Competitive Strategy
Innovation and Leadership Award

Mid-size and Large-enterprise Cloud Communications Market Segments

NORTH AMERICA
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Background and Company Performance

Industry Challenges

Cloud communications are rapidly gaining traction as businesses look for more flexible technology deployment models to support their continuously evolving needs. Hosted Internet Protocol (IP) telephony and unified communications and collaboration (UCC) services are a key segment within the broader cloud communications space and originally found appeal among small businesses. They are now quickly becoming mainstream as these services are increasingly adopted by mid-size and large organizations.

The North American hosted IP telephony and UCC services base of installed users is projected to increase from 8 million in 2014 to 35 million users in 2020. The proliferation of communications and collaboration tools is leading to a more complex communications infrastructure—a key driver for businesses to move their solutions to the cloud. Growing customer trust in maturing voice over IP (VoIP) and cloud technologies is further reinforcing this trend. A plethora of service providers have acknowledged the opportunity and have launched compelling hosted IP telephony and UCC services to North American business customers.

In the pursuit of customer value and market share growth, providers are facing a number of challenges. Small businesses have been quick to appreciate the benefits of cloud communications: CAPEX reduction, flexible capacity and functionality adjustments, and access to superior IT expertise. Larger organizations, however, have been slower to embrace the technology. Delayed adoption in this customer segment has been partly due to perceptions that cloud communications are less robust and offer more limited feature sets. More demanding mid-size and large-enterprise customers are looking for cloud solutions that offer similar or better functionality than the premises-based communications solutions that these organizations have deployed in the past. Customers evaluating cloud communications solutions also demand proof that evolving IP and cloud technologies provide the level of security and reliability required to grant the organization a competitive edge. For these reasons, providers have found it particularly challenging to penetrate this customer segment.

As the number of service providers and cloud solutions continues to expand, businesses struggle to differentiate among the many offerings in order to effectively select the best fit for their specific needs and circumstances. Prospective customers expect providers to present a strong value proposition coupled with a compelling technology development roadmap. In addition, prospective customers expect providers to demonstrate long-term viability through solid growth and profitability metrics.

High customer expectations compel providers to constantly innovate and look for ways to differentiate from the competition. A company that has achieved leadership among mid-size and large organizations is better positioned to grow in the future as cloud communications adoption in this customer segment accelerates. Typically, such a
company offers a broad set of communications and collaboration features and delivers outstanding customer services and support. Effectively differentiating from competitors and demonstrating a compelling value proposition enables a competitive strategy leader to rapidly expand its customer base. Greater penetration among mid-size and large organizations enables a provider to grow more profitably through lower customer churn and higher average revenue per customer. A strong track record in this segment also places a provider in a more favorable position among customers evaluating cloud solutions providers.

**Strategy Innovation and Customer Impact**

West Corporation (West), stands out among North American hosted IP telephony and UCC service providers with its ability to address the needs of mid-size and large-enterprise customers. The company has accomplished a leadership position in this customer segment through an effective strategy, strong execution, a differentiated market approach, price/performance competitiveness and excellent customer purchase and ownership experiences.

**Strategy Effectiveness**

A hosted services provider’s strategic direction is largely determined by target market characteristics and requirements. Focusing on a specific target market with appropriately designed services bundles has driven the success of today’s market leaders. West focuses primarily on larger businesses with hundreds or thousands of users. This has determined the company’s sales approach as well as its portfolio evolution. While most other successful hosted IP telephony providers have usurped the very-small business space (under 20 users), West reports an average of 750 to 1,000 users among customers it has acquired over the past three to four years.

Larger businesses have been comparatively slower to adopt hosted IP telephony and UCC services, but as cloud technologies and business models mature, many of these organizations are gradually moving their communications to the cloud. Approximately two-thirds of North American business telephony users are categorized in this customer segment, creating significant opportunities for early market entrants such as West.

Several factors make this segment particularly attractive to hosted IP telephony and UCC services providers. Mid-size and large-enterprise customers deploy new technologies on a larger scale and typically commit to certain communications providers and solutions for a longer period of time. Higher average revenues per customer along with greater customer loyalty in this segment enable providers such as West to grow faster and operate more profitably.

With years of experience West has developed considerable expertise to address the needs of mid-size and large organizations, which has enabled it to effectively penetrate this customer segment and positions the company for continued success in the future. West communications solutions are developed with larger businesses in mind, including a broad
portfolio comprised of hosted PBX and UCC services and SIP trunking. West offers two key options for hosted PBX and UCC services: a solution set based on its VoiceMaxx platform and the Maxxis network, and another solution based on Cisco Hosted Collaboration Solution (HCS) infrastructure. Both offers are targeted at larger businesses and have numerous features and capabilities in common while providing different implementation options.

