



Microsoft Teams and Telephony: Why Small Businesses Prefer UCaaS Providers

Lower costs, stronger reliability, advanced features

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Executive Summary

When it comes to integrating calling into Microsoft Teams, integrating calling services from a Unified Communications as a Service (UCaaS) provider provides small and mid-size businesses (SMBs) (defined as those with up to 400 employees) with the best opportunity to minimize telecom costs, maximize reliability, and provide access to advanced calling features.

In fact, 72% of SMBs currently using Microsoft Teams for messaging and meetings--along with a separate UCaaS provider for calling--plan to maintain their existing calling services.

If you're responsible for planning your Microsoft Teams calling plans, you should evaluate the benefits of integrating UCaaS with the Microsoft Teams app. Alternative options include integrating your UCaaS provider's calling capabilities into Microsoft Teams, or using Direct Routing services from your UCaaS provider to enable your employees to place and receive calls using the Microsoft Teams apps.

Based on Metrigy's data gathered from 187 SMBs in North America, Europe, Asia, and Australia, we discovered:

- A clear preference for using dedicated UCaaS services for calling, even when using Microsoft Teams for messaging and videoconferencing.
- Significant benefits from using dedicated UCaaS services, including lower costs, greater reliability, and access to advanced calling and call center features.
- For businesses committed to using Microsoft Teams Phone System, an opportunity to achieve additional benefits by using Direct Routing from their UCaaS provider to connect Microsoft Teams to the PSTN (Public Switched Telephone Network).

The ROI of Improving Communications and Collaboration

For small and mid-size businesses, implementing communications and collaboration tools for your employees must deliver a positive return on investment. You simply can't tolerate spending money on voice, video, and messaging applications that don't result in measurable improvements for your business.

Among the 187 SMBs benchmarked for Metrigy's global *Unified Communications and Collaboration Management and Endpoints: 2021-22* research study, almost half (47.1%) now measure business value of communications and collaboration spend, typically in one of three ways (Figure 1):

- **Cost savings** through reduction of spend on legacy and disparate apps
- **Revenue increases** from enabling improved sales team support and business capacity
- **Productivity gains** from improving speed of repeatable processes, shortening project cycles, and reducing the need to switch between apps. Productivity gains are typically enabled through the introduction of new collaboration capabilities, including integrated phone, team messaging, videoconferencing, and automated workflows.

