2017 North American UCaaS and Converged Conferencing Services Competitive Strategy Innovation and Leadership Award
Contents

Background and Company Performance .............................................................. 3

   Industry Challenges .......................................................................................... 3
   Strategy Innovation and Customer Impact ......................................................... 3
   Conclusion ....................................................................................................... 10

Significance of Competitive Strategy Innovation and Leadership ..................... 11

Understanding Competitive Strategy Innovation and Leadership ...................... 11

   Key Benchmarking Criteria ........................................................................... 12

Best Practice Award Analysis for Fuze ............................................................... 12

   Decision Support Scorecard ......................................................................... 12
   Strategy Innovation ..................................................................................... 13
   Customer Impact ......................................................................................... 13
   Decision Support Matrix ............................................................................ 14

The Intersection between 360-Degree Research and Best Practices Awards .......... 15

   Research Methodology .............................................................................. 15

About Frost & Sullivan ...................................................................................... 15
Background and Company Performance

Industry Challenges

Businesses are adopting advanced information technologies (IT) and innovative communications and collaboration solutions to improve worker productivity, business agility and overall competitive positioning. Mega trends such as the rise of the Internet of Things (IoT), growing employee mobility, the emergence of the virtual organization; and the increasing role of digital natives in decision-making are driving profound business transformation and affecting business technology requirements.

As businesses embrace a digital future, they acknowledge the need for tight alignment of technology, people and processes. To address new market challenges, businesses are adjusting their internal processes and company culture to foster more collaborative environments, boost innovation, accelerate decision making and improve customer engagement. Forward-thinking organizations are also adopting new technology consumption models to better support evolving workforce and customer requirements.

A key element of digital transformation is the move to cloud communications and collaboration services. Businesses adopting such cloud solutions seek innovative providers with robust portfolios, a keen focus on mega trends and a powerful technology vision that is aligned with evolving business requirements. Mid-size and large organizations are particularly demanding—they expect their providers to offer advanced messaging, web and video collaboration tools, mobility and contact center in addition to core telephony and voicemail services. They choose providers employing a more consultative approach to solutions design based on each business’ unique specifications, as well as providing integrations with third-party software for greater value and return on investment (ROI). Furthermore, large distributed organizations seek providers that can support their operations in multiple geographic regions.

As the industry becomes increasingly competitive with 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, agility and adaptability, and financial discipline to sustain profitable growth. An effective competitive strategy is a critical factor for success in this rapidly evolving market.

A competitive strategy innovation leader excels in both product development and customer engagement. An innovative cloud communications and collaboration provider has assembled a comprehensive solutions portfolio that provides a one-stop shop to address customers’ diverse requirements. It also employs strategies to effectively support businesses’ communications and collaboration needs across multiple sites and user types. Finally, a competitive strategy innovation leader has a strong track record of user and revenue growth which demonstrates its ability to address evolving market conditions and thrive in a highly competitive environment.
Strategy Innovation and Customer Impact

Fuze has persevered on a strong growth path since its inception to establish itself as a top-10 hosted Internet Protocol (IP) telephony and unified communications as a service (UCaaS) provider in North America. It has continually evolved its cloud solutions portfolio to include advanced web and video collaboration, and other capabilities to deliver greater value to businesses and withstand intensifying competition. Throughout 2016, Fuze launched several new products and initiatives that demonstrate its ability to compete through visionary technology innovation and efficient business operations.

Strategy Effectiveness

Fuze's mission is to deliver truly unified communications and collaboration solutions to businesses that enable their people to interact whenever and wherever they want. Key pillars of its market strategy are: strong focus on the user experience; enabling of multi-modal, secure and reliable, contextually enhanced conversations; global coverage with localized experiences and infrastructure; and communications integration with workflows and productivity applications.

