InfoTrack for Unified Communications

Impact of Microsoft Skype for Business on the Enterprise Voice Market—2015

June 2015

A T3i Group Market Intelligence Program
Focused on Unified Communications

Enterprise and SMB Markets

IP Telephony Systems	UC Applications	Converged Services

T3i Group LLC

InfoTrack for Unified Communications:
Impact of Microsoft Skype for Business on the Enterprise Voice Market—2015

A T3i Group Series of Primary Research Studies on the Market Demand for Unified Communications Infrastructure and Applications

T3i Group LLC
210 Malapardis Road
Cedar Knolls, New Jersey 07927
USA
www.InfoTrackResearch.com

T3i Group provides market research, analysis and advisory services to the business communications industry. It has clients in every global region and operates three lines of business:

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LIST of EXHIBITS

1. EXECUTIVE SUMMARY

How Have Plans to Trial Microsoft Lync Changed SinceLast Year?

In February 2012, T3i Group published the first in-depth primary research and analysis of the potential impact of Microsoft Lync on the market for Enterprise Voice (EV) systems. That report framed the two opposing sides of the ongoing debate regarding Microsoft Lync:

- "Microsoft has the opportunity to dominate the UC market and take a significant share of the voice IP-PBX market via Lync"
- "Many businesses may be trialing Lync EV, but actual implementation of Lync will be mainly IM and Presence"

That report analyzed the implementation plans of more than 300 Enterprises and SMBs and concluded that Microsoft Lync should be recognized as a significant risk to incumbent IP-PBX vendors. Our follow-up research studies in June 2013 and June 2014 clearly confirmed the findings in that first report. This 2015 study again surveyed over 300 IT and business leaders who are involved in the decision process regarding the adoption and deployment of Lync. This Executive Summary compares the results of the current 2015 study with those of the study from last year. This research also analyzed the market reaction to the Microsoft strategy of integrating Lync with Skype and rebranding the result as "Skype for Business."

Currently, 77% of the U.S. Enterprises studied (companies with 500+ employees), are either conducting or had completed trials of Microsoft Lync. That was up from 72% in last year's study and almost double the 42% from two years ago. Only 3% of the Enterprises indicated they had no plans to trial Lync.

U.S. SMBs (Small/Medium Businesses with 5 to 499 employees) are beginning to catch up with their Enterprise counterparts with 51% either currently conducting Lync trials or having completed them, compared to 34% a year ago. It was also significant that 40% of the SMBs are currently planning to conduct a trial of Microsoft Lync.

Exhibit ES-1 Current Status of Microsoft Lync Trials vs. Last Year
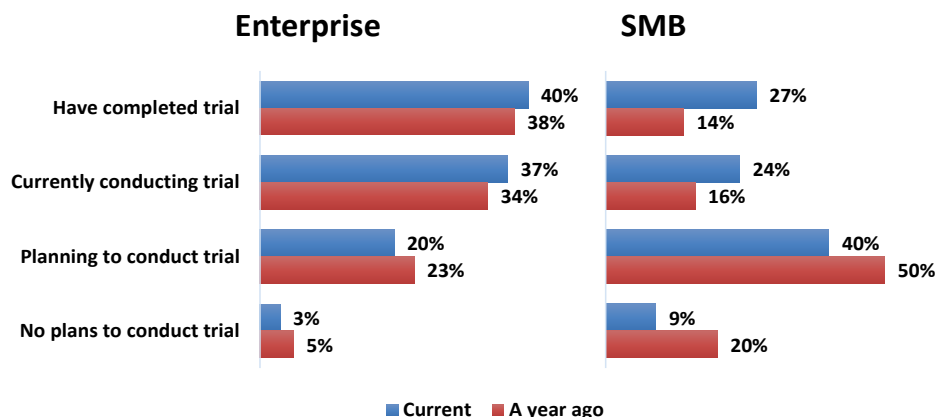
Do the Trials of Microsoft Lync Include Enterprise Voice?

The previous exhibit indicated significant increased interest in Microsoft Lync as a potential platform for UC applications, but what about Enterprise Voice? The survey respondents that are trialing Lync were asked whether Enterprise Voice was being included in their trials. With Enterprise Voice, Lync can provide the type of important telephony features that are generally available on current IP-PBXs.

As shown in Exhibit ES-2, 90% of the U.S. Enterprises indicated that Enterprise Voice had been or will be included in their Lync trials, which is consistent with the 89% reported a year ago. Among U.S. SMBs, 76% said that their trials of Lync included Enterprise Voice, up from 63% last year.

Microsoft and its partners make it relatively easy to trial Lync with Enterprise Voice. Firms are provided Lync-certified SIP phones or softphones on a temporary basis and do not have to install Lync servers for the trials. That is one of the reasons why such a high percentage of trials included Enterprise Voice.

Exhibit ES-2 Microsoft Lync Trials that Include Enterprise Voice vs. Last Year
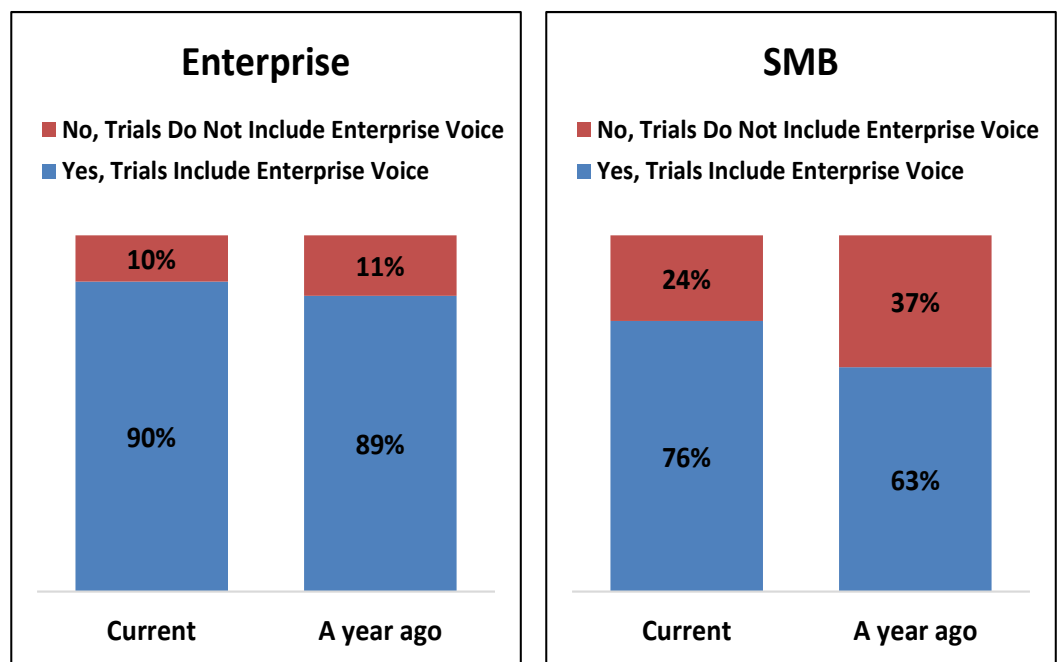
Source: InfoTrack: End-user Primary Research, 2Q2015

What Is the Planned Adoption Rate of Lync EV or Skype for Business?

The decision-makers in this research were also asked about their plans for actually deploying Lync with Enterprise Voice (EV) or Skype for Business in the future. Exhibit ES-3 depicts their responses.

Last year, 44% of U.S. Enterprises had begun to deploy Lync with Enterprise Voice beyond the trial stage, and another 35% were in the planning stages of deployment, for a combined total of 79%. In this year's study, that total reached 82%, with 52% of the Enterprises currently deploying Lync EV plus an additional 30% which are planning to deploy Lync EV or Skype for Business. This was our first indication that the rebranding of Lync as Skype for Business had not reduced the momentum that Lync EV had built up among U.S. Enterprises. Only 18% of the Enterprises are either waiting for the results of their trials before deciding whether to deploy Lync EV or had no plans to deploy. Even that was an improvement from the 21% percent of "Undecideds" or "No Plans" from last year.

The percent of SMBs that are actually deploying Lync EV beyond trials doubled in the past year, from 12% to 25%. Another 33% of SMBs are currently planning to deploy Lync with Enterprise Voice or Skype for Business, up from 27% last year. The number of SMB "Undecideds" dropped from 43% to 31% and those with No Plans declined from 14% to 11%.

It is significant that the sharp growth in the adoption rate of Lync EV that has been seen among Enterprises in the past two years has now spread to the SMB segment. For the first time, the percentage of U.S. SMBs that have begun to deploy Lync EV or are planning to, has exceeded 50%.   The transition from Lync EV to Skype for Business has apparently not reduced the planned adoption rate among SMBs.

Exhibit ES-3 Current Plans for Deploying Lync EV (or Skype for Business) Beyond Trials vs. Last Year
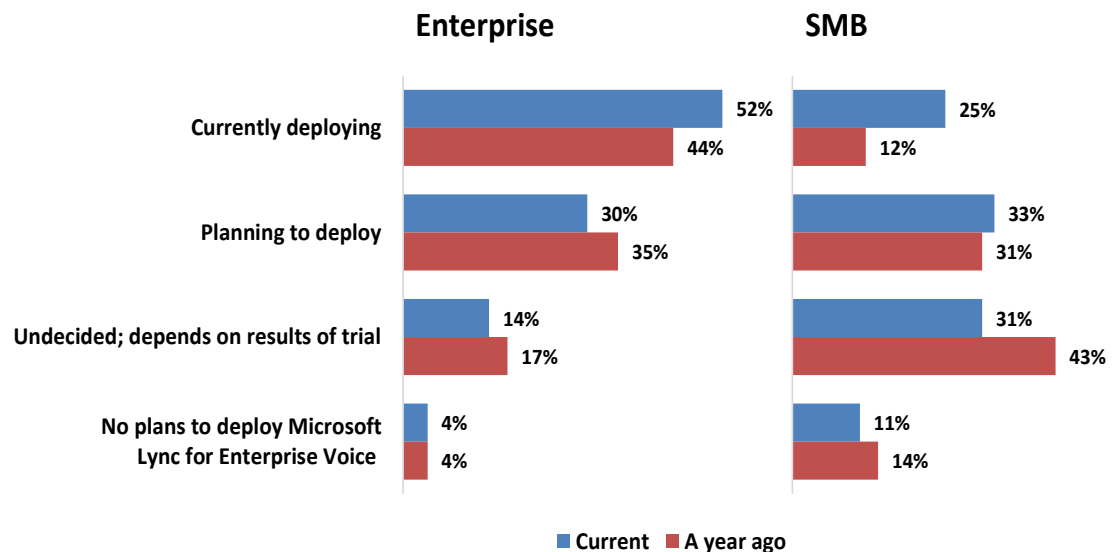
Source: InfoTrack: End-user Primary Research, 2Q2015

Why are Businesses Deploying Lync EV Now or Skype for Business in the Future?

The decision-makers who are currently deploying Lync EV or planning to deploy Skype for Business in the future were asked to rank the top reasons for that decision. The results are shown in Exhibit ES-4.

The top reason among both Enterprises and SMBs was that *Lync (now Skype for Business) offers the best UC solution for our business*. 29% of Enterprises and 30% of SMBs rated it their number one reason. The second most important reason among Enterprises was *Facilitates voice feature integration with other Microsoft applications (e.g., Sharepoint, Exchange, Office)*. 25% of Enterprises ranked this as their primary reason. Among SMBs, the number two reason was *Lync EV is a natural extension of our commitment to Lync for UC.*

All of these top reasons reflect the power that Microsoft has to leverage its strong market presence in desktop apps into a rapidly growing position in the UC apps market. Microsoft prices Lync very attractively for firms that use other Microsoft applications. Licenses for access to any of the UC applications in Lync, such as Web Conferencing or IM and Presence, are bundled in the Enterprise CAL Suite with licenses of other popular Microsoft applications. From there the cost to implement Enterprise Voice is only an incremental charge. This market leverage is also reflected in the reason that ranked third among both Enterprises and SMBs – *Total cost of ownership (hardware, software, service support) is lower than PBX-based solutions.*

The key take-away from Exhibit ES-4 is that Microsoft is successfully convincing Enterprises and SMBs to adopt Microsoft as their primary platform vendor for UC applications, originally with Lync and now with Skype for Business. Once Microsoft has established that position, they can argue that adding Enterprise Voice is just an extension to the platform that can be added incrementally.

Exhibit ES-4 Top Reasons for Deploying Lync EV (or Skype for Business) Beyond Trials
Among Enterprises & SMBs Deploying/Planning to Deploy Lync with Enterprise Voice

Top Reasons	ENT	SMB
Lync (now Skype for Business) offers the best UC solution for our business	1	1
Facilitates telephony feature integration with other Microsoft apps (Sharepoint, Exchange, Office)	2	4
Total cost of ownership (hardware, software, service support) is lower than PBX based solutions	3	3
Lync Enterprise Voice is a natural extension of our commitment to Microsoft Lync for UC	4	2
We have already deployed Microsoft Lync for IM and Presence	5	6
We have already invested in the Enterprise CAL Suite	6	7
We have already deployed Microsoft Lync for Web Conferencing	7	5

Source: InfoTrack: End-user Primary Research, 2Q2015

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What was the Reaction of Key Decision-makers to the Integration of Lync with Skype?

All of the Enterprise and SMB decision-makers that participated in this year's study were asked to select which one of six statements best described their company's position on Microsoft's integration of Lync with Skype. By a wide margin, the number one response among both Enterprises and SMBs was *We plan to deploy Skype for Business because Integrating Lync Enterprise Voice with Skype provides a better solution for our Enterprise Voice needs.* 57% of Enterprises took that position along with almost half of the SMBs.

The second highest response among SMB decision-makers was *We do not use Lync for Enterprise Voice, but many of our employees utilize Skype, so we are seriously considering deploying Skype for Business.* 18% of the SMBs selected that statement as their position. 16% of the Enterprise decision-makers expressed some mild concern in their 2nd ranked position: *We currently use Lync for Enterprise Voice and we do not see the advantages of integrating it with a consumer-oriented communications service such as Skype.*

But overall the response of the vast majority of survey respondents has been quite positive toward the integration of Lync and Skype. 65% of Enterprises and 64% of SMBs expressed positive responses. A neutral position accounted for another 13% of Enterprises and 16% of SMBs.

The next exhibit examines more closely the reaction to Skype for Business among those companies who have already deployed Lync with Enterprise Voice and those who are planning to deploy.

Exhibit ES-5 Reaction to Microsoft's Integration of Lync and Skype
Among all survey respondents
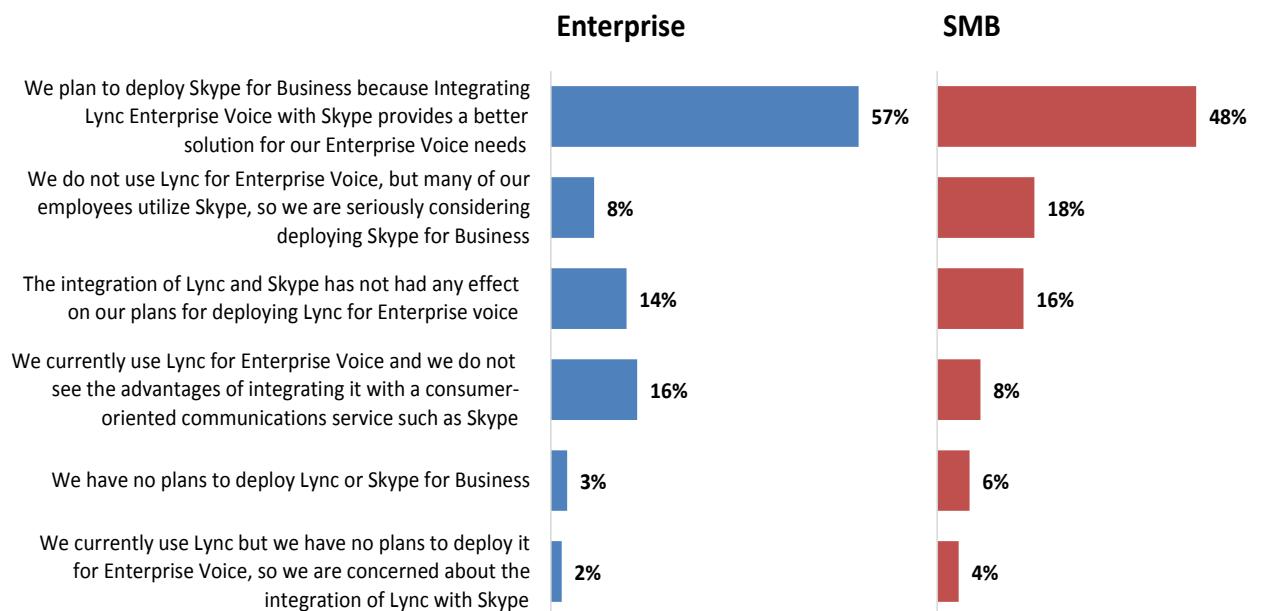
June 2015

What is the Impact of Skype for Business on Plans for Deploying Lync EV?

The U.S. Enterprises and SMBs that are currently deploying Lync with Enterprise Voice, or are in the planning stages, were asked how Microsoft's plan to merge Lync into Skype for Business has affected their plans for deploying Lync EV. Their responses are shown in Exhibit ES-6.

Among those current/future implementers, over half of the Enterprises (62%) and SMBs (54%) indicated that **they had *accelerated their plans to deploy Lync***. Another 24% of the Enterprises and 42% of the SMBs responded that their *deployment plans for Lync had not change*d as a result of the integration.

Only 14% of the Enterprises and 4% of the SMBs that had deployed or are planning to deploy Lync EV indicated that they had *cut back their deployment plans*. Of those, 6% of the Enterprises and 4% of the SMBs noted that they wanted to *wait until they were sure that Skype for Business was "ready for prime time."* 8% of the Enterprises said they are holding up their deployment plans because they would prefer to *wait until Skype for Business was available*.

Exhibit ES-6 Impact of Skype for Business on Plans for Deploying Lync with Enterprise Voice
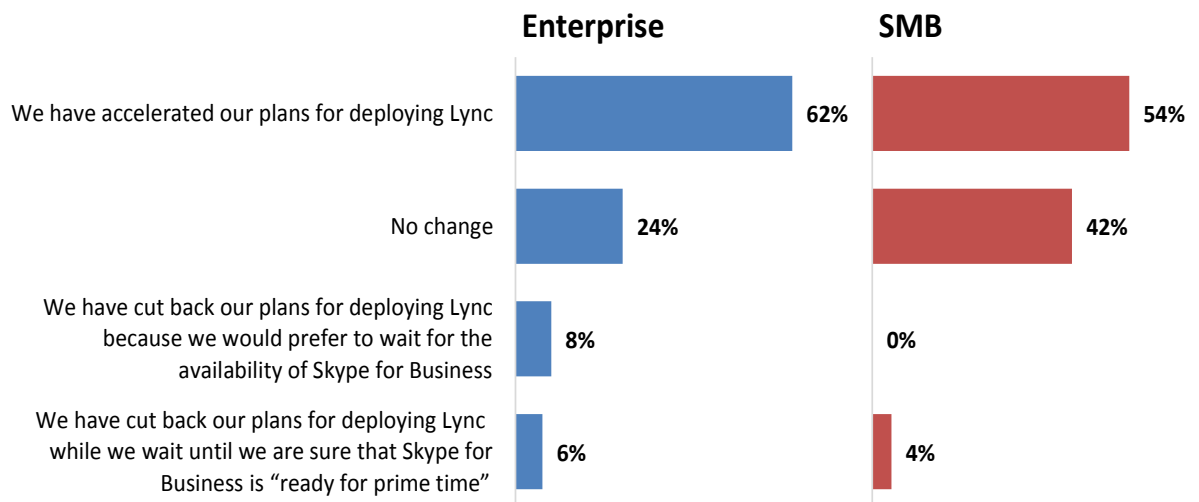
Source: InfoTrack: End-user Primary Research, 2Q2015

How Extensively Are Firms Planning to Deploy Skype for Business?

Firms that are currently deploying Lync Enterprise Voice, or plan to deploy Skype for Business in the future were asked to characterize the scope of their deployment from an array of five approaches that range from enabling selected individuals to full-scale global deployment. Among the current/future implementers in last year's study, 40% of those Enterprises are planning a company-wide deployment that would cover either their U.S. operations (24%) or their entire global Enterprise (16%). This represented 32% of all Enterprises from last year's study. Certainly, that could have a major impact on the PBX market both within the U.S. and globally.

Since then, Microsoft has announced the integration of Lync with Skype under the brand of "Skype for Business." In 2015 the percent of projected company-wide deployments among the current/future Enterprise implementers jumped to 48% (28% nationwide and 20% globally). Measured against a base of 82% of Enterprises which are currently deploying or planning to deploy, this represents 39% of all Enterprises that participated in this year's study.

38% of U.S. SMBs that are currently deploying Lync Enterprise Voice, or plan to deploy Skype for Business in the future, expect nation-wide or global deployment. This is five points higher than the 33% of the SMBs in last year's study. These SMBs planning company-wide deployment represent 22% of all SMBs that participated in this year's study, up significantly from 14% of SMBs last year.

The annual InfoTrack for Unified Communications (IUC) forecast report, which will be published later this month, examines the total U.S market share of IP Telephony shipments that each of the leading vendors achieved in 2014, and estimates the breakout between Enterprises and SMBs. Based on the results of this study, a significant increase in Microsoft's market share for 2014 in both the Enterprise and SMB market segments is expected.

Exhibit ES-7 Scope of Planned Deployment of Skype4B vs. Last Year
Among Current/Future Implementers
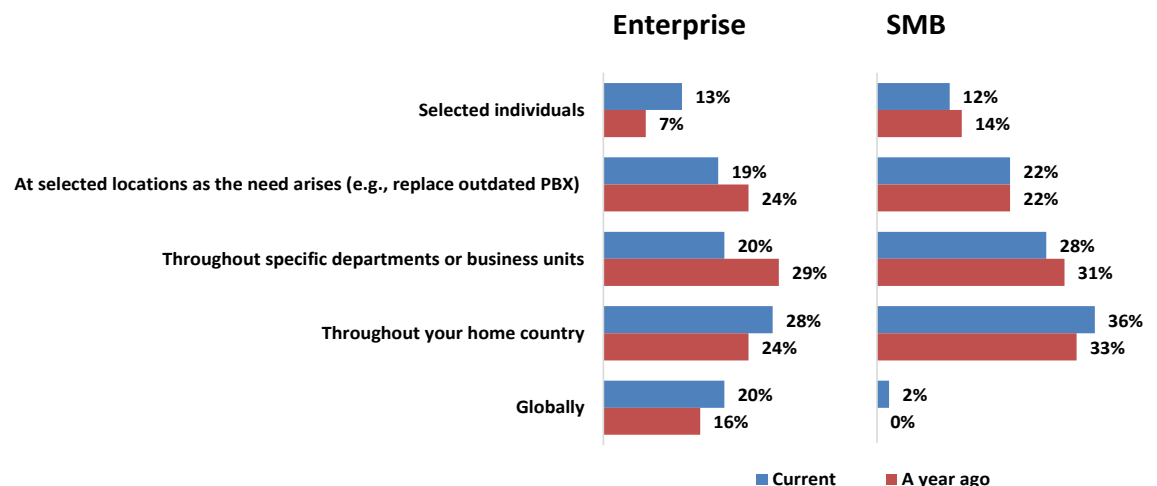
Enterprise / SMB

	Enterprise		SMB	
	Current	A year ago	Current	A year ago
Selected individuals	13%	7%	12%	14%
At selected locations as the need arises (e.g., replace outdated PBX)	19%	24%	22%	22%
Throughout specific departments or business units	20%	29%	28%	31%
Throughout your home country	28%	24%	36%	33%
Globally	20%	16%	2%	0%

■ Current   ■ A year ago

Source: InfoTrack: End-user Primary Research, 2Q2015

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What is the Actual Penetration of Lync EV Licenses Within Employees of U.S. Enterprises?

To measure the penetration of Lync Enterprise Voice licenses that are actually in use in the U.S. Enterprise segment of the market, the decision-makers were asked the following series of questions about the number and status of their Lync licenses in the U.S.:

- How many total Lync licenses does your company have?
- Of those, how many are Plus CAL for Enterprise Voice?
- What % of those are in actual use by employees?
- What is your company's total number of employees in the U.S.?

As noted earlier, Enterprises may have a number of Lync licenses that were bundled as part of Microsoft's Enterprise CAL Suite of licenses. In this year's study, the total Lync licenses represented 17% of their employees in the U.S., up slightly from 15% a year ago. 56% of those licenses were Plus CAL for Enterprise Voice, which was significantly higher than the 45% last year. The percent of Plus CAL licenses that had been activated for actual use was in the same range as last year, 47% vs. 51%.

By multiplying these three figures together, it was determined that active Plus CAL licenses currently represent 4.6% of total U.S. Enterprise employees, a significant increase from 3.4% in last year's study.

