FROST & SULLIVAN

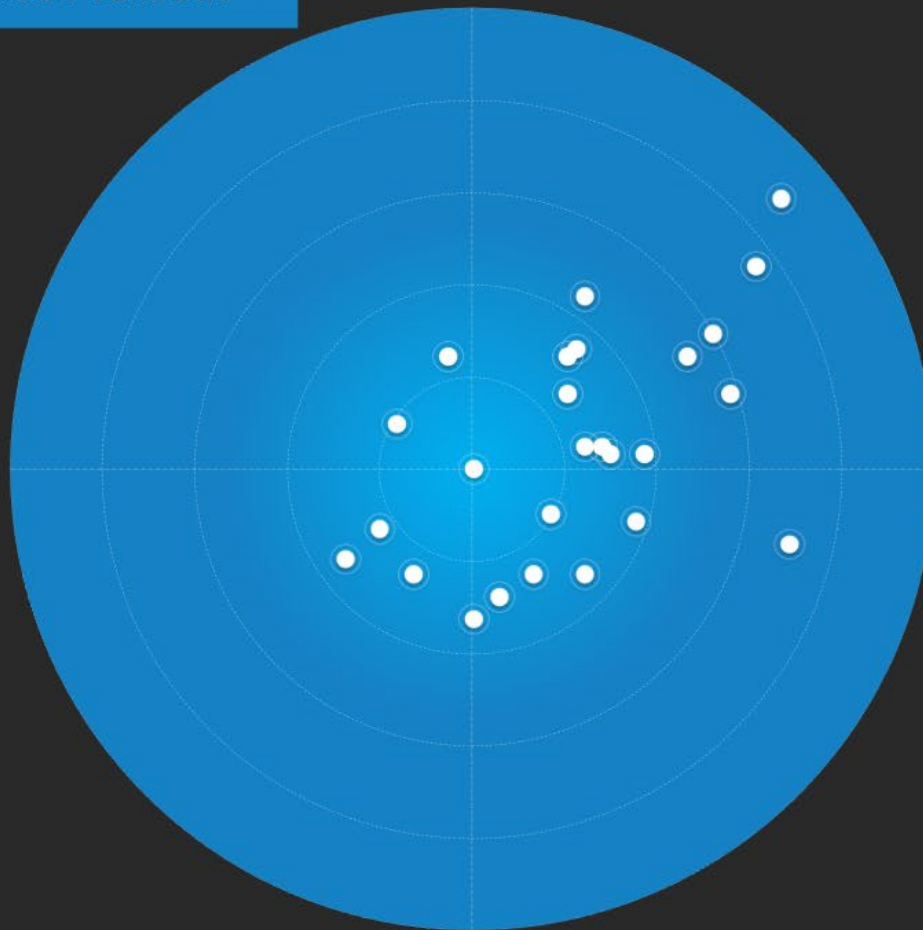## FROST RADAR™

GROWTH INDEX

INNOVATION INDEX →

Frost Radar: North American UCaaS Market, 2022

A Benchmarking System to Spark Companies to Action - Innovation That Fuels New Deal Flow and Growth Pipelines

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Strategic Imperative

Innovative business models are reshaping the UCaaS industry and compelling providers to adapt to boost their competitive edge. More specifically, the following key trends are determining long-term success among market UCaaS participants:

- Integrated platforms delivering UCaaS, CCaaS and CPaaS are at the foundation of next-generation business communications solutions. To address customer needs holistically and tailor functionality for different user personas, providers must leverage integrated, micro-services-based platforms with flexible APIs.
- Increasing disintegration of the value chain (apps + connectivity) is creating new challenges and opportunities for service providers. Provider strategies must capitalize on their core competencies to deliver both complete UCaaS and tangential services (e.g., connectivity, direct inward dial (DID) numbers, calling plans, managed services) for third-party UCaaS.
- Fixed-mobile convergence (FMC) is in the spotlight again with the rise of highly distributed organization. Each UCaaS solution must provide some form of FMC, whether app-based or native/core-based to enable anywhere access to communications.

Growth Environment

Advanced market maturity is resulting in slower installed-base and revenue growth due to slower adoption among more conservative buyers and net new seats representing a smaller percentage of the base. Furthermore, we expect to see worsened political and macro-economic conditions in the near term, primarily due to the aftermath of the COVID-19 restrictions and the war in Ukraine. Fear of stagflation or recession is likely to dampen the momentum the industry has garnered in the past couple of years. Strong recognition of UCaaS benefits—including improved business continuity and enhanced remote/hybrid workforce productivity—is likely to be offset by budget tightening, delayed investments, and re-evaluating technology investment priorities.

