



InfoTrack for Unified Communications

Impact of Microsoft Skype for Business
on the Enterprise Voice Market—2016

September 2016

A T3i Group Market Intelligence Program
Focused on Unified Communications

Enterprise and SMB Markets		
IP Telephony Systems	UC Applications	Converged Services

T3iGroup^{LLC}

InfoTrack for Unified Communications: Impact of Microsoft Skype for Business on the Enterprise Voice Market—2016

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:

- *InfoTrack* monitors and analyzes shipment, revenue and market share data for global enterprise telephony, unified communications, messaging and contact center shipments. InfoTrack provides a comprehensive view of market sizing and installed base by technology and manufacturer. InfoTrack for Unified Communications provides a demand based view of customer adoption of unified communications applications over time.
- *Tactics* provides easy access to detailed feature comparisons for business communications products and services. Tactics' databases enable users to review product and service feature descriptions and information for over 1,000 telephony, collaboration and unified communications products. The product profiles are presented in an easy-to-use, side-by-side comparison tool.
- *Tarifica* is the global leader in Telecom competitive pricing intelligence. Covering 450 operators in 130 countries, Tarifica's database of PSTN, Leased Line, Ethernet and Wireless voice and data service tariffs is the largest in the world.

Each of these programs is backed by a staff of expert industry consultants who provide clients with insightful analysis, market briefings and advisory services.

For information on this report, or other T3iGroup products and services, please contact: Ken Dolsky at kdolsky@t3igroup.com, 973-602-0109.

Copyright ©1999-2016. All rights reserved. No part of this publication may be reproduced in any material form (including photocopying) or stored in any medium by electronic means and whether or not transiently or incidentally to some other use of this publication without the written prior permission of the copyright owner. Application for the copyright owner's permission to reproduce any part of this publication should be addressed to the contact and address referenced above.

Every effort has been taken to ensure the accuracy and completeness of information presented in this report. However, T3i Group cannot accept liability for the consequences of action taken based on the information provided.

TABLE of Contents

	Page
LIST of EXHIBITS	5
1. EXECUTIVE SUMMARY	8
How Have Plans to Trial Skype for Business Enterprise Voice Changed from A Year Ago?	8
What Is the Planned Adoption Rate of Microsoft EV On-Premises?	9
Why Are Entities Deploying Skype for Business EV or Lync EV On-Premises?.....	10
What Percent of Entities Ranked Microsoft as their Top Vendor for UC Applications?	11
What Percent of Entities Ranked Microsoft as Their Top Vendor for Multiple UC Applications?.....	12
What is the Current Status of Entities using Microsoft’s Cloud PBX for EV?	13
What EV Platforms Were Entities Using Prior to their Migration to MS Cloud PBX?	14
Why Are Entities Deciding to Use Microsoft’s Cloud PBX for Enterprise Voice?.....	15
Why Have Other Entities Decided Not to Use MS Cloud PBX for Enterprise Voice?.....	16
What Percent of Entities Currently Use Microsoft EV Via Either Cloud PBX and/or On-Premises Constructs?	17
How Broadly Are Entities Planning to Deploy Microsoft EV in the Cloud and On-Premises?.....	18
What is the Projected Penetration of MS Cloud PBX among Users of Microsoft EV?	19
2. INTRODUCTION AND METHODOLOGY	20
Scope of InfoTrack for Unified Communications (IUC)	20
Program Leadership.....	20
Primary Research Methodology	20
3. ANALYSIS OF ENTERPRISE PLANS FOR MICROSOFT SKYPE FOR BUSINESS EV	21
Demographics of Enterprise Survey Participants.....	21
Distribution of Participating Enterprises by Type of Decision-Maker	22
Distribution of Participating Enterprises by Type of Industry	23
Enterprise Familiarity with Microsoft Skype for Business.....	24
Enterprise Status on Trialing Microsoft EV Platforms On-Premises	25
Enterprise Perceptions of Microsoft Capabilities for Enterprise Voice	26
Performance of Microsoft Enterprise Voice During Enterprise Trials	27
Enterprise Perspectives on Costs of Implementing Skype for Business with EV	28
Enterprise Plans for Deploying Microsoft Enterprise Voice Beyond Trials	29
Enterprises’ Top Reasons for Deploying Skype for Business with EV On-Premises.....	30
Enterprise Rankings of Microsoft Among UC Application Vendors	31
Enterprises Ranking Microsoft First for Multiple UC Apps	32
Microsoft Channels Preferred by Enterprises for Purchasing Skype for Business EV	33
Enterprise Ratings of Microsoft Channel Partner Attributes.....	34
Enterprise Familiarity with Microsoft EV Related Services in Office 365	35
Current Status of Enterprises Using EV in Microsoft Cloud PBX	36
Enterprise Platform for EV Prior to Migration to MS Cloud PBX.....	37
Preferred Licensing Methods for MS Cloud PBX Among Enterprises	38
Top Reasons Enterprises are Migrating to MS Cloud PBX.....	39
Top Reasons Other Enterprises are NOT Migrating to MS Cloud PBX.....	40

Enterprise Use of Microsoft EV Via On-Premises and/or MS Cloud PBX Constructs	41
Scope of Planned Enterprise Implementation of Microsoft EV	42
Enterprise Penetration of MS Cloud PBX Among Microsoft EV Users.....	43
Importance to Enterprises of Hybrid Options in Cloud-based UC	44
Enterprise Use of Cisco’s Hybrid Service Based on Cisco Spark	45
Impact of Cisco Spark on Enterprise Decisions Regarding MS Cloud PBX and Office 365.....	46
Current Status of MEs Using Other EV-related Office 365 Services	47
Current Status of LEs Using Other EV-related Office 365 Services	48
4. ANALYSIS OF SMB PLANS FOR MICROSOFT SKYPE FOR BUSINESS	
ENTERPRISE VOICE.....	49
Demographics of SMB Survey Participants	49
Distribution of Participating SMBs by Type of Decision-Maker.....	50
Distribution of Participating SMBs by Type of Industry.....	51
SMB Familiarity with Microsoft Skype for Business	52
SMB Status on Trialing Microsoft EV Platforms On-Premises	53
SMB Perceptions of Microsoft Capabilities for Enterprise Voice.....	54
Performance of Microsoft Enterprise Voice During SMB Trials.....	55
SMB Perspectives on Costs of Implementing Skype for Business with Enterprise Voice	56
SMB Plans for Deploying Microsoft Enterprise Voice Beyond Trials.....	57
SMBs’ Top Reasons for Deploying Skype for Business with Enterprise Voice On-Premises.....	58
SMB Rankings of Microsoft Among UC Application Vendors.....	59
SMBs Ranking Microsoft First for Multiple UC Apps	60
Microsoft Channels Preferred by SMBs for Purchasing Skype for Business EV.....	61
SMB Ratings of Microsoft Channel Partner Attributes	62
SMB Familiarity with Microsoft EV Related Services in Office 365	63
Current Status of SMBs Using EV in Microsoft Cloud PBX.....	64
SMB Platform for EV Prior to Migration to MS Cloud PBX	65
Preferred Licensing Methods for MS Cloud PBX Among SMBs	66
Top Reasons SMBs are Migrating to MS Cloud PBX	67
Top Reasons Other SMBs are NOT Migrating to MS Cloud PBX	68
SMB Use of Microsoft EV Via On-Premises and/or MS Cloud PBX Constructs.....	69
Scope of Planned SMB Implementation of Microsoft EV	70
SMB Penetration of MS Cloud PBX Among Microsoft EV Users	71
Importance of Hybrid Options to SMBs in Cloud-based UC	72
SMB Use of Cisco’s Hybrid Service Based on Cisco Spark.....	73
Impact of Cisco Spark on SMB Decisions Regarding MS Cloud PBX and Office 365	74
Current Status of SBs Using Other EV-related Office 365 Services	75
Current Status of MBs Using Other EV-related Office 365 Services	76

LIST of EXHIBITS

	Page
Exhibit ES-1	Status of Microsoft EV Trials On-Premises vs. A Year Ago 8
Exhibit ES-2	Plans for Deploying Microsoft EV On-Premises vs a Year Ago 9
Exhibit ES-3	Top Reasons for Deploying Skype for Business with EV 10
Exhibit ES-4	Entities Ranking Microsoft First for Major UC Apps 11
Exhibit ES-5	Entities Ranking Microsoft First for Multiple UC Apps 12
Exhibit ES-6	Current Status of Entities Using Microsoft’s Cloud PBX 13
Exhibit ES-7	Platforms for EV Prior to Migration to MS Cloud PBX 14
Exhibit ES-8	Top Reasons for Migrating to MS Cloud PBX 15
Exhibit ES-9	Top Reasons for NOT Migrating to MS Cloud PBX 16
Exhibit ES-10	Current Use of Microsoft EV Via On-Premises and/or Cloud PBX 17
Exhibit ES-11	Scope of Planned Implementation of Microsoft EV 18
Exhibit ES-12	Estimated Penetration of MS Cloud PBX among Microsoft EV Users 19
Exhibit 1	Distribution of Participating Enterprises by Size 21
Exhibit 2	Distribution of Participating Enterprises by Type of Decision-Maker 22
Exhibit 3	Distribution of Participating Enterprises by Type of Industry 23
Exhibit 4	Enterprise Familiarity with Microsoft Skype for Business 24
Exhibit 5	Current Status of Enterprise Trials of Microsoft EV vs. A Year Ago 25
Exhibit 6	Enterprise Perceptions of Microsoft Enterprise Voice Capabilities 26
Exhibit 7	Performance of Microsoft Enterprise Voice During Trials 27
Exhibit 8	Enterprise Perspectives on Costs of Implementing Skype for Business with EV ... 28
Exhibit 9	Enterprise Plans for Deploying Microsoft Enterprise Voice Beyond Trials 29
Exhibit 10	Enterprises’ Top Reasons for Deploying Skype for Business EV Beyond Trials 30
Exhibit 11	Enterprise Rankings of Microsoft Among UC App Vendors 31
Exhibit 12	Enterprises Ranking Microsoft First for Multiple UC Apps 32
Exhibit 13	Microsoft Channels Preferred by Enterprises for Purchasing Skype for Business EV 33
Exhibit 14	Enterprise Ratings of Microsoft Channel Partner Attributes 34
Exhibit 15	Enterprise Familiarity with Microsoft EV Related Services in Office 365 35
Exhibit 16	Current Status of Enterprises Using Microsoft’s Cloud PBX 36
Exhibit 17	Enterprise Platform for EV Prior to Migration to MS Cloud PBX 37
Exhibit 18	Enterprises’ Preferred Licensing Methods for MS Cloud PBX 38
Exhibit 19	Top Reasons Enterprises are Migrating to MS Cloud PBX 39
Exhibit 20	Top Reasons Other Enterprises are NOT Migrating to MS Cloud PBX 40
Exhibit 21	Enterprise Use of Microsoft EV Via On-Premises and/or Cloud PBX Constructs ... 41

Exhibit 22	Scope of Planned Enterprise Implementation of Microsoft EV	42
Exhibit 23	Enterprise Penetration of MS Cloud PBX Among Microsoft EV Users	43
Exhibit 24	Importance to Enterprises of Hybrid Options in Cloud-based UC	44
Exhibit 25	Enterprise Evaluation or Testing of Cisco Spark	45
Exhibit 26	Impact of Cisco Spark on Enterprise Decisions Regarding MS Cloud PBX and Office 365	46
Exhibit 27	Current Status of MEs Using Other EV-related Office 365 Services.....	47
Exhibit 28	Current Status of LEs Using Other EV-related Office 365 Services.....	48
Exhibit 29	Distribution of Participating SMBs by Size	49
Exhibit 30	Distribution of Participating SMBs by Type of Decision Maker	50
Exhibit 31	Distribution of Participating SMBs by Type of Industry.....	51
Exhibit 32	SMB Familiarity with Microsoft Skype for Business	52
Exhibit 33	Status of SMB Trials of Microsoft EV vs. A Year Ago	53
Exhibit 34	SMB Perceptions of Microsoft Capabilities for Enterprise Voice	54
Exhibit 35	Performance of Microsoft Enterprise Voice During SMB Trials	55
Exhibit 36	SMB Perspectives on Costs of Implementing Skype for Business with Enterprise Voice.....	56
Exhibit 37	SMB Plans for Deploying Microsoft Enterprise Voice Beyond Trials	57
Exhibit 38	SMBs' Top Reasons for Deploying Skype for Business Enterprise Voice Beyond Trials	58
Exhibit 39	SMB Rankings of Microsoft Among UC App Vendors	59
Exhibit 40	SMBs Ranking Microsoft First for Multiple UC Apps.....	60
Exhibit 41	Microsoft Channels Preferred by SMBs for Purchasing Skype for Business Enterprise Voice.....	61
Exhibit 42	SMB Ratings of Microsoft Channel Partner Attributes	62
Exhibit 43	SMB Familiarity with Microsoft EV Related Services in Office 365.....	63
Exhibit 44	Current Status of SMBs Using Microsoft's MS Cloud PBX	64
Exhibit 45	SMB Platform for EV Prior to Migration to MS Cloud PBX	65
Exhibit 46	SMBs' Preferred Licensing Methods for MS Cloud PBX	66
Exhibit 47	Top Reasons SMBs are Migrating to MS Cloud PBX	67
Exhibit 48	Top Reasons Other SMBs are NOT Migrating to MS Cloud PBX.....	68
Exhibit 49	SMB Use of Microsoft Enterprise Voice Via On-Premises and/or MS Cloud PBX Constructs	69
Exhibit 50	Scope of Planned SMB Implementation of Microsoft EV	70
Exhibit 51	SMB Penetration of MS Cloud PBX Among Microsoft EV Users.....	71
Exhibit 52	Importance to SMBs of Hybrid Options in Cloud-based UC	72
Exhibit 53	SMB Evaluation or Testing of Cisco Spark.....	73

Exhibit 54	Impact of Cisco Spark on SMB Decisions Regarding MS Cloud PBX and Office 365	74
Exhibit 55	Current Status of SBs Using Other Enterprise Voice-related Office 365 Services.....	75
Exhibit 56	Current Status of MBs Using Other Enterprise Voice-related Office 365 Services.....	76

1. EXECUTIVE SUMMARY

How Have Plans to Trial Skype for Business Enterprise Voice Changed from A Year Ago?

In February 2012, T3i Group published the first in a series of annual primary research reports on Microsoft’s impact on the U.S. market for Enterprise Voice (EV) solutions. T3i surveyed over 300 Enterprises and SMBs on their plans for implementing Microsoft Lync.

Follow-up research studies over the next three years confirmed and broadened the findings. Annual research studies enable comparisons of the results of the current study with those from the previous year and analyze Microsoft’s progress in the Enterprise Voice market.

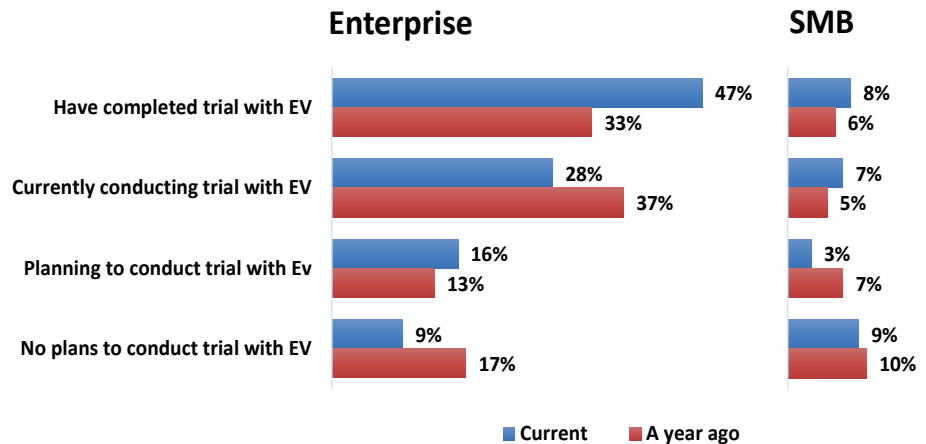
This year, T3i decided to delay the 2016 study by three months in order to give the U.S. market more time to evaluate and implement Skype for Business with EV and MS Cloud PBX.

Another significant change in this report is the survey population and method used to report the SMB results. Past surveys of SMBs have included entities with 5 to 499 employees. However, entities with less than 10 employees have shown little knowledge of Lync and Skype for Business. In 2016 the SMB population was restricted to 10+ employees, which represent 27% of all U.S. SMBs. Therefore, exhibits that show results from “All SMBs” or “Percent of All Entities,” reflect results from 27% of the SMB population (current and historical). Previous reports implied that they reflected the total SMB population. T3i has concluded that this presents a more accurate picture of SMB activity. Exhibits referencing “Percent of Respondents” did not need this type of adjustment.

Currently, 75% of U.S. Enterprises studied were either conducting or had completed on-premises trials of Microsoft Skype for Business EV or Lync EV. This was up from 70% in last year’s study.

Trials also increased among SMBs, with 15% either currently conducting trials of Microsoft EV on-premises or having completed those trials, compared to 11% a year ago.

Exhibit ES-1 Status of Microsoft EV Trials On-Premises vs. A Year Ago Among All Entities



Source: InfoTrack: End-user Primary Research, 3Q2016

What Is the Planned Adoption Rate of Microsoft EV On-Premises?

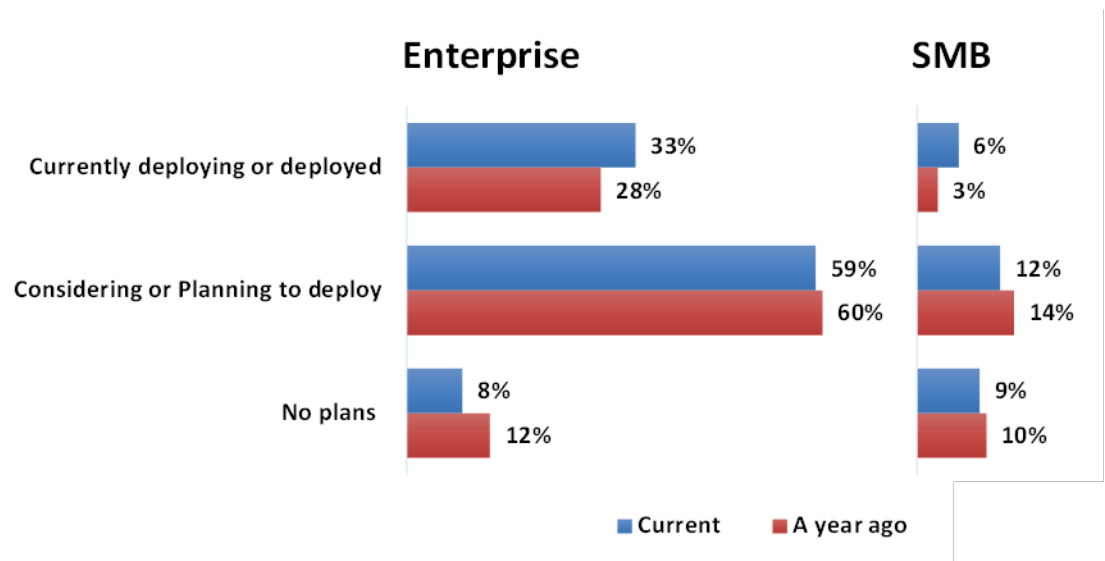
The decision-makers in this research were asked about their plans for deploying Skype for Business with Enterprise Voice (EV) as an on-premises system. Exhibit ES-2 depicts their responses.

Last year, 28% of U.S. Enterprises had begun on-premises deployment of Skype for Business EV or Lync EV, subsequent to conducting an EV trial. An additional 60% were in the planning stages of deployment or were considering deployment, for a combined total of 88%. In this year’s study, that total reached 92%, with 33% of the Enterprises currently deploying Skype for Business EV or Lync EV plus an additional 59% which are considering or planning to deploy Microsoft EV. This was a clear indication that the rebranding of Lync as Skype for Business has not reduced the momentum that Lync EV had built up among U.S. Enterprises. The percent of “No Plans to Deploy” was only 8%, down from 12% a year ago.

The percent of SMBs that are actually deploying Skype for Business EV or Lync EV on-premises after conducting trials doubled in the past year, from 3% to 6%. Another 12% of SMBs are currently considering or planning to deploy Skype for Business EV or Lync EV, down from 14% last year. Some of those SMBs in the Planning/Considering category last year did go on to deploy on-premises this year. However, some of them decided to use the MS Cloud PBX version instead. Cloud PBX will be addressed later in this Executive Summary. The percent of SMBs with No Plans to Deploy EV on-premises remained virtually the same at 9%.

Exhibit ES-2 Plans for Deploying Microsoft EV On-Premises vs. a Year Ago

Among All Entities



Source: InfoTrack: End-user Primary Research, 3Q2016

Why Are Entities Deploying Skype for Business EV or Lync EV On-Premises?

T3i asked the decision makers who had deployed, are currently deploying or were planning to deploy Skype for Business EV or Lync EV on-premises, to rank the top reasons for that decision. The results are shown in Exhibit ES-3.

The top reason among both Enterprises and SMBs was that “Skype for Business with Enterprise Voice is a natural extension of our commitment to the Microsoft platform for UC.”

The second most important reason among both Enterprises and SMBs was, “Skype for Business offers the best UC solution for our company.” The third most important reason among Enterprises was, “Total cost of ownership (hardware, software, service support) is lower than PBX-based solutions.” Among SMBs, “Facilitates voice feature integration with other Microsoft applications (e.g. SharePoint, Exchange, Office),” was the third highest ranked reason.

All of these top reasons reflect Microsoft’s ability to leverage its strong market presence in UC apps into a rapidly growing share of the Enterprise Voice market. Microsoft prices EV very attractively for firms that use Skype for Business for other UC applications. Integrating EV with other Microsoft UC apps provides other benefits, such as standard user interfaces and consistent management tools.

The key take-away from Exhibit ES-3 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 demonstrate that adding Enterprise Voice is just a natural extension to the platform.

Exhibit ES-3 Top Reasons for Deploying Skype for Business with EV

Among Respondents Deploying or Planning to Deploy Skype for Business with EV

Top Reasons	ENT	SMB
Skype for Business with Enterprise Voice is a natural extension of our commitment to the Microsoft platform for UC	1	1
Skype for Business offers the best UC solution for our company	2	2
Total cost of ownership (hardware, software, service support) is lower than PBX based solutions	3	5
Facilitates telephony feature integration with other Microsoft apps (Sharepoint, Exchange, Office)	4	3
Skype for Business is a natural migration from our deployment of Lync with Enterprise Voice	5	4
We have already deployed Skype for Business for Web Conferencing	6	6
We have already deployed Skype for Business for IM and Presence	7	7
We have already invested in the Enterprise CAL Suite	8	8

Source: InfoTrack: End-user Primary Research, 3Q2016

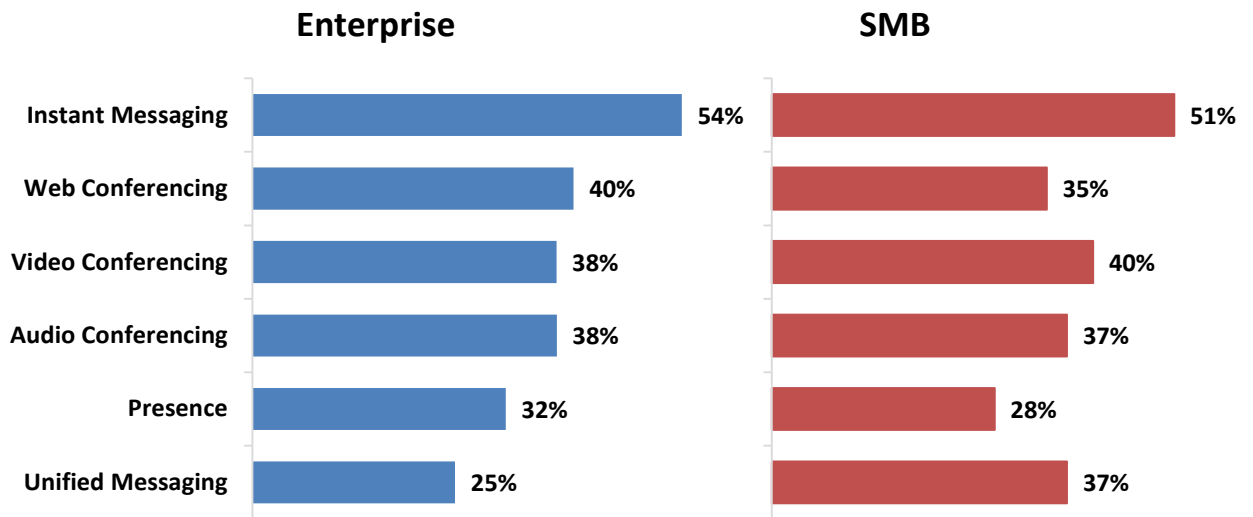
What Percent of Entities Ranked Microsoft as their Top Vendor for UC Applications?

Microsoft’s strong position in the U.S. market for UC apps is further validated by the responses from both Enterprise and SMB decision-makers in their ranking of Microsoft among their vendors of six different UC apps. The graph in Exhibit ES-4 reflects the percentage of entities which ranked Microsoft as their top vendor for each of these apps.

More than half of both the Enterprise and SMB decision-makers that participated in this year’s study ranked Microsoft as their top vendor for Instant Messaging. Between 38% and 40% of the Enterprise decision-makers ranked Microsoft as their top vendor for each of the three UC Conferencing apps – Web Conferencing, Video Conferencing and Audio Conferencing. Similarly, 35% to 40% of their SMB counterparts also ranked Microsoft first in each of these Conferencing apps.

Microsoft also ranked well in the remaining UC apps – Presence and Unified Messaging. 32% of Enterprises and 28% of SMBs ranked Microsoft as their top vendor for Presence. Microsoft was ranked first in Unified Messaging by 25% of the Enterprises and 37% of the SMBs.

Exhibit ES-4 Entities Ranking Microsoft First for Major UC Apps
Percent of Respondents which Ranked Microsoft as Their Top Vendor



Source: InfoTrack: End-user Primary Research, 3Q2016

What Percent of Entities Ranked Microsoft as Their Top Vendor for Multiple UC Applications?

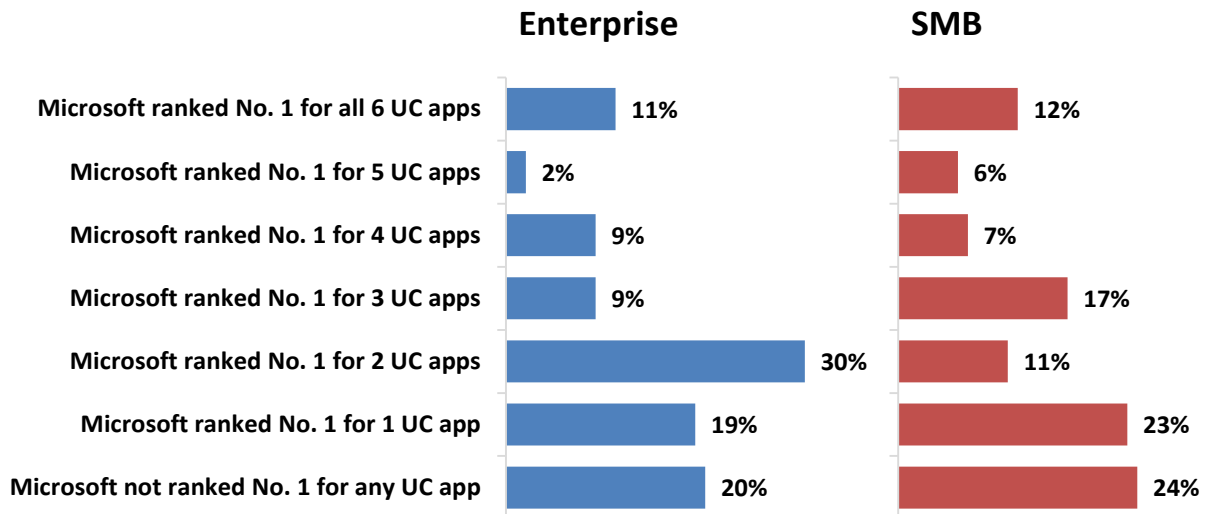
Exhibit ES-5 provides another perspective on the results of the preceding exhibit. This exhibit displays the percentage of respondents that ranked Microsoft first for multiple UC apps and relates that to the percent who have deployed or are currently deploying Microsoft EV.

Eleven percent of total Enterprise respondents and 13% of total SMB respondents ranked Microsoft as their top vendor for all six UC apps. Nine percent of Enterprises and 17% of SMBs ranked Microsoft as their top vendor for three UC apps. In total, 31% of the Enterprise respondents and 42% of SMB respondents ranked Microsoft as their top vendor for three or more of the six UC apps.

Among the Enterprises who are currently deploying or have deployed Microsoft EV on-premises, 43% ranked Microsoft as their top vendor for at least three of these UC apps. Microsoft scored even better among the SMBs currently deploying, 57% of whom ranked Microsoft first for three or more of these six UC apps.

