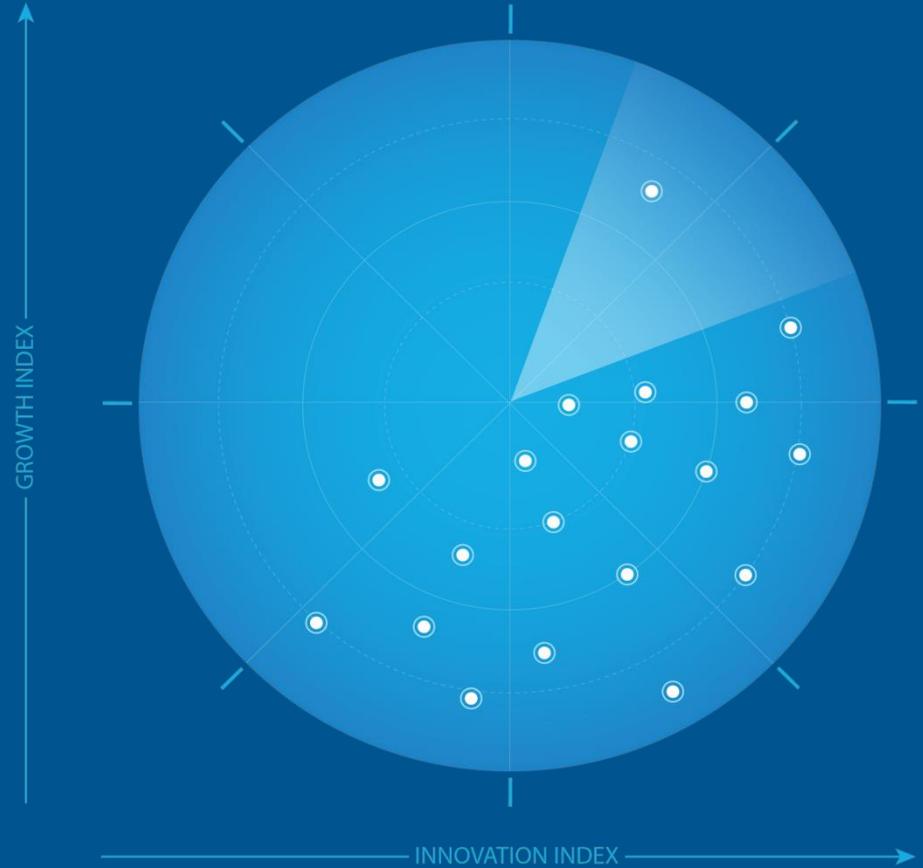


FROST RADAR™: BENCHMARKING FUTURE GROWTH POTENTIAL

NORTH AMERICAN HOSTED
IP TELEPHONY AND UCAAS
MARKET



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**STRATEGIC IMPERATIVE
AND GROWTH
ENVIRONMENT**



THE STRATEGIC IMPERATIVE

- North American businesses and public-sector organizations are facing heightened challenges as COVID-19 quarantines and other lifestyle changes affect the way workers perform their job tasks and interact with co-workers, customers and partners. The unprecedented rise in remote work, supply-chain disruption, customer demand volatility and elevated employee and customer safety concerns brought to light the need to update business continuity programs and accelerate business process automation.
- Digital technologies, including cloud communications solutions, have captured the spotlight in this time of crisis. To help customers more quickly enable businesses continuity by deploying flexible cloud services, many hosted Internet Protocol (IP) telephony and unified communications as a service (UCaaS) providers launched free trials and extended payment terms during the quarantines in the Spring of 2020. Cloud-based video meetings, team collaboration, phone system and UCaaS have provided much-needed tools for remote knowledge and task workers, as well as certain frontliners, such as doctors, nurses and teachers, to stay connected with both their internal teams and external parties, including customers, patients, students, suppliers and distributors.
- At the time this study is publishing, the global pandemic is already experiencing a second wave, which means that most businesses will be unable to resume normal operations for the foreseeable future. Continued remote work for a high proportion of workers, staggered shifts for those working on the premises and strict workplace safety protocols will dictate the need for further workflow digitization and leverage of cloud services to maintain business operations.

