

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

BEST PRACTICES

AWARDS

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

2020 BEST PRACTICES AWARD

zoom

2020 ASIA-PACIFIC
CLOUD VIDEO COLLABORATION SERVICES
COMPANY OF THE YEAR AWARD

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Background and Company Performance

Definition

Cloud video collaboration services consist of both web and video conferencing services. The distinction between the two is fast diminishing. Today, most web conferencing solutions offer video conferencing, while video-centric vendors have enhanced their solutions with content sharing. The two solutions look near identical in features and price and effectively compete for the same user base. For this reason, starting last year, Frost & Sullivan has combined web and video conferencing services into a single category called cloud video collaboration services.

Industry Challenges

Video conferencing has existed for several decades now, but the associated proprietary technology and high acquisition costs of equipment have constrained broad-base adoption among enterprises. As per Frost & Sullivan's APAC Video Conferencing Endpoints and Infrastructure study, the market's 2019 revenue declined by 5.7% when compared with 2018. Consequently, there has been an upsurge in freemium cloud video conferencing. While there are solutions available to fix this beleaguered industry, businesses are left with a few questions to answer before they move to cloud video conferencing. Meanwhile, providers must find a way to run a sustainable business by offering cloud video conferencing, while simultaneously avoiding being trapped in a freemium model for long. Frost & Sullivan points out three pervading issues.

The first is the emergence of cloud video collaboration. There is a strong surge in the number of cloud video collaboration providers, many offering basic services for free and then enticing its customers to upgrade to paid tiers with added features. This has influenced businesses to test several cloud video collaboration providers and realize the compelling value propositions being offered. Thus, businesses are left with the question, how can they adopt the solution?

The next issue regards legacy propriety systems. Businesses that have deployed video conferencing are looking to upgrade their existing system to accommodate new features. Cloud video collaboration providers have made video conferencing simple and easy, especially compared to traditional on-premise video conferencing providers. This shift has pushed businesses to upgrade these functionalities into their existing systems. However, the proprietary nature of their existing infrastructures makes this transition difficult. Businesses must find answers to the question, how do they enable their existing infrastructure to run fully compliant cloud video collaboration on the existing network?

The final issue is one of scalability. On-premise solutions have a major flaw highlighted by the COVID-19 pandemic: When most businesses require their workforce to work from home, on-premise video conferencing cannot happen. The pandemic drove the need for video collaboration technology that connects people from remote locations. Then there was the need to have a technology that could quickly scale up to accommodate most employees. This leaves businesses searching for an answer to the question, how to adopt a video collaboration solution that can be scaled in a short time, without needing to necessarily rollout video conferencing endpoints?

Businesses are also aware that video collaboration technology has evolved enough to allow easy integration within business processes. The technology can, and should, accommodate third-party integration through a combination of application programming interfaces (APIs) and software development kits (SDKs). Frost & Sullivan forecasts that vendors and service providers that help businesses address these questions and possess technologies that support API and SDKs will be the most likely to amass market share and drive adoption to a new level.

Visionary Innovation and Performance/Customer Impact

Addressing Unmet Needs

Zoom, a cloud video collaboration player, began as a one-product company but has since diversified to offer several other products. These include webinars, Zoom Room, conference room connectors (CRC), and Zoom Phone. It has become a unified communication as a service (UCaaS) provider.

The company launched Zoom Phone in January 2019, bringing its services to Australia and New Zealand. The Zoom Phone allows its customers to take their private branch exchange (PBX) functionality to the cloud while continuing to use their existing infrastructure. Frost & Sullivan notes that cloud calling has been increasingly sought after by business users but has been held back due to existing investments in PBX and IP Phones. Zoom Phone helps businesses solve this complex piece of the PBX deployment puzzle.

While there remain several service providers offering cloud conferencing services, Zoom has brought in features such as virtual background and pop-up notifications while speaking on mute. These features were in demand, and Zoom was the first to bring them to light. The service provider has also expanded the use-case for cloud video collaboration, from personal use to meeting rooms, with Zoom Rooms. The feature allows room devices to be connected to Zoom conferencing with a single click of a button, forgoing the need for users to bring individual laptops to a meeting.

