

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

FROST & SULLIVAN BEST PRACTICES AWARD

MOBILE BUSINESS COMMUNICATIONS SERVICES
UNITED STATES

Customer Value Leadership 2019

verizon^v

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2019

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Background and Company Performance

Industry Challenges

Mobile devices have undoubtedly become an essential part of our personal and business lives. Used for communications, information, entertainment and more, mobile phones and tablets have been embraced as the most common and mission-critical devices by all, but even more so by younger generations of users. Compared to consumers, however, business users have traditionally had more limited options at work in terms of mobile devices, services and applications to help them complete their business tasks. That is changing as businesses increasingly acknowledge the importance of flexible access to company communications tools to enable greater productivity and responsiveness among remote and mobile users.

The need for effective mobile communications is particularly acute among entrepreneurs, small office/home office (SOHO) and micro-businesses, many of which have abandoned their wireline services and are settling for consumer mobile solutions due to a lack of compelling business-grade alternatives. There is also significant untapped potential in various verticals and among front-line workers who have never had access to desktop phones and voice services in the past. Forward-thinking businesses increasingly seek to streamline workflows and improve process efficiencies by enabling front-line workers to more effectively communicate and collaborate with their co-workers, suppliers, customers and others.

Frequently travelling office workers are also demanding more intuitive mobile solutions to replace the cumbersome first-generation mobile apps offered by their communication solution vendors. In fact, employees often resort to their personal devices and services for lack of appealing business-grade alternatives, which presents privacy issues for the users, as well as security and governance concerns for the business.

Under pressure from shifting employee and workflow requirements, businesses are more keenly evaluating advanced mobile business communications solutions. In a 2019 Frost & Sullivan survey of 1,067 global IT and telecom investment decision makers, 76 percent of respondents stated that ability to use apps on mobile devices was very important or crucial when making enterprise digital solution purchase decisions. In the same survey, 93 percent expect their companies to introduce new additional apps to employees for use on their mobile handheld devices in the following 12 months. Key factors driving the use of mobile apps include: more productive employees (46 percent), more efficient business processes (37 percent) and improved employee collaboration (37 percent). Businesses are equipping a broad spectrum of employees with mobile apps, as follows: mainstream office employees (77 percent), office management (75 percent), field services or delivery (65 percent), and field sales (57 percent).

Company policies and business practices vary widely with respect to providing employees with choices of mobile devices and convenient access to corporate applications and services on these devices. While many businesses allow employees to use their personal devices for business purposes, few have well-defined bring-your-own-device (BYOD) policies. When asked how valuable it would be to deploy a BYOD management solution

that provides employees with dedicated work phone numbers and enterprise-quality communications on their personal smartphones, while giving the IT department the ability to directly administer usage, a combined 95 percent of decision makers responded that it would be highly valuable and/or valuable.

Few premises-based solution vendors and cloud services providers have launched offerings that effectively address demand for economical, flexible, yet feature-rich mobile business communications. Many business communications solutions offer clunky mobile apps that are a hassle to use. Some of these are VoIP-only (and thus dependent on WIFI or costly 4G/LTE connectivity) and do not support fallback on the cellular voice network. Other mobile apps use call-back services for outbound calling. Such solutions fail to leverage the functionality and cost-saving benefits of IP communications and are dependent upon the customer having legacy voice systems, services and devices in place.

As businesses move their communications to the cloud and adopt unified communications as a service (UCaaS), they are looking for providers that offer robust, business-class mobility functionality. They evaluate their options based on multiple criteria including cost, features, reliability, security, ease of use, device options, and more. The mobile user experience (UX) is of paramount importance, yet many businesses are also looking to support workers who wish to also use desktop phones for the short term or indefinitely.

Service providers delivering UCaaS solutions designed specifically for organizations with a highly mobile workforce, yet offering flexible device options, are likely to earn greater customer consideration and experience stronger growth as businesses increasingly acknowledge the benefits of mobile-first communications services.

