

F R O S T & S U L L I V A N

FROST & SULLIVAN BEST PRACTICES AWARD

UNIFIED COMMUNICATIONS AS A SERVICE FOR
THE SMB MARKET - NORTH AMERICA

Customer Value Leadership 2019

The Nextiva logo features the word "nextiva" in a bold, blue, lowercase sans-serif font. A small yellow circle is positioned above the letter "i".

FROST & SULLIVAN

2019

BEST
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Background and Company Performance

Industry Challenges

For businesses, its communications platform is the most direct link to its customers, partners, and suppliers. Unified communications as a service (UCaaS) offers customers advanced communications and collaboration capabilities, however, most UCaaS solutions are offered as horizontal applications meaning that they are developed to provide business communications for the widest number of customers, irrespective of size or industry vertical. This creates a number of challenges, particularly for small and mid-sized businesses (SMB). First and foremost, modern unified communications are at the heart of digital transformation, the leverage of advanced technologies to remove cumbersome obstacles to growth that have built up in the organization over time. Embedding communications into business workflows, for example, is a particularly effective way for businesses to streamline their operations and enhance the interaction with their customers. However, small businesses in particular often lack the resources, including budget and staffing, to fully embrace digital transformation. Ironically, it is often more important for the SMB to undertake digital transformation efforts, in order to position the business to not only better serve the customers it has today, but to also develop the capacity to seek new opportunities and new markets.

At the same time, with rampant competition in the UCaaS marketplace, it is becoming both more important and more difficult than ever for service providers to differentiate and distinguish themselves in the eyes of customers. Enhancing both the real and perceived value of a provider's services represents an important competitive factor, but only when the provider has a clear understanding of its target customers' needs and aligns its services to match.

Leaders in the unified communications services market focused on creating customer value recognize that not all businesses are created equal in terms of their communications needs and their ability to drive digital transformation within their organization. As such, they are launching tools and services that can optimize communications and jumpstart digital transformation efforts for businesses. In some cases, leaders are taking the lessons learned from their own best practices and differentiating their UCaaS solutions by helping customers improve their own customer service experiences.

Customer Impact and Business Impact

Customer Service Experience

Nextiva is a next-generation unified communications provider founded in 2006 and is a member of the Unitedweb family of companies. It serves more than 150,000 business customers with a services portfolio comprised of hosted Internet Protocol (IP) private branch exchange (PBX) and unified communications and collaboration (UCC) services,

voice over IP (VoIP) access and session initiation protocol (SIP) trunking, cloud fax and cloud contact center, customer relationship management (CRM), advanced analytics tools as well as cloud storage and backup services.

Committed to delivering exceptional customer service, what it calls 'Amazing Service', the integration of Nextiva NextOS and BroadWorks technologies results in a carrier-grade communications platform that enables business collaboration, flexibility and productivity. The NextOS platform is supported by more than 200 expert engineers. Nextiva encourages and rewards the delivery of exceptional customer service. Nextiva's concept of Amazing Service represents a holistic approach to customer value built on the pillars of reliability, ease of use, and excellent customer service.

Nextiva places a strong emphasis on the user experience by delivering communications, collaboration and productivity tools that are simple to use and manage. It enables quick and easy service setup, either through self-service or with the help of an expert onboarding team. Nextiva supports customers through an entirely US-based customer service team available via phone, chat, email and social media.

For small businesses in particular, Nextiva's high-touch customer service approach will stand in stark contrast to many competitors that relegate SMB customers to web-based sales and support. It is through 'Amazing Service' that Nextiva earns and keeps loyal customers.

Customer Ownership Experience

Nextiva offers an integrated suite of business and communication services leveraging NextOS, the provider's overarching application platform. NextOS functions as the user-facing portal, with an underlying BroadSoft's BroadWorks softswitch and application server delivering the core IP telephony and public switched telephone network (PSTN) access, as well as enabling VoIP access and SIP trunking services for customers who need to maintain legacy and IP PBX platforms on-premise. Nextiva supports its services through a geographically redundant infrastructure with multiple service nodes throughout the United States. Determined to be more than just the phone company, Nextiva leverages the mature BroadWorks platform to provide reliable core functionality, while focusing on developing more differentiated features and capabilities into NextOS than other providers using the full BroadWorks UC suite or third-party platforms.