THE STRATEGIC IMPERATIVE (CONTINUED)

- With the initial state of panic now over, it is time for business leaders and information technology (IT) and telecom decision makers to strategize about their companies' digital transformation and the importance of moving mission-critical software workloads to the cloud. A holistic approach that aligns IT and telecom investments with specific business objectives, including any necessary business model adjustments due to new market requirements, are needed to ensure long-term success.
- Communications and collaboration solutions represent the lifeblood of any organization and have become even more critical today as employees need to physically distance from each other, as well as customers and other external parties. Adopting cloud communications and collaboration solutions can provide an organization with the agility to promptly respond to ever-shifting market conditions and internal company mandates.
- When selecting a hosted IP telephony and UCaaS solution businesses must take into account key factors such as reliability, security, scalability and extensibility in addition to functionality and price. Provider vision, technology roadmap, financial viability and customer support capabilities are also critical to future-proof communications investments.
- Collaboration-centric, mobile-ready solutions based on open-standards platforms offering flexible application programming interfaces (APIs) can provide greater value to businesses supporting a substantial number of remote, mobile and hybrid workers, as well as those looking to optimize workflows with integrated communications and collaboration services.

THE GROWTH ENVIRONMENT

- The North American hosted IP telephony and UCaaS market has been on a steady growth trajectory for the past two decades. The global pandemic is likely to have a net positive impact on market growth in the long term as many businesses accelerate their digital transformation strategies and embrace cloud services as the key pillar of enhanced business continuity programs.
- In the near term, UCaaS solutions are likely to see pockets of rapid growth in certain customer segments and verticals. However, cloud migration, as well as overall digital technology investments, may be hampered by the global economic recession, pervasive workforce reduction and rampant business failure, particularly among small businesses in the US. New user and customer acquisitions are likely to offset installed base churn and delayed new projects for the majority of service providers and thus for the market as a whole.
- Service providers leveraging modern cloud architectures and with the ability to deliver services over public broadband, on any connected device and network, are likely to better capitalize on growing demand for hosted IP telephony and UCaaS than providers relying on managed circuits, premises-based infrastructure (e.g., session border controllers (SBCs)) and desktop devices.
- The market has been bifurcated for years with some businesses looking to replicate traditional private branch exchange (PBX) feature sets in their cloud phone system solutions and others seeking to adopt more modern, collaboration-centric users experiences. The rise in remote work and increased demand for mobile-ready solutions, as well as the extensive adoption of video meetings and team messaging solutions, are likely to create pull-through for cloud calling services that are part of broader collaboration suites regardless of the robustness of the feature set.

THE GROWTH ENVIRONMENT (CONTINUED)