Exhibit ES-8   Penetration of Lync EV Licenses in the Enterprise Market vs. Last Year
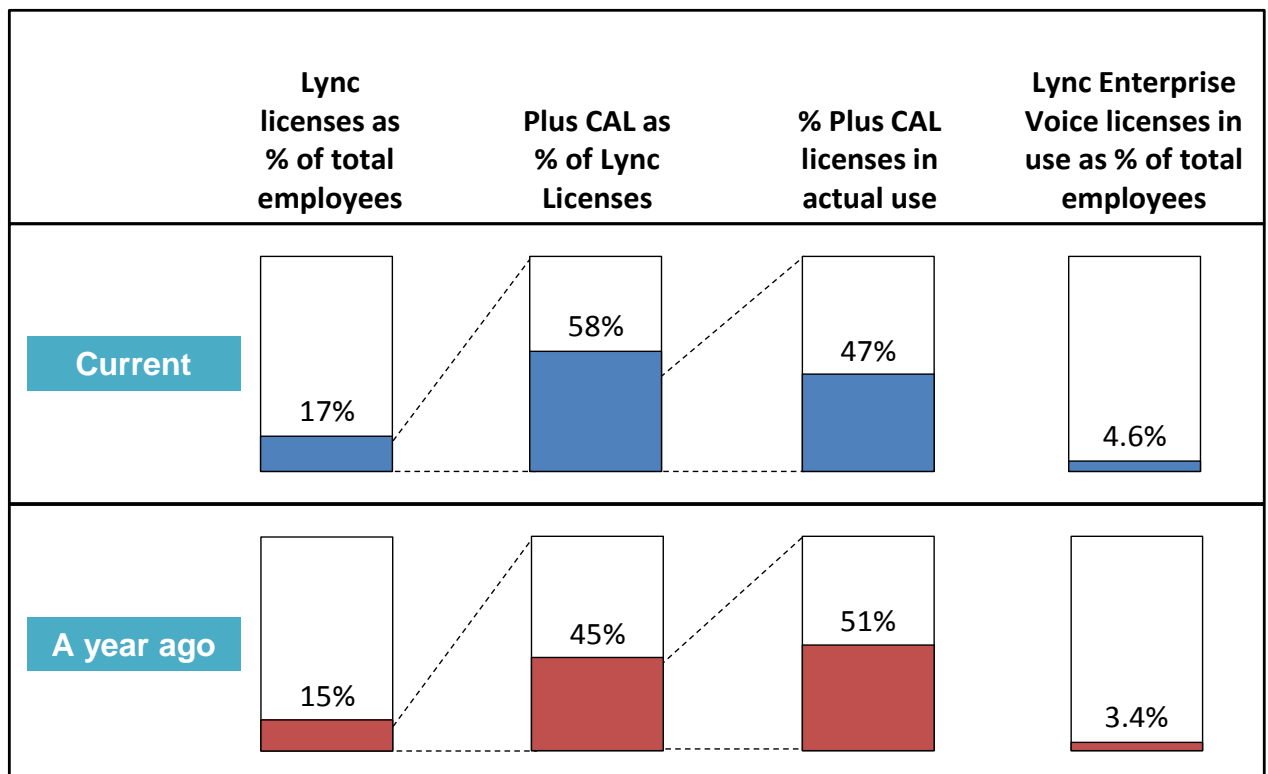
What is the Actual Penetration of Lync EV Licenses Within Employees of U.S. SMBs?

To measure the penetration of Lync Enterprise Voice licenses that are actually in use in the U.S. SMB market, the same methodology that was described on the preceding page was used and applied to the responses of the SMB participants in this year's survey.

The total Lync licenses among the SMBs this year represented 22% of their employees in the U.S., compared to 15% a year ago. 53% of those licenses are Plus CAL for Enterprise Voice, comparable to the 50% last year. The percent of Plus CAL licenses that had been activated for actual use by SMB employees was 26%, which is lower than the 35% a year ago.

But when multiplying all three figures together, it can be seen that these active Plus CAL licenses now represent 3.0% of total U.S. SMB employees, up from 2.6% in last year's study.

Exhibit ES-9 Penetration of Lync EV Licenses in the SMB Market vs. Last Year

	Lync licenses as % of total employees	Plus CAL as % of Lync Licenses	% Plus CAL licenses in actual use	Lync Enterprise Voice licenses in use as % of total employees
Current	22%	53%	26%	3.0%
A year ago	15%	50%	35%	2.6%
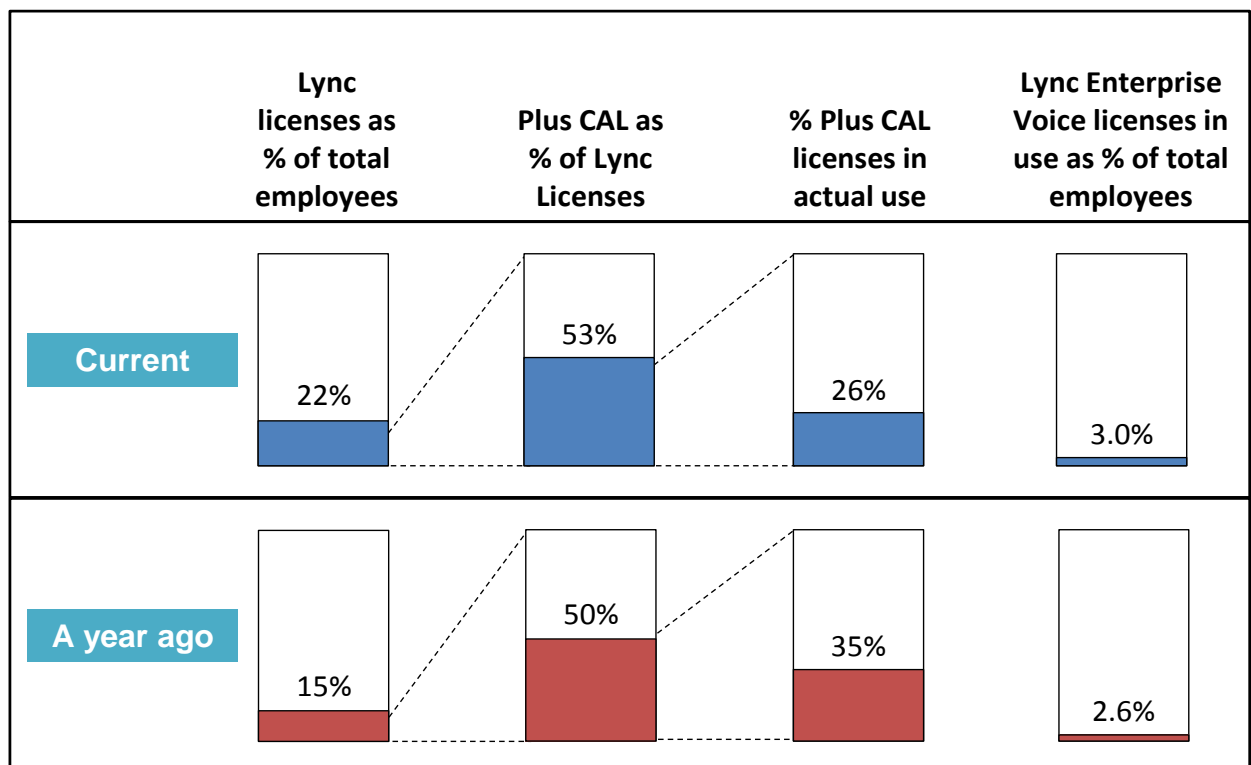
What is the Projected Penetration of Lync EV Licenses Over the Next Few Years?

The study participants were asked to estimate the percentage of their employees that are likely to be using Lync for Enterprise Voice or Skype for Business in the future.

Among U.S. Enterprises, the projected penetration of these active Plus CAL licenses was 7.2% by the end of 2016. This was up significantly from the 4.6% penetration at the end of 2014, as presented in Exhibit ES-8. By the end of 2018, the penetration of active Plus CAL licenses was projected to reach 10.4% of U.S. Enterprise employees.

Penetration of Lync EV or Skype4B licenses in the U.S. SMB market was also beginning to show significant growth, but still quite a bit lower than that of the U.S. Enterprise market. By the end of 2016, the projected penetration of active Plus CAL licenses was 4.4% of U.S. SMB employees. This was a significant increase from the 3.0% penetration computed for the end of 2014 shown in Exhibit ES-9. The rate of SMB penetration was expected to accelerate over the following two years, reaching 5.7% of SMB employees by the end of 2018.

These projected increases in the penetration of Lync EV and Skype4B licenses certainly confirm the earlier responses of the Enterprises and SMBs that indicated they would accelerate their deployment of Lync EV as a result of the planned integration of Lync with Skype.

Exhibit ES-10 Projected Penetration of Lync EV or Skype4B Licenses Among Current/Future Implementers
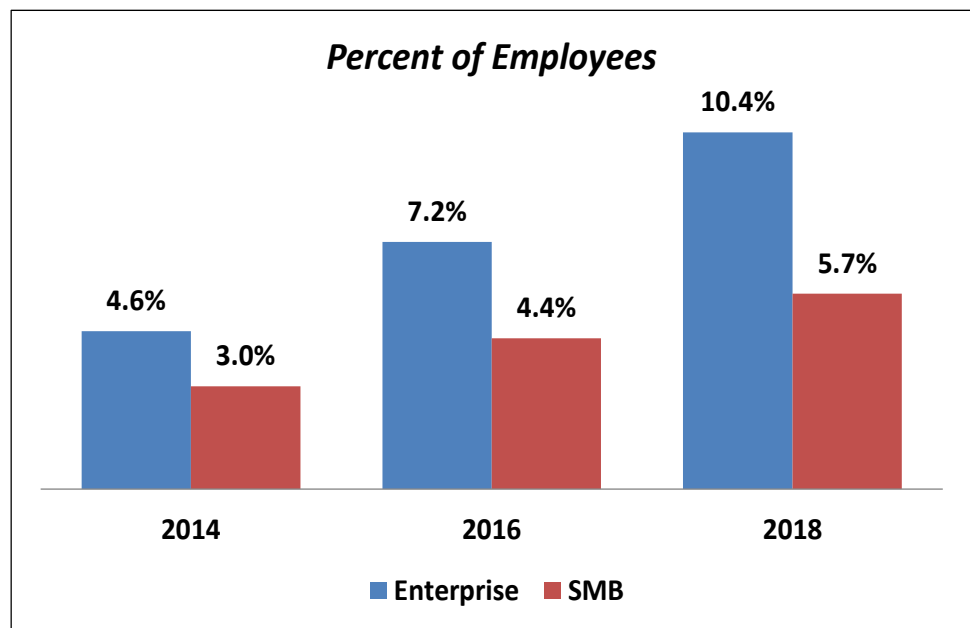
Source: InfoTrack: End-user Primary Research, 2Q2015

What is the Estimated Future Utilization of Enterprise Voice as Part of Office 365?

Earlier this year, Microsoft announced that their cloud-based Office 365 would be enhanced to offer Skype for Business including Enterprise Voice features, PSTN calling and Audio Conferencing. This is a major upgrade, and could be of particular interest to Enterprises and SMBs that want to utilize a Hosted service for Enterprise Voice.

Although these enhancements are not scheduled to be available in the U.S. until later this year, the Enterprise and SMB decision-makers were asked about their likely future utilization of these capabilities. Specifically, the survey included the following question:

Of those employees expected to use Skype for Business for Enterprise Voice in the future, what percent would most likely be using it on Office 365 instead of the premises-based version at the end of 2016, 2017 and 2018?

Overall, the use of Office 365 for Enterprise Voice was estimated to account for 5% of the total Skype for Business Licenses deployed at the end of 2016, increasing to 11% by the end of 2018. Exhibit ES-11 depicts the breakout of this estimate between Enterprises and SMBs.

Office 365 Enterprise Voice is estimated to represent 3% of the Skype for Business licenses in use by U.S. Enterprises at the end of 2016, and 14% of the SMB total. By the end of 2018, the percentage of Office 365 EV licenses is projected to increase to 7% of the Enterprise EV licenses and 25% of the SMB licenses.

This rapid growth in the estimated SMB utilization of Office 365 for Enterprise Voice is certainly a major factor in the increased SMB penetration shown in the preceding exhibit.

Exhibit ES-11 Estimated Future Utilization of Enterprise Voice in Office 365
Among Projected Implementers of Skype for Business
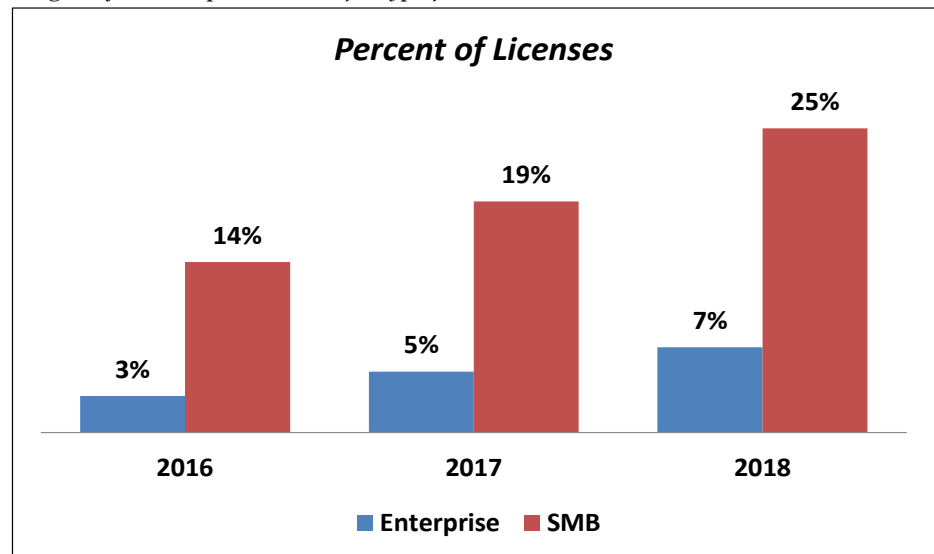
Source: InfoTrack: End-user Primary Research, 2Q2015

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2. INTRODUCTION AND METHODOLOGY

Scope of InfoTrack for Unified Communications (IUC)

InfoTrack for Unified Communications is a research program that addresses demand for evolving communications technologies and the impact of significant market shifts or disruptions. The exhibits in our reports reflect the results of our surveys of decision-makers for U.S.-based Enterprises and SMBs. In our analysis of the exhibits, we highlight the most significant implications of the data in the graphs.

This current report is the 4th annual report on the Market Impact of Microsoft Lync, but now it is the Market Impact of Microsoft Skype for Business. In many of the exhibits, we are able to compare the results of this year's survey with the corresponding results from last year's report.

Later in June we will publish our annual in-depth forecast of the IP Telephony and Unified Communications (UC) application markets.

Program Leadership

The program directors for *IUC* are Ken Dolsky (kdolsky@t3igroup.com) and Terry White (twhite@t3igroup.com). They are responsible for all primary research involving the market demand for unified communications among U.S. and international businesses and institutions. To support these primary research efforts, T3i Group has established two research panels, one consisting of more than 7,000 Enterprise decision-makers and a second panel with more than 6,000 SMB decision-makers.

Primary Research Methodology

Analyses presented in this study were driven by comprehensive primary research, which was conducted specifically for this report. This primary research included a mix of web-based surveys and telephone interviews, with key industry players, including:

- Decision-makers for both IP Telephony and UC applications
- Leading suppliers of IP Telephony systems and UC apps.

The research covered both Enterprises (entities with 500 or more employees) and SMBs (entities with 5 to 499 employees). Results for each group are provided in separate sections.

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3. ANALYSIS OF ENTERPRISE PLANS FOR MICROSOFT LYNC EV OR SKYPE FOR BUSINESS

Demographics of Enterprise Survey Participants

The exhibits in this section of the report are based on responses from U.S. business and institutional entities with 500 or more employees. IUC refers to these entities as Enterprises. During April 2015, surveys were completed with over 150 qualified Enterprise managers who are key decision-makers or key influencers regarding current adoption and usage of Microsoft Lync and future plans for Skype for Business. The same survey also received responses from 150 managers at SMB sized companies (5 to 499 employees) with the same responsibilities. The results from the SMB managers are described in Section 4 of this report.

Exhibit 1 below shows the distribution of the participating U.S. Enterprises based upon their size. 26% of the respondents represented Enterprises with 500 to 999 employees, and 29% were Enterprises with 1,000 to 2,499 employees. Throughout the analysis, these two size categories, comprising 55% of the respondents, are referred to as Medium Enterprises (ME).

38% of the respondents were from Enterprises with between 2,500 and 9,999 employees. Enterprises with 10,000 or more employees accounted for 7% of the Enterprise participants. These two size segments comprise the Large Enterprise (LE) segment, representing 45% of the respondents.

Exhibit 1   ***Distribution of Participating Enterprises by Size***
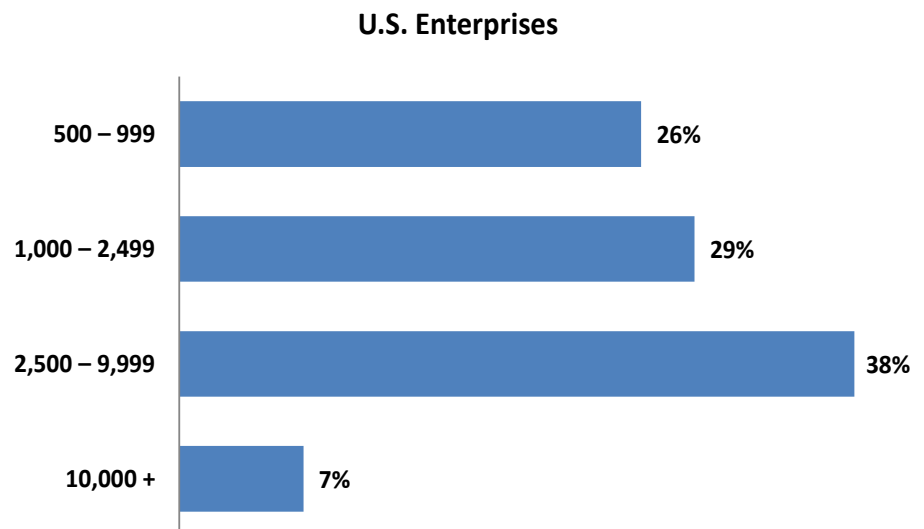
U.S. Enterprises

Size	%
500 – 999	26%
1,000 – 2,499	29%
2,500 – 9,999	38%
10,000 +	7%

Source: InfoTrack: End-user Primary Research, 2Q2015

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Distribution of Participating Enterprises by Type of Decision Maker

Exhibit 2 contains two graphs that show the distribution of titles and decision-making responsibilities among the Enterprise decision-makers who participated in this study.

31% were Executives who are responsible for business decisions, including CEOs, CFOs, COOs and Line of Business Managers.

The Information Systems decision-makers included both Executives and Managers. The IS Executives were the CIOs which represented 34% of the respondents. The Information Systems Managers, which accounted for 35% of the participants in this study, covered four different areas of IS responsibilities – Unified Communications (21%); Desktop Apps/Tools (6%); Networks (2%); and Other IS functions (6%).

Exhibit 2   Distribution of Participating Enterprises by Type of Decision Maker
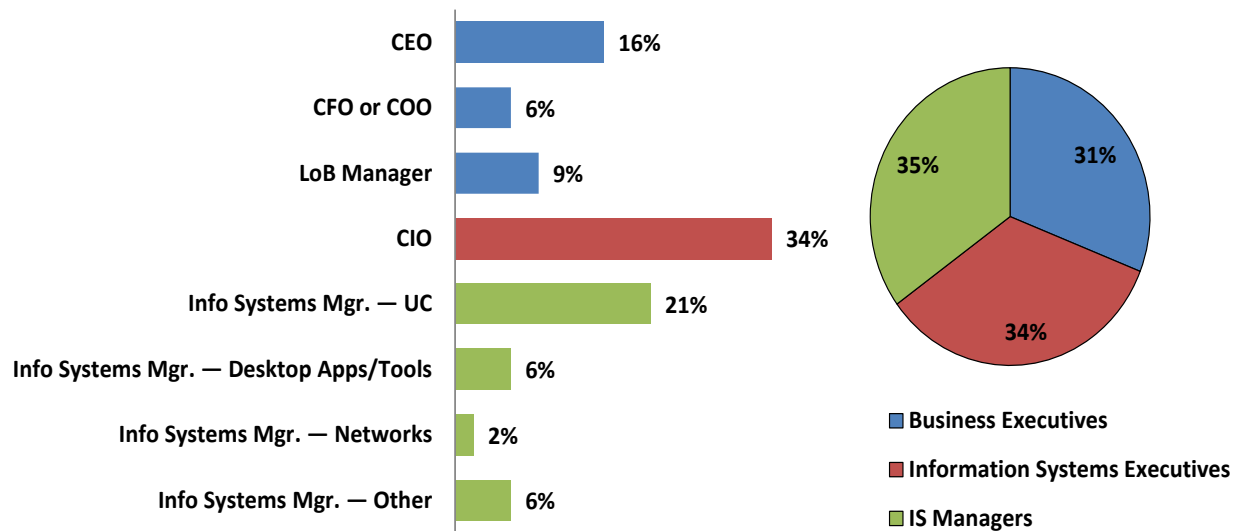
Distribution of Participating Enterprises by Type of Industry

Exhibit 3 shows the industry segment distribution of the Enterprise decision-makers who participated in this study. The participants represented 10 different industries.

The top four industries accounted for about three-quarters of the Enterprise respondents, led by Professional Services with 25% and Retail/Wholesale at 21% followed by Manufacturing and Business Service, each with 16%.

The next four industries represented 16% of the total, including Financial Services/Insurance, Education, Utilities and Telecommunications. The remaining industries in the Other category included Healthcare, Travel, Media and Agriculture.

Exhibit 3   ***Distribution of Participating Enterprises by Type of Industry***
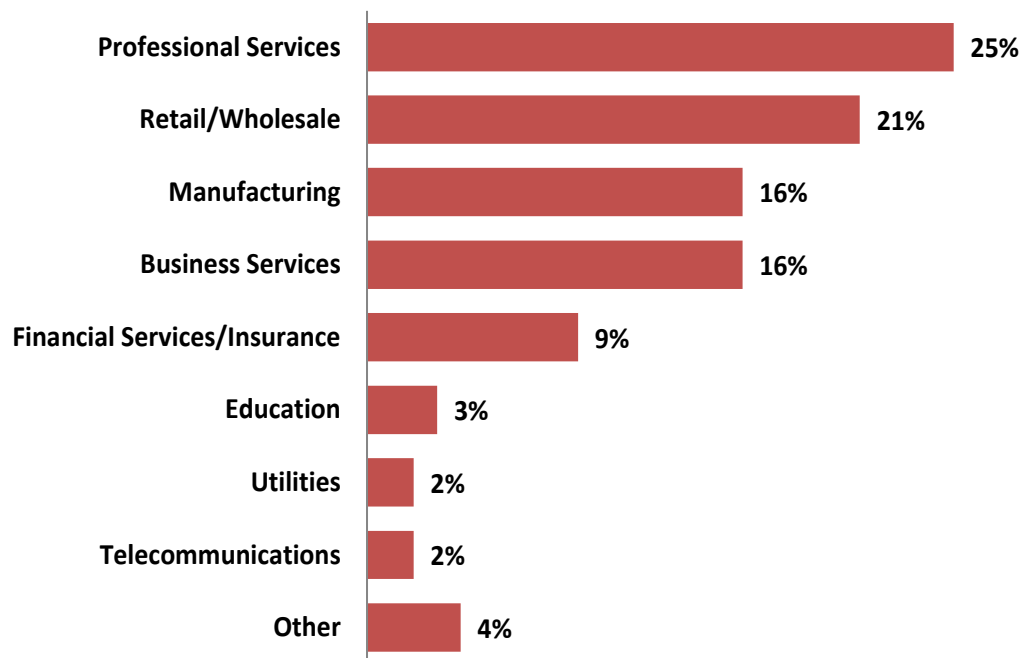
Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Familiarity with Microsoft Lync

All of the decision-makers in this study are either key decision-makers or influencers regarding the adoption and usage of Unified Communications and Enterprise Voice/Telephony. The survey asked them about their familiarity with Microsoft Lync and Skype for Business. Exhibit 4 shows their level of familiarity with Microsoft Lync. Skype for Business is covered in Exhibit 5.

96% of the Medium Enterprises (MEs) were either *Extremely Familiar or Very Familiar* with Microsoft Lync, including 73% in the *Extremely Familiar* category. Among Large Enterprise (LE) decision-makers, 64% were *Extremely Familiar* with Lync and another 20% were *Very Familiar*.

None of the MEs and only 5% of the LE decision-makers indicated that they were *Not Familiar* with Microsoft Lync.

