems
Source: Osterman Research, Inc.

HOWEVER, TELEPHONY CONTINUES TO BE THE PREFERRED METHOD OF REAL-TIME COMMUNICATIONS FOR BUSINESSES

That said, the figure above clearly demonstrates that telephony remains an absolutely essential component of the communications mix for users, accounting for well over an hour of use per day for the typical information worker. Moreover, an Osterman Research survey conducted during March 2014 found that 60% of users share files via email while on a call, demonstrating the interconnectedness of email and telephony for most information workers.

The nature of telephony is changing as users become increasingly mobile and as cloud-based technologies become more prevalent and viable for decision makers to consider.

THE NATURE OF TELEPHONY IS CHANGING

While telephony remains a critical business tool, the nature of telephony is changing as users become increasingly mobile and as cloud-based technologies become more prevalent and viable for decision makers to consider. The penetration of mobile platforms for managing email, telephony and other critical business functions means that while telephony will remain an essential element in the mix of tools with which users communicate, telework and other forms of remote work will become more critical. The bottom line is that telephony will remain an essential element of the communications mix, but the way it is delivered is changing as the workforce becomes more geographically distributed, and as new delivery models are being adopted.

OFFICE 365 IS BEING ADOPTED QUICKLY

MANY ARE MOVING EMAIL TO THE CLOUD

Microsoft Office 365 is a robust set of email and collaboration tools that is offered in a number of configurations with varying levels of features and functions. Office 365 represents Microsoft's latest – and arguably, most successful – venture into the cloud services space in the 13+ years that the company has offered hosted services. Office 365 growth has been quite robust:

- Microsoft reached one million Office 365 Home Premium subscribers in May 2013ⁱ, two million by October 2013ⁱⁱ and 3.5 million by early 2014ⁱⁱⁱ.
- Microsoft estimates that more than 15% of its Exchange installed base is now using Office 365^v.
- In 2014/Q2, Microsoft reported that it more than doubled its commercial cloud services revenue^{vi}.

As shown in Figure 2, the Osterman Research survey conducted for this white paper found that most organisations plan to migrate some or all of their users to Office 365 in the near- to mid-term.

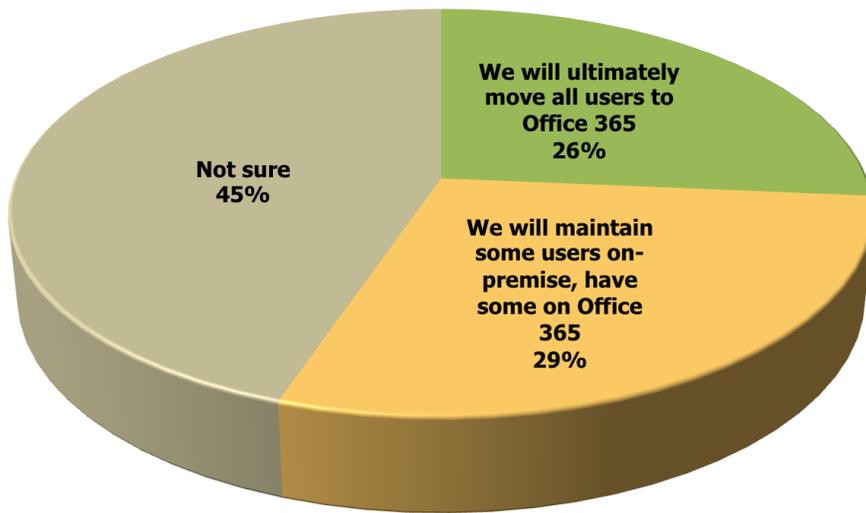


Figure 2: Organisation’s Plans for Migrating to Office 365
Source: Osterman Research, Inc.

Moreover, an Osterman Research survey found that anticipated growth of Office 365 adoption by mid-2016 relative to other email platforms will be robust, as shown in Figure 3.