Fuze offers one of the most comprehensive cloud communications and collaboration portfolios in the market. In addition to robust cloud private branch exchange (PBX) functionality, the provider’s portfolio includes mobility; audio, web and video conferencing; persistent group chat and team collaboration; instant messaging and presence; and contact center and strong analytics tools. Through an extensive feature set, Fuze caters to broad business requirements and diverse user needs.

Fuze’s technology development roadmap aims to address key market trends and customer pain points such as growing user mobility, the rise of virtual organizations and the need to leverage IT and communications investments for greater business impact. Mobile device integration is an important element of the provider’s solutions and market strategy. Recent Fuze product launches such as its new “reimagined” user interface prove its commitment to a mobile-first technology development approach.

Fuze also aspires to better address increasing customer requirements for advanced collaboration tools to support remote users and geographically dispersed teams. Augmented video conferencing and group chat capabilities resonate particularly well with Millennial users, who cherish mobility and simplicity in their communications tools, and prefer video and texting over voice, but they also cater to the growing collaboration needs of the entire user base. Recently launched webcasting capabilities address broader workforce requirements for enhanced collaboration in increasingly virtual work environments.

Another key focal area is the delivery of contextual data and analytics to better align the use of advanced communications and collaboration tools with broader business goals. The launch of new Fuze user interface and the integration of technology from the acquisitions of Contactive and Fuzebox reinforce Fuze’s efforts to improve business processes by enabling contextually enhanced communications and collaboration.

In order to strengthen its own compelling telephony and collaboration applications feature set, Fuze leverages a strong technology ecosystem to enable integrations that allow its customers to innovate, customize and differentiate. Through open application program
interfaces (APIs) and an enterprise experienced professional services team, both Fuze and its partners can quickly and easily develop integrations with popular applications such as Salesforce, Microsoft Lync and Skype for Business or Google G Suite (formerly Google Apps), as well as customer-specific proprietary and "home-grown" applications. This greatly enhances the user experience and also helps improve key business processes.

**Strategy Execution**

Fuze's rapid growth over the past few years is proof of effective execution on its growth strategy. In 2015, it reported sales outpacing the previous year by 150 percent, increased average customer size and a significant increase in the average annual contract value (ACV) per business customer.

Fuze’s internally developed cloud communications platform is a key enabler of its market success. It allows the provider to innovate more rapidly and more promptly address market needs, while reducing its operational costs and risks associated with dependence on third-party technology development cycles.

Fuze has accelerated innovation through synergistic acquisitions which have added complementary capabilities to its portfolio and enhanced its value to customers. In 2014, Fuze acquired Whaleback, a managed services provider to mid-size businesses. In early 2015, it acquired Contactive, which provides contextual information to contact center agents and enterprise users through integration with various third-party apps and publicly available information. In late 2015, Fuze (then ThinkingPhones) acquired video conferencing and web collaboration provider Fuze and later on adopted its name. The acquisitions have enabled Fuze to address broader customer needs and differentiate from competitors offering much more limited portfolios.

Fuze is expanding its international operations to tap into a larger addressable market and better serve large, multi-national organizations. In the past two years, Fuze strongly pursued international expansion by opening new offices in New York City (adding to a total of 11 offices in the United States); London, UK; Paris, France; Munich, Germany; Copenhagen, Denmark; Vernier, Switzerland; Aveiro, Portugal; and Sydney, Australia). Additionally, the company more than doubled its international headcount in 2015-2016, adding marketing, sales, and professional services resources in EMEA and APAC. It increased the number of data centers serving the global service with three sites each in EMEA, Asia-Pacific and North America. Currently, approximately 37 percent of Fuze's installed base is outside of North America. International markets account for a growing share of new sales.

Organic growth, strategic acquisitions, international expansion and several rounds of private funding (including a recent investment of $134 million led by Wellington Management, LLS) have positioned Fuze well for recent and future growth.