This exhibit shows that 61% of Enterprises and 53% of SMBs ranked Microsoft as their top vendor for at least **two** of these UC apps. 81% of that group of Enterprises and 70% of that group of SMBs are currently deploying or had completed deploying either Skype for Business EV or Lync EV. Clearly, customer satisfaction with application capabilities and performance plays a significant role in customer adoption of Skype for Business EV or Lync EV.

Exhibit ES-5 Entities Ranking Microsoft First for Multiple UC Apps
Percent of Respondents who Ranked Microsoft as Their Top Vendor in Multiple UC Apps



Source: InfoTrack: End-user Primary Research, 3Q2016

What is the Current Status of Entities using Microsoft’s Cloud PBX for EV?

The preceding four exhibits in this Executive Summary focused on Microsoft’s status in the U.S. market for on-premises Enterprise Voice systems. The next four exhibits will examine Microsoft’s position in the U.S. market for cloud-based Enterprise Voice Services.

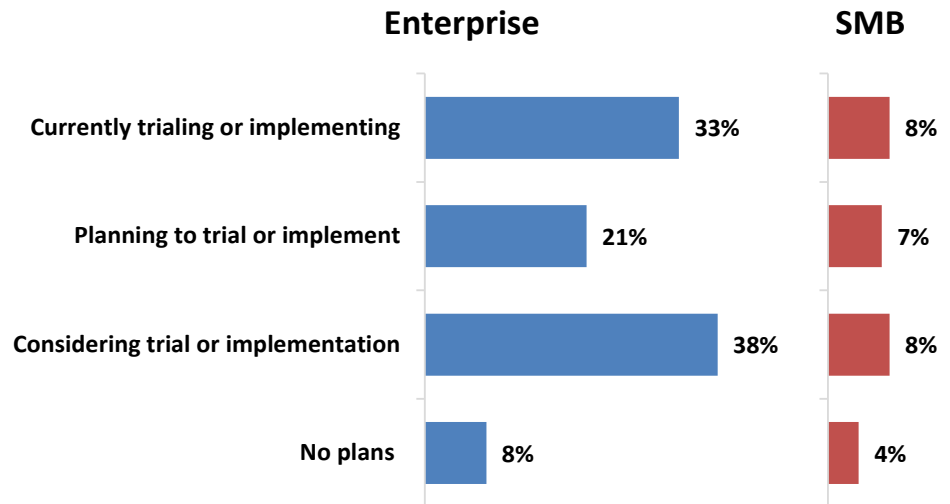
Respondents were asked about their plans for using the capabilities of Microsoft’s Cloud PBX within Office 365 to obtain cloud-based Enterprise Voice services. The results are depicted in Exhibit ES-6.

One-third of the Enterprise decision-makers indicated that they are currently using MS Cloud PBX, either in trials or implementation. Another 21% are planning to use MS Cloud PBX and 38% indicated that they are considering the use of MS Cloud PBX. Only 8% of the Enterprises had no plans regarding the use of MS Cloud PBX.

U.S. SMBs’ utilization of Microsoft’s Cloud PBX was much lower. Eight percent are currently either trialing or implementing MS Cloud PBX for Enterprise Voice. Another 7% had plans to do so, and 8% said they are considering the use of MS Cloud PBX. Four percent of the SMBs had no plans to use MS Cloud PBX.

The interest in MS Cloud PBX is currently very strong among both Enterprises and SMBs, even though Microsoft has stated that MS Cloud PBX does not yet offer the full Enterprise Voice set of capabilities of Skype for Business.

Exhibit ES-6 Current Status of Entities Using Microsoft’s Cloud PBX
Among All Entities



Source: InfoTrack: End-user Primary Research, 3Q2016

What EV Platforms Were Entities Using Prior to their Migration to MS Cloud PBX?

Entities that are using or planning to use MS Cloud PBX were asked to identify the platform that they were using for Enterprise Voice prior to their planned migration to MS Cloud PBX. Their responses are shown in Exhibit ES-7.

The majority of Enterprises and SMBs that have begun to use or are planning to use Microsoft’s Cloud PBX, are migrating from one of Microsoft’s on-premises platforms for Enterprise Voice, primarily Skype for Business but also its predecessor, Lync.

Two-thirds of the Enterprises and 62% of the SMBs indicated that Skype for Business was the on-premises EV platform from which they are migrating to MS Cloud PBX. An additional 25% of Enterprises and 17% of SMBs responded that they are migrating from Lync, Microsoft’s earlier EV platform.

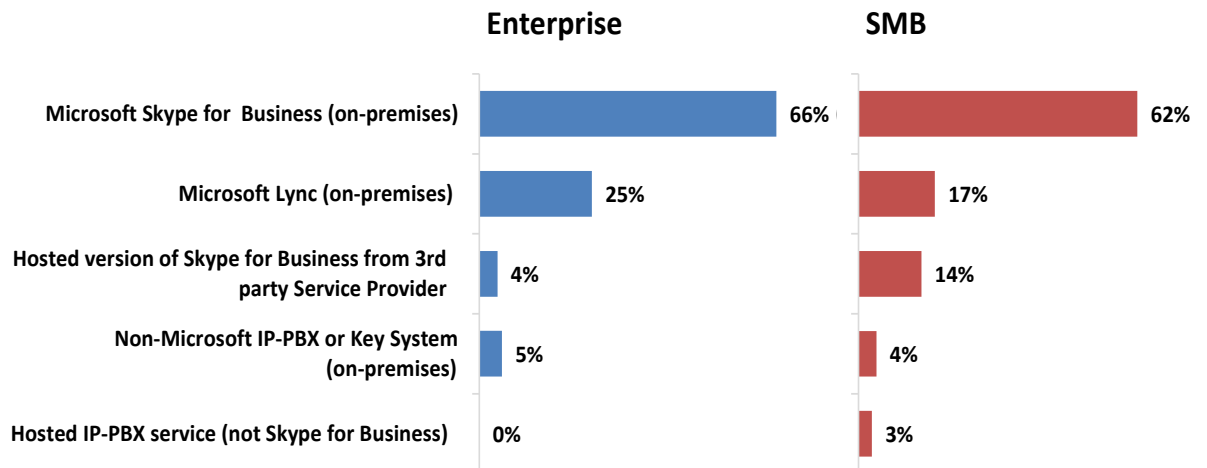
There was also a small percentage of entities which indicated that they are migrating to MS Cloud PBX from a different cloud-based version of Skype for Business hosted by a 3rd party service provider. Four percent of Enterprises and 14% of SMBs are making this type of migration to MS Cloud PBX.

Less than 10% of the entities which are currently using or are planning to use MS Cloud PBX indicated migrating away from a non-Microsoft on-premises EV platform. Five percent of Enterprises and 4% of SMBs said that they would be migrating away from non-Microsoft IP-PBXs or Key Systems. Another 3% of SMBs were previously using a different hosted IP-PBX service, not based on Skype for Business), prior to their migration to MS Cloud PBX.

Clearly, Microsoft is cannibalizing its own CPE base (although Mitel and ShoreTel are trying to do the same thing). As entities migrate to MS Cloud PBX, Microsoft’s overall share of the U.S. market for EV would only be expected to increase slightly as over 90% of those migrations are expected to come from other Microsoft EV platforms.

Exhibit ES-7 Platforms for EV Prior to Migration to MS Cloud PBX

Among Respondents Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Why Are Entities Deciding to Use Microsoft’s Cloud PBX for Enterprise Voice?

The Enterprise and SMB decision-makers were asked to rate their primary reasons for deciding to use MS Cloud PBX for Enterprise Voice. Their responses are summarized in Exhibit ES-8.

Among Enterprises that are currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was, “Our Company is already using Office 365” and their second reason was, “MS Cloud PBX offers a natural migration from our current Enterprise Voice solution.” SMBs had the same priorities but in reverse order. **These reasons are consistent with the results presented in the preceding exhibit which indicated that over 90% of the entities that are deciding to use Microsoft’s Cloud PBX, were already customers of other Microsoft EV platforms.**

The next three most important reasons indicated by Enterprises and SMBs (in slightly different order) are:

- *Licensing for Cloud PBX is less complex*
- *Cloud PBX provides continuous upgrades in functionality*
- *Cloud PBX is less expensive*

At least two of these three reasons are generic benefits of all cloud solutions. The fact that the top two reasons took precedence over these generic reasons demonstrates the power of an easy migration path.

Exhibit ES-8 Top Reasons for Migrating to MS Cloud PBX
Among Respondents Currently Using or Planning to Use MS Cloud PBX

Top Reasons	ENT	SMB
Our company is already utilizing Office 365	1	2
Cloud PBX offers a natural migration from our current Enterprise Voice solution	2	1
Licensing for Cloud PBX is less complex	3	5
Cloud PBX provides continuous upgrades in functionality	4	3
Cloud PBX is less expensive	5	4
Implementing Cloud PBX requires fewer internal support resources	6	6
Cloud PBX offers the flexibility of a hybrid model that would work for our users	7	7
Microsoft can be our end-to-end single provider for Cloud PBX and PSTN Calling	8	8

Source: InfoTrack: End-user Primary Research, 3Q2016

Why Have Other Entities Decided Not to Use MS Cloud PBX for Enterprise Voice?

Enterprise and SMB decision-makers which had decided not to use MS Cloud PBX for Enterprise Voice were also asked to rate their primary reasons for that decision. Their responses are summarized in Exhibit ES-9.

Among the Enterprises that are NOT currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was, “We are concerned about the security of Cloud PBX.” That was also the top reason among SMBs that are NOT using or planning to use MS Cloud PBX. The second reason for those SMBs was, “We are concerned about the voice quality of Cloud PBX.” This was the third highest reason among Enterprises.

Other important reasons given by Enterprises and SMBs were:

- We are concerned about the expense of the connectivity required to assure QoS with Cloud PBX
- We already have a large investment in on-premises Enterprise Voice

All of these are the same generic reasons that entities cite for not moving to the cloud and none seem to be particularly pointed at Microsoft’s offer.

Exhibit ES-9 Top Reasons for NOT Migrating to MS Cloud PBX

Among Respondents NOT Currently Using or Planning to Use MS Cloud PBX

Top Reasons	ENT	SMB
We are concerned about the security of Cloud PBX	1	1
We are concerned about the expense of the connectivity required to assure QoS with Cloud PBX	2	4
We are concerned about the voice quality of Cloud PBX	3	2
We already have a large investment in on-premises Enterprise Voice	4	3
Cloud PBX lacks the full Enterprise Voice functionality of on-premises Skype for Business	5	5
Cloud PBX is more expensive in the long run than on-premises Skype for Business	6	6
Cloud PBX lacks the fully transparent hybrid model that our company requires	7	7

Source: InfoTrack: End-user Primary Research, 3Q2016

What Percent of Entities Currently Use Microsoft EV Via Either Cloud PBX and/or On-Premises Constructs?

The final three exhibits in this Executive Summary analyze issues relating to both the On-Premises version of Skype for Business and the hosted version, MS Cloud PBX.

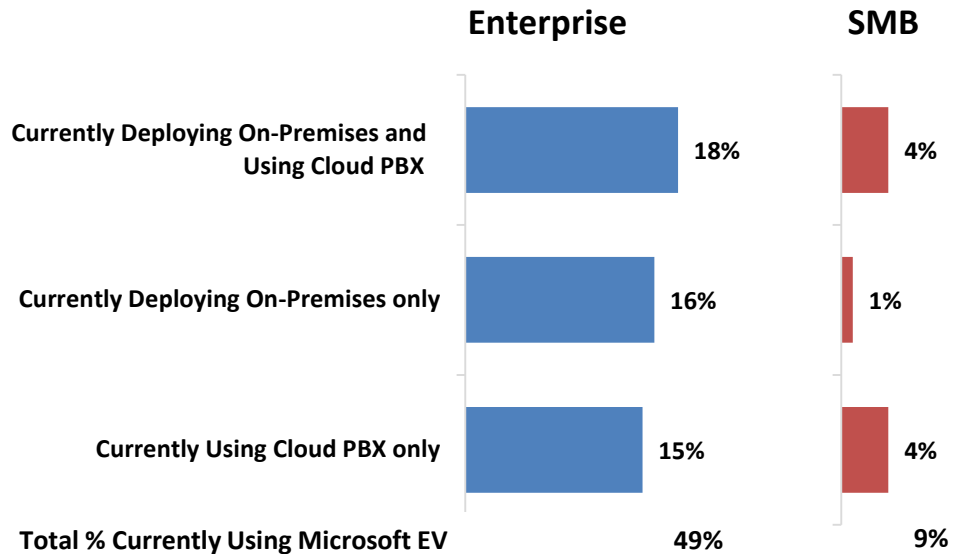
Exhibit ES-10 examines the Enterprises and SMBs which indicated that they are currently deploying or had completed their deployment of Skype for Business, and the Enterprises and SMBs which indicated that they are currently using MS Cloud PBX. These entities represented 49% of the Enterprises and 35% of the SMBs that participated in this survey. As noted previously, the SMB population in this study is only those with 10+ employees which represents 27% of all SMBs. **Therefore, this exhibit shows that 9% of U.S. SMBs currently use some version of Microsoft EV.**

Among the 9% of SMBs, 4% are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. Another 4% are only using MS Cloud PBX. The remaining 1% are only deploying on-premises platforms for Microsoft EV.

The distribution among the Enterprises was more evenly divided. Eighteen percent are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. Another 16% stated that they are deploying Microsoft EV using on-premises platforms only. The remaining 15% stated that they are currently using only MS Cloud PBX.

Exhibit ES-10 Current Use of Microsoft EV Via On-Premises and/or Cloud PBX

Among All Entities



Source: InfoTrack: End-user Primary Research, 3Q2016

How Broadly Are Entities Planning to Deploy Microsoft EV in the Cloud and On-Premises?

The Enterprise and SMB participants in this study were asked to characterize the scope of their potential deployment of Microsoft EV, including Skype for Business and/or MS Cloud PBX. They chose from an array of five approaches that ranged from enabling selected individuals to full-scale global deployment. The results are depicted in Exhibit ES-11.

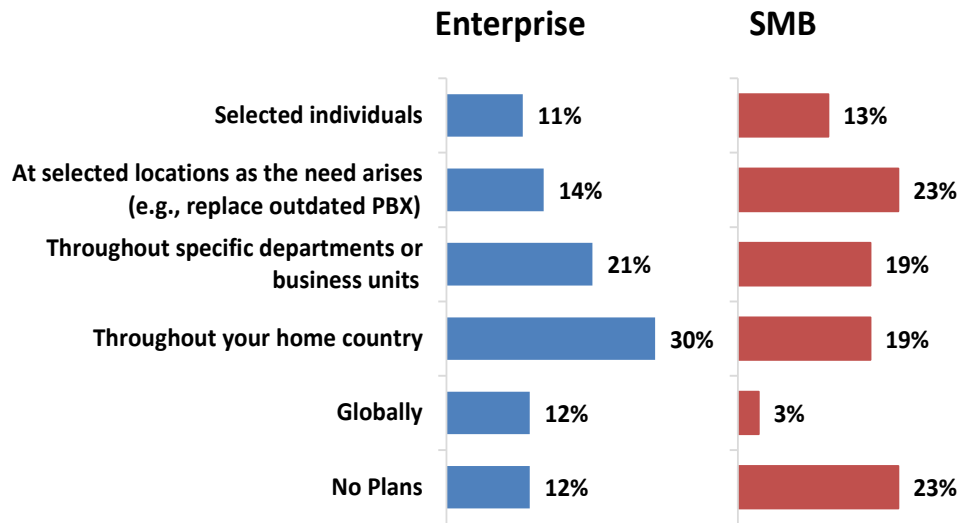
Forty-two percent of the Enterprises are planning a company-wide implementation that would cover either their entire U.S. operations (30%) or their complete global Enterprise (12%). Twenty-two percent of the SMBs also expected a company-wide implementation, nationwide or global.

Thirty-five percent of the Enterprises are projecting a more selective scope of implementation, with 21% targeting specific departments or business units and 14% aiming at selected locations. Among the SMBs, 42% favored this more selective scope, with 19% targeting specific departments or business units and 23% aiming at selected locations.

Interestingly, 11% of the Enterprises and 13% of the SMBs indicated their current thinking is to limit their initial implementation of Microsoft EV to selected individuals. It is possible that the availability of MS Cloud PBX now makes it easier to introduce Microsoft’s Enterprise Voice to only certain individuals such as specific teams.

The chart also notes that 12% of the Enterprises and 23% of the SMBs had no plans for implementing either Skype for Business or MS Cloud PBX.

Exhibit ES-11 Scope of Planned Implementation of Microsoft EV
Among All Entities



Source: InfoTrack: End-user Primary Research, 3Q2016

What is the Projected Penetration of MS Cloud PBX among Users of Microsoft EV?

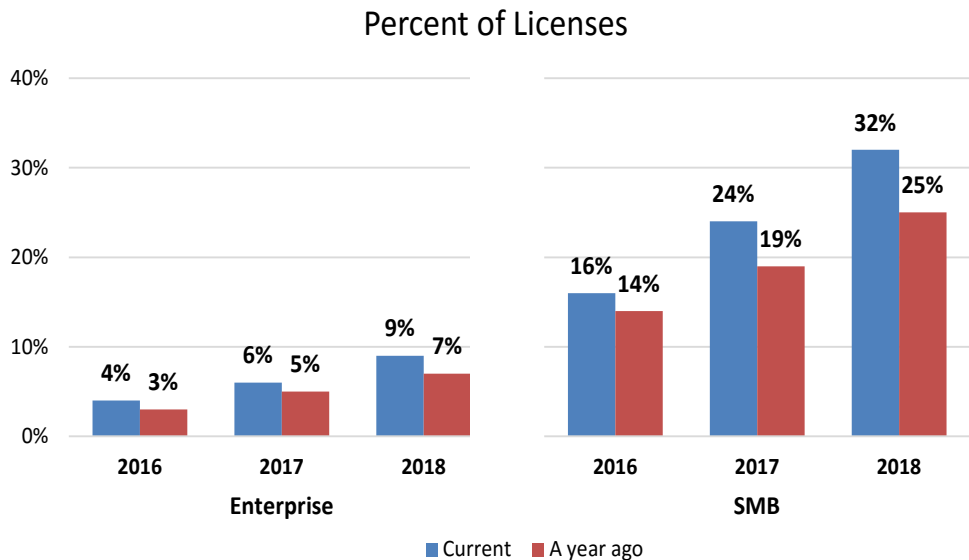
Early in 2015, Microsoft announced that they were integrating Skype for Business into their cloud-based Office 365. Later in the year, they introduced MS Cloud PBX as the brand for this cloud-based Enterprise Voice service. In last year’s study, even before the availability of this service, T3i asked Enterprises and SMBs to estimate what percent of their total users of Enterprise Voice from Microsoft would be using the cloud-based Office 365 version instead of the On-Premises version. This year T3i specified MS Cloud PBX as the Office 365 version. Exhibit ES-12 compares the current estimates with those from the 2015 study.

In the 2015 report, T3i stated that Office 365 Enterprise Voice was estimated to represent 3% of the total 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 was projected to increase to 7% of the Enterprise EV licenses and 25% of the SMB licenses.

In this year’s study, the estimated penetration of MS Cloud PBX among Enterprise users of Microsoft EV increased by one or two percentage points, topping out at 9% in 2018. However, this year the estimated penetration of MS Cloud PBX within SMB users of Microsoft EV increased by several percentage points. For example, in 2018 the estimated penetration among SMB users is now projected to reach 32%, up from 25% in last year study. (These estimates for the SMB market only reflect the 10+ employee segment).

Exhibit ES-12 Estimated Penetration of MS Cloud PBX Among Microsoft EV Users

Respondents’ MS Cloud PBX Licenses as a Percent of Total Respondents’ Microsoft EV Licenses



Source: InfoTrack: End-user Primary Research, 3Q2016

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 these reports reflect the results of surveys of decision-makers for U.S.-based Enterprises and SMBs. T3i's analysis of the exhibits highlights the most significant implications of the data in the graphs.

This report is the 5th annual report on the Market Impact of Microsoft Skype for Business (previously Lync). Many of the exhibits compare the results of this year's survey with the corresponding results from last year's report.

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 10 to 499 employees). Results for each group are provided in separate sections.

3. ANALYSIS OF ENTERPRISE PLANS FOR MICROSOFT SKYPE FOR BUSINESS ENTERPRISE VOICE

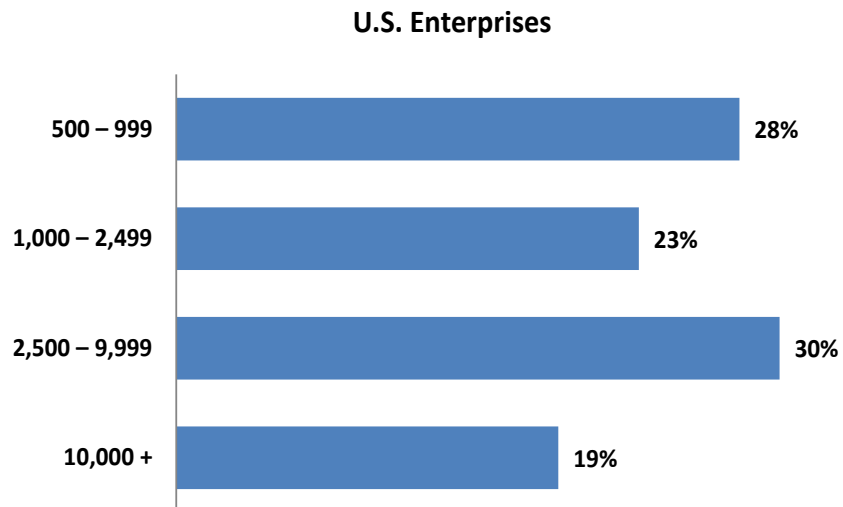
Demographics of Enterprise Survey Participants

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 July 2016, surveys were completed with over 150 qualified Enterprise managers who are key decision-makers or key influencers regarding current adoption and usage of Microsoft Skype for Business. The same survey also received responses from 150 managers at SMB sized companies (10 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. 28% of the respondents represented Enterprises with 500 to 999 employees, and 23% were Enterprises with 1,000 to 2,499 employees. Throughout the report, these two size categories, comprising 51% of the respondents, are referred to as Medium Enterprises (ME).

30% of the respondents were from Enterprises with between 2,500 and 9,999 employees. Enterprises with 10,000 or more employees accounted for 19% of the Enterprise participants. These two size segments comprise the Large Enterprise (LE) segment, representing 49% of the respondents.

Exhibit 1 Distribution of Participating Enterprises by Size



Source: InfoTrack: End-user Primary Research, 3Q2016

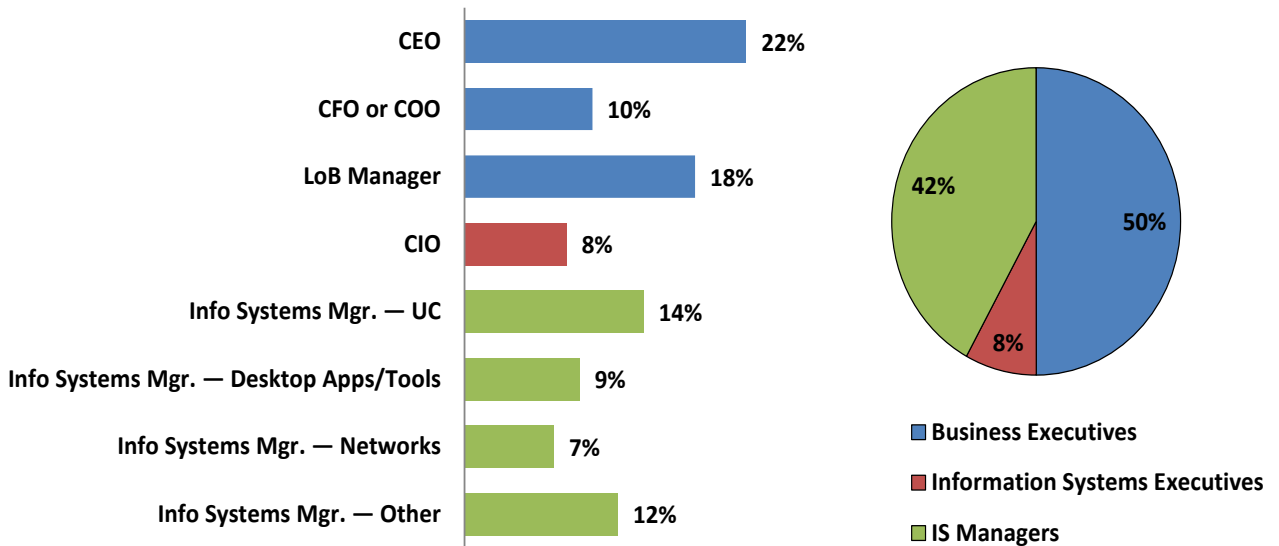
Distribution of Participating Enterprises by Type of Decision-Maker

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.

Fifty percent were executives who are responsible for business decisions, including CEOs, CFOs, COOs and line of business managers.

The IS (Information Systems) decision-makers included both executives and managers. The IS executives were the CIOs which represented 8% of the respondents. The IS managers, which accounted for 42% of the participants in this study, covered four different areas of IS responsibilities – Unified Communications (14%); Desktop Apps/Tools (9%); Networks (7%); and Other IS functions (12%).

Exhibit 2 Distribution of Participating Enterprises by Type of Decision Maker



Source: InfoTrack: End-user Primary Research, 3Q2016

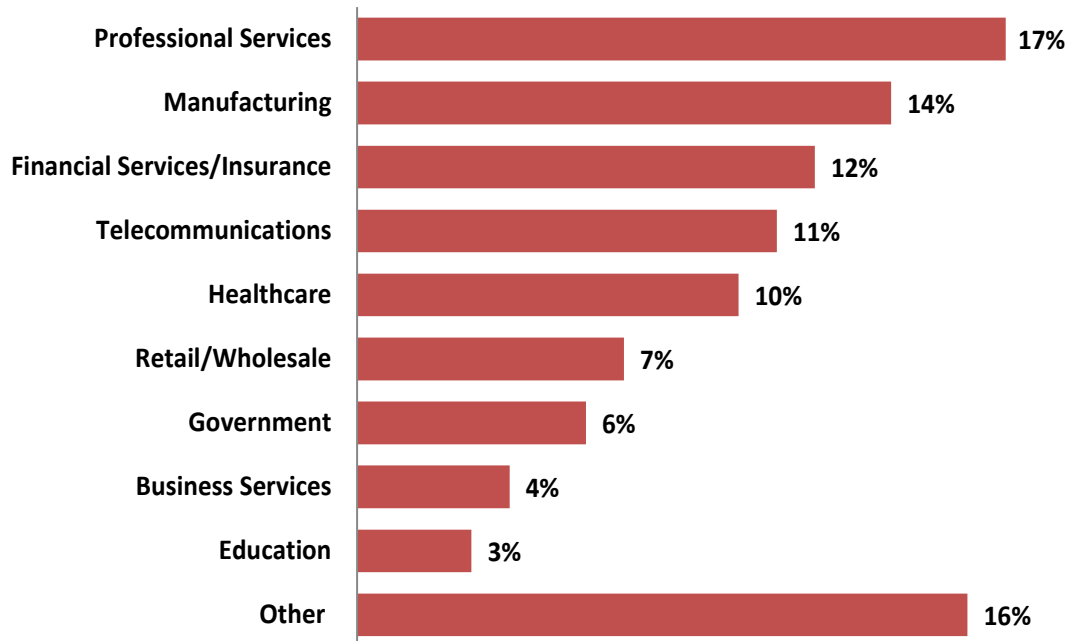
Distribution of Participating Enterprises by Type of Industry

Exhibit 3 shows the industry segment distribution of the Enterprise decision-makers who participated in this study. The participants represented 9 different industries plus others.

The top five industries accounted for almost two-thirds of the Enterprise respondents, led by Professional Services with 17% and Manufacturing at 14% followed by Financial Services/Insurance, Telecommunications and Healthcare, with 12%, 11% and 10%, respectively.

The next four industries represented 20% of the total, including, Retail/Wholesale, Government, Business Services and Education. The remaining industries in the 'Other' category included, Utilities, Travel, Media and Agriculture.