Customer Impact and Business Impact

Verizon has a strong reputation as an innovative and trusted provider of next-generation communications solutions. Its hosted IP telephony and UCaaS portfolio has evolved over the past decade leveraging technology advancements to better address shifting customer requirements. In line with growing worker mobility and demand for mobile business communications solutions, it launched One Talk®—a mobile-first offering capitalizing on Verizon's robust wireless network to deliver business-grade functionality to mobile users. Verizon One Talk stands out among competitor mobile solutions with its price/performance value and excellent customer purchase and ownership experiences. Verizon One Talk's customer appeal is evident in the service's rapid adoption within just two years of its launch. The solution is well aligned with Verizon's recent strategic reorganization, as well as with its 5G network and services leadership, and is therefore well positioned for strong growth and success in the next few years.

Price/Performance Value

Verizon One Talk leverages Cisco's (formerly BroadSoft) proven, industry-leading BroadWorks platform to deliver essential voice, messaging and video calling functionality on mobile as well as desktop phones. In addition, Verizon has invested significant effort and resources to infuse One Talk with its own intellectual property for provisioning, support, One Talk app and Verizon wireless-network integration. Unlike most competitor

mobile solutions, One Talk was designed with the mobile user in mind, while taking into account the many business workflows and users that continue to use desktop devices when in the office. Unlike any other mobile solution in the US market today, Verizon offers mobile device users two options with the service: either on a pre-configured smartphone using the native dialer or via an app available in the app store for most smartphones and tablets. The native dialer enables the most seamless experience, allowing users to make and receive business calls as easily as regular cell phone calls. Beyond calling, the devices that feature native dialing also come with additional collaboration options (such as messaging) while eliminating the need for the user to download an app. The app-based option, on the other hand, allows users to continue to leverage their existing mobile phones, whether for cost, personal preference or other reasons. The app is supported on both cellular and WIFI networks, based on user preference or circumstances.

However, the most unique and clever One Talk deployment option is whereby businesses can purchase purpose-built desktop phones that use voice over Internet Protocol (VoIP) over any broadband connection and can be configured with new or existing wireline or wireless phone numbers. The benefit of this deployment scenario for many businesses is that they can replace the desktop phones with mobile devices, while preserving the business phone numbers and ensuring continuity in the user experience. In a mixed deployment, whereby a single user has a desktop and a mobile phone, both devices are assigned the same number and ring at the same time when there is an incoming call.

Verizon One Talk is priced competitively at \$15-\$25 per user per month, depending on the devices used, in addition to the mobile plan on the user device. For this affordable price, users gain access to private branch exchange (PBX) functionality, as well as valuable additional features such as group forwarding, remote group pickup, bridge line, busy lamp field and line sharing (key system emulation), call barge, visual voicemail, inbound fax, conferencing, an automated receptionist, video calling and more. Hunt groups and auto attendants can be purchased at a small additional fee. Very important, users can also send short messaging services (SMS) texts from their business lines, which is a highly demanded feature as desktop and mobile users seek the most convenient ways to communicate with each other.

Verizon offers a variety of desktop and mobile devices, including conference and DECT phones that can natively support the One Talk service. The mobile app can be used on any mobile device on any mobile network.

Overall, Verizon One Talk is presently the most compelling mobile-first business solution in the US market. It provides the advantage of a native dialer compared to other hosted IP telephony and UCaaS solutions and the benefit of a wireless phone number on a desktop phone, which differentiates it from other mobile-first solutions.

Customer Purchase and Ownership Experiences

One Talk purchase options have expanded and improved with the launch of Verizon 2.0—a company-wide transformation affecting networks, talent, and go-to-market strategies and resulting in the re-alignment of the former Verizon wireless and wireline divisions into Verizon Business, Verizon Consumer and Verizon Media groups. Previously part of the

Verizon Wireless portfolio, One Talk is now more closely aligned with Verizon's business solutions, including the provider's other popular hosted IP telephony and UCaaS offerings—Verizon Communications Express (VCE) and Unified Communications and Collaboration as a Service (UCCaaS).

Verizon retail stores have traditionally provided convenient access to Verizon wireless services and, since its launch, One Talk. With the recent company re-organization, Verizon Business aims to gain greater presence in the retail channel and has introduced a new specialist service in Verizon stores to ensure that visitors inquiring about or purchasing One Talk and other business services receive the appropriate information and assistance.