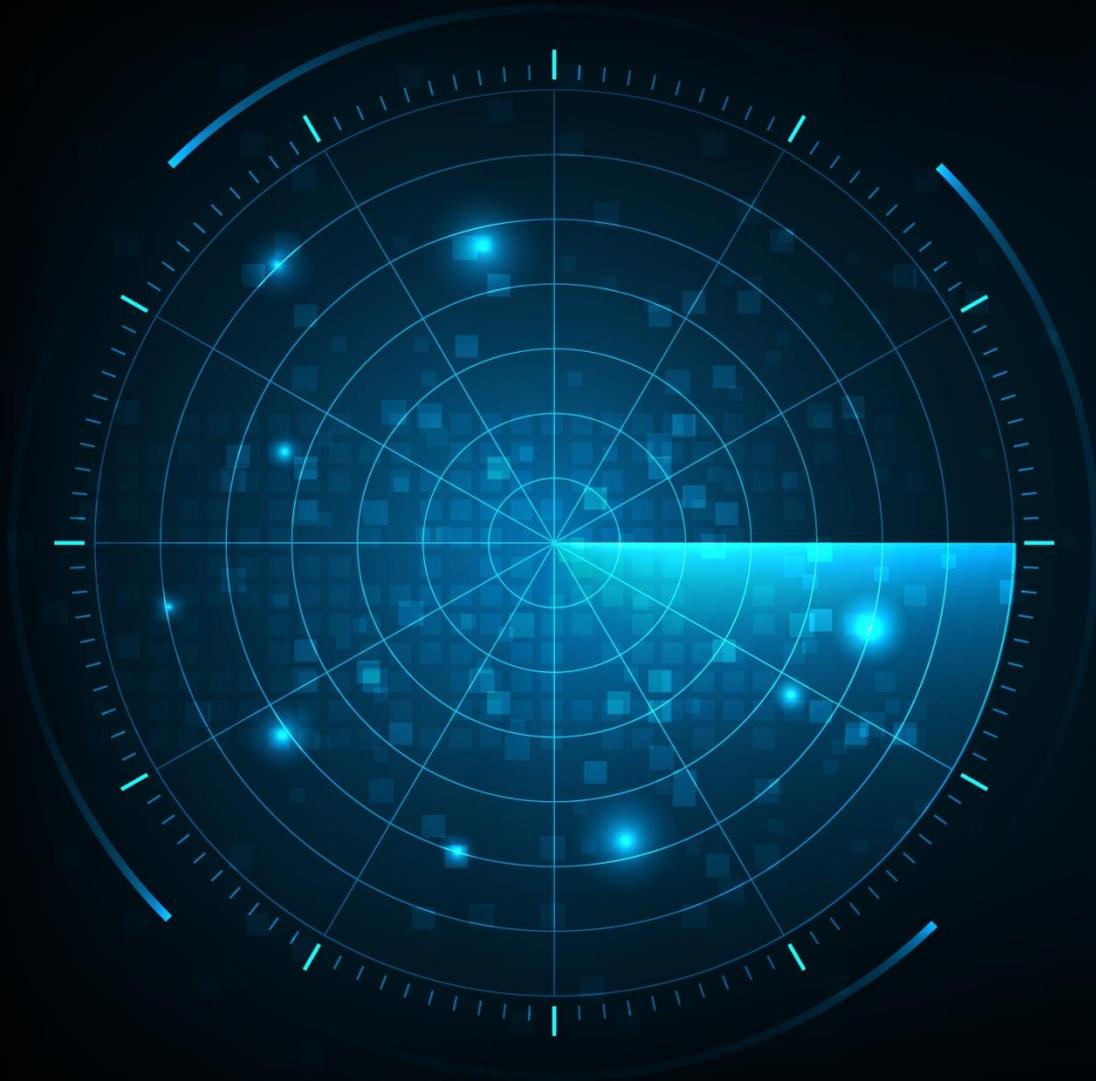
- Going forward, providers with broader cloud services suites are likely to experience faster growth than those selling point solutions. Integrated cloud collaboration suites such as Microsoft 365, Google Workspace and Cisco Webex will gain traction as businesses seek to deliver more compelling user experiences whereby users can use a single pane of glass to access a variety of modalities including, voice, video, team messaging, SMS and more.
- Highly diversified provider portfolios—including communications, contact center, productivity, connectivity and other services also enable one-stop shopping for businesses, which helps consolidate vendor relationships and streamline the technology evolution roadmap for the organization's entire digital fabric.
- Another trend is also emerging—certain providers have unbundled the cloud applications from the connectivity and calling plans to provide greater flexibility for customers. The majority of small and medium-size businesses (SMB) continue to prefer all-inclusive service bundles that comprise the full communications and collaboration feature set, as well as a session initiation protocol (SIP) trunk with unlimited domestic calling.
- However, large organizations are often bound by existing contracts and/or have the ability to negotiate highly economical connectivity services prices with their telecom providers and therefore prefer to bring their own SIP trunks. Service providers pursuing rapid international expansion must also provide this option to businesses in locations where the provider does not have a local exchange carrier status.

