FROST & SULLIVAN

8x8

2018 North American Integrated CCaaS and UCaaS Competitive Strategy Innovation and Leadership Award

FROST & SULLIVAN

2018 BEST PRACTICES AWARD

NORTH AMERICAN INTEGRATED CCAAS AND UCAAS COMPETITIVE STRATEGY INNOVATION AND LEADERSHIP AWARD

2018 BEST PRACTICES AWARDS

Contents

Background and Company Performance

Industry Challenges

Today's customers are hyper-connected, impatient and prone to conduct the research needed to become knowledgeable about products and services before they contact prospective providers. Therefore, business success very often requires prompt, complete and professional service to answer increasingly in-depth and complex customer questions.

Business leaders recognize the criticality of staying at the forefront of customer service trends. A 2017 global Frost & Sullivan survey of 1,934 IT decision makers across Europe, the Americas and Asia shows that improving the customer experience is the second most important driver in near-term IT investment decisions.

In order to become more agile and responsive to customer demands, organizations are implementing cloud-based contact center and unified communications services which allow them to outsource technology ownership complexity, receive predictable billing and rapid access to new capabilities, as well as enable rapid and flexible capability adjustments to accommodate times of growth or downsizing.

However, contact centers have traditionally been walled off from the rest of the enterprise, with each organization utilizing separate and distinct platforms for most of their communication requirements. As a result of differing needs, contact center and enterprise communications often have different decision makers, influencers, procurement cycles and buyers. The absence of consistent feature support and communications integration across the two environments has also left critical requirements unaddressed. Put simply, lack of shared communications tools across the contact center and enterprise often equates to agents on the front lines spending too much time seeking the resources that reside in the broader organization when they need help to quickly resolve issues, which negatively impacts customer experience and satisfaction.

Leading providers are enabling superior customer support by integrating communications capabilities across their enterprise communications and contact center environments. A competitive strategy innovation leader goes beyond the competition that often presents an incomplete approach. Such a company eases the path to implementing more sophisticated capabilities through integrated contact center and communications solution licensing, integrating traditionally siloed technology platforms and providing a single source for development, service delivery and support.

Strategy Innovation and Customer Impact

Frost & Sullivan recognizes 8x8's Competitive Strategy Innovation Leadership owing to its initiatives in contact center and UC integration based on the following criteria: competitive differentiation; stakeholder integration; price performance value; customer purchase experience; and customer ownership experience.

Strategy Effectiveness

8x8 was a pioneer in the hosted IP telephony and UCC services market, but got its start in 1987 as a semiconductor vendor. It became a publicly traded company in 1997 (NASDAQ:EGHT). In 2002, it became a VoIP services provider under the packet8 brand, and by 2008 had become one of the largest U.S. residential VoIP providers with a small share in business VoIP services as well. Since then, the company has completely shifted its focus from the residential to the business market to become one of the top hosted cloud communications providers in North America. 8x8 further expanded this focus to encompass a broader business landscape with the introduction of robust unified communications and collaboration (UCC) applications in 2009.

The company added contact center functionality with the launch of Virtual Contact Center (VCC) in 2007. The acquisition of Contactual (Formerly White Pajama) in September 2011 further enhanced this offering. The company continues to enhance its services portfolio, which enables it to deliver a broad set of solutions from telephony and UCC all the way through sophisticated omnichannel contact center. Tight integration of 8x8 Virtual Office (VO) and VCC provides significant benefits to customers. It enables contact center agents to communicate with experts in their broader company with the click of a button, to better solve customer problems, which represents a strong differentiator for 8x8.

Since then, the company has remained committed to evolving its complementary offerings in UC and the contact center. For example, acknowledging growing customer adoption of various chat-based applications, in 2017, 8x8 acquired Sameroom, a team collaboration interoperability technology. Sameroom enables integration of multi-vendor team collaboration solutions, including Hangouts, HipChat, Skype for Business, Slack, Webex Teams and others. 8x8 leverages Sameroom to connect technology silos within customer organizations and thus enable more effective collaboration.

8x8 furthered its commitment to reside at the forefront of innovation through internal development and acquisition. In its fourth quarter 2018, the company completed the acquisition of MarianaIQ to strengthen its artificial intelligence (AI) and machine learning (ML) capabilities across its communications and contact center services portfolio.

This strategy has facilitated strong growth for 8x8. It reported 20 percent year-over-year revenue growth in its fiscal year 2017 to 2018 (ending March 31, 2018), with similar performance projected for the company's fiscal year 2019. It also has steadily grown its installed base of contact center customers, seeing significant traction in the mid-market and enterprise segments.