However, we expect most available ICT budgets in North America to be allocated to cloud services, including UCaaS, due to its ability to improve business continuity and allow flexible capacity adjustments in uncertain times. This may be in contrast with other world regions, where security and provider origin or viability concerns may favor on-premises deployments for the near term.

Organizations embracing flexible work styles and supporting a large number of remote and hybrid workers are leveraging UCaaS and cloud collaboration solutions to enable flexible and cost-effective connections among employees and between employees and various external parties. Increased diversity of offerings in terms of features, price, design, and architecture, including mobile UCaaS and highly customizable solutions, are driving broad penetration among the entire customer spectrum. Improved performance in terms of security, reliability, and quality of service, due to leverage of software-defined

wide area network (SD WAN) services, redundant data centers, and maturing technologies, is enhancing UCaaS appeal among more demanding buyers. Diverse business models, including fully digital customer journeys, white-glove customer engagements and a variety of reseller/partner models (agency, white-label wholesale, strategic partnerships, and bring your-own carrier (BYOC)), are also expanding providers' market reach. Enhanced value propositions, including vertical/frontliner-workflow improvements and talent-utilization optimization, are boosting UCaaS adoption in organizations pursuing broad digital transformation.

Overall, UCaaS adoption will remain strong throughout the forecast period. Although churn among UCaaS providers is expected to be relatively high, churn away from UCaaS to other types of solutions—e.g., premises-based enterprise telephony systems, consumer services or free/freemium communications solutions—will remain extremely low.

The Frost Radar: North American UCaaS Market, 2022

Exhibit 1: Frost Radar: North American UCaaS, 2022
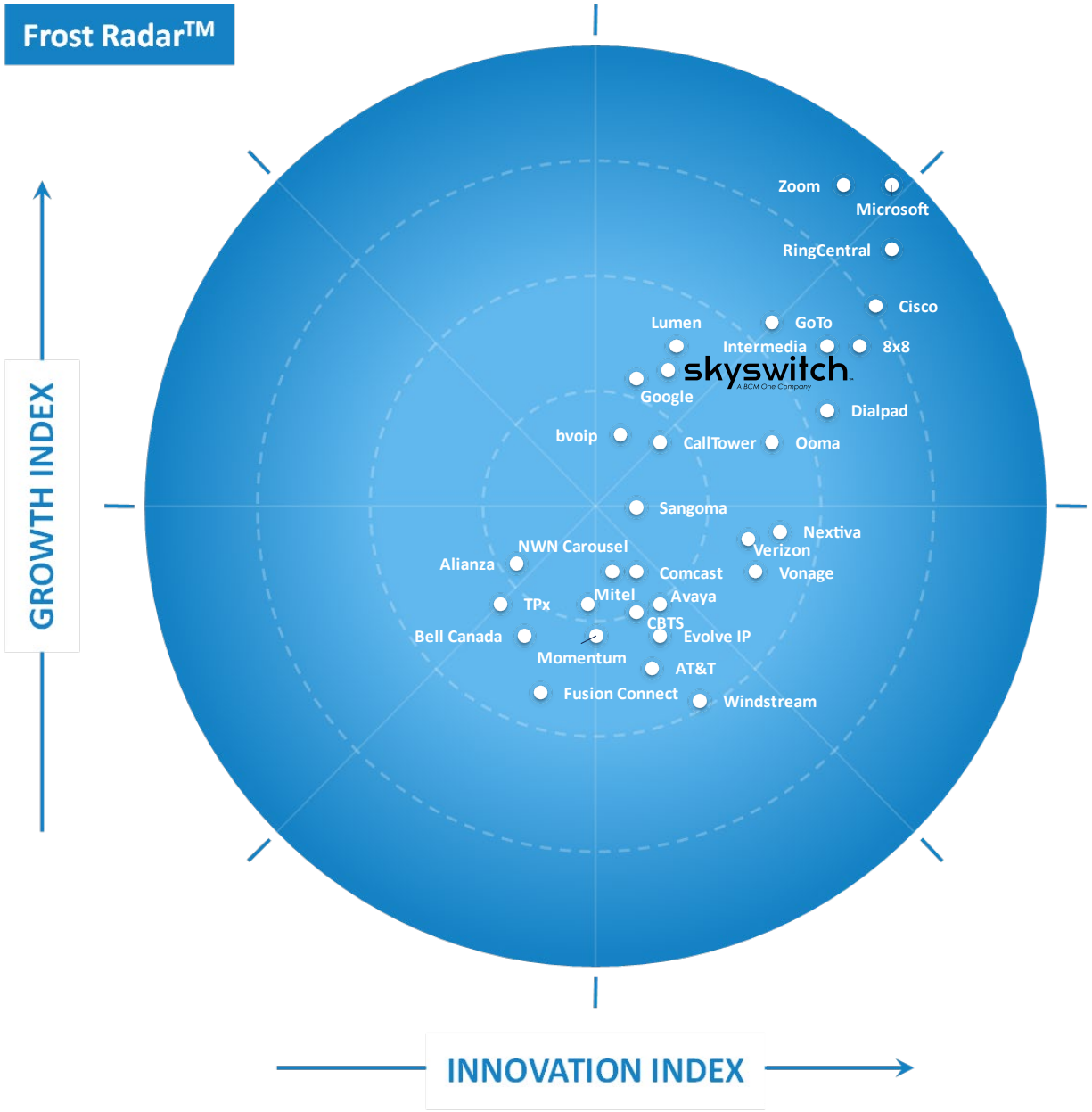
Source: Frost & Sullivan