THE GROWTH ENVIRONMENT (CONTINUED)

- A growing variety of deployment options—in terms of tiered feature packages, connectivity, endpoints and more—will drive wider adoption across the entire spectrum of North American businesses. Maturing connectivity technologies—including public broadband, SD WAN, LTE and 5G—and innovative cloud architectures based on containerization and micro-services will accelerate adoption, as well as improve customer satisfaction and reduce churn.
- Improving service reliability, security and compliance will further solidify UCaaS appeal and drive penetration among businesses and organizations with more stringent service performance requirements that have so far hesitated to adopt cloud services.
- The next phase of industry evolution will be marked by the rise of programmable communications, which will enable deeper, more flexible integration of communications and collaboration features into business, productivity, vertical and other third-party software. This enables businesses to leverage communications for more tangible operational efficiencies and productivity enhancement by automating routine workflows, reducing opportunities for human error, streamlining mission-critical businesses and improving the user experience.
- Flexible APIs and communications platforms as a service (CPaaS) will enable unprecedented customization of technology deployments to address specific and unique use cases. Programmability will also enable UCaaS providers to expand their reach beyond the carpeted office and deliver greater value to the relatively untapped frontline worker segment and tailor solutions for different verticals.

FROST RADAR™

**NORTH AMERICAN HOSTED
IP TELEPHONY AND UCAAS
MARKET**

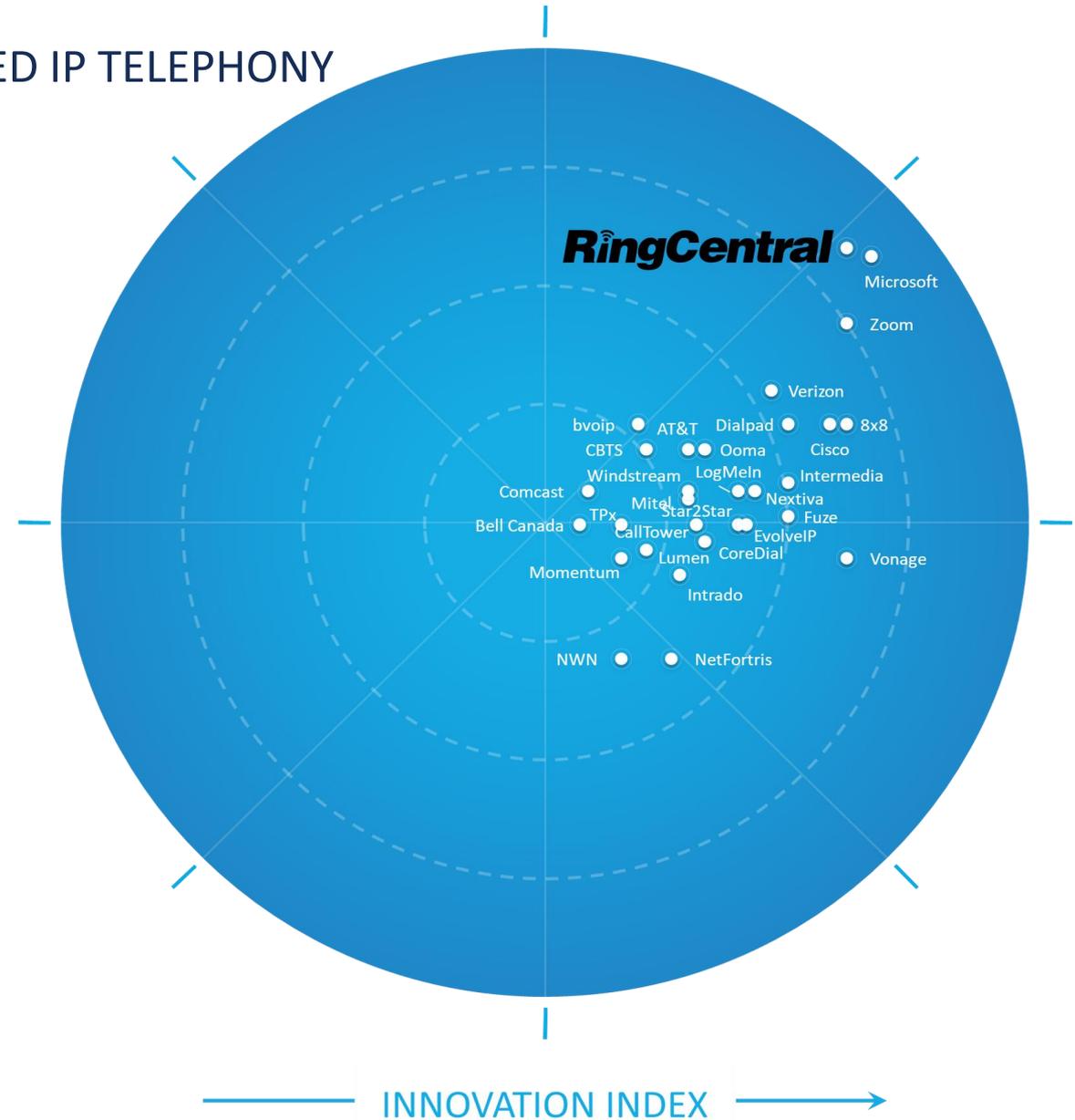


THE FROST RADAR™

NORTH AMERICAN HOSTED IP TELEPHONY AND UCAAS MARKET

“In both 2019 and 2020, RingCentral retained its market share lead with high growth rates propped up by a robust feature set including mobility and video meetings; strong push into the channel; and accelerated penetration upmarket. In 2020 RingCentral captured the opportunity to enable remote working with compelling offerings (e.g., free trials), which drove traction in healthcare, education and government organizations, among other industry verticals.” - Elka Popova