Exhibit 3 Distribution of Participating Enterprises by Type of Industry



Source: InfoTrack: End-user Primary Research, 3Q2016

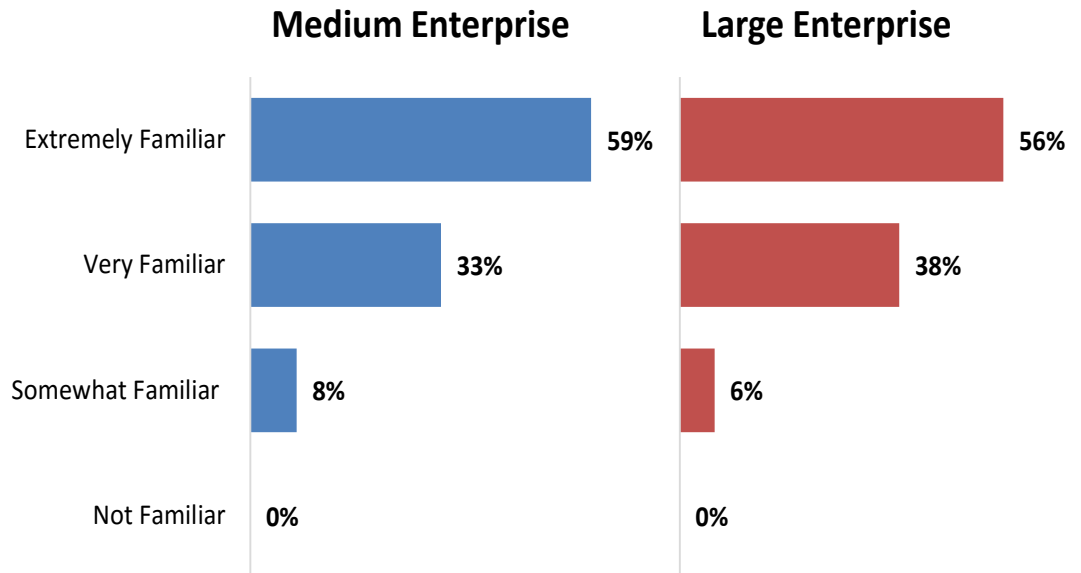
Enterprise Familiarity with Microsoft Skype for Business

All of the decision-makers in this study were 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 Skype for Business. Exhibit 4 shows the results.

Ninety two percent of the Medium Enterprises (MEs) were either “*Extremely Familiar*” or “*Very Familiar*” with Microsoft Skype for Business, including 59% in the “*Extremely Familiar*” category. Among Large Enterprise (LE) decision-makers, 56% were “*Extremely Familiar*” with Skype for Business and another 38% were “*Very Familiar*.”

None of the MEs or LE decision-makers indicated that they were “*Not Familiar*” with Microsoft Skype for Business.

Exhibit 4 Enterprise Familiarity with Microsoft Skype for Business
Among All Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Status on Trialing Microsoft EV Platforms On-Premises

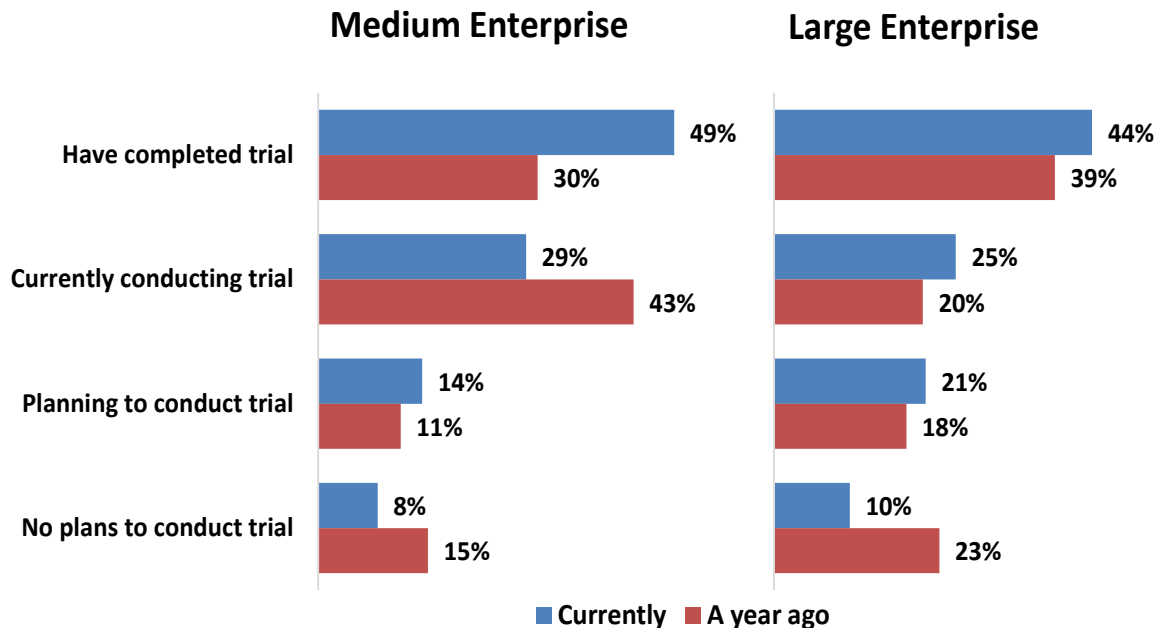
Enterprise decision-makers were asked about their plans to trial Microsoft Skype for Business EV or Lync EV. Exhibit 5 shows the results.

Currently, 78% of the Medium Enterprises studied - companies with 500 to 2,499 employees - are either conducting or had completed on-premises trials of Microsoft Skype for Business EV or Lync EV. That was up from 73% in last year's study. Only 8% of the Medium Enterprises indicated they had no plans to trial EV using Skype for Business or Lync, down from 15% last year.

U.S. Large Enterprises (businesses with 2,500 or more employees) had similar results with 69% either currently conducting trials of Microsoft EV on-premises or having completed those trials, compared to 59% a year ago.

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

Exhibit 5 Current Status of Enterprise Trials of Microsoft EV vs. A Year Ago
Among All Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Perceptions of Microsoft Capabilities for Enterprise Voice

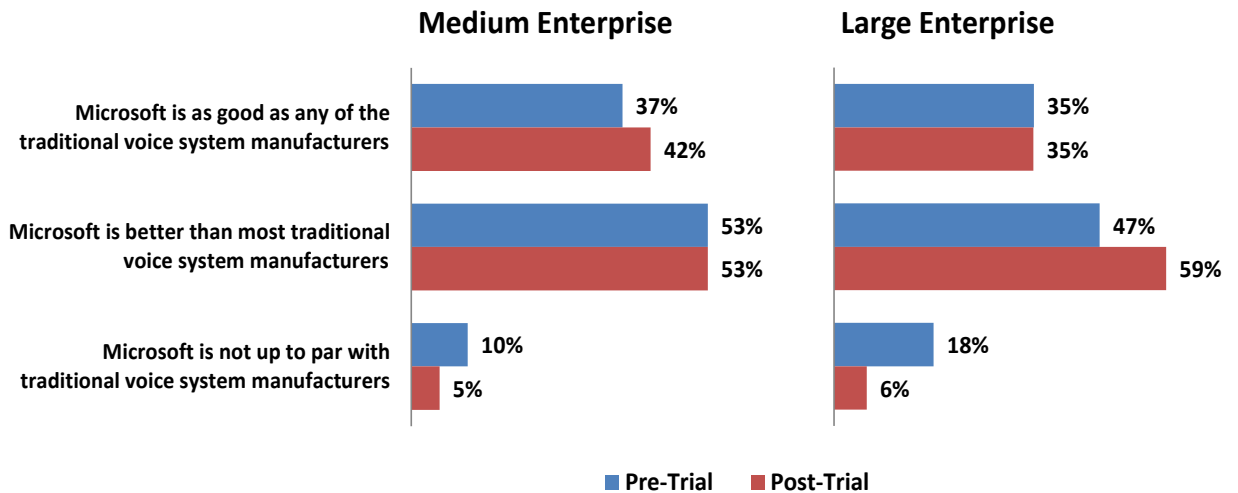
Exhibit 6 shows how trials affected Enterprises' perception of the capabilities of Microsoft's Enterprise Voice systems.

For Medium Enterprises, trialing led to an improvement in the perception of Microsoft's capabilities for Enterprise Voice. Those believing that "Microsoft is as good as most leading voice system manufacturers" increased from 37% before trials to 42% after trials. The 5% that changed their views were previously in the group which, prior to the trial, indicated "Microsoft is not up to par with leading voice system manufacturers." 10% of the MEs held that negative perception before the trial compared to only 5% after the trial. Over half of the MEs believe that "Microsoft is better than most leading voice system manufacturers."

The perceptions of Microsoft's Enterprise Voice capabilities were even more positive among Large Enterprises. 59% stated that "Microsoft is better than most traditional voice system manufacturers" after the trials, which was up 12 points (from 47%) after the trials. As in the ME segment that change in perception was among the group which indicated "Microsoft is not up to par with leading voice system manufacturers," before the trial. 18% of the LEs had that negative perception before the trial compared to only 6% after the trial.

Exhibit 6 Enterprise Perceptions of Microsoft Enterprise Voice Capabilities

Among Enterprises Who Have Completed or are Currently Trialing



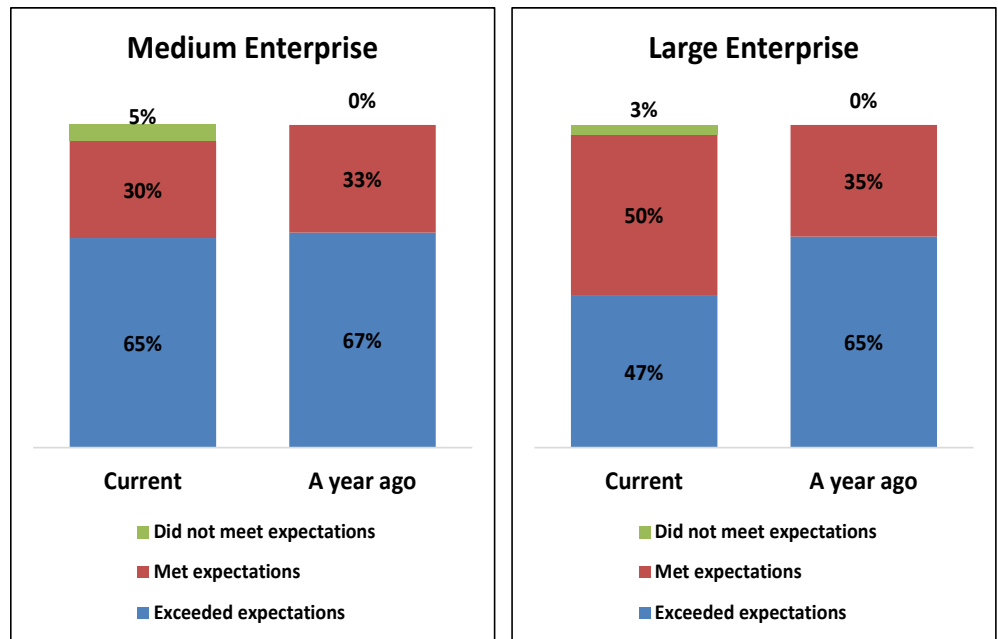
Source: InfoTrack: End-user Primary Research, 3Q2016

Performance of Microsoft Enterprise Voice During Enterprise Trials

Enterprises which are currently trialing or had completed trials of Microsoft Skype for Business with EV were asked about their satisfaction with the performance of Enterprise Voice. These results were compared with those from last year's study which rated the performance of Lync with Enterprise Voice. This comparison is shown in Exhibit 7. Last year, the Enterprise decision-makers who were asked about the performance of Enterprise Voice during Microsoft Lync trials all said that it had "Met or exceeded their expectations." This year when the Enterprise decision-makers were asked about the performance of Enterprise Voice during trials of Microsoft Skype for Business, 95% of the Medium Enterprises (ME) and 97% of the Large Enterprises (LE) said it had "Met or exceeded their expectations."

In this year's study, 5% of the MEs and 3% of the LEs indicated that the performance of Enterprise Voice during their trials of Skype for Business had "Not met their expectations." Although this is a very small percentage, it raises the question as to whether there is a difference in the performance of Enterprise Voice between Microsoft Lync and Microsoft Skype for Business, or whether the expectations of the Enterprise decision-makers this year are somewhat higher than last year. It is possible that Enterprises who have held off trialing for several years have done so because of specific company or vertical segment needs that may challenge vendors' capabilities.

Exhibit 7 Performance of Microsoft Enterprise Voice During Trials
Among Enterprises Who Have Completed or are Currently Trialing



Source: InfoTrack: End-user Primary Research, 3Q2016

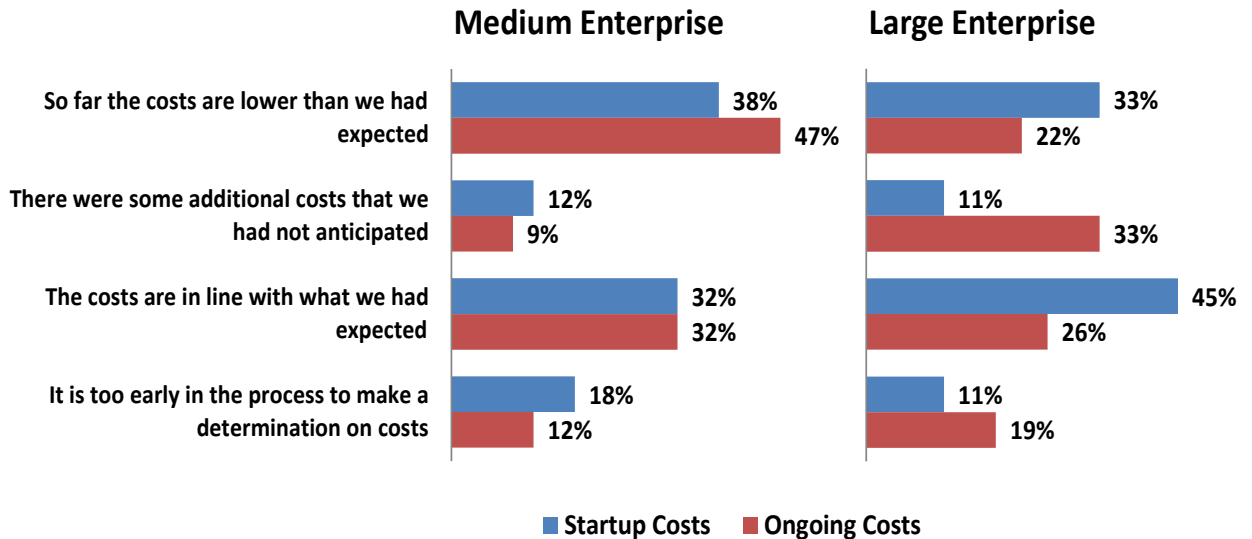
Enterprise Perspectives on Costs of Implementing Skype for Business with EV

Exhibit 8 shows how Enterprises viewed the actual startup costs and ongoing costs of implementing Skype for Business with Enterprise Voice compared to their expectations about those costs.

38% of Medium Enterprises and 33% of Large Enterprises indicated that the “Startup costs were lower than they had expected.” This is in line with the percent of Enterprises which expressed that opinion a year ago. Only 12% of MEs and 11% of LEs stated that “There were some additional startup costs that they had not anticipated.” This was a significant improvement over last year, particularly among MEs.

The results were even more positive with respect to the **ongoing** costs of implementing Microsoft Skype for Business with Enterprise Voice. In this case, 47% of Medium Enterprises and 22% of Large Enterprises indicated that the “Ongoing costs were lower than they had expected.” This was double the views of Enterprises regarding ongoing costs a year ago. Only 9% of MEs and 33% of LEs stated that “There were some additional costs that they had not anticipated.” Among MEs this was a 27 point improvement compared to the percent of MEs that indicated last year that ongoing costs were higher than expected. Among LEs there was a 13 point improvement.

Exhibit 8 Enterprise Perspectives on Costs of Implementing Skype for Business with EV
 Among Enterprises Who have Completed or are Currently Trialing



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Plans for Deploying Microsoft Enterprise Voice Beyond Trials

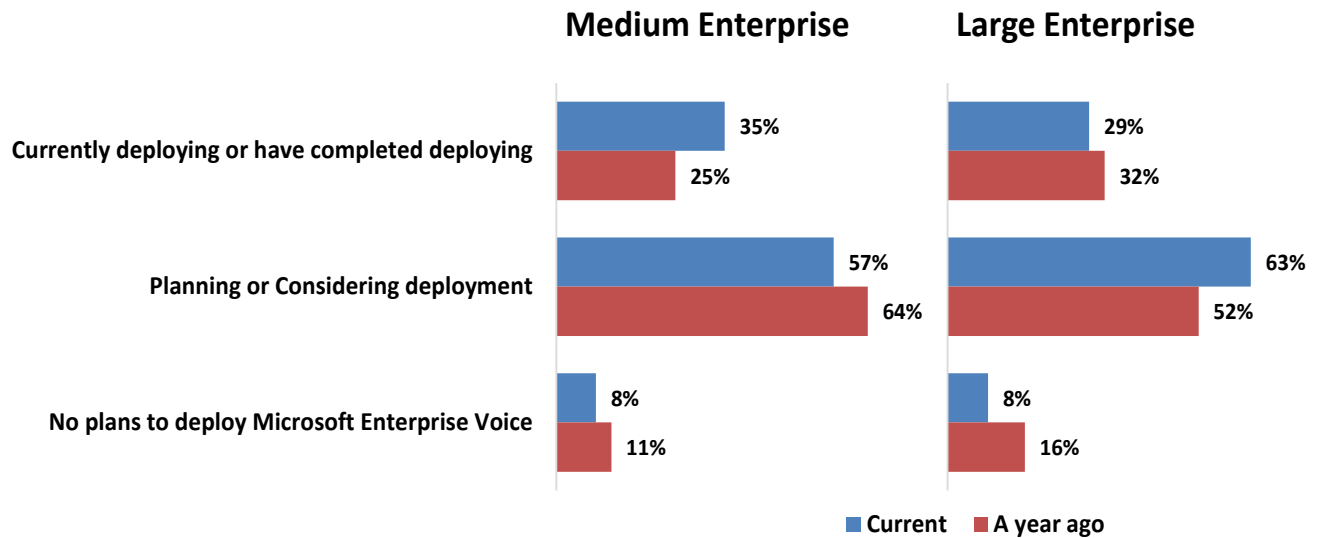
The Enterprise decision-makers were asked about their plans for deploying Skype for Business with Enterprise Voice (EV) as an on-premises system. Exhibit 9 depicts their responses.

Last year, 25% of U.S. MEs had begun on-premises deployment of Skype for Business EV or Lync EV, subsequent to conducting an EV trial. An additional 64% were in the planning stages of deployment or were considering deployment, for a combined total of 89%. In this year's study, that total reached 92%, with 35% of the MEs currently deploying Skype for Business EV or Lync EV plus an additional 57% which are considering or planning to deploy Microsoft EV. This was a clear indication that the rebranding of Lync as Skype for Business has not reduced the momentum that Lync EV had built up among Medium Enterprises. The percent with "No Plans to Deploy" was only 8%, down from 11% a year ago.

The percent of LEs that are deploying Skype for Business EV or Lync EV on-premises after conducting trials declined slightly in the past year, from 32% to 29%. But another 63% of LEs are currently considering or planning to deploy Skype for Business EV or Lync EV, up from 52% last year. Some of decline in the percent of LEs that are currently deploying Skype for Business EV or Lync EV may be due to some who decided to use the MS Cloud PBX version instead. Enterprise perceptions of Cloud PBX will be addressed later in this section of the report.

Exhibit 9 Enterprise Plans for Deploying Microsoft Enterprise Voice Beyond Trials

Among All Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprises’ Top Reasons for Deploying Skype for Business with EV On-Premises

T3i asked the Enterprise decision-makers, who had deployed, are currently deploying or are planning to deploy Skype for Business EV or Lync EV on-premises, to rank the top reasons for that decision. The results are shown in Exhibit 10.

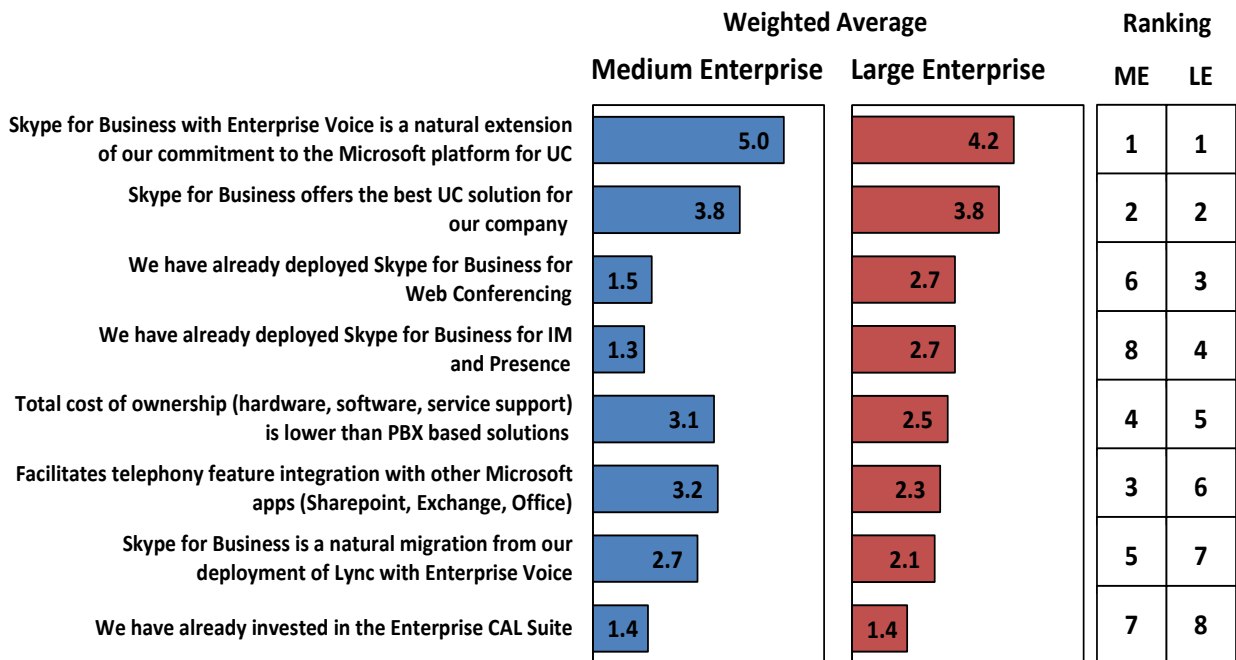
The top reason among both MEs and LEs was that “*Skype for Business with Enterprise Voice is a natural extension of our commitment to the Microsoft platform for UC.*”

The second most important reason among both MEs and LEs was “*Skype for Business offers the best UC solution for our company.*” The third most important reason among MEs was “*Facilitates voice feature integration with other Microsoft applications (e.g. Sharepoint, Exchange, Office).*” LEs’ third most important reason was, “*We have already deployed Skype for Business for Web Conferencing.*”

All of these top reasons reflect Microsoft’s ability to leverage its strong market presence in UC apps into a rapidly growing share of the Enterprise Voice market. Microsoft has been successful in convincing Enterprises 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 demonstrate that adding Enterprise Voice is just an extension to the platform that can be added incrementally.

Exhibit 10 Enterprises’ Top Reasons for Deploying Skype for Business EV Beyond Trials

Among Enterprises Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Rankings of Microsoft Among UC Application Vendors

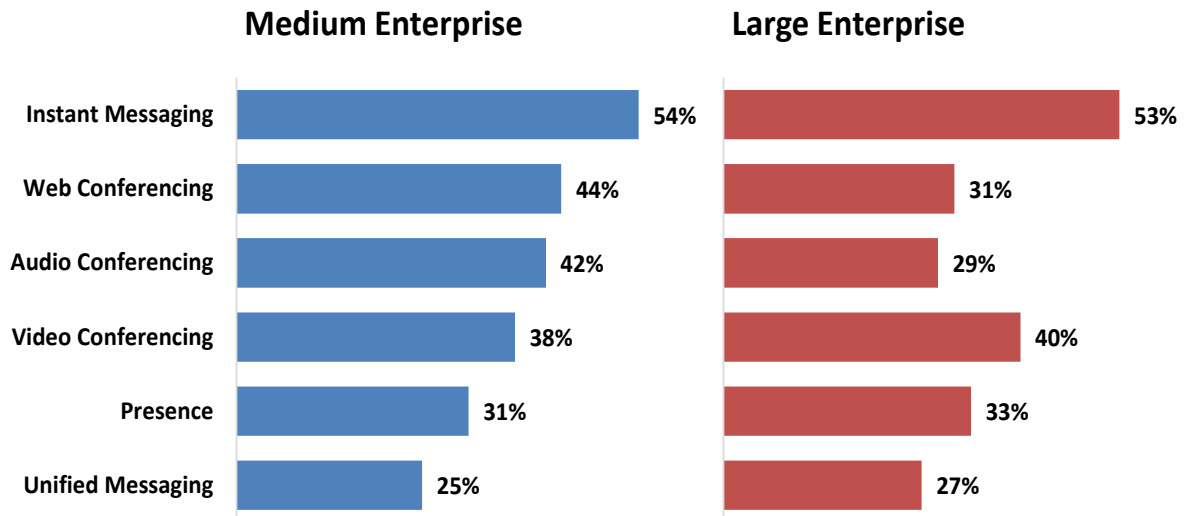
Microsoft’s strong position in the U.S. market for UC apps is further validated by the responses from Enterprise decision-makers in their ranking of Microsoft among their vendors of six different UC apps. The graph in Exhibit 11 reflects the percentage of Enterprises which ranked Microsoft as their top vendor in each of these apps.

More than half of both the ME and LE decision-makers that participated in this year’s study ranked Microsoft as their top vendor for Instant Messaging. Between 38% and 44% of the ME decision-makers ranked Microsoft as their top vendor for each of the three UC Conferencing apps – Web Conferencing, Video Conferencing and Audio Conferencing. The LE decision-makers were not quite as positive as the MEs, as 29% to 40% ranked Microsoft first in each of these Conferencing apps.

Microsoft also ranked relatively well in the remaining UC apps – Presence and Unified Messaging. 31% of MEs and 33% of LEs ranked Microsoft first in the Presence app. Microsoft was ranked as the top vendor in Unified Messaging by 25% of the MEs and 27% of the LEs.

These results confirm the findings of the preceding exhibit that Microsoft has a strong position in the U.S. Enterprise market for UC apps, which it is able to leverage in order to penetrate the Enterprise Voice market. The next exhibit further validates this conclusion.

Exhibit 11 Enterprise Rankings of Microsoft Among UC App Vendors
 Percent of Enterprises which Ranked Microsoft as Their Top Vendor in Each Application



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprises Ranking Microsoft First for Multiple UC Apps

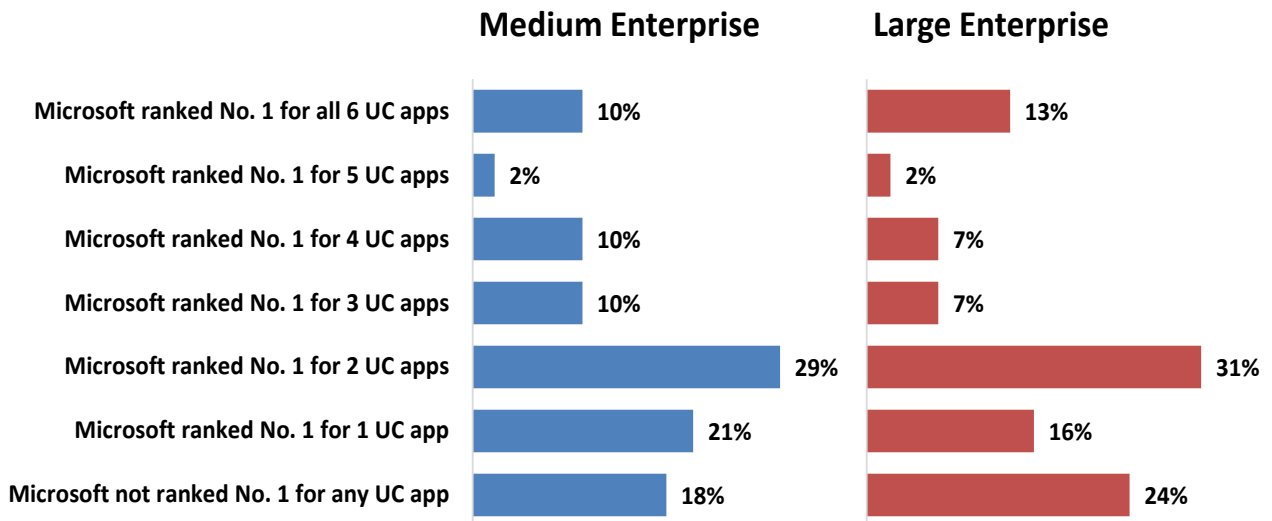
Exhibit 12 provides another perspective on the results of the preceding exhibit. This exhibit displays the percentage of Enterprises that ranked Microsoft as their top vendor for multiple UC apps and relates that to the percent who have deployed or are currently deploying Microsoft EV.

The data in the chart below shows that 32% of the MEs and 29% of the LEs ranked Microsoft as their top vendor for three or more of the six UC apps. By correlating the survey results and considering only the Enterprises which are currently deploying or had completed deploying Microsoft EV on-premises, it can be determined that 35% of those MEs and 64% of those LEs ranked Microsoft as their top vendor for **three** or more of the six UC apps.

Furthermore, this exhibit shows that 61% of MEs and 60% of LEs ranked Microsoft as their top vendor for at least **two** of these UC apps. 43% of that group of MEs and 44% of the group of LEs are currently deploying or had completed deploying either Skype for Business EV or Lync EV.

Clearly, customer satisfaction with application capabilities and performance plays a significant role in customer adoption of Skype for Business EV or Lync EV.