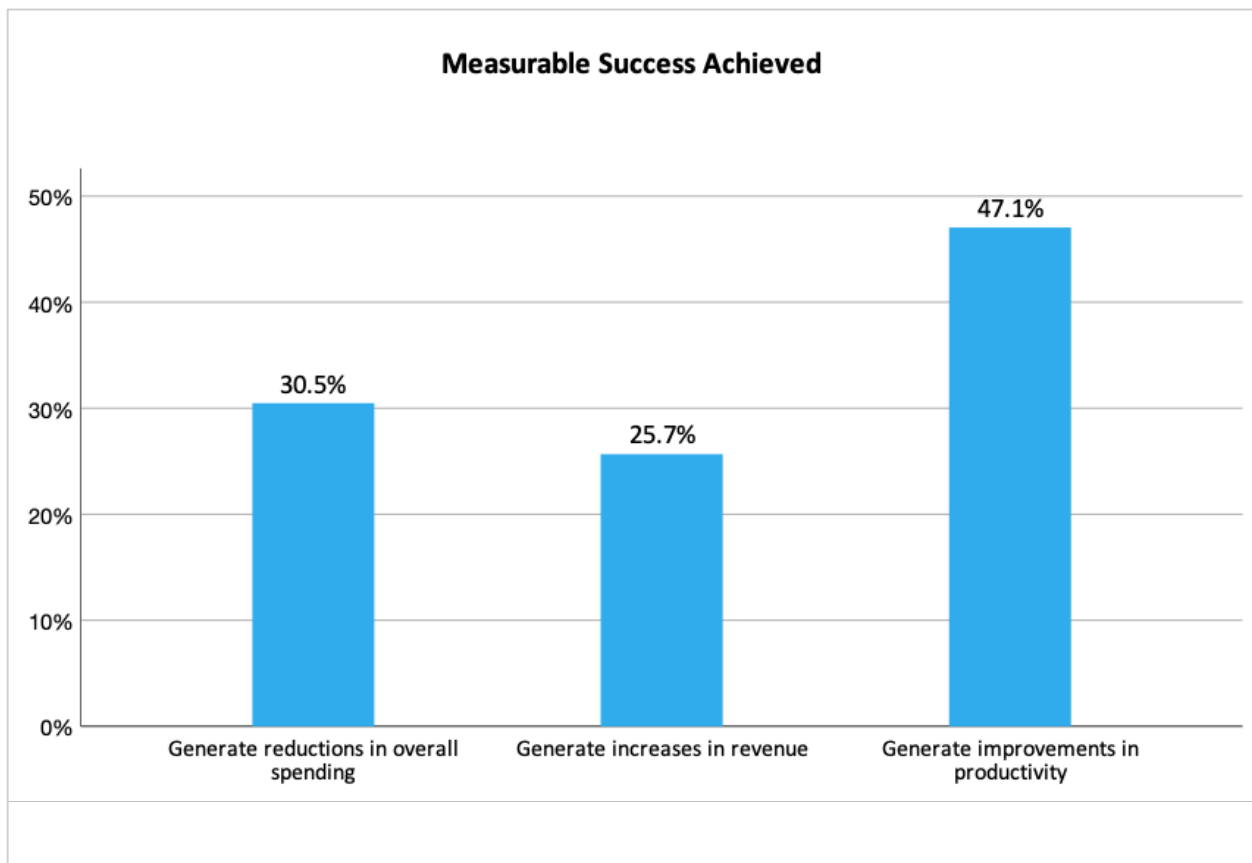


Figure 1: Measurable Success Achieved

Among those who had achieved measurable benefits for their communications and collaboration investments, Metrigy identified a success group of 31 companies that achieved better-than-average results in at least one of these three areas. Broken down by company size, Figure 2 shows the average improvements.

Annual Per-Employee Improvements by Company Size (Success Group)			
	Cost Reduction	Revenue Increase	Productivity Improvement
<100	\$ 1,643	\$ 8,778	28.1%
100-399	\$ 3,234	\$ 8,020	26.7%
Mean (All Sizes)	\$ 2,439	\$ 1,692	27.4%

Figure 2: Annual Per-Employee Improvements by Company Size (Success Group)

These data points underscore the potential real-world benefits of investments that improve your employee’s abilities to engage with one another, with partners, and with customers.

Communications and Collaboration Market Landscape

Today, you’re likely dealing with a distributed and often remote workforce, and the challenges that come with ensuring that everyone can effectively communicate and collaborate, regardless of their location.

One way that small and mid-size businesses have reacted to the change in work location is by accelerating their adoption of cloud-based apps. Our research shows that among SMBs, 22.4% now use UCaaS either as their only communications suite, while another 12.7% use UCaaS in combination with an existing on-premises platform (Figure 3).

