



2018 North American Hosted IP Telephony and UCaaS
Growth Excellence Leadership Award



2018
BEST PRACTICES
AWARDS

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Background and Company Performance

Industry Challenges

As the North American hosted Internet protocol (IP) telephony and unified communications-as-a-service (UCaaS) market gradually matures, Frost & Sullivan observes how providers face increasingly elevated customer requirements and expectations. Compared to early adopters, mainstream users typically apply greater scrutiny when selecting their cloud communications solutions and providers. The more conservative technology investment decision makers report to Frost & Sullivan that they look beyond user features and price. They place a larger focus on service reliability and security. This approach favors hosted IP telephony offerings delivered over managed bandwidth, supported by a robust, geo-redundant data center infrastructure, and managed by more stringent quality of services (QoS) and security protocols.

Overall, a growing number of businesses evaluate their cloud communications options more holistically. They place greater emphasis on service provider financial stability, technology roadmap, and growth plans. Also important, as larger organizations increasingly embrace cloud delivery models, they frequently seek to move multiple IT and communications workloads to the cloud. As such, they typically choose providers with broader portfolios comprising connectivity and cloud services in addition to hosted voice and UCaaS.

Frost & Sullivan research shows that competition in the North American hosted IP telephony and UCaaS market is intensifying as providers look to strengthen their abilities to address shifting customer requirements. The competitive landscape remains highly fragmented, which presents both challenges and exciting opportunities for market participants. The distribution of market power among multiple providers creates a more even playing field, yet it also compels market participants to continually evolve their portfolios and differentiate in order to garner greater customer attention and trust.

To compete more effectively, providers focus their efforts on technology innovation, creative solution packaging and pricing, geographic expansion, and new sales channels. Developing these key capabilities using solely internal resources is a daunting task. Therefore, market participants aggressively pursuing new growth opportunities often embark on mergers and acquisitions (M&A) to augment their portfolios and/or expand their customer base.

Frost & Sullivan points out that highly effective providers combine visionary strategies with excellent execution to boost growth rates and gain market share. The growth excellence leader is typically a company that successfully augments organic growth with strategic M&A to develop a highly competitive services portfolio and enhance its overall market power. Robust growth rates and a powerful vision instill confidence in technology buyers and position growth excellence leaders as partners of choice for technology buyers.

Growth Performance and Customer Impact

Through organic growth and highly complementary acquisitions, Frost & Sullivan monitors how Fusion has become one of the leading hosted IP telephony and UCaaS providers in North America. With a compelling vision and a highly entrepreneurial company culture, Fusion is well positioned to continue on a strong growth trajectory in the foreseeable future.

Growth Strategy

At the foundation of Fusion's growth strategy is the fervent belief that businesses will increasingly migrate their computing resources, as well as software and communications workloads to the cloud. In 2011, Fusion acknowledged an existing market gap due to the lack of diversified providers with well-rounded cloud services portfolios. The forward-looking provider also anticipated a growing customer requirement to use a single provider for all of businesses' cloud services needs to ensure greater service reliability, technology interoperability, and provider accountability. Since then, Fusion's strategy has focused on developing a compelling single-source cloud services portfolio made up of cloud storage/computing, connectivity, and cloud communications solutions. Fusion has also invested in building an advanced platform that enables it to manage the end-to-end customer experience across the integrated cloud services portfolio.

To achieve its growth objectives, Fusion leveraged an aggressive M&A strategy aimed to provide scale, as well as enhance its services portfolio and technology capabilities. With 10 successful acquisitions under its belt, today Fusion stands tall as one of the leading cloud services providers in the U.S., with robust capabilities comprising an integrated cloud services platform, highly experienced team, large network footprint, and a sizable customer base.

Fusion's future growth strategy is based on unwavering commitment to innovation and bold pursuit of scale through continued acquisitions. The company's growth vision is centered on the value proposition of delivering end-to-end managed cloud solutions to businesses.

Above-market Growth

Fusion set out on a rapid growth path six years ago when it embarked on an M&A journey. With only 40 employees and \$2 million in cloud service revenue in 2011, the company aspired to build a much stronger portfolio and market position to compete more effectively in the burgeoning cloud communications space. Today, Fusion has more than 1,100 employees and is approaching \$575 million in total annualized revenue.