Exhibit 12 Enterprises Ranking Microsoft First for Multiple UC Apps
 Percent of Enterprises which Ranked Microsoft First in Multiple UC Apps



Source: InfoTrack: End-user Primary Research, 3Q2016

Microsoft Channels Preferred by Enterprises for Purchasing Skype for Business EV

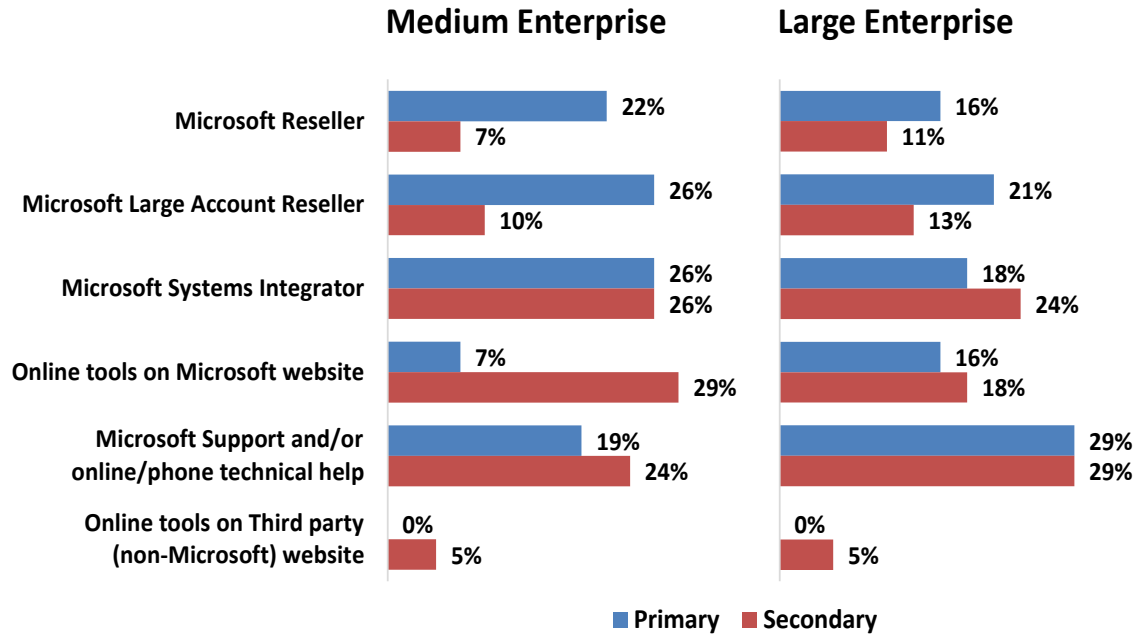
The Enterprises that are deploying or planning to deploy Skype for Business EV on-premises were asked to identify the primary and secondary Microsoft channels they were using to purchase Skype for Business EV. Their responses are shown in Exhibit 13.

Among the MEs, 26% selected “Microsoft Large Account Resellers” as their primary channel. Another 26% favored “Microsoft Systems Integrators” as their primary channel. Over half of the MEs identified support functions that Microsoft provides as their secondary channel. These were divided between “Online tools on Microsoft website” (29%) and “Microsoft Support and/or online/phone technical help” (24%). 26% of MEs also chose “Microsoft Systems Integrators” as their secondary channel.

The Large Enterprises appeared to be more self-sufficient as 29% of the LEs listed “Microsoft Support and/or online/phone technical help” as their primary channel. Another 29% of the LEs identified that same group as their secondary channel. “Microsoft Large Account Resellers” accounted for 21% of the primary channels listed by the LEs. “Microsoft Systems Integrators” had the second highest percentage of the Secondary channels posted by the LEs.

Exhibit 13 Microsoft Channels Preferred by Enterprises for Purchasing Skype for Business EV

Among Enterprises Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Ratings of Microsoft Channel Partner Attributes

The U.S. Enterprises that identified their preferred Microsoft Channels in the previous exhibit, were also asked to rate those channels on a variety of attributes. Their ratings are shown in Exhibit 14.

The Rating scale was 4 - Excellent; 3 - Very Good; 2 - Average and 1 - Below Average. **Each of the nine attributes received a Very Good rating in the range of 2.9 to 3.2.** Among the LEs, the following attributes received a rating of 3.2:

- Understands the complexities of Enterprise Voice
- Builds strong relations with our IT organization

This is a very positive indication of the progress that Microsoft channels have made since Microsoft first entered the Enterprise Voice market.

Among the MEs, three attributes received a rating of 3.1:

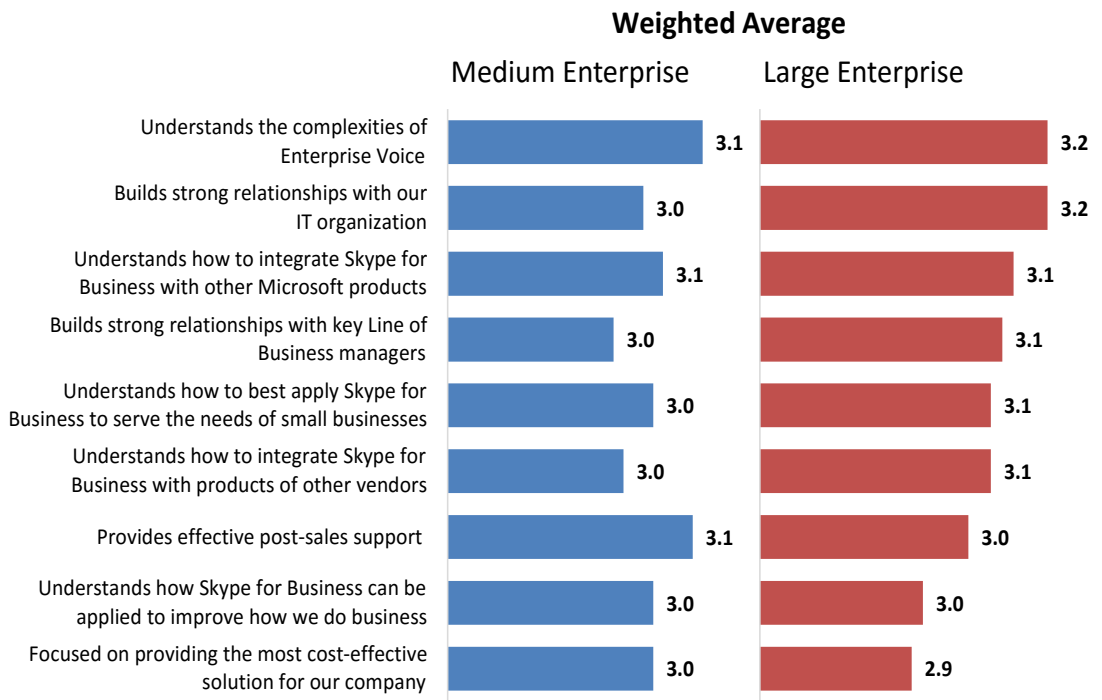
- Understands the complexities of Enterprise Voice
- Understands how to integrate Skype for Business with other Microsoft products
- Provides effective post-sales support

The attribute that received the lowest rating at 2.9 was:

- Focused on providing the most cost-effective solution for our company

Exhibit 14 Enterprise Ratings of Microsoft Channel Partner Attributes

Among Enterprises Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Familiarity with Microsoft EV Related Services in Office 365

Exhibits 4 through 14 in this section of the report focused on Microsoft’s status in the U.S. Enterprise market for on-premises Enterprise Voice systems. The next six exhibits will examine Microsoft’s position in the U.S. Enterprise market for cloud-based Enterprise Voice Services.

In the past year, Microsoft has significantly enhanced Office 365, its signature cloud-based service, by integrating five services related to Enterprise Voice, including MS Cloud PBX which is the cloud-based version of Skype for Business.

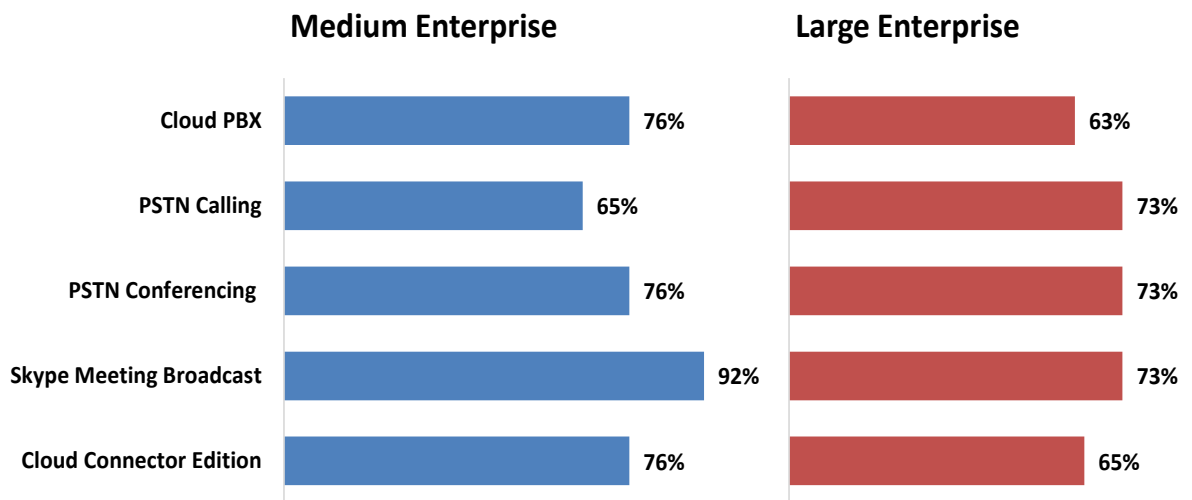
The Enterprise participants in this survey were asked to express their level of familiarity with these five services. Exhibit 15 reflects the percentage of these Enterprise decision-makers that said they were either “*Extremely Familiar*” or “*Very Familiar*.”

About three-quarters of these Enterprise decision-makers indicated that they were “*Extremely*” or “*Very Familiar*” with three of these services. Almost two-thirds of the LEs had that same level of familiarity with the other two services. There was one service with which almost two-thirds of the MEs had that high level of familiarity. The service with the highest percentage of familiarity overall was Skype Meeting Broadcast. 92% of MEs indicated that they were “*Extremely*” or “*Very Familiar*” with that service

This broad level of familiarity reflects the high level of Enterprise interest in Microsoft’s major thrust into the cloud-based market.

Exhibit 15 Enterprise Familiarity with Microsoft EV Related Services in Office 365

Percent of Respondents Extremely or Very Familiar with These Services



Source: InfoTrack: End-user Primary Research, 3Q2016

Current Status of Enterprises Using Enterprise Voice in Microsoft Cloud PBX

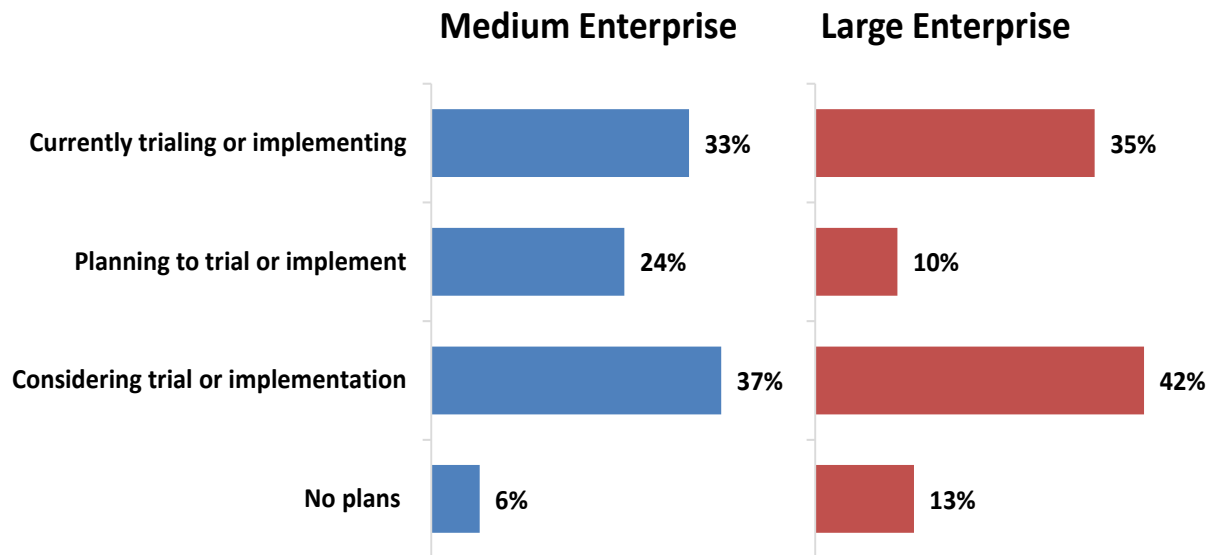
Enterprise participants were asked about their plans for using the capabilities of Microsoft’s Cloud PBX within Office 365 to obtain cloud-based Enterprise Voice services. The results are shown in Exhibit 16.

One-third of the ME decision-makers indicated that they are currently using MS Cloud PBX, either in trials or implementation. Another 24% are planning to use MS Cloud PBX and 37% indicated that they are considering the use of MS Cloud PBX. Only 6% of the MEs had no plans regarding the use of MS Cloud PBX.

LE decision-makers reported similar plans regarding Microsoft’s Cloud PBX. 35% are currently either trialing or implementing MS Cloud PBX for Enterprise Voice. Another 10% had plans to do so, and 42% said they are considering the use of MS Cloud PBX. Only 13% of the LEs had no plans to use MS Cloud PBX.

Clearly, the interest in MS Cloud PBX is very strong among both these Enterprise segments, even though Microsoft has stated that MS Cloud PBX does not yet offer the full Enterprise Voice capabilities of Skype for Business.

Exhibit 16 Current Status of Enterprises Using Microsoft’s Cloud PBX
Among All Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Platform for Enterprise Voice Prior to Migration to MS Cloud PBX

T3i asked the Enterprises that were currently using or planning to use MS Cloud PBX to identify the platform that they were using for Enterprise Voice prior to their planned migration to MS Cloud PBX. Their responses are shown in Exhibit 17.

The vast majority of MEs and LEs that have begun to use or are planning to use Microsoft's Cloud PBX, are migrating from one of Microsoft's on-premises platforms for Enterprise Voice, primarily Skype for Business, but also its predecessor, Lync.

Seventy percent of the MEs and 55% of the LEs indicated that Skype for Business was the on-premises EV platform from which they are migrating to MS Cloud PBX. An additional 25% of MEs and 27% of LEs responded that they are migrating from Lync.

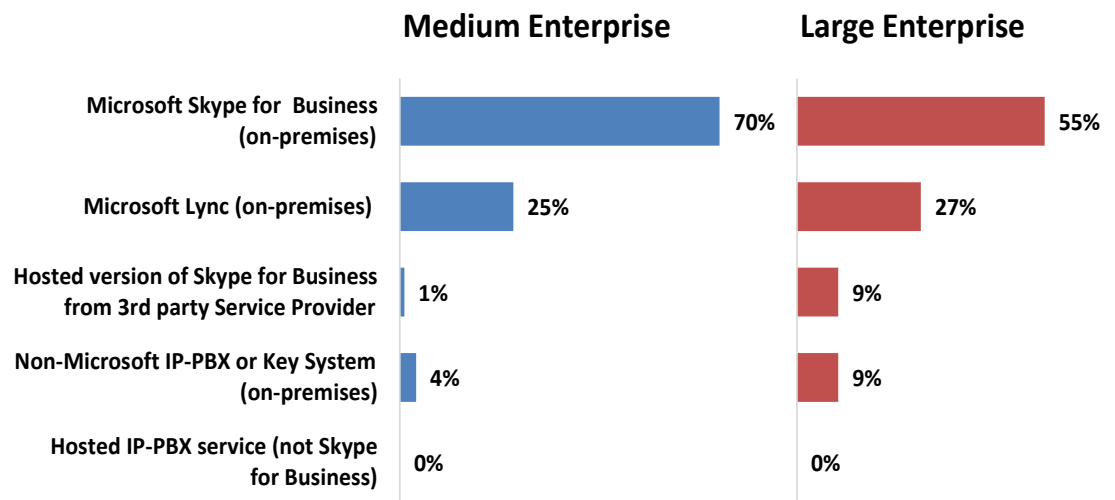
There was also a small percentage of companies which indicated that they are migrating to MS Cloud PBX from a different cloud-based version of Skype for Business hosted by a 3rd party service provider. 9% of LEs and 1% of MEs are making this type of migration to MS Cloud PBX.

Nine percent of LEs and 4% of MEs said that they would be migrating away from non-Microsoft IP-PBXs or Key Systems. None indicated that they were previously using a different hosted IP-PBX service, (not based on Skype for Business), prior to their migration.

Clearly, Microsoft is cannibalizing its own CPE base (although Mitel and ShoreTel are trying to do the same thing). As entities migrate to MS Cloud PBX, Microsoft's overall share of the U.S. market for EV would only be expected to increase slightly as over 90% of those migrations are expected to come from other Microsoft EV platforms.

Exhibit 17 Enterprise Platform for EV Prior to Migration to MS Cloud PBX

Among Enterprises Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Preferred Licensing Methods for MS Cloud PBX Among Enterprises

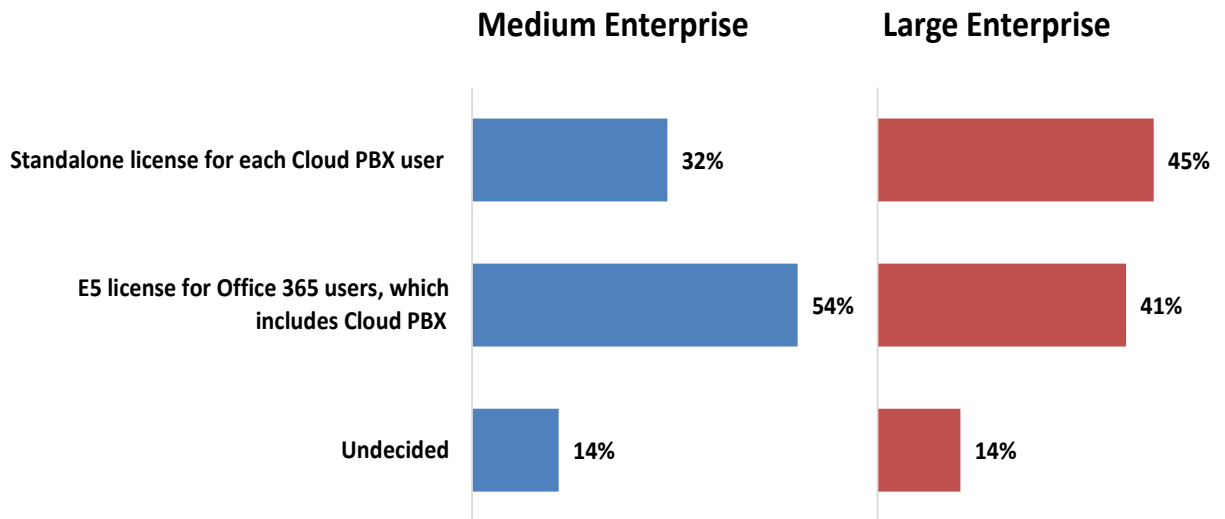
Microsoft offers two types of user licenses for MS Cloud PBX within Office 365. One is a bundled license approach which provides users with the full standard set of Office 365 services plus MS Cloud PBX and PSTN Conferencing. The other method is a standalone license for MS Cloud PBX only, at a much lower price. Enterprises that are currently using or planning to use MS Cloud PBX were asked which of these two types of licenses they intended to use.

LEs were somewhat evenly divided with 45% opting for the standalone licenses and 41% favoring the bundled approach with E5 CAL licenses. More than half of the MEs (54%) preferred the E5 bundled license, and 32% preferred the Standalone license approach.

14% of both MEs and LEs indicated that they were currently undecided.

Exhibit 18 Enterprise’s Preferred Licensing Methods for MS Cloud PBX

Among Enterprises Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Top Reasons Enterprises are Migrating to MS Cloud PBX

Enterprise decision-makers were asked to rate their primary reasons for deciding to use MS Cloud PBX for Enterprise Voice. Their responses are summarized in Exhibit 19.

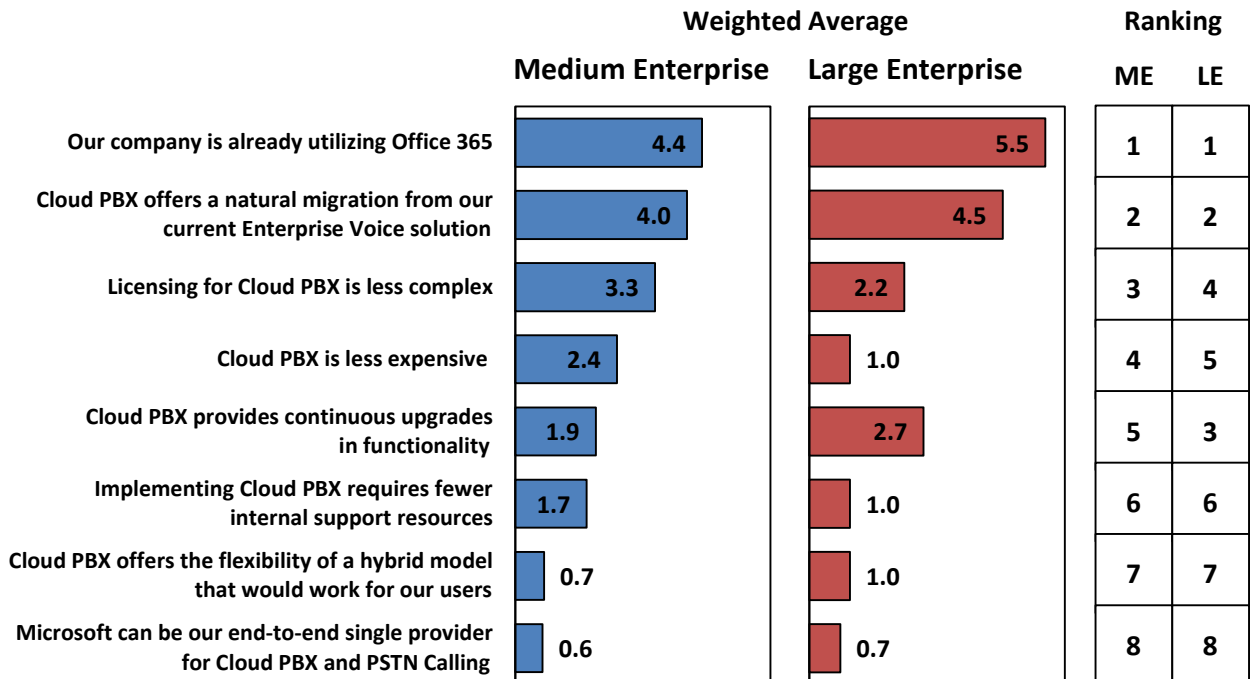
Among the MEs and LEs that are currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was “*Our Company is already using Office 365.*” The second highest reason for both the MEs and LEs was “*MS Cloud PBX offers a natural migration from our current Enterprise Voice solution.*” These top two reasons were consistent with the results presented in Exhibit 17 that over 90% of the Enterprises that are deciding to use Microsoft’s Cloud PBX, are already customers of other Microsoft EV platforms.

The next three most important reasons given by Large and Medium Enterprises (in different order) were:

- *Licensing for Cloud PBX is less complex*
- *Cloud PBX is less expensive*
- *Cloud PBX provides continuous upgrades in functionality*

At least two of these three reasons are generic benefits of all cloud solutions. The fact that the top two reasons took precedence over these generic reasons demonstrates the power of an easy migration path.

Exhibit 19 Top Reasons Enterprises are Migrating to MS Cloud PBX
Among Enterprises Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Top Reasons Other Enterprises are NOT Migrating to MS Cloud PBX

T3i also asked the Enterprise decision-makers which had decided **not** to use MS Cloud PBX for Enterprise Voice to rate their primary reasons for that decision. Their responses are summarized in Exhibit 20.

Among the MEs and LEs that are NOT currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was “*We are concerned about the security of Cloud PBX.*” The second reason for Both MEs and LEs was “*We are concerned about the expense of the connectivity required to assure QoS with Cloud PBX.*”

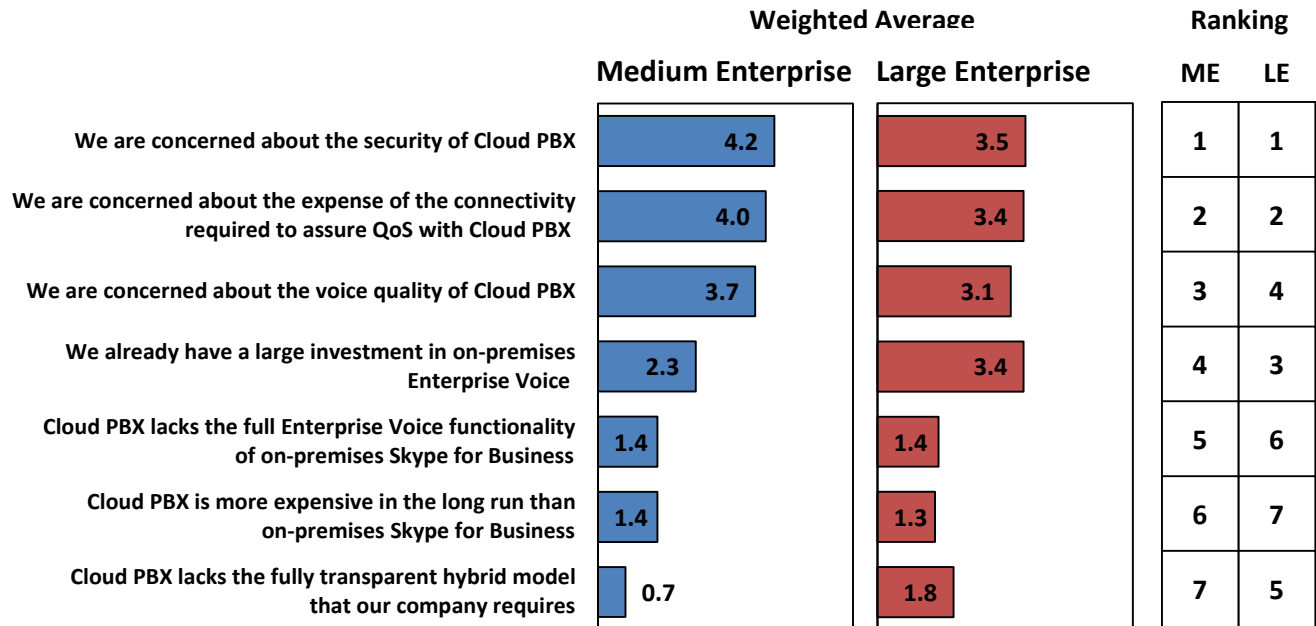
Other important reasons given by both LEs and MEs were:

- *We are concerned about the voice quality of Cloud PBX.*
- *We already have a large investment in on-premises Enterprise Voice*

All of these are the same generic reasons that entities cite for not moving to the cloud and none seem to be particularly pointed at Microsoft’s offer.

Exhibit 20 Top Reasons Other Enterprises are NOT Migrating to MS Cloud PBX

Among Enterprises NOT Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Use of Microsoft EV Via On-Premises and/or MS Cloud PBX Constructs

The next three exhibits in this section analyze issues relating to both the On-Premises version of Skype for Business and the hosted version, MS Cloud PBX.

Exhibit 21 examines the Enterprises which indicated that they are currently deploying or had completed their deployment of Skype for Business, and the Enterprises which indicated that they are currently using MS Cloud PBX. These companies represented 51% of the MEs and 44% of the LEs that participated in this survey.

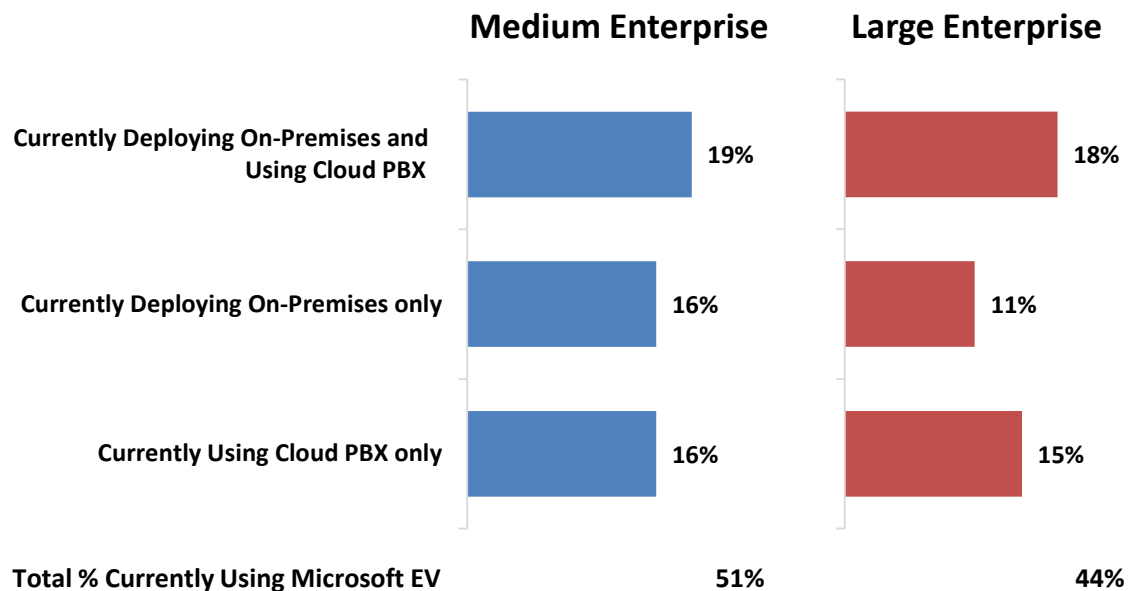
Among those LEs 18% are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. Another 15% stated that they are only using MS Cloud PBX. The remaining 11% indicated that they are only deploying on-premises platforms for Microsoft EV.

