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BEST PRACTICES

AWARDS

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2020 BEST PRACTICES AWARD

zendesk

2020 NORTH AMERICAN
SMB MOBILE WORKER APPS
PRODUCT LEADERSHIP AWARD

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Background and Company Performance

Industry Challenges

Frost & Sullivan defines mobile worker applications as software solutions that allow mobile employees real-time access to—and exchange of—critical information, collaboration, and/or guidance via their smartphones, tablets, and other mobile devices. This typically includes transmitting valuable field information—such as worker location, task completion, customer orders, etc.—to administrators and staff.

New mobile worker applications for small and mid-sized businesses (SMB) continue to constitute a growth market. According to a recent Frost & Sullivan survey, SMBs that have already implemented mobile worker apps seem convinced of their value, with a clear majority of survey respondents already deploying 10 or more different mobile worker solutions to their employees. Even more striking is the fact that over 80% of SMB companies currently using mobile worker apps plan to introduce new additional solutions over the near term.

Frost & Sullivan defines SMBs as businesses with 25-499 employees. SMBs are pervasive, are job creators, and are risk-takers. However, they do bring a set of serious purchase barriers to the table, including: 1) Constrained budgets, 2) Limited internal resources and expertise regarding business software apps, and 3) Concerns regarding the ROI and data security of mobile worker applications.

Vendors, in turn, face certain challenges when selling into this segment. These challenges include: 1) Formulating a solution that satisfies critical SMB needs, 2) Forging technology partnerships that augment and enrich their mobile worker offerings, and 3) Creating the optimal mix of distribution channels to profitably reach prospective SMB customers.

Creating a Mobile Worker Offering That Anticipates and Satisfies Critical SMB Needs: SMB requirements can be very different from those of the larger enterprise. The requirements of smaller businesses are driven by the following needs:

- **Ease of use:** SMBs point to a lack of internal IT resources as a critical adoption barrier. As a result, they have little patience for clumsy app design and all of its accompanying complaints and tech issues. Mobile worker solutions need to be easy to deploy, use, integrate, and administer. Prebuilt, cloud-based apps are preferred. A mobile-first approach ensures a positive user experience in the field.

Scalability is also key. SMBs expect to grow, and they want solutions that can grow with them. Leaders anticipate this expectation by making it easy to not only expand the number of users, but to also expand capabilities and features as the SMB's needs become more sophisticated and the digital transformation process becomes less intimidating.

- **Affordability:** Tight budgets are an SMB fact of life. As a result, smaller businesses may need more convincing regarding the value-add of replacing their current manual work processes with mobile software apps. The cloud-based “as a service” model

enables affordable, predictable monthly per-seat subscription pricing and avoids making the solution a capital expenditure.

SMBs view over-engineering as a needless expense and an app killer. They do not want to pay for features they do not need. Leaders can address this in various ways, including offering tiered product editions (good-better-best), modular platforms (choose the individual capabilities needed), and optional add-ons and uplifts.

- **Post-sale support:** Due to a scarcity of IT resources, small and mid-sized businesses are likely to need help with onboarding. Without this upfront assistance, SMBs can become overwhelmed by early implementation difficulties. In addition, “as a service” subscription pricing allows the company to discontinue using the product and easily churn out as a customer. Leaders recognize that SMBs demand a different level of engagement. They put time and resources into providing onboarding assistance and into communicating regularly after deployment in order to quickly address any lingering implementation difficulties.

Forging Technology Partnerships: Developers of mobile worker applications for the SMB market are challenged to develop partnerships with key technology vendors in order to provide increased value-add by filling feature voids (for example, mobile form building) and/or to integrate more seamlessly with critical third-party solutions and services (for example, QuickBooks).

Creating the Optimal Distribution Channel Mix: A recent Frost & Sullivan survey reveals that the vast majority of SMBs prefer to work with a strategic partner when selecting and implementing mobile business apps. This segment looks to major corporate software vendors as their most preferred mobility partners. However, wireless carriers, systems integrators and the mobile device manufacturers are also favored. Mobile worker app developers are challenged to establish reseller relationships that offer alternate paths to new customers and provide SMB prospects with a selection of potential partners, including direct-buy options such as online application stores.

Product Family Attributes and Business Impact

When selecting vendors that have demonstrated a best-in-class approach to competing in the SMB mobile worker apps sector, Zendesk stands out as a successful provider. The company offers its Sell sales force automation solution to today’s SMB and prioritizes ease of use, affordable pricing, creative bundling, ongoing support, and a non-stop focus on defining and satisfying customer needs.

