

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

FROST & SULLIVAN BEST PRACTICES AWARD

DIGITAL PRODUCT DEVELOPMENT SERVICES - GLOBAL

**Competitive Strategy Innovation
and Leadership 2019**



FROST & SULLIVAN

2019

BEST
PRACTICES
AWARD

Contents

Background and Company Performance

<i>Industry Challenges</i>	3
<i>Strategy Innovation and Customer Impact</i>	4
<i>Conclusion</i>	7

Significance of Competitive Strategy Innovation and Leadership

Understanding Competitive Strategy Innovation and Leadership

<i>Key Benchmarking Criteria</i>	9
<i>Strategy Innovation</i>	9
<i>Customer Impact</i>	9

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

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

<i>Research Methodology</i>	11
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About Frost & Sullivan

Background and Company Performance

Industry Challenges

Digital transformation ignites an era of unprecedented change for businesses. Technology advancements and convergence—e.g., the Internet of Things (IoT), artificial intelligence (AI), machine learning (ML), augmented reality (AR), and virtual reality (VR)—are reshaping the workplace, workforce, and work processes. Today, Frost & Sullivan observes how disruptive technologies with unique applications are increasingly integrating to allow businesses to deconstruct inefficient processes, and reconstruct operations through 'smart' digital automation—all to optimize functional efficiency. Enterprises can now enhance margins by enabling more efficient workflows and communication throughout nearly every aspect of their operations. As organizations around the world increasingly recognize the tangible benefits of 'connected assets, digital automation has emerged a necessity for modern businesses to remain competitive across industries.

Seamless, intelligent, and ubiquitous interactivity is an essential information technology (IT) investment theme for companies across all verticals seeking to impact their organization's future. How companies perceive potential changes, design the workplace, define workforce tasks, and arrange workflows are critical factors in retaining a competitive advantage. Frost & Sullivan's own research reveals that, aside from revenue growth, improving customer experience and satisfaction are the primary drivers behind digital transformation. Other driving factors include improving operational efficiencies and launching new products and services.

Service providers that can help industries implement an effective digital transformation strategy will be the winners in the new economy. In a recent global study on end-user priorities in digital transformation, Frost & Sullivan interviewed 1,636 decision-makers in organizations to capture their views on the most significant initiatives to achieve business growth over the next two years. Enterprise decision-makers indicated their top priorities were enhancing sales and marketing effectiveness, boosting creativity and innovation, and expanding into new markets.

Notably, Frost & Sullivan's global study also shows a correlation between investment in IT budgets and revenue growth. Almost half of the respondents with more than 30% revenue growth revealed reinvesting beyond 15% of their income into IT needs and requirements. Moreover, around 69% of the IT decision-makers participating in the survey intend to increase their IT budget in 2020, by an average of 22.1%. Due to the expected increase in IT investment over the next two years, Frost & Sullivan's analysts foresee growth opportunities for both established providers and new market entrants.¹

Not surprisingly, Frost & Sullivan notes that security was the top priority and one of the reasons why companies consider replacing technologies they currently own or use. Malware is the most significant security threat, followed by security misconfiguration and hacking. Ensuring a high level of network security will, therefore, be a determining factor in the

¹ *Top End User Priorities in Digital Transformation, Global, 2019: Gain a Competitive Advantage Using Customer Insights* (Frost & Sullivan, September 2019).

digital transformation process. With the proliferation of digital transformation, companies will have to address issues such as skilled workforce shortages, technology alignment, employee roadblocks, as well as organizational structure and mindset.

To be successful in this highly fragmented and emerging market, digital product solution providers must educate customers that new digital technologies are emerging at an unprecedented rate, and early adopters of advanced IT have proven to perform at significantly better margins and growth rates than later adopters. As such, Frost & Sullivan believes that a business relationship with the right digital solution partner is the optimal starting point to begin the 'digital transformation journey.'

Strategy Innovation and Customer Impact

3Pillar Global—founded in 2006 and based in Fairfax, Virginia, United States (US)—is a custom software development company that helps clients build robust and revenue-generating digital experiences for their customers. As digital products and services reshape entire industries by generating new revenue sources and expanding horizons, the company supports businesses specifically by guiding them on how to integrate digital products into their business structures. With offices in eight locations on three continents, 3Pillar Global delivers services that range from the earliest phases of ideation to operations and ongoing evolutions, aiding mainly data-rich companies looking to grow revenue through software solutions.

The Product Mindset: A Cornerstone of Success

Frost & Sullivan notes that new entrants to the digital economy need help beyond engineering capacity and acceleration; they also need support when clearly defining their business objectives and building the right product for their customers to compete successfully.

3Pillar Global truly understands this need and partners with chief experience officers and product managers of respected brands to create cutting-edge digital products, leveraging innovative technologies. As a digital product service provider with more than 150 active products, 95 product teams, 850 product professionals, and five delivery centers, the company commits to an integrated team approach where the product management and the full development cycles are as important as the engineering phase. 3Pillar Global's Product Mindset and fully integrated cross-functional teams drive everything they do, from ideation to ongoing evolution and operations (as opposed to most other competitors offering just a project mindset).

The company's Product Mindset and Adaptive Product Lifecycle Management (APLM), a proprietary blend of lean and agile, are its most significant differentiators. Underpinning the framework is 3Pillar Global's recognition of three fundamental distinctions between IT software and digital software products:

- The return of a software product comes from the creation of value which contradicts the idea that return comes only from cost optimization and savings. In other words, a software product must be self-funding. Even though the yield is less predictable than in a

typical IT environment, the total addressable market is the only variable limiting the return on investment (ROI) for a software product. Hence, the key is to minimize time-to-value. The faster a digital product deploys, the faster a client will figure out how to engage in a value exchange with customers.