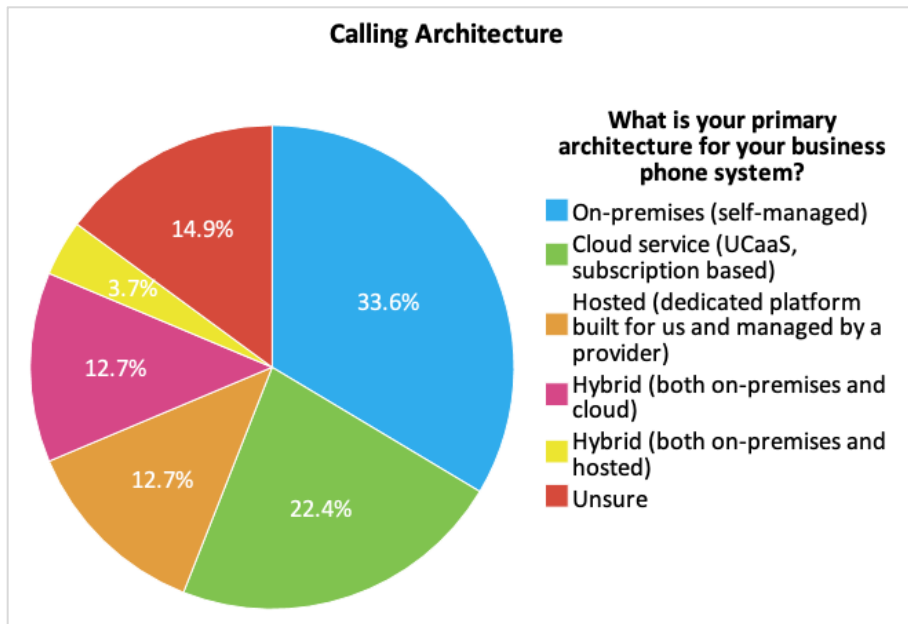


Figure 3: Calling Architecture

Among the 33.6% of SMBs still on-premises, 28.4% are either committed to moving to UCaaS, or are evaluating such a move.

What Drives Businesses to Adopt UCaaS?

For smaller businesses, adoption of UCaaS is primarily driven by the ability of cloud services to more easily scale along with company growth, without requiring additional investments in on-premises hardware or extensive management costs. Other drivers include the opportunity to reduce costs (specifically management costs to run on-premises servers), better support for remote employees, improved user experiences, and better security (especially for toll-fraud prevention).