VoiceMaxx is a proprietary multi-tenant platform that enables West to offer a broad suite of business communications services, including IP telephony, presence, messaging, collaboration, contact center, and more. VoiceMaxx CE, based on Cisco’s HCS multi-instance platform, enables West to better address the needs of existing Cisco premises-based UCC customers looking to migrate all or part of their communications solutions to the cloud.

West also offers Lync Server-based services including IM and presence, audio, web and video conferencing, as well as IP telephony. The company frequently integrates Lync Server-based services with its VoiceMaxx and VoiceMaxx CE offerings for a complete set of best-of-breed UCC capabilities.

West’s considerable share of North American hosted IP telephony users in the mid-size and large-enterprise segment is testament to its strategy effectiveness.

**Strategy Execution**

West’s competitive market strategy is backed by effective execution, as evidenced by strong performance metrics. West’s competitive market strategy is backed by effective execution, as evidenced by strong performance metrics.

Throughout the years, West has grown at the same pace or faster than the rest of the market. In mid-2015, the company reported an especially strong year-over-year (YoY) increase in new UCaaS users as well as strong growth in average client monthly recurring revenue (MRR) and current client retention (in excess of 93%). These trends show that West is on a steady growth path, driven by both new customer acquisitions and high customer retention rates.

The provider’s success can be attributed to its innovative approach in several key areas including product line strategy, sales and marketing.

The majority of West’s installed user base is supported on the multi-tenant Maxxis network and VoiceMaxx service. However, the provider reports increasing demand for its more recently launched VoiceMaxx CE. In mid-2015, it reported strong, impressive YoY growth in the number of VoiceMaxx CE users. West currently ranks among Cisco’s leading HCS partners in the United States and globally.

West’s sales and marketing approach fully complements its solutions portfolio and strategic focus on mid-size and large-enterprise organizations. West has a strong legacy in serving customers through an extensive partner network since the time it operated as an independent entity known as Smoothstone. After the acquisition by West, the IP
communications provider gained access to a large sales force of several hundred staff (mostly part of the InterCall group within West). West now leverages these assets, which, combined with its existing channel partnerships, are helping to market its hosted IP communications and SIP trunking offerings to a broader customer audience.

Today, West continues to grow its channel sales at double-digit rates, and is seeing a growing volume of new bookings generated by the InterCall team. It remains committed to channel partners as businesses continue to rely on traditional telecom resellers and VARs for their communications technology expertise.

Overall, through its broad portfolio and multi-prong sales approach West delivers tailored solutions for larger business organizations.

**Competitive Differentiation**

Service provider differentiation is critical for success in the highly fragmented North American hosted IP telephony and UCC market. West is one of few providers with a strong focus and capabilities to serve the mid-size and large-enterprise customer segment. It further differentiates through its ability to offer customers a choice of different communications solutions. VoiceMaxx, VoiceMaxx CE and Microsoft Lync-based solutions enable West to address varying customer preferences based on cost, feature functionality, performance, existing technology investments and/or expertise, and other factors.

Contact center capabilities represent a major prerequisite for success in the mid-size and large-enterprise customer segment. West offers ControlMaxx which addresses the needs of smaller organizations with limited budgets and more basic functionality needs. The company also offers a Cisco technology-based contact center solution that integrates with Cisco HCS infrastructure and delivers advanced functionality for more demanding customers.

West’s competitive position in the hosted IP telephony and UCC market is further boosted by synergies with the broader West portfolio and capabilities. As a leading audio conferencing services provider and the largest Cisco WebEx reseller, InterCall (part of the broader West organization) enables West to integrate advanced audio and web collaboration functionality with its IP communications offerings. As such, West provides a one-stop shop for an integrated set of communications and collaboration capabilities to customers that require both. Beyond feature functionality synergies, the larger West organization also provides the IP communications division with financial stability and more extensive sales and marketing resources.

West’s sales and customer support strategies for the mid-size and large enterprise segment represent another important competitive differentiator. Unlike most of its competitors which focus on either automated self-provisioning or complex customized implementations, West supports both approaches.

The provider has structured its entire organization, including technology, processes and people, to properly serve this customer segment. Staff training and specialized processes
enable West to more effectively deal with solution purchasing, implementation and ongoing management for larger organizations with sophisticated technology environments. Direct and indirect West sales staff employs a consultative approach that aims to uncover real customer pain points and specific business objectives to tailor solutions to the complexities of large customers’ needs. West has also deployed certain technologies, such as home-grown customer relationship management (CRM) and billing apps, to deliver personalized services to demanding large customer organizations.