Exhibit 4   *Enterprise Familiarity with Microsoft Lync*
Among all Enterprises
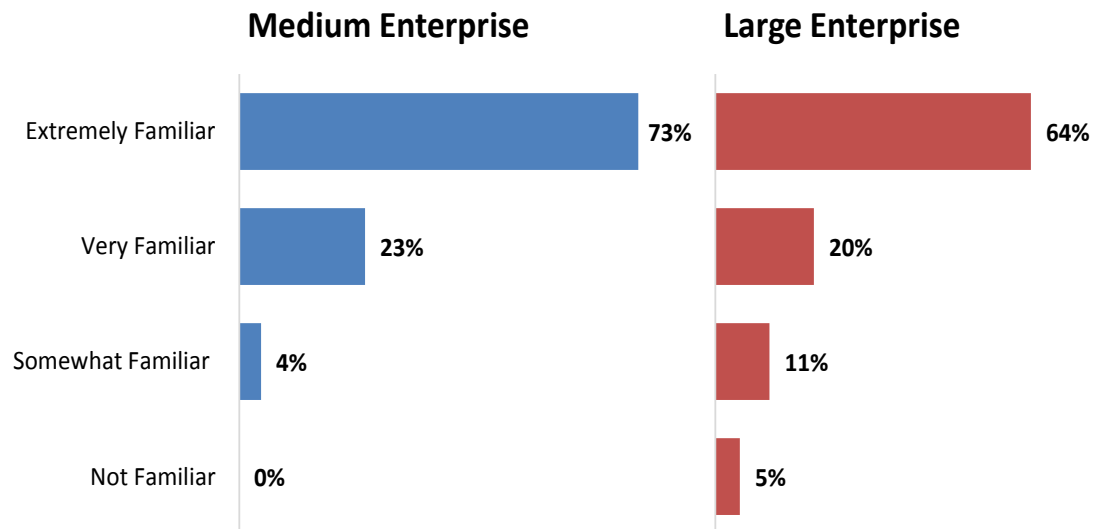
Medium Enterprise

Extremely Familiar	73%
Very Familiar	23%
Somewhat Familiar	4%
Not Familiar	0%

Large Enterprise

Extremely Familiar	64%
Very Familiar	20%
Somewhat Familiar	11%
Not Familiar	5%

Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Familiarity with Microsoft Skype for Business

The survey also asked the decision-makers about their familiarity with Skype for Business – the integration of Lync with Skype. The results are shown in Exhibit 5.

94% of the Medium Enterprises (MEs) are either *Extremely Familiar or Very Familiar* with Microsoft Skype for Business, including 66% in the *Extremely Familiar* category. Among Large Enterprise (LE) decision-makers, 52% are *Extremely Familiar* with Skype for Business and another 37% are *Very Familiar*.

None of the MEs and only 2% of the LE decision-makers indicated that they are *Not Familiar* with Microsoft Skype for Business. In the preceding exhibit, it was noted that 5% of LE decision-makers are *Not Familiar* with Microsoft Lync. Apparently that additional 3% are at least familiar with Microsoft Skype and are thus aware that a new version of Skype was being developed that would address the Voice and UC needs of businesses.

Exhibit 5   Enterprise Familiarity with Microsoft Skype for Business
Among all Enterprises

Medium Enterprise

Extremely Familiar	66%
Very Familiar	28%
Somewhat Familiar	6%
Not Familiar	0%

Large Enterprise

Extremely Familiar	52%
Very Familiar	37%
Somewhat Familiar	9%
Not Familiar	2%
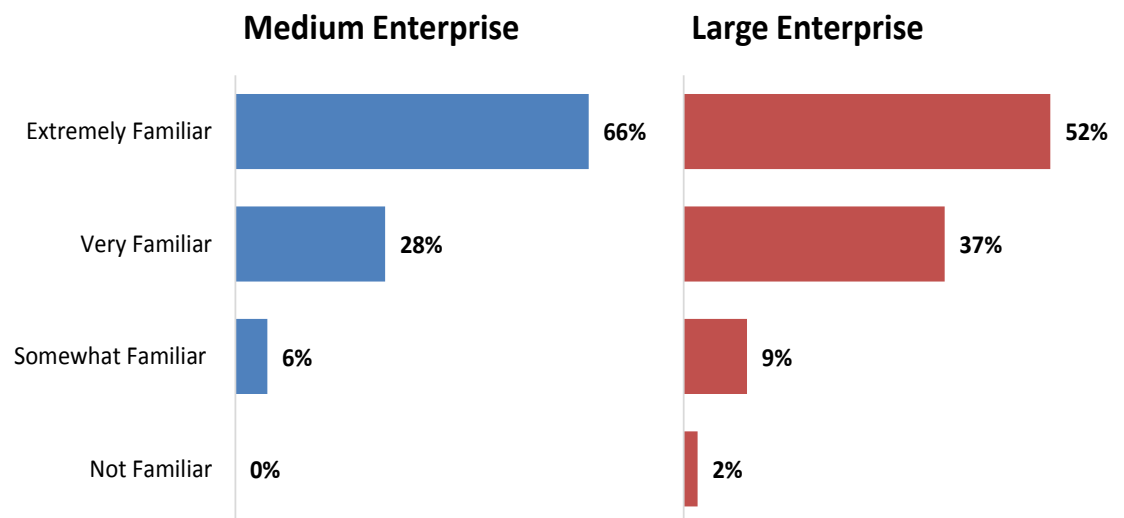
Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Status on Trialing Microsoft Lync

As in last year's report, Enterprise decision-makers were asked about their plans to trial Microsoft Lync without reference to any specific functionality. Exhibit 6 shows the results.

83% of the Medium Enterprises had trialed or are currently trialing Microsoft Lync. This figure is up from 72% last year. As a result, the percent of MEs who said they are *Planning to conduct a trial* decreased from 22% last year to 15% this year. The category with the largest increase was *Currently conducting trial* which was now 47%, up from 39% last year.

Among the Large Enterprises, the percentage that are *Currently conducting trials* went down from 29% a year ago to 25% now, Part of that decline was due to the increase in the percent of LEs that *Have completed their trials* -- 45% this year, up from 43% previously. There was only one point difference in the percent of LEs who said they are *Planning to conduct a trial* compared to last year. There was also only one point difference in the percent of LEs who said they had *No plans to conduct a trial* compared to last year.

Microsoft Lync trials are very accessible, which may be one of the reasons for the high interest. Microsoft channel partners can use Microsoft's Proof of Concept and secure Web access to facilitate trials of Lync.

Exhibit 6	*Current Status of Enterprise Trials of Microsoft Lync*
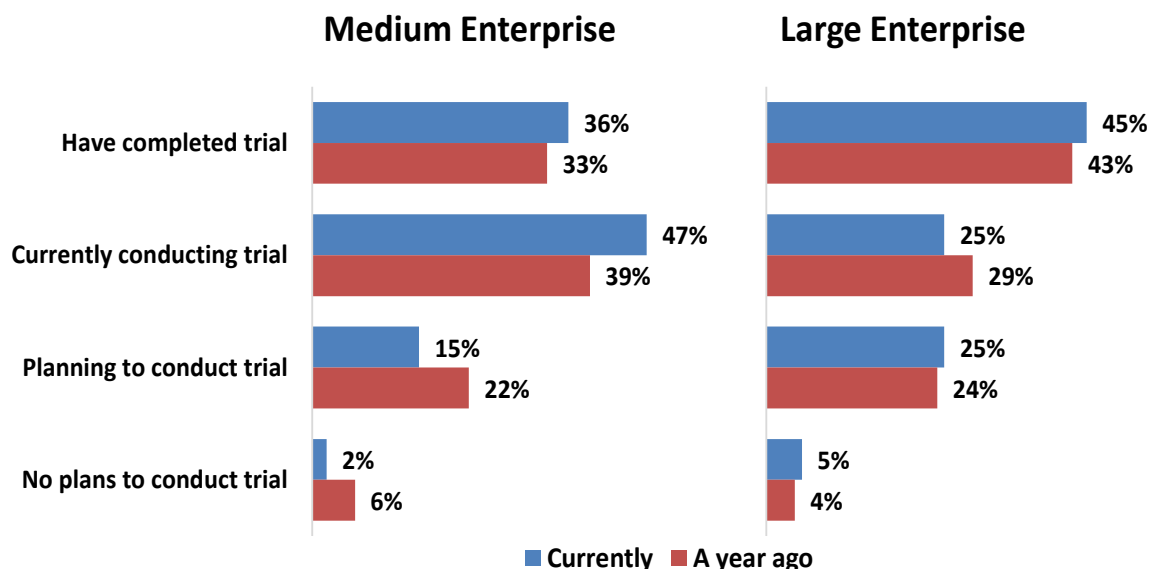
Among all Enterprises

Medium Enterprise   **Large Enterprise**

Have completed trial — 36% / 33% | 45% / 43%
Currently conducting trial — 47% / 39% | 25% / 29%
Planning to conduct trial — 15% / 22% | 25% / 24%
No plans to conduct trial — 2% / 6% | 5% / 4%

■ Currently   ■ A year ago

Enterprise Microsoft Lync Trials that Include Enterprise Voice

Exhibit 7 shows the percentages of completed, current and planned Enterprise Microsoft Lync trials that included Enterprise Voice. As shown previously in Exhibit ES-2, 90% of the U.S. Enterprises who have trialed or are currently conducting trials or plan to trial indicated that Enterprise Voice had been, is or will be included in their Lync trials. This is up slightly from 89% a year ago.

89% of MEs said their trials include or will include Enterprise Voice. This compares with 88% who said this in last year's report.

Similarly, 93% of LEs said they have trialed or will trial Lync Enterprise Voice. This compares with 90% who said this in last year's report.

Both segments of Enterprises continue to show very strong interest in including Enterprise Voice in their trials of Lync.

Microsoft and its partners make it relatively easy to trial Lync with Enterprise Voice. Firms are provided Lync-certified SIP phones or softphones on a temporary basis and do not have to install Lync servers for the trials.

Exhibit 7   *Percent of Enterprise Microsoft Lync Trials that Include Enterprise Voice*
Among those who have completed, are currently trialing or plan to trial

Medium Enterprise

	Current	A year ago
No, Trials Do Not Include Enterprise Voice	11%	12%
Yes, Trials Include Enterprise Voice	89%	88%

■ No, Trials Do Not Include Enterprise Voice
■ Yes, Trials Include Enterprise Voice

Large Enterprise

	Current	A year ago
No, Trials Do Not Include Enterprise Voice	7%	10%
Yes, Trials Include Enterprise Voice	93%	90%

■ No, Trials Do Not Include Enterprise Voice
■ Yes, Trials Include Enterprise Voice
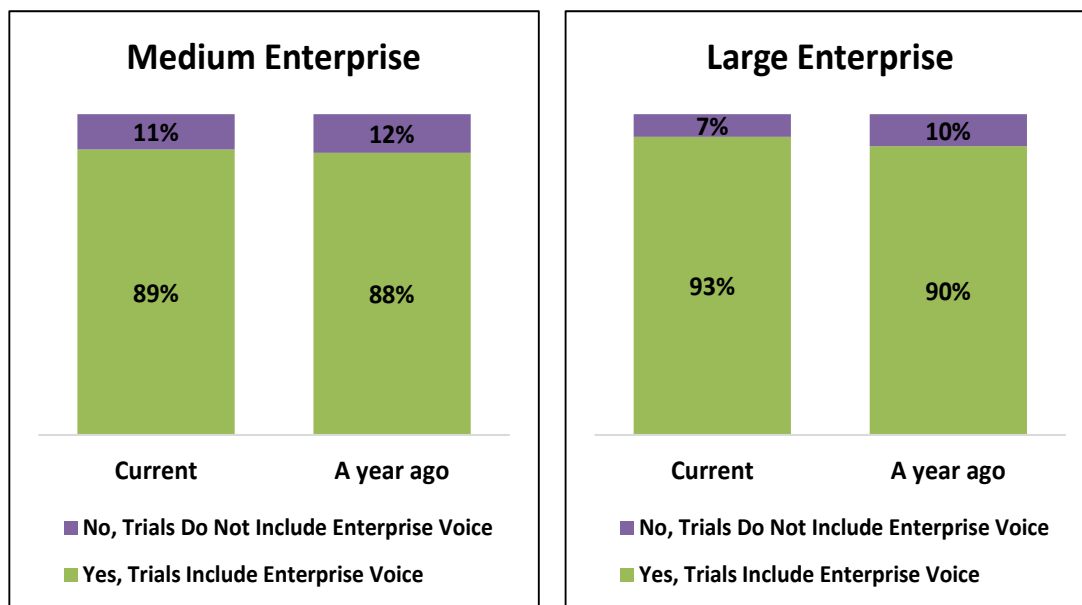
Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Perception of Microsoft Capabilities for Enterprise Voice

Exhibit 8 shows how trials affected Enterprises' perception of the capabilities of Lync Enterprise Voice.

For Medium Enterprises, trialing led to an improvement in the perception of the capabilities of Lync Enterprise Voice. Those believing that *Microsoft is better than most traditional voice system manufacturers* increased from 59% before trials to 64% after. The 5% that changed their views were accounted for by 3% of those that had previously believed *Microsoft was as good as the comp*etition and 2% who no longer believed it was worse. The trials certainly had a very positive effect on the perceptions of Lync Enterprise Voice among MEs.

The perceptions of Microsoft's Enterprise Voice capabilities were even more positive among Large Enterprises, with 77% believing that *Microsoft is better than most traditional voice system manufacturers* after the trials, up from 73% before trials.

This was a significant improvement for both Enterprise segments. A year ago this report showed that 57% of both the LE and ME respondents believed that Microsoft Lync was "*better than most*" after their Lync trials. This year that positive post-trial perception was up 7 points among MEs and higher by 20 points among LEs This indicates that Microsoft has continued to significantly improved their Enterprise Voice capabilities in each new release of Lync 2013 (or at least managed to change customers' perceptions).

Exhibit 8   ***Enterprise Perception of Microsoft Capabilities for Enterprise Voice***
Among those who have completed or are currently trialing
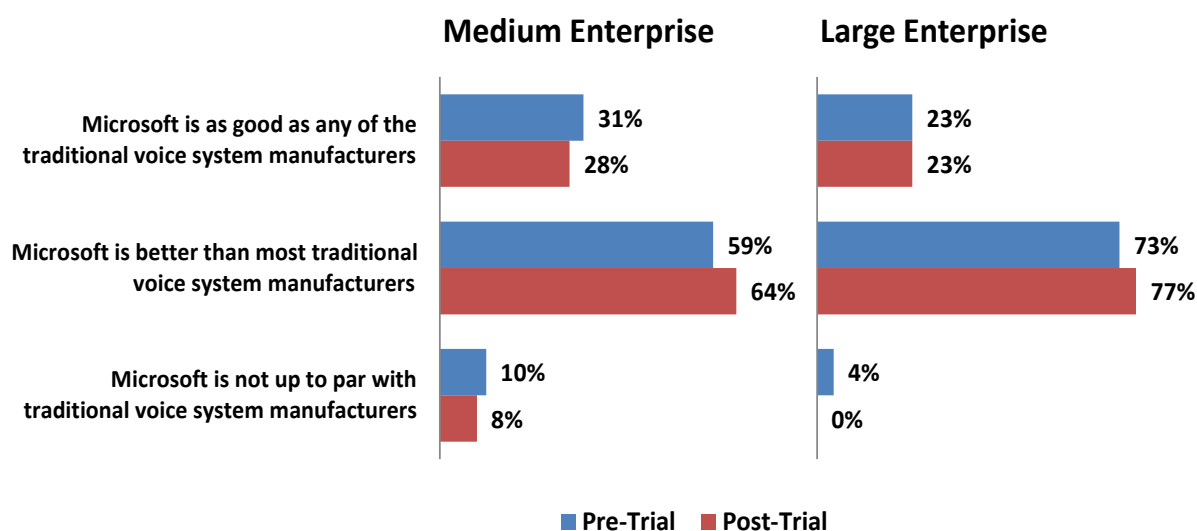
Source: InfoTrack: End-user Primary Research, 2Q2015

Performance of Enterprise Voice during Microsoft Lync Trials

This increased satisfaction with the Enterprise Voice capabilities of Microsoft Lync was further confirmed in Exhibit 9. The Enterprise decision-makers were asked about the performance of Enterprise Voice during Microsoft Lync trials. 100% of the Medium Enterprises (ME) and the Large Enterprises (LE) said it had *met or exceeded their expectations*.

67% of the Medium Enterprises (ME) indicated that the performance of Enterprise Voice had *exceeded their expectations*, which was a huge increase over the 43% of MEs that expressed that opinion a year ago.

Among the Large Enterprises (LE), 65% felt that their trials of Enterprise voice had *exceeded their expectations* compared to 59% last year.

This positive improvement in the performance of Lync Enterprise Voice is one of the factors that led to another increase in Microsoft's market share of the U.S. IP Telephony market in 2014 as reported by T3i Group's *IEC (InfoTrack for Enterprise Communications)* program.

Exhibit 9   *Performance of Enterprise Voice during Microsoft Lync Trials*

Among those who have completed or are currently trialing
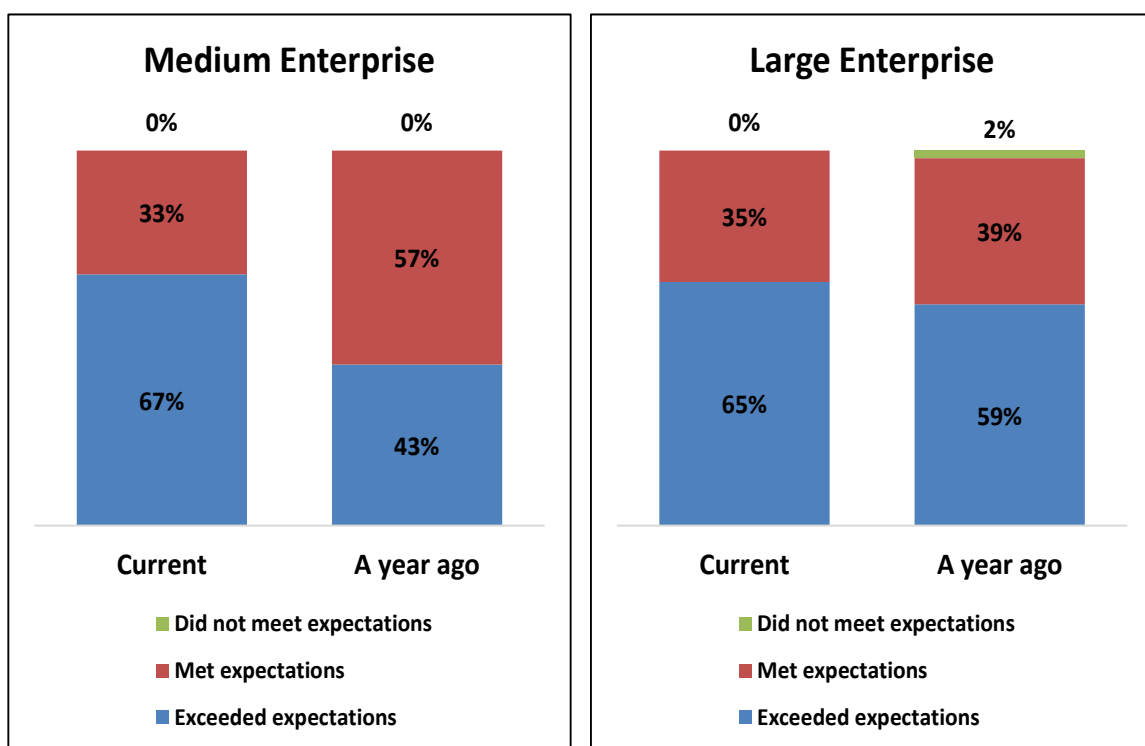
Enterprise Perspective on Costs of Implementing Lync with Enterprise Voice

Exhibit 10 shows how Enterprises viewed the actual startup costs and ongoing costs of implementing Lync with Enterprise Voice compared to their expectations about those costs.

41% of Medium Enterprises and 35% of Large Enterprises actually felt that the *startup costs were lower than they had expected*. This is more than double the percent of Enterprises which expressed that opinion a year ago. Only 23% of MEs and 15% of LEs felt that *there were some additional costs that they had not anticipated*. This was a significant improvement compared to a year ago.

The picture was not as positive with respect to the **ongoing** costs of implementing Microsoft Lync with Enterprise Voice. In this case, 23% of Medium Enterprises and 11% of Large Enterprises felt that the *ongoing costs were lower than they had expected*. This was roughly in line with the views of Enterprises regarding ongoing costs a year ago. However, 36% of MEs and 46% of LEs felt that *there were some additional costs that they had not anticipated*. This was about a 10 point increase over the percent of Enterprises that last year felt that ongoing costs were higher than expected.

Exhibit 10   Enterprise Perspective on Costs of Implementing Lync with Enterprise Voice
Among those who have completed or are currently trialing

Medium Enterprise

	Startup Costs	Ongoing Costs
The costs are in line with what we had expected	26%	33%
There were some additional costs that we had not anticipated	23%	36%
So far the costs are lower than we had expected	41%	23%
It is too early in the process to make a determination on costs	10%	8%

Large Enterprise

	Startup Costs	Ongoing Costs
The costs are in line with what we had expected	38%	35%
There were some additional costs that we had not anticipated	15%	46%
So far the costs are lower than we had expected	35%	11%
It is too early in the process to make a determination on costs	12%	8%

■ **Startup Costs**   ■ **Ongoing Costs**

Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Plans for Deploying Lync with Enterprise Voice Beyond Trials

Exhibit 11 shows the plans of all Enterprises surveyed regarding the deployment of Microsoft Lync with Enterprise Voice currently compared to last year.

In this year's study, at least half of the Enterprises -- MEs (53%) and LEs (50%) -- are actually deploying Lync EV. This was a significant gain for MEs compared to a year ago when 39% of MEs had started deploying Microsoft Lync with Enterprise Voice. There was only a one point increase among the LEs.

Of the 14 point gain in deployment among MEs, 5 points came from MEs that a year ago were still in the planning stages and there was a 9 point reduction in the percentage of MEs in the Undecided category.

The combined percentage of LEs that are Planning to deploy Lync EV or are still Undecided was about the same as last year – 45% vs. 47%. But a closer look at the numbers shows a 6 point decline in the percent of LEs planning to deploy, most of whom accounted for a 4 point increase in the Undecideds.

Perhaps the headline on this chart should be that only 4% of MEs and 5% of LEs had No Plans to deploy Lync EV.

It appears that the positive results that Enterprises have experienced during their trials of Lync EV have had a very positive impact on their plans to move forward with deployment, particularly among the ME segment.

Exhibit 11   Enterprise Plans for Deploying Lync with Enterprise Voice Beyond Trials
Among all Enterprises

Medium Enterprise

Currently deploying	53% / 39%
Planning to deploy	32% / 37%
Undecided; depends on results of trial	11% / 20%
No plans to deploy Microsoft Lync for Enterprise Voice	4% / 4%

Large Enterprise

Currently deploying	50% / 49%
Planning to deploy	27% / 33%
Undecided; depends on results of trial	18% / 14%
No plans to deploy Microsoft Lync for Enterprise Voice	5% / 4%

■ **Current**   ■ **A year ago**
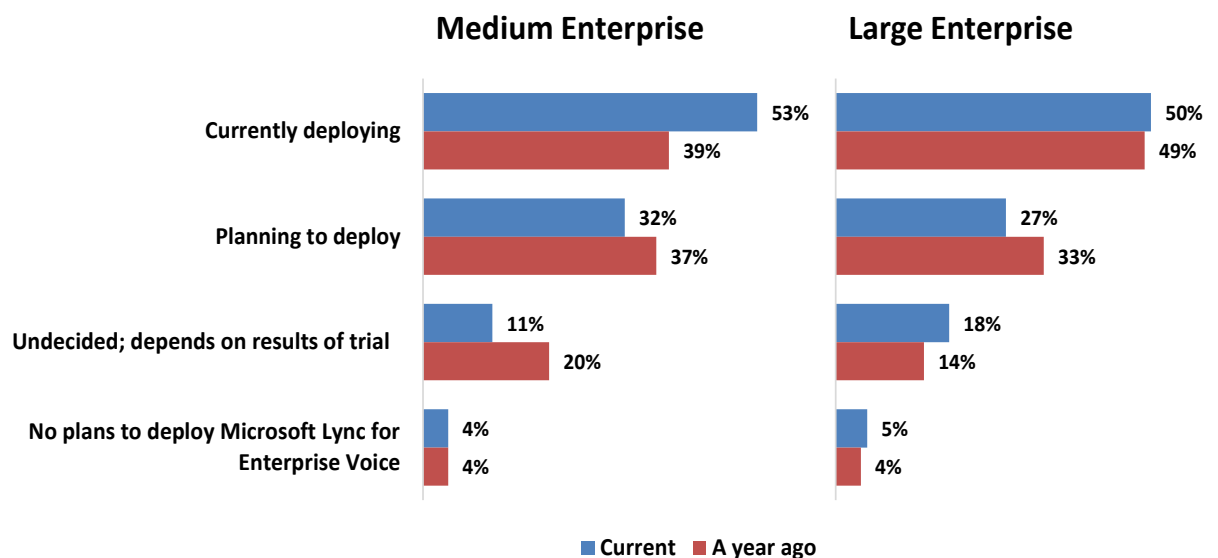
Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprises' Top Reasons for Deploying Lync with Enterprise Voice Beyond Trials

The Enterprises implementing Microsoft Lync for Enterprise Voice were asked why they decided to implement Lync EV. Exhibit 12 ranks their responses.

The top reason among the ME segment was that *Lync (now Skype for Business) offers the best UC solution for our business.* The LEs rated it their number two reason.