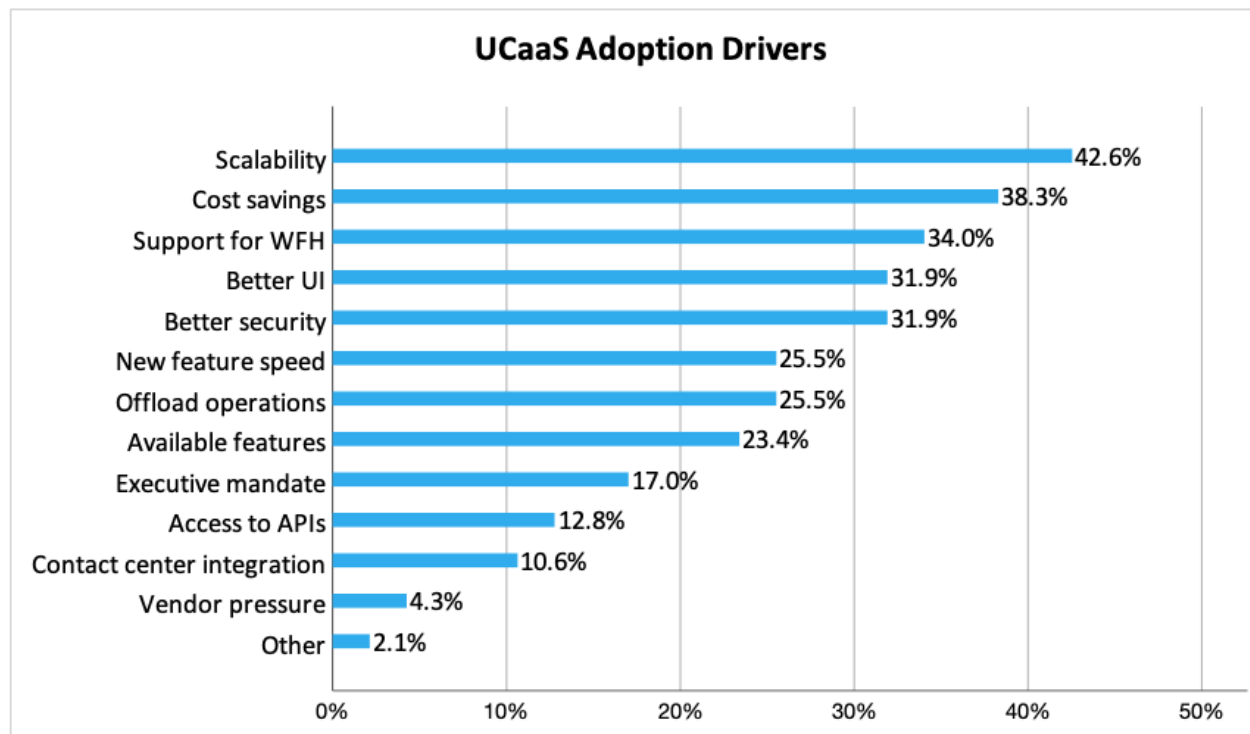


Figure 4: UCaaS Adoption Drivers

In addition to growing UCaaS adoption, more than 28% of companies are now using cloud-delivered Contact Center as a Service (CCaaS). On average, those who leverage a fully integrated UCaaS and CCaaS platform experience measurable benefits across a variety of operational and customer-facing metrics (as shown in Figure 5).

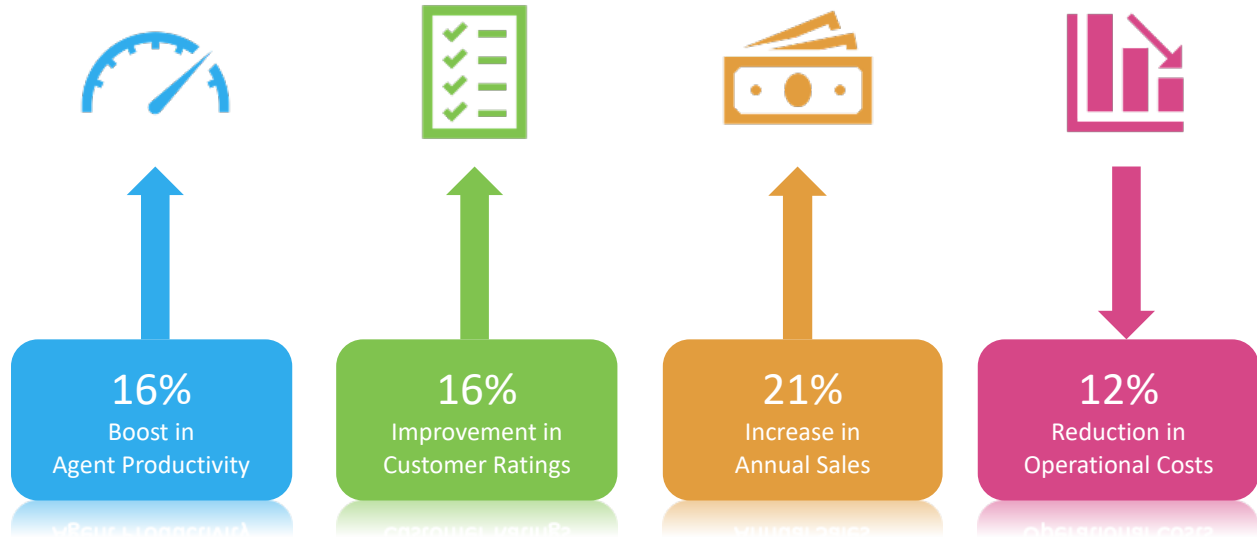


Figure 5: Benefits of Integrating UCaaS and CCaaS

Despite the growing popularity of messaging and videoconferencing apps, calling is still a critically important service. In 2021, 44.4% of SMBs reported that call volumes are increasing, often driven by increasing customer inquiries. Employees in some cases see calling as a more informal and less intrusive means of conducting 1:1 conversation, compared to videoconferencing.

44.4% of SMBs reported that call volumes continue to increase.