Implementation of Best Practices

A cloud conferencing provider's success depends on how many freemium users it has in its user base and how many of those can be converted into paying customers. Zoom invites users to experience its services through direct invitation or as a user attending a host's (paying customers) video conferencing session. The company also runs "try and buy" promotion programs for enterprises. The leads generated through these channels are then routed to either a direct touch team, online sales executive, reseller network, or strategic partner (depending upon the lead-generation location). These sales teams look to convert leads into paying customers by observing their usage patterns and proposing packages that uniquely serve the prospect's cloud video collaboration habits. Frost & Sullivan's analysis indicates Zoom conferencing has a high conversation rate of freemium to paying customers, one driven by high engagement during the trial period.

Price/Performance Value

Zoom offers a conference room connector (CRC) to connect legacy video conferencing endpoints. The product essentially offers interoperability with old systems. This has enabled the company's existing client base and prospects to enjoy Zoom video

collaboration with old systems. Zoom offers this solution on a monthly subscription of \$49 per port, a price that is a fraction of the cost when compared to a rip-and-replace option. The solution also allows businesses to take full advantage of their existing investments and extend its end of life cycle. Frost & Sullivan acknowledges that CRC has provided excellent value for businesses subscribed to Zoom's CRC.

Customer Ownership Experience

Digital transformation has changed how products and services are offered and consumed. It has become increasingly the norm to keep releasing new updates and add-ons to products and services. To this end, Zoom has released 300+ new features in 2019 and continues to enhance the customer ownership experience. The company has also carved out one-fifth of its engineering team to develop features based on customer requests. As such, Zoom customers enjoy services offered by a provider that goes above and beyond. Further, the company has established a marketplace for third-party vendors to offer add-on features to its core offering.

Customer Service Experience

The service provider has set up a team that looks to delight customers by offering them free training through a service representative team, who engages in one-on-one session to address any query that a user may have and/or introduces new/unused features to the users. This has not only driven higher engagement rates with users but also increased the conversation rate of freemium to paid customers. The testimony to Zoom's success is its average customer Net Promoter Score (NPS) being over 70 in 2019.

Financial Performance

Zoom had a terrific year in 2019. It managed to grow its revenue from \$27.7 million to \$51.1 million, registering a growth of 84.5%. The company's success was propelled by continued expansion into other geographies, such as the Asia-Pacific region, beyond its 2018 footprint in the China, Japan, and Australia-New Zealand regions. It also due to the addition of new service types such as the CRC and Zoom Phone.

Conclusion

As a leading video collaboration provider, Zoom has expanded into new geographies in the Asia-Pacific region to fuel its growth. The company continuously adds new services and features to attend to the needs of its customers. It maintains high engagement with prospects, which in turn leads to a high conversation rate that has helped the company attain one of the highest growth rates in the industry. Zoom also uplifts customer ownership and service experience, resulting in a high NPS score. All of these initiatives have helped the service provider generate untapped markets while going beyond its competitors.

For its strong overall performance, Zoom Video Communications has earned Frost & Sullivan's 2020 Company of the Year Award.

Significance of Company of the Year

To receive the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among non-industry peers) requires a company to demonstrate excellence in growth, innovation, and leadership. This excellence typically translates into superior performance in three key areas—demand generation, brand development, and competitive positioning—that serve as the foundation of a company’s future success and prepare it to deliver on the 2 factors that define the Company of the Year Award: Visionary Innovation and Performance, and Customer Impact).



Understanding Company of the Year

Driving demand, brand strength, and competitive differentiation all play critical roles in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation and Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated each factor according to the criteria identified below.

Visionary Innovation and Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation of Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

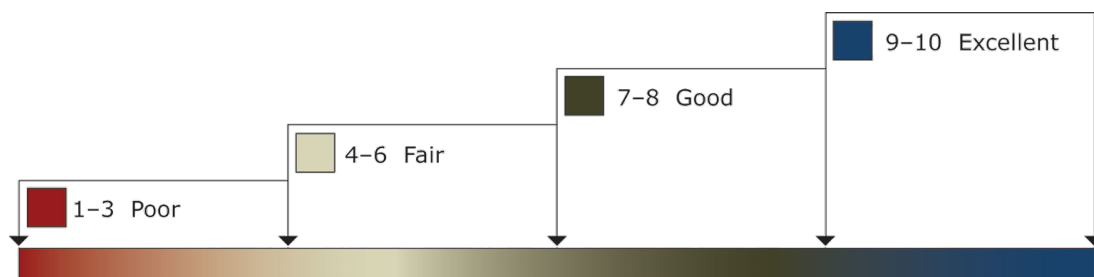
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Zoom

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 Visionary Innovation and Performance and Customer 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>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Zoom	9	10	9.5
Competitor 1	9	8	8.5
Competitor 2	7	7	7

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers' unmet or underserved needs, and creating the products or solutions to address them effectively.