The distribution among the MEs was more evenly divided. 19% are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. Another 16% stated that they are deploying Microsoft EV using only on-premises platforms. The remaining 16% stated that they are currently only using MS Cloud PBX.

These results indicate that within the past year, a significant percentage of Enterprises, particularly LEs, which had been only deploying Microsoft EV on-premises, have shifted to deploying both on-premises and MS Cloud PBX.

Exhibit 21 Enterprise Use of Microsoft EV Via On-Premises and/or Cloud PBX

Among All Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Scope of Planned Enterprise Implementation of Microsoft EV

All of the Enterprise participants in this study were asked to characterize the scope of their potential deployment of Microsoft EV, including Skype for Business and/or MS Cloud PBX. They were able to choose from an array of five approaches that ranged from full-scale global deployment to only enabling selected individuals. The results are depicted in Exhibit 22.

46% of the LEs are planning a company-wide implementation that would cover either their entire U.S. operations (29%) or their complete global Enterprise (17%). 41% of the MEs also expected a company-wide implementation, nationwide or global.

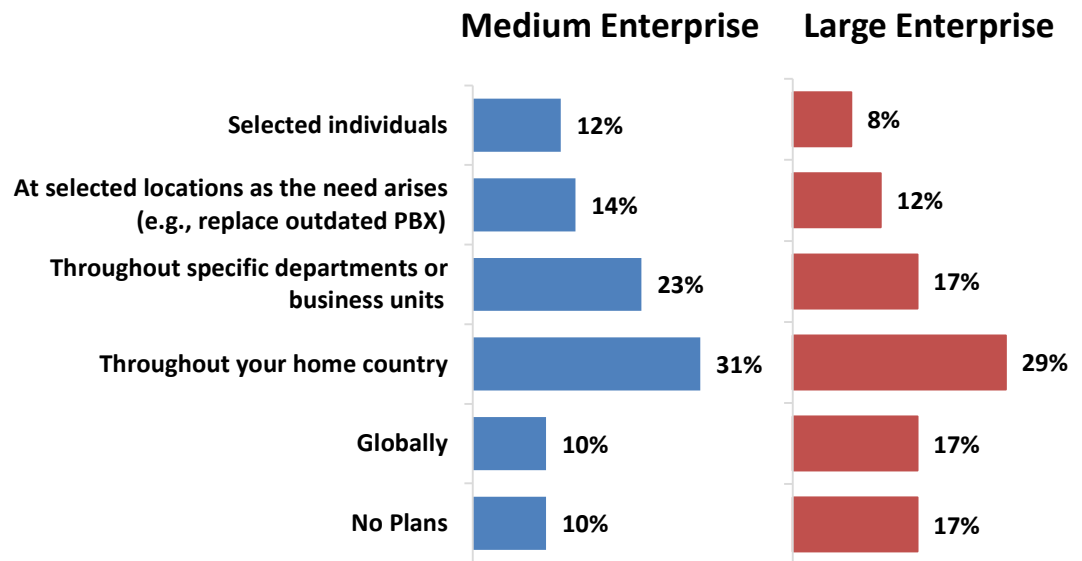
37% of the MEs are projecting a more selective scope of implementation, with 23% targeting specific departments or business units and 14% aiming at selected locations. Among the LEs, 29% favored this more selective scope, with 17% targeting specific departments or business units and 12% aiming at selected locations.

Interestingly, 12% of the MEs and 8% of the LEs are planning to limit their implementation of Microsoft EV to selected individuals. It is possible that the availability of MS Cloud PBX now makes it easier to introduce Microsoft's Enterprise Voice to only certain individuals such as specific teams.

The graph also notes that 10% of the MEs and 17% of the LEs have no plans for implementing either Skype for Business or MS Cloud PBX.

Exhibit 22 Scope of Planned Enterprise Implementation of Microsoft EV

Among All Enterprise Respondents



Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Penetration of MS Cloud PBX Among Microsoft EV Users

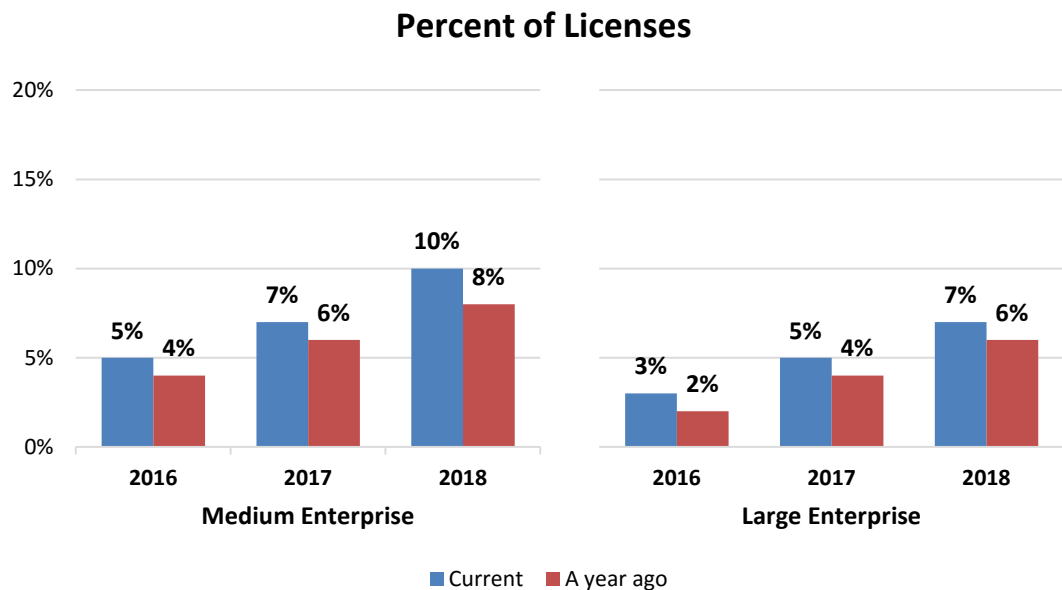
Early in 2015, Microsoft announced that they were integrating Skype for Business into their cloud-based Office 365. Later in the year, they introduced MS Cloud PBX as the brand for this cloud-based Enterprise Voice service. In last year's study, even before the availability of this service, T3i asked Enterprises to estimate what percent of their total users of Enterprise Voice from Microsoft would be using the cloud-based Office 365 version instead of the On-Premises version. This year T3i asked essentially the same question, referring to MS Cloud PBX as the Office 365 version. Exhibit 23 compares the current estimates with those from the 2015 study.

In the 2015 report, T3i stated that Office 365 Enterprise Voice was estimated to represent 4% of the total Skype for Business licenses in use by U.S. Medium Enterprises at the end of 2016 and 2% of the LE total. By the end of 2018, the percentage of Office 365 EV licenses was projected to increase to 8% of the ME EV licenses and 6% of the LE licenses.

In this year's study, the estimated penetration of MS Cloud PBX among ME users of Microsoft EV increased by two percentage points, topping out at 10% in 2018. In 2018 the estimated penetration among LE users is now projected to reach 7%, up one point from last year's study. The SMB section of this report will show a much greater estimated penetration of MS Cloud PBX among SMB users of Microsoft EV, with an increase of several percentage points compared to last year's study.

Exhibit 23 Enterprise Penetration of MS Cloud PBX Among Microsoft EV Users

MS Cloud PBX Licenses as a Percent of Enterprises' Total Estimated Microsoft EV Licenses



Source: InfoTrack: End-user Primary Research, 3Q2016

Importance to Enterprises of Hybrid Options in Cloud-based UC

In Exhibit 21 it was noted that almost 20% of Enterprises are currently implementing Microsoft EV both on-premises and in MS Cloud PBX indicating a need for hybrid capabilities using the two different modes. Hybrid offers generally consist of two sets of capabilities: 1) transparency and compatibility between the two different modes and 2) the level of flexibility that customers want in deciding which mode to use based on location, licensing options, individual users, or particular apps.

The Enterprises which are currently using or planning to use MS Cloud PBX were asked to rate the importance of these different levels of transparency and flexibility within the hybrid model. The percent that chose “*Extremely Important*,” are shown in Exhibit 24.

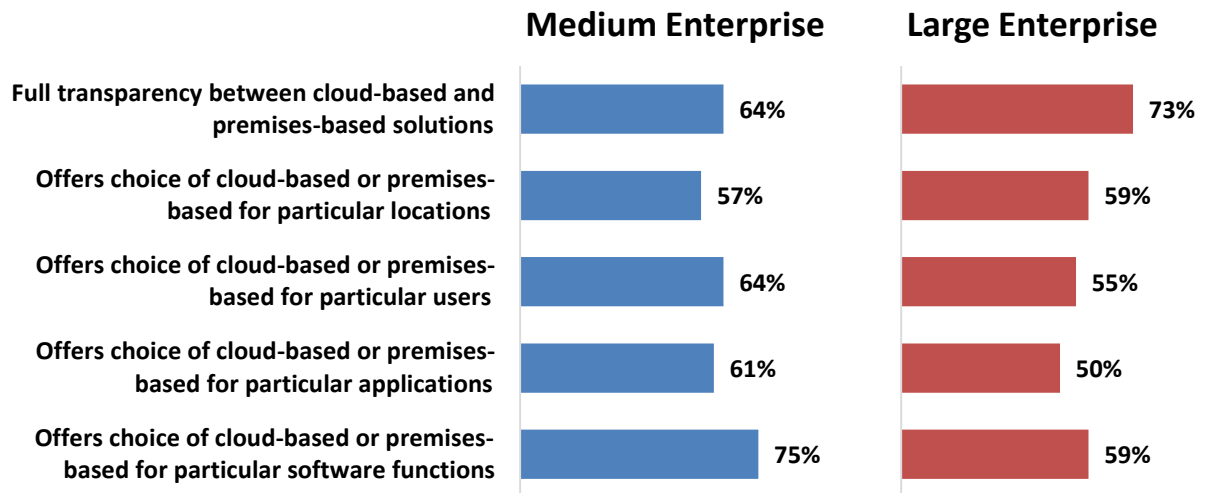
Among the LEs, 73% said that it was extremely important to have “*Full transparency between cloud-based and premises-based solutions.*” 64% of MEs indicated that was extremely important.

Among the MEs, 75% indicated that the highest level of flexibility was extremely important – “*The ability to choose whether a certain function within an application should be cloud-based or premises-based.*” The other three levels of flexibility received extremely important ratings from the MEs, ranging from 57% to 64%.

Among the LEs, 59% stated that two of the levels of flexibility were extremely important: 1) “*The ability to choose whether a certain function within an application should be cloud-based or premises-based;*” 2) “*The ability to choose whether a particular location should be cloud-based or premises-based.*” The other two levels of flexibility received extremely important ratings from the LEs ranging from 50% to 55%.

Exhibit 24 Importance to Enterprises of Hybrid Options in Cloud-based UC

Percent of Respondents that Selected “Extremely Important”



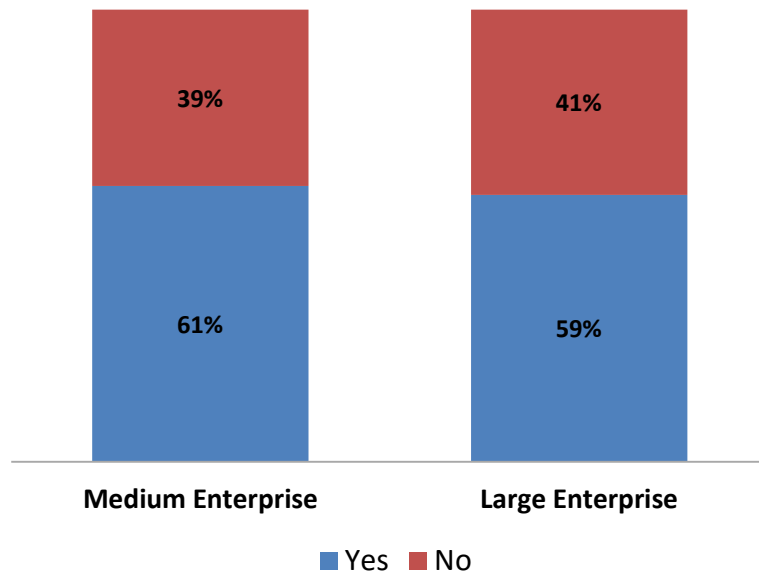
Source: InfoTrack: End-user Primary Research, 3Q2016

Enterprise Use of Cisco's Hybrid Service Based on Cisco Spark

Cisco offers a hybrid service based on Cisco Spark, which while not offering full hybrid transparency and flexibility, enhances existing CPE systems with cloud-based services making it unnecessary for customers to upgrade their CPE solutions. The Enterprise decision-makers in this study who are currently using or planning to use MS Cloud PBX, were asked whether they had ever evaluated or tested Cisco's Hybrid Service based on Cisco Spark. Exhibit 25 shows the percentage that answered "Yes" or "No."

61% of the Medium Enterprises and 59% of the Large Enterprises responded they had evaluated or tested Cisco Spark. The next exhibit examines their impressions of Cisco Spark.

Exhibit 25 Enterprise Evaluation or Testing of Cisco Spark
Among Enterprises that are Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Impact of Cisco Spark on Enterprise Decisions Regarding MS Cloud PBX and Office 365

The Enterprises which indicated that they had evaluated or tested Cisco Spark were asked what impact that experience had on their decision to implement MS Cloud PBX and Office 365. Their responses are shown in Exhibit 26.

59% of the Medium Enterprises and 38% of the Large Enterprises stated, “We were impressed with Cisco Spark but we prefer Skype for Business and Cloud PBX.”

54% of the Large Enterprises and 29% of the Medium Enterprises stated, “We were impressed with Cisco Spark but Office 365 is a more comprehensive Cloud service.”

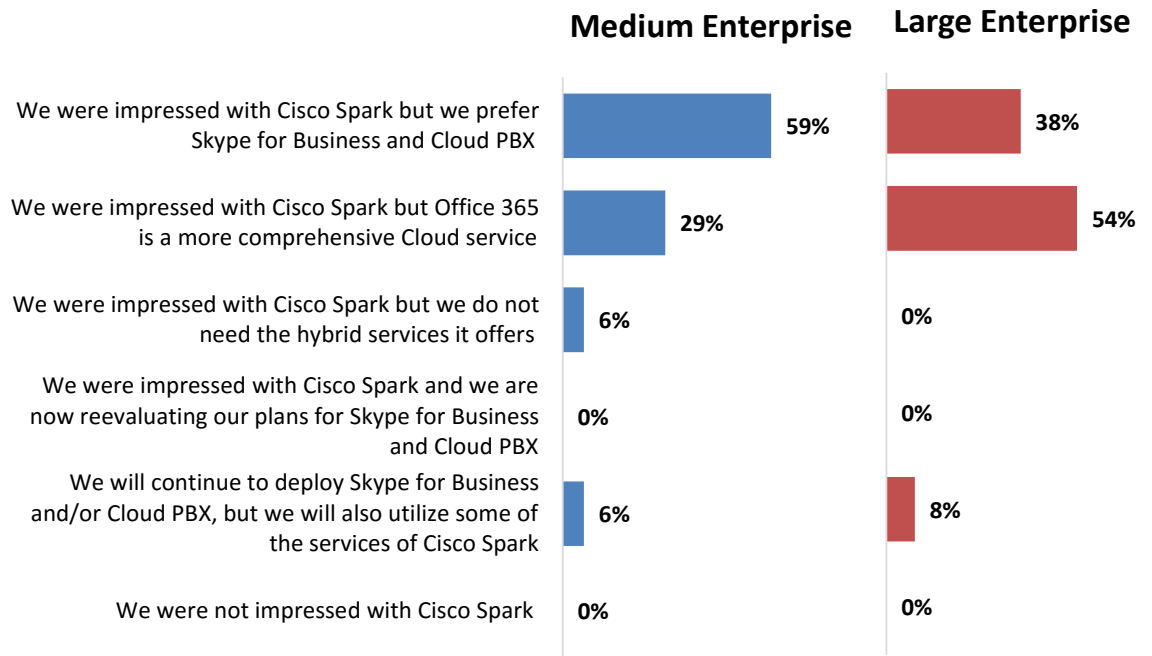
The majority of Large Enterprises discounted Cisco Spark because they felt committed to Office 365. The majority of Medium Enterprises discounted Cisco Spark because they felt committed to Skype for Business and MS Cloud PBX.

None of these Enterprise decision-makers responded that, “We were impressed with Cisco Spark and we are reevaluating our plans for Skype for Business and Cloud PBX.”

It appears that Cisco Spark will have minimal effect on Microsoft customers utilizing or planning to migrate to Microsoft Enterprise Voice and its primary market will be existing Cisco customers.

Exhibit 26 Impact of Cisco Spark on Enterprise Decisions Regarding MS Cloud PBX and Office 365

Among Enterprises that Evaluated or Tested Cisco Spark



Source: InfoTrack: End-user Primary Research, 3Q2016

Current Status of MEs Using Other EV-related Office 365 Services

Exhibit 15 shows responses from Enterprises about their familiarity with five services related to Enterprise Voice, which Microsoft offers as part of Office 365. One of those services was MS Cloud PBX which has been covered in-depth in several of the preceding exhibits. The final two exhibits in this section address the other four EV related services.

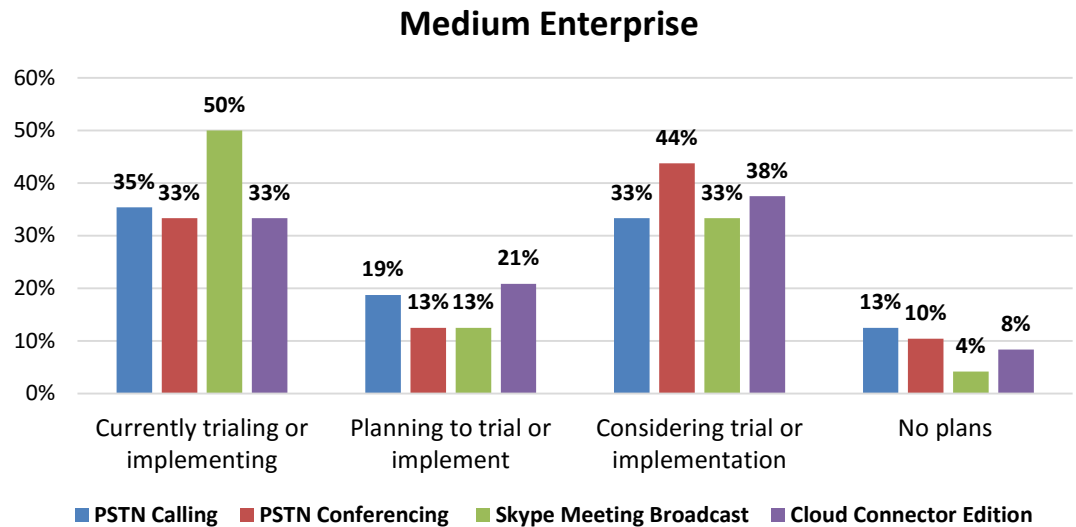
Exhibit 27 depicts the current status of MEs regarding their use of those other four EV related services. PSTN Calling provides Skype for Business users with Domestic or International calling plans over the public switched network or over Microsoft’s network. 35% of the MEs indicated that they are already using this service, and another 19% are planning to use it.

Office 365 now offers two Conferencing services – PSTN Conferencing which is a standard Audio Conferencing service and Skype Meeting Broadcast which enables customers to conduct an Internet based meeting with up to 10,000 attendees. 50% of the MEs indicated that they are already using Skype Meeting Broadcast, and 33% are currently using PSTN Conferencing.

Cloud Connector Edition provides Enterprises with on-premises connectivity between their existing PBX and Office 365. 33% of the MEs indicated that they are already using this service, and another 21% are planning to use it.

Exhibit 27 Current Status of MEs Using Other EV-related Office 365 Services

Among All Medium Enterprises



Source: InfoTrack: End-user Primary Research, 3Q2016

Current Status of LEs Using Other EV-related Office 365 Services

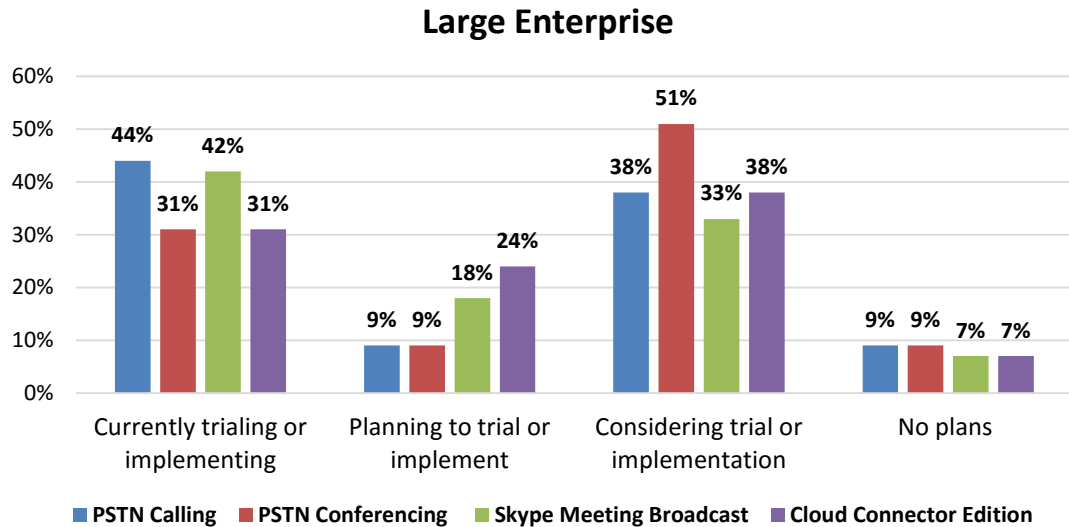
Exhibit 28 depicts the current status of LEs regarding their use of the other four EV related services in Office 365. PSTN Calling provides Skype for Business users with Domestic or International calling plans over the public switched network or over Microsoft’s network. 44% of the LEs indicated that they are already using this service, and another 9% are planning to use it.

Office 365 now offers two Conferencing services – PSTN Conferencing which is a standard Audio Conferencing service and Skype Meeting Broadcast which enables customers to conduct an Internet based meeting with up to 10,000 attendees. 42% of the LEs indicated that they are already using Skype Meeting Broadcast, and 31% are currently using PSTN Conferencing.

Cloud Connector Edition provides Enterprises with on-premises connectivity between their existing PBX and Office 365. 31% of the LEs indicated that they are already using this service, and another 21% are planning to use it.

Exhibit 28 Current Status of LEs Using Other EV-related Office 365 Services

Among All Large Enterprise



Source: InfoTrack: End-user Primary Research, 3Q2016

4. ANALYSIS OF SMB PLANS FOR MICROSOFT SKYPE FOR BUSINESS ENTERPRISE VOICE

Demographics of SMB Survey Participants

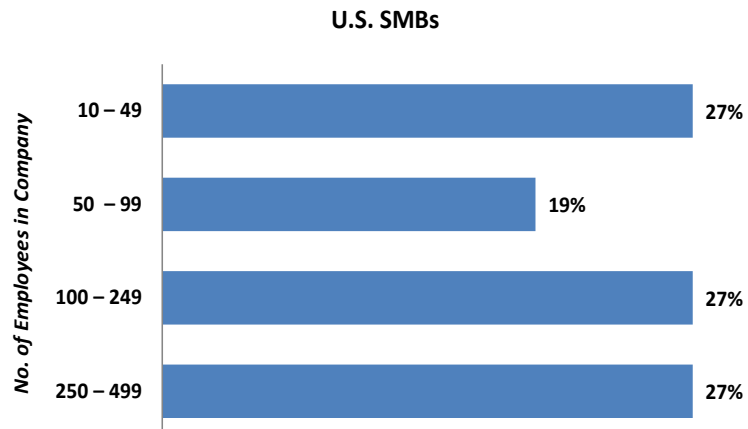
The exhibits in this section of the report are based on responses from U.S. business and institutional entities with 10 to 499 employees. IUC refers to these entities as SMBs. During July 2016, surveys were completed with over 150 qualified SMB managers who are key decision-makers or key influencers regarding current adoption and usage of Microsoft Skype for Business.

A significant change in this report is the survey population and method used to report the SMB results. Past surveys of SMBs have included entities with 5 to 499 employees. However, entities with less than 10 employees have shown little knowledge of Lync. In 2016 the survey SMB population was restricted to 10+ employees, which, according to the latest U.S. census, represent 27% of all U.S. SMBs. Therefore, exhibits that show results from “All SMBs” or “Percent of All Entities,” reflect results from 27% of the SMB population (current and historical). Previous reports implied that they reflected the total SMB population. T3i has concluded that this presents a more accurate picture of SMB activity. Exhibits referencing “Percent of Respondents” did not need this type of adjustment.

Exhibit 29 below shows the distribution of the participating U.S. SMBs based upon their size. 27% of the respondents represented SMBs with 10 to 49 employees, and 19% were SMBs with 50 to 99 employees. Throughout the report, these two size categories, comprising 46% of the respondents, are referred to as Small Businesses (SBs). Based on the most recent census data, T3i’s SB sample only represented 25% of all U.S. SBs. Therefore, exhibits that use the term “Percent of SMBs” or “Percent of total companies” have adjusted all of the SB responses by a factor of 0.25.

27% of the respondents were from SMBs with between 100 and 249 employees. SMBs with 250 to 499 employees also accounted for 27% of the SMB participants. These two size segments comprise the Medium Business (MB) segment, representing 54% of the SMB respondents.

Exhibit 29 Distribution of Participating SMBs by Size



Source: InfoTrack: End-user Primary Research, 3Q2016

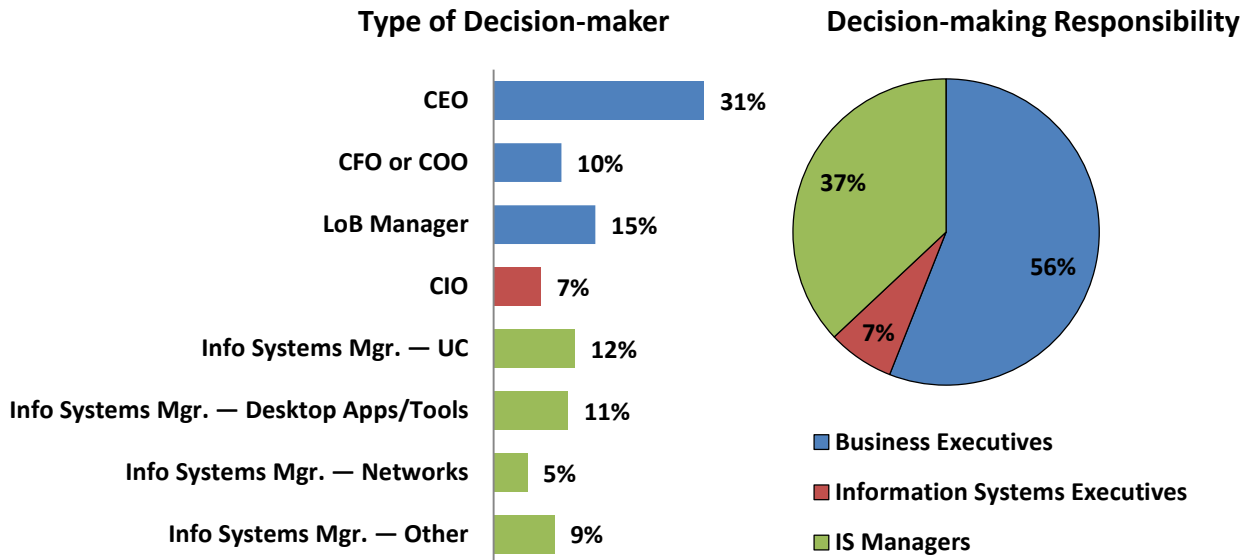
Distribution of Participating SMBs by Type of Decision Maker

Exhibit 30 contains two graphs that show the distribution of titles and decision-making responsibilities among the SMB decision-makers who participated in this study.

56% were executives who are responsible for business decisions, including CEOs, CFOs, COOs and line of business managers.

The information systems (IS) decision-makers included both executives and managers. The IS executives were the CIOs which represented 7% of the respondents. The IS managers, which accounted for 37% of the participants in this study, covered four different areas of IS responsibilities – Unified Communications (12%); Desktop Apps/Tools (11%); Networks (5%); and Other IS functions (9%).