Finally, UCaaS and CCaaS are fast becoming cornerstones of digital transformation strategies that allow companies to improve internal workflows and customer engagement. SMBs look to enable app integrations and open APIs (Application Programming Interfaces) to improve internal and customer-facing communications.

Approximately 74% of SMBs rate the availability of APIs as important or critical in meeting their business needs.

Integrations help reduce the need to switch between multiple apps, and enable features such as automated messaging for customer order status updates or outbound marketing purposes.

Calling: The Next Step on the Microsoft Teams Journey

Microsoft offers Teams as part of its Microsoft 365 licenses. For most SMBs, this means Microsoft 365 Business Standard or Business Premium plans. Or for those with more than 300 employees, enterprise licenses (typically Microsoft 365 E3). However, none of these plans include calling. Companies wishing to add calling to Microsoft Teams have two options:

- Integrating a UCaaS provider into the Microsoft Teams app, or
- Purchasing a Microsoft Teams Phone System license and buying PSTN connectivity separately

Option 1: Integration of Microsoft Teams with a Dedicated UCaaS Provider

The first option provides companies a way to maintain their existing UCaaS services, while allowing users to place calls through the Microsoft Teams app. Typically this is accomplished through the use of a Microsoft Teams plug-in that routes PSTN calls through the UCaaS provider and gives users access to a full set of UCaaS features.

Among organizations currently using Microsoft Teams and UCaaS from another provider, nearly 72% plan to maintain the relationship with their dedicated UCaaS provider.

Benefits of this approach include:

- Lower cost** — Those using Microsoft Teams Phone System spend an average of **\$1,497** per-user, per-year on operational costs such as licensing, end-user support, and training, compared with an industry average of **\$1,196**, according to our data. **For example, a 100-person company would save \$30,100 per year using an average-cost UCaaS provider rather than using Microsoft Teams Phone System.**

Among all UCaaS vendors analyzed by Metrigy, Microsoft Teams Phone System is continually the most expensive to operate. Part of the additional cost comes from the need to upgrade licensing to obtain the Phone System feature set, typically at an add-on cost of \$8 per-user per-month, or upgrading to a more expensive license (for those with more than 300 employees) that includes calling. Microsoft Teams Phone System typically costs more to manage and maintain in terms of staff resources compared to other UCaaS providers.

- Greater reliability** — Microsoft currently offers 99.99% reliability, which equates to no more than 52 minutes of unscheduled downtime per year. For comparison, many other UCaaS providers offer five-nines, or 99.999%, reliability, meaning no more than five minutes and 26 seconds of downtime per year. The below table provides further granularity into the difference between four and five 9's of reliability.

Availability %	Downtime Per-Year	Downtime Per-Month	Downtime Per-Week	Downtime Per-Day
99.99% (Microsoft)	52.60 minutes	4.38 minutes	1.01 minutes	8.64 seconds
99.999% (Other UCaaS providers)	5.26 minutes	26.30 seconds	6.05 milliseconds	864.0 milliseconds

But it's not just the number of nines that determines reliability. Businesses that rely entirely on Microsoft Teams for calling, messaging, and meetings, will find that an outage takes down all of their collaboration and communication services, negatively impacting productivity, revenue, and customer service. However, those that leverage a separate UCaaS provider, integrated with Microsoft Teams, will still be able to place and receive

calls through the UCaaS provider in the event of a Microsoft Teams outage. Considering the multi-hour outages Microsoft Teams experienced in both March and April 2021¹, businesses that have all their eggs in the Microsoft Teams basket could face far more significant business disruptions than those using a dedicated UCaaS provider with Teams.