The most important reason among LEs was *Facilitates voice feature integration with other Microsoft applications (e.g., Sharepoint, Exchange, Office).* This reason ranked number two among MEs. Thus the top two reasons reflect the power that Microsoft has to leverage its strong market presence in desktop apps into a rapidly growing position in the UC apps market. Microsoft prices Lync very attractively for firms that use other Microsoft applications. Licenses for access to any of the UC applications in Lync, such as Web Conferencing or IM and Presence, are bundled in the Enterprise CAL Suite with licenses of other popular Microsoft applications. From there the cost to implement Enterprise Voice is only an incremental charge. This market leverage is reflected in the reason that ranked third among both Enterprise Segments – *Total cost of ownership (hardware, software, service support) is lower than PBX-based solutions.*

The key take-away from Exhibit 12 is that Microsoft is successfully convincing Enterprises to adopt Microsoft Lync as their primary platform for UC applications. Once Microsoft has established that position, they can argue that adding Enterprise Voice is just an extension to the Lync platform that can be added incrementally.

Exhibit 12   Enterprises' Top Reasons for Deploying Lync with Enterprise Voice Beyond Trials
Among Enterprises Deploying or Planning to Deploy Lync EV

	Weighted Average		Ranking	
	ME	LE	ME	LE
Lync (now Skype for Business) offers the best UC solution for our business	4.9	4.3	1	2
Facilitates telephony feature integration with other Microsoft apps (Sharepoint, Exchange, Office)	4.0	4.4	2	1
Total cost of ownership (hardware, software, service support) is	2.5	2.6	3	3
Lync Enterprise Voice is a natural extension of our commitment to Microsoft Lync for UC	2.5	2.2	4	5
We have already deployed Microsoft Lync for IM and Presence	1.9	2.4	5	4
We have already invested in the Enterprise CAL Suite	1.8	1.6	6	6
We have already deployed Microsoft Lync for Web Conferencing	1.4	1.6	7	7

Source: InfoTrack: End-user Primary Research, 2Q2015

Current Enterprise Use of Skype for Voice or Video Calls

Exhibit 13 shows the percentage of Enterprise employees which are currently utilizing Microsoft's Skype service for either voice or video calls. Up to this point in time, Skype has generally been regarded as a convenient, low-cost method for consumers to make voice or video calls from their PCs. Microsoft has stated that Skype currently accounts for 38% of all Long Distance transmission. This survey result shows that business employees are also making a significant contribution to the total usage of Skype.

50% of the employees of Medium Enterprises are utilizing Skype for making and receiving **voice** calls and 55% of ME employees are using Skype for making and receiving **video** calls.

Among Large Enterprise employees, the Skype usage figures were not quite as high with 36% utilizing Skype for making and receiving **voice** calls and 41% for making and receiving **video** calls.

Enterprises are taking advantage of the opportunity to utilize Skype for various business purposes while potentially reducing their public network costs for voice and video calling.

Exhibit 13   Current Enterprise Use of Skype for Voice or Video Calls
Among all Enterprises

Medium Enterprise   **Large Enterprise**

For Voice Calls — 50% | 36%
For Video Calls — 55% | 41%
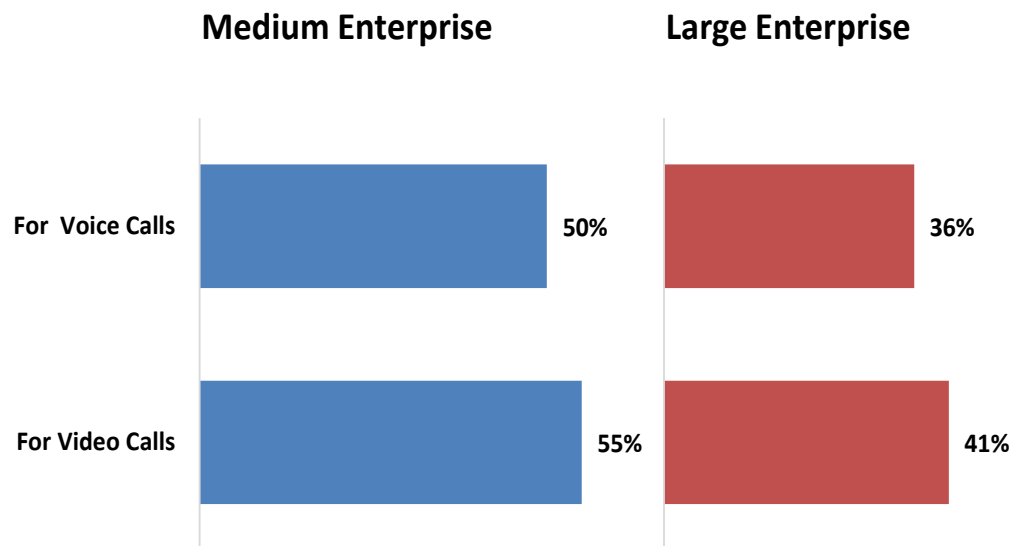
Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Likelihood of Implementing Skype for Voice or Video Calls

Microsoft is greatly enhancing the capabilities of Skype to be used for business purposes by integrating Lync with Skype and branding it *"Skype for Business,"* which is sometimes abbreviated as *"Skype4B."* Exhibit 14 shows the likelihood that Enterprises will use Skype for Business for voice or video calls.

57% of Medium Enterprises said that their employees are *Extremely Likely* to utilize Skype for Business for making and receiving **voice** calls. Slightly more, 58% of MEs, are *Extremely Likely* to utilize it for making and receiving **video** calls. Another 32% of MEs are *Very Likely* to use Skype for Business for **voice** calls along with 36% of MEs *Very Likely* for **video** calls. About 90% of MEs are highly likely to use Skype for Business to make voice or video calls.

Among LEs, 73% are *Extremely or Very Likely* to use Skype for Business for **voice** calls and 80% of LEs are *Extremely or Very Likely* to use it for **video** calls.

Overall, the vast majority of Enterprises expect to make the transition from Skype today to Skype for Business tomorrow for their employees to make and receive voice and video calls.

Exhibit 14   Enterprise Likelihood of Implementing Skype for Business for Voice or Video Calls
Among all Enterprises

Medium Enterprise

	For voice calls	For video calls
Extremely Likely	57%	58%
Very Likely	32%	36%
Somewhat Likely	7%	4%
Not Likely	2%	2%
Don't Know	2%	0%
Not Applicable	0%	0%

Large Enterprise

	For voice calls	For video calls
Extremely Likely	39%	41%
Very Likely	34%	39%
Somewhat Likely	14%	14%
Not Likely	9%	2%
Don't Know	2%	2%
Not Applicable	2%	2%

■ **For voice calls**   ■ **For video calls**
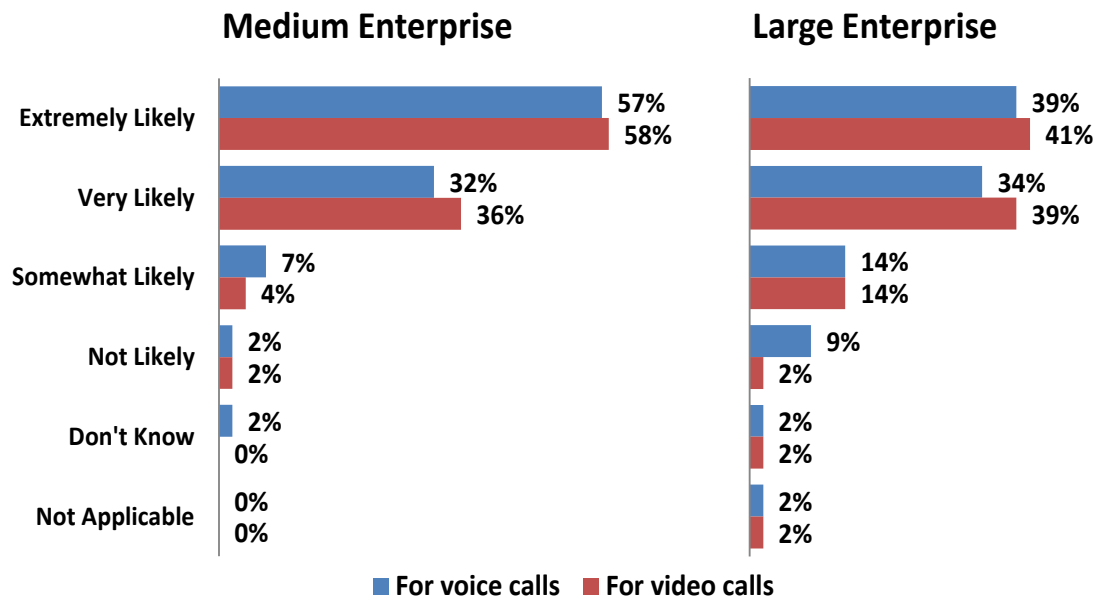
Source: InfoTrack: End-user Primary Research, 2Q2015

Reaction of Enterprise Decision-makers to the Integration of Lync with Skype

All of the Enterprise decision-makers that participated in this year's study were asked to select which one of six statements best described their company's position on Microsoft's integration of Lync with Skype. By a wide margin, the number one response among both Enterprise segments was *We plan to deploy Skype for Business because Integrating Lync Enterprise Voice with Skype provides a better solution for our Enterprise Voice needs.* 57% of LEs took that position along with 56% of MEs.

On the other hand, 16% of LEs and 17% of MEs said *We currently use Lync for Enterprise Voice and we do not see the advantages of integrating it with a consumer-oriented communications service such as Skype.* 15% of MEs and 11% of LEs took a more neutral position stating *The integration of Lync and Skype has not had any effect on our plans for deploying Lync for Enterprise Voice.*

Overall, the response of the vast majority of Enterprise respondents was quite positive toward the integration of Lync and Skype. 62% of Medium Enterprises and 68% of Large Enterprises expressed positive responses. A neutral position accounted for another 15% of MEs and 11% of LEs.

The next Exhibit, examines more closely the reaction to Skype for Business among those companies who had already deployed Lync with Enterprise Voice and those who are planning to deploy.

Exhibit 15   Enterprise Reaction to Microsoft's Integration of Lync and Skype
Among all Enterprises

	Weighted Average		Ranking	
	Medium Enterprise	**Large Enterprise**	**ME**	**LE**
We plan to deploy Skype for Business because Integrating Lync Enterprise Voice with Skype provides a better solution for our Enterprise Voice needs	56%	57%	1	1
We currently use Lync for Enterprise Voice and we do not see the advantages of integrating it with a consumer-oriented communications service such as Skype	17%	16%	2	2
The integration of Lync and Skype has not had any effect on our plans for deploying Lync for Enterprise voice	15%	11%	3	3
We do not use Lync for Enterprise Voice, but many of our employees utilize Skype, so we are seriously considering deploying Skype for Business	6%	11%	4	4
We currently use Lync but we have no plans to deploy it for Enterprise Voice, so we are concerned about the integration of Lync with Skype	4%	0%	5	6
We have no plans to deploy Lync or Skype for Business	2%	5%	6	5

Source: InfoTrack: End-user Primary Research, 2Q2015

Impact of Skype for Business on Enterprise Plans for Deploying Lync EV

The U.S. Enterprises that are currently deploying Lync with Enterprise Voice, or are in the planning stages, were asked how Microsoft's plan to merge Lync into Skype for Business has affected their plans for deploying Lync EV. Their responses are shown in Exhibit 16.

Among those current/future implementers, two-thirds of the Medium Enterprises and over half of the LEs (56%) indicated that **they had accelerated their plans to deploy Lync**. Another 25% of MEs and 23% of LEs responded that their *deployment plans for Lync had not changed* as a result of the integration.

Only 8% of the MEs and 21%% of the LEs that had deployed or are planning to deploy Lync EV indicated that they had *cut back their deployment plans*. Of those, 4% of the MEs and 9% of the LEs noted that they wanted to *wait until they were sure that Skype for Business was "ready for prime time."* 4% of the MEs and 12% of the LEs said they are holding up their deployment plans because they would prefer to *wait until Skype for Business was av*ailable.

Exhibit 16   Impact of Skype for Business on Enterprise Plans for Deploying Lync EV
Among Current/Future Implementers
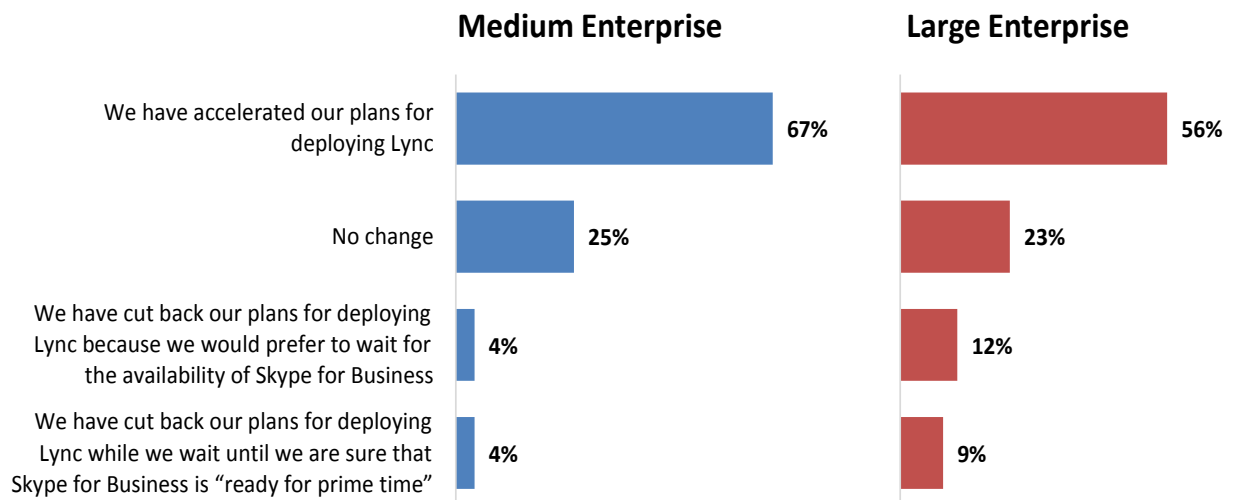
Enterprise Scope of Planned Deployment of Microsoft Lync EV (or Skype for Business)

Exhibit 17 shows how extensively Enterprises plan to deploy Lync with EV (or Skype for Business) among those companies who stated they plan to implement or are currently implementing.

47% of MEs intend to deploy Lync EV company-wide (29% throughout their home country and 18% globally), which was a significant increase compared to 38% company-wide last year. Most of this gain came from the 44% of MEs which last year indicated their most likely method of deployment was *throughout specific departments or business units*. That percentage dropped to 22% this year.

Among the LEs, 49% intend to deploy Lync EV company-wide (26% throughout their home country and 23% globally), which was a significant increase compared to 40% company-wide last year. Most of this gain came from the 33% of LEs which last year indicated that most of their deployment would occur *at selected locations as the need arises*. That percentage dropped to 18% this year.

Selected individuals was the least popular deployment option for both MEs and LEs.

This projected increase in company-wide deployments of Lync with Enterprise Voice (or Skype for Business) is a key predictor of future increases in market share for Microsoft.

Exhibit 17   Enterprise Scope of Planned Deployment of Microsoft Lync EV (or Skype for Business)
Among Current/Future Implementers
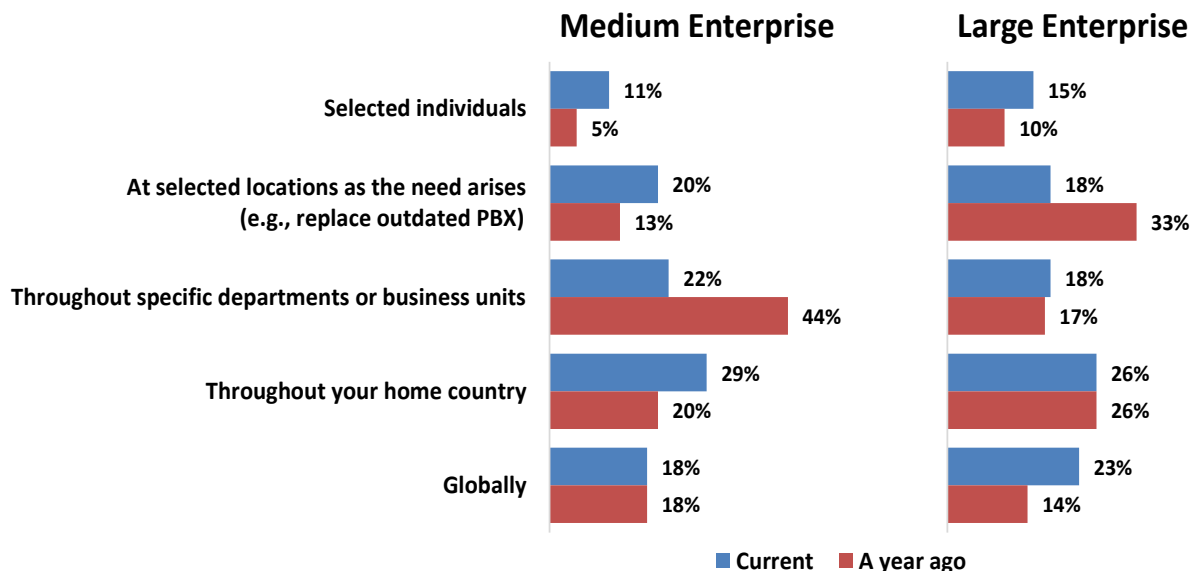
Current Status of Licenses for Lync with Enterprise Voice— Medium Enterprise

Since 2011, the *IEC (InfoTrack for Enterprise Communication)* program, which tracks Enterprise Voice shipments and market share, has been reporting deployments of Lync with Enterprise Voice and determining the installed base in the U.S. and other global regions. During that same time period, IUC research studies on Microsoft Lync, have estimated the installed base of Lync EV licenses, by asking specific questions about the number of Lync licenses that have been purchased, grandfathered and activated with Enterprise Voice. The output of these two InfoTrack programs is used to corroborate installed base estimates.

Exhibit 18 reflects the steps used to estimate the installed base of Lync EV licenses for Medium Enterprises in the U.S. expressed as a percent of employees in the ME segment.

21% of the Medium Enterprise employees have Lync licenses, up from 17% last year. 59% of the Lync licenses are Plus CALs (Plus CAL licenses are required for Enterprise Voice) versus 49% last year, and 43% of the Medium Enterprises' Plus CAL licenses have been activated, compared with 49% last year. Overall, 5.4% of the Medium Enterprise segment employees had activated Lync Plus CAL licenses, up substantially from 4.1% last year.

Note that the demographics stated above and elsewhere in this report are based on the survey respondent populations and have a confidence interval of at least ±10%.

Exhibit 18   Current Status of Licenses for Lync with Enterprise Voice—Medium Enterprises
Among all Medium Enterprises
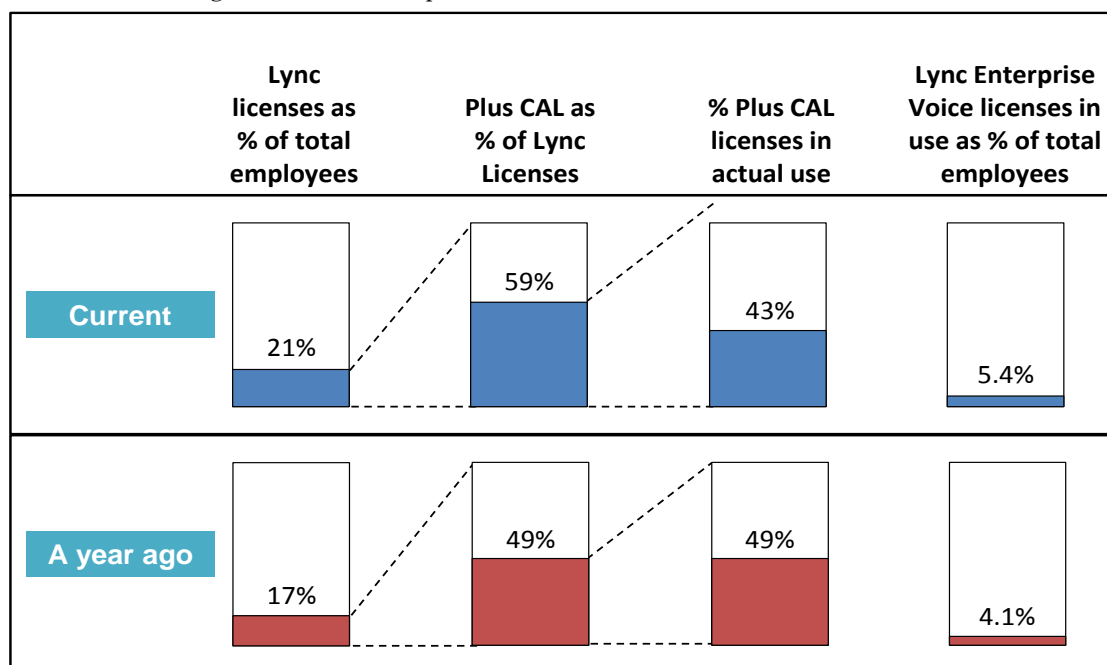
Source: InfoTrack: End-user Primary Research, 2Q2015

June 2015

Current Status of Licenses for Lync with Enterprise Voice—Large Enterprise

Exhibit 19 depicts the steps used to estimate the installed base of Lync EV licenses for Large Enterprises in the U.S. expressed as a percent of employees in the LE segment.

15% of employees in Large Enterprises have Lync licenses, up from 14% last year. 57% of those Lync licenses are Plus CALs (required for Enterprise Voice), compared with 44% last year. 50% of employees' Plus CAL licenses are in use for Enterprise Voice, compared to 52% last year.

Overall, 4.3% of Large Enterprise employees had activated Lync Plus CAL licenses. This represents a significant increase from last year, when the figure was 3.2%. (These numbers represent the current view of installed base, not annual shipments/ implementations).

Exhibit 19   Current Status of Licenses for Lync with Enterprise Voice—Large Enterprises
Among all Large Enterprises

	Lync licenses as % of total employees	Plus CAL as % of Lync Licenses	% Plus CAL licenses in actual use	Lync Enterprise Voice licenses in use as % of total employees
Current	15%	57%	50%	4.3%
A year ago	14%	44%	52%	3.2%
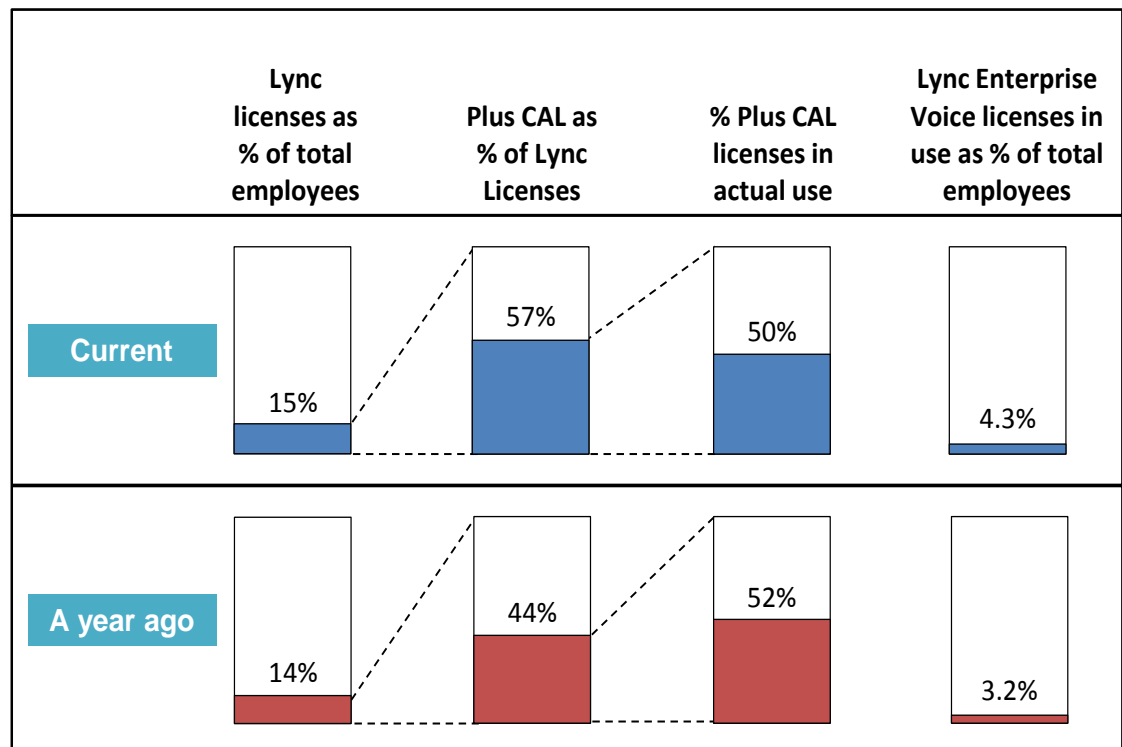
Source: InfoTrack: End-user Primary Research, 2Q2015

Projected Enterprise Deployment of Lync EV (or Skype for Business) Licenses

Exhibit 20 projects the total installed base of Lync EV (or Skype for Business) licenses as a percentage of the total number of Enterprise employees, for the years 2016 and 2018.

