2016 North American Hosted IP Telephony and UCaaS Company of the Year Award
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Background and Company Performance

Industry Challenges

Businesses are undergoing profound transformation as they adopt advanced information technologies (IT) and innovative communications and collaboration solutions to improve worker productivity, business agility and overall competitive positioning. Each company and industry faces different challenges, but most businesses are affected by certain global, sustainable trends such as: the move to cloud solutions; the rise of the Internet of Things (IoT); growing employee mobility needs; the emergence of the virtual organization; and the increasing role of digital natives in decision making. These mega trends are affecting business technology requirements and increasing the pressure on companies to embrace a digital future.

Digital transformation is a strong necessity, but can be disruptive without a tight alignment of technology, people and processes. Businesses must adjust their internal processes and company culture as their technology infrastructure evolves. To address new market challenges, businesses must also embrace new technology consumption models and engage with trusted technology providers.

A key element of digital transformation is the move to cloud Internet protocol (IP) telephony and unified communications as a service (UCaaS). Businesses adopting cloud communications solutions seek innovative providers with robust portfolios, reliable technologies and solid financial performance. Forward-thinking organizations also look for partners with a keen focus on mega trends and a powerful technology vision aligned with evolving business requirements.

Many established and emerging providers have launched cloud communications solutions to address growing customer demand for greater flexibility in communications technology deployment. However, many offer only incremental benefits compared to existing premises-based and hosted solutions as they primarily replicate dated functionality and business models. Only few providers have developed truly innovative platforms and services that leverage native cloud technologies and deliver the agility and features required to enable effective business transformation.

As the industry becomes increasingly competitive due to the continued influx of disruptive new solutions, accelerated technology development among existing providers, and ever-expanding customer requirements, it is imperative for market participants to demonstrate relentless commitment to innovation, adaptability, and financial discipline to sustain profitable growth. A combination of a sound growth strategy and effective execution will be necessary for cloud communications providers to remain competitive.

Visionary innovation leaders design cost-effective, yet feature-rich solutions that meet the needs of increasingly distributed organizations that have a large number of mobile and
remote workers and a growing population of digital natives. A keen eye on mega trends enables such technology providers to anticipate future customer needs and deliver advanced functionality well ahead of the competition. Innovative business models and digital engagement strategies allow industry leaders to better support customers throughout their lifecycle journey.

**Visionary Innovation & Performance and Customer Impact**

RingCentral stands out among cloud communications providers with its ability to deliver visionary innovation and strong financial performance. It excels among competitors in its ability to address unmet customer needs, implement best practices, maintain a leadership position through blue-ocean strategies, sustain high growth rates, deliver high price/performance value, and provide an excellent customer purchase experience.

**Addressing Unmet Needs**

There is considerable untapped demand for compelling cloud communications solutions. In the age of globalization and digital transformation, businesses need greater agility in how they manage their communications and collaboration capabilities. They need the ability to quickly set up operations in new geographic markets, efficiently tap into unique talent regardless of physical location, and more closely align technology resources and related costs with peaks and valleys in business activity. RingCentral cloud communications services enable businesses to flexibly adjust their communications capabilities based on elastic functionality and capacity needs.

Over time, RingCentral has evolved its solutions set to include critical elements of effective business communications and collaboration. From the start, it anticipated growing demand for mobile access to business communications and designed its solutions bundles to cater to mobile user needs through desktop and mobile soft clients. The addition of advanced web and video conferencing capabilities through a partnership with Zoom enables RingCentral to meet the needs of distributed organizations looking to improve collaboration among geographically dispersed teams. Advanced multi-channel customer-care functionality delivered by RingCentral in partnership with inContact allows businesses to leverage a single provider for their enterprise and contact center technology needs. The addition of the Glip next-generation messaging solution to RingCentral’s portfolio taps into growing demand among business users to better organize and streamline internal communications around key topics or ongoing projects.

In 2016, the company launched RingCentral Global Office. The new offering facilitates otherwise costly and time-consuming processes of provisioning extension-to-extension dialing, number porting, billing, reporting, localized languages with global support, etc. for businesses with multiple locations geographically distributed around the world. This offering strongly differentiates RingCentral from the majority of its competitors, who are unable to effectively support multi-national organizations.
Today, RingCentral’s comprehensive cloud communications solution bundles deliver one of the broadest feature sets in the industry, including: enterprise telephony; instant messaging (IM) and presence; short messaging services (SMS); team collaboration; mobility; HD audio, web and video conferencing; contact center; and more. The provider constantly identifies new areas where businesses require innovative communications and collaboration functionality, and enhances its solutions portfolio accordingly.