8x8 also has significantly expanded its installed base of hosted IP telephony, CCaaS and UCaaS users over the years and has surpassed one million users worldwide. With improved onboarding, training, and service management capabilities, 8x8 is set to continue or improve on this growth trajectory over the next few years. In addition, over the last several years, 8x8 has committed to expanding its presence in the mid-market customer segment. In its fiscal 2018 report, 8x8 shared key performance metrics demonstrating continued success in penetrating mid-market accounts, as follows:

- Service revenue increased 19 percent year-over-year (YoY) to $75.3 million.
- Service revenue from mid-market/enterprise customers grew 29 percent year over year and represented 60 percent of total company services revenue.
- Average monthly service revenue by business customer (ARPU): ARPU per mid-market and enterprise customers increased 9 percent year-over-year. Overall ARPU per business customer increased 10 percent year over year.
- Greater than half of new monthly recurring revenue (MRR) booked in the full-year was generated from mid-market and enterprise customers who purchased 8x8's integrated UCaaS and CCaaS solutions.

The company's portfolio structure has evolved to meet shifting customer demands, from distinct PBX/UC and CC plans, to its Virtual Office (VO) Edition plans that streamlined the adoption of UC with contact center, as a high percentage of its customers were adopting the entire suite of capabilities, including telephony. In March 2018, it further refined its packaging and delivery strategy, giving customers more options by introducing its X Series integrated UC and contact center license plans to more easily and holistically consume capabilities across the company's one cloud communications platform. Frost & Sullivan expects 8x8's continually enhanced portfolio and streamlined go-to-market strategy to drive increased success for the company above and beyond its initial UCaaS stronghold in the SMB segment into a deeper and broader establishment in contact center and collaboration across the mid-market and enterprise sectors.

Competitive Differentiation

In today's business climate, more workers outside of the traditional contact center (e.g., sales, help desk, training, recruiting, etc.) are engaged in customer service activities. At the same time customer demand for simplification is growing. With single-source solution delivery and support, as well as improved integration across their broader communications environment, an increasing number of vendors are evangelizing their capabilities in the area of CCaaS and UCaaS integration. However, many fall short of the comprehensive solution set, delivery and support provided by 8x8.

There are essentially three areas in which various providers are positioning their CCaaS and UCaaS integration capabilities. The first is characterized as UC applications, utilized by employees engaging with internal and external customers that are not integrated with the contact center technology environment. Examples may include contact center supervisors utilizing mobile soft clients, or agents utilizing UC applications such as conferencing and team spaces which are not natively accessible or integrated with agent desktop interfaces and back-end contact center functionality (i.e., queues, skills-based routing, reporting, etc.). In summary, such solutions are silos of technology wherein agents and employees access and utilize UC applications as point products rather than technologically integrated parts of their workflows.

Certain providers are currently taking their CCaaS and UCaaS integrations to another level through technology platform integration. For example, their customer care and enterprise communications environments leverage common applications beyond call control, such as a common employee directory, IM/chat, presence and conferencing across the entire organization. This enables agents to search for and connect dynamically with subject matter experts located anywhere in the broader enterprise when needed to resolve non-routine customer inquiries. The objective is to enable agents to spend less time searching for resources and more time helping customers. Although many such solutions may deliver from a functionality standpoint, they often fall short in their deployment and licensing complexity. Specifically, discrete licensing, and therefore discretely provisioned functionality for each platform varies greatly across contact center and enterprise communications seats. Additionally, many providers offer multi-vendor UCaaS and CCaaS solutions, leading to a messy mix of user and admin interfaces as well as disparate management, reporting and analytics tool sets. In certain instances, additional licenses are also required to enable federated communications (i.e., IM/chat and presence) between the two environments. Equally important, providers offering services based on disparate cloud platforms face additional challenges of working with disparate data sets, control, provisioning, billing, management and numerous other support tools. The resulting complexity and cost of all these issues runs counter to the simplification initiatives that are driving customers toward cloud contact center and unified communications services.

The third integration area aims to reduce the complexity associated with purchasing, deploying, configuring, provisioning, managing and using solutions while also eliminating the communications silos resulting from limited or loose technology integration. This approach makes integrated solutions available under strategically bundled software licenses that span both enterprise communications and contact center capabilities. An approach undertaken by 8x8, this holistic integration provides the functional intelligent enterprise engagement capabilities as well as simplified licensing and deployment that organizations increasingly seek. The resulting benefits include streamlined vendor and license management, support accountability, pricing advantages, a single data set for business insights, as well as seamless communications between contact center and employees in the greater organization.