Major success factors behind this Product Leadership award designation include the following:

Product Design That Recognizes Distinct SMB Needs

In November 2018, Zendesk acquired the Base sales force automation solution and rebranded it as Zendesk Sell. In an effort to respond directly to SMB needs, this offering distinguishes itself from legacy sales management tools in significant ways, including:

- *Offering a tiered selection of capabilities:* Zendesk realizes the SMB segment represents a range of needs, from very basic to highly sophisticated sales automation and management. Its Sell plans reflect these varying requirements:
 - Team: Offers basic sales tracking for up to three users and is typically utilized by microbusinesses or entrepreneurs who have just entered the market.
 - Professional: Adds sales tools for growing companies, including sales goals and forecasting, personalized bulk email, integration with Mailchimp and Zapier, advanced call analytics, and a core API.
 - Enterprise: Adds even more sophisticated capabilities for more established sales organizations, including lead and deal scoring, task automation, activity reports, Hubspot integration, and power dialer with call scripts.
 - Elite: Adds deeper analytics and integration possibilities, with performance dashboards for sales reps, sales insight reports, and multiple APIs.
- *Focusing on the conversation with the end-customer:* Zendesk recognizes that growth companies are increasingly depending on an omnichannel strategy when it comes to communicating and interfacing with their end-customers. As a result, Zendesk Sell offers a seamless approach to satisfying each customer's channel preference, whether it be text, chat, email, phone, etc.
- *Providing an easy-to-use mobile-first experience:* User ease is a critical priority for Zendesk, with considerable attention given to providing a consumer-like, automated, seamless experience for the busy sales representative.
- *Prioritizing integration:* Siloed point solutions can be unwieldy, frustrating, and expensive. Helping businesses successfully negotiate the next phase of digital transformation rests, in part, on tighter integration of their mobile worker apps with both internal company systems and external services. SMBs are realizing this, and one of their top criteria for selecting a mobile worker app is that it "integrates easily with back-office systems." (Frost & Sullivan Global Enterprise Digital Solutions Survey) As a result, Zendesk Sell offers an impressive set of pre-integrations and powerful APIs. In particular, Sell can integrate with Zendesk Support, giving support agents a view into customer's sales history, and providing an easy way to let sales personnel know of any selling opportunities that may have come to light during a service call.

Looking forward, Zendesk remains attuned to customer product needs in a number of ways, including leveraging the product usage data from over 40,000 Zendesk customers and combining it with insights from its Zendesk Customer Experience Trends Report.

In comparison, both Competitors #1 and #2 also offer a tiered suite and a focus on ease of use. Regarding integration capabilities, Competitor #1's solution is part of a larger CRM suite. Competitor #2's integrations are more basic, and there is no CRM platform. Artificial intelligence is also receiving heightened attention from customers. While Competitor #1 is able to provide lead and opportunity scoring similar to Zendesk's, Competitor #2 does not offer any machine learning-based features at this time. In fact, overall, Competitor #2 offers a more basic set of capabilities than Zendesk.

Clear Product/Service Value

Recent Frost & Sullivan research reveals a strong SMB preference for cloud-based (vs. on-premise) mobile worker apps. Zendesk's Sell offering is available in a cloud-based "as a service" format with predictable monthly per-seat subscription pricing, usually billed on an annual basis. Its four-tier suite is priced as follows:

- Team: \$19 per-user per-month (PUPM)
- Professional: \$49 PUPM
- Enterprise: \$99 PUPM
- Elite: \$199 PUPM

Zendesk recognizes that SMBs "are trying to do more with less." Its subscription pricing model not only makes the Sell solution affordable to smaller businesses that are struggling with tighter budgets; it also allows the customer to scale the solution easily as demand dictates.

Compared to Competitors #1 and #2, Zendesk is able to offer a significantly lower entry price point, opening up the product to very small teams. At the other end of the pricing spectrum, Zendesk offers a more expansive selection of upmarket capabilities, so its price ceiling is higher.

Using Bundling to Create Unique Positioning and Value-Add

Zendesk distinguishes itself by modularizing its portfolio and then reassembling and bundling various components to more directly meet and satisfy customer needs. Sell is an example of this marketing strategy. The product is available as a standalone offering, however, it is also available as part of a competitively priced bundle called "Sales Suite." Announced in March 2020, this bundle includes the Zendesk products Sell, Chat, Reach, and Voice. Pricing for Sales Suite is \$79 per rep per month for the Professional version and \$125/rep/month for Enterprise. The objective of the Sales Suite offering is to pull together the complementary core tools that today's sales representative needs to seamlessly prospect, communicate and sell.

Zendesk recognizes that creative bundling strategies can increase the value of the Sell product and introduce it into new customer segments.

In comparison, neither of the top competitors has demonstrated a skill for creative bundling and pricing.