GROWTH INDEX ↑



INNOVATION INDEX →

THE FROST RADAR™

NORTH AMERICAN HOSTED IP TELEPHONY AND UCAAS MARKET (CONTINUED)

In a field of more than 120 North American industry participants, Frost & Sullivan independently plotted **30 growth and innovation leaders** in this Frost Radar™ analysis.

Parameters assessed in the analysis included:

- Innovation Scalability
- Research and Development
- Product Portfolio
- Mega Trends Leverage
- Customer Alignment
- Growth Pipeline
- Vision and Strategy
- Sales and Marketing

Frost & Sullivan studies related to this independent analysis:

- Growth Opportunities in the North American Hosted IP telephony and UCaaS Market, Forecast to 2026
- Frost Radar, European Hosted IP Telephony and UCaaS Market

DESCRIPTION OF COMPANIES PLOTTED

- The North American hosted IP telephony and UCaaS market remains highly fragmented despite ongoing mergers and acquisitions. New product launches by a variety of technology developers, as well as increasing popularity of wholesale services and private-label UCaaS offerings are likely to perpetuate market fragmentation in the foreseeable future.
- Key success factors in the North American hosted IP telephony and UCaaS market include:
 - Completeness of UCaaS portfolio, including a robust cloud PBX feature set, mobility, and advanced collaboration capabilities such as video meetings, group chat and team spaces
 - Flexible solution packaging and pricing
 - Open, scalable and extensible cloud platform
 - Excellent service quality, reliability, security and compliance
 - Compelling channel programs
 - International presence
 - Strong brand recognition
 - Digital customer journey for SMB
 - Robust implementation, onboarding, customization, integration and solution lifecycle services
- Frost & Sullivan tracks more than 120 service providers hosting their own proprietary platforms or solutions delivered by third-party technology developers. Of those, 30 providers have been selected for their growth and innovation leadership, notable accomplishments in the past year and prospects for success based on their technology development roadmaps and effective go-to-market strategies.

