

Market Leadership Assessment:
*Empowering Today's Diverse Workforce
through Cloud Communications*

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

A Frost & Sullivan Position Paper

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SIGNIFICANCE OF THE MARKET LEADERSHIP POSITION

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. Loyal customers become brand advocates; brand advocates recruit new customers; the company grows; and then it attains market leadership. To achieve and maintain market leadership, an organization must strive to be best in class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition. This three-fold approach to delivering market leadership is explored further below.



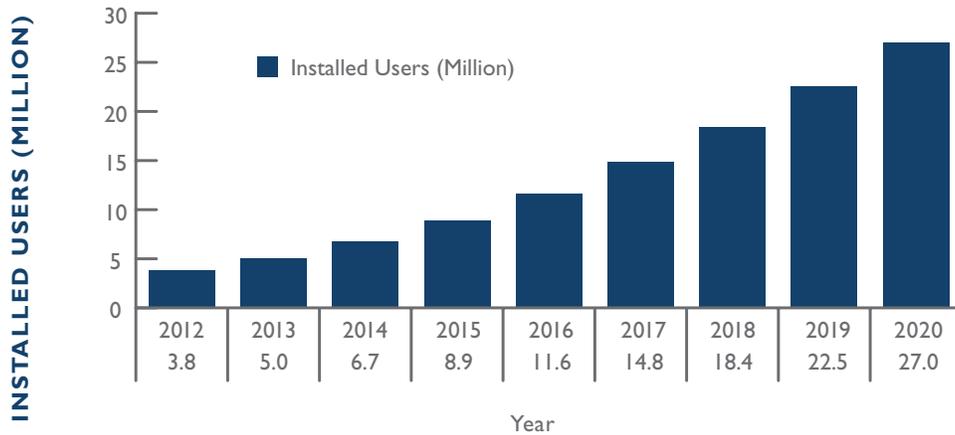
MARKET FACTORS DRIVING CLOUD COMMUNICATIONS ADOPTION

Proliferating communications and collaboration tools are raising the cost and complexity of deploying and managing communications infrastructure on the premises. At the same time, voice over Internet protocol (VoIP) and cloud technologies have matured, making it more compelling to deploy communications solutions in the cloud.

The hosted Internet Protocol (IP) telephony and unified communications and collaboration (UCC) services market is growing rapidly at compound annual growth rates (CAGR) of 25 to 30% in terms of both installed users and service provider revenues. Demand for hosted services is increasing as customer organizations seek to improve business agility and gain faster and more economical access to advanced capabilities and a larger pool of technology skills. In response to customer demand, service providers are deploying scalable and feature-rich UCC services platforms that enable them to provide greater value to customers, generate new revenue streams and differentiate from the competition.

Exhibit I shows Frost & Sullivan's forecast for cloud communications adoption in North America for 2012 to 2020.

Exhibit I: Cloud Communications Adoption, North America, 2012-2020



Source: Frost & Sullivan

A cloud communications solution providing access to a broad set of integrated features and capabilities such as telephony, messaging, presence, Web meetings with video conferencing, and mobility presents a viable alternative for businesses of any size and industry looking for a competitive advantage.

Cloud communications help address key business concerns, as follows:

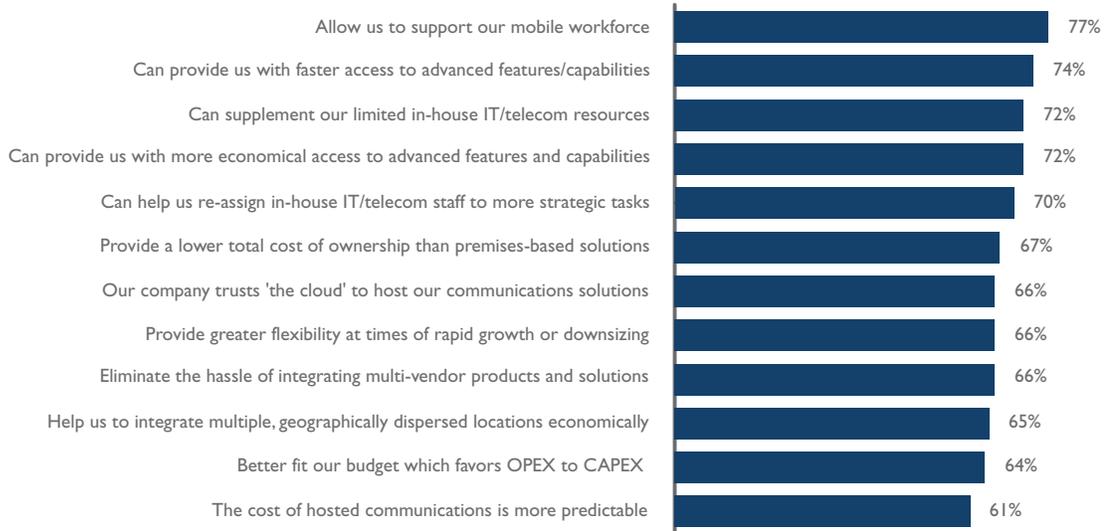
- Reduce CAPEX and streamline OPEX costs
- Facilitate the integration of multiple technologies and tools in an end-to-end unified communications solution
- Enable distributed organizations to more flexibly support mobile workers and remote branches
- Free up internal resources for more strategic tasks
- Reduce the risk of technology obsolescence and sunk costs
- Provide access to superior technology expertise
- Allow the organization to focus on core business activities and thus improve business agility