**Implementation of Best Practices**

Innovative service providers often present a powerful technology vision, but many stumble on execution. Service quality and reliability challenges often negatively impact customer value and limit a provider’s ability to compete. Scalability limitations as well as lack of regulatory compliance also represent barriers to sustainable growth.

Key to RingCentral’s implementation excellence is its proprietary cloud platform which enables cost-effective scalability, flexible feature development and fully automated service provisioning and management. Geo-redundant data centers in San Jose, CA, and Vienna, VA, as well as international data centers in Amsterdam, Netherlands; Zurich, Switzerland; and Singapore, help ensure high services uptime and allow RingCentral to support multinational organizations with its recently launched Global Office service.

RingCentral ensures compliance with various industry regulatory requirements in order to provide secure services to its customers. RingCentral’s platform complies with Health Insurance Portability and Accountability Act (HIPAA) with respect to those customers who are eligible and enrolled in the HIPAA Business Associate Agreement (BAA) Program. For customers that do not enroll in a HIPAA BAA Program, RingCentral’s unique HCS (HIPAA Conduit Setting) option ensures that the customer will not impact its own HIPAA compliance by using the RingCentral service.

RingCentral also undertakes SSAE-16 SOC 2 Type II audits and can make the audit reports available to customers. The audit goes beyond the data center, focusing on RingCentral’s service operation controls. Since this audit report is Type II, it examines the effectiveness of the provider’s security controls over time and includes information from the third-party auditors on their control tests and any findings.

Another key tenet of RingCentral’s execution is its focus on developing strong partnerships. RingCentral sells its solutions through both direct sales teams and indirect channels. Since 2010, it has been expanding its indirect channel, which now consists of more than 2,500 sales agents and resellers, including distributors such as Ingram Micro, Intelisys, Jenne, Tech Data, Westcon-Comstor and Zones, as well as carrier partners AT&T, BT, and TELUS. The provider continues to expand its channel reach to further accelerate growth, capture new market opportunities, and better service customers. The company also provides an e-commerce purchase option with the ability to conduct a 30-day free trial.
Historically, RingCentral delivered cloud services over the top (i.e., over the public Internet). In 2016, RingCentral introduced RingCentral CloudConnect, which provides a number of managed-bandwidth options to address the needs of mid-market and large-enterprise customers for assured quality of service (QoS). Businesses can choose from the following:

- Customers of AT&T Managed Internet Service (MIS+) automatically gain end-to-end QoS by bundling RingCentral’s services.
- For an additional charge, RingCentral can provide interconnects into nearly any carrier multi-label protocol switching (MPLS) network.
- A physical (fiber or Ethernet) link is available in cases where RingCentral and customers share data center facilities.
- RingCentral is in the process of beta testing virtualized connections by leveraging software-defined wide area network (SD-WAN) technologies.

RingCentral continually seeks ways to improve services delivery and provide more options to customers. It actively implements best practices to enhance service quality, reliability and other key aspects of the customer experience.

**Blue-Ocean Strategy**

Throughout the years RingCentral has built a strong track record of taking leadership positions in uncontested markets with high barriers to entry. Founded in 1999, it was one of the first to launch cloud communications solutions in a market that was largely dominated by local exchange carriers (LECs) delivering legacy, time-division multiplexing (TDM) services. RingCentral seized the opportunity to leverage voice over Internet protocol (VoIP) and cloud technologies to quickly gain market share and become the leader in hosted telephony and UCaaS services while many incumbent providers hesitated to jeopardize their legacy businesses.

Unlike most next-generation hosted IP telephony providers, RingCentral also bet early and heavily on the rising adoption of mobile communications and delivered solutions specifically designed for mobile users. In 2015, RingCentral reported the largest number of mobile users among North American cloud communications providers with its entire cloud user base entitled to use mobile devices as their primary or adjunct communications endpoints. In 2016, RingCentral partnered with Okta to facilitate user and device provisioning by automatically mapping RingCentral phone numbers on Active Directory. The integration also helps improve the user experience through a single sign-on to multiple devices.

