



8x8, Inc.

**2012 North American Hosted IP Telephony and UC Services
Market Share Leadership Award**



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

Market Share Leadership Award Hosted IP Telephony and UC Services North America, 2012

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2012 North American Market Share Leadership Award in Hosted IP Telephony and UC Services to 8x8, Inc. (8x8).

Significance of the Market Share Leadership Award

Key Industry Challenges Addressed by Superior Innovations and Leadership

North American hosted IP telephony and UC services providers are poised to capitalize on growing demand for hosted and cloud communications solutions. Businesses increasingly acknowledge the benefits of outsourced communications and are eager to explore the various options available on the market. A 2011 Frost & Sullivan survey of 205 North American C-level executives and IT professionals found that 40 percent of respondents are using hosted services today, and 67 percent of current users plan to increase their usage over the next 12 months.

However, while the total opportunity is growing, Frost & Sullivan notes that it is becoming more challenging for individual providers to grow revenues and market shares. The market remains very fragmented, with approximately 80 providers delivering a variety of service bundles. As providers seek sustained growth, they are engaging in mergers and acquisitions to expand their customer reach, improve margins, and gain access to larger resource pools for research and development (R&D), marketing, and sales activities. On the other hand, emerging technologies and business models are enabling new participants to enter the market with differentiated solutions. As competition intensifies, smaller providers with limited brand name recognition and smaller budgets risk losing mind share and falling behind in terms of growth rates and product innovation. Therefore, market share becomes a key factor for growth and long-term viability.

Market fragmentation, as well as continued product and business model evolution, have also resulted in a broad spectrum of hosted services and solutions that are difficult to directly compare. Customers are often confused about the unique value proposition of

various offerings; they either delay their move to hosted communications or base their purchasing decisions on price or existing service provider relationships. Such market conditions compel market participants to continually seek strong differentiation and heightened brand awareness.

Finally, there remain some concerns about the availability, reliability, and quality of voice over Internet Protocol (VoIP) services and solutions. Converged communications have greatly improved over the years, yet some customers remain cautious. Therefore, providers need to provide reference case studies and other evidence proving their capabilities and customer value.

The market share leader is best positioned to succeed in such a competitive environment. Its larger customer base provides it with brand name exposure and greater revenue streams that can be used for product development, marketing, and sales support. In addition, existing customers may serve as reference case studies, which aid business development efforts.

Furthermore, the market leader's large installed base enables the provider to receive extensive feedback on evolving customer needs. This information can be used to develop differentiated features and functionality that deliver superior customer value. Thus, the market leader can stay on top of product innovation, which can help it in both customer acquisition and customer retention efforts. Most importantly, market share leadership rightfully validates a service provider's technology direction and business model.

Best Practice Award Analysis for 8x8

The Frost & Sullivan Market Share Leadership Award is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

8x8's Performance in Hosted IP Telephony and UC Services Market

For more than five years, 8x8 has ranked among the most successful providers of hosted IP telephony and UC services in the North American market. In spite of rapid market share shifts in an extremely fragmented market where more than 80 providers fiercely compete for new customers, 8x8 gained the top position with 7.9 percent share of installed lines in 2011 (per Frost & Sullivan independent analysis).

Key Performance Drivers for 8x8

8x8 has succeeded in the growing, yet increasingly competitive North American hosted IP telephony and UC services market by keeping a laser focus on innovation and customer value. 8x8's comprehensive service bundle and flexible business model represent key differentiators and performance drivers.

A Pioneer and an Innovator in VoIP Services

8x8 was one of the first companies to launch VoIP services about a decade ago. Using its own internally developed platform, 8x8 sought to leverage the significant cost-savings and productivity benefits of VoIP and extend these benefits to both residential and business customers. Over the years, 8x8 has nicely streamlined its business model to focus primarily on the business market, while continually expanding its VoIP and UC services portfolio.

Frost & Sullivan points out that 8x8, unlike most of its competitors offering services based on third-party platforms, properly utilizes its internally developed platform to put the company in full control over the functionality; this also ensures tight integration across its services suite. Over the years, 8x8 has evolved its platform and hosted applications in line with both market demand and competitor product enhancements.

8x8's long track record in delivering VoIP services to the business market has earned the company tremendous experience that is manifested in innovative product development, increased customer satisfaction, and strong overall competitive positioning.

Comprehensive, Feature-rich Service Bundle

8x8's hosted IP telephony solution, marketed as Virtual Office, is comprised of a broad array of features and capabilities. The standard package offers key private branch exchange (PBX), voice and unified messaging, conference bridge, auto attendant, and a Web-based dashboard functionality that enable IT staff and end users to self-manage their settings and service capabilities. The standard package also includes unlimited local and long-distance calling, with fax and toll-free minutes available at an additional charge. The premium Virtual Office package includes all elements of the standard offering, as well as online fax, call recording, and Web-based conferencing.

8x8 Virtual Office also offers some unique capabilities when benchmarked against other market participants. For example, both the standard and the premium packages include a PC soft client and a mobile client. PC and mobile clients are gaining traction in enterprise communications markets, as they enable users to conveniently access communications and collaboration applications while on the move or working remotely from the device of their choice. According to Frost & Sullivan customer research, 29 percent of surveyed organizations use mobile extensions to access their corporate communications solutions today; 37 percent of those organizations plan to use these tools more extensively in the

next 12 months.

