



INTERMEDIA

How to choose the right UCaaS provider for your services business

8 criteria for MSPs wanting to increase their margins





\$15B

Industry research estimates the U.S. market for UCaaS will grow 20% per year and reach \$15 billion by 2023.¹

INTRODUCTION

As businesses replace VoIP calling or aging PBX hardware with integrated business communication services in the cloud, they'll be looking to their IT service providers to recommend solutions. Smaller businesses may simply want basic phone services without understanding they can gain mobility, collaboration functions, video conferencing, and more, from unified communications as a service (UCaaS), whereas larger companies with more sophisticated internal IT teams may know that UCaaS is what they need. Regardless, unified cloud communications is on the rise—industry research estimates the U.S. UCaaS market will grow 20% per year and reach \$15 billion by 2023.¹

This presents a huge sales opportunity for resellers and service providers, but the market of UCaaS vendors is complicated. Not all are created equal—incumbent telephony companies have entered the space without much cloud or data experience. Most UCaaS providers require a sales agent model that disintermediates your business from the customer you serve. True UCaaS offerings vary widely in quality as well as in the stability of vendors and the support they offer. What's more, the business models these various players offer to their sales channel partners are confusing and not always beneficial to you as the managed service provider (MSP) or value-added reseller (VAR).

This paper will help MSPs and VARs understand the key criteria on which to evaluate the channel models of different UCaaS providers so your business profitability and your customers' satisfaction both come out on top.

¹Frost & Sullivan North American Hosted IP Telephony and UCaaS Market, Forecast to 2023 from September 2017

KEY CRITERIA FOR CHOOSING A UCaaS PROVIDER

1 | CAN YOU OWN THE CUSTOMER RELATIONSHIP?

Let's face it—you provide managed services to build business value. Building recurring revenue and customer longevity, among other factors, is key to driving that value. Successful MSPs generate more than 50% of their revenue as recurring revenue, and the highest performers often achieve 80% or more, according to the [Austin Dale Group](#). But if you're simply acting as a UCaaS sales agent, collecting commissions and leaving all the customer-facing services like support and billing and branding and marketing to the provider, you're missing out on delivering value to not only the customer but also to your business long-term. Plus, especially in the crowded market that is UCaaS, if you're only reselling one service—like voice—you risk another provider approaching your customers with bundled services that include voice plus any of the other common UCaaS services.

When you own the relationship with the customer, you can set your own UCaaS prices (and earn a lot more revenue than when acting as an agent for a commission), bundle UCaaS with other services, and ultimately build and control the value of your business. When the UCaaS provider owns the relationship with the customer, they can change the commissions, products, and margins in a way that may not benefit your business.



Takeaway

Look for a UCaaS provider that gives you ultimate control over your services, margins, profitability, and most important, your customer relationships. Owning the customer relationship gives you better control over the valuation of your business.



2 | CAN YOU DRIVE RECURRING REVENUE AND EXPAND MARGINS?

Related to controlling services and customer relationships is partnering with a provider that enables expansion of your margins and profitability. Selling a UCaaS provider's solution under their brand for commission (being a sales agent) is a much less profitable business model for the MSP. For MSPs whose business *is* your service, your margins and profitability increase if the UCaaS provider allows you to rebrand their products, set your own margins, and bundle the product with implementation, network testing, premium support, and other services. According to a recent McKinsey & Co. study, 95% of VARs and MSPs prefer a reseller model that can generate better economics and allows them to bundle and monetize additional services.

There are other benefits to being able to bundle services—they allow you to differentiate your offering from other providers and can increase your monthly recurring revenue, which values your MSP business significantly higher than other types of revenue.



Takeaway

Look for a UCaaS provider that gives you the flexibility to rebrand their product, set your own prices and margin, and bundle additional services.

The MRR Multiplier*

The beauty of monthly recurring revenue is its long-term profitability and predictability, both of which raise the value of your MSP business

Partner Sales Model	Customer End-Users	Monthly Fee per End-User	Monthly Revenue Generated	Partner Monthly Gross Profit	Approx. Business Value Multiplier	True Value of Revenue
UCaaS sales agent earning 20% commission	1,000	\$30	\$30,000 (paid to provider)	\$6,000	1X	\$6,000
UCaaS MSP or VAR	1,000	\$30	\$30,000 (paid to MSP)	\$15,000 (assuming 50% margin)	4X	\$60,000

*Figures assume cost to MSP of sale to be \$15-\$21 and business value multiplier to equate to a "one-off sale" for the sales agent. [Investors](#) estimate one recurring revenue sale to be worth 4X a one-off sale.