Substantial growth is projected in each of those years, with percentages increasing from 5.4% in 2014 to 8.2% and 10.9% among Medium Enterprises and from 4.3% in 2014 to 6.8% and then 10.1% among Large Enterprises.

In 2014, the installed base percentage among MEs was 25% higher than the LE percentage. But by 2018, it was projected to be only 8% higher. This indicates that the LE installed base of licenses will grow faster than the ME base over the next few years.

Exhibit 20   Projected Enterprise Deployment of Lync EV (or Skype for Business) Licenses
Among all Enterprises
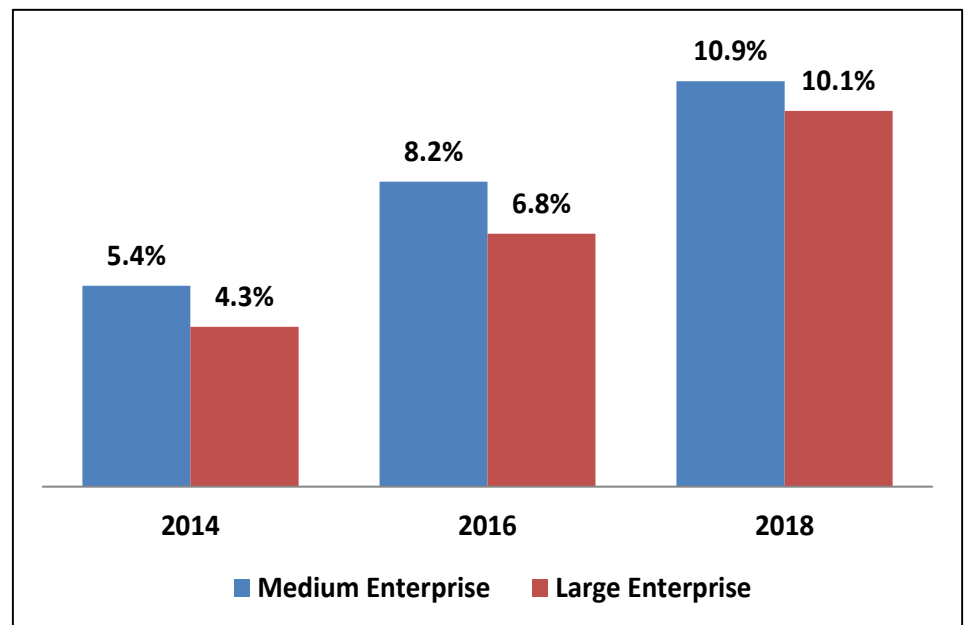
Source: InfoTrack: End-user Primary Research, 2Q2015

Primary Method for Enterprises Connecting to the PSTN for Lync EV or Skype for Business

Exhibit 21 shows the methods that enterprises expect to use to connect the Lync EV or Skype for Business servers with the PSTN (Public Switched Telephone Network).

Among MEs, the most popular method was to utilize *direct SIP connections from the servers to Enhanced Gateways (EGs) or Session Border Controllers (SBCs)* which would provide connectivity to the PSTN. 43% of MEs would use this method compared to 32% of LEs.

Half of the LEs indicated a preference for connecting the Lync EV servers to their *existing IP-PBX*s and using them as Gateways to the PSTN. 36% of MEs also preferred this method.

The remaining 21% of MEs and 18% of LEs planned to utilize *SIP trunks to connect directly to an Internet Telephony Service Provider*. Of the three options, this method had the biggest increase for both MEs and LEs compared to last year.

Exhibit 21   Primary Method for Enterprises Connecting to the PSTN for Lync EV or Skype for Business
Among Current/Future Implementers
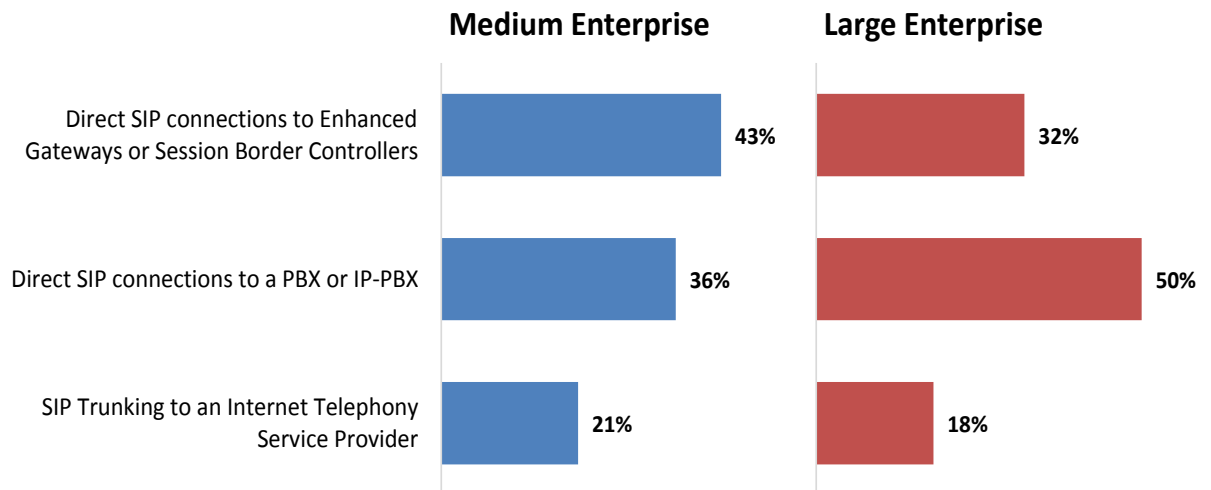
Enterprise Plans for Replacing/Retaining Existing Telephony Systems During Lync Deployment

Exhibit 22 shows Enterprise plans for replacing or retaining existing telephony systems during Lync deployment among current and future implementers.

The most popular option among both MEs and LEs was to *retain existing telephony systems and services while replacing existing deskphones on a gradual or life-cycle replacement basis*. This approach is expected to be followed by 42% of MEs and 65% of LEs. However, a sizable percentage in both segments (47% of MEs and 29% of LEs) plan on one of the two options for accelerated replacement of existing deskphones, either by *replacing telephony systems immediately* (33% of MEs and 20% of LEs) or by *retaining those systems but replacing deskphones on an accelerated basis* (14% of MEs and 9% of LEs).

A very small number (11% of MEs and 6% of LEs) planned to *retain their existing telephony systems so that they could continue to use certain applications until they could be phased out*. For example, they may want to retain their existing voice mail until they are ready to migrate to MS Exchange for unified messaging.

Exhibit 22   Enterprise Plans for Replacing/Retaining Existing Telephony Systems During Lync Deployment
Among Current/Future Implementers

	Medium Enterprise	Large Enterprise
Retain existing telephony systems/services until existing deskphones are phased out on a gradual or life-cycle replacement basis	42%	65%
Replace existing telephony systems/services and deskphones immediately	33%	20%
Retain existing telephony systems/services until existing deskphones are phased out on an accelerated basis	14%	9%
Retain existing telephony system until certain applications can be phased out	11%	6%

Source: InfoTrack: End-user Primary Research, 2Q2015

Enterprise Distribution of Endpoints on Deployed Systems with Lync EV or Skype for Business

Exhibit 23 shows the planned distribution of endpoints among enterprise users of Lync EV.

The first finding from this data is that there is surprisingly little migration of endpoints between the end of the first year of implementation and the following two years. The configurations and terminal type populations implemented in the first year are seen as more or less remaining in place for the next few years.

At the end of the first year of Lync deployment by Medium Enterprises, existing deskphones would account for 21% of the total endpoints, with the remaining 79% fairly evenly divided among the other three types. After the third year, existing deskphones remained at 21%, with Lync-certified SIP phones dropping 1 point from 26% to 25%. The only endpoint that increased after three years was a Lync (or Skype4B) client/softphone app on a Mobile device, which went from 27% to 28%.

In the Large Enterprise segment, the endpoint with the highest percentage (31%) was a Lync (or Skype4B) client/softphone app on a PC or Mac. It remained at 31% after the 3rd year. The remaining 69% were fairly evenly divided among the other three types. Lync-certified SIP phones accounted for 23% and stayed at that level.

In both the ME and LE segments, Lync (or Skype4B) client/softphone apps on a Mobile device gained 1 point over the three years and the percent of that app on a PC or Mac was unchanged. This implies that the people who really need these tools were likely to receive them as part of the initial implementation and unless these types of employees grow as a percent of total employees the distribution is unlikely to change very much.

Exhibit 23   Enterprise Distribution of Endpoints on Deployed Systems with Lync EV or Skype for Business
Among Current/Future Implementers
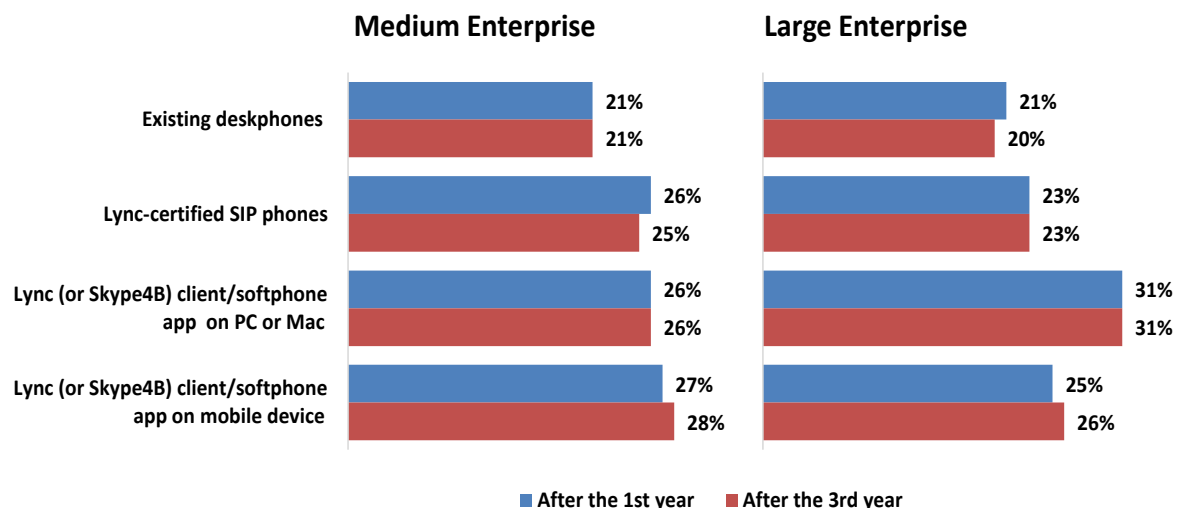
Source: InfoTrack: End-user Primary Research, 2Q2015

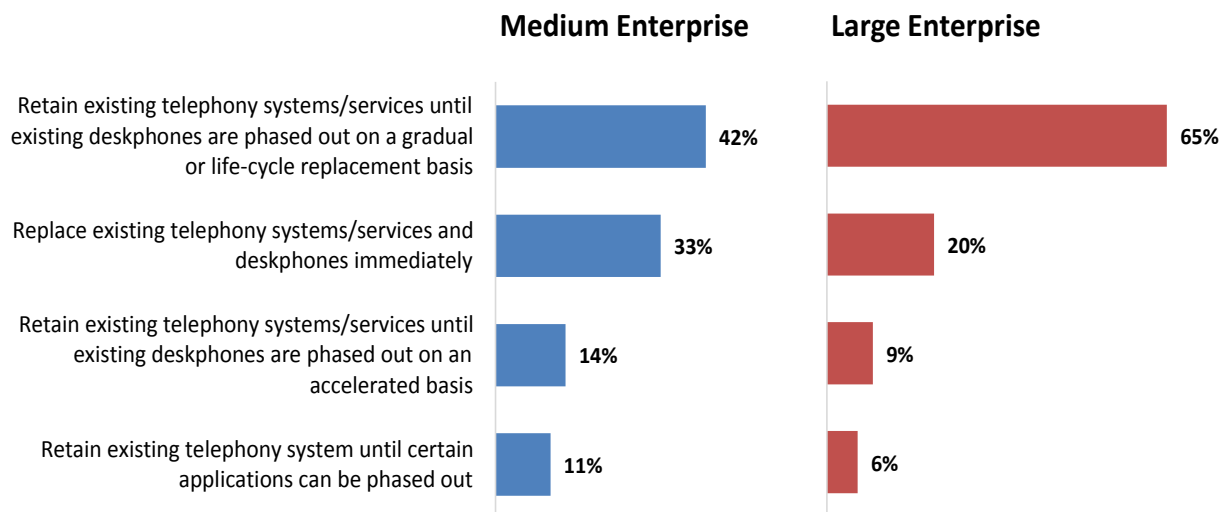*Current Enterprise Implementation of Office 365*

The Enterprise decision-makers were asked if they are currently implementing Microsoft's cloud-based service, Office 365. Their responses are shown in Exhibit 24.

92% of the Medium Enterprises and 83% of the Large Enterprises indicated that they are currently implementing Office 365.

Obviously, Microsoft's Office 365 is a very popular service among Enterprise customers.

Exhibit 24   Percent of Enterprises Currently Implementing Office 365
Among all Enterprises
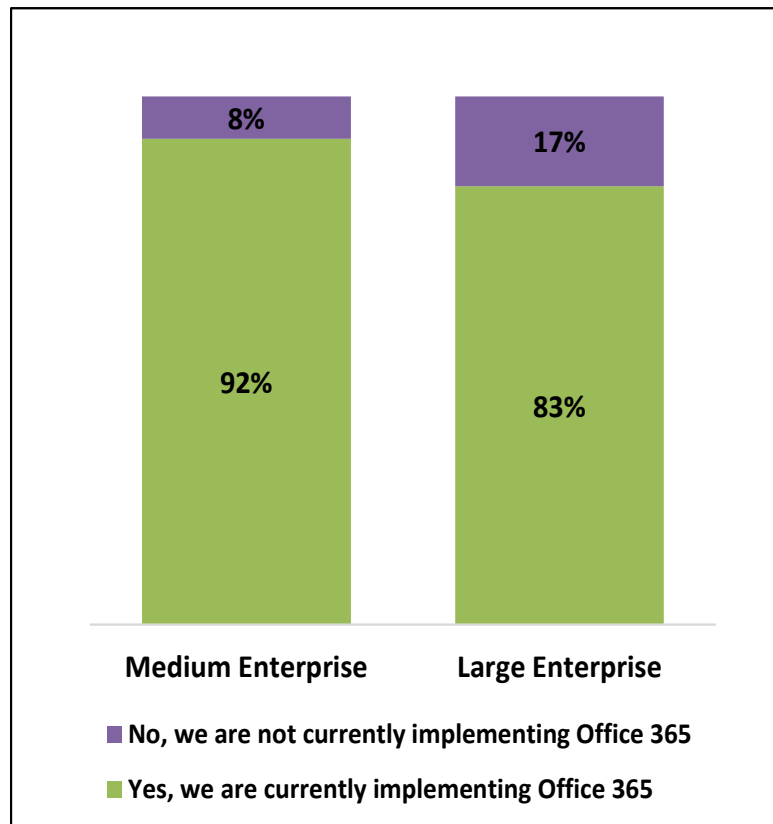
Enterprise Familiarity with Microsoft Plans to Include Skype for Business as a Hosted Service in Office 365

Earlier this year, Microsoft announced that their cloud-based Office 365 would be enhanced to offer Skype for Business including Enterprise Voice features, PSTN calling and Audio Conferencing. The Enterprise decision-makers were asked about their familiarity with this specific announcement. Their responses are shown in Exhibit 25.

Among the MEs, almost half (49%) indicated that they are *Very Familiar* followed by 37% which are *Extremely Familiar*. It was just the reverse among the LE segment, where 45% are *Extremely Familiar* and 29% are *Very Familiar*.

Only 2% of MEs and 12% of LEs said that they are *Not Familiar* with this plan to enhance Office 365 with Skype for Business. This is not surprising in view of the very high percentage of Enterprises that indicated they are currently implementing Office 365 in the preceding exhibit.

Exhibit 25   Enterprise Familiarity with Microsoft Plans to Include Skype4B as a Hosted Service in Office 365
Among all Enterprises

June 2015
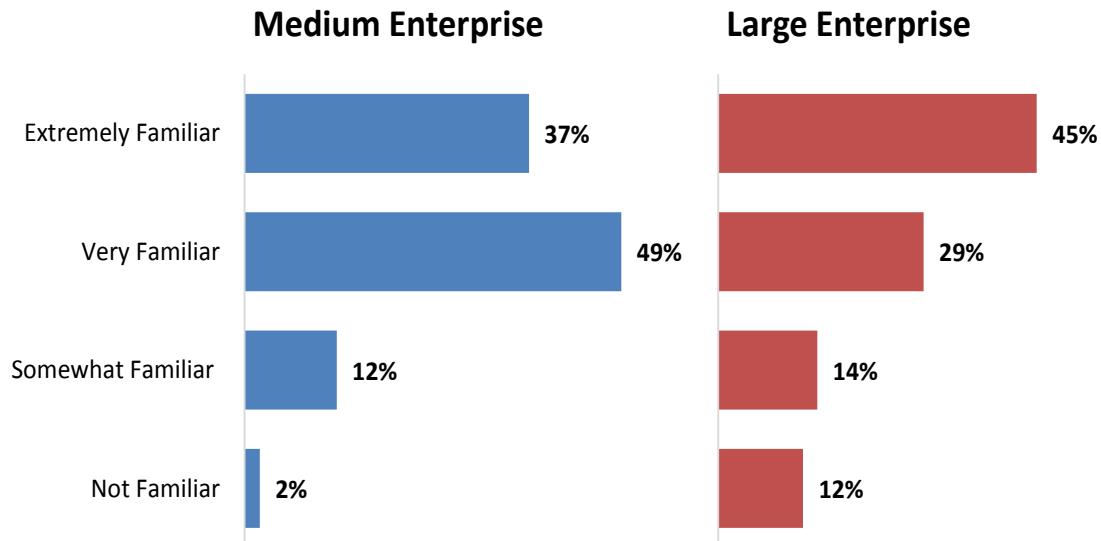
Projected Enterprise Use of Skype for Business as Part of Office 365

Microsoft's plan to include Skype for Business as part of Office 365 represents a major upgrade, which could be of particular interest to Enterprises that want to utilize a hosted service for Enterprise Voice.

Although this enhancement is not scheduled to be available in the U.S. until later this year, the Enterprise decision-makers were asked about their likely future utilization of this capability. Specifically, the survey included the following question:

Of those employees expected to use Skype for Business for Enterprise Voice in the future, what percent would most likely be using it on Office 365 instead of the premises-based version at the end of 2016, 2017 and 2018?

Overall, the use of Office 365 for Enterprise Voice among Enterprises was estimated to account for 3% of their total Skype for Business Licenses deployed at the end of 2016, increasing to 7% by the end of 2018. Exhibit 26 depicts the breakout of this estimate between Medium and Large Enterprises.

Office 365 Enterprise Voice is estimated to represent 4% of the Skype for Business licenses in use by Medium Enterprises at the end of 2016, and 2% of the Large Enterprise total. By the end of 2018, the percentage of Office 365 EV licenses is projected to increase to 8% of the ME Enterprise Voice licenses and 6% of the LE EV licenses.

The next section of this report will show that SMBs anticipate much higher utilization of Office 365 for Enterprise Voice than Enterprises.

Exhibit 26   Projected Enterprise Use of Skype for Business as Part of Office 365
Among Projected Implementers of Skype for Business
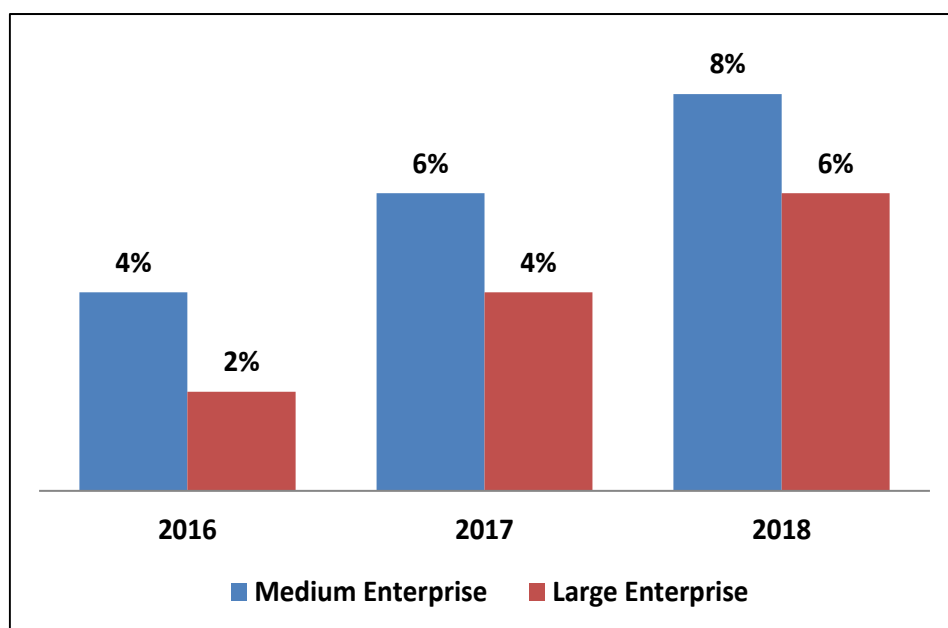
Source: InfoTrack: End-user Primary Research, 2Q2015

4. ANALYSIS OF SMB PLANS FOR MICROSOFT LYNC EV OR SKYPE FOR BUSINESS

Demographics of SMB Survey Participants

The exhibits in this section of the report are based on responses from U.S. business and institutional entities with 5 to 499 employees. IUC refers to these entities as Small or Medium Businesses (SMBs). During April 2015, surveys were completed with over 150 qualified SMB managers or executives who are key decision-makers or key influencers regarding the adoption and usage of Microsoft Lync.

Exhibit 27 shows the distribution of the participating U.S. SMBs based upon their size. 27% of the respondents represented businesses with 5 to 49 employees and 22% were businesses with 50 to 99 employees. Throughout the analysis, these two size categories, comprising 49% of the respondents, are referred to as Small Businesses (SBs).

20% of the respondents were from businesses with between 100 and 249 employees. Businesses with 250 to 499 employees accounted for 31% of the SMB participants. These two size segments comprise the Medium Business (MB) segment, representing the other 51% of the respondents.

Exhibit 27   Distribution of Participating SMBs by Size

U.S. SMBs

Size	Percentage
5–49	27%
50–99	22%
100–249	20%
250–499	31%
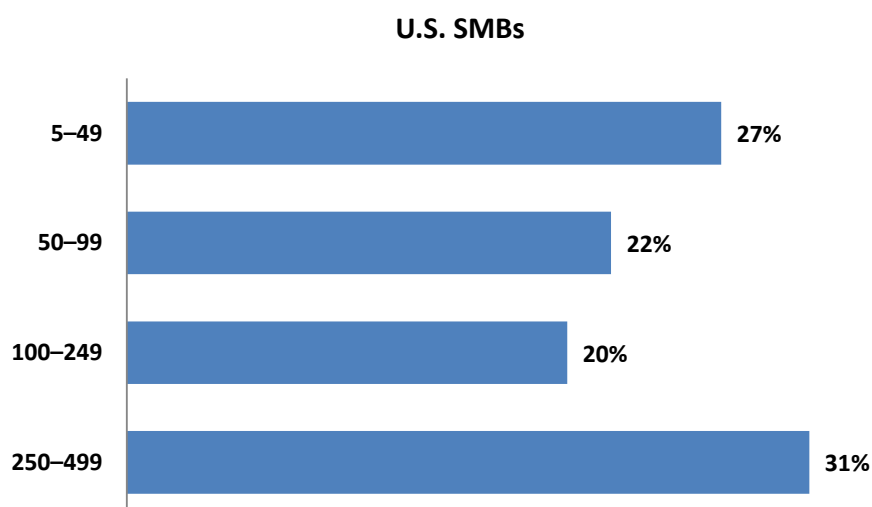
Source: InfoTrack: End-user Primary Research, 2Q2015

Distribution of Participating SMBs by Type of Decision-Maker

Exhibit 28 contains two graphs that show the distribution of titles and decision-making responsibilities among the SMB decision-makers who participated in this study.

67% were Executives who are responsible for business decisions, including CEOs, CFOs, COOs and Line of Business Managers. This was more than double the 31% of Enterprise Executives, indicating that SMB executives are more involved than their Enterprise counterparts in decision-making for IP Telephony and UC (Unified Communications).

The Information Systems decision-makers included both Executives and Managers. The IS Executives were the CIOs which represented 9% of the SMB respondents. The Information Systems Managers, which accounted for 24% of the participants in this study, covered four different areas of IS responsibilities – Unified Communications (8%); Desktop Apps/Tools (7%); Networks (3%); and Other IS functions (6%).

Exhibit 28　　*Distribution of Participating SMBs by Type of Decision-Maker*

Distribution of Participating SMBs by Industry

Exhibit 29 shows the industry segment distribution of the SMB decision-makers who participated in this study. The participants represented at least 10 different industries.

As in last year's report, Professional Services was the most frequently represented segment, with 22% of the respondents. Manufacturing was in second place—with 16% of the survey participants. Rounding out the top three was Business Services, which accounted for 15% of the responses.