Mobile access to corporate systems and applications is becoming a critical element of business communications solutions. Organizations are increasingly displacing their desktop phones in favor of mobile devices. Many hosted IP telephony providers are now beginning to offer PC and mobile clients, but few have gained broad penetration within their customer bases. Moreover, most providers charge additional fees for desktop or mobile applications. 8x8's strategy to include these clients in its standard offerings is a strong differentiator and delivers superior value to customers.

Furthermore, unlike most of its competitors which only provide basic automated call distribution (ACD) functionality, 8x8 offers a complete hosted contact center solution. Many small businesses adopting hosted communications cannot afford to buy or support a full-fledged premises-based contact center, but still wish to present a professional image and effectively service their customers. For them, 8x8's integrated solutions present a strong value proposition. Additionally, an advanced contact center offering is likely to appeal to larger businesses evaluating 8x8's hosted solutions, as they seek to outsource a larger portion of their communications infrastructure.

Businesses versed in the technology acknowledge the benefits of videoconferencing and look to their providers to deliver video integrated with the rest of their communications solution. Frost & Sullivan customer research shows that 40 percent of surveyed organizations are currently using videoconferencing services or applications, and 47 percent of current users plan to use these tools more extensively in the future.

8x8 was among the first hosted IP telephony providers to add videoconferencing capabilities to its portfolio. It offers both video as part of its Web conferencing services and video bridging services which link desktop video with other videoconferencing endpoints. Going forward, 8x8 will be able to respond to evolving customer needs and deliver video to businesses that wish to leverage it to share complex information, effectively connect virtual teams, reduce travel costs, strengthen relationships, and otherwise improve productivity.

Most hosted IP telephony providers have sought to bundle a broad set of communications and collaboration applications in order to provide a one-stop shop to their customers. However, businesses frequently require integrations with third-party applications. 8x8 provides this type of flexibility and has enabled its applications to integrate with some most popular business solutions, such as Microsoft Exchange, Google Mail, Salesforce.com, ACT!, NetSuite, SugarCRM, and eAgent.

Compelling Business Model

8x8 Virtual Office is quite easy for businesses to understand, deploy, and manage. It was created with the small business in mind and focuses on simplicity, ease of use, and flexibility.

8x8 enables customers to deploy its business VoIP services over any kind of access network. This capability allows customers to leverage existing broadband contracts or deploy access services that best suit their needs (in terms of price, provider relationships, or other factors) across multiple geographic locations. Most of 8x8's competitors resell access lines and offer managed services in order to have a greater control over service quality. However, market evidence shows that small businesses prefer to choose their own access services and to manage those contracts separately from their voice solution.

8x8 has also priced its services very competitively. Customers can subscribe to the complete PBX functionality, along with unlimited local and long distance calls, for as little as \$29.99 per user per month. Two main packages are available, making it simple for customers and sales agents to select the best option. More advanced features and capabilities are available a la carte for businesses to choose from based on their unique needs and budgets. Local and long-distance calling are available as unlimited options or on a metered basis in order to provide flexible alternatives for heavy users or those that make few outbound calls.

While 8x8's IT- and user-friendly services can be deployed without assistance from 8x8 staff, the provider has account executives and customer service representatives available to walk customers through the solution and its functionality and help them with installation and configuration. This support service is available at no charge when delivered over the phone. Paid, on-site assistance is available for larger businesses with more complex implementations.

Conclusion

Frost & Sullivan has continuously monitored 8x8's long track record of delivering compelling VoIP services in the North American market. The company has managed to attain a market leadership position through continued innovation, a comprehensive hosted communications and collaboration application portfolio, and a flexible business model. 8x8 is well positioned to remain the leader in this market. As such, 8x8 is well deserving of the 2012 Frost & Sullivan Market Share Leadership Award.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a “must-have” requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

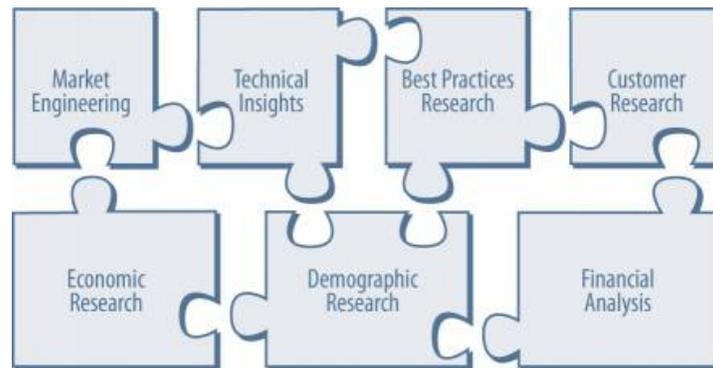
Chart 2: CEO's 360-Degree Perspective™ Model



Critical Importance of TEAM Research

Frost & Sullivan's TEAM 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 seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 3: Benchmarking Performance with TEAM Research



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 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.