Frost Radar Competitive Environment

As the North American unified communications-as-a-service (UCaaS) market matures and competition intensifies, it is becoming increasingly important for market participants to accelerate innovation and develop sustainable growth strategies. This market analysis provides a perspective on key market trends as well as an assessment of 30 growth and innovation leaders. The Frost Radar plots the selected UCaaS providers based on a set of 10 growth and innovation criteria, which comprise both qualitative and quantitative factors. The quantitative metric used to evaluate providers' performance in this market is hosted Internet Protocol (IP) telephony/cloud private branch exchange (PBX) or UCaaS seats. The size of the providers' North America UCaaS installed bases is used to determine the top 30 market participants to include in this evaluation.

Both technology developers leveraging their own proprietary platforms to deliver services and resellers providing their own branded UCaaS offers based on third-party platforms are included in this analysis. Services based on both pure-cloud/multi-tenant and multi-instance platforms are taken into account when evaluating providers' market position and innovation and growth capabilities. Certain industry classifications recognize hosted offerings as true "cloud" only when a high degree of automation is present. For the purposes of this study, we consider all multi-instance and multi-tenant hosted IP telephony and unified communications offerings to be cloud solutions. The supporting infrastructure can be hosted in a servicer-provider or third-party data center or in a public cloud environment (e.g., Amazon Web Services, Google Cloud, Microsoft Azure).

The research service does not include customer premises-based multi-instance solutions or hosted single-tenant solutions. Also, this research service does not include cloud VoIP services that are primarily targeted at consumers and residential users—such as those delivered by Skype and Google.

SkySwitch, a BCM One Company

INNOVATION

- SkySwitch stands out in the North American market as a leading provider of private-label services for voice and data resellers looking to augment their portfolios with sticky, high-value UCaaS solutions. Compelling wholesale prices enable SkySwitch resellers to offer affordable services to their customers, while also generating solid profit margins for themselves.
- The SkySwitch and CoreDial private-label UCaaS offerings are based on mature cloud communications platforms that enable broad feature sets and high service reliability, security and extensibility.
- SkySwitch leverages NetSapiens' platform, which provides UCaaS, contact center and video meeting services delivered in a single pane of glass to the end user. SkySwitch has also customized and enhanced the platform to deliver business SMS, a mobile app (messaging, video, and calling), virtual fax, call recording and broadcasting.
- More than 240 APIs enable SkySwitch to differentiate and deliver tailored solutions to businesses. SkySwitch supports more than 250 integrations with CRM systems, Microsoft Teams, and other third-party solutions.
- CoreDial's proprietary platform uses open-source technologies at the foundation. It provides a broad applications suite, including a robust cloud PBX, voice messaging, and desktop and mobile UC soft clients, which enable convenient access to voice and video calls, conferencing, instant messaging and chat.
- CoreDial's portfolio also includes a multi-channel contact center solution that resellers can offer standalone or integrated with CoreDial's UCaaS solution. Key functionalities supported on the CoreDial CoreNexa Contact Center platform include: IVR, outbound dialers, call recording, live web chat, email, ACD, SMS, and call-back in queue, among others. Both CoreDial UCaaS and CCaaS support third-party software and services integration—via flexible APIs and/or professional services.
- Planned portfolio enhancements include additional, more robust and partner-friendly CCaaS capabilities, as well as improved mobility capabilities.