Today, RingCentral continues to effectively identify untapped opportunities and rapidly establish itself as a leader in emerging markets. It is one of few providers to bundle
advanced web and video conferencing capabilities in all of its cloud communications service packages. Thus, it is well positioned to capture a large share of businesses looking to enhance their collaboration capabilities as they move their communications to the cloud. In 2016, RingCentral launched RingCentral Rooms, a cloud-based room video-conferencing solution, as well as Room Connector, which provides considerable value to businesses with existing investments in room-based video conferencing systems.

With the acquisition of Glip in 2015, RingCentral became the first North American cloud communications provider to offer next-generation persistent team messaging functionality integrated with its cloud telephony solution. Going forward, it will better address the growing needs of modern businesses for dynamic team collaboration and further reinforce its leadership position in the cloud communications space.

As service providers continually enhance their solution bundles with more features and capabilities, the innovation frontier is shifting towards enabling more extensive integrations with third-party applications and greater customization. RingCentral is once again ahead of the curve by providing customers the superior benefits of integrating voice and UC apps with office productivity, vertical and other software. In 2015, RingCentral announced integration with Google for Work, which allows business users to access communications functionality through their office productivity applications. In 2016, the company added a RingCentral Office Google Edition tier, a special edition of RingCentral that works with Google Apps and Google Hangouts, which lets users make calls right from their browser and send text messages from their work numbers directly in Google.

In 2016, the company enhanced integration of its cloud communications solutions with Microsoft Outlook and Skype for Business. Also, this year, RingCentral announced integration with Zapier, a Web app automation service, which embeds RingCentral Office into more than 500 popular SaaS workplace applications, such as Google Drive, Sheets, Calendar, and Gmail, as well as Evernote, Twitter, Salesforce, Dropbox, WordPress, Zendesk, and others.

In 2015, the company also launched the RingCentral Connect Platform. This platform-as-a-service (PaaS) solution enables third-party developers and IT organizations to build and deploy custom applications that integrate with RingCentral cloud communications services. Typical use cases include the integration of a click-to-call or SMS capability with a customer application; custom workflows or business rules; agent dispatch via SMS; and others.

The Connect Platform offers application programming interfaces (APIs) and a software development kit (SDK). RingCentral also provides a portal and a sandbox for developers to test the new applications prior to deployment. In addition, the RingCentral App Gallery provides out-of-the-box integrations with popular customer relationship management (CRM) solutions such as Zoho and Salesforce, as well as cloud storage solutions such as Dropbox.
Overall, RingCentral is well positioned to remain the leader in existing markets and rapidly gain a leadership position in new markets through ground-breaking innovation and keen understanding of evolving customer needs.

Financial Performance

RingCentral reports a customer base of over 350,000 businesses, including over 500 accounts with 1,000 or more employees. Key customer logos include Box, Del Monte, Intuit, H&R Block, RE/MAX, and World Vision. In 2015, RingCentral’s total revenue grew 35 percent year-over-year, with its flagship RingCentral Office offering annualized exit monthly recurring revenue (ARR) increasing by about 45 percent over the previous year.

In 2015, RingCentral reported $296.2 million total annual revenue and $247.4 million ARR software subscriptions. RingCentral is the North American market leader for the third consecutive year and well ahead of the competition in multiple metrics.

In its latest reporting based on the second quarter of its fiscal 2016 year (ended June 30, 2016), RingCentral reported further successes in its financial performance as follows:

- Software subscriptions revenue growth of 34 percent year-over-year to $86.1 million; total revenue was $91.8 million.
- RingCentral Office ARR software subscriptions growth of 42 percent year-over-year to $291.9 million.
- Total ARR software subscriptions growth of 33 percent year-over-year to $364.0 million.
- The expansion of RingCentral Global Office footprint to an additional 12 countries during the quarter to a total of 24 countries with true local dialing capabilities.
- The adoption of Global Office by more than 200 multinational customers.

Keys to RingCentral’s success are its concerted efforts to penetrate mid-market and large-enterprise accounts, indirect channel growth, and international expansion. These strategic initiatives will likely boost RingCentral’s future performance as well.