**Competitive Differentiation**

The majority of cloud communications and collaboration providers that have showed strong growth have done so by gaining traction among small businesses of less than 100 users. Budget constraints and IT staffing shortages have created favourable conditions for the move to cloud in this customer segment. As voice over IP (VoIP) and cloud technologies
mature, demand for cloud solutions among mid-size and large businesses is also growing. Fuze is among few providers that have designed solutions and marketing strategies for larger enterprises. This approach has enabled Fuze to differentiate from others and deliver a unique value proposition to this relatively untapped customer segment. The company reports traction within increasingly larger businesses of greater than 2,000 users, which proves that its services are a good fit for this type of environment.

Fuze’s comprehensive solutions portfolio is a key success factor when selling to more demanding mid-size and large organizations. Integration with over 30 third-party enterprise applications enables the provider to create greater value for businesses with large investments in multiple software solutions looking to boost productivity through a more unified user experience. Advanced analytics tools allow larger Fuze customers to gain deeper insights about various aspects of their operations such as employee and customer engagement and more.

A consultative sales approach and a strong focus on customer on-boarding, training and ongoing support further differentiate Fuze from providers that have traditionally focused on smaller businesses. Due to their more complex needs, larger businesses require greater assistance from their providers throughout the entire customer journey. Through a strong portfolio of professional and managed services Fuze has effectively positioned itself as a partner of choice for such businesses. It aims to establish professional services expertise in multiple geographic locations to ensure that customers can receive timely, high-quality support.

Fuze delivers superior customer value through unique features and capabilities that offer specific benefits to certain types of users. For example, Fuze places a great focus on mobile user enablement. In acknowledgement of the modern workforce’s growing mobility needs, the provider extends enterprise UCC applications to mobile devices. A significant portion of Fuze customers have deployed mobility features, and the adoption rate is accelerating with 85 percent of new customers deploying the new unified mobile application for their employees.

Fuze offers a unique, comparatively advanced presence capability. The Fuze platform presence-enables people, devices (e.g., PCs, smartphones) as well as business tasks and processes. What makes Fuze’s presence application even more attractive is its native point-to-point video calling capability from within a unified client interface.

Fuze was one of the first hosted IP telephony and UCaaS providers to introduce video conferencing. With the recent acquisition of video conferencing provider Fuze (and subsequent name change) the company re-affirmed its commitment to enhancing business users’ communications experience with advanced visual collaboration tools. In addition to desktop video conferencing, Fuze now offers multi-party HD video conferencing for rooms with single and dual HD monitors. The solution is managed from the cloud, is interoperable with PC or Mac systems, and supports a wide range of USB speakerphones and cameras. An optional feature—Telepresence Connect—provides interoperability with Cisco, Polycom, LifeSize video endpoints with Fuze mobile, desktop, and room systems.

Fuze also recently launched a managed webcasting solution for global web-based media presentations. The solution features live and on-demand presentations, advanced polling with real-time results, ability to support all PowerPoint builds, animations and videos in a
streaming mode, live text Q&A chat, and screen broadcasting. Managed webcasting sets Fuze apart from the vast majority of UCaaS providers and is likely to provide a strong competitive advantage among highly distributed organizations.

The recently released Fuze “reimagined” user interface is a modern, highly differentiated user client interface, which streamlines softphone capabilities with rich audio, video conferencing, modern group chat/ persistent messaging, and dynamic content collaboration capabilities in a single, simple user experience. Content sharing includes HD screen and application sharing, support for 4K images, and HD movie playback with markup tools. This application also works as remote desktop control allowing users to access their desktop from anywhere.

Overall, Fuze differentiates through a highly collaborative, contextually enhanced modern user interface backed by a rich multi-media cloud UCC applications suite, which resonate strongly with its target mid-size and large customers.

**Price vs Performance Value**

Fuze’s compelling cloud UCC portfolio provides great value to customers at competitive prices. Tiered service packages priced at $25 to $70 per user per month allow Fuze to deliver the right functionality at the right price to different users.