DESCRIPTION OF COMPANIES PLOTTED (CONTINUED)

More specifically, Frost & Sullivan has evaluated market participants based on a pre-determined set of growth and innovation criteria, as follows:

- **G11: MARKET SHARE (PREVIOUS 4 YEARS)**
Based on installed user data from 2016 to 2019.
- **G12: USER GROWTH (PREVIOUS 4 YEARS)**
Based on installed user data from 2016 to 2019.
- **G13: GROWTH PIPELINE**
 - New billable UCaaS features or services
 - CCaaS
 - Integrations, APIs and CPaaS
 - New geographies
 - New customer segments (e.g., frontline workers)
- **G14: VISION AND STRATEGY**
 - Seen as a visionary (aligned with mega trends)
 - Speed to market with new features
 - Creative packaging and pricing
 - Security, reliability, quality, compliance
 - Execution aligned with vision/profitability
- **G15: SALES AND MARKETING**
 - Targeted and creative marketing
 - Effective sales-oriented culture
 - Knowledgeable customer support, sales, billing staff
 - Robust channel
 - Creative partnerships

G1: High performers on this criterion have maintained leading market shares in the past 4 years.

G2: High performers on this criterion have maintained higher-than-average growth rates in the past 4 years.

G3: High performers on this criterion leverage a robust, self-sustaining growth pipeline system with strong investment in emerging markets and products, driving more than 50% of growth from 'adjacent' and 'blue sky' (new products for new markets) opportunities.

G4: High performers on this criterion have become a benchmark in the industry for their dynamic vision, as well as their strategy and execution excellence; they have demonstrated their ability to continually scale their business, diversify their offerings, and grow their revenues well above industry average rates.

G5: High performers on this criterion have implemented leading technology platforms (CRM and marketing software) and seamlessly integrated sales and marketing to strengthen brand and drive demand generation, with initiatives contributing to more than half their growth in the last 4 years.

DESCRIPTION OF COMPANIES PLOTTED (CONTINUED)

- **II1: INNOVATION SCALABILITY**

- Cloud architecture, micro services
- Agile product development
- Nimble organization, innovative culture
- Innovation/ideation processes in place
- Co-creation with customers and partners

- **II2: RESEARCH AND DEVELOPMENT**

- Size of R&D budget/R&D budget as % of revenue
- Clear focus (by customer segment, vertical)
- Clear differentiation
- Consistent roadmap
- Proprietary vs. 3rd-party UC stack

- **II3: PRODUCT PORTFOLIO**

- Robust PBX
- Robust/differentiated mobility
- Robust video/web conferencing (extra credit for proprietary solutions)
- Team collaboration
- CCaaS (extra credit for proprietary omni-channel solutions)
- APIs and integrations
- Tangential services: connectivity, MPLS, SD WAN, broadband, mobile network

II1: High performers on this criterion are leaders in innovation, with world-class innovation processes that have helped them gain a much wider client base globally and strong revenue growth across core, adjacent and greenfield markets.

II2: High performers on this criterion have been clear leaders in total R&D investment, with a well-established technology strategy/roadmap and a robust measurement system to confirm R&D effectiveness.

II3: High performers on this criterion leverage their tremendous breadth of products to maximize revenues across the entire market, and demonstrate relentless focus in maintaining overall product leadership.

DESCRIPTION OF COMPANIES PLOTTED (CONTINUED)

- **II4: MEGA TRENDS LEVERAGE**

- First/early to market with: mobility, integrated UCaaS+CCaaS, team collaboration user interface, CPaaS and flexible APIs
- Innovate in the IoT/machine to human space
- Leverage of AI/AR/VR
- Focus on frontline workers
- Possess broad/strong vertical focus

- **II5: CUSTOMER ALIGNMENT**

- Conduct CSAT surveys with a feedback mechanism
- Integrate customer feedback into R&D
- Beta test with customers
- Track net promoter scores (NPS)
- Co-create and co-innovate with customers

II4: High performers on this criterion are genuine leaders in proactively leveraging mega trends to develop both new products and new business models, and are renowned for their visionary, long-term strategic outlook.

II5: High performers on this criterion lead in customer alignment—execute CSAT surveys with feedback mechanisms, integrate customer feedback into R&D/product development/sales strategies through a formal process, beta test offerings with customers, and track net promoter scores (NPS).