- **Intuitive Teams experience** — By integrating UCaaS natively into Microsoft Teams, users can enjoy the same Teams interface they've been using with no additional downloads, bots, or plugins. Users get the best of both Microsoft Teams and their dedicated UCaaS platform in one app, improving productivity and making adoption simple since no retraining is required.
- **Larger global coverage** — As of February of 2022, Microsoft Teams provided calling services for just 33 countries, with support in many of those countries requiring customers to procure their own PSTN access². For this scenario, Microsoft relies on a technology called Direct Routing to enable its customers to connect their own choice of PSTN provider to Microsoft Teams Phone System. For comparison, UCaaS providers typically offer support for more than 40 countries, without the need to procure separate PSTN connectivity services. UCaaS providers typically also offer broader global support for toll-free dialing.
- **Innovative calling features** — Dedicated UCaaS providers typically offer a broader set of features and integrations than Microsoft. For example, UCaaS providers often include SMS (to allow for texting from business phone numbers), fax services, call controls, integrated voice response (IVR), call handling, automatic call recording, call queues, advanced reporting and analytics, and integrations with third-party CRM and IT service management apps to enable click-to-call and automated updating of records.
- **App integrations** — To achieve success, organizations must ensure that their communications setup meets both internal and customer-facing interaction needs. This means supporting not just calling from desktop phones and softphones, but also integrating calling into apps including CRM, help desk, and other custom apps. Today, those using UCaaS are often adopting off-the-shelf and custom integrations to enable calling from their employee's most-used apps. Moving entirely to Microsoft Teams Phone System may require rewriting custom integrations, deploying new pre-built integrations, or a loss of functionality.
- **Advanced analytics** — UCaaS providers can offer advanced analytics to allow IT and business leaders to gain insights into call performance and app utilization. Migrating to Microsoft Teams Phone System may require additional investment in third-party call monitoring, management, and analytics features to obtain the same level of insight.
- **Integrated call center** — Microsoft only offers a call center integrated with its Dynamics 365 CRM platform. Beyond that, it relies on partners to integrate call center features into Microsoft Teams Phone System. Contrast that with the majority of UCaaS providers that

¹ <https://www.theverge.com/2021/4/27/22405300/microsoft-teams-down-outage-worldwide-issues>

² <https://docs.microsoft.com/en-us/MicrosoftTeams/country-and-region-availability-for-audio-conferencing-and-calling-plans/country-and-region-availability-for-audio-conferencing-and-calling-plans>

offer fully integrated call center capabilities for inbound and outbound dialing, omnichannel customer interaction, and artificial intelligence (AI) to optimize call routing and customer response.

Option 2: Microsoft Teams Phone System Only

For organizations that decide to use Microsoft Teams Phone System as their only calling platform, further choices await in terms of how to connect Microsoft Teams Phone System to the PSTN. Microsoft offers three options: Calling Plan, Operator Connect, and Direct Routing.

- **Calling Plan** provides phone numbers and PSTN connectivity directly from Microsoft. It's offered for a fixed monthly per-user, per-month block of minutes. Customers may pool these minutes among all employees, but are potentially paying for minutes they won't use. Our research shows companies only use an average of 60% of the Calling Plan minutes they buy. In the United States, Microsoft Teams Phone with Calling plan retails for \$15 per-user per-month as an add-on to Business Standard or Business Premium plans and includes 3,000 minutes of calling per-user. Long-distance calling plans are available at an additional cost. Outside of the United States, calling plan rates vary greatly.
- **Operator Connect** allows Microsoft Teams Phone System customers to obtain their own PSTN connectivity through the Teams operator console by choosing from a list of certified providers. Operator Connect is only available to those who have purchased a Microsoft Teams Phone System add-on license at a cost of \$8 per-user, per-month in the US (with varying rates outside of the US) or for those who currently purchase E5 enterprise licenses.
- **Direct Routing** allows Microsoft Teams Phone System customers to "bring their own carrier" and use an approved third-party to connect Microsoft Teams Phone System to the PSTN. Direct Routing services are available from a variety of vendors, including UCaaS providers.