NextOS, however, is more than just a communications and collaboration front end. Along with communications capabilities, Nextiva has developed a full customer journey management suite. Alongside business phone service, Nextiva offers businesses a full sales and service management solution that includes multi-channel contact center support and its own customer relationship management database, email marketing service and online survey tool, all available as a web-based software-as-a-service (SaaS) offering. In addition, NextOS includes advanced analytics capabilities that span voice quality and call

reports, sales and service CRM analytics, and collected survey data. These tools are a productized version of the tools that Nextiva has used for its own business. Put another way, Nextiva is selling the tools they use to deliver “Amazing Service”, capitalizing on its own operational and data-driven best practices to help other businesses create their own positive customer experiences.

The value that NextOS brings to businesses is the level of integration among all the applications in Nextiva’s suite of services. To enable the same level of capabilities offered by competing UCaaS providers, a business would have to evaluate, purchase, and ultimately stitch together disparate communications, omni-channel contact center, CRM, marketing, and survey tools from different vendors. Worse yet, a business might have to engage a systems integrator or value-added reseller to ensure a tight integration, possibly putting it out of reach for cost-conscious SMBs. With Nextiva, businesses can simply add new services through a self-service portal and begin taking advantage of them. In this way, Nextiva not only differentiates itself in the UCaaS market, but creates pull-through opportunities among its installed base.

Financial Performance

With 464,000 installed hosted IP telephony users in 2017, Nextiva ranked among the top North American hosted IP telephony and UCaaS providers. Cash-flow positive and rapidly growing, it is well positioned to maintain its market-leading position over the next few years.

Traditionally, Nextiva sold its hosted communications solutions directly. Direct customer feedback has allowed the provider to hone its services to the specific needs of its target customers and to maintain tighter control over service implementation and ongoing management. However, Nextiva has ramped up to 3,500 indirect channel partners in 2017, which helps it extend its customer reach, provide local support throughout the country, and enhance its solutions with additional products and services. Channel partners include master agents and traditional telephony resellers. Nextiva views its channel relationships as partnerships whereby the company actively supports resellers through marketing collateral, marketing plan co-development, a reseller portal, and so on.

Currently, indirect sales account for less than 35 percent of new sales, but their share is expected to grow. This will give customers more options to choose a preferred partner for cloud communications deployment and ongoing support.

Human Capital

Nextiva enables superior customer service and frictionless customer interactions through a unique internal structure. It matches customers with employees based on customer needs and requirements and employee skill sets. Larger organizations with more technically savvy staff and more complex technology needs are paired with a dedicated team of

account managers and advanced technical specialists. Smaller businesses are paired with technical staff that specialize in the features and account setup more typical of smaller implementations. Through this approach, customers receive the exact type of service and support that best suit their needs.

This approach resonates well with customers. Technically-capable customers are empowered to self-support, knowing that they can bypass the first level of technical support if they need help. Smaller businesses, often without dedicated IT staff, get to leverage Nextiva's support staff to guide them through implementation, changes, or trouble.

Proof of the positive impact of this approach can be seen by the customer testimonials that Nextiva shares on its website. In most cases, the customer comments mention the technician or support representative that helped them by name. This type of recognition not only generates strong customer loyalty, but also instills a culture within Nextiva that awards great customer service and creates employee loyalty.

Conclusion

Nextiva succeeds in bringing value to small businesses in the UCaaS market because it is delivering more than just business communications to this often underserved segment of customers. The provider not only delivers 'Amazing Service' but also empowers its small business customers to do the same.

For its strong overall performance, Nextiva has earned Frost & Sullivan's 2019 Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company and then making the decision to return time and again. Delighting customers is, therefore, the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: Customer Impact and Business Impact. These two sides work together to make customers feel valued and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime of customer value.

Key Benchmarking Criteria

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

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

Business Impact

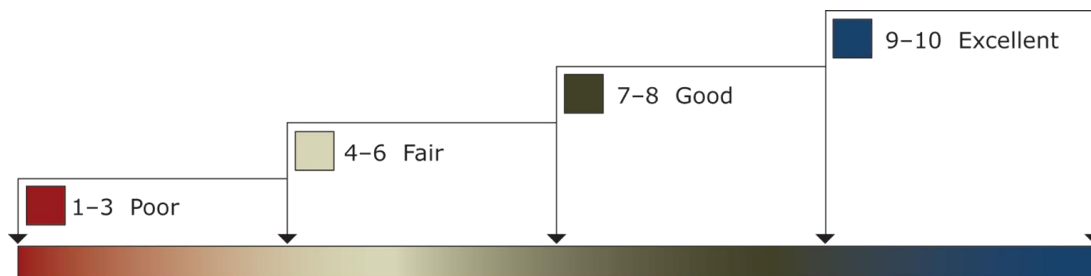
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practices Award Analysis for Nextiva

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 Customer Impact and Business Impact (i.e., These are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion 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 participants as Competitor 2 and Competitor 3.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Customer Value Leadership	Customer Impact	Business Impact	Average Rating
Nextiva	9	9	9
Competitor 2	9	8	8.5
Competitor 3	8	8	8

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.

