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2020 BEST PRACTICES AWARD

AVAYA

2020 LATIN AMERICAN HOSTED IP TELEPHONY AND UCAAS COMPETITIVE STRATEGY INNOVATION AND LEADERSHIP AWARD

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The hosted Internet Protocol (IP) telephony and unified communications-as-a-service (UCaaS) market in Latin America (LATAM) experienced solid growth in 2019, registering 22.9%[1] year-over-year user increase. Growth drivers included the rise of remote work and the entry of the younger-generation workforce, which raised the demand for advanced collaboration capabilities. Many services providers (SPs) launched new services targeting new market segments besides their existing UCaaS offerings, thus increasing market options. Also, improved acceptance of the cloud as a proven modality for technology consumption and greater knowledge among both customers and SPs about UCaaS solutions increased their adoption. Frost & Sullivan independent research forecast sustained double-digit growth for this market in forthcoming years.

The COVID-19 pandemic has brought on several unexpected industry opportunities and challenges. The International Monetary Fund (IMF) and the Economic Commission for Latin America and the Caribbean (ECLAC) predicted an over 5% decrease in LATAM's gross domestic product (GDP) in 2020, with some of the most jeopardized countries including Mexico, Ecuador, Argentina, and Brazil.[2] The economic downturn is likely to raise unemployment levels and lead to business closures. These factors are expected to negatively impact the enterprise communications industry. Nonetheless, the hosted IP telephony and UCaaS market is in a privileged position to face the above-mentioned crisis. As most organizations are compelled to rapidly transition to a work-from-home arrangement, technologies enabling remote, secure, efficient, and seamless operations become necessary. Concurrently, customer expectations increase by the minute. Companies are demanding fast implementations, ease of use, a friendly user interface, agile response to customer requests, and support for advanced collaboration tools while remaining cost-competitive. Providers that can respond to each one of these demands are likely to enjoy wider service adoption and stronger business results.

IP-based communication in LATAM is still in its infancy, registering lower penetration rates (4.2%[3] of the total addressable market) than more mature markets such as North America or Europe. Thus, hosted IP telephony and UCaaS services have substantial expansion and penetration potential in LATAM. Migrating companies with legacy systems to IP-based solutions is both a challenge and a significant growth opportunity for UCaaS