The acquisition of NBS in 2012 launched Fusion into the cloud communications market, providing it with a platform, development resources, and a small, yet growing user base. The acquisitions of Broadvox and Pingtone further boosted Fusion's cloud voice and unified communications (UC) portfolio. Broadvox also brought strong session initiation protocol (SIP) trunking and managed services capabilities, whereas Pingtone added a vertical industry focus to Fusion's services to help it differentiate and capture new opportunities. The acquisition of Rootaccess in 2015 enhanced Fusion's cloud computing and infrastructure-as-a-service (IaaS) stance. The subsequent acquisition of Fidelity in the same year augmented Fusion's cloud voice, data and security services portfolio. The acquisition of Technology for Business in 2016 provided Fusion with strong enterprise cloud contact center capabilities, which created opportunities for the company to both tap into the rapidly growing cloud contact center market and bundle contact center with its cloud voice offerings for greater customer value. The acquisition of Apptix later in 2016 further diversified Fusion's portfolio to include hosted Microsoft Exchange services, as well as boosted its security and cloud computing portfolio. The addition of IQMax in early 2018 further enhanced the company's secure enterprise messaging and collaboration capabilities and expanded its portfolio of Unified Communications intellectual property. Leveraging the IQMax IP, Fusion has developed a new technology platform, called FSX, that will be integrated into its proprietary UCaaS platform, enabling several new offerings in 2019, including communications platform-as-a-service (CPaaS) extensions to Fusion360, an enhanced UC client, and a new user interface providing a single, powerful user experience across devices.

Later in 2018, Fusion folded in Birch Communications (which included the recently acquired Primus Communications, based in Canada) and MegaPath, which considerably expanded its hosted IP telephony and UCaaS user base and quadrupled the company's share of the North American market, as well as added considerable scale in software-defined wide area network (SD-WAN) and deeper application awareness. Furthermore, Birch also brought in substantial infrastructure and distribution capabilities and revenues.

Overall, Frost & Sullivan recognizes how the 10 successful and highly complementary acquisitions in the past six years have positioned Fusion as a cloud, connectivity, and communications services powerhouse for businesses looking for a one-stop shop.

Share of Wallet and Growth Sustainability

Rapidly increasing demand for cloud services is likely to enable Fusion to sustain high growth rates in the future. A 2017 Frost & Sullivan survey of 408 North American IT/telecom investment decision makers and influencers shows that 51 percent of respondents have moved part or all of their enterprise telephony solutions to the cloud, and another 31 percent plan to do so by 2019. Frost & Sullivan also expects the North American hosted IP telephony user base to expand at double-digit growth rates in the next seven years, creating a strong pull for service providers with compelling offerings and highly-effective go-to-market strategies.

Fusion is also reporting accelerating multi-services sales, which enables it to support a larger portion of the customer environment and sustain more robust growth rates. Frost & Sullivan's 2017 survey reveals businesses' plans for continued migration of various workloads to the cloud, including enterprise messaging, conferencing, security, storage, and data center. Fusion's integrated platform approach is likely to resonate strongly with businesses looking for a trusted partner to help them move multiple solutions to the cloud. SIP trunking and connectivity services further enhance Fusion's ability to address broader customer needs, including demand for hybrid solutions, whereby the customer chooses to retain some premises-based solutions at certain business sites (while deploying cloud services in others).

Frost & Sullivan independent analysis reveals that a critical factor in Fusion's future success is the leverage of strategically positioned proprietary and third-party cloud communications and contact center platforms. The proprietary-built and operated Fusion360 and Contact360 platforms provide Fusion with cost efficiencies and greater flexibility to innovate at its own pace in response to market trends and evolving customer requirements. On the other hand, FusionWorks, based on BroadSoft (now Cisco) BroadWorks platform, provides Fusion with access to BroadSoft's advanced feature set and Cisco's broader technology resources.

Fusion's success in the past six years is largely due to its ability to effectively integrate newly acquired entities. In addition to choosing businesses that add considerable strategic value to Fusion, it has also efficiently incorporated the new employees into the company's entrepreneurial culture. Promoting a spirit of positivity, innovation, flexibility, and determination, it has ensured that all the tuck-ins function as one single, well-oiled machine. Going forward, Fusion can leverage the best practices developed in its experiences to effectively integrate new acquisitions.

Customer Purchase and Ownership Experiences

Fusion's diversified cloud and connectivity services portfolio allows businesses to deploy what they need today with the option to add more services in the future as their needs evolve. Furthermore, with several different cloud communications and contact center platforms, Fusion provides customers with a choice of hosted IP telephony and UC features to address a broad spectrum of user needs. Overall, it provides a comprehensive applications suite - including robust private branch exchange (PBX) functionality, voicemail and voicemail to email, instant messaging and presence, mobility, conferencing, contact center, and more.