The provider reports increasing average revenue per user (ARPU) due to greater customer adoption of advanced features and capabilities such as mobility, UC soft clients, contact center and video. Furthermore, the company reports a low churn rate of less than 2 percent annually, which demonstrates high customer satisfaction.

Fuze extends additional value to customers through a contact center application based on the same technology as its cloud PBX, which provides an integrated experience for businesses deploying Fuze’s cloud suite of applications. For larger or more complex environments, Fuze offers inContact through a strategic partnership established in late 2015.

The provider includes localized (based on geography) calling plans for local and long-distance minutes in its cloud communications service packages. It offers a compelling global unmetered calling plan, including free calls between Fuze endpoints and unmetered calling to over 100 countries for a fixed monthly fee. It also offers a US and Europe unmetered plans, which respectively cover the United States, Canada, Puerto Rico and 17 European countries. These unmetered calling plans are unique in the industry and greatly facilitate budgeting and cost reduction for businesses with high international calling volumes. Through partnerships with over 30 global carriers, Fuze is able to fix prices for its multinational customers’ various business sites, thus eliminating random, unpredictable call costs. Such customers also realize cost saving by replacing multiple communication solutions with a single, unified platform. This removes licensing, hosting and administration costs related to managing multiple different provider relationships.

As communications become more tightly integrated with business processes, it is ever-more critical for business decision makers to have insight into how communications are impacting their key performance indicators (KPIs). Fuze Analytics integrates data from Fuze applications as well as from third-party business applications to provide a holistic perspective and actionable analytics to business managers. Unlike most other analytics
tools available today, Fuze Analytics allows customers to sort through data collected in various repositories, such as sales force automation, customer relationship management, marketing, customer service, accounts receivable, ticketing and other systems. Fuze Analytics are subject to service administrator permissions. Business intelligence capabilities range from simple call reporting features to a full ad-hoc analytics tool which can track activities across all Fuze cloud communications services.

With its open, extensible platform and partner-friendly approach, Fuze is well positioned to continually enhance its solution and enable integration with popular third-party platforms and applications to enable the customization and innovation customers require. The company offers open APIs, as well as off-the-shelf customized integrations managed by Fuze’s Professional Services team. In some large customers, specifically complex deployments of several thousand users, the ability to integrate with existing solutions and customize newly deployed capabilities is a key prerequisite for provider consideration that has enabled Fuze to win competitive bids.

Fuze pitches its services based on value and has successfully avoided the pitfalls of competing on price. However, it offers competitive pricing, as well as compelling deals that make its services highly appealing to business customers.

**Customer Purchase Experience**

Customers purchasing Fuze solutions can pick from several competitively priced packages comprised of voice, collaboration and international calling plans. The voice package includes essential PBX functionality, voicemail, direct inward dialing (DID) numbers, caller ID, rich analytics platform, softphone, a mobile client, presence, messaging, and click-to-call plugins for Microsoft Outlook, Google Gmail and various browsers. Collaboration includes video calling and conferencing, as well as web conferencing and messaging. Fuze offers Attendant, Contact Center Agent and Supervisor packages as well as solutions through its partnership with inContact.

Fuze employs a highly consultative approach throughout the customer engagement process. It looks to identify specific customer needs and design solutions that provide the best fit. A key enabler of Fuze’s growth strategy and market success is its blended direct and indirect sales approach. Over the past couple of years, it has more than doubled its direct sales force, which represented about one-third of its staff in 2016. Globally distributed direct sales representatives serve customers from 350 employees to thousands of employees, while an inside sales teams based in the United States and EMEA support organizations of 350 employees or smaller.

Fuze also leverages an indirect channel of 200 partners, including SHI International, AVANT, Intelisys, CDW Corporation, Softchoice, Invite Networks, Alphaserve Technologies, among others.

The company’s channel roster is diversified, as it includes master agents, distributors, telco agents, value added resellers as well as technology partnerships.