- Customers must choose a software product and pay to use it, which implies a different approach as building a mandatory product to allow employees to do their job competently. In an IT environment, the solution fulfills business requirements. However, in a Product Mindset, the goal is to discover what features will motivate a user to choose the software. Therefore, the focus is on outcomes, not output. Success lies not in the number of features released, but in building features that attract and delight customers.
- Software products are never complete. As the cost of entry in a software environment is too low to create a formidable barrier to entry, companies must continually evolve. Once a client stops innovating and improving, it will begin to lose the market share. As such, establishing a company culture that excels at change is fundamental to achieving success.

3Pillar Global drives ROI for its software products through three simple steps: start small, seek feedback, and continually iterate.

Following these insights, the company designed its Product Mindset based on three core principles:

Minimize time-to-value, delivering the smallest solution to the customer's most acute issues, monetize it, and learn what to do next;

Solve for need, co-innovate with end-users to understand the challenges and craft and customize solutions that meet current and future needs; and

Excel at change, know when to change course, hold fast, let go, and have the tools to do it smoothly.

Furthermore, the unique APLM approach ensures that 3Pillar Global's integrated cross-functional teams always align to client goals, from the earliest conceptual stages through market launch and beyond, by:

- Discovering what business success looks like
- Adapting to client needs and new information
- Simplifying workflows by breaking work down into small pieces
- Combining functions that cut across the full product lifecycle
- Iterating development, thus delivering value incrementally and learning
- Forging co-innovation partnerships rooted in continually building relationships and evolving knowledge.

Finally, the company offers product development as a service, i.e., co-innovating with its clients to develop products for a monthly service fee. Frost & Sullivan appreciates how this delivery model allows 3Pillar Global to position itself as a partner who takes a vested

interest in their clients' products by creating value, not just writing code. As a result, the company reports high client retention. Apart from developing long-term relationships with clients, the company's successful partnerships bring high average annual revenues per client. Impressively, 3Pillar Global created a few billion dollars of equity value from its client engagements.

The Perfect Partnership with PBS: A Customer Success Story

"Every single online viewer will notice and benefit from the massive performance increase of this new content service architecture. Congratulations to you and your team for successfully seeing this incredibly challenging project through to completion."

—Matt Norton, Senior Director of Technology at PBS Digital

3Pillar Global partners with companies at the cutting edge of information-rich industries. For a decade, it has assisted PBS—one of the most trusted names in public broadcasting—in its transition from a traditional company to a digital leader.

In 2009, PBS' executive team realized that they needed to make the digital leap, transforming from a collection of terrestrial broadcast companies to a digital-first organization. It was certainly a complex task, as each of the 187 member stations was building their solutions to power online viewing experiences individually, an inefficient and siloed endeavor. 3Pillar Global's goal was creating a technical foundation empowering PBS to deliver award-winning content. The product development included custom content management systems (CMSes) for member station content to mobile app development to a suite of APIs providing content to mobile and over the top (OTT) platforms.

The company conducted a full audit to analyze PBS' assets and digital adoption and talked to stations, donors, and subscribers to get the whole picture, recommending developing several critical products to achieve their goals. 3Pillar built a custom content delivery system enabling all 187 PBS member stations to quickly and easily manage content across all PBS.org and PBS Learning Media sites through a digital product suite powering any PBS content distribution from anywhere. As a result, PBS is today a digital leader serving a staggering amount of monthly video views across mobile, web, and connected devices. Notably, 264 million in recent months. The PBS and PBS Kids apps have racked up more than 58 million downloads combined.

Positioned for Long-term Future Growth

Currently, 3Pillar Global reports year-over-year revenue growth of 20%. In the short-term, the company is doubling down on its industry focus of information services, media and publishing, and software and SaaS companies, and maintaining a tight focus on engineering attraction and retention in tight labor markets.

Furthermore, 3Pillar Global is increasingly expanding its advisory services, especially in the principles of the Product Mindset, deepening its capabilities in AI and machine learning technologies, increasing the investment in data science services, and continuing to diversify its global workforce for expanded top-tier talent pools to fuel long-term revenue growth. The company is also investing in acquisitions to scale its business—mainly adding

to its existing footprint in Eastern Europe. From a client perspective, 3Pillar Global focuses on moving upmarket by targeting Fortune 1000 and 2000 clients with higher market capitalizations and revenue sizes.

Conclusion

Frost & Sullivan analysts observe how digital transformation introduces an era of unprecedented change for businesses. New entrants to the digital economy need help beyond engineering capacity. Vendors must support customers by clearly defining business objectives and building the right product to compete successfully going forward.

3Pillar Global's Product Mindset—brought to life by its Adaptive Product Lifecycle Management framework and delivered as a service—allows the company to create exceptional value for its customers and position themselves as a strategic partner with a vested interest in their clients' products. 3Pillar Global's integrated teams can deliver at any point in the product development journey—aligning and satisfying multiple stakeholders, from the product manager and product owner, to the executive team, driving a uniform set of goals.

With its thought leadership, innovative strategic approach, and customer-centric commitment, 3Pillar Global earns the 2019 Frost & Sullivan Global Competitive Strategy Innovation and Leadership Award.

Significance of Competitive Strategy Innovation and Leadership

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



Understanding Competitive Strategy Innovation and Leadership

Driving demand, brand strength, and competitive differentiation play critical roles 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 Global Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated 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	<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 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"> • 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	<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.

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>.