All-inclusive service offerings involving hosted IP telephony, UC, connectivity, end-user devices as well as switches, routers and other networking gear, simplify the purchase process and facilitate budgeting. Flexible solution licensing tiers allow businesses to select the service bundles that best suit their end-user needs and company budgets.

Fusion360 and FusionWorks services, which together will be offered under the FusionWorks brand in the first quarter of 2019, are available in two different pricing options: concurrent call paths plan and bundled seat plan. Buyers can also select from different usage plans — inbound, local, and local+long distance. Finally, the plans vary based on features — common area seat, employee seat or employee collaboration seat (for Fusion360 users), and common area seat, voice and collaboration seat (for FusionWorks users). A variety of add-on services are also available a la carte, including audio conferencing, auto attendant, account codes, call flow manager, call recording, IP fax, voicemail transcription, and more.

Cloud contact center and SIP trunking, multi-protocol label switching (MPLS), SD-WAN and traditional connectivity services enable Fusion to deliver complete and integrated solutions to businesses moving all their workloads to the cloud or deploying hybrid environments.

Businesses adopting Fusion’s fully managed cloud communications solutions delivered over MPLS or SD-WAN gain the benefits of high service reliability and security, which help ensure business continuity and higher return on investment (ROI). However, businesses also have the option to deploy Fusion hosted IP telephony and UCaaS over public broadband connections to save costs or honor existing Internet services contracts.

Fusion’s services are available nationwide throughout the United States and Canada. Businesses can purchase the services from Fusion’s direct sales force or from its more than 500 partners.

Fusion’s integrated services platform, which enables unified management for voice, UC, contact center, cloud computing, connectivity and more, empowers businesses to more flexibly and effectively manage and control their outsourced IT and communications capabilities. As businesses and their requirements evolve, they can easily add more services from Fusion’s highly diversified portfolio. With 28 points of presence (POPs) and multiple data centers throughout the U.S. and Canada and a strong focus on redundancy and QoS, Fusion aims to deliver a high-quality experience to its business customers.

Conclusion

In 2018, Frost & Sullivan observed how Fusion propelled itself to a prominent position among the top North American hosted IP telephony and UCaaS providers in terms of installed users. Through an aggressive growth strategy and highly effective integration of newly acquired entities, Fusion has built a compelling cloud services portfolio and successfully expanded its customer base. Frost & Sullivan expects that the company has gained a strong position that will enable it to sustain high growth rates in the future.

With its strong overall performance, Fusion has earned the 2018 Frost & Sullivan Growth Excellence Leadership Award.

Significance of Growth Excellence Leadership

Growth Excellence Leadership is about inspiring customers to purchase from a company, and then to return time and again. In a sense, then, everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that excel in driving growth strive to be best-in-class in three key areas: meeting customer demand, fostering brand loyalty, and carving out a unique, sustainable market niche.



Understanding Growth Excellence Leadership

Companies that creatively and profitably deliver value to customers ultimately set up their businesses for long-term, rapid growth. This is what Growth Excellence Leadership is all about: growth through customer focus, fostering a virtuous cycle of improvement and success.

Key Benchmarking Criteria

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

Growth Performance

- Criterion 1: Growth Strategy
- Criterion 2: Above-market Growth
- Criterion 3: Share of Wallet
- Criterion 4: Growth Diversification
- Criterion 5: Growth Sustainability

Customer Impact

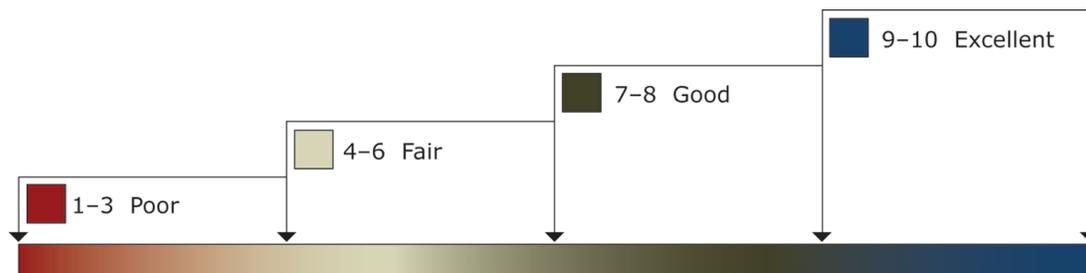
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Fusion

Decision Support Scorecard

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Growth Performance and Customer Impact (i.e., These are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 2 and Competitor 3.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Growth Excellence Leadership	Growth Performance	Customer Impact	Average Rating
Fusion	9.9	9.7	9.8
Competitor 2	9.1	9.2	9.2
Competitor 3	9.1	8.9	9.0

Growth Performance

Criterion 1: Growth Strategy

Requirement: Executive team has a shared vision for the organization’s future growth and has created and implemented a strategy that is consistent with that vision.

Criterion 2: Above-market Growth

Requirement: Company’s growth rate exceeds the industry’s year-over-year growth rate.

Criterion 3: Share of Wallet

Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company.

Criterion 4: Growth Diversification

Requirements: Company is equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) growth opportunities consistent with the long-term objectives of the organization.

Criterion 5: Growth Sustainability

Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base and sustain growth over the long-term.

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

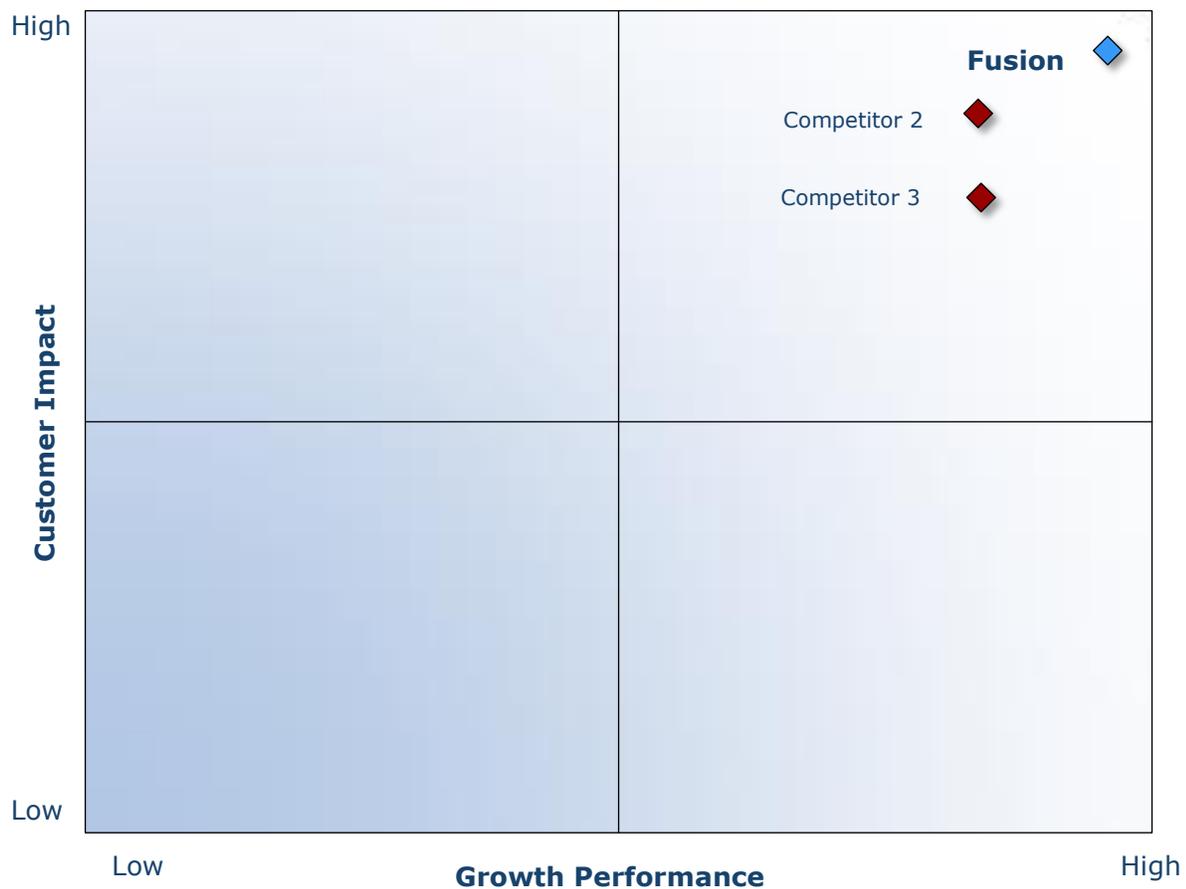
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

Criterion 5: Brand Equity

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

Decision Support Matrix

Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.



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

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning of all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized Award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible Award candidates, representing success stories worldwide
7 Perform quality check	Develop official Award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select recipient 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> • 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 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>.