The next four industries represented one-third of the respondents with Retail/Wholesale at 12%, Financial Services/Insurance at 9%, followed by Healthcare and Construction with 6% each. Telecommunications was next with 3%, one point more than Education and Utilities at 2% each.

Exhibit 29   Distribution of Participating SMBs by Industry
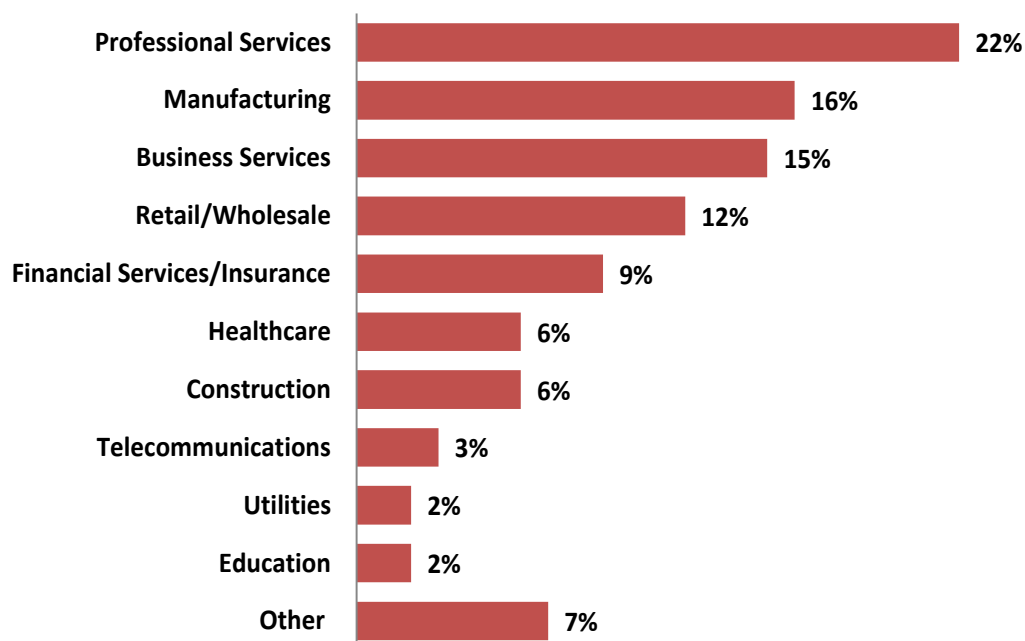
Source: InfoTrack: End-user Primary Research, 2Q2015

June 2015

SMB Familiarity with Microsoft Lync

All of the decision-makers in this study are either key decision-makers or influencers regarding the adoption and usage of Unified Communications and Enterprise Voice/Telephony. The survey asked them about their familiarity with Microsoft Lync and Skype for Business. Exhibit 30 shows their level of familiarity with Microsoft Lync. Skype for Business is covered in Exhibit 31.

82% of the Medium Businesses (MBs) are either *Extremely Familiar or Very Familiar* with Microsoft Lync, including 57% in the *Extremely Familiar* category. Among Small Business (SB) decision-makers, 35% are *Extremely Familiar* with Lync and another 12% are *Very Familiar*.

Only 4% of the MBs and 14% of the SB decision-makers indicated that they are *Not Familiar* with Microsoft Lync.

Exhibit 30   SMB Familiarity with Microsoft Lync
Among all SMBs
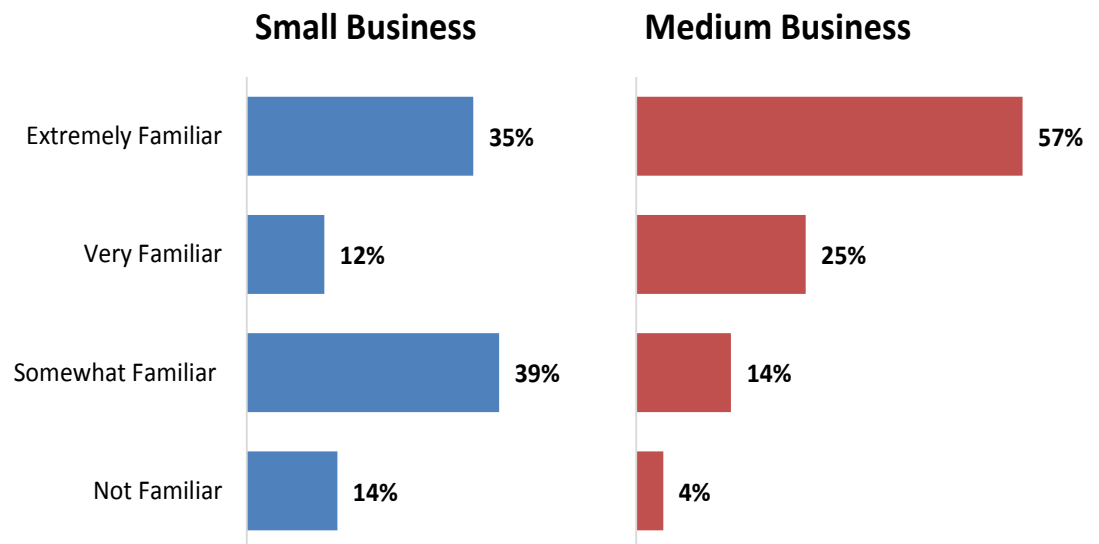
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Familiarity with Microsoft Skype for Business

The survey also asked the SMB decision-makers about their familiarity with Skype for Business – the integration of Lync with Skype. The results are shown in Exhibit 31.

84% of the Medium Businesses (MBs) are *either Extremely Familiar or Very Familiar* with Microsoft Lync, including 64% in the *Extremely Familiar* category. Among Small Business (SB) decision-makers, 41% are *Extremely Familiar* with Skype for Business and another 12% are *Very Familiar*.

Only 5% of the MBs and 12% of the SB decision-makers indicated that they are *Not Familiar* with Microsoft Skype for Business. The percentage of the SMB decision-makers which are *Extremely or Very Familiar* with Skype for Business was likely influenced by the relatively high percentage of SMB employees that currently utilize Skype for Voice and Video calls, as indicated in Exhibit 39.

Exhibit 31   SMB Familiarity with Microsoft Skype for Business
Among all SMBs
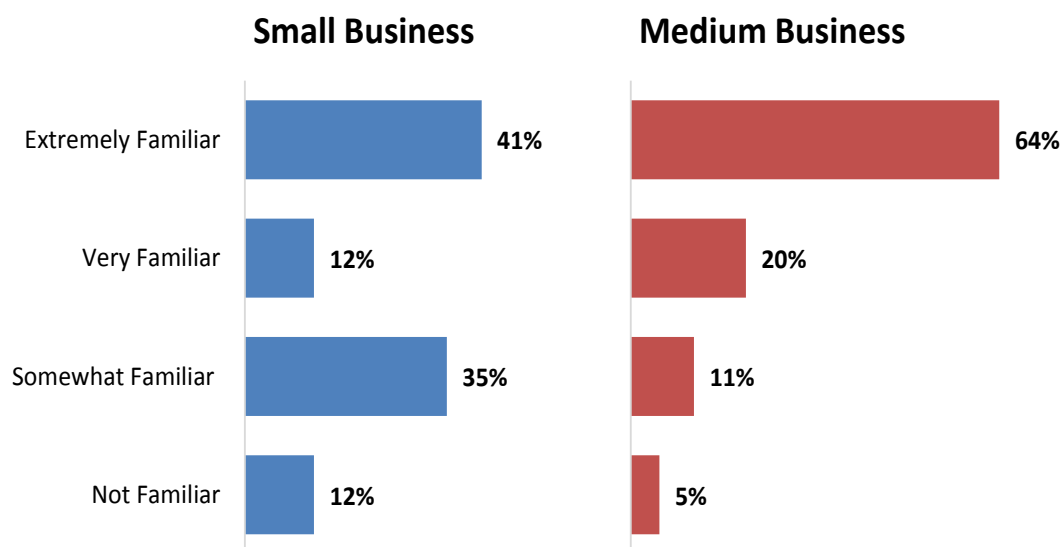
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Status on Trialing Microsoft Lync

In Exhibit 32, SMB decision-makers were asked about their plans to conduct a trial of Microsoft Lync without identifying any specific functionality.

The main takeaway from this exhibit is the major increase in Lync trials among Small Businesses (SBs), companies with between 5 and 99 employees. A year ago, almost half of the SBs (49%) said they are *planning to trial Lync* but had not yet started. During the past 12 months, a substantial portion of those planned trials have been executed. 43% of SBs are *currently conducting or have completed a trial*, which is more than twice the 20% from last year. Only 14% of Small Businesses (SB) now have *no plans to conduct a trial* of Microsoft Lync, down from 31% last year.

Medium Businesses continue to show strong interest in Lync. Only 4% of Medium Businesses (MB) have *no trial plans*, down from last year, when it was 8%. Over half of MBs (59%) have either *completed or are conducting trials*, up from 49% last year. 37% of MBs are still in the *planning stages* of Lync trials, down somewhat from 43% last year.

Microsoft Lync trials are very accessible, which may be one of the reasons for the high interest. Microsoft channel partners can use Microsoft's Proof of Concept and secure Web access to facilitate trials of Lync.

Exhibit 32   ***Current Status of SMB Trials of Microsoft Lync***
Among all SMBs
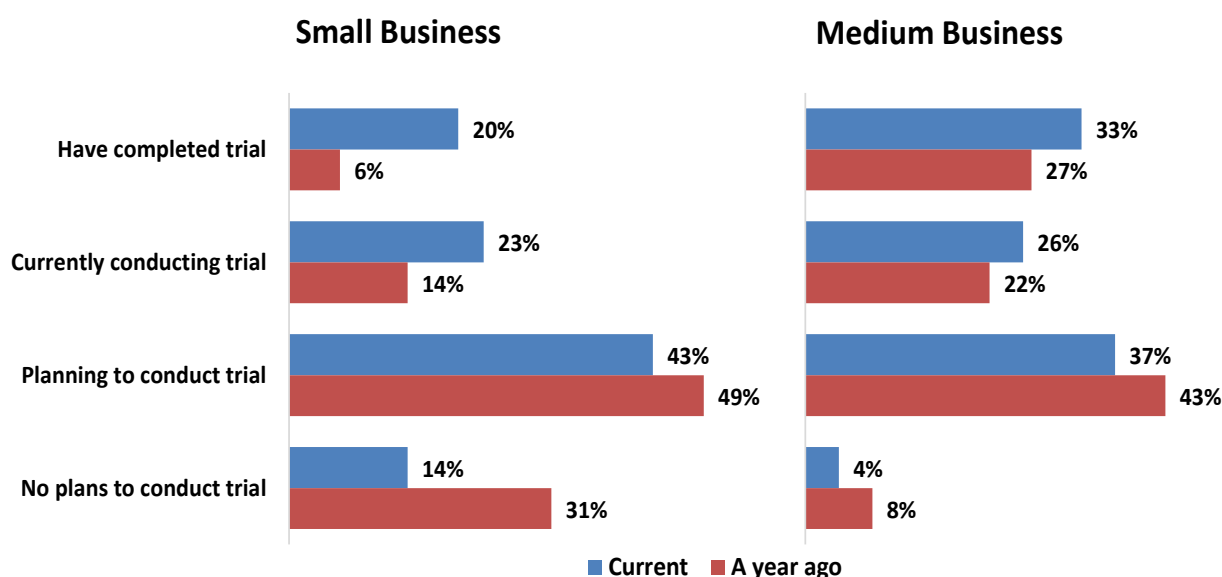
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Microsoft Lync Trials that Include Enterprise Voice

SMB decision-makers who are trialing or plan to trial Lync were then asked whether they plan to include Enterprise Voice in their trials of Microsoft Lync. Exhibit 33 shows the results.

Of the MBs that indicated they have trialed or will trial Microsoft Lync, 80% also plan to include Enterprise Voice. Last year the figure was 76%.

71% of the Small Businesses that have trialed, are trialing or plan to trial Microsoft Lync will include Enterprise Voice in their evaluations. This is a major increase from 47% last year. This year, SBs are really beginning to catch up with their MB counterparts in trialing Lync with Enterprise Voice.

Microsoft and its partners make it relatively easy to trial Lync with Enterprise Voice. Firms are provided Lync-certified SIP phones or softphones on a temporary basis and do not have to install Lync servers for the trials.

Exhibit 33   *Percent of SMB Microsoft Lync Trials that Include Enterprise Voice*
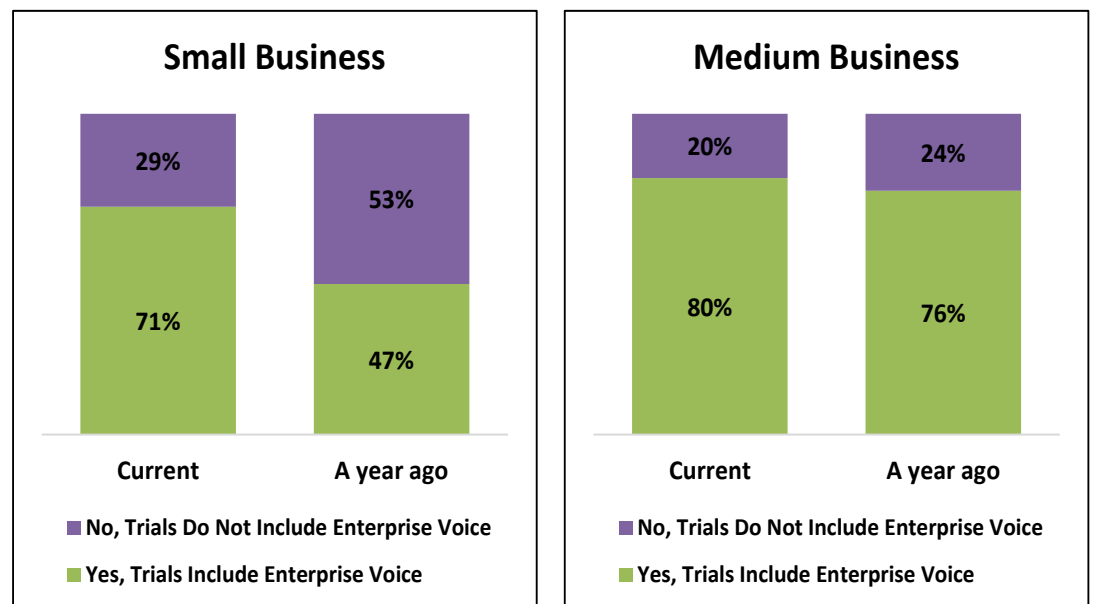
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Perception of Microsoft Capabilities for Enterprise Voice

Exhibit 34 shows how trials affected SMBs' perception of the capabilities of Lync with Enterprise Voice.

The significant interest among SBs in trials of Lync EV is reflected in the improvement in their perception of the capabilities of Lync with Enterprise Voice. Those believing that *Microsoft is as good as any of the traditional voice system manufacturers* increased after trials, from 44% to 55% among SBs. Although this was offset by the 11 point decline in the post-trial perception that that *Microsoft was better than most traditional voice system manufacturers*, it is important to note that only 17% of SBs felt that Lync with EV *was not up to par with traditional voice system manufacturers*.

After the trial, half of the MBs felt that *Microsoft was better than most traditional voice system manufacturers*. This was up from 47% pre-trial. The percentage of MBs that felt *Microsoft was as good as any of the traditional voice system manufacturers* remained at 39%. Only 11% of MBs felt that Lync with EV was *not up to par with traditional voice system manufacturers* after the trial, an improvement from 14% pre-trial.

Exhibit 34   SMB Perception of Microsoft Capabilities for Enterprise Voice
Among those who have completed or are currently trialing

Small Business

	Pre-Trial	Post-Trial
Microsoft is as good as any of the traditional voice system manufacturers	44%	55%
Microsoft is better than most traditional voice system manufacturers	39%	28%
Microsoft is not up to par with traditional voice system manufacturers	17%	17%

Medium Business

	Pre-Trial	Post-Trial
Microsoft is as good as any of the traditional voice system manufacturers	39%	39%
Microsoft is better than most traditional voice system manufacturers	47%	50%
Microsoft is not up to par with traditional voice system manufacturers	14%	11%

■ **Pre-Trial**   ■ **Post-Trial**

Source: InfoTrack: End-user Primary Research, 2Q2015

Performance of Enterprise Voice during SMB Trial of Microsoft Lync

This increased SMB satisfaction with the Enterprise Voice capabilities of Microsoft Lync was further confirmed in Exhibit 35. The SMB decision-makers were asked about the performance of Enterprise Voice during Microsoft Lync trials. 100% of the Small Businesses (SB) and Medium Businesses (MB) said it had *met or exceeded their expectations*.

50% of the Small Businesses (SB) indicated that the performance of Lync Enterprise Voice had *exceeded their expectations*, up from 44% a year ago. 43% of Medium Businesses (MB) also felt that the performance of Lync Enterprise Voice had *exceeded their expectations*, up from 38% a year ago.

Exhibit 35 ***Performance of Enterprise Voice during SMB Trials of Microsoft Lync***
Among those who have completed or are currently trialing

Small Business

	Current	A year ago
Did not meet expectations	0%	0%
Met expectations	50%	56%
Exceeded expectations	50%	44%

Medium Business

	Current	A year ago
Did not meet expectations	0%	0%
Met expectations	57%	62%
Exceeded expectations	43%	38%

- 🟩 **Did not meet expectations**
- 🟥 **Met expectations**
- 🟦 **Exceeded expectations**

Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Perspective on Costs of Implementing Lync with Enterprise Voice

Exhibit 36 shows how SMBs viewed the actual startup costs and ongoing costs of implementing Lync with Enterprise Voice compared to their expectations about those costs.

39% of Small Businesses and 25% of Medium Businesses actually felt that the *startup costs were lower than they had expected*. This is substantially higher than the percent of SMBs who expressed that opinion last year. On the other hand, 39% of SBs and 28% of MBs felt that *there were some additional costs that they had not anticipated*. But that was only a small increase compared to the SMB views of higher **startup** costs a year ago.

The picture was even more positive with respect to the **ongoing** costs of implementing Microsoft Lync with Enterprise Voice. In this case, 54% of Medium Businesses and 17% of Small Businesses felt that the *ongoing costs were lower than they had expected*. This was four times higher than the views of MBs regarding ongoing costs a year ago. However, 39% of SBs and 21% of MBs felt that *there were some additional costs that they had not anticipated*. This was an 8 point reduction in the percent of MBs that last year felt that **ongoing** costs were higher than expected.

Exhibit 36   SMB Perspective on Costs of Implementing Lync with Enterprise Voice
Among those who have completed or are currently trialing
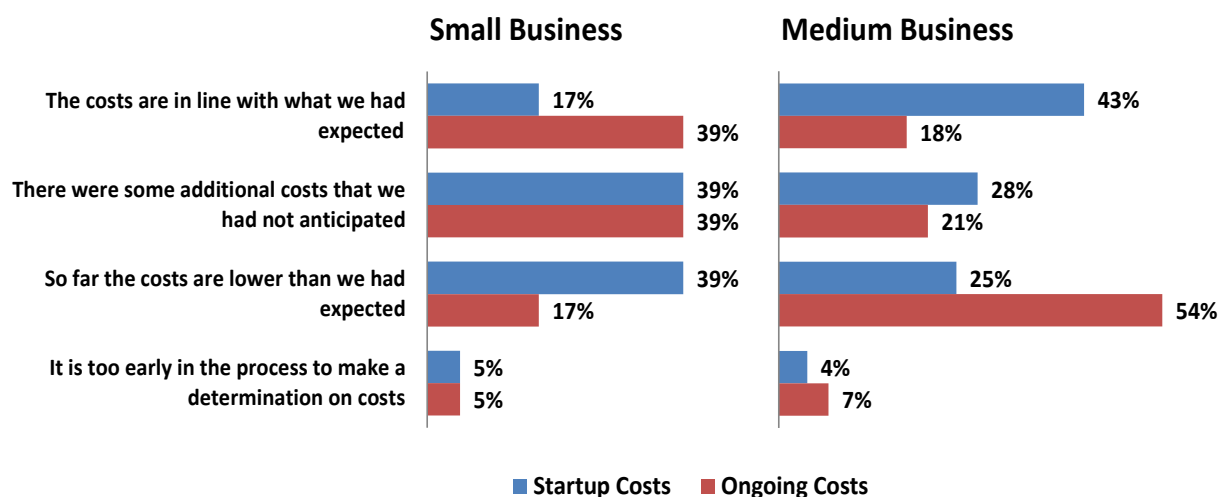
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Plans for Deploying Microsoft Lync with Enterprise Voice Beyond Trials

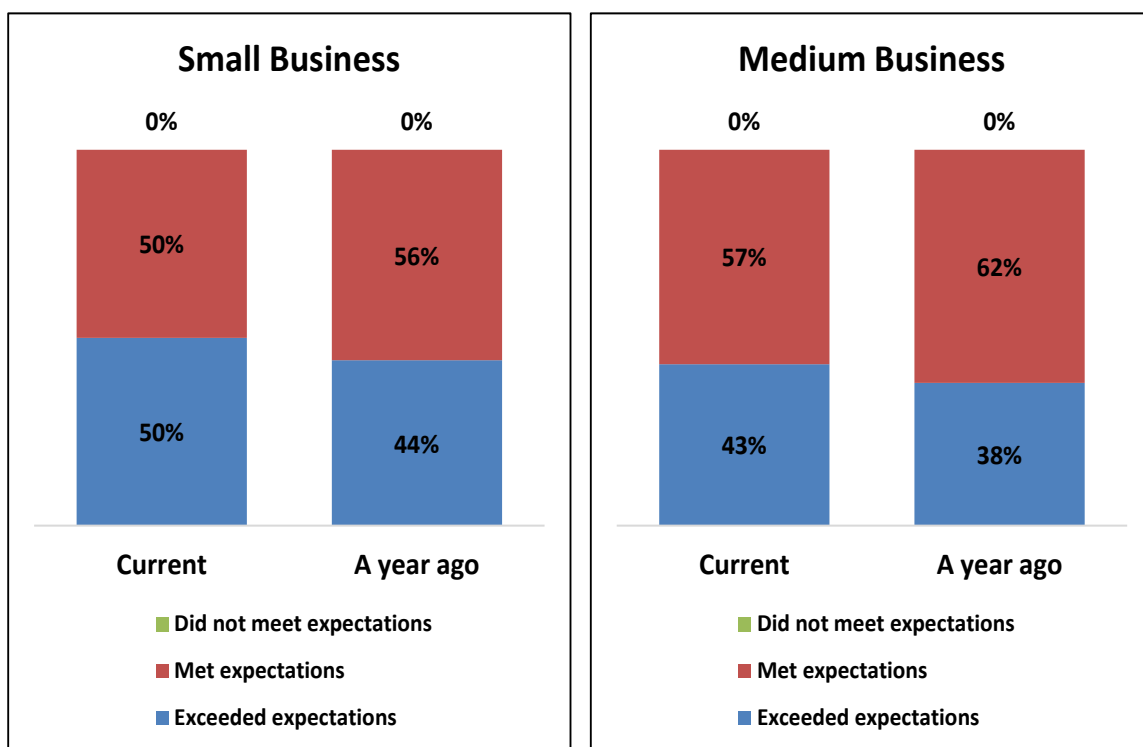Exhibit 37 shows SMB's plans to deploy Lync with Enterprise Voice.

35% of MBs and 14% of SBs are *currently deploying* Lync EV. This was about double the deployment figures of 18% of MBs and 6% of SBs one year ago. The percentage of SBs that are *planning to deploy* Lync EV, was up sharply compared to last year (29% vs. 16%). However, among MBs the 37% that are *planning to deploy* Lync EV, was down from 45% a year ago. This was not surprising considering the significant increase in MBs actually deploying this year.

57% of the SBs are either *waiting for the results of their trials* before deciding whether to deploy Lync EV or had *no plans to deploy*. This was a major reduction from 77% last year, mostly among the "Undecideds." Reductions occurred among the MBs where 28% are either *Undecided* or had *No Plans* to implement Microsoft Lync Enterprise Voice, down from 37% in one year.

In terms of Lync deployment, SMBs are still lagging behind their Enterprise counterparts. However, they are definitely beginning to close the gap, particularly in the SB segment.