Strong Financial Performance That Enables Ongoing Product Development

Zendesk is a publicly traded business software provider serving over 150,000 customers worldwide. The company has demonstrated steady and significant growth in its yearly revenues, increasing by 39% YOY in 2018 and by 36% in 2019. Full year 2019 revenue totaled \$816 million. The company expects to exceed \$1 billion in revenues during 2020. Its goal is to be a multi-billion dollar business, and acquisitions such as Base help in this regard.

Both Competitors #1 and #2 are privately held, so financial information is unavailable.

Growing Market Share Via Current Customer Expansion and New Customer Acquisition

Zendesk differentiates itself against its competitors with a user-friendly, mobile-first design, easy onboarding experience, an integrated platform, attractively priced product bundles, and a focus on building customer relationships. The company is experiencing growing brand awareness and is targeting both current and new customers to provide increased revenues and to enable its strategy of being a multi-billion dollar business.

Zendesk's go-to-market strategy for Sell currently encompasses two major efforts:

- *Cross-Sell:* This strategy targets those existing Zendesk users who have a need for SFA software and who value the integration of Sell with existing Zendesk products--for both internal collaboration reasons and for a consistent and seamless customer experience. These users have already come to value the Zendesk brand and its commitment to ease of use and beautifully simple product design.
- *Net New:* This strategy targets new Zendesk prospects that are searching for SFA software that is powerful yet easy to use, and available at an affordable price point.

These two efforts reveal multiple, different segments of buyers:

- *New to SFA:* Businesses that are growing and recognize it is time to get started with their first SFA solution.
- *Outgrowing an existing SFA product:* Businesses that previously purchased a limited-feature, budget-priced SFA solution that has not been able to scale to meet their expanding needs.
- *Replacing a legacy or homegrown product:* Businesses that realize their legacy or in-house system has become overly complicated, difficult to adapt, and too expensive to maintain.

Both Competitors #1 and #2 need to build brand awareness to attract new customer attention. Their targets tend to be more vertical in nature. Their go-to-market strategies are significantly less sophisticated.

Growth Via Multiple Paths

Frost & Sullivan expects the SMB mobile worker applications sector to continue to grow, and mobilized sales force automation solutions such as Sell are viewed as key contributors to this forecast.

Zendesk is focused on growth, and is leveraging multiple paths to increased revenues. To date, acquisitions have been a key means of achieving this objective. Its CEO has demonstrated the company's willingness and ability to make additional "technology and team" acquisitions to fill SFA void, strengthen its product portfolio, and increase market share. Further acquisitions are not unexpected.

The company also continues to forge technology and reseller partnerships, building an ecosystem of apps (that are now available via the recently launched Zendesk Marketplace) and alternate channels that open up new global markets.

While Zendesk is now expanding into the enterprise sector, its Sell offering and its tiered plans continue to offer SMBs flexibility, scalability, integrations, and the capabilities that smaller businesses need to succeed.

In comparison, both Competitors #1 and #2 are in need of a more robust set of reseller partnerships in order to be able to meet their growth targets.

Conclusion

Mobile worker apps for small and mid-sized businesses constitute a growth market; however, this sector requires special handling when it comes to product design, pricing, and marketing. Zendesk stands out based on its non-stop focus on ease of use, seamless communications capabilities, powerful integrations, affordability, partner network, and a keen product marketing sense.

With its strong overall performance, Zendesk has earned Frost & Sullivan's 2020 Product Leadership Award.

Significance of Product Leadership

Ultimately, growth in any organization depends on customers purchasing from a company and then making the decision to return time and again. A comprehensive product line filled with high-quality, value-driven options is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best in class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Product Leadership

Demand forecasting, branding, and differentiating all play critical roles in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communication, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay product excellence into positive business impact, market share will inevitably increase.

Key Benchmarking Criteria

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated 2 key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

Product Family Attributes

- Criterion 1: Match to Needs
- Criterion 2: Reliability and Quality
- Criterion 3: Product/Service Value
- Criterion 4: Positioning
- Criterion 5: Design

Business Impact

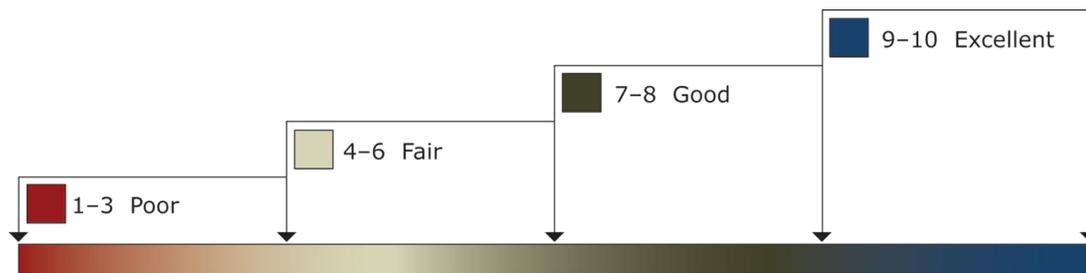
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