Overall, cloud communications improve the business's ability to grow revenues and increase profits.

Exhibit 2 shows cloud communications adoption drivers in the US and Europe in 2013.

Exhibit 2: Cloud Communications Adoption Drivers, US and Europe, 2013

CLOUD COMMUNICATIONS:



Base: All respondents (n=445).
 Q11. Please rate your level of agreement with the following statements.

Source: Frost & Sullivan

KEY INDUSTRY CHALLENGES ADDRESSED BY RINGCENTRAL

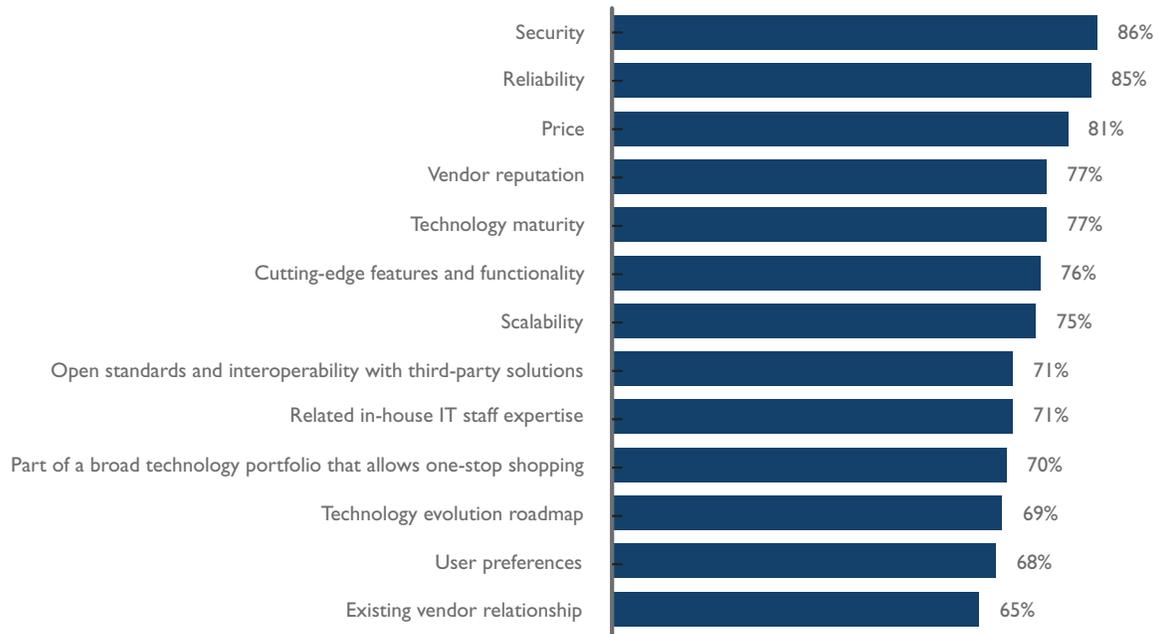
Most hosted communications providers have deployed third-party platforms, which require incremental investments in software licenses as providers grow their installed base, thus limiting their ability to gain economies of scale. Furthermore, providers using third-party solutions are dependent on these vendors' technology vision and roadmap, which impacts their ability to quickly respond to evolving customer needs or differentiate from the competition through unique features and capabilities. For example, many providers have been unable to meet growing customer demand for mobile access to company communications applications due to lack of support for mobile device integration on the third-party platforms they have deployed.

Finally, most hosted communications platforms offer the benefits of converged, IP-based communications, but few leverage true cloud technologies for full-service automation, flexible scalability and the resulting cost-efficiencies. Therefore, many providers have struggled to streamline and simplify their service provisioning and management processes and to offer simple and easy-to-use, yet modular and flexible, cloud PBX communications solutions to their customers.