Also owing to the new company alignment, the Verizon Business sales force, skilled and experienced in selling a variety of business solutions, including Verizon's other hosted IP telephony and UCaaS services, is now empowered to promote One Talk among mid-market and enterprise organizations, where the solution's exposure was previously more limited. Continued product enhancements raising One Talk attractiveness among larger businesses along with the new company structure and sales approach will boost the solution's adoption upmarket.

Verizon's public sector sales channel is also effectively promoting One Talk among churches, small schools and universities. One Talk is experiencing growing penetration in the public sector, which reflects its broad appeal and strong value proposition.

Overall, businesses can choose from a large variety of options to purchase One Talk, including Verizon's business-to-business representatives, small and medium business (SMB)-focused retail stores and extensive channel agents.

Regardless of the channel they use, businesses can quickly and easily set up Verizon One Talk, which facilitates adoption. The process includes three steps: designing a corporate plan with the right number of lines, selecting the appropriate type of devices and choosing any optional features (e.g., hunt groups). Existing Verizon mobile users can simply add One Talk to their corporate plans. They can choose to also purchase desktop phones and/or switch to Verizon smartphones that support One Talk on a native dialer. One Talk numbers are assigned from the provider's wireless number pool, regardless of the device used, which enables a smoother transition from desktop to mobile devices at a later stage, if the business so chooses. Customers can also port in existing wireline or wireless numbers to One Talk. Customers receive a single bill for One Talk and their other Verizon mobile services, which makes account handling easy and convenient.

Unlike many competitor solutions, Verizon One Talk is exceptionally easy to purchase and provision, which makes it an attractive option to businesses of any size, industry and technology resources and expertise.

Ongoing solution enhancements ensure that One Talk is always aligned with shifting customer requirements and that businesses receive increasing value from their One Talk service. Recently added new features include: desk phone directory download, inbound caller ID name, a PC/Mac client, enhanced dialer on Samsung S10 and Note 10 series devices, visual/premium voicemail enhancements including voicemail to email, and

Android-based video and conference desk phones. In 2020 Verizon plans to focus on integrating One Talk with commonly used third-party communications and business software. This has the potential to provide One Talk customers with a tangible boost of mission-critical workflows and business processes.

One Talk can be deployed alongside other Verizon business communications solutions such as VCE and UCaaS based on varying user functionality needs, underlying infrastructure or other factors. Users across business sites and UCaaS solutions can be connected via a common dial plan leveraging Verizon's VoIP access and SIP trunking service. They can also realize cost savings from free on-net calling across Verizon's UCaaS solutions. One Talk customers can also benefit from tangential services in Verizon's extensive portfolio, including audio, web and video conferencing, multi-protocol label switching (MPLS), software-defined wide area network (SD WAN), broadband and other services.

Customer Acquisition and Growth Potential

Verizon One Talk growth is nothing short of impressive. Launched in the second half of 2016, it continues to grow at a rapid clip and as of October 2019, Verizon reports over 50 percent year-over-year One Talk revenue growth. One Talk growth rates far exceed industry averages and clearly demonstrate the solution's strong value proposition. Other metrics also evidence the solution's growing appeal. Initially launched as a micro-business solution, One Talk has experienced increasing average customer size over time. Further solution enhancements are likely to boost One Talk penetration upmarket, which will not only accelerate new customer acquisition, but will also help reduce churn due to long-term commitments in that customer segment.

There is substantial untapped growth potential for hosted IP telephony and UCaaS services overall. Frost & Sullivan expects the US market to expand at double-digit compound annual growth rates (CAGR) in terms of both users and provider revenue over the next seven years. However, mobile UCaaS solutions such as One Talk are particularly well positioned to capture demand in certain underpenetrated segments of the addressable market. More specifically, mobile UCaaS offerings are best suited for SOHOs and micro-businesses, as well as underserved front-line workers across company sizes and verticals. The number of front-line workers far exceeds the number of office workers, who have traditionally consumed business-grade communications solutions.