Frost & Sullivan research has concluded that many vendors evangelize their capabilities with respect to CCaaS and UCaaS integration. 8x8 practices an end-to-end, single-vendor approach that is matched by few, if any, of its competitors.

Stakeholder Integration

8x8's strategy reflects the needs of industry stakeholders, including competitors, customers, investors, channel, and employees.

The company's strategy potentially has far and deep reaching impact on the industry.

- It sets a high bar for competitors to advance their capabilities similarly in order to remain competitive with 8x8 solutions functionality and go to market success.
- 8x8 technology channel and technology ecosystem partners (i.e. CRM, productivity apps, vertical solutions, endpoints, etc.) have opportunities to increase the scale and penetration of their deployments through respective sales of and integration with 8x8 X Series, as well as offer data services leveraging one system of intelligence and analytics.
- Similarly, 8x8's approach enables customers to scale third-party integrations organization-wide with more business value. For example, sales, support, finance, contact center and other employees may utilize the same third-party databases with consistency to add more contextual and actionable information to customer data.
- Customer staff leveraging 8x8 platforms may work with improved collaboration to enhance their productivity and efficiency as well as increase customer loyalty and satisfaction.
- Investors with a stake in 8x8 are likely to witness positive results through the company's differentiation and execution in high growth CCaaS and UCaaS markets.

Price/Performance Value

In comparison to similarly positioned offerings on the market, customers who invest in integrated CCaaS and UCaaS solutions from 8x8 gain time-to-market advantages.

Single-source solutions, particularly those featuring integrated platforms and licensing often streamline configuration, deployment, management and provisioning. As opposed to many competing solutions, 8x8 offerings function as intended upon implementation, without requirements for extensive post deployment integration licensing and services. 8x8 further differentiates from many competitors by offering customers the ability mix and match plans across their workforce, which provides opportunities to smartly tailor plans to specific employee tasks and preferences. As such, customers can immediately begin to utilize and benefit from the functionality they subscribe to. With many competing single-source and multi-vendor solutions, customer investments remain idle for weeks, months or more as the necessary, billable professional services are performed to create the intended solution set.

Market demand for increasingly sophisticated and flexible, yet easy to procure and deploy solutions is on the rise. 8x8's success is demonstrated by a high and increasing percentage of service revenues generated from mid-market and enterprise customers with such requirements. 8x8 fiscal reporting states an approximate 29 percent increase in year over year revenues from mid-market and enterprise customers in each of the past several quarters, with this segment representing more than 60 percent of total monthly recurring revenue (MRR) each quarter. In contrast, many competitors owning both UCaaS and CCaaS portfolios have struggled to gain sustained momentum outside of the SMB sector.

Customer Purchase Experience

8x8 works diligently to ensure customers feel they are buying the most optimal solution to address their unique needs and constraints. Its cloud solutions range from IP telephony and UC to omnichannel contact center, and analytics. 8x8's comprehensive PBX functionality is enhanced by voicemail and unified messaging, online fax, IM and presence, conferencing, soft clients, team messaging, mobility, short messaging services (SMS), web collaboration, video conferencing and analytics in its bundled offerings. Other important features, particularly for multi-site businesses, include the ability to integrate distributed customer locations onto a single virtual PBX while allowing each to operate autonomously and make overall system administration and disaster preparedness/recovery simple and easy to manage.

8x8 has undertaken several initiatives to deliver more value and continually simplify the evaluation and purchase processes for customers, as well as sales for partners. In 2017, 8x8 introduced its VO Edition plan, which streamlined the adoption of UC with contact center, as a high percentage of customers were adopting the entire suite of capabilities.

The company has since further refined its packaging strategy, giving customers more options by introducing the X Series integrated UC and contact center plans. Including a lobby seat license, as well as a range of seat licenses from X1 to X8, the new mix-and-match plans combine different telephony, UC and customer care features to address varying needs within an organization. The X1 to X4 plans provide a gradually expanding array of VO (i.e., telephony and UC) features. The X2 to X8 plans also support a growing number (from 5 to 50) of users for 8x8 Audio and Video Conferencing with Meetings. The X5 to X8 plans incorporate graduating customer interaction features, from IVR to inbound (skills-based voice, email, chat, social), outbound predictive dialer, co-browsing and more. All plans include an interoperable 8x8 team messaging system through 8x8 Sameroom integration across more than 25 third-party team messaging platforms such as Slack, Cisco Webex Teams, Google Hangouts and others.