Among our research participants, just 38.1% of SMBs use Microsoft's own Calling Plan for PSTN access (see Figure 7). *Note that at the time Metrigy collected this data, in August of 2021, Operator Connect was not yet generally available. At that time, just 5.9% of SMBs using Microsoft Teams Phone System planned to use Operator Connect.*

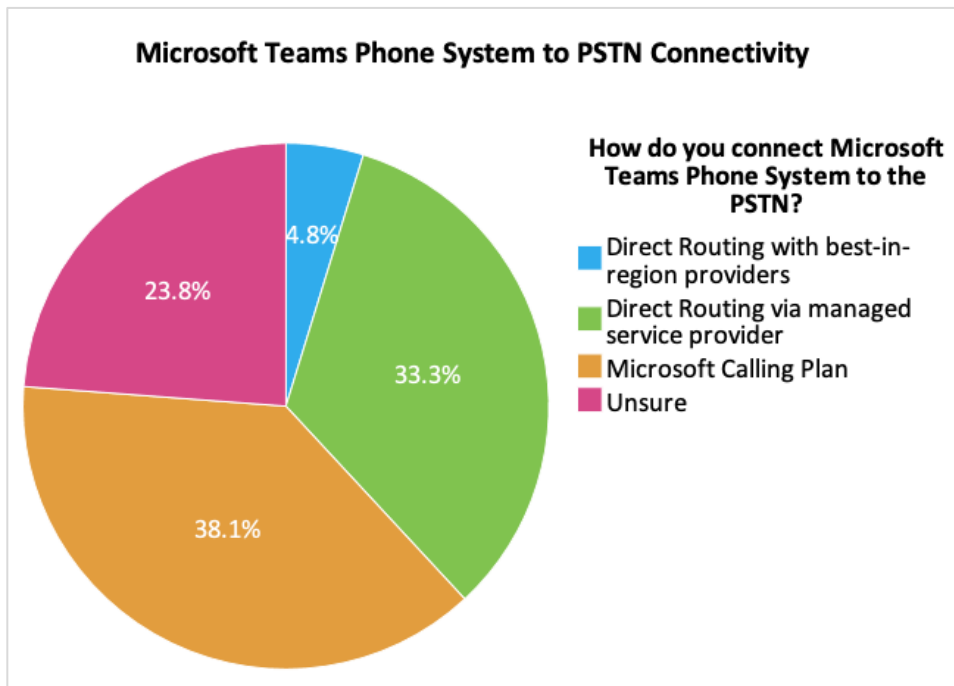


Figure 6: Microsoft Teams Phone System to PSTN Connectivity

Direct Routing popularity is driven by a variety of factors, most notably cost savings and the ability for companies to maintain control over their phone numbers and call routing plans. Our analysis of Direct Routing costs found that companies pay an average of \$7.91 per-license per-month for PSTN access through Direct Routing. Direct Routing service providers typically bill on a per-minute or fraction-of-a-minute basis only for actual calls, meaning companies only pay for the minutes that they actually use.

For those using a non-Microsoft UCaaS provider, switching to Microsoft Teams Phone System and Direct Routing doesn't necessarily mean migrating fully away from your existing UCaaS provider. UCaaS providers often have their own support for Direct Routing, providing a number of benefits versus using only Microsoft Teams Phone System and a stand-alone Direct Routing provider. These include:

- **Calling features** such as SMS, call recording, and fax support available from the UCaaS provider via Direct Routing
- **Deployment flexibility** that allows the ability for end users to use the Microsoft Teams app only, the Microsoft Teams app plus integrated UCaaS features, or the UCaaS provider's app. In all cases, companies can administer all users through a common administration console
- **Call center integration** via services natively available from UCaaS providers
- **Greater reliability** by preserving a separate calling provider to ensure that a Microsoft Teams outage doesn't take down all business communications.

Among SMBs currently using a dedicated UCaaS provider that are also planning to implement Microsoft Teams Phone System, 46.2% either plan to leverage Direct Routing services from their UCaaS provider or are evaluating doing so.