Verizon One Talk is also likely to align well with the newly launched Verizon 5G Smart Office employee experience. Verizon's vision is to enable businesses to reduce the cost, hassle and clutter of multiple user desktop devices by replacing laptops and desk phones with smartphones. More specifically, businesses can leverage Verizon's 5G network, as well as Samsung S10 5G or Note 10 5G devices, which plug into a dock and a monitor to create a PC experience. Verizon is also launching a 5G Smart Office Huddle Room experience. A user can plug a Samsung S10 5G or Note 10 5G device into a dock to power an instant huddle room. With this approach, Verizon can enhance user convenience and save businesses thousands of dollars in phone, laptop, and conferencing equipment costs. With an enhanced dialer on Samsung Galaxy S9+ devices, One Talk is a particularly appealing communications solution for businesses adopting the Verizon 5G Smart Office

mobile-first approach to their entire suite of business, productivity, and communications services and devices.

Verizon's new sales and marketing campaigns demonstrate the provider's commitment to One Talk. For the micro-segment, Verizon launched a new telemarketing organization for inbound and outbound campaigns, along with a joint Verizon and Samsung lead-generation campaign. In the SMB segment, Verizon introduced a sales funnel Acceleration Program that will entail more sales training, media campaigns and promotions. For greater effectiveness among mid-market and large businesses, Verizon enabled wireline and wireless sales channels to cooperate more closely in order to provide enterprise customers with the optimal solution for their various environments. In the enterprise space, Verizon is enhancing sales training, launching promotional campaigns, and focusing on best-fit scenarios, such as: mobile employees, distributed locations, business continuity and innovative business models.

Brand Equity

Verizon's strong brand instills confidence in One Talk buyers as well as businesses adopting any of its other hosted IP telephony and UCaaS solutions. Businesses trust the reliability and security of Verizon's networks, which ensure the high performance of its services. Existing and potential customers also associate the brand with business stability and long-term viability. In a recent survey of US-based UCaaS decision makers, Verizon ranked among the top 3 brands in three different aspects: customer familiarity with the brand, perception of best-in-class service provider, and choice of future UCaaS provider.

Verizon's brand along with its robust solutions portfolio have enabled it to earn the third largest market share in terms of 2018 installed users among North American hosted IP telephony and UCaaS providers. Verizon is also among the top 10 North American hosted IP telephony and UCaaS providers in terms of its combined growth and innovation score on the 2019 Frost Radar.

Verizon's brand will help drive continued adoption of One Talk and related services as businesses apply ever-greater scrutiny of their next-generation solutions and providers. With Verizon 2.0, Verizon's new "horizontal" network approach is likely to deliver significant cost efficiencies, accelerate new product development and simplify network management and operations, which is likely to positively affect its brand equity and portfolio potential for success.

Conclusion

Verizon One Talk stands out among UCaaS and business mobile communications solutions with its thoughtfully designed feature set, flexible deployment options and excellent customer purchase and ownership experiences.

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

Significance of Customer Value Leadership

Ultimately, growth in any organization depends on customers purchasing from a company and then making the decision to return time and again. Satisfying customers is the cornerstone of any successful growth strategy. To achieve this, an organization must be best in class in 3 key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by 2 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 performance. This dual satisfaction

translates into repeat purchases and a lifetime of customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated 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

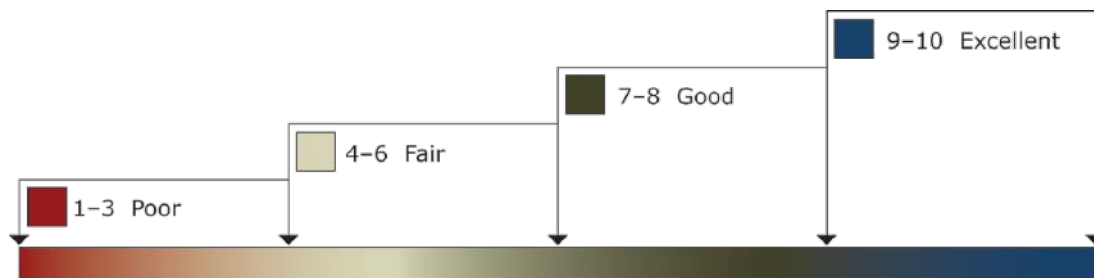
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practices Award Analysis for Verizon