West recognizes the importance of providing effective self-care tools to business customers. It has recently enhanced its user interfaces for both IT admin staff and end users, enabling customers to independently and efficiently perform a number of tasks including renaming users, resetting passwords, changing phone settings, and so on. Additional enhancements to these simplification efforts are on the way as West is in the process of automating directory integration, user database maintenance, and other self-service capabilities that eliminate hassle and enhance customer flexibility.

As West further penetrates the large-enterprise market, international presence becomes ever-more important. Few North American providers boast any international presence today. West is expanding its geographic coverage to provide origination and termination services in multiple countries, either through native dial tone or gateways. Data centers in the US, UK and Singapore ensure West service quality and reliability for multi-national organizations with sites in North America, Europe and Asia Pacific.

**Price/Performance Value**

One of West’s core assets and key competitive advantages is Maxxis—an application-aware network solution specifically designed for real-time communications delivery, centralized applications and cloud-based services across the enterprise. The Maxxis network allows customers to deploy a converged, all-IP network as a fully managed infrastructure with exceptional application performance, flexibility and resiliency. Maxxis offers flexible service delivery through interconnections with multiple Tier-1 carriers to ensure broad geographic coverage and provide customers with a choice of network interfaces that meet diverse business needs. Maxxis enables intelligent application-based routing and advanced management utilizing MPLS technology. Maxxis provides West with considerable cost-efficiencies and enables it to deliver competitively priced business communications services.

West also focuses on developing compelling hosted IP telephony and UCC solutions with comprehensive feature sets. West VoiceMaxx is comprised of a broad applications suite including PBX, voicemail, voicemail to email, fax to email, call recording, mobile apps for iOS and Android devices, instant messaging (IM) and presence, file sharing, conferencing, and contact center. Through a unique pricing model based on concurrent call paths and direct inward dialing numbers (DIDs), VoiceMaxx delivers superior price/performance value to customers of any size.

West’s more recently launched VoiceMaxx CE solution based on the HCS platform includes Cisco Unified Communication Manager’s (UCM) robust applications set. Like UCM, HCS also
includes Cisco Unity Connection (for voice and unified messaging), and a broad endpoint portfolio including TelePresence and Cisco Jabber (a UC client for Windows, Mac OS, iOS, and Android, which provides presence, IM, voice, HD video, voice messaging, desktop sharing and conferencing). VoiceMaxx CE also integrates with Cisco WebEx Meeting Center services offered by West’s sister organization InterCall. Recent enhancements include support for Cisco Expressway that provides VPN-less access for Jabber users and native mobility features such as single-number reach and clientless network-based fixed-mobile convergence options. West’s deployment of Cisco HCS also supports custom integrations with third-party applications.

VoiceMaxx and VoiceMaxx CE are available at a competitive price range from $20 to $60 per user per month based on specific user needs.

**Customer Purchase Experience**

With both VoiceMaxx and VoiceMaxx CE, West provides a one-stop shop to business customers looking for advanced cloud communications solutions. With a broad feature set and competitive prices, these offerings address businesses of any size and industry.

VoiceMaxx CE provides additional benefits to customers with existing Cisco investments. They can either deploy hybrid architectures that integrate existing systems in some locations with cloud services in others, or migrate their entire enterprise infrastructure to the cloud. Trade-in options enable customers with existing Cisco premises-based infrastructure switching to hosted PBX and UCC services to receive rebates from future service payments in exchange for licenses they previously purchased. Thus, Cisco and West provide such customers with a more economical migration path to a hybrid infrastructure or an end-to-end cloud solution.

A multi-instance virtualized UCC solution, VoiceMaxx CE offers all the advantages of a cloud architecture whereby multiple end-user organizations share the same computing hardware for cost efficiencies. However, HCS delivers dedicated software instances to each customer or even departments within each customer organization to provide a greater degree of security and enable tighter control such as customized billing and provisioning.

Furthermore, the interoperability of numerous Cisco products (servers, networking, systems, and user applications) incorporated into HCS enables tighter integrations among the various platforms and applications without the cost and inconvenience of assembling multi-vendor technologies and applications into a single, end-to-end UC solution.