Exhibit 37 SMB Plans for Deploying Microsoft Lync with Enterprise Voice Beyond Trials
Among all SMBs

Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Top Reasons for Deploying Lync with Enterprise Voice Beyond Trials

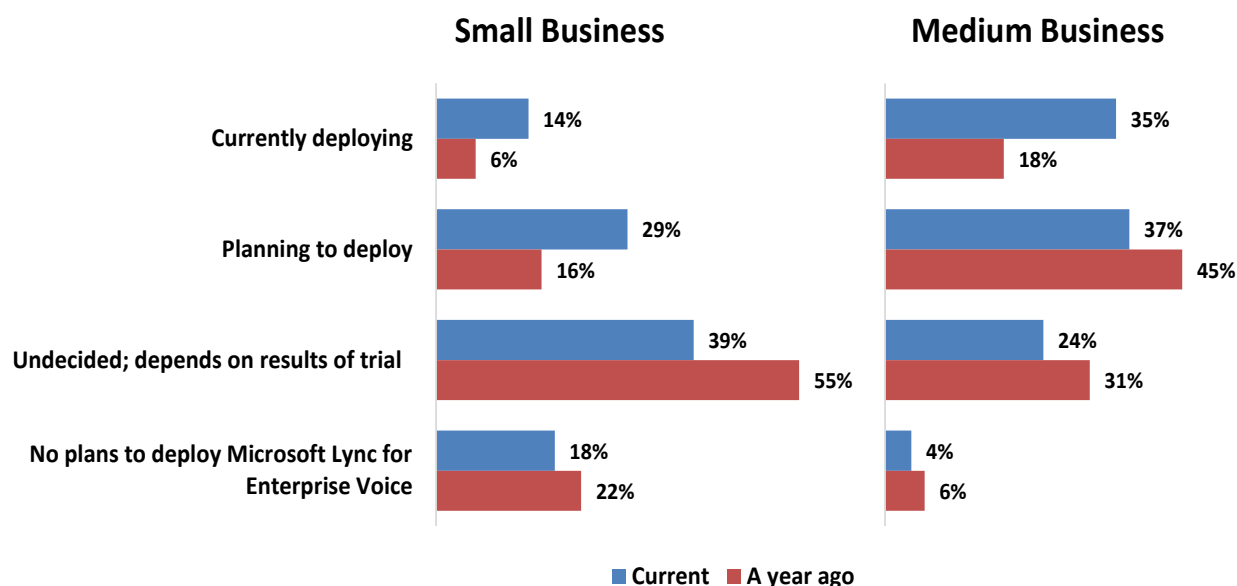The SMBs implementing Microsoft Lync for Enterprise Voice were asked why they decided to implement it. Exhibit 38 ranks their responses.

The top reason among both the SB and MB segments was that *Lync (now Skype for Business) offers the best UC solution for our business.* The second most important reason among SBs (fourth among MBs) was that *Lync Enterprise Voice is a natural extension of our commitment to Microsoft Lync for UC.* Both SBs and MBs cited *lower total cost of ownership* with Microsoft Lync EV than with PBX-based solutions as their third most important reason.

These three reasons reflect the power that Microsoft has to leverage its strong market presence in desktop apps into a rapidly growing position in the UC apps market. Microsoft prices Lync very attractively for firms that use other Microsoft applications. Licenses for access to any of the UC applications in Lync, such as Web Conferencing or IM and Presence, are bundled in the Enterprise CAL Suite with licenses of other popular Microsoft applications. From there the cost to implement Enterprise Voice is only an incremental charge.

The key take-away from Exhibit 38 is that Microsoft is successfully convincing SMBs to adopt Microsoft Lync as their primary platform for UC applications. Once Microsoft has established that position, they can argue that adding Enterprise Voice is just an extension to the Lync platform that can be added incrementally.

Exhibit 38   SMB Top Reasons for Deploying Lync with Enterprise Voice Beyond Trials
Among SMBs Deploying or Planning to Deploy Lync with Enterprise Voice

	Weighted Average		Ranking	
	SB	**MB**	**SB**	**MB**
Lync (now Skype for Business) offers the best UC solution for our business	5.2	4.2	1	1
Lync Enterprise Voice is a natural extension of our commitment to Microsoft Lync for UC	3.8	2.8	2	4
Total cost of ownership (hardware, software, service support) is lower than PBX based solutions	3.4	3.0	3	3
We have already deployed Microsoft Lync for Web Conferencing	2.0	2.4	4	5
We have already invested in the Enterprise CAL Suite	1.7	1.0	5	7
Facilitates telephony feature integration with other Microsoft apps (Sharepoint, Exchange, Office)	1.4	3.4	6	2
We have already deployed Microsoft Lync for IM and Presence	1.4	2.3	7	6

Current SMB Use of Skype for Voice or Video Calls

Exhibit 39 shows the percentage of SMB employees which are currently utilizing Microsoft's Skype service for either voice or video calls. Up to this point in time, Skype has generally been regarded as a convenient, low-cost method for consumers to make voice or video calls from their PCs. Microsoft has stated that Skype currently accounts for 38% of all Long Distance transmission. It appears that business employees are also making a significant contribution to the total usage of Skype.

48% of the employees of Medium Businesses are utilizing Skype for making and receiving **voice** calls and 46% of MB employees are using Skype for making and receiving **video** calls.

Among Small Business employees, the Skype usage figures are not quite as high with 38% utilizing Skype for making and receiving **voice** calls and 36% for making and receiving **video** calls.

SMBs are taking advantage of the opportunity to utilize Skype for various business purposes while potentially reducing their public network costs for voice and video calling.

Exhibit 39   Current SMB Use of Skype for Voice or Video Calls
Among all SMBs

Small Business   **Medium Business**

For Voice Calls — 38%   48%

For Video Calls — 36%   46%
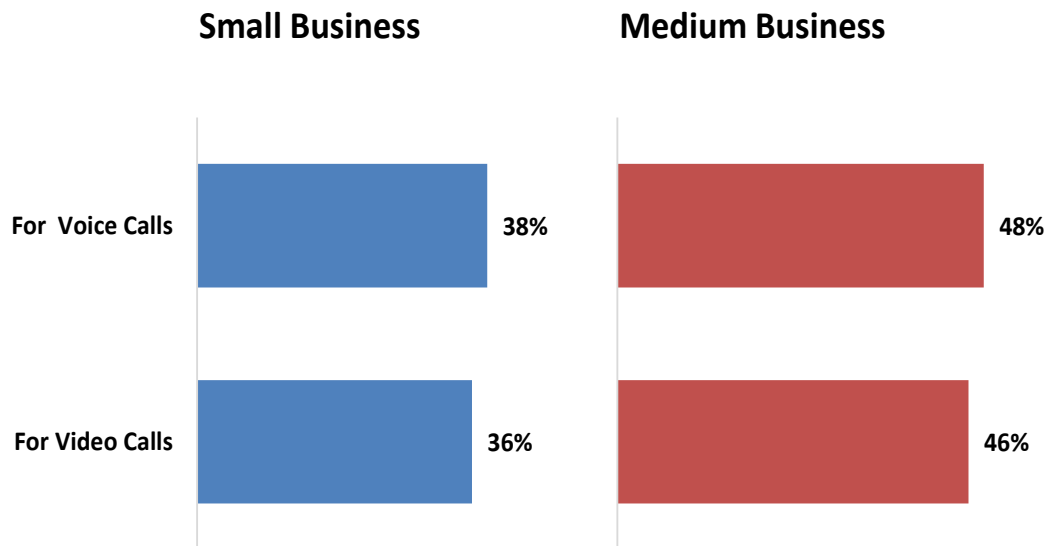
Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Likelihood of Implementing Skype for Business for Voice or Video Calls

Microsoft is greatly enhancing the capabilities of Skype to be used for business purposes by integrating Lync with Skype and branding it *"Skype for Business"*, which is sometimes abbreviated as *"Skype4B."* Exhibit 40 shows the likelihood that SMBs will use Skype for Business for voice or video calls.

57% of Medium Businesses said that their employees are *Very Likely* to utilize Skype for Business to make and receive **voice** calls. Almost as many, 49% of MBs, are *Very Likely* to utilize it for making and receiving **video** calls. Another 23% of MBs are *Extremely Likely* to use Skype for Business for **voice** calls along with 39% *Extremely Likely* for **video** calls. Between 80% and 90% of MBs are highly likely to use Skype for Business for voice or video calling.

Among SBs, 49% are *Extremely or Very Likely* to use Skype for Business for **voice** calls and 56% of SBs are *Extremely or Very Likely* to use it for **video** calls.

Overall, the majority of SMBs expect to make the transition from Skype today to Skype for Business tomorrow for their employees to make and receive voice and video calls.

Exhibit 40   SMB Likelihood of Implementing Skype for Business for Voice or Video Calls
Among all SMBs

Small Business

	For voice calls	For video calls
Extremely Likely	20%	27%
Very Likely	29%	29%
Somewhat Likely	29%	22%
Not Likely	12%	12%
Don't Know	6%	8%
Not Applicable	4%	2%

Medium Business

	For voice calls	For video calls
Extremely Likely	23%	39%
Very Likely	57%	49%
Somewhat Likely	16%	10%
Not Likely	2%	2%
Don't Know	0%	0%
Not Applicable	2%	0%

■ For voice calls   ■ For video calls
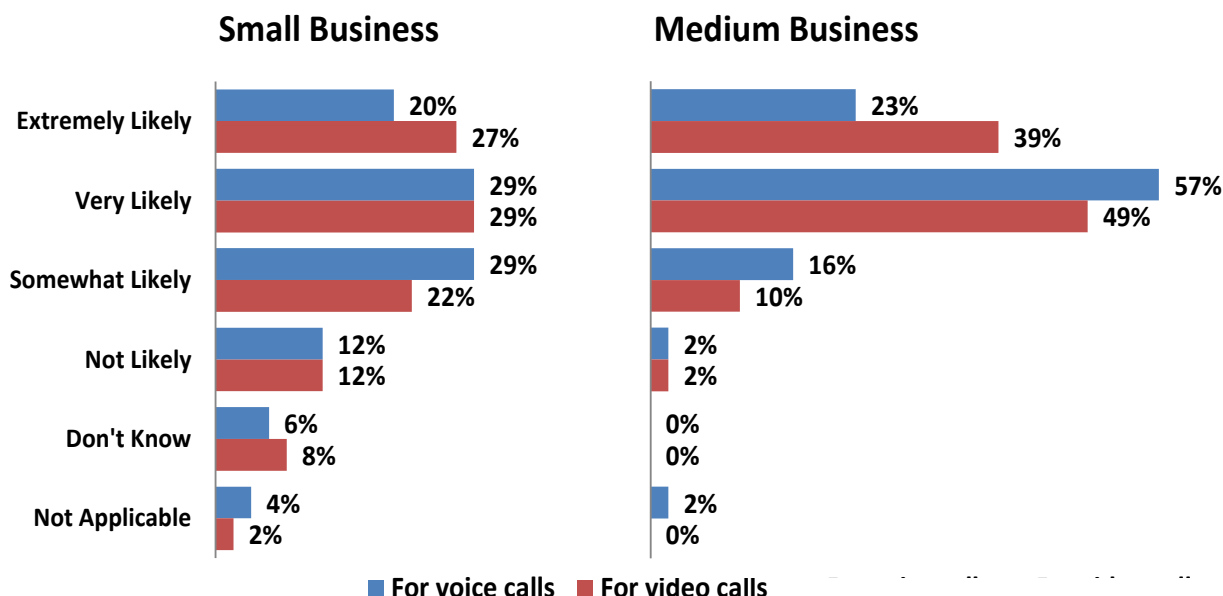
Source: InfoTrack: End-user Primary Research, 2Q2015

Reaction of SMB Decision-makers to the Integration of Lync with Skype

The SMB decision-makers were asked to select which one of six statements best described their company's position on Microsoft's integration of Lync with Skype. By a wide margin, the number one response among both SMB segments was *We plan to deploy Skype for Business because Integrating Lync Enterprise Voice with Skype provides a better solution for our Enterprise Voice needs*. 57% of MBs took that position along with 39% of SBs.

In addition, 27% of SBs and 10% of MBs said *We do not use Lync for Enterprise Voice, but many of our employees utilize Skype, so we are seriously considering deploying Skype for Business*. 16% of SBs and 15% of MBs took a more neutral position stating *The integration of Lync and Skype has not had any effect on our plans for deploying Lync for Enterprise Voice.*

Overall the response of the vast majority of SMB respondents has been quite positive toward the integration of Lync and Skype. 67% of Medium Businesses and 66% of Small Businesses expressed positive responses. A neutral position accounted for another 15% of MBs and 16% of SBs.

The next Exhibit, examines more closely the reaction to Skype for Business among those companies which have deployed Lync with Enterprise Voice and those who are planning to deploy.

Exhibit 41   SMB Reaction to Microsoft's Integration of Lync and Skype
Among all SMBs

	Weighted Average		Ranking	
	Small Business	Medium Business	SB	MB
We plan to deploy Skype for Business because Integrating Lync Enterprise Voice with Skype provides a better solution for our Enterprise Voice needs	39%	57%	1	1
We do not use Lync for Enterprise Voice, but many of our employees utilize Skype, so we are seriously considering deploying Skype for Business	27%	10%	2	4
The integration of Lync and Skype has not had any effect on our plans for deploying Lync for Enterprise voice	16%	15%	3	2
We have no plans to deploy Lync or Skype for Business	10%	2%	4	6
We currently use Lync for Enterprise Voice and we do not see the advantages of integrating it with a consumer-oriented communications service such as Skype	4%	12%	5	3
We currently use Lync but we have no plans to deploy it for Enterprise Voice, so we are concerned about the integration of Lync with Skype	4%	4%	6	5

Source: InfoTrack: End-user Primary Research, 2Q2015
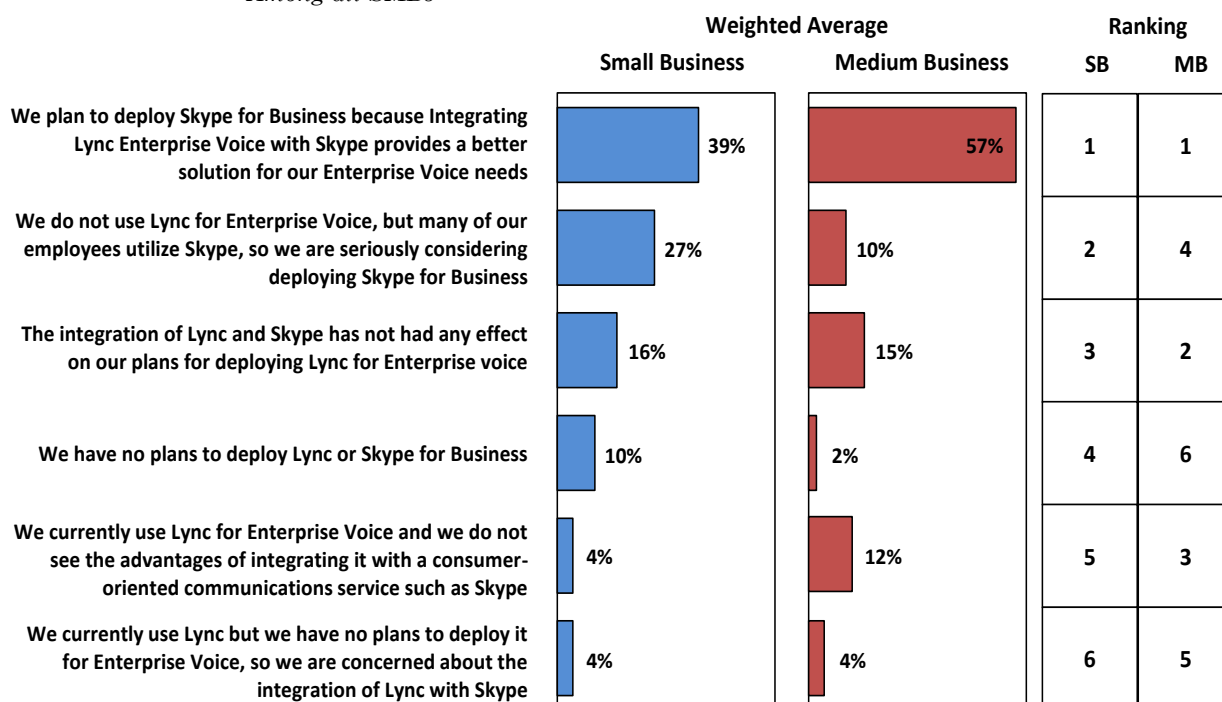
## Impact of Skype for Business on SMB Plans for Deploying Lync EV

The U.S. SMBs that are currently deploying Lync with Enterprise Voice, or are in the planning stages, were asked how Microsoft's plan to merge Lync into Skype for Business has affected their plans for deploying Lync EV. Their responses are shown in Exhibit 42.

Among those current/future implementers, 57% of the Medium Businesses and half of the SBs indicated that **they had *accelerated their plans to deploy Lync***. Another 45% of SBs and 40% of MBs responded that their *deployment plans for Lync had not changed* as a result of the integration.

Only 5% of the SBs and 3%% of the LEs that have deployed or are planning to deploy Lync EV indicated that they had *cut back their deployment plans noting that they wanted to wait until they were sure that Skype for Business was "ready for prime time."*

Exhibit 42   Impact of Skype for Business on SMB Plans for Deploying Lync EV
Among Current/Future Implementers
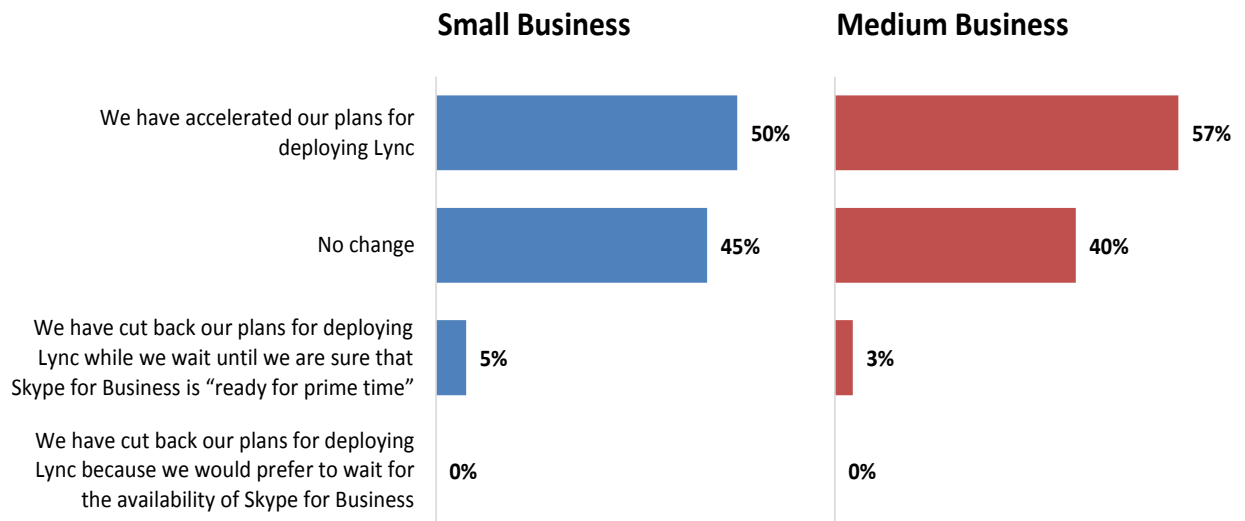
Scope of Planned SMB Deployment of Microsoft Lync EV (or Skype for Business)

Exhibit 43 shows how extensively SMBs plan to deploy Lync with EV (among those who stated they plan to implement).

MBs' most likely plan was *throughout your home country*, with 40% of MBs selecting this course of action, up slightly from 39% last year. But this year, 3% of MBs are now planning to deploy *Globally*. *At selected locations as the need arises* was second with 27%. *Throughout specific departments or business units* was third at 22% down from 32% last year. *Selected individuals* was fourth at 8%, down from 10%.

A year ago, the SBs' most likely deployment plans were:

- *selected individuals,*
- *throughout specific departments*
- *business units* and *at selected locations as the need arises.*

These were equally likely at 27% each. This year, the SBs have become more committed to company-wide Lync EV deployment with 29% indicating that *Throughout your home country* was their preferred plan. This was a gain of 10 points from a year ago.

Exhibit 43   *Scope of Planned SMB Deployment of Microsoft Lync EV (or Skype for Business)*
Among Current/future Implementers
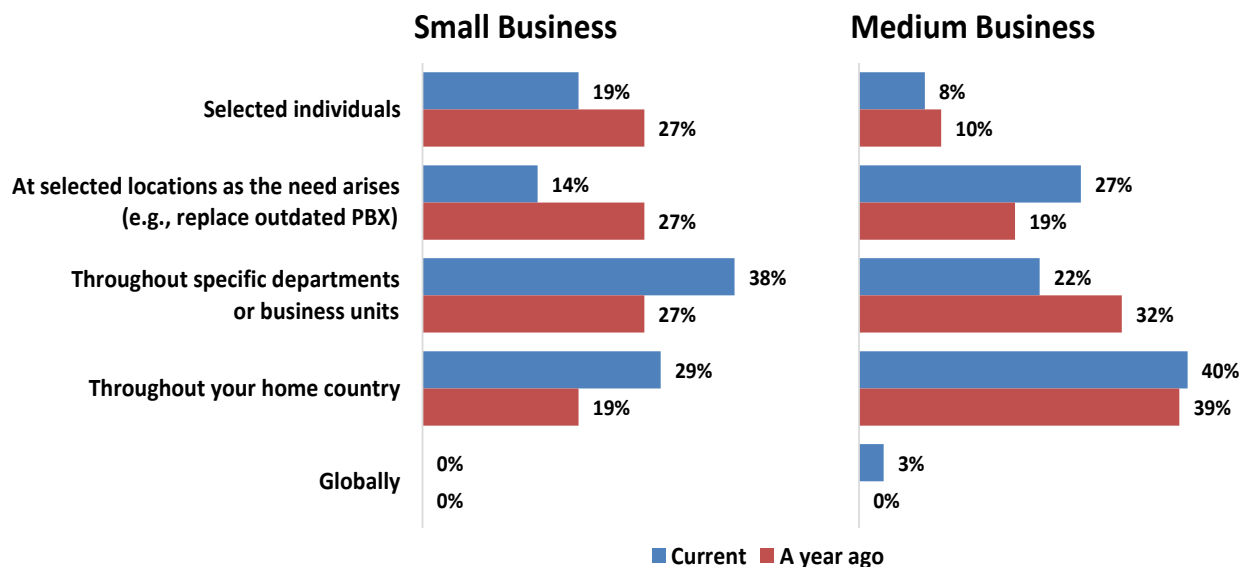
Current Status of Licenses for Lync with Enterprise Voice—Small Business

The IUC research included several questions on the number of Lync licenses and whether they are being used. This information was used both to understand the potential demand picture and to corroborate *InfoTrack for Enterprise Communications* shipment and installed base market share estimates for Microsoft.

Exhibit 44 reflects the Small Businesses' current implementation status of Microsoft Lync and Enterprise Voice licenses.

22% of the Small Business employees currently have Lync licenses, up from 13% last year. 55% of the Lync licenses are Plus CALs (required for Enterprise Voice) compared to 48% last year. 22% of the Small Businesses' Plus CAL licenses have been activated with users, down from 33% a year ago.

Overall, about 2.7% of Small Business employees have activated Lync Enterprise Voice licenses, a significant increase over 2.1% last year.

(These numbers represent current installed base, not annual shipments/implementations).

Exhibit 44   Current Status of Licenses for Lync with Enterprise Voice—Small Business
Among all Small Businesses
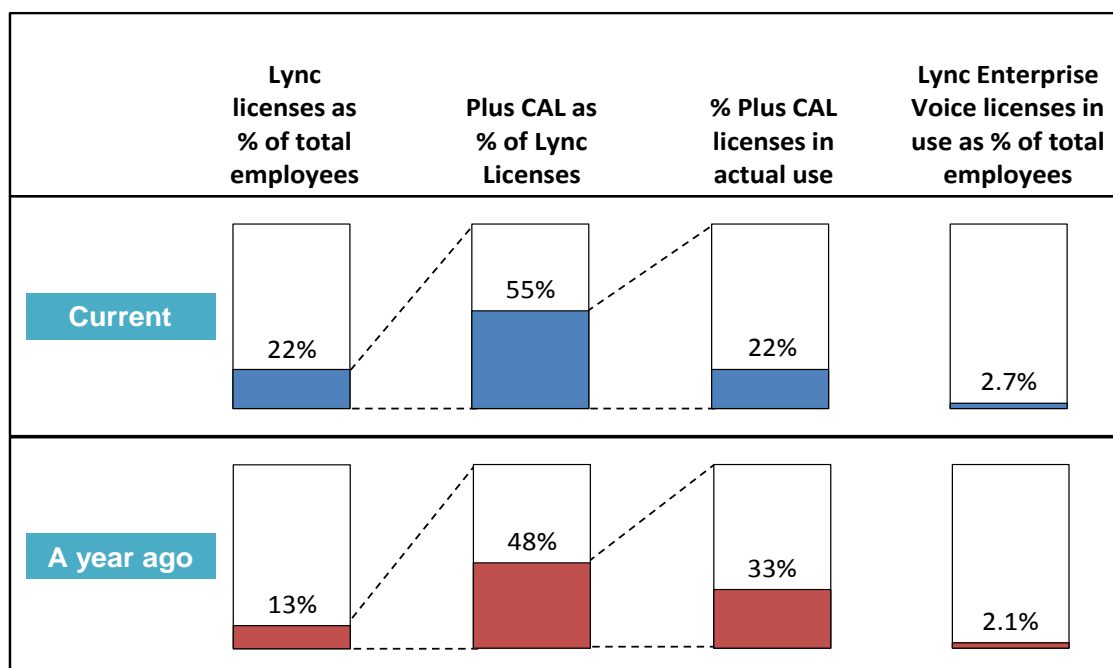
Current Status of Licenses for Lync with Enterprise Voice—Medium Business

Exhibit 45 depicts Medium Businesses' current implementation status of Microsoft Lync licenses.