Platform	2014	2016
Google Apps	4.7%	7.4%
LotusLive/IBM SmartCloud	1.1%	1.4%
Lotus Notes/Domino R7and earlier	0.6%	0.1%
Lotus Notes/Domino R8+	9.2%	6.5%
Lotus Sametime	4.5%	1.9%
Microsoft Exchange 2003 and earlier	2.8%	0.0%
Microsoft Exchange 2007	8.4%	0.8%
Microsoft Exchange 2010	46.1%	20.4%
Microsoft Exchange 2013	14.4%	41.6%
Microsoft Lync	17.2%	23.7%
Microsoft Office 365	6.4%	19.3%
Microsoft BPOS or hosted Exchange	3.3%	4.6%
Novell GroupWise	4.9%	3.5%
Other	5.5%	4.3%

Figure 2: Organisation’s Plans for Migrating to Office 365
Source: Osterman Research, Inc.

An Osterman Research survey found that anticipated growth of Office 365 adoption by mid-2016 relative to other email platforms will be robust.

MOVING VOICE TO THE CLOUD IS THE LOGICAL NEXT MOVE

Organisations that are moving email to the cloud should also consider moving voice to the cloud, since the inherent advantages of hosted email, apply equally to hosted voice, as well. The bottom line, then, is that businesses that have or are planning to move email to Office 365 should seriously consider integrating their voice services with hosted Lync.

WHAT ARE YOUR OPTIONS FOR MANAGING TELEPHONY?

MANY BUSINESSES USE NON-OPTIMISED TELEPHONY Many small – and even some mid-sized – businesses use residential or mobile phones as their business telephone system and as the initial point of voice communications for all incoming and outgoing calls. This is especially true for organisations that either cannot afford a live receptionist and an on-site PBX, or that view this role and infrastructure as non-essential. Reducing costs is normally the primary motivator to employ non-business grade voice communications in this manner, but this creates a variety of problems:

- Overall communications costs can sometimes be higher because of the lost employee productivity that results when highly paid employees are forced to do the work of a receptionist.
- Using residential lines or mobile phones can convey an unprofessional image with the public, potential clients, business partners and others. It can even result in lost business in some cases if a prospect cannot easily be directed to someone that can answer a time-sensitive or other query.
- Using non-optimised telephony for incoming calls means that they cannot be routed to the appropriate individuals or departments. This makes telephony more time consuming for staff members who must route these calls themselves, assuming they are even able or available to do so, and it can result in dropped calls, messages that are not returned and other problems.
- The lack of advanced calling features when using residential or mobile phones as a PBX replacement, such as on-hold music played for callers, automatic routing to mobile phones for remote users, or updated voice prompts based on users' availability, conveys an image that most businesses should find unacceptable.

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- Using residential or mobile phones as a PBX replacement limits the ability of an organisation to implement business-grade telework schemes.

BUSINESS-GRADE TELEPHONY CAPABILITIES ARE USEFUL, BUT ON-PREMISES SYSTEMS CAN BE EXPENSIVE

One of the primary advantages of a PBX is that it permits even small organisations to look like a much larger organisation and to convey a more professional image. However, a fully installed PBX system can be very expensive. The cost of a fully deployed PBX system can range from a couple of hundred pounds to as much as £700 per user. Add to this the costs associated with incoming telephone lines, maintenance of the PBX, the costs of adding additional telephone lines as more users are added to the system, the inability to scale back the number of lines quickly during economic downturns, and the use of in-house staff to manage the system.

BUSINESSES NEED TO EMPLOY AN OPTIMISED, BUSINESS-GRADE TELEPHONY SOLUTION

Consequently, every organisation – including even the smallest businesses – should deploy a business-grade PBX capability that can offer robust features that will present a more professional image to the outside world, which is not possible with an ad hoc collection of employees' mobile phones and residential telephone lines. The issue becomes one not of whether or not to implement a PBX, but how to do so at a cost that a business can afford.

WHY USE HOSTED LYNC WITH VOICE?