**COMPANIES TO ACTION:
COMPANIES TO BE CONSIDERED FIRST
FOR INVESTMENT, PARTNERSHIPS, OR
BENCHMARKING**

RingCentral

FROST RADAR™ LOCATION

- RingCentral has established itself as the leader in the North American hosted IP telephony and UCaaS market and is actively pursuing international expansion.
- RingCentral's strategy and continued product development are centered on mobile workers and distributed organizations. This enables RingCentral to effectively cater to the growing number of remote and mobile workers due to COVID-19, economic globalization, user mobility, and other trends.
- With a robust and constantly evolving UCaaS portfolio and market-leading growth rates, RingCentral ranks high on both the innovation and growth axes on Frost Radar.

GROWTH

- RingCentral's growth in the North American market is likely to notably accelerate owing to creative partnerships with Alcatel-Lucent Enterprise, Atos, AT&T, Avaya and TELUS, among other partners, and highly effective direct sales.
- RingCentral's unwavering commitment to innovation and comprehensive, yet tiered service bundles are likely to help attract a diverse customer audience.
- Expanding capabilities and focus on mid-market and enterprise customers are likely to help reduce churn.
- Global Office solution will enable RingCentral to effectively support multinational businesses with North American operations regardless of their domicile.

INNOVATION

- The company's flagship RingCentral Office service is an advanced solution, offering an enterprise-grade phone system with a broad set of UC features.
- A collaborative user experience, SMS, analytics tools, video and web conferencing, and webinar services—competitively packaged and priced—set RingCentral solutions apart from most competitors.
- Flexible cloud technology and a proprietary platform enable rapid innovation and cost-effective scalability.
- Innovation is also evident in RingCentral's open platform and its broad set of APIs, which enable businesses to more directly impact business processes.

NEXT STEPS

- RingCentral can leverage RingCentral Persist, a differentiated capability, which enables businesses to retain communications services in the case of an Internet failure, to boost its appeal among more risk-averse buyers .
- RingCentral must continue to expand internationally, as well as into the mid-market and enterprise customer segments to tap into a larger addressable market and compete more effectively against global competitors.
- RingCentral Cloud PBX (Direct Routing) for Microsoft Teams will enable RingCentral to expand its reach among businesses looking for robust voice capabilities behind the Teams user experience.

**STRATEGIC
INSIGHTS**



STRATEGIC INSIGHTS

1

The COVID-19 epidemic has accelerated demand for cloud communications services, creating growth opportunities for innovative and nimble providers. With most businesses looking to enable large proportions of their enterprise workers and contact center agents to work from anywhere, cloud services provide flexible, cost-effective access to mission-critical communications and collaboration tools. To emphasize the strategic value of hosted IP telephony and UCaaS solutions they must be positioned as critical business continuity and digital transformation enablers.

2

Provider success in the North American hosted IP telephony and UCaaS markets will be determined by a variety of factors, including the ability to deliver the following capabilities: mobile UCaaS and/or FMC; over-the-top (i.e., over public Internet) services; advanced collaboration (e.g., video conferencing, team spaces); contact center; robust monitoring, management, analytics and reporting tools; financially-backed SLAs, competitively-priced service bundles; flexible APIs and integrations with key third-party solutions; and robust implementation, lifecycle, and customer success services.

3

Provider consolidation via mergers and acquisitions, along with international expansion and strong channel partnerships will reshape the North American competitive landscape and shift power toward nimble competitors with a solid vision, rich portfolios and broad geographic presence. However, provider long-term success will also be determined by service security, reliability, scalability, and extensibility, which impact customer satisfaction and retention.

IMPACTS ON KEY INDUSTRY PARTICIPANTS



SIGNIFICANCE OF BEING ON THE FROST RADAR™

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

GROWTH POTENTIAL

Your organization has significant future growth potential, which makes it a Company to Action.

BEST PRACTICES

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

COMPETITIVE INTENSITY

Your organization is one of the key drivers of competitive intensity in the growth environment.

CUSTOMER VALUE

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

PARTNER POTENTIAL

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

FROST RADAR™ EMPOWERS THE CEO'S GROWTH TEAM

STRATEGIC IMPERATIVE

- Growth is increasingly difficult to achieve.
- Competitive intensity is high.
- More collaboration, teamwork, and focus are needed.
- The growth environment is complex.