Channel partners help extend Fuze’s market reach and customer deployment that are critical for growth and market share gains in the fragmented cloud communications and collaboration markets. Partners also play a critical role in Fuze’s international expansion. The company is one of few North American providers to extend its services to countries...
outside the United States. In the past couple of years, the company launched services in Australia, Belgium, France, The Netherlands, Portugal, the UK and other countries in Europe and Asia-Pacific theaters, and continues expanding into new markets. It is also ramping up its professional services resources in international markets to gain credibility and better assist enterprise customers in their transition to the cloud.

**Customer Ownership Experience**

Fuze has developed internal policies and procedures to effectively support customers throughout their journey. Project management teams are involved very early in the customer engagement process to ensure deployment success. As part of this process Fuze provides constant employee training to ensure effective customer support throughout the solution lifecycle. Senior Fuse staff joins most customer calls to provide faster issue resolution and higher customer value.

Fuze supports customers through regular onsite and webinar training sessions, as well as various types of ad-hoc training. It also provides self-service tools allowing customers to more effectively manage their solutions. Fuze also places great importance on customer satisfaction and continues to invest heavily in this area. The support, services and product team regularly conducts customer surveys to measure customer satisfaction to continually improve the customer experience.

Current Fuze development efforts are focused primarily on enhancing the end-user interface, and more specifically the mobile experience. It has launched a new service portal for customer IT staff and end users with a new interface for PC and MAC, and support for smartphones and tablets. The new Fuze Hub application provides easy access to frequently used features as well as improved self-provisioning and customization capabilities to administrators and end users, including one-step end-user provisioning of desktop and mobile devices.

Through the acquisition of Contactive, Fuze added the ability to receive detailed Fuze Insights. It allows business users to receive detailed caller information including LinkedIn, Twitter and Facebook information as well as customer information available in their company’s CRM systems. This new capability allows businesses deploying Fuze solutions to gain greater value from their communications investments through broader context and insight about incoming communications. Fuze Insights also enables sales and service agents to more effectively serve their own current and prospective customers.

All Fuze services are delivered over managed multi-protocol label switching (MPLS) connections to Fuze data centers, which guarantee superior service quality. Fuze provides automated backup through its multi-data-center approach and redundant wide area network (WAN) connections. It continually checks the status of all endpoints and the WAN connections that feed into customer locations. Its systems ping endpoints and IP addresses. It uses monitoring tools such as simple network management protocol (SNMP) to ensure greater service quality and reliability.

Another factor contributing to Fuze’s superior customer retention and satisfaction rates is the consistent service quality and reliability. In its service level agreements, the provider commits to five 9s (99.999 percent) service availability and a 4-hour mean time to repair. It leverages a geographically redundant data center architecture and multiple carriers with redundant connections at each data center for access to the public switched network.
(PSTN) in order to eliminate a single point of failure. It offers compensation/credit to customers affected by downtime or in cases of inability to repair services within the SLA specifications. Such strict SLAs are rare in the industry and differentiate Fuze from its competitors.

**Conclusion**

Fuze stands out among competitors with its broad portfolio of cloud communications and collaboration solutions. It has also differentiated with its strategic focus on mid-size and large businesses. Rapid growth and improving performance metrics evidence the effectiveness of its competitive strategy and execution.

For its strong overall performance, Fuze has earned Frost & Sullivan’s 2017 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 at these three things—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
- Criterion 2: Strategy Execution
- Criterion 3: Competitive Differentiation
- Criterion 4: Executive Team Alignment
- Criterion 5: Stakeholder Integration

**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 Fuze**

**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 Strategy Innovation 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.

<table>
<thead>
<tr>
<th>Measurement of 1–10 (1 = poor; 10 = excellent)</th>
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<tbody>
<tr>
<td><strong>Competitive Strategy Innovation and Leadership</strong></td>
</tr>
<tr>
<td>Fuze</td>
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<tr>
<td>Competitor 2</td>
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<tr>
<td>Competitor 3</td>
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**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 to support 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 on 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 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.
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 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](http://www.frost.com).