Exhibit 30 Distribution of Participating SMBs by Type of Decision Maker



Source: InfoTrack: End-user Primary Research, 3Q2016

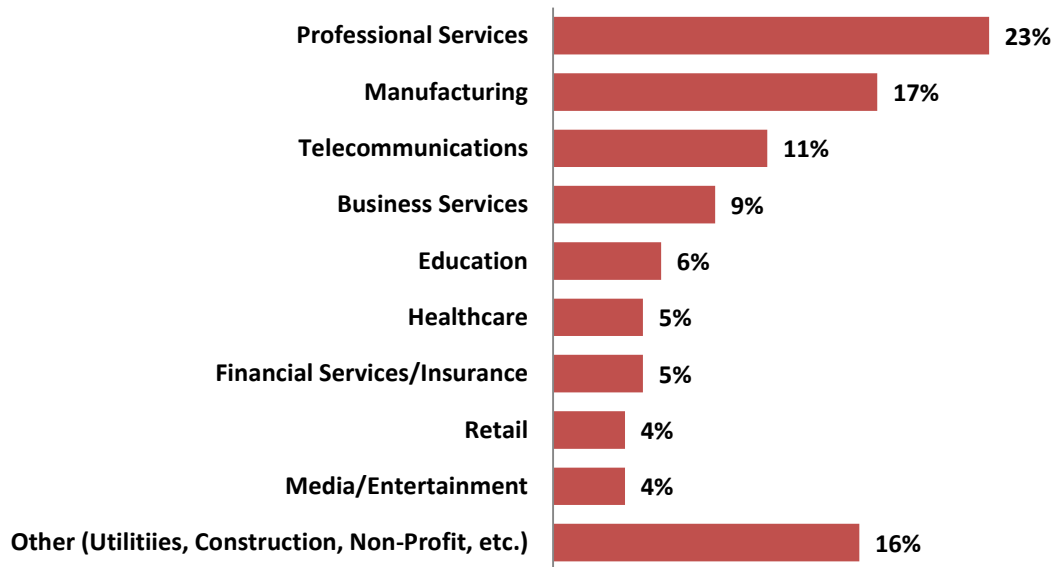
Distribution of Participating SMBs by Type of Industry

Exhibit 31 shows the industry segment distribution of the SMB decision-makers who participated in this study. The participants represented nine different industries plus others.

The top four industries accounted for 60% of the SMB respondents, led by Professional Services with 23% and Manufacturing at 17% followed by Telecommunications and Business Services with 11% and 9% respectively.

The next five industries represented 24% of the total, including, Education, Healthcare, Financial Services/Insurance, Retail and Media/Entertainment. The remaining industries in the Other category included, Utilities, Construction, Non-Profit, etc.

Exhibit 31 Distribution of Participating SMBs by Type of Industry



Source: InfoTrack: End-user Primary Research, 3Q2016

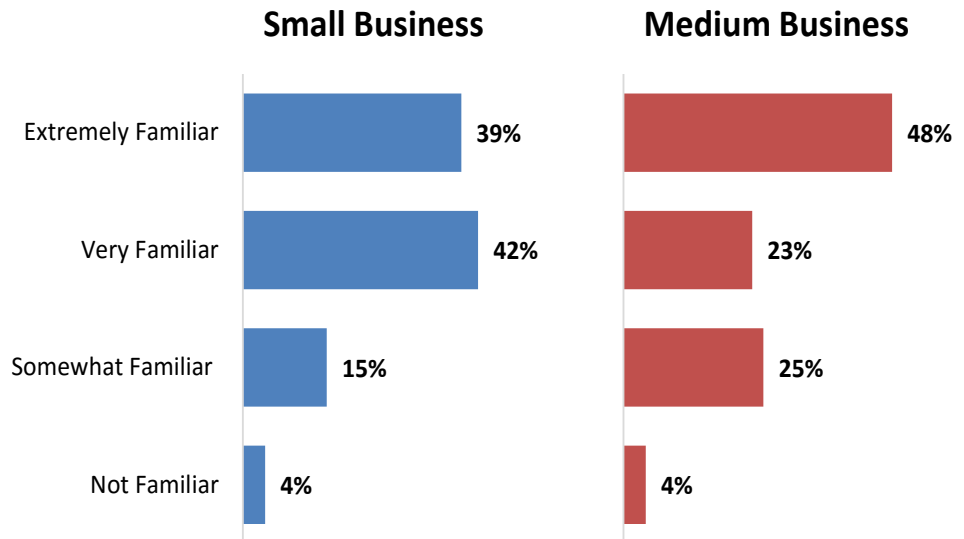
SMB Familiarity with Microsoft Skype for Business

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 Skype for Business. Exhibit 32 shows results.

81% of the Small Businesses (SBs) were either “*Extremely Familiar or Very Familiar*” with Microsoft Skype for Business, including 39% in the “*Extremely Familiar*” category. Among Medium Business (MB) decision-makers, 48% were “*Extremely Familiar*” with Skype for Business and another 23% were “*Very Familiar*.”

Only 4% of the SB or MB decision-makers indicated that they were “*Not Familiar*” with Microsoft Skype for Business.

Exhibit 32 SMB Familiarity with Microsoft Skype for Business
Among all Responding SMBs



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Status on Trialing Microsoft EV Platforms On-Premises

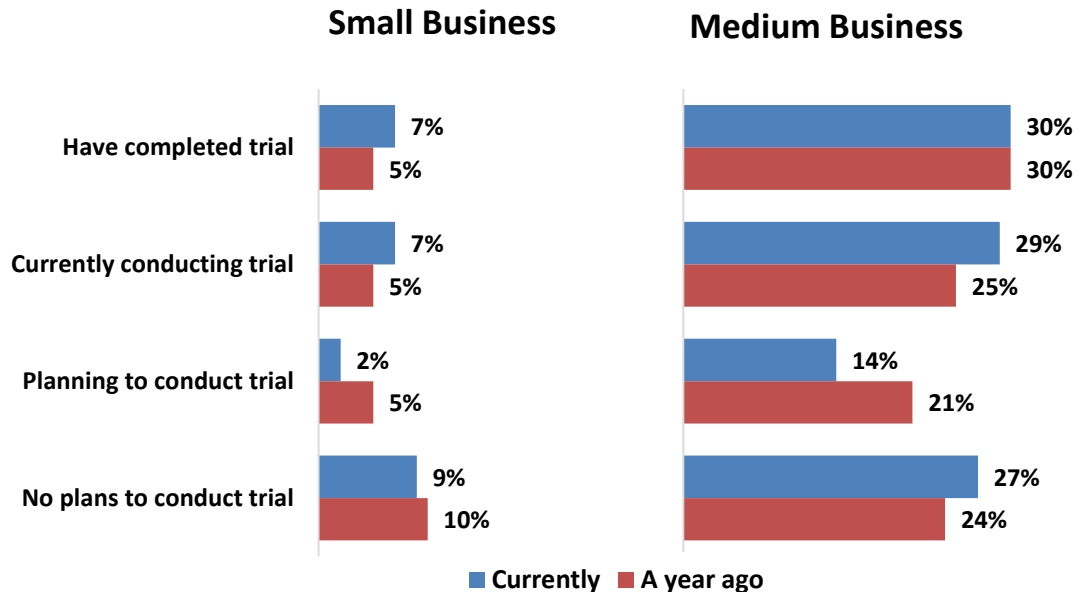
SMB decision-makers were asked about their plans to trial Microsoft Skype for Business EV or Lync EV. Exhibit 33 shows the results.

Currently, 14% of the Small Businesses, companies with 10 to 99 employees, are either conducting or had completed on-premises trials of Microsoft Skype for Business EV or Lync EV. That was up from 10% in last year's study. 9% of the Small Businesses indicated they had no plans to trial EV using Skype for Business or Lync, down slightly from 10% last year.

U.S. Medium Businesses (businesses with between 100 and 499 employees) showed somewhat higher levels of activity with 59% either currently conducting trials of Microsoft EV on-premises or having completed those trials, compared to 55% a year ago. 27% of the Medium Businesses indicated they had no plans to trial EV using Skype for Business or Lync, up from 24% last year.

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

Exhibit 33 Status of SMB Trials of Microsoft EV vs. A Year Ago
Among All SMBs



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Perceptions of Microsoft Capabilities for Enterprise Voice

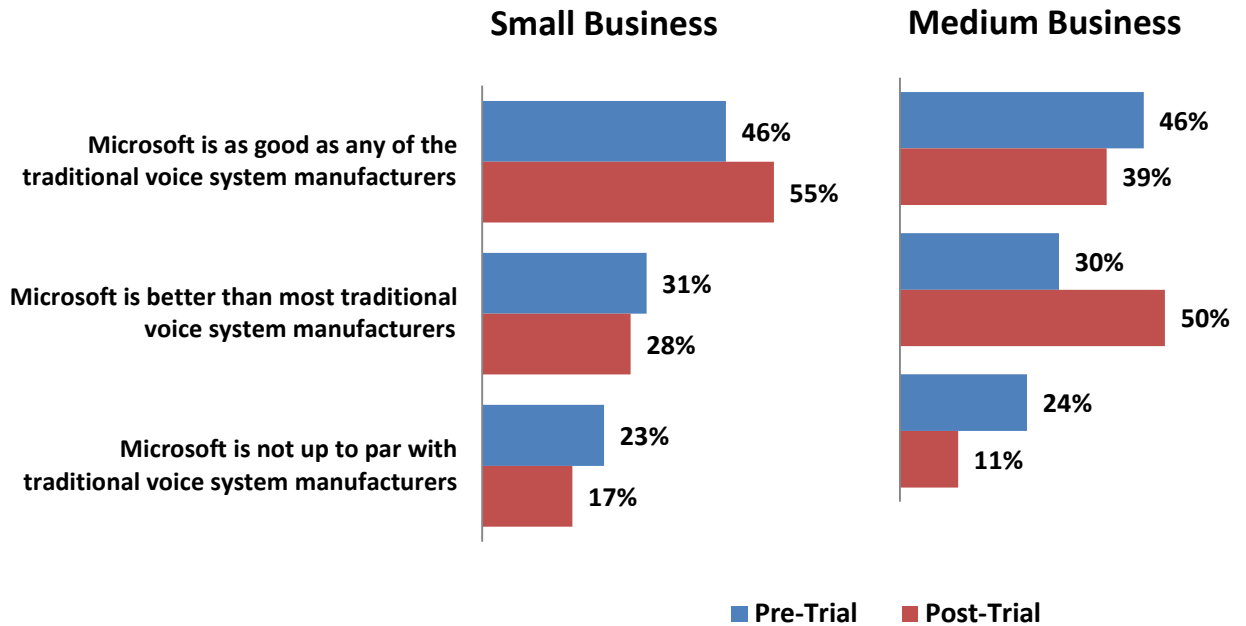
Exhibit 34 shows how trials affected SMBs’ perceptions of the capabilities of Microsoft’s Enterprise Voice systems.

For Small Businesses, trialing led to an improvement in the perception of Microsoft’s capabilities for Enterprise Voice. Those believing that “Microsoft is as good as most leading voice system manufacturers,” or “Microsoft is better than most leading voice system manufacturers” increased from 77% before trials to 83% after trials. After the trial, 17% of the SBs stated that “Microsoft is not up to par with leading voice system manufacturers.” But that was down from 23% who had that negative perceptions before the trial.

The perceptions of Microsoft’s Enterprise Voice capabilities were even more positive among Medium Businesses, with 89% believing that “Microsoft is as good as most leading voice system manufacturers,” or “Microsoft is better than most leading voice system manufacturers” after the trials, up from 76% before trials. Before the trial 24% of MBs had the negative perception that “Microsoft is not up to par with leading voice system manufacturers.” However, that response dropped to only 11% after the trial.

Exhibit 34 SMB Perceptions of Microsoft Capabilities for Enterprise Voice

Among Respondents Who have Completed or are Currently Trialing



Source: InfoTrack: End-user Primary Research, 3Q2016

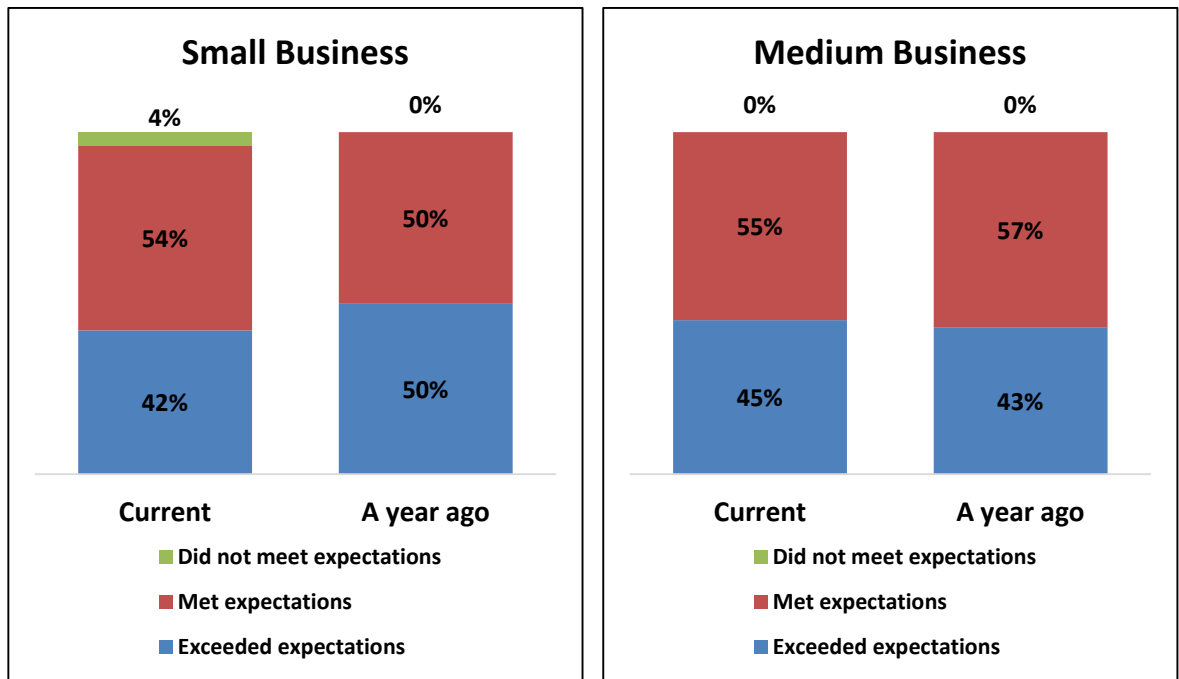
Performance of Microsoft Enterprise Voice During SMB Trials

SMBs which are currently trialing or had completed trials of Microsoft Skype for Business with EV were asked about their satisfaction with the performance of Enterprise Voice. These results were then compared with those from last year’s study which rated the performance of Lync with Enterprise Voice. This comparison is shown in Exhibit 35. Last year, the SMB decision-makers who were asked about the performance of Enterprise Voice during Microsoft Lync trials all said that it had “Met or exceeded their expectations.” This year when the SMB decision-makers were asked about the performance of Enterprise Voice during trials of Microsoft Skype for Business, 96% of the Small Businesses (SBs) and 100% of the Medium Businesses (MBs) said it had “Met or exceeded their expectations.”

In this year’s study, 4% of the SBs indicated that the performance of Enterprise Voice during their trials of Skype for Business had “Not met their expectations.” Although this is a very small percentage, it raises the question as to whether there is a difference in the performance of Enterprise Voice between Microsoft Lync and Microsoft Skype for Business, or whether the expectations of the SB decision-makers this year were somewhat higher than last year.

Exhibit 35 Performance of Microsoft Enterprise Voice During SMB Trials

Among Respondents Who have Completed or are Currently Trialing



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Perspectives on Costs of Implementing Skype for Business with Enterprise Voice

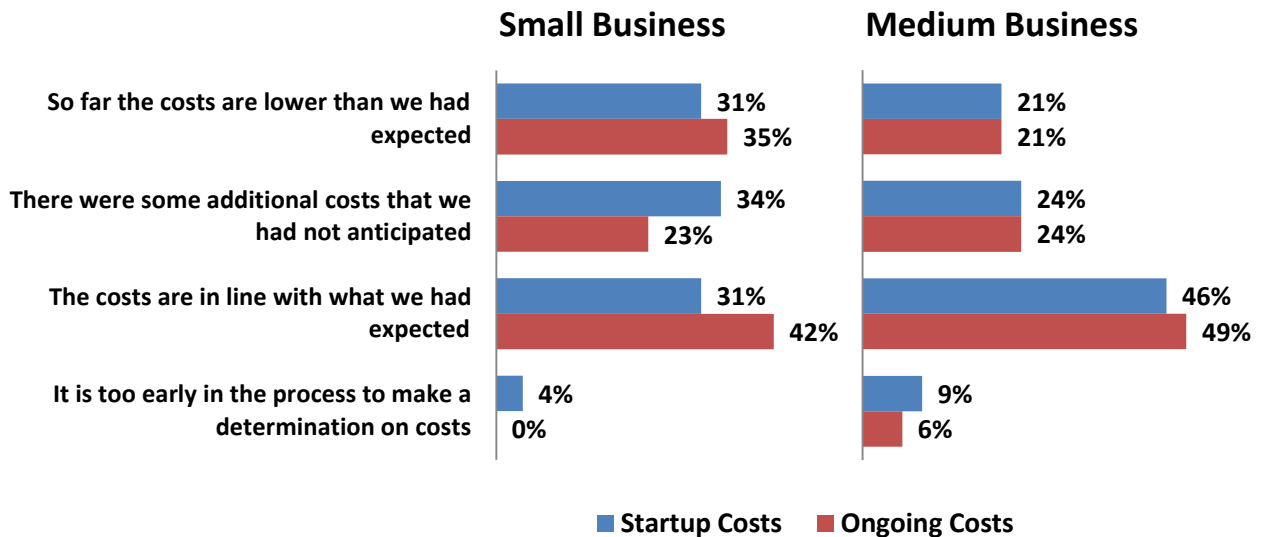
Exhibit 36 shows how SMBs viewed the actual startup costs and ongoing costs of implementing Skype for Business with Enterprise Voice compared to their expectations about those costs.

31% of Small Businesses and 21% of Medium Businesses indicated that the “Startup costs were lower than they had expected.” But 34% of SBs and 24% of MBs stated that “There were some additional startup costs that they had not anticipated.” This compares with only 11% to 12% of the Enterprises who indicated the startup costs were higher. On the other hand, 31% of SBs and 46% of MBs said “Startup costs were in line with what we had expected.” These percentages were virtually identical to their Enterprise counterparts.

The SMB decision-makers were also divided with respect to the **ongoing** costs of implementing Microsoft Skype for Business with Enterprise Voice. In this case, 35% of Small Businesses and 21% of Medium Businesses indicated that the “Ongoing costs were lower than they had expected.” But 34% of SBs and 24% of MBs stated that “There were some additional ongoing costs that they had not anticipated.” However, almost half of the SBs and MBs said “The ongoing costs were in line with what we had expected.”

Exhibit 36 SMB Perspectives on Costs of Implementing Skype for Business with Enterprise Voice

Among Respondents Who have Completed or are Currently Trialing



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Plans for Deploying Microsoft Enterprise Voice Beyond Trials

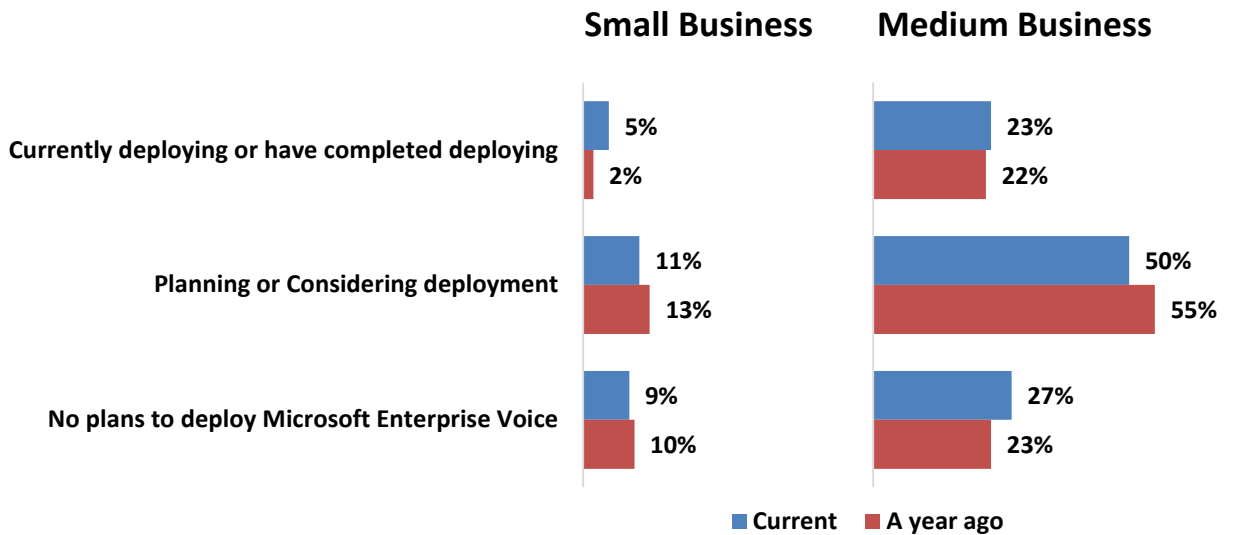
The SMB decision-makers were asked about their plans for deploying Skype for Business with Enterprise Voice (EV) as an on-premises system. Exhibit 37 depicts their responses.

Last year, only 2% of U.S. SBs had begun on-premises deployment of Skype for Business EV or Lync EV, subsequent to conducting an EV trial. An additional 13% were in the planning stages of deployment or were considering deployment. In this year's study, the percentage of the SBs currently deploying Skype for Business EV or Lync EV more than doubled to 5%, although those considering or planning to deploy Microsoft EV dropped by 2 points to 11%. It appears that the momentum of those who were planning/considering deployment carried over into actual deployments but growth in the funnel of SB planners has slowed, possibly due to a preference for the MS Cloud PBX. The percent with "No Plans to Deploy" among SBs was down slightly from a year ago.

The percent of MBs that are actually deploying Skype for Business EV or Lync EV on-premises after conducting trials increased slightly in the past year, from 22% to 23%. But the percent of MBs who are currently considering or planning to deploy Skype for Business EV or Lync EV, declined from 55% to 50%. As with the SBs some of that decline may be due to decisions to use the MS Cloud PBX version instead. SMB perceptions of Cloud PBX will be addressed later in this section of the report.

Exhibit 37 SMB Plans for Deploying Microsoft Enterprise Voice Beyond Trials

Among All SMBs



Source: InfoTrack: End-user Primary Research, 3Q2016

SMBs’ Top Reasons for Deploying Skype for Business with Enterprise Voice On-Premises

T3i asked the SMB decision-makers who had deployed, are currently deploying or are planning to deploy Skype for Business EV or Lync EV on-premises, to rank the top reasons for that decision. The results are shown in Exhibit 38.

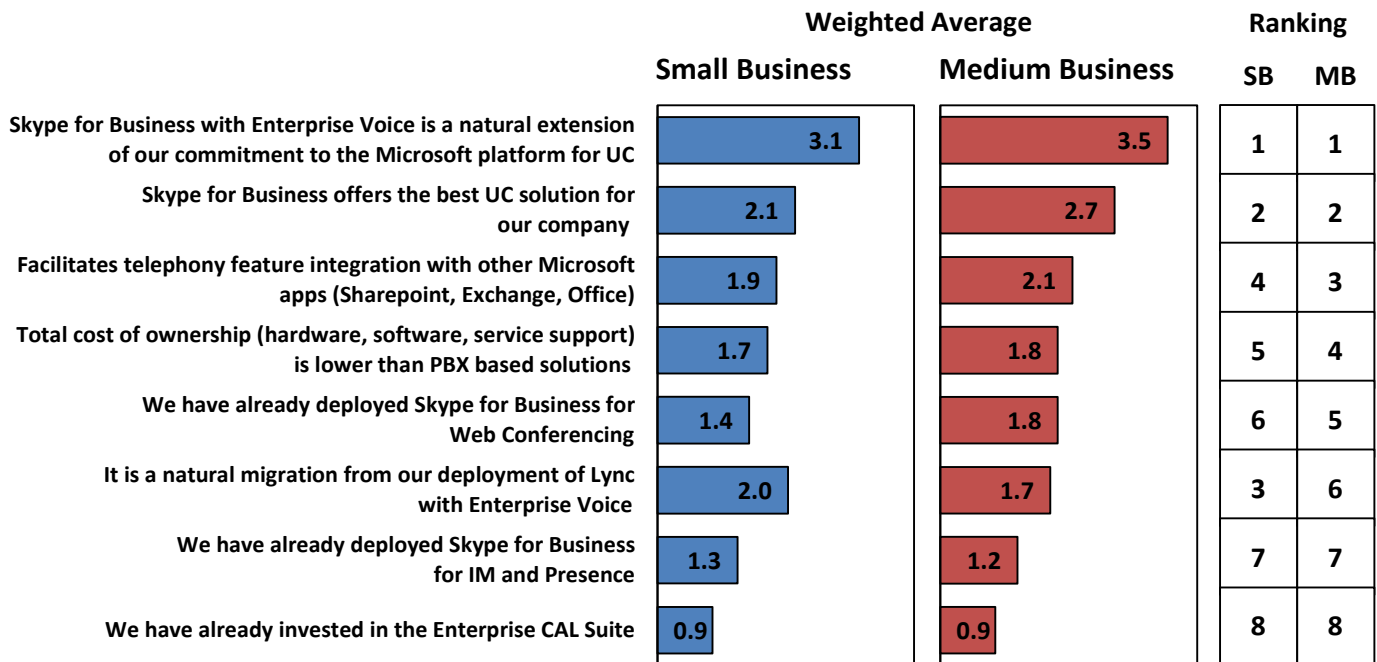
The top reason among both SBs and MBs was that “*Skype for Business with Enterprise Voice is a natural extension of our commitment to the Microsoft platform for UC.*”

The second most important reason among both SBs and MBs was “*Skype for Business offers the best UC solution for our company.*” The third most important reason among MBs was “*Facilitates voice feature integration with other Microsoft applications (e.g., Sharepoint, Exchange, Office).*” This was the fourth highest ranked reason among SBs.

All of these top reasons reflect Microsoft’s ability to leverage its strong market presence in UC apps into a rapidly growing share of the Enterprise Voice market. Microsoft has been successful in convincing 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 demonstrate that adding Enterprise Voice is just an extension to the platform that can be added incrementally.

Exhibit 38 SMBs’ Top Reasons for Deploying Skype for Business Enterprise Voice Beyond Trials

Among Respondents Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Rankings of Microsoft Among UC Application Vendors

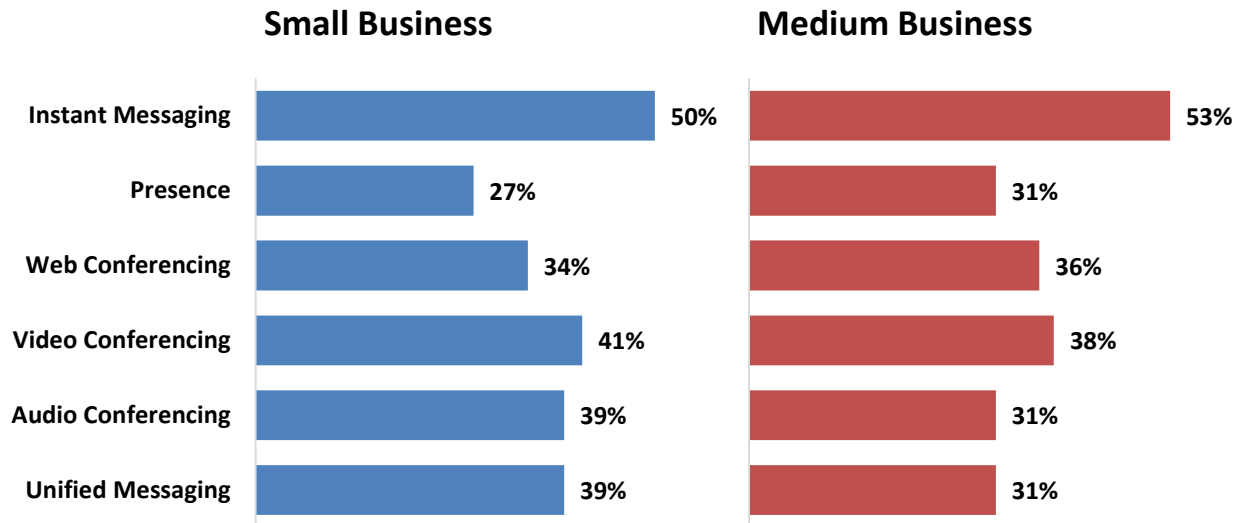
Microsoft’s strong position in the U.S. market for UC apps is further validated by the responses from SMB decision-makers in their ranking of Microsoft among their vendors of six different UC apps. The graph in Exhibit 39 reflects the percentage of SMBs which ranked Microsoft as their top vendor in each of these apps.