There are a number of benefits that organisations of all sizes can realise from integrating voice with hosted Lync services:

- **No up-front deployment costs**

One of the primary advantages of a hosted Lync is that there are no up-front deployment costs as there are with an on-premises PBX or Lync Server. This is an important benefit, particularly for smaller organisations that often do not have the resources to on-premises solutions, or that do not want to devote a significant proportion of their infrastructure budget to telephony. Because a full-featured, IP-based telephone system like Lync can be expensive to deploy on-premises and consume a large part of an overall IT budget in the year of deployment, the lack of up-front deployment expenditures is one of the chief benefits of hosted Lync. This is particularly true for smaller companies that generally pay more per user for IT and telephony

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infrastructure than their larger counterparts.

- **Predictable pricing**

Another key benefit of hosted Lync is the predictable pricing model compared to on-premises systems. This allows financial planners and others within an organisation to know exactly what their telephony costs will be over the long term, allowing better planning for allocation of scarce resources.

- **Rapid deployment**

Hosted Lync can be deployed very quickly compared to on-premises Lync Server. This is a key advantage, particularly for companies that need to deploy new users quickly, need to deploy telephony to a newly acquired company, or simply want to alleviate the burden of on-premises deployment from their internal staff members.

- **Flexible deployment options**

A key advantage of using different providers for hosted email and hosted voice services is that business continuity can be improved by separating the management of these two critical communications media. For example, if hosted email provider A suffers an outage – as happens periodically with Office 365 – hosted Lync when managed by a different provider can continue operating. This allows employees to remain more productive than if both critical communications services were down simultaneously.

- **No need for on-premises staff to manage Lync**

Another important benefit of using hosted Lync is that no in-house IT or other staff members are required to manage the system, unlike the case with an on-premises PBX or Lync Server. This is one of the more important benefits of cloud-based telephony services, since using in-house staff members to manage on-premises infrastructure is rarely going to provide any sort of competitive or other business advantage. However, if the staff time that would be devoted to managing on-premises Lync can be put to other uses, this will almost always provide more “bang for the buck”.

Even setting aside the opportunity cost of using in-house staff members to manage telephony, the direct cost can be substantial. For example, an Osterman Research survey of various types of messaging platforms conducted in late April 2014 found that just the cost of labor to manage non-email communications systems is nearly £15 per user per year^{vii}.

- **Online administration permits remote management of the system**

Hosted Lync also offers the advantage of remote management of all functions of the system via a Web interface, including adding or deleting users, provisioning users with new capabilities, and so forth.

Hosted Lync can provide much more value to an organisation than an on-premises Lync Server because of its flexibility, lower costs, more predictable cost of ownership, and more efficient use of technical staff.

This allows administration of the system from any location, making management of the system more flexible and much more resilient to disruption.

- **Very high levels of uptime with the right provider**

Perhaps one of the most important benefits of hosted Lync is that leading providers can offer very high levels of uptime because they can deploy carrier-grade infrastructure that individual organisations could never afford to deploy. This makes leading providers more resilient and able to offer higher levels of uptime than most on-premises deployments.

Moreover, organisations that face the threat of natural disasters, power outages and other disruptive events that can destroy or damage an organisation's facilities – events that would render on-premises infrastructure unavailable for extended periods – can benefit from the use of a cloud-based PBX. Cloud-based solutions will allow an organisation to continue operating from remote locations even if their offices are completely destroyed.

- **Integration with cloud-based email with Office 365**

Another benefit of using hosted Lync is that it can be integrated with Office 365 to provide a more robust and productive experience for employees. For example, by enabling hosted email and telephony, employees have access to their two primary communication modes from any platform – desktop, laptop, smartphone or tablet – enabling them to work from virtually any location with Internet access. This not only makes employees more productive, but offers employers greater flexibility in how and where their staff can work.