Providers using home-grown, cloud-based platforms have been able to more effectively address industry challenges and more rapidly grow their market share. The ability to more tightly control both platform capacity costs and feature development allows such providers to scale more cost-efficiently and provide greater value to customers investing in hosted communications solutions.

Exhibit 3 shows cloud computing providers' competitive attributes in the US and Europe in 2013.

Exhibit 3: Cloud Computing Provider Competitive Attributes, US and Europe, 2013



Base: All respondents (n=433).

Q12. Please rate the importance of each of the following in your decision to select a cloud computing provider.

Source: Frost & Sullivan

RINGCENTRAL: DISRUPTING THE MARKET THROUGH VISIONARY INNOVATION

RingCentral has emerged as the undisputed leader in the cloud-based UCC services market. RingCentral earned this prestigious position through a visionary growth strategy and disruptive technology innovation. More specifically, key tenets of RingCentral's success include the following:

- Powerful, simple-to-use cloud communications solution addressing the needs of today's increasingly diverse and distributed workforce
- Compelling functionality, including mobility and advanced conferencing and collaboration capabilities, packaged in an affordable bundle
- Flexible cloud technology and superior service quality and reliability
- Rapid innovation and continual service enhancements
- Important partnerships with powerful telecom providers such as AT&T, TELUS and BT, which validate key strengths of RingCentral's solution such as functionality, scalability and security, and instill confidence in end-user organizations



RingCentral earned this prestigious position through a visionary growth strategy and disruptive technology innovation.



Growth Strategy Excellence

Long gone are the days when the workspace was tied to a single physical location or confined to a strict eight-hour work schedule. Today, most businesses have employees working from various locations and from home. The search for new customers and new talent compels today's businesses to expand beyond geographic boundaries. At the same time, a growing focus on better employee work-life balance is driving a trend toward remote working. As a result, there is an increased blending of workers' business and personal lives. This is giving rise to the so-called "virtual" organizations, which require a new type of communications solution to enable better collaboration among geographically distributed teams and workers.

Furthermore, today's highly mobile workforce requires convenient access to business communications and collaboration tools while on the go. Office workers, commuters, road warriors, and office roamers cannot miss a critical client call or an important internal meeting. Whether working on a tight project deadline or a major customer deal, mobile workers need to stay connected with their co-workers, customers, and partners—anywhere, anytime.

Finally, users want to choose their own mobile devices based on preferred design and functionality. In fact, a growing number of employees use their personal mobile devices for business purposes, with or without approval or support of IT or management.

RingCentral was one of the first providers to acknowledge growing demand for flexible and economical cloud communications, also known as cloud PBX solutions. The company was also among the first to identify a growing customer need to access company communications capabilities on both mobile devices and office desktop phones for greater user convenience, efficiency and productivity. RingCentral developed its platform and service offerings to provide the most flexible mobile and fixed-line cloud communications solutions for business customers. Its strategy and continued product and feature development are centered on the needs of mobile workers and distributed organizations.

Implementation Excellence

Numerous providers have launched advanced, IP-based telephony and UCC services targeting the growing number of businesses looking for hosted communications solutions. However, growth rates and market shares vary significantly among market participants. Factors such as technology capabilities, service packaging, device support, service provisioning, service reliability and reseller partnerships have been critical for provider success in this rapidly evolving market.

In 2013, RingCentral's revenue grew by approximately 37% year-over-year, with RingCentral Office (its flagship offering) revenue increasing by about 67% over the previous year.

Key to RingCentral's implementation excellence is the use of a proprietary cloud platform enabling cost-effective scalability, flexible feature development and fully automated service provisioning and management. It has also

packaged services and capabilities that have a strong appeal to its target customer audience, more specifically, distributed organizations. This includes delivery of telephony, messaging and conferencing capabilities to mobile devices and laptops/PCs, as well as desktop phones.

RingCentral also understands the importance of service quality and reliability to business users who depend on their communications solutions to be productive and efficient. In order to avoid disruptive service downtime and ensure high service availability, it uses geo-redundant data centers and provides advanced failover capabilities. In terms of service reliability, RingCentral stands out among its competitors, many of which experienced significant downtime during recent natural disasters such as Hurricane Sandy.

Furthermore, simple packaging and convenient e-commerce-type of service marketing and provisioning enable customers to easily and quickly purchase and deploy their hosted communications solutions from RingCentral. New users and extensions can be set up within minutes.