At least half of both the SB and MB decision-makers ranked Microsoft as their top vendor for Instant Messaging. Between 34% and 41% of the SB decision-makers ranked Microsoft as their top vendor for each of the three UC Conferencing apps – Web Conferencing, Video Conferencing and Audio Conferencing. The MB decision-makers were not quite as positive, with 31% to 38% ranking Microsoft first in each of these Conferencing apps.

Microsoft also ranked relatively well in the remaining UC apps – Presence and Unified Messaging. 27% of SBs and 31% of MBs ranked Microsoft first for the Presence app. Microsoft was also ranked first in Unified Messaging by 39% of the SBs and 31% of the MBs.

These results confirm the findings of the preceding exhibit that Microsoft has a strong position in the U.S. SMB market for UC apps, which it is able to leverage in order to penetrate the Enterprise Voice market. The next exhibit further validates this conclusion.

Exhibit 39 SMB Rankings of Microsoft Among UC App Vendors
 Percent of Respondents which Ranked Microsoft as Their Top Vendor in Each Application



Source: InfoTrack: End-user Primary Research, 3Q2016

SMBs Ranking Microsoft First for Multiple UC Apps

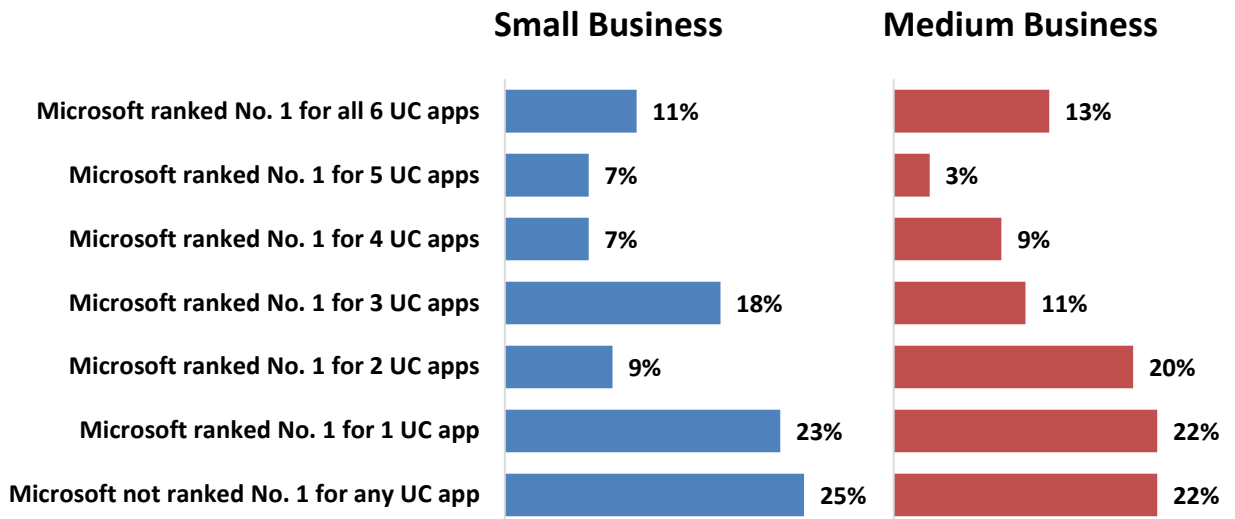
Exhibit 40 provides another perspective on the results of the preceding exhibit. This exhibit displays the percentage of SMBs that ranked Microsoft as their top vendor for multiple UC apps and relates that to the percent who have deployed or are currently deploying Microsoft EV.

The data in the chart below shows that 43% of the SBs and 36% of the MBs ranked Microsoft as their top vendor for three or more of the six UC apps. By correlating the survey results and considering only the SMBs which are currently deploying or had completed deploying Microsoft EV on-premises, it can be determined that 32% of those SBs and 35% of those MBs ranked Microsoft as their top vendor for **three** or more of the six UC apps.

Thus roughly one-third of the SMBs in this study who ranked Microsoft as their top vendor for **three** or more of the six UC apps, are also currently deploying or had completed deploying Microsoft EV on-premises.

As seen in the Enterprise section, customer satisfaction with application capabilities and performance plays a significant role in customer adoption of Skype for Business EV or Lync EV.

Exhibit 40 SMBs Ranking Microsoft First for Multiple UC Apps
 Percent of Respondents which Ranked Microsoft First in Multiple UC Apps



Source: InfoTrack: End-user Primary Research, 3Q2016

Microsoft Channels Preferred by SMBs for Purchasing Skype for Business EV

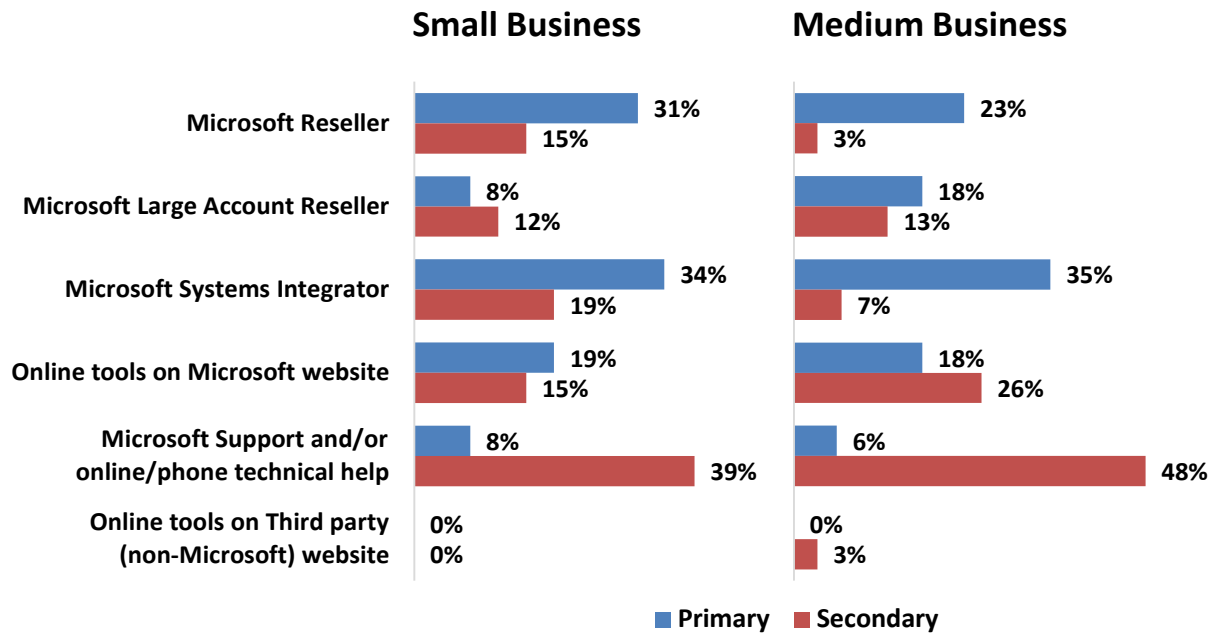
The SMBs that are deploying or planning to deploy Skype for Business EV on-premises were asked to identify the primary and secondary Microsoft channels they are using to purchase Skype for Business EV. Their responses are shown in Exhibit 41.

Among the SBs, 65% identified “Microsoft System Integrators” and “Microsoft Resellers” as their top two primary channels. Over half of the SBs identified support functions that Microsoft provides as their preferred secondary channels. These were divided between “Microsoft Support and/or online/phone technical help” at 39% and “Online tools on Microsoft website” at 15%. 19% of SBs also chose “Microsoft Systems Integrators” as their secondary channel.

The Medium Businesses were generally in synch with their SB counterparts. 58% of the MBs identified “Microsoft System Integrators” and “Microsoft Resellers” as their top two primary channels. And three-quarters of the MBs selected support functions that Microsoft provides as their preferred secondary channels. These were divided between “Microsoft Support and/or online/phone technical help” at 48% and “Online tools on Microsoft website” at 26%.

Exhibit 41 Microsoft Channels Preferred by SMBs for Purchasing Skype for Business Enterprise Voice

Among Respondents Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Ratings of Microsoft Channel Partner Attributes

The U.S. SMBs that identified their preferred Microsoft Channels in the previous exhibit, were also asked to rate those channels on a variety of attributes. Their ratings are shown in Exhibit 42.

The Rating scale was 4 - Excellent; 3 - Very Good; 2 - Average and 1 - Below Average. **Each of the nine attributes received a Very Good rating in the range of 2.92 to 3.38.** Among both SBs and MBs, the following two attributes received the highest ratings:

- Understands the complexities of Enterprise Voice
- Understands how to best apply Skype for Business to serve the needs of small businesses

This is a very positive indication of the progress that Microsoft channels have made since Microsoft first entered the Enterprise Voice market.

Among the SBs, the next two highest rated attributes were:

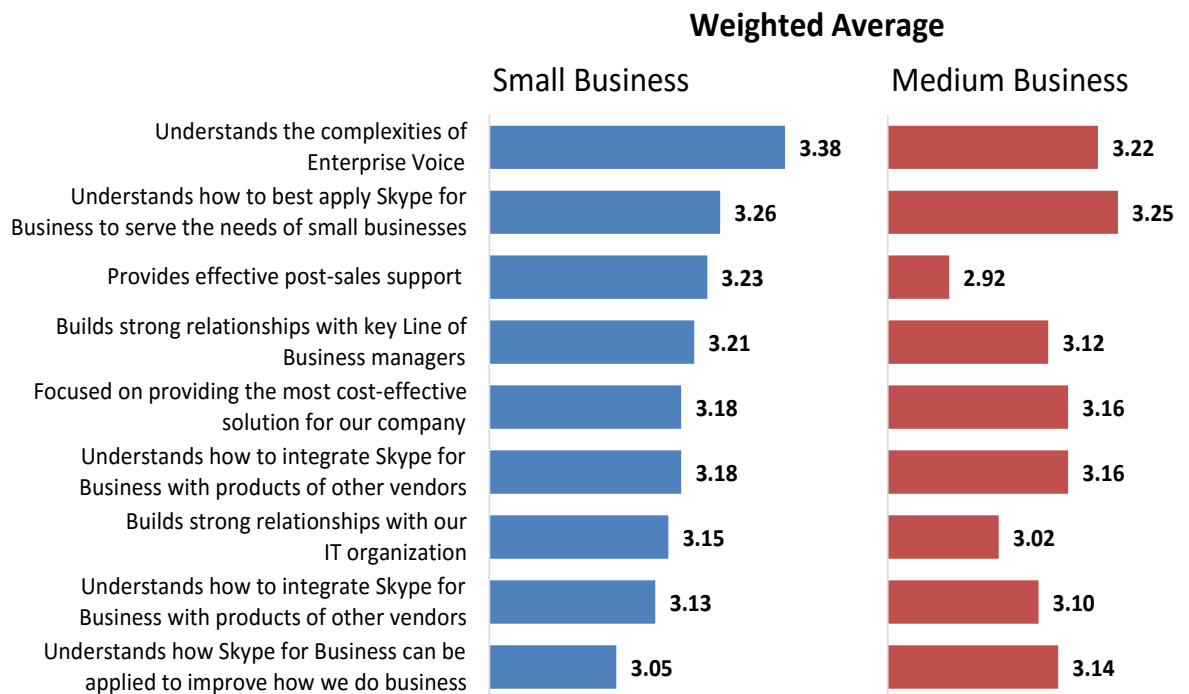
- Provides effective post-sales support
- Builds strong relationships with key Line of Business managers

Among the MBs, the next two highest rated attributes were:

- Understands how to integrate Skype for Business with other Microsoft products
- Focused on providing the most cost-effective solution for our company

Exhibit 42 SMB Ratings of Microsoft Channel Partner Attributes

Among Respondents Deploying or Planning to Deploy Skype for Business EV



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Familiarity with Microsoft EV Related Services in Office 365

Exhibits 32 through 42 in this section of the report focused on Microsoft’s status in the U.S. SMB market for on-premises Enterprise Voice systems. The next six exhibits will examine Microsoft’s position in the U.S. SMB market for cloud-based Enterprise Voice Services.

In the past year, Microsoft has significantly enhanced Office 365, its signature cloud-based service, by integrating five services related to Enterprise Voice, including MS Cloud PBX which is the cloud-based version of Skype for Business.

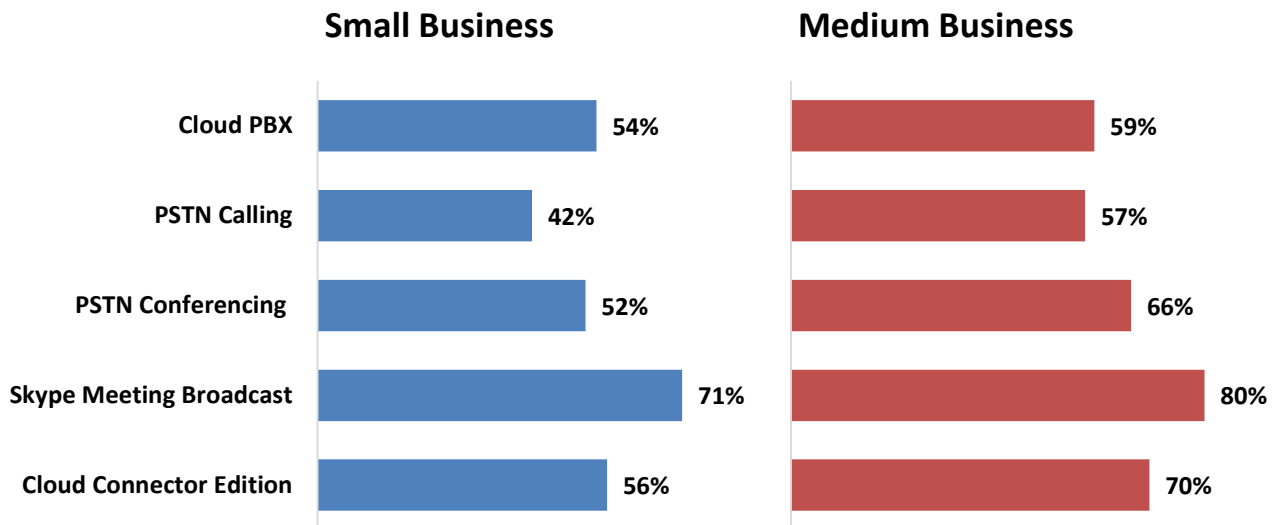
The SMB participants in this survey were asked to express their level of familiarity with these five services. Exhibit 43 reflects the percentage of these SMB decision-makers that said they are either “*Extremely Familiar*,” or “*Very Familiar*.”

The service, which has the highest percentage of familiarity, is Skype Meeting Broadcast. 71% of SBs and 80% of MBs indicated that they are “*Extremely*” or “*Very Familiar*” with that service. Roughly 60% to 70% of MBs indicated that they are “*Extremely*” or “*Very Familiar*” with the other four services, including MS Cloud PBX. Over half of the SBs had that level of familiarity with the other services, except PSTN Calling.

This broad level of familiarity reflects the high level of SMB interest in Microsoft’s major thrust into the cloud-based market.

Exhibit 43 SMB Familiarity with Microsoft EV Related Services in Office 365

Percent of Respondents Extremely or Very Familiar with These Services



Source: InfoTrack: End-user Primary Research, 3Q2016

Current Status of SMBs Using Enterprise Voice in Microsoft Cloud PBX

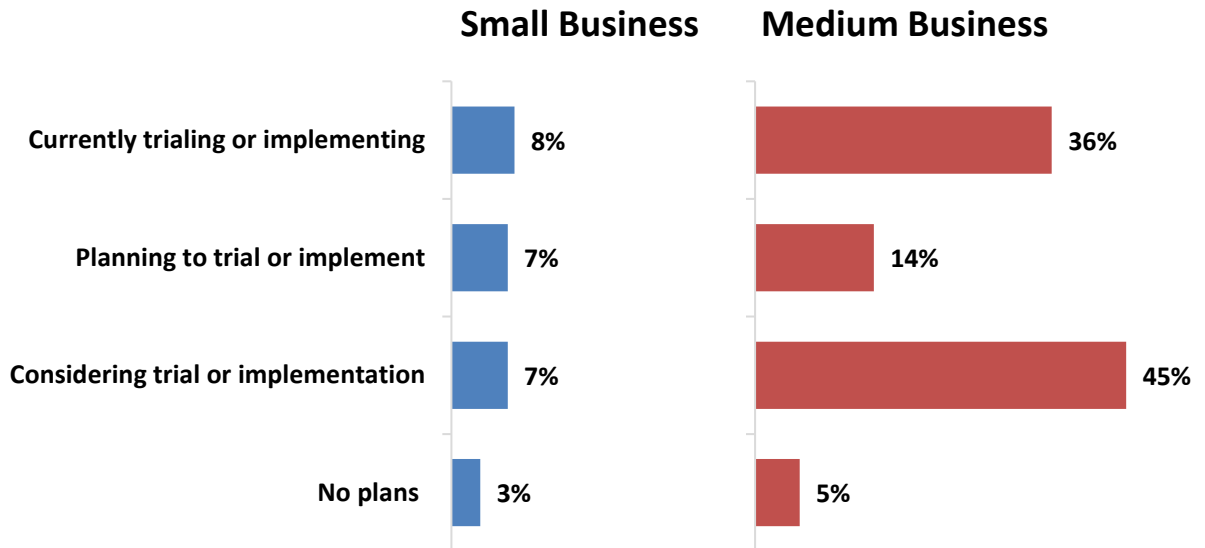
SMB participants were asked about their plans for using the capabilities of Microsoft’s Cloud PBX within Office 365 to obtain cloud-based Enterprise Voice services. The results are shown in Exhibit 44.

36% of the MB decision-makers indicated that they are currently using MS Cloud PBX, either in trials or implementation. Another 14% are planning to use MS Cloud PBX and 45% indicated that they are considering the use of MS Cloud PBX. Only 5% of the MBs had no plans regarding the use of MS Cloud PBX.

SBs’ utilization of Microsoft’s Cloud PBX was lower. 8% are currently either trialing or implementing MS Cloud PBX for Enterprise Voice. Another 7% had plans to do so, and 7% said they are considering the use of MS Cloud PBX. 3% of the SBs had no plans to use MS Cloud PBX.

Clearly, the interest in MS Cloud PBX is very strong among MBs and a majority of SB’s, even though Microsoft has stated that MS Cloud PBX does not yet offer the full Enterprise Voice capabilities of Skype for Business.

Exhibit 44 Current Status of SMBs Using Microsoft’s MS Cloud PBX
Among all SMBs
Among All SMBs



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Platform for EV Prior to Migration to MS Cloud PBX

T3i asked the SMBs that were currently using or planning to use MS Cloud PBX to identify the platform that they were using for Enterprise Voice prior to their planned migration to MS Cloud PBX. Their responses are shown in Exhibit 45.

The vast majority of SBs and MBs that are using or planning to use Microsoft’s Cloud PBX, are migrating from one of Microsoft’s on-premises platforms for Enterprise Voice, primarily Skype for Business but also its predecessor, Lync.

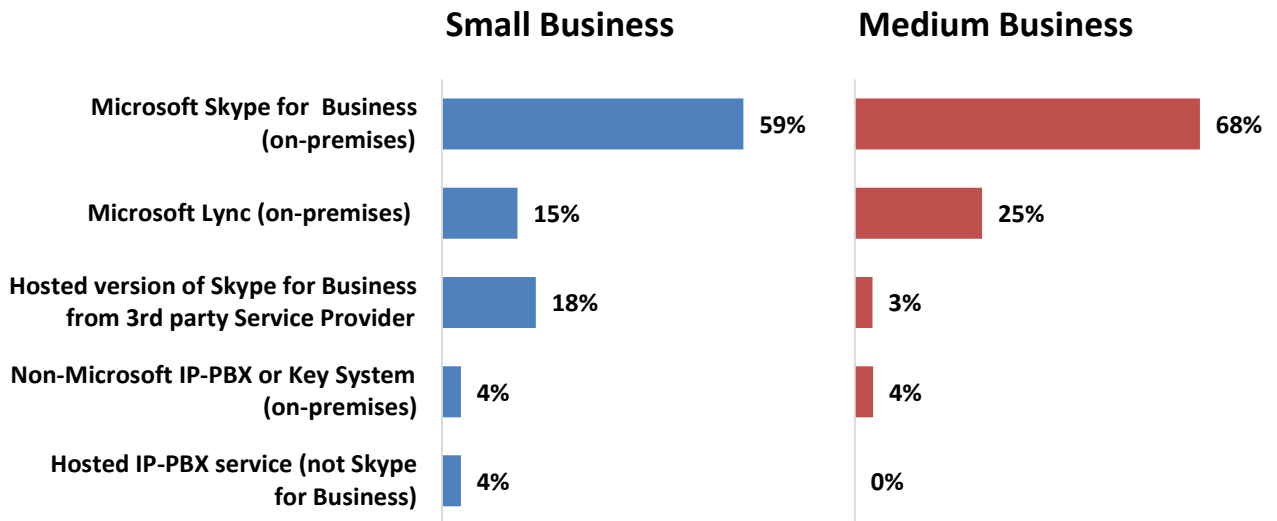
Fifty nine percent of the SBs and 68% of the MBs indicated that Skype for Business was the on-premises EV platform from which they are migrating to MS Cloud PBX. An additional 15% of SBs and 25% of MBs responded that they are migrating from Lync.

A small percentage of companies indicated that they are migrating to MS Cloud PBX from a different cloud-based version of Skype for Business hosted by a 3rd party service provider. 18% of SBs and 3% of MBs are making this type of migration to MS Cloud PBX.

Four percent of SBs and MBs said that they would be migrating away from non-Microsoft IP-PBXs or Key Systems. And 4% of SBs indicated that they were previously using a different hosted IP-PBX service, (not based on Skype for Business).

Clearly, Microsoft is cannibalizing its own CPE base (although Mitel and ShoreTel are trying to do the same thing). As entities migrate to MS Cloud PBX, Microsoft’s overall share of the U.S. market for EV would only be expected to increase slightly as over 90% of those migrations are expected to come from other Microsoft EV platforms.

Exhibit 45 SMB Platform for EV Prior to Migration to MS Cloud PBX
Among Respondents Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

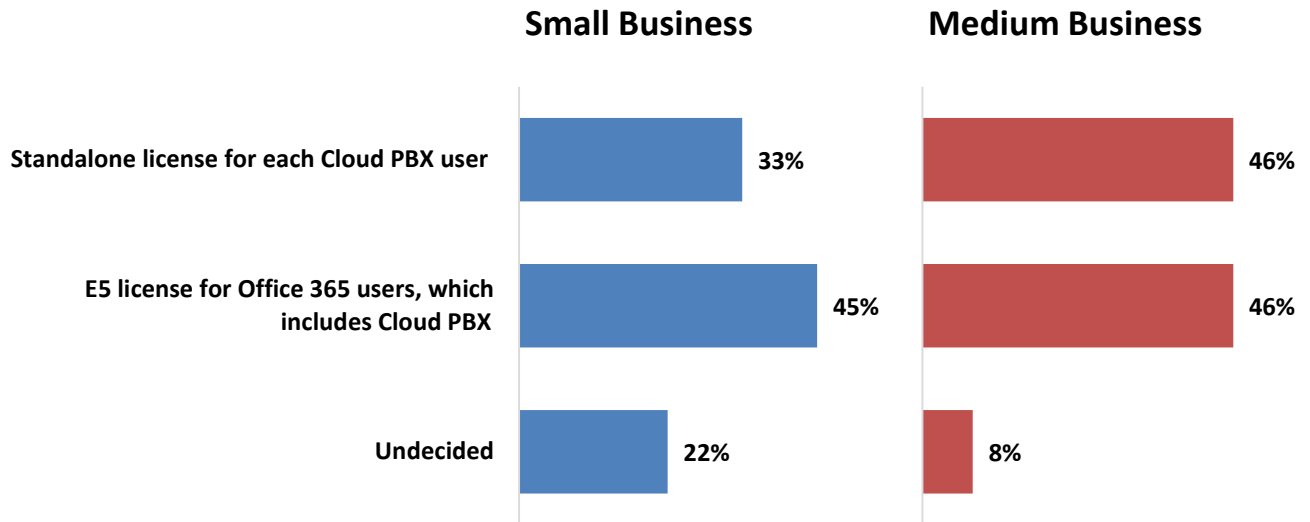
Preferred Licensing Methods for MS Cloud PBX Among SMBs

Microsoft offers two types of user licenses for MS Cloud PBX within Office 365. One is a bundled license approach which provides users with the full standard set of Office 365 services plus MS Cloud PBX and PSTN Conferencing. The other method is a standalone license for MS Cloud PBX only at a much lower price. SMBs that are currently using or planning to use MS Cloud PBX were asked which of these two types of licenses they intended to use.

MBs were evenly divided with 46% opting for the standalone licenses and 46% favoring the bundled approach with E5 CAL licenses. Not quite half of the SBs (45%) preferred the E5 bundled license, and 33% preferred the Standalone license approach.

22% of SBs and 8% of MBs indicated that they are currently undecided.

Exhibit 46 SMBs' Preferred Licensing Methods for MS Cloud PBX
Among Respondents Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Top Reasons SMBs are Migrating to MS Cloud PBX

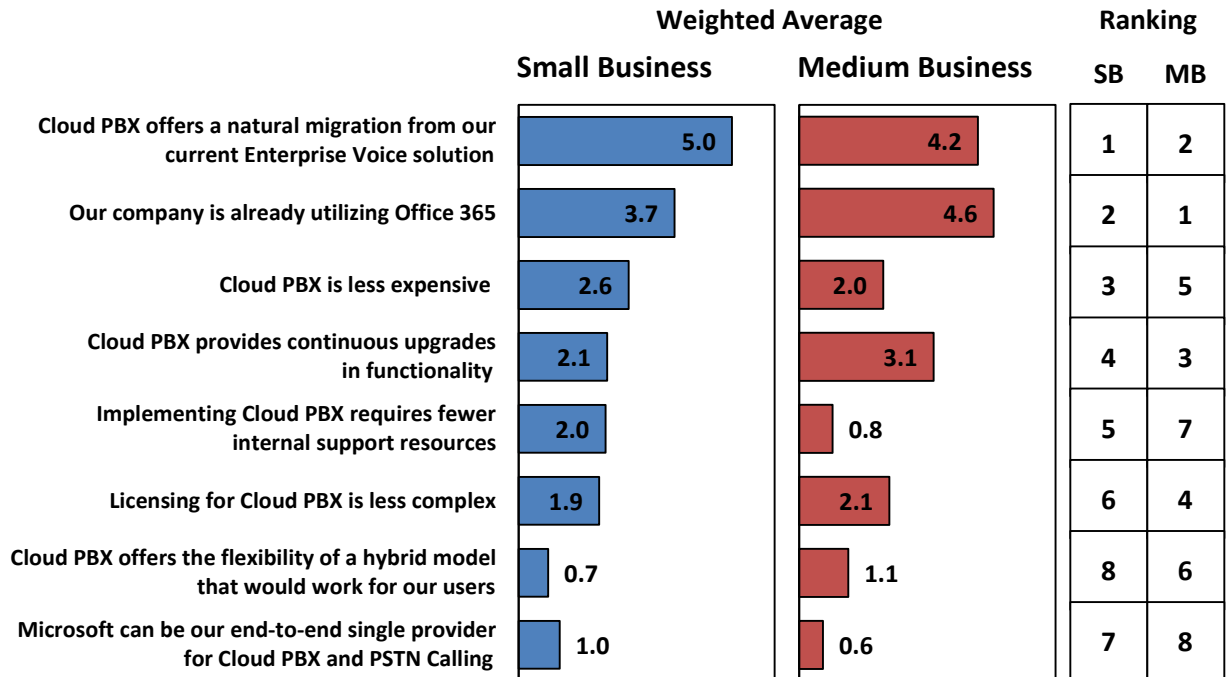
SMB decision-makers were asked to rate their primary reasons for deciding to use MS Cloud PBX for Enterprise Voice. Their responses are summarized in Exhibit 47.

Among the MBs that are currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was “Our Company is already using Office 365.” This was the second highest reason among SBs. The top reason for SBs was “Cloud PBX offers a natural migration from our current Enterprise Voice solution.” This was second for MBs. These top two reasons were consistent with the results presented in Exhibit 45 which indicated that over 90% of the SMBs that are deciding to use Microsoft’s Cloud PBX, are already customers of other Microsoft EV platforms.

The third most important reason given by SBs was “Cloud PBX is less expensive,” which was the fifth reason among MBs. The third most important reason provided by MBs was “Cloud PBX provides continuous upgrades in functionality,” which was fourth among MBs.

This second tier of reasons contains generic benefits of all cloud solutions. The fact that the top two reasons took precedence over these generic reasons demonstrates the power of an easy migration path.

Exhibit 47 Top Reasons SMBs are Migrating to MS Cloud PBX
Among Respondents Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Top Reasons Other SMBs are NOT Migrating to MS Cloud PBX

T3i also asked the SMB decision-makers which had decided **not** to use MS Cloud PBX for Enterprise Voice to rate their primary reasons for that decision. Their responses are summarized in Exhibit 48.