Conclusions and Recommendations

When you're evaluating whether to go with option 1 or 2 above, guide your decision based on costs, reliability, and features. Option 1 (integration of Microsoft Teams Phone System with a dedicated UCaaS provider) offers the best opportunity to minimize costs, maximize reliability, and obtain access to a broader set of calling and customer engagement features.

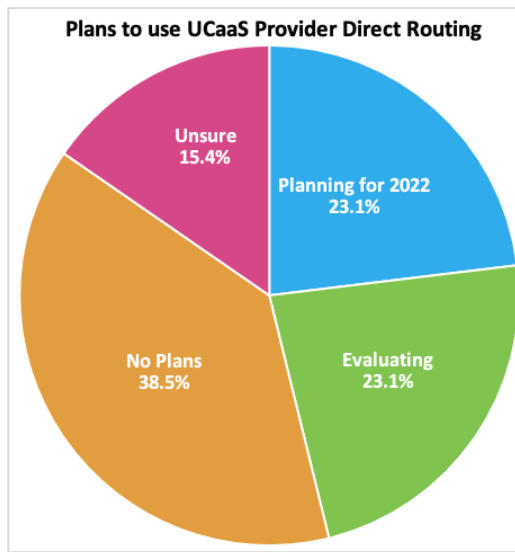


Figure 7: Plans for UCaaS Provider Direct Routing

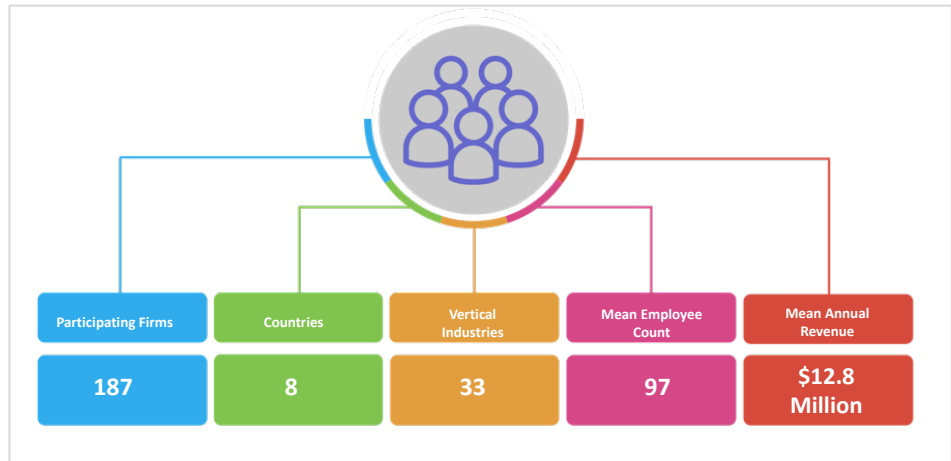
For those deciding to go with Option 2 (Microsoft Teams Phone System only), carefully evaluate available PSTN options to select the best approach, noting that UCaaS providers are likely to offer a more comprehensive set of calling and customer engagement capabilities and higher cost savings for your business.

As you navigate your choices:

- Consider UCaaS-delivered calling features, integrated into Teams, as a means of minimizing costs, delivering the highest level of reliability, and ensuring access to the broadest set of calling features
- Look for the ability to natively integrate UCaaS features into the Microsoft Teams platform, enabling a seamless calling experience for Teams users
- If deciding to adopt Microsoft Teams Phone System, assess Direct Routing services available via UCaaS providers—again on the basis of cost, reliability, and features.

Research Methodology

Metrigy published our global *Unified Communications Management and Endpoints: 2021-22* research study in September of 2021. We surveyed a total 187 IT leaders who are responsible for operating, and/or purchasing UC solutions from companies with between 10 and 400 employees. Participants were from organizations headquartered in 8 countries across 33 vertical industries. We gathered detailed data on plans for Microsoft Teams adoption and management, to include licensing, endpoint, management, and PSTN connectivity strategies.



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