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 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 considers Customer Impact and Business Impact (i.e., 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, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Customer Value Leadership	Customer Impact	Business Impact	Average Rating
Verizon	9.8	9.8	9.8
Competitor 1	9.2	9.4	9.3
Competitor 2	8.4	8.6	8.5

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 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 revenue, 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

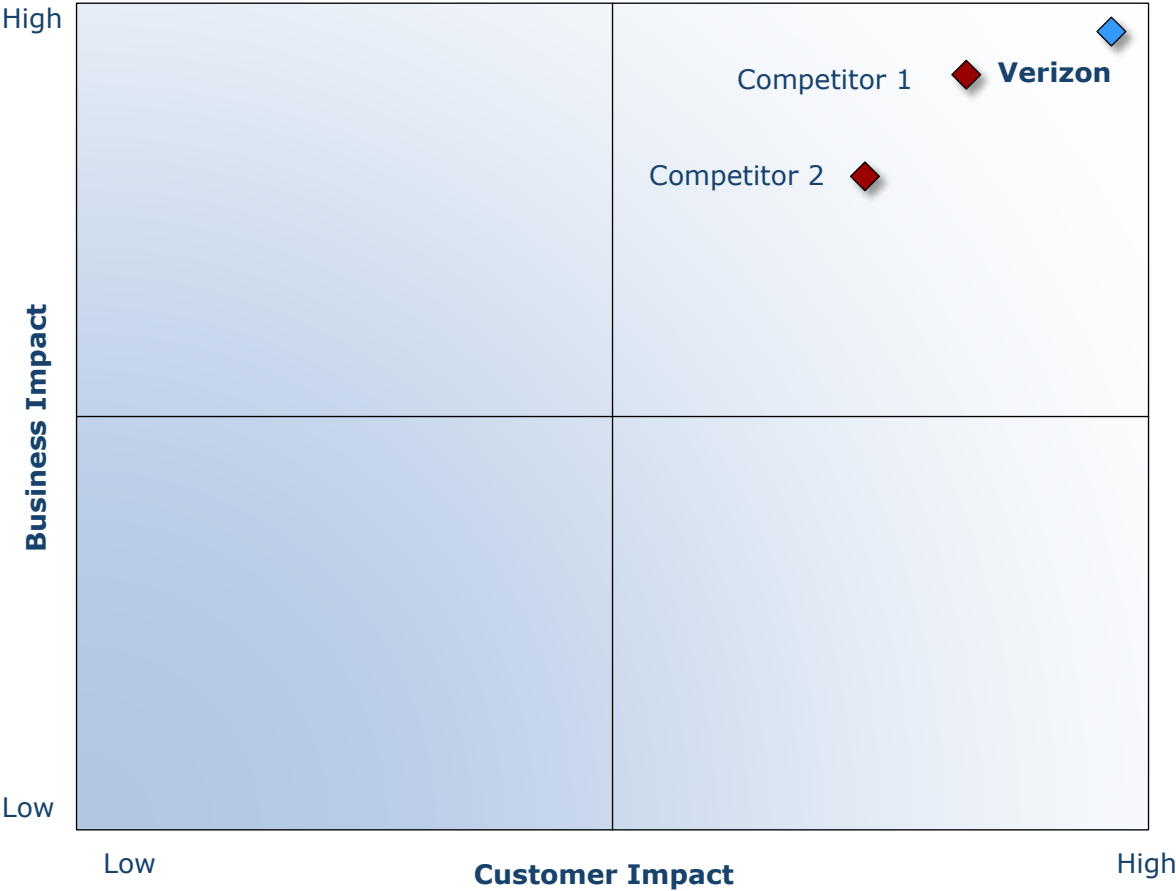
Requirements: Customer focus strengthens brand, reinforces customer loyalty, and enhances growth potential.

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 practices 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 world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices 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 practices 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 practices 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 practices 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 practices 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 practices 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 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 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 the 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, resulting in 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, helps clients 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 practices models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on 6 continents. To join Frost & Sullivan's Growth Partnership, visit <http://www.frost.com>.