RingCentral's phenomenal revenue growth and market share gain have also been enabled by effective partnerships with a large network of resellers, including powerful market participants such as Ingram Micro, AT&T, Telus and BT. It continues to expand its channel reach to further accelerate growth, capture new market opportunities, and better service its customers.

Product Differentiation

Mobility, unique ease of use, and the ability to manage the solution with little or no technical expertise represent the strongest differentiators of RingCentral's cloud communications offerings. Over the past decade, hosted IP telephony and UCC platforms and service offerings have evolved to closely match the key capabilities of premises-based communications solutions. However, few have actually lived up to customer expectations for flexibility and ease of use. Even fewer have addressed growing demand for mobile access to corporate communications applications.

RingCentral Office, the provider's flagship offering, allows users to access their cloud communications capabilities via any device of their choice—desktop phone, desktop PC/laptop or a mobile device—for a single user fee.

RingCentral Office product capabilities offer a strong value proposition to businesses that have office-based employees and mobile employees who rely on mobile devices to conduct business while commuting, travelling or otherwise working remotely. Unlike most hosted IP communications providers who lead with a desktop value proposition and offer a minimal degree of mobile integration as a value-added feature, RingCentral places a very strong emphasis on mobile capabilities, while also integrating desktop devices to efficiently meet the needs of the entire organization.

RingCentral also recently introduced cloud-based online meetings with Web conferencing and HD video conferencing services, which are now included in RingCentral Office packages and differentiate RingCentral's offerings from the majority of the other cloud-based UCC solutions. Most of RingCentral competitors are only now beginning to explore options to introduce Web and video conferencing to their customers, whereas RingCentral has already made it a standard feature in its Office solution.

Technology Leverage

RingCentral leverages a cloud communications platform that benefits small and medium-sized businesses (SMBs) and large, distributed organizations.

A cloud communications solution providing access to advanced telephony, messaging, presence, conferencing and mobility presents a flexible and cost-effective alternative for a small business looking for a competitive advantage. Through reduced up-front costs and predictable monthly charges, cloud communications eliminate the cost barrier preventing SMBs from leveraging advanced communications tools for internal collaboration or customer service. Furthermore, cloud solutions enable businesses to entrust their communications capabilities to an experienced partner, allowing them to focus on their core business activities instead.

Cloud systems also allow rapidly growing businesses and enterprises going through tough times to flexibly and economically adjust capacity based on actual needs. Organizations can easily add user licenses and quickly become operational in new locations. Similarly, they can reduce capacity at any site without the risk of sunk costs in hardware or perpetual user licenses.

Finally, a cloud communications/PBX solution enables distributed organizations of any size, including very large ones, to consolidate infrastructure and thus reduce communications solution deployment and management costs. It also allows such organizations to more cost-effectively support small branches and remote employees.

Price/Performance Value

RingCentral Office solution is provided in three editions —Standard, Premium and Enterprise— with varying features, capabilities and pricing, allowing the flexibility to choose the option that matches the organization's needs. The packages are clearly described and do not require advanced technical expertise to deploy or manage the solutions.

RingCentral Office's three different packages range from a very competitively priced Standard option for only \$24.99 per user per month to the most feature-rich Enterprise package offered at \$44.99 per user per month.

The capabilities included in RingCentral's various packages match or exceed those offered by other market participants for similar price points. Overall, RingCentral delivers excellent value and performance at highly competitive price levels.

Customer Ownership Experience

From the quick and easy service provisioning and set-up to the flexibility and convenience of using any device of the user's choice to access a broad set of features and capabilities, RingCentral delivers its business customers an excellent ownership experience. High customer satisfaction is evident from the reported 99% net monthly subscription retention rate in the second quarter of 2014. As RingCentral continues to enhance both the features and functionality of its offering as well as service provisioning and support capabilities, customer experience is likely to further improve and help accelerate RingCentral's growth and market share gain.

CONCLUSION

In 2013, RingCentral emerged as the leader in the North American cloud-based UCC services market through a visionary growth strategy and implementation excellence. Key tenets of its success include its differentiated product offerings, effective leverage of cloud technologies, price/performance value leadership and customer ownership experience excellence.

With a strong focus on mobility, RingCentral has developed solutions that meet the evolving communications and collaboration requirements of SMBs and larger enterprises. Its competitively priced cloud service offerings can address the needs of a broad spectrum of customer organizations looking to gain cost-efficiencies, operational flexibility and productivity benefits.

With its strong overall performance, RingCentral has achieved a leadership position in the North American cloud-based UCC services market, and Frost & Sullivan is proud to bestow the 2014 Market Leadership Award on RingCentral.

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