3 | DOES THE UCaaS SERVICE PROVIDE AN INTEGRATED EXPERIENCE?

Many UCaaS providers begin their life providing one element of the UCaaS experience—whether that’s video conferencing, team messaging, VoIP phones, etc.—and add other communications functions over time. Some functions may be delivered by different providers, whether through acquisition or licensing agreement. The result is not always as tightly “unified” as you’d want it to be. For instance, the mobile app will have a different user experience than the desktop app, or the video conferencing experience will look and feel different from team messaging or users won’t be able to access all functionality from one unified experience. Sometimes the individual products will have different brand names even though they’re part of one unified communications as a service product.

The more integrated the experience, the easier it is to use, and the fewer service calls or questions you’ll need to field as the service provider. Keep this in mind as you’re reviewing UCaaS platforms to add to your portfolio.



Takeaway

The more tightly integrated the applications are in the UCaaS solution you offer, and the more consistent the user experience among all functions, the more likely your clients will find it easy and intuitive to use. They’ll likely benefit more from its value, and you’ll end up with fewer service calls.

4 | IS IT RELIABLE, WITH MEANINGFULLY BACKED SLAs?

When selling a UCaaS service, one of the most important criteria for evaluating potential vendors/partners is the reliability of their cloud services. Small companies can’t afford to have their phones go down as they typically comprise the lifeblood of their business.

Some cloud providers offer guarantees for higher levels of service as a way to differentiate themselves in a crowded market. Look for a financially backed service level agreement (SLA) as an indicator of just how serious the provider is about its guarantee.

SLAs often indicate reliability, quality of service, and uptime but don’t fully cover the consequences of service failure—like customer complaints about downtime or poor service quality. This means you should look for a meaningful indication of the service provider’s actual uptime, which should be as close to 100% as possible.

Offering meaningful SLAs and having geographically redundant data centers and robust networks aren't the only earmarks of a good vendor. Look for other indicators of reliability and ways to make your life easier—and your business more profitable. A good example is an easy-to-use tool for accurately gauging the health of your customer's network and whether its bandwidth is sufficient for VoIP and other UCaaS services. This allows you to remedy issues and/or advise customers about how to ready their network to support more digital services.



Takeaway

Partner with a UCaaS supplier that claims at least five nines in uptime or availability and that backs its SLAs with financial compensation in the event they fail to deliver.

What Does Five Nines Really Mean?

Uptime that cuts your daily downtime to less than a second

Uptime %	Downtime per year	Downtime per month	Downtime per week	Downtime per day
99.999% ("five nines")	5.26 mins	26.30 secs	6.05 secs	864.00 msecs
99.99% ("four nines")	52.60 mins	4.38 mins	1.01 mins	8.64 secs
99.9% ("three nines")	8.77 hours	43.83 mins	10.08 mins	1.44 mins
99% ("two nines")	3.65 days	7.31 hours	1.68 hours	14.40 mins
90% ("one nine")	36.53 days	73.05 hours	16.80 hours	2.40 hours

Source: Wikipedia

5 | WHAT'S THE AVAILABILITY AND QUALITY OF SUPPORT?

The right UCaaS provider should deliver 7x24x365 technical support. And, if you are reselling a UCaaS vendor's service under your own brand, the vendor should have your back with end-to-end support and fast answers that you can relay to your customers when they need help. This should offer you pre-sales support to help close deals, which may include offering you a technical service advisor who can meet the prospective customer (under your brand).

When it comes to service migration, the service provider should provide number porting assistance and relationships with local telcos (ILECs) to offer local numbers. Assistance with customer rollouts should also include post-sales support, such as when customers move or add locations. You will further want a vendor that provides training on its service, such as train-the-trainer models so your staff can train customers on how to quickly speed adoption by their employees.