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling first-to-market growth opportunity solutions.

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially uncontested market space, manifested by stiff barriers to entry for competitors.

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenue, revenue growth, operating margin, and other key financial metrics.

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

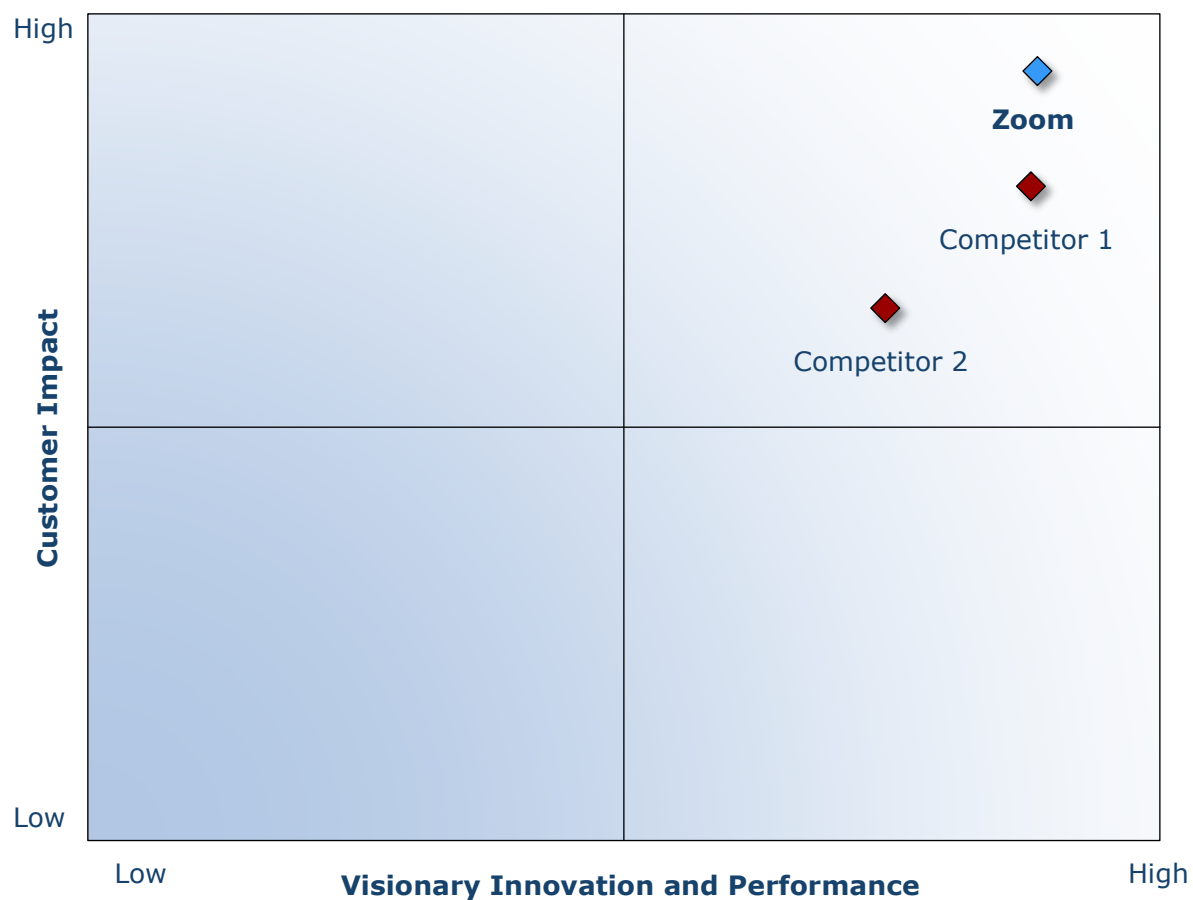
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

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 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 winner 	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"> 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 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>.