Best Practices Award Analysis for Zendesk

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 Product Family Attributes 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>			
Product Leadership	Product Family Attributes	Business Impact	Average Rating
Zendesk	10	10	10
Competitor 1	8	7	7.5
Competitor 2	6	7	6.5

Product Family Attributes

Criterion 1: Match to Needs

Requirement: Customer needs directly influence and inspire the design and positioning of the product family.

Criterion 2: Reliability and Quality

Requirement: Products consistently meet or exceed customer expectations for performance and length of service.

Criterion 3: Product/Service Value

Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

Criterion 4: Positioning

Requirement: Products or services address unique, unmet needs that competitors cannot easily replicate or replace.

Criterion 5: Design

Requirement: The product features an innovative design, enhancing both visual appeal and ease of use.

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: Product strength enables 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

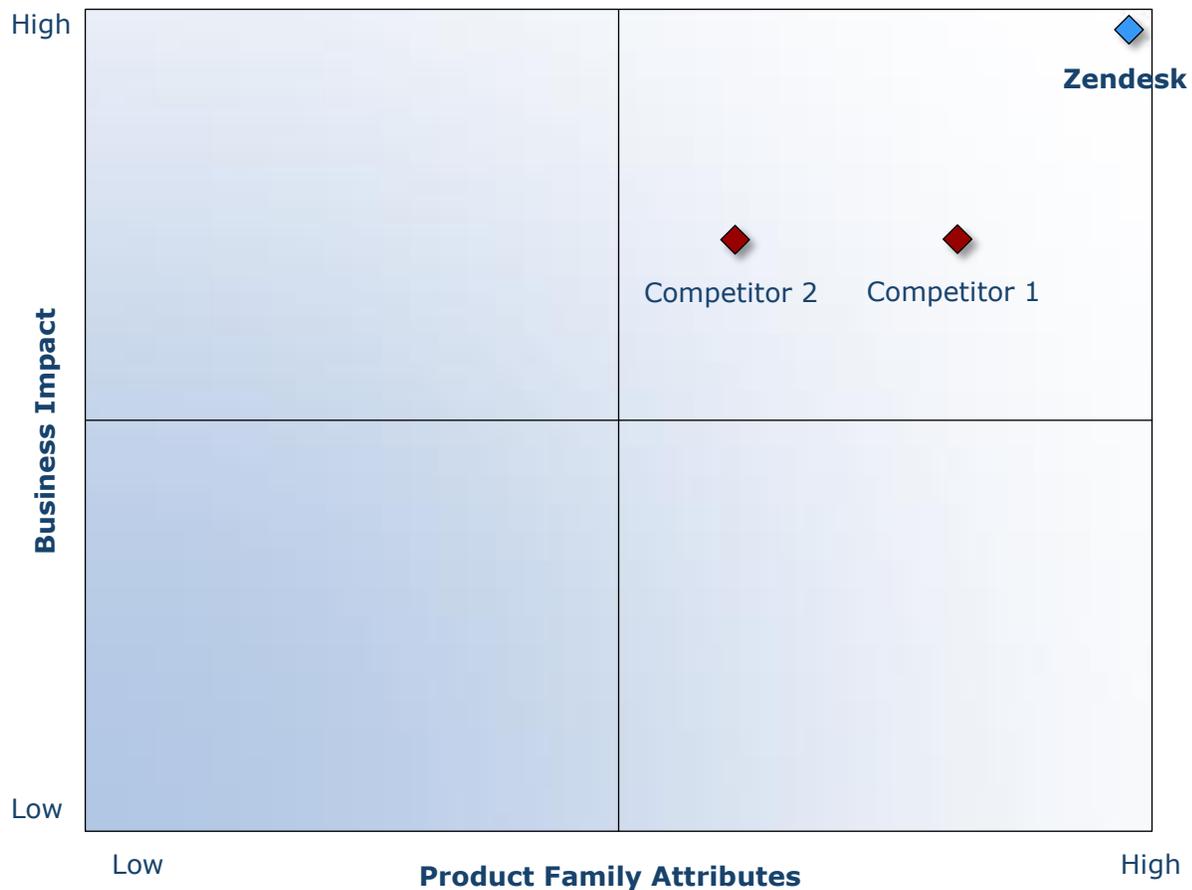
Requirements: Product quality strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital

Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, 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-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 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 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 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, 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.



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>.