Also look for a vendor that provides high-quality brandable user guides and other user documentation or videos to pass through to your end customers.



Takeaway

Availability and quality of vendor support matters. Ideally, look for a UCaaS vendor whose support is backed or certified by a respectable third party or that has won awards from reputable evaluators.

6 | WHAT ABOUT DATA SECURITY AND COMPLIANCE WITH REGULATIONS?

When selling to potential customers in any industry where loss of data or privacy regulations might impact their business, compliance can be a major concern. You should look for a number of criteria here:

- The UCaaS provider should be large enough and sufficiently established that it has security experts on staff.
- It should have sufficient physical security in the datacenter, whether its own datacenter or a third party's.
- If these potential customers include medical or dental clinics or other healthcare delivery organizations, you should ask if the provider can offer to sign a Business Associate Agreement (BAA). This is critical for compliance with HIPAA, the strict U.S. privacy regulation governing healthcare that requires you to be responsible for the compliance of not only your own systems but those of upstream and downstream providers.
- Compliance with PCI is also important with any customer taking payments via credit cards.



Takeaway

Choose a UCaaS provider that puts a priority on security and data governance in its datacenters.

7 | DO THEY HELP YOU WITH STATE AND LOCAL TAXATION FOR VOIP SERVICES?

Telephone taxation laws are complicated, and this complexity has prohibited some MSPs from selling voice. Telco taxation laws require you to calculate and remit local and state taxes on the services you sell your customers. And taxes and fees vary by state, further complicating the issue. For example, if you're selling a deal to a corporate office in Chicago that has employees working all over the U.S., you'll need to apply part of the tax to Chicago and part to each employee's location. It can be a big mess considering that there are thousands of jurisdictions in the U.S. alone for which taxes need to be calculated.

To remove this time-consuming roadblock, look for a UCaaS provider that removes the tax burden so you can focus on business rather than complexity. For instance, have the provider review your order with the customer's addresses, calculate the taxes based on location and price, then invoice you each month for the wholesale purchase price and taxes calculated at the sales price. That way, you can generate the customer bill and collect and remit the taxes to the UCaaS provider. And the UCaaS provider would remit those taxes to the appropriate agencies.



Takeaway

Telecommunications services are taxed in almost every state (even those without sales tax) and can include sales tax, communications services tax, gross receipts tax, business and occupation tax, and utility users tax. Look for a UCaaS provider that frees you from voice taxation burdens.

8 | DO THEY MAKE IT EASY TO DO BUSINESS WITH THEM?

Last, look for a UCaaS provider that truly values its MSP relationships by offering services, simplicity, and other deliverables that remove as many headaches and time sinks as possible. These could include, for instance:

- Offering UCaaS desk phones for free
- Allowing you as an MSP to use the service you're selling at a steep discount or, better yet, for free
- Giving you tools that allow you to monitor your customers' quality of service and/or a dashboard that gives you insights into changes in quality
- Supplying marketing collateral and other material for use in your own campaigns and sales efforts
- Giving you onboarding assistance so you can focus more on the customer relationship



Takeaway

Look for a partner-first UCaaS provider that validates its commitment with tools, services, deliverables, policies, and more that simplify your earnings process and make doing business easy.



CONCLUSION

Selling UCaaS offers tremendous revenue opportunities as businesses of all sizes are rapidly adopting this cloud-based communications and collaboration model. However, the enormous size of the market has attracted many players. And not every player allows you to manage the customer relationship directly to drive value for both the customer and your business. Nor does every player make it easy for partners to do business with them or manage voice taxation.

Ultimately, you want to make a healthy profit from selling UCaaS, build monthly recurring revenue over time, and increase your business valuation. With these eight criteria to guide your choice, you'll be well on your way to success.

NEXT STEP

Only Intermedia offers partners the flexibility to sell Intermedia Unite™ directly or under your own brand—and at your own margins—so that you can own your customer relationship. Intermedia also makes selling and supporting UCaaS easy, while a robust network with 99.999% reliability and J.D. Power-certified support helps ensure end-customer satisfaction.

Learn more about how Intermedia offers the UCaaS service and business models that suit your needs at intermedia.net/partnersunite or call us at **800-379-7729**.



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