22% of Medium Business employees have Lync licenses, up from 18% last year. 50% of those Lync licenses are Plus CALs and 41% of the Plus CAL licenses are activated, both in the same range as a year ago.

Overall, 4.6% of Medium Business employees have activated Lync Plus CAL licenses. This is a significant increase from last year, when the figure was 3.8%. (These numbers represent the current view of installed base, not annual shipments/implementations).

Note that the demographics stated above and elsewhere in this report are based on the survey respondent populations and have a confidence interval of at least ±10%.

Exhibit 45   Current Status of Licenses for Lync with Enterprise Voice—Medium Business
Among all Medium Businesses
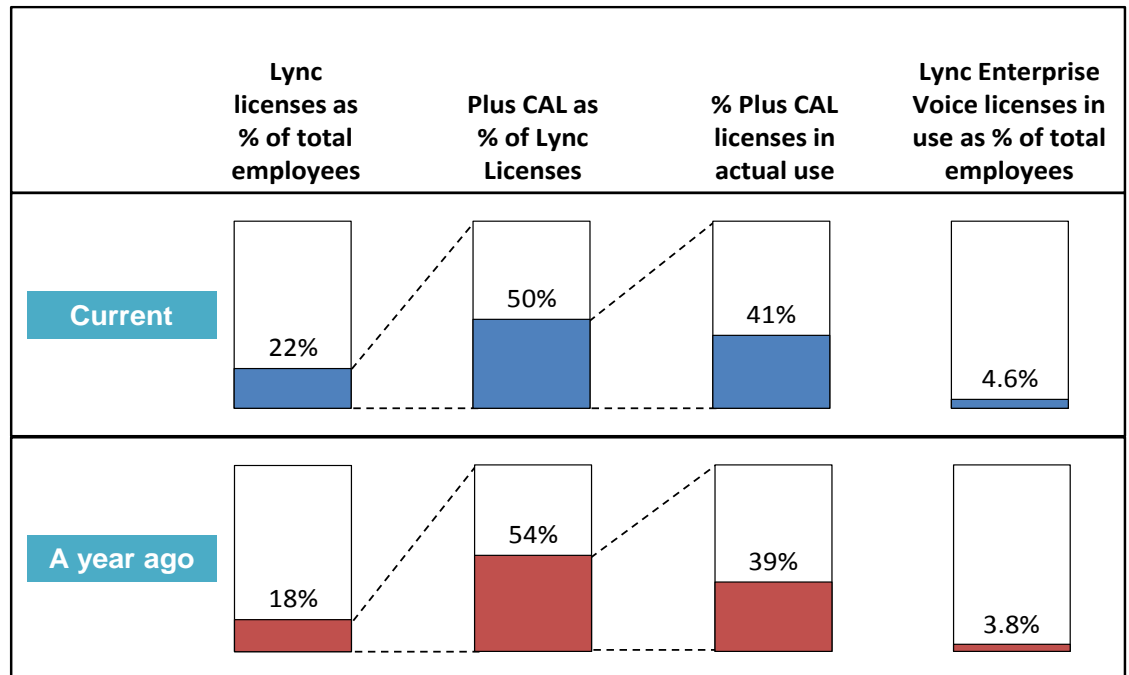
Projected SMB Deployment of Lync EV (or Skype for Business) Licenses

Exhibit 46 shows SMBs' projections of Lync EV (or Skype for Business) licenses as a percentage of the total number of employees, for the years 2016 and 2018.

A small amount of growth is projected among Small Businesses in each of those years, with percentages increasing from 2.7% in 2014 to 3.5% in 2016 and 4.3% in 2018. Medium Businesses expect somewhat higher growth from 4.6% in 2014 to 6.7% and then 8.8% in 2018.

Medium Businesses plan to deploy proportionally more licenses than Small Businesses by a factor of about two in each of the forecasted years.

Exhibit 46   Projected SMB Deployment of Lync EV (or Skype for Business) Licenses
Among all SMBs
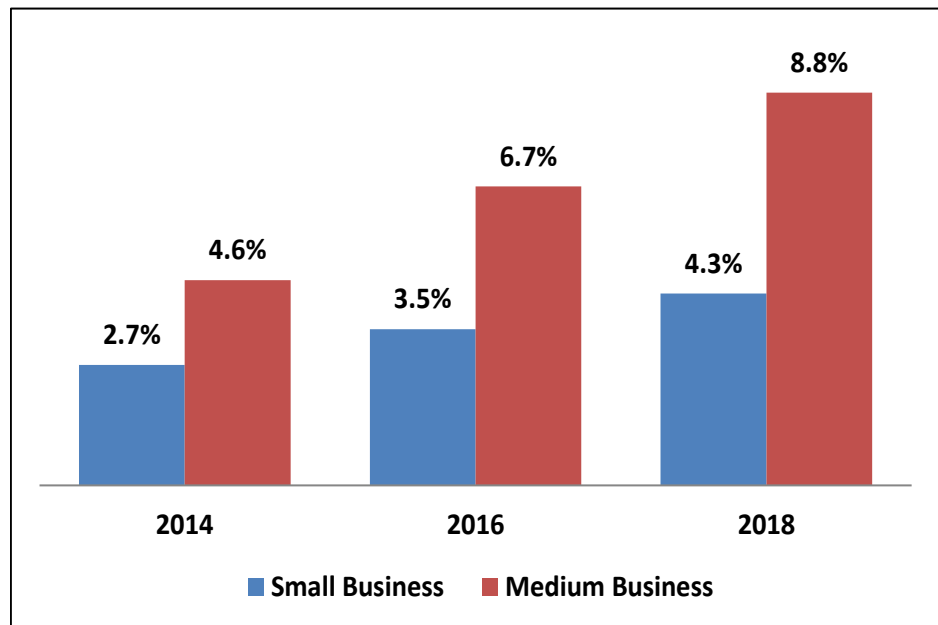
Source: InfoTrack: End-user Primary Research, 2Q2015

June 2015

Primary Method for SMBs Connecting to the PSTN for Lync EV (or Skype for Business)

Exhibit 47 shows the methods that SMBs expect to use to connect the Lync EV servers with the PSTN (Public Switched Telephone Network).

The most popular method was to utilize *direct SIP connections from the Lync EV servers to Enhanced Gateways (EGs) or Session Border Controllers (SBCs)* which would provide connectivity to the PSTN. 58% of MBs and 43% of SBs would use this method.

Another 43% of the SBs and 33% of the MBs indicated a preference for connecting the servers to their *existing IP-PBXs* and use them as Gateways to the PSTN.

The remaining 14% of SBs and 9% of MBs planned to utilize *SIP trunks to connect directly to an Internet Telephony Service Provider*.

Exhibit 47   *Primary Method for SMBs Connecting to the PSTN for Lync EV (or Skype for Business)*
Among Current/Future Implementers
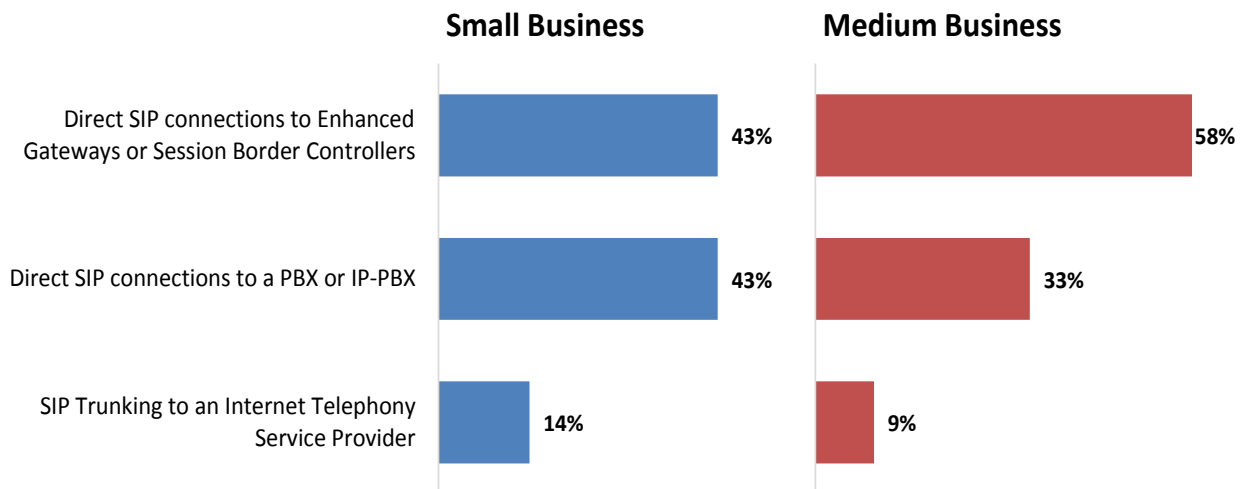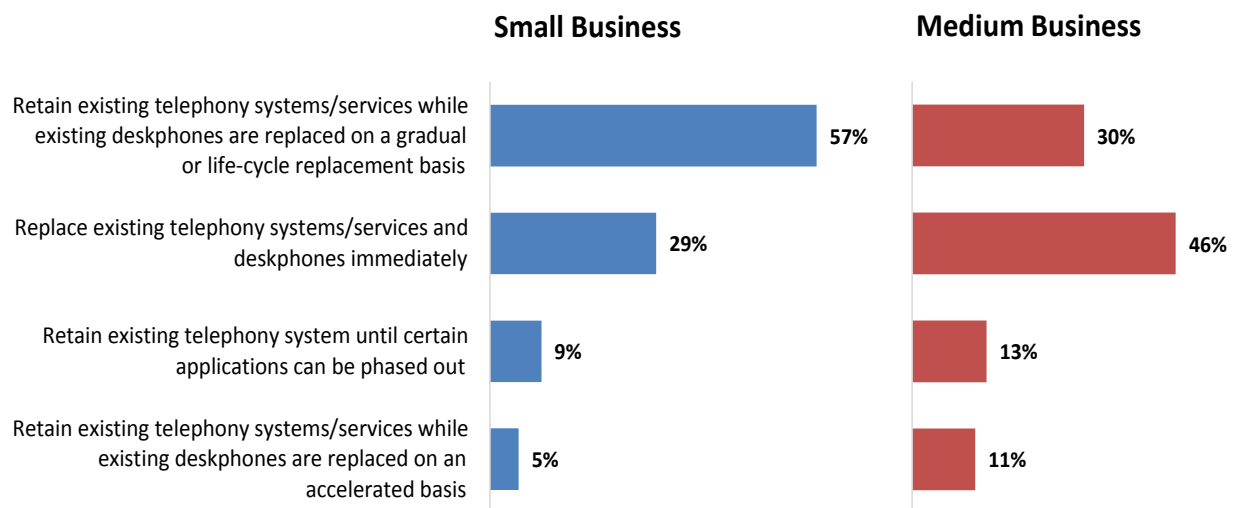

Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Plans for Replacing/Retaining Existing Telephony Systems During Lync Deployment

Exhibit 48 shows SMB plans for replacing or retaining existing telephony systems during Lync deployment among current and future implementers.

The most popular option among SBs and second among MBs was to *retain existing telephony systems and services while replacing existing deskphones on a gradual or life-cycle replacement basis.* This gradual approach was expected to be followed by 57% of SBs and 30% of MBs. Almost half of MBs (46%) preferred a faster option *replace existing telephony systems/services and deskphones immediately.* 29% of SBs also chose this option.

A relatively small percentage (13% of MBs and 9% of SBs) planned to *retain their existing telephony systems so that they could continue to use certain applications until they could be phased out.* An even smaller group expected to *retain existing telephony systems/services while deskphones are replaced on an accelerated basis* (5% of SBs and 11% of MBs).

Exhibit 48   SMB Plans for Replacing/Retaining Existing Telephony Systems During Lync Deployment
Among Current/future Implementers

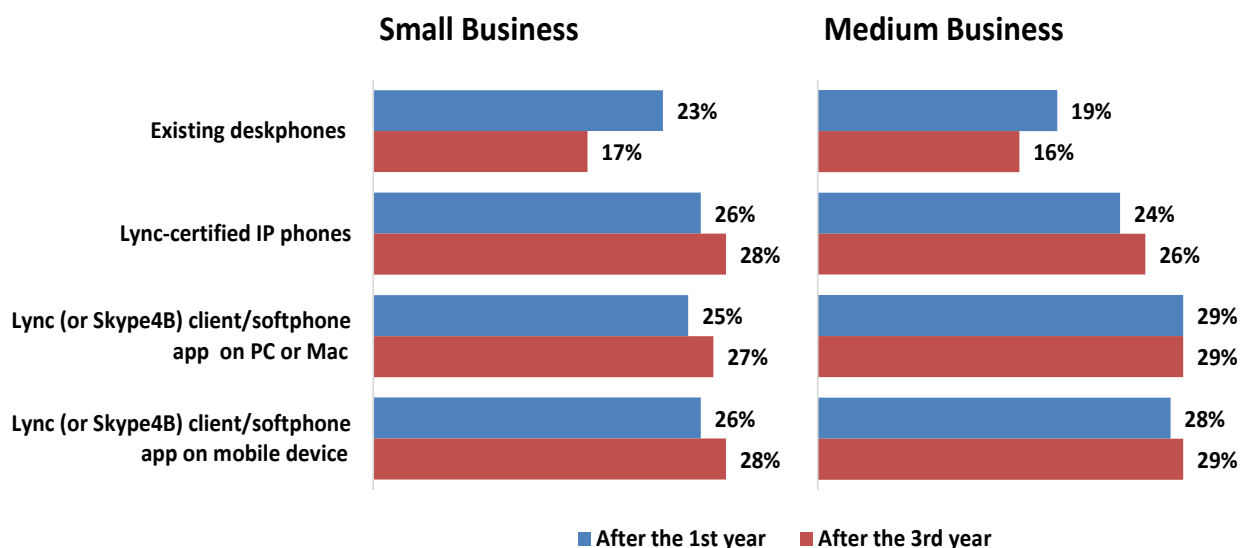|	Small Business	Medium Business
Retain existing telephony systems/services while existing deskphones are replaced on a gradual or life-cycle replacement basis	57%	30%
Replace existing telephony systems/services and deskphones immediately	29%	46%
Retain existing telephony system until certain applications can be phased out	9%	13%
Retain existing telephony systems/services while existing deskphones are replaced on an accelerated basis	5%	11%

Source: InfoTrack: End-user Primary Research, 2Q2015

SMB Distribution of Endpoints on Deployed Systems with Lync EV or Skype for Business

Exhibit 49 shows the distribution of endpoints among SMB users of Lync EV.

The first finding from this data is that more than half of the MB (57%) and SB (51%) users of Lync EV do not expect to be using a phone as their preferred endpoint after the first year of implementing Lync EV. Instead of using either their existing deskphone or a new Lync-certified SIP phone, they plan to use the Lync (or Skype4B) client/softphone app on either their mobile devices or on their PC or Mac.

The second key finding is the modest migration of endpoints over time. Between the end of the first year and the end of the third year, MBs only plan to replace an additional 3% of the existing deskphones. SBs would replace an additional 6% of their existing deskphones during that time period.

Exhibit 49   SMB Distribution of Endpoints on Deployed Systems with Lync EV or Skype for Business
Among Current/Future Implementer

Small Business

	After the 1st year	After the 3rd year
Existing deskphones	23%	17%
Lync-certified IP phones	26%	28%
Lync (or Skype4B) client/softphone app on PC or Mac	25%	27%
Lync (or Skype4B) client/softphone app on mobile device	26%	28%

Medium Business

	After the 1st year	After the 3rd year
Existing deskphones	19%	16%
Lync-certified IP phones	24%	26%
Lync (or Skype4B) client/softphone app on PC or Mac	29%	29%
Lync (or Skype4B) client/softphone app on mobile device	28%	29%

■ After the 1st year   ■ After the 3rd year
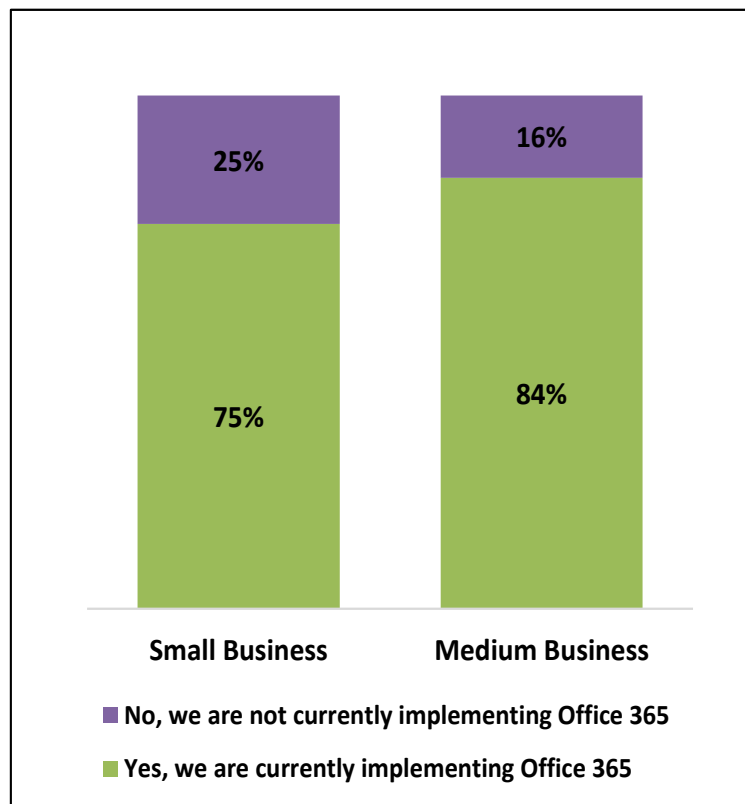
Source: InfoTrack: End-user Primary Research, 2Q2015

Current SMB Implementation of Office 365

The SMB decision-makers were asked whether they were currently implementing Microsoft's cloud-based service, Office 365. Their responses are shown in Exhibit 50.

84% of the Medium Businesses and 75% of the Small Business indicated that they are currently implementing Office 365.

Microsoft's Office 365 is a very popular service among SMB customers.

Exhibit 50   ***Percent of SMBs Currently Implementing Office 365***
Among all SMBs

Small Business   **Medium Business**

- No, we are not currently implementing Office 365
- Yes, we are currently implementing Office 365

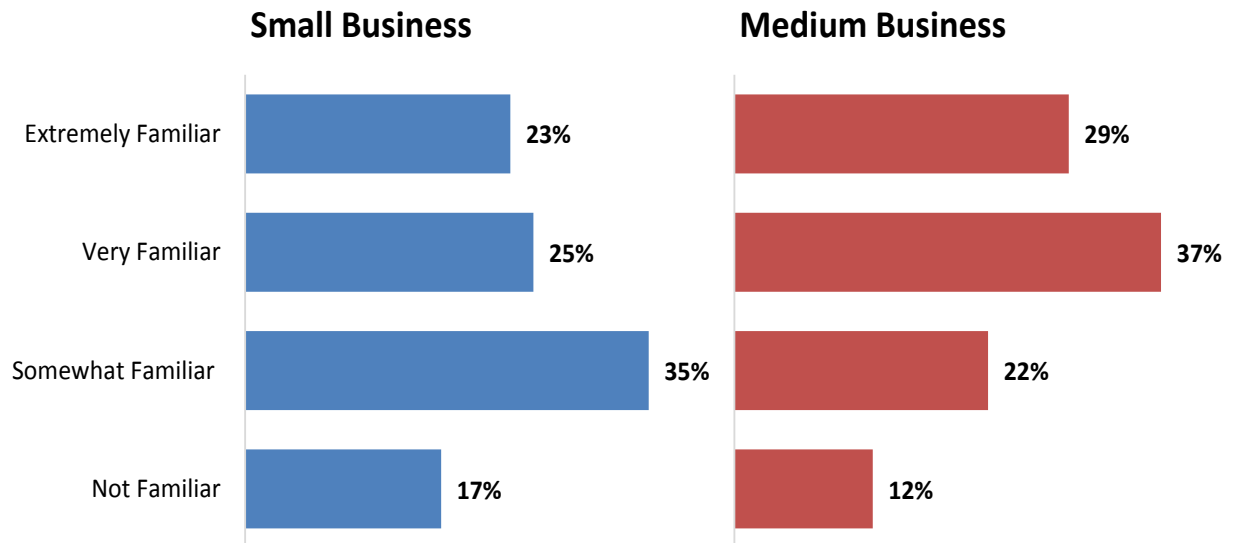*Source: InfoTrack: End-user Primary Research, 2Q2015*

SMB Familiarity with Microsoft Plans to Include Skype for Business as a Hosted Service in Office 365

Earlier this year, Microsoft announced that their cloud-based Office 365 would be enhanced to offer Skype for Business including Enterprise Voice features, PSTN calling and Audio Conferencing. The SMB decision-makers were asked about their familiarity with this specific announcement. Their responses are shown in Exhibit 51.

Among the MBs, two-thirds indicated that they are *Very Familiar* (37%) or *Extremely Familiar* (29%). Not quite half of the SBs expressed that level of familiarity -- *Very Familiar* (25%) or *Extremely Familiar* (23%).

Only 12% of MBs and 17% of SBs said that they are *Not Familiar* with this plan to enhance Office 365 with Skype for Business. This is not surprising in view of the relatively high percentage of SMBs in the preceding exhibit that indicated they are currently implementing Office 365.

Exhibit 51   SMB Familiarity with Microsoft Plans to Include Skype4B as a Hosted Service in Office 365
Among all SMBs

Small Business

Category	%
Extremely Familiar	23%
Very Familiar	25%
Somewhat Familiar	35%
Not Familiar	17%

Medium Business

Category	%
Extremely Familiar	29%
Very Familiar	37%
Somewhat Familiar	22%
Not Familiar	12%

Source: InfoTrack: End-user Primary Research, 2Q2015

Projected SMB Use of Skype for Business as Part of Office 365

Microsoft's plan to include Skype for Business as part of Office 365 represents a major upgrade, which could be of particular interest to SMBs that want to utilize a Hosted service for Enterprise Voice.

Although this enhancement is not scheduled to be available in the U.S. until later this year, the SMB decision-makers were asked about their likely future utilization of this capability. Specifically, the survey included the following question:

Of those employees expected to use Skype for Business for Enterprise Voice in the future, what percent would most likely be using it on Office 365 instead of the premises-based version at the end of 2016, 2017 and 2018?
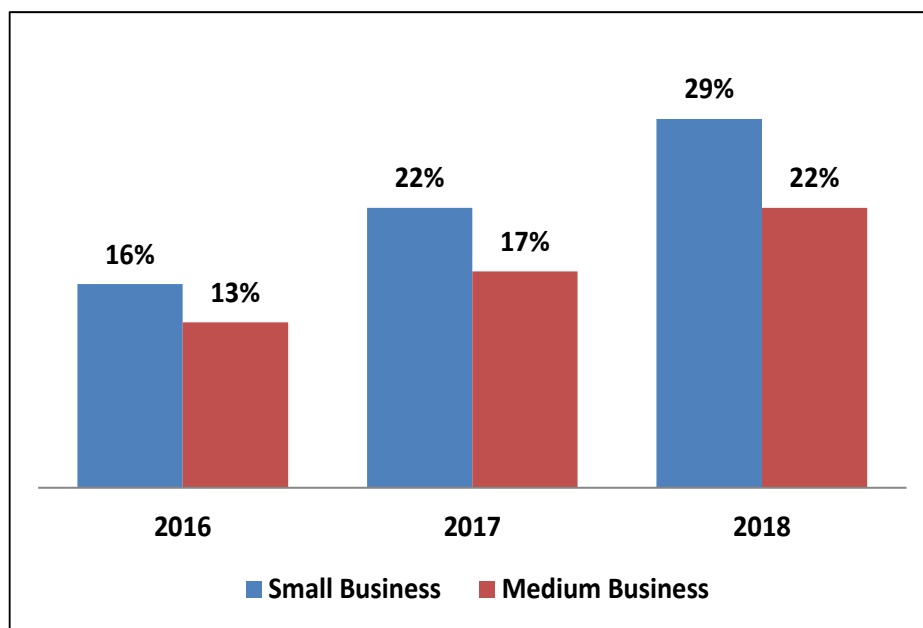
Overall, the use of Office 365 for Enterprise Voice among SMBs was estimated to account for 14% of their total Skype for Business Licenses deployed at the end of 2016, increasing to 25% by the end of 2018. Exhibit 52 depicts the breakout of this estimate between Small and Medium Businesses.

Office 365 Enterprise Voice is estimated to represent 16% of the Skype for Business licenses in use by Small Businesses at the end of 2016, and 13% of the Medium Business total. By the end of 2018, the percentage of Office 365 EV licenses is projected to increase to 29% of the SB Enterprise Voice licenses and 22% of the MB EV licenses.

It is not surprising that SMBs are estimating a much higher utilization of Office 365 for Enterprise Voice than their Enterprise counterparts. In the U.S., SMBs account for more than 70% of the users of public cloud-based Enterprise Voice/Telephony services.

Exhibit 52   Projected SMB Use of Skype for Business as Part of Office 365
Among Projected Implementers of Skype for Business

Source: InfoTrack: End-user Primary Research, 2Q2015