With its uniquely comprehensive X Series plans, 8x8 offers customers opportunities to easily subscribe to a broad communications portfolio spanning telephony, team messaging, contact center, mobility, multi-media conferencing and more, in a manner that is unparalleled in the cloud services industry.

Customer Ownership Experience

As a single-source provider of both CCaaS and UCaaS solutions, 8x8 presents customers with a single point of accountability for service and support – a "single throat to choke". The company is committed to this position as it works to closely satisfy varying customer functionality requirements.

8x8 customers are free to implement capabilities they need today and add functionality as their requirements change in the future. The company's shift from its previous VCC and VO Edition bundling to the new X Series plans does not adversely impact previous investments. Customers that have subscribed to VCC and VO Edition plans may keep their subscriptions through contract expiration or migrate to X Series license plans at their discretion. Customers making the migration, as well as new subscribers, can take advantage of the breadth of X Series plans to optimize their budgets and user utilization of features, as each X Series bundle provides incremental feature sets to allow companies to mix-and-match to best meet individual employee needs.

A single-source provider benefits channel partners as well. The approach reduces training time and complexity for partners. Concentration on single-vendor technology also enables channel partners to build expertise more quickly and obtain additional benefits via achieving higher sales targets compared to multi-vendor technology portfolios. The end result additionally encompasses support advantages customers gain from better qualified channel partners.

Conclusion

Organizations increasingly recognize the importance of organizational agility and customer care responsiveness. With its cloud contact center and unified communications services 8x8 is eliminating the legacy technology and licensing barriers that have prevented organizations from effectively meeting the demands of today's workforce and customers.

With its strong overall performance, breadth of product offering, and ease of implementation, 8x8 has earned Frost & Sullivan's 2018 Competitive Strategy Innovation and Leadership Award.

Significance of Competitive Strategy Innovation and Leadership

Any successful approach to achieving top-line growth must (1) take into account what competitors are, and are not, doing; (2) meet customer demand with a comprehensive, value-driven product or service portfolio; and (3) establish a brand that resonates deeply with customers and stands apart from other providers. Companies must succeed in these three areas—brand, demand, and positioning—to achieve best-practice levels in competitive strategy.

Understanding Competitive Strategy Innovation and Leadership

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 Strategy Innovation and Customer Impact.

Key Benchmarking Criteria

For the Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Strategy Innovation and Customer Impact—according to the criteria identified below.

Strategy Innovation

Criterion 1: Strategy Effectiveness

Requirement: Strategy effectively balances short-term performance needs with long-term aspirations and vision for the company.

Criterion 2: Strategy Execution

Requirement: Adoption of best-in-class processes supports the efficient and consistent implementation of business strategy.

Criterion 3: Competitive Differentiation

Requirement: Unique competitive advantages with regard to solution or product are clearly articulated and well accepted within the industry.

Criterion 4: Executive Team Alignment

Requirement: The executive team is aligned along the organization's mission, vision, strategy, and execution.

Criterion 5: Stakeholder Integration

Requirement: Strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees.

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 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.

Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

	STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1	**Monitor, target, and screen**	Identify Award recipient candidates from around the globe	• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies	Pipeline of candidates who potentially meet all best-practice criteria
2	**Perform 360-degree research**	Perform comprehensive, 360-degree research on all candidates in the pipeline	• Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates	Matrix positioning all candidates' performance relative to one another
3	**Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps	Detailed profiles of all ranked candidates
4	**Initiate research director review**	Conduct an unbiased evaluation of all candidate profiles	• Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles	Final prioritization of all eligible candidates and companion best-practice positioning paper
5	**Assemble panel of industry experts**	Present findings to an expert panel of industry thought leaders	• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates	Refined list of prioritized Award candidates
6	**Conduct global industry review**	Build consensus on Award candidates' eligibility	• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates	Final list of eligible Award candidates, representing success stories worldwide
7	**Perform quality check**	Develop official Award consideration materials	• Perform final performance benchmarking activities • Write nominations • Perform quality review	High-quality, accurate, and creative presentation of nominees' successes
8	**Reconnect with panel of industry experts**	Finalize the selection of the best-practice Award recipient	• Review analysis with panel • Build consensus • Select recipient	Decision on which company performs best against all best-practice criteria
9	**Communicate recognition**	Inform Award recipient of Award recognition	• Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10	**Take strategic action**	Upon licensing, company may share Award news with stakeholders and customers	• Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning	Widespread awareness of recipient's Award status among investors, media personnel, and employees

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 participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS

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 more than 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.