Mid-size and large businesses looking for a cost-effective hosted IP telephony and UCC solution can leverage the VoiceMaxx services portfolio along with West Solution Design Teams and consulting services to migrate their communications solutions to the cloud economically and with proper consideration for specific business objectives.
Customer Ownership Experience

Many hosted IP telephony providers have successfully attracted clients but few have provided a superior customer experience to achieve greater customer loyalty. Service provider financial stability plays a key role in securing long-term relationships with business customers. West is one of the largest market participants in the North American hosted IP telephony and UCC services market, which instills confidence in current and potential customers.

The broader West organization is a leading provider of network infrastructure, communication services and customer contact solutions. Its offerings include conferencing and collaboration, public safety, IP communications, interactive and other services such as automated notifications and telecom services. Founded as West Teleservices in 1986, the company has expanded significantly over the years both through organic growth and strategic acquisitions. West is a publicly traded company with 2014 revenues of $2.2 billion.

Customers also value the modularity of West’s solutions. Both VoiceMaxx and VoiceMaxx CE allow customers to deploy different feature sets for different users at varying price levels. Customers can flexibly adjust both capacity and features as their needs evolve.

Most companies consider their business communications mission-critical and cannot tolerate network outages that disrupt their business operations. West ensures high service availability through geographically distributed data centers on three continents. Maxxis provides a comprehensive tool set to manage customer business applications and provides full visibility into network performance, including that of routers and switches, as well as the network core.

Through financial stability, solution flexibility and service reliability, West provides customers with an excellent ownership experience that helps retain customers and grow the business.

Conclusion

West has been exceptionally successful among mid-size and large-enterprise organizations through a combination of capabilities including effective strategy and execution, competitive differentiation, price/performance value, and superior customer purchasing and ownership experiences.

With its strong overall performance, West has earned Frost & Sullivan’s 2015 Competitive Strategy Innovation and Leadership award in the mid-size and large-enterprise segments of the North American cloud communications market.
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 West

**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.

RATING 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, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

DECISION SUPPORT SCORECARD FOR COMPETITIVE STRATEGY INNOVATION AND LEADERSHIP AWARD

<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>-------------------------------------------------</td>
</tr>
<tr>
<td>West</td>
</tr>
<tr>
<td>Competitor 2</td>
</tr>
<tr>
<td>Competitor 3</td>
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</table>

**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.

DECISION SUPPORT MATRIX FOR COMPETITIVE STRATEGY INNOVATION AND LEADERSHIP AWARD
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.
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards 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.

<table>
<thead>
<tr>
<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monitor, target, and screen</td>
<td>Identify award recipient candidates from around the globe</td>
<td>Pipeline of candidates who potentially meet all best-practice criteria</td>
</tr>
<tr>
<td>2</td>
<td>Perform 360-degree research</td>
<td>Perform comprehensive, 360-degree research on all candidates in the pipeline</td>
<td>Matrix positioning all candidates' performance relative to one another</td>
</tr>
<tr>
<td>3</td>
<td>Invite thought leadership in best practices</td>
<td>Perform in-depth examination of all candidates</td>
<td>Detailed profiles of all ranked candidates</td>
</tr>
<tr>
<td>4</td>
<td>Initiate research director review</td>
<td>Conduct an unbiased evaluation of all candidate profiles</td>
<td>Final prioritization of all eligible candidates and companion best-practice positioning paper</td>
</tr>
<tr>
<td>5</td>
<td>Assemble panel of industry experts</td>
<td>Present findings to an expert panel of industry thought leaders</td>
<td>Refined list of prioritized award candidates</td>
</tr>
<tr>
<td>6</td>
<td>Conduct global industry review</td>
<td>Build consensus on award candidates' eligibility</td>
<td>Final list of eligible award candidates, representing success stories worldwide</td>
</tr>
<tr>
<td>7</td>
<td>Perform quality check</td>
<td>Develop official award consideration materials</td>
<td>High-quality, accurate, and creative presentation of nominees' successes</td>
</tr>
<tr>
<td>8</td>
<td>Reconnect with panel of industry experts</td>
<td>Finalize the selection of the best-practice award recipient</td>
<td>Decision on which company performs best against all best-practice criteria</td>
</tr>
<tr>
<td>9</td>
<td>Communicate recognition</td>
<td>Inform award recipient of award recognition</td>
<td>Announcement of award and plan for how recipient can use the award to enhance the brand</td>
</tr>
<tr>
<td>10</td>
<td>Take strategic action</td>
<td>Upon licensing, company may share award news with stakeholders and customers</td>
<td>Widespread awareness of recipient's award status among investors, media personnel, and employees</td>
</tr>
</tbody>
</table>
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 almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.