LEVERAGING THE FROST RADAR™

- The Growth Team has the tools needed to foster a collaborative environment among the entire management team to drive best practices.
- The Growth Team has a measurement platform to assess future growth potential.
- The Growth Team has the ability to support the CEO with a powerful Growth Pipeline™.

NEXT STEPS

- **Growth Pipeline Audit™**
- **Growth Pipeline™ Experience**
- **Growth Pipeline™ Dialogue with Team Frost**

FROST RADAR™ EMPOWERS INVESTORS

STRATEGIC IMPERATIVE

- Deal flow is low and competition is high.
- Due diligence is hampered by industry complexity.
- Portfolio management is not effective.

LEVERAGING THE FROST RADAR™

- Investors can focus on future growth potential by creating a powerful pipeline of Companies to Action for high-potential investments.
- Investors can perform due diligence that improves accuracy and accelerates the deal process.
- Investors can realize the maximum internal rate of return and ensure long-term success for shareholders
- Investors can continually benchmark performance with best practices for optimal portfolio management.

NEXT STEPS

- **Growth Pipeline™ Dialogue**
- **Opportunity Universe Workshop**
- **Growth Pipeline Audit™ as Mandated Due Diligence**

FROST RADAR™ EMPOWERS CUSTOMERS

STRATEGIC IMPERATIVE

- Solutions are increasingly complex and have long-term implications.
- Vendor solutions can be confusing.
- Vendor volatility adds to the uncertainty.

LEVERAGING THE FROST RADAR™

- Customers have an analytical framework to benchmark potential vendors and identify partners that will provide powerful, long-term solutions.
- Customers can evaluate the most innovative solutions and understand how different solutions would meet their needs.
- Customers gain a long-term perspective on vendor partnerships.

NEXT STEPS

- **Growth Pipeline™ Dialogue**
- **Growth Pipeline™ Diagnostic**
- **Frost Radar™ Benchmarking System**

FROST RADAR™ EMPOWERS THE BOARD OF DIRECTORS

STRATEGIC IMPERATIVE

- Growth is increasingly difficult; CEOs require guidance.
- The Growth Environment requires complex navigational skills.
- The customer value chain is changing.

LEVERAGING THE FROST RADAR™

- The Board of Directors has a unique measurement system to ensure oversight of the company's long-term success.
- The Board of Directors has a discussion platform that centers on the driving issues, benchmarks, and best practices that will protect shareholder investment.
- The Board of Directors can ensure skillful mentoring, support, and governance of the CEO to maximize future growth potential.

NEXT STEPS

- **Growth Pipeline Audit™**
- **Join Growth Pipeline as a Service™**

FROST RADAR™
ANALYTICS

FROST RADAR™: BENCHMARKING FUTURE GROWTH POTENTIAL

2 MAJOR INDICES, 10 ANALYTICAL INGREDIENTS, 1 PLATFORM

GROWTH INDEX ELEMENTS

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market, competitor, and end-user focused sales and marketing strategies.

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.
- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.
- **GI3: GROWTH PIPELINE**
This is an evaluation of the strength and leverage of a company's growth pipeline system to continuously capture, analyze, and prioritize its universe of growth opportunities.
- **GI4: VISION AND STRATEGY**
This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?
- **GI5: SALES AND MARKETING**
This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

FROST RADAR™: BENCHMARKING FUTURE GROWTH POTENTIAL

2 MAJOR INDICES, 10 ANALYTICAL INGREDIENTS, 1 PLATFORM

INNOVATION INDEX ELEMENTS

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

- **II1: INNOVATION SCALABILITY**
This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.
- **II2: RESEARCH AND DEVELOPMENT**
This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.
- **II3: PRODUCT PORTFOLIO**
This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.
- **II4: MEGA TRENDS LEVERAGE**
This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found [here](#).
- **II5: CUSTOMER ALIGNMENT**
This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

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