- **Enhanced mobility because users have telephony built into Office 365**

As a corollary to the point above, integrating a cloud-based PBX with collaboration and web conferencing functionality provides additional benefits because of the flexibility it affords. For example, users can escalate a telephone call with a client into a web conference to provide a product demo or show a presentation without having to switch to a different platform or interrupting the call. Telework, therefore, is more easily enabled, resulting in potentially reduced costs because of the need for less office space if telework can be made permanent, higher employee morale, and possibly lower employee turnover.

It is essential to evaluate providers of hosted Lync carefully.

NEXT STEPS

EVALUATE YOUR LYNC DEPLOYMENT OPTIONS

Every organisation needs to evaluate (or re-evaluate) their PBX deployment options on a regular basis in order to ensure that they are providing this functionality in a cost effective manner – this is particularly true for Lync because on-premises Lync and hosted Lync offer virtually identical functionality.

Any analysis of on-premises Lync must take into account all of the costs associated with deploying and managing the system, including the initial cost of the hardware and software, any maintenance contracts with Microsoft, cabling, updates, upgrades, disruption and remediation costs, and the opportunity cost of using IT or dedicated telephony staff to manage the system. These costs need to be weighed against the costs of cloud-based Lync in order to provide an accurate comparison of the long-term costs of ownership.

ON-PREMISES SOLUTIONS ARE USEFUL, BUT...

On-premises Lync will provide robust functionality and will convey the professional image that any organisation needs. However, there are a number of ancillary costs associated with on-premises infrastructure of any kind, including regular and unscheduled maintenance, costs incurred from outages to the system caused by natural disasters or other disruptions, and the opportunity costs that come from using scarce IT staff members for managing telephony – a critical activity, but one that provides virtually no competitive advantage for an organisation.

CLOUD-BASED LYNC OFFERS ADVANTAGES

Cloud-based communications solutions allow their customers to circumvent these issues – not because the issues disappear when managing telephony in the cloud, but because they become the problem of a third party. In other words, an organisation that opts for hosted Lync instead of an on-premises Lync Server simply transfers the management, much of the direct financial cost, and the opportunity cost of telephony to a specialist organisation that can deal with these issues more efficiently. For virtually all organisations, the result is greater efficiency and lower overall costs to provide telephony services.

EVALUATE VENDORS CAREFULLY

Finally, it is essential to evaluate providers of hosted Lync carefully. While there are a number of good providers in the market, it is important to work with a vendor that has a strong track record of providing service, whose financials are sound, and that can offer the breadth of services and functionality that will be needed over the long term.

ABOUT ARKADIN

Arkadin, a unified communications company, provides businesses with online collaboration solutions through a variety of global collaboration tools. Businesses may choose from hosted telephony and unified communications, conference calling, online meetings, video conferencing and web collaboration solutions.

Arkadin is one of the largest and fastest growing Collaboration Service Providers in the world, with a vision rooted in the belief that progress emerges from people's desire to share. As of early 2014, Arkadin has been a member of the NTT Communications Group, the International Communications and ICT Provider of NTT, delivering consultancy, architecture, security and cloud services.

With a global network of 53 offices in 32 countries across the globe, Arkadin delivers its business solutions using a software as a service (SaaS) model so that customers can benefit from fast, scalable deployments with a high ROI. For more information please visit www.arkadin.com.

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ⁱ <http://www.zdnet.com/microsoft-1-million-office-365-home-premium-subscribers-on-board-7000016052/>

ⁱⁱ <http://www.zdnet.com/microsoft-hits-2-million-plus-office-365-home-premium-subscriber-mark-7000022421/>

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^{iv} <http://www.zdnet.com/office-365-after-one-year-hows-microsoft-doing-7000026585/> <http://www.microsoft.com/en-us/news/cloud>

^v <http://www.adobe.com/showcase/casestudiesxerox2010/casestudy.pdf>

^{vi} <http://www.infonetics.com/pr/2014/Business-Cloud-Voip-UC-SVCS-market-highlights.asp>

^{vii} Source: *Messaging Platform Trends Through 2015*, Osterman Research, Inc.