Business Impact

Criterion 1: Financial Performance

Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

Criterion 2: Customer Acquisition

Requirement: Customer-facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers.

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential

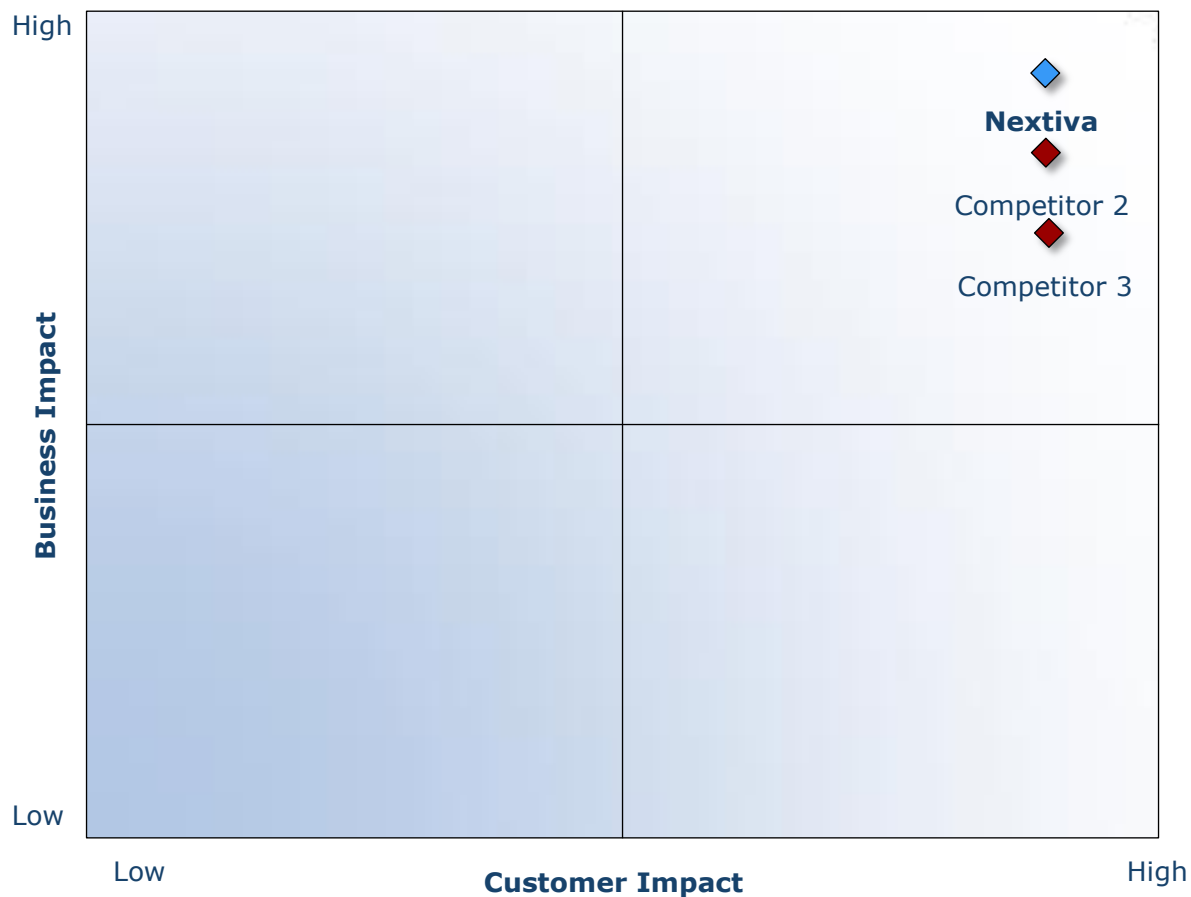
Requirements: Customer focus strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to quality and customers, which in turn enhances employee morale and retention.

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts 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.



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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Announce 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 is able to share Award news with stakeholders and customers	<ul style="list-style-type: none"> • 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.



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>.