Among the SBs and MBs that are NOT currently using or planning to use MS Cloud PBX for Enterprise Voice, their top reason for that decision was “*We are concerned about the security of Cloud PBX.*”

The second and third most important reasons provided by SBs were:

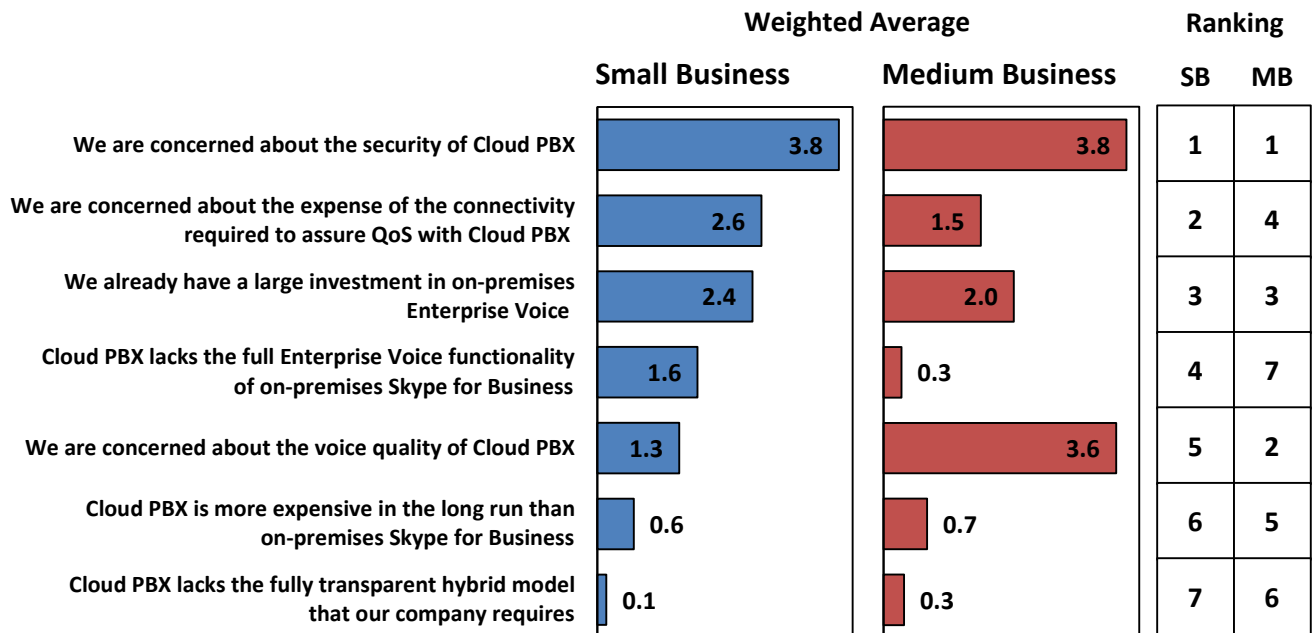
- *We are concerned about the expense of the connectivity required to assure QoS with Cloud PBX*
- *We already have a large investment in on-premises Enterprise Voice*

These were the third and fourth most important reasons among the MB decision-makers. Their second reason was, “*We are concerned about the voice quality of Cloud PBX.*”

All of these are the same generic reasons that entities cite for not moving to the cloud and none seem to be particularly pointed at Microsoft’s offer.

Exhibit 48 Top Reasons Other SMBs are NOT Migrating to MS Cloud PBX

Among Respondents NOT Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Use of Microsoft EV Via On-Premises and/or MS Cloud PBX Constructs

The next three exhibits in this section involve analyze issues relating to both the On-Premises version of Skype for Business and the hosted version, MS Cloud PBX.

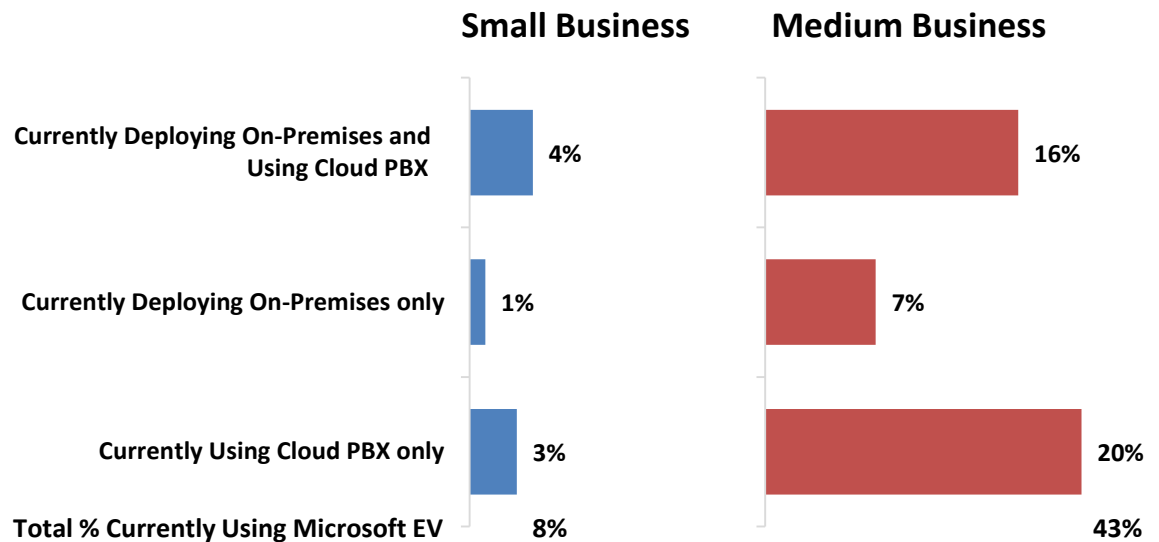
Exhibit 49 examines the SMBs which indicated that they are currently deploying or had completed their deployment of Skype for Business, and the SMBs which indicated that they are currently using MS Cloud PBX. It was determined that these companies represented 33% of the SBs and 43% of the MBs that participated in this survey. **As noted above this study did not survey any SBs with fewer than 10 employees, which, according to the latest U.S. census data, represented 25% of all SBs. Therefore, this exhibit shows that 8% of U.S. SBs currently use some version of Microsoft EV, instead of showing 33% of SB respondents.**

Among SBs, 4% are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. Another 3% of the SBs are only using MS Cloud PBX. The remaining 1% are only deploying on-premises platforms for Microsoft EV.

The distribution among MBs was significantly higher. 16% are currently deploying Microsoft EV on-premises AND using MS Cloud PBX. 20% stated that they are currently using MS Cloud PBX only. Only 7% of MBs stated that they are deploying Microsoft EV using only on-premises platforms.

These results indicate that within the past year, a significant percentage of SMBs, which had been only deploying Microsoft EV on-premises, have shifted to deploying both on-premises and MS Cloud PBX.

Exhibit 49 SMB Use of Microsoft Enterprise Voice Via On-Premises and/or MS Cloud PBX Constructs
Among All SMBs



Source: InfoTrack: End-user Primary Research, 3Q2016

Scope of Planned SMB Implementation of Microsoft EV

All of the SMB participants in this study were asked to characterize the scope of their potential deployment of Microsoft EV, including Skype for Business and/or MS Cloud PBX. They were able to choose from an array of five approaches that ranged from full-scale global deployment to only enabling selected individuals. The results are depicted in Exhibit 50.

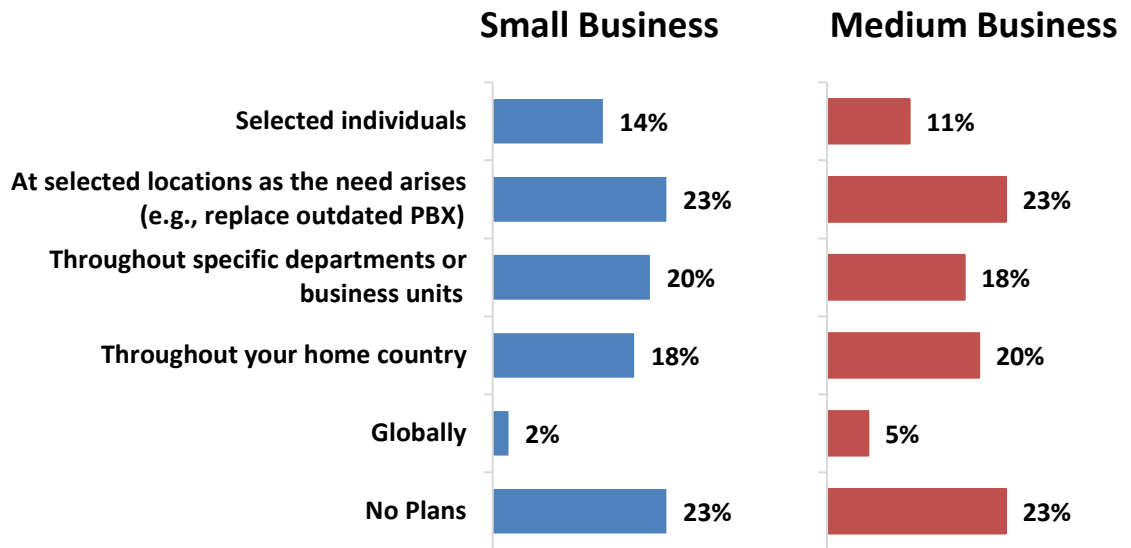
25% of the MBs are planning a company-wide implementation that would cover either their entire U.S. operations (20%) or their complete global installations (5%). 20% of the SBs also expected a company-wide implementation, nationwide or global.

43% of the SBs are projecting a more selective scope of implementation, with 20% targeting specific departments or business units and 23% aiming at selected locations. Among the MBs, 41% favored this more selective scope, with 18% targeting specific departments or business units and 23% aiming at selected locations.

Interestingly, 14% of the SBs and 11% of the MBs are planning to limit their implementation of Microsoft EV to selected individuals. It is possible that the availability of MS Cloud PBX now makes it easier to introduce Microsoft’s Enterprise Voice to only certain individuals such as specific teams.

The graph also notes that 23% of both the SBs and MBs have no plans for implementing either Skype for Business or MS Cloud PBX.

Exhibit 50 Scope of Planned SMB Implementation of Microsoft EV
Among All SMB Respondents



Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Penetration of MS Cloud PBX Among Microsoft EV Users

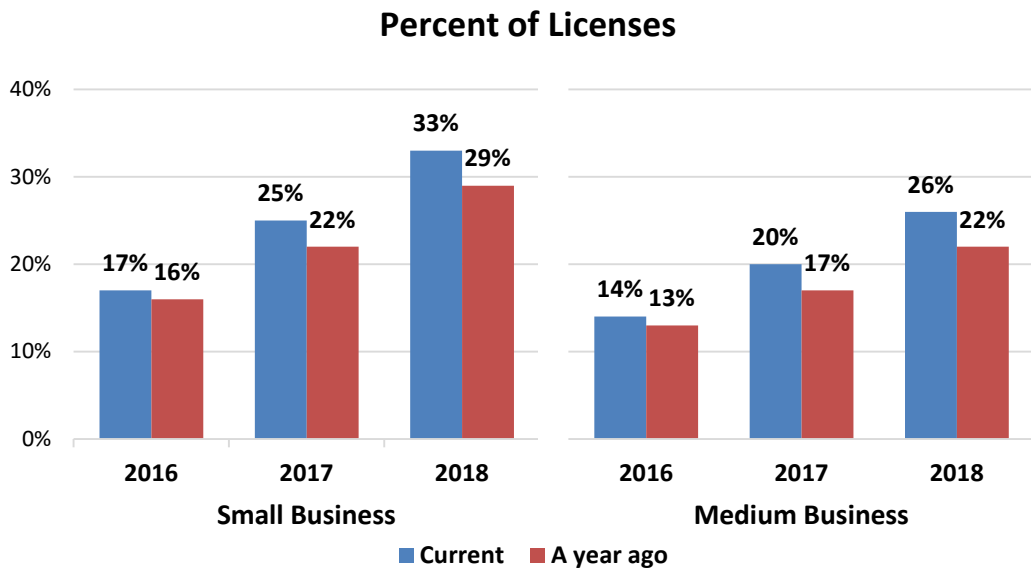
Early in 2015, Microsoft announced that they were integrating Skype for Business into their cloud-based Office 365. Later in the year, they introduced MS Cloud PBX as the brand for this cloud-based Enterprise Voice service. In last year’s study, even before the availability of this service, T3i asked SMBs to estimate what percent of their total users of Enterprise Voice from Microsoft would be using the cloud-based Office 365 version instead of the On-Premises version. This year T3i asked essentially the same question, referring to MS Cloud PBX as the Office 365 version. Exhibit 51 compares the current estimates with those from the 2015 study.

In the 2015 report, T3i stated that Office 365 Enterprise Voice was estimated to represent 16% of the total Skype for Business licenses in use by U.S. Small Businesses at the end of 2016, and 13% of the MB total. By the end of 2018, the percentage of Office 365 EV licenses was projected to increase to 29% of the SB EV licenses and 22% of the LE licenses.

In this year’s study, the estimated penetration of MS Cloud PBX among SB users of Microsoft EV increased by four percentage points, topping out at 33% in 2018. In 2018 the estimated penetration among MB users is now projected to reach 26%, also up four points from last year’s study.

Exhibit 51 SMB Penetration of MS Cloud PBX Among Microsoft EV Users

MS Cloud PBX Licenses as a Percent of SMBs’ Total Estimated Microsoft EV Licenses



Source: InfoTrack: End-user Primary Research, 3Q2016

Importance of Hybrid Options to SMBs in Cloud-based UC

In Exhibit 49 it was noted that 16% of SMBs are currently implementing Microsoft EV both on-premises and in MS Cloud PBX indicating a need for hybrid capabilities using the two different modes. Hybrid offers generally consist of two sets of capabilities: 1) transparency and compatibility between the two different modes and 2) the level of flexibility that customers want in deciding which mode to use based on location, licensing options, individual users, or particular apps.

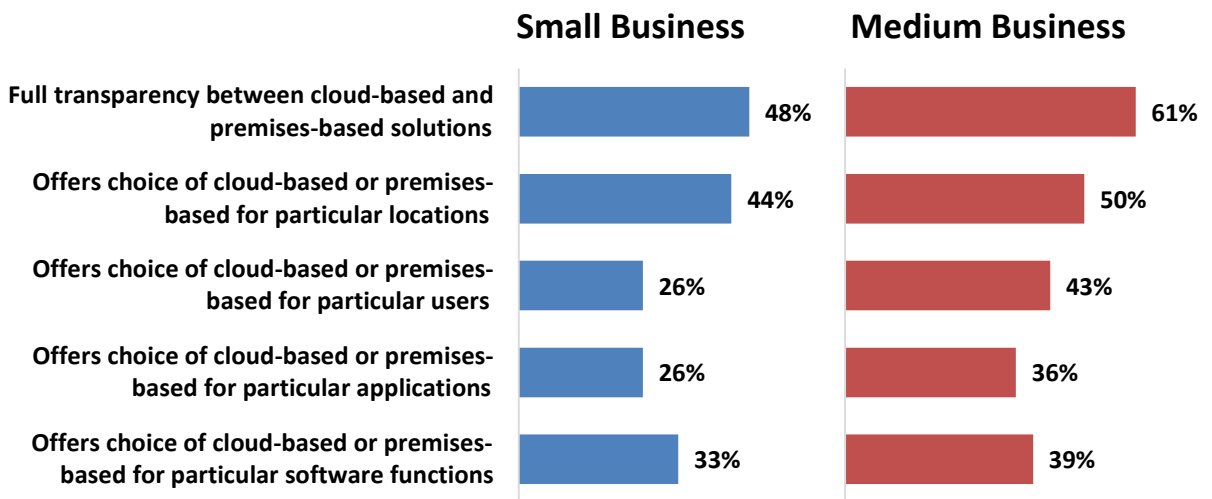
The SMBs which are currently using or planning to use MS Cloud PBX were asked to rate the importance of these different levels of transparency and flexibility within the hybrid model. The percent of SMBs that chose “*Extremely Important*,” are shown in Exhibit 52.

Among the MBs, 61% said that it was extremely important to have “*Full transparency between cloud-based and premises-based solutions*.” 48% of SBs indicated that was extremely important.

Among the MBs, 50% stated that the lowest level of flexibility was extremely important – “*The ability to choose whether a particular location should be cloud-based or premises-based*.” The other three levels of flexibility received extremely important ratings ranging from 36% to 43% of the MBs.

Among the SBs, 44% also felt that the lowest level of flexibility was extremely important – “*The ability to choose whether a particular location should be cloud-based or premises-based*.” The other three levels of flexibility received extremely important ratings ranging from 26% to 33% of the SBs.

Exhibit 52 Importance to SMBs of Hybrid Options in Cloud-based UC
Percent of Respondents that Selected “Extremely Important”



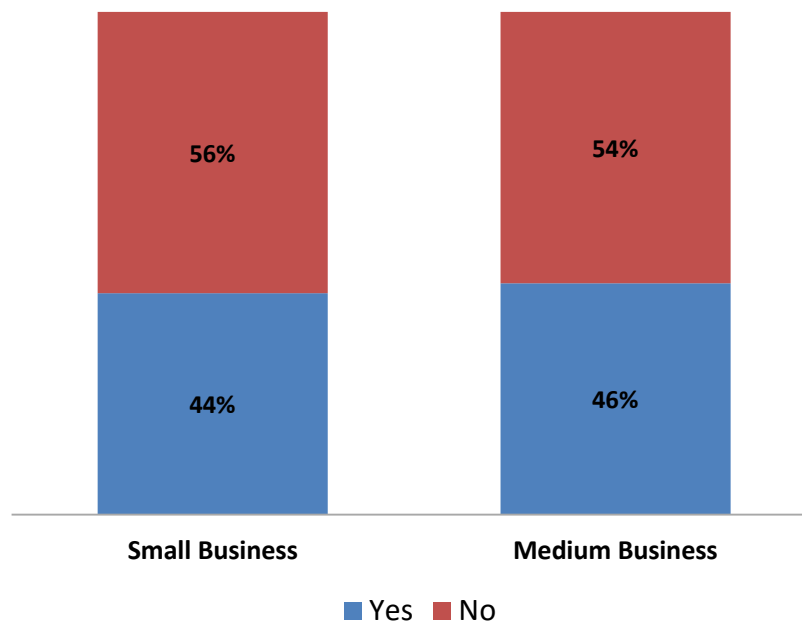
Source: InfoTrack: End-user Primary Research, 3Q2016

SMB Use of Cisco's Hybrid Service Based on Cisco Spark

Cisco offers a hybrid service based on Cisco Spark, which while not offering full hybrid transparency and flexibility, enhances existing CPE systems with cloud-based services making it unnecessary for customers to upgrade their CPE solutions. The SMB decision-makers in this study who are currently using or planning to use MS Cloud PBX, were asked whether they had ever evaluated or tested Cisco's Hybrid Service based on Cisco Spark. Exhibit 53 shows the percentage that answered "Yes" or "No."

44% of the Small Businesses and 46% of the Medium Businesses responded "Yes," they had evaluated or tested Cisco Spark. The next exhibit examines their impressions of Cisco Spark.

Exhibit 53 SMB Evaluation or Testing of Cisco Spark
Among SMBs that are Currently Using or Planning to Use MS Cloud PBX



Source: InfoTrack: End-user Primary Research, 3Q2016

Impact of Cisco Spark on SMB Decisions Regarding MS Cloud PBX and Office 365

The SMBs which indicated that they had evaluated or tested Cisco Spark were asked what impact that experience had on their decision to implement MS Cloud PBX and Office 365. Their responses are shown in Exhibit 54.

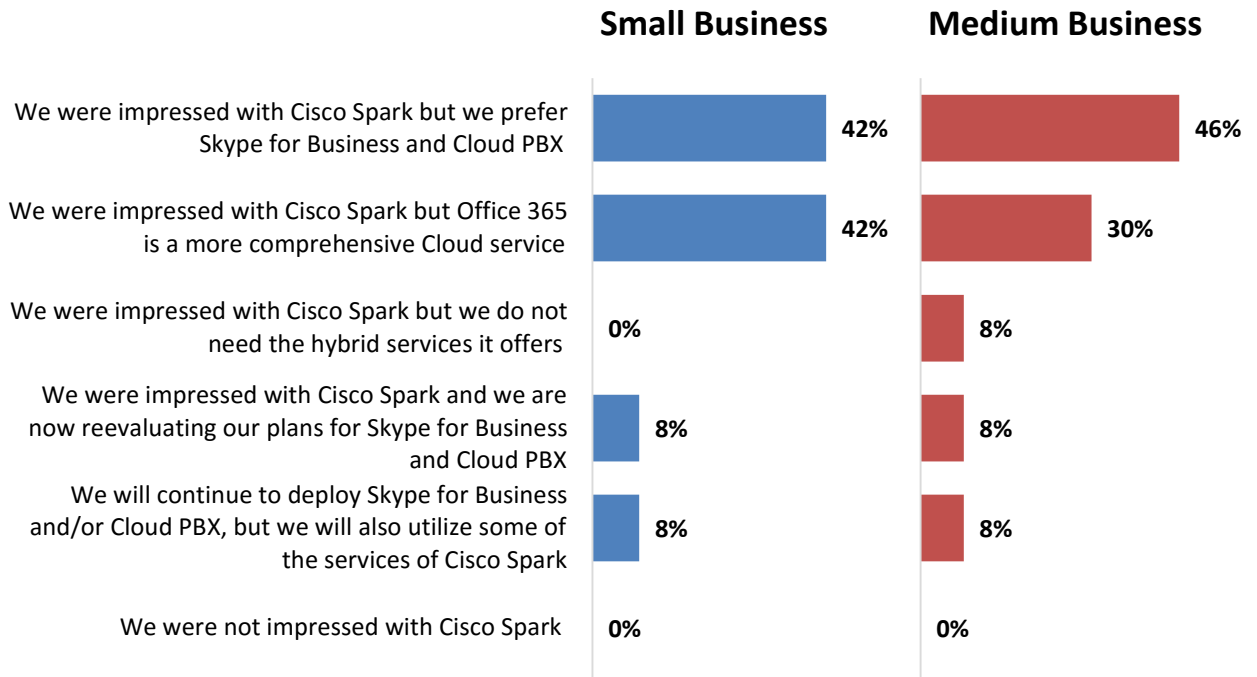
42% of the Small Businesses and 46% of the Medium Businesses stated, “We were impressed with Cisco Spark but we prefer Skype for Business and Cloud PBX.”

42% of the Small Businesses and 30% of the Medium Businesses stated, “We were impressed with Cisco Spark but Office 365 is a more comprehensive Cloud service.”

8% of these SMB decision-makers responded that, “We were impressed with Cisco Spark and we are reevaluating our plans for Skype for Business and Cloud PBX.” Another 8% of these SBs and MBs indicated, “We will continue to deploy Skype for Business and/or Cloud PBX, but we will also utilize some of the services of Cisco Spark.”

Exhibit 54 Impact of Cisco Spark on SMB Decisions Regarding MS Cloud PBX and Office 365

Among SMBs that Evaluated or Tested Cisco Spark



Source: InfoTrack: End-user Primary Research, 3Q2016

Current Status of SBs Using Other EV-related Office 365 Services

Exhibit 43 shows responses from SMBs about their familiarity with five services related to Enterprise Voice, which Microsoft offers as part of Office 365. One of those services was MS Cloud PBX which has been covered in-depth in several of the preceding exhibits. The final two exhibits in this section address the other four EV related services.

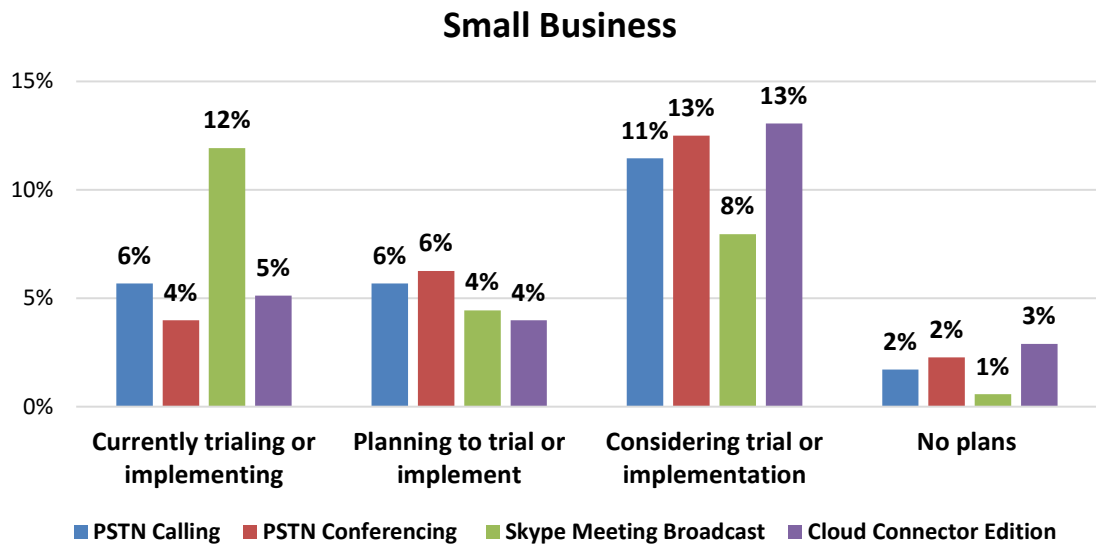
Exhibit 55 depicts the current status of SBs regarding their use of those other four EV related services. PSTN Calling provides Skype for Business users with Domestic or International calling plans over the public switched network or over Microsoft’s network. 6% of the SBs indicated that they are already using this service, and another 6% are planning to use it.

Office 365 now offers two Conferencing services – PSTN Conferencing which is a standard Audio Conferencing service and Skype Meeting Broadcast which enables customers to conduct an Internet based meeting, such as a public webinar, with up to 10,000 attendees. 12% of the SBs indicated that they are already using Skype Meeting Broadcast, and 4% are currently using PSTN Conferencing.

Cloud Connector Edition provides SMBs with on-premises connectivity between their existing PBX and Office 365. 5% of the SBs indicated that they are already using this service, and another 4% are planning to use it.

Exhibit 55 Current Status of SBs Using Other EV-related Office 365 Services

Among All Small Businesses



Source: InfoTrack: End-user Primary Research, 3Q2016

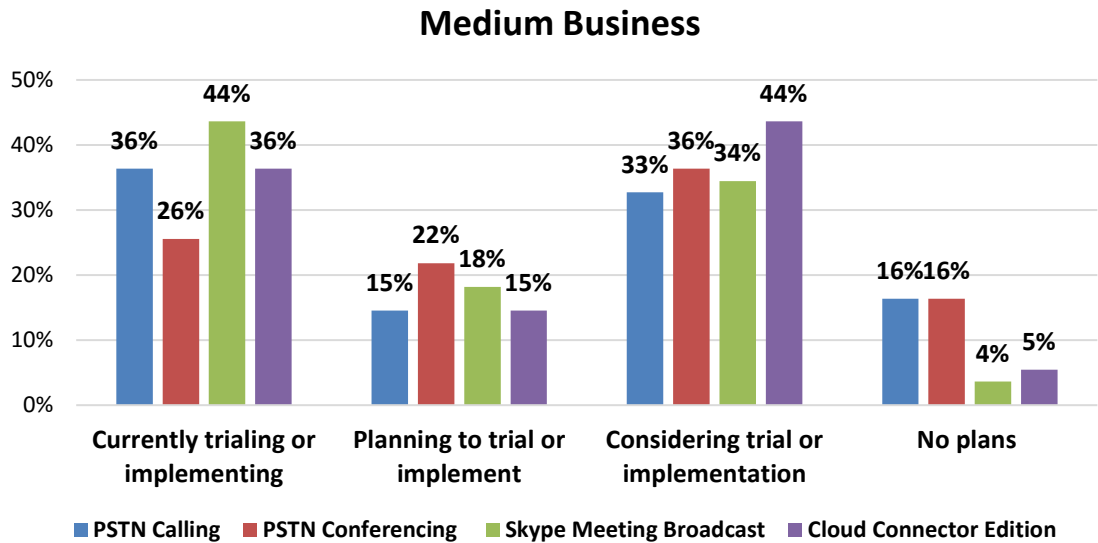
Current Status of MBs Using Other EV-related Office 365 Services

Exhibit 56 depicts the current status of MBs regarding their use of the other four EV related services in Office 365. PSTN Calling provides Skype for Business users with Domestic or International calling plans over the public switched network or over Microsoft’s network. 36% of the MBs indicated that they are already using this service, and another 15% are planning to use it.

Office 365 now offers two Conferencing services – PSTN Conferencing which is a standard Audio Conferencing service and Skype Meeting Broadcast which enables customers to conduct an Internet based meeting with up to 10,000 attendees. 44% of the MBs indicated that they are already using Skype Meeting Broadcast, and 26% are currently using PSTN Conferencing.

Cloud Connector Edition provides SMBs with on-premises connectivity between their existing PBX and Office 365. 36% of the MBs indicated that they are already using this service, and another 15% are planning to use it.

Exhibit 56 Current Status of MBs Using Other EV-related Office 365 Services
Among All Medium Businesses



Source: InfoTrack: End-user Primary Research, 3Q2016