Price/Performance Value

RingCentral offers different pricing options based on the features and capabilities included in its services bundles. Tiered pricing allows the provider to address varying customer requirements and budgets. Its flagship RingCentral Office offering is available in the following packages:

- Standard: cloud phone system, voicemail and fax to email, PC and mobile soft clients, video conferencing and online meetings (for 4 people), integration with Microsoft Outlook, Google, DropBox, etc., unlimited calling and conference calling, Internet fax and business SMS, 1,000 toll-free minutes)—priced at $24.99/user/month
• Premium: includes all Standard features with video and online conferencing support for 25 people, 2,500 toll-free minutes, as well as inbound caller ID, HD voice, automatic call recording, multi-level auto attendant, integration with Zendesk, etc.—priced at $34.99/user/month

• Enterprise: includes all Premium features, with video conferencing and online meetings support for 50 people and 10,000 toll-free minutes, as well as voicemail to text transcription)—priced at $44.99/user/month.

Included with all pricing tiers customers also have free access to Glip, which features integration with RingCentral functionality. Customers can sign into Glip using RingCentral credentials, as well as make phone calls, start conference calls and video chat using RingCentral Meetings—all from within the Glip interface.

Compared with most other hosted IP telephony and UCC solutions available today, RingCentral bundles offer compelling feature functionality value at affordable prices. Many competitors provide video conferencing and online meetings at an incremental cost. Certain providers also charge for desktop and/or mobile soft clients. RingCentral delivers greater value to customers by including all of these capabilities as well as out-of-the-box integrations with third-party apps in its core bundles.

**Customer Purchase Experience**

RingCentral makes it easy and convenient for customers to purchase its solutions by readily providing detailed feature and pricing information about the different packages on its website. In contrast, a number of competing providers do not freely share as much information. Further, all RingCentral service bundles include an extensive feature set that eliminates the hassle of picking and choosing multiple features and capabilities at various price points to create a compelling total solution.

Businesses can conveniently purchase the most appropriate package from RingCentral’s self-service website and easily set up RingCentral plug-and-play solutions on their own, or they can receive assistance from RingCentral representatives. RingCentral also provides various resources such as user and IT admin manuals and guides to assist customers in best practices for deploying its cloud communications solutions.

**Conclusion**

Frost & Sullivan’s independent analysis clearly shows that RingCentral stands out as a true visionary and a trailblazer in the North American cloud communications services market. For its strong overall performance, RingCentral has earned Frost & Sullivan’s 2016 Company of the Year Award.
Significance of Company of the Year

To receive the Company of the Year award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company’s future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact).

Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on visionary innovation to enhance customer value and impact.
Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance
- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios Through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue-Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practice Award Analysis for RingCentral

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES

The Decision Support Scorecard is organized by Visionary Innovation & Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.
The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, Frost & Sullivan chooses to refer to the other key players as Competitor 2 and Competitor 3.

DEcision Support Scorecard: Company of the Year Award

<table>
<thead>
<tr>
<th>Company of the Year</th>
<th>Visionary Innovation &amp; Performance</th>
<th>Customer Impact</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>RingCentral</td>
<td>10.0</td>
<td>9.5</td>
<td>9.8</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>9.2</td>
<td>9.5</td>
<td>9.4</td>
</tr>
<tr>
<td>Competitor 3</td>
<td>8.8</td>
<td>9.5</td>
<td>9.2</td>
</tr>
</tbody>
</table>

**Visionary Innovation & Performance**

**Criterion 1: Addressing Unmet Needs**
Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

**Criterion 2: Visionary Scenarios Through Mega Trends**
Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first to market” growth opportunities solutions

**Criterion 4: Implementation of Best Practices**
Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

**Criterion 3: Blue-Ocean Strategy**
Requirement: Strategic focus in creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

**Criterion 5: Financial Performance**
Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin and other key financial metrics

**Customer Impact**

**Criterion 1: Price/Performance Value**
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market

**Criterion 2: Customer Purchase Experience**
Requirement: Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints

**Criterion 3: Customer Ownership Experience**
Requirement: Customers are proud to own the company’s product or service, and have a positive experience throughout the life of the product or service
**Criterion 4: Customer Service Experience**
Requirement: Customer service is accessible, fast, stress-free, and of high quality

**Criterion 5: Brand Equity**
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty

**Decision Support Matrix**
Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

DECISION SUPPORT MATRIX: COMPANY OF THE YEAR AWARD

![Decision Support Matrix Diagram]
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often, companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry players and for identifying those performing at best-in-class levels.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best in class positions in growth, innovation and leadership. The company’s Growth Partnership Service provides the CEO and the CEO’s Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages over 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.