GROWTH

- Founded in 1992, BCM One has steadily grown to establish itself as one of the leading providers of cloud communications solutions and managed services in North America. Strategic mergers and acquisitions have represented a key element of BCM One's growth strategy.
- With the acquisition of SkySwitch in early 2021, BCM One gained a strong foothold in the North American UCaaS market. With the subsequent 2021 acquisition of CoreDial, BCM One diversified its cloud communications portfolio and nearly tripled its installed base of UCaaS seats. It also more than doubled the size of its partner network and further solidified its position as a leading provider of private-label cloud services for North American resellers.

- At the end of 2021, SkySwitch, a BCM One company ranked among the top 14 North American UCaaS providers in terms of installed seats. The company's ability to execute is evidenced by its ability to drive organic growth on both the SkySwitch and CoreDial UCaaS platforms post-acquisition. It continues adding approximately 10,000 net new seats to its installed base each month, which is likely to enable it to maintain a strong competitive position in the foreseeable future.

FROST PERSPECTIVE

- The choice to acquire partner-centric companies such as SkySwitch and CoreDial enables BCM One to effectively differentiate from competitors. BCM One supports partners with a variety of services, including implementation, integrations, number porting, migrations and more. Its SaaS platforms greatly facilitate partner purchase and ownership experiences by automating the quoting, provisioning, billing, taxation and management processes.
- SkySwitch's robust network of approximately 1,700 private-label UCaaS resellers enables it to scale its operations more rapidly and to provide tailored services locally to businesses throughout North America. For many resellers—in particular, those with established customer relationships and strong brand recognition—the ability to customize the UCaaS solution branding to their own brand is important. BCM One is among few providers in the North American market providing resellers with the opportunity to build brand equity in UCaaS, which is likely to help it expand its partner network and thrive despite increasing competition.
- BCM One offers a variety of additional services such as SIP trunking, SD WAN and SASE. These capabilities will enable BCM One to address diverse customer use cases and capture more growth opportunities.
- Currently, SkySwitch primarily serves US businesses. As the US UCaaS market matures, SkySwitch must expand internationally to maintain robust growth rates.
- Historically, SkySwitch has seen the most traction among SMBs. It must expand into larger organizations, which have been slower to adopt UCaaS and present a more significant growth opportunity.

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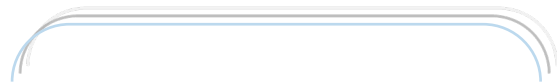- For information regarding permission, write to:

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Next Steps: Leveraging the Frost Radar™ to Empower Key Stakeholders

Significance of Being on the Frost Radar™

GROWTH **POTENTIAL**

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

Your organization has significant future growth potential, which makes it a Company to Action.

BEST PRACTICES

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

COMPETITIVE INTENSITY

Your organization is one of the key drivers of competitive intensity in the growth environment.

CUSTOMER VALUE

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

PARTNER POTENTIAL

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Frost Radar: 2 Major Indices, 10 Analytical Ingredients, 1 Platform

Vertical Axis – The Growth Index:

Growth index is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market, competitor, and end-user focused sales and marketing strategies.

- **GI1: Market Share (previous 3 years):** Market share relative to its competitors in a given market space for the previous three years.
- **GI2: Revenue Growth (previous 3 years):** Revenue growth rate for the previous three years in the market/ industry/ category that forms context for the given Frost Radar.
- **GI3: Growth Pipeline:** This is an evaluation of the strength and leverage of the company's growth pipeline system, to continuously capture, analyze and prioritize its universe of growth opportunities.
- **GI4: Vision and Strategy:** This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments the company is making in new products and markets consistent with the stated vision?
- **GI5: Sales and Marketing:** This is a measure of the effectiveness of a company's sales and marketing efforts in helping the company drive demand and achieve its growth objectives.

Horizontal Axis – The Innovation Index:

Innovation index is a measure of a company's ability to develop products/ services/ solutions that are developed with a clear understanding of disruptive Mega Trends, are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs. Key elements of this index include:

- **II1: Innovation Scalability:** This determines whether the organization's innovation(s) is/are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.
- **II2: Research and Development:** This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.
- **II3: Product Portfolio:** This is a measure of the product portfolio of the company, focusing on the relative contribution of new products to its annual revenues.
- **II4: Megatrends Leverage:** This is an assessment of a company's proactive leverage of evolving long-term opportunities and new business models, as the foundation of its innovation pipeline.
- **II5: Customer Alignment:** This evaluates the applicability of a company's products/ services/ solutions to current and potential customers (7-year horizon), as well as how its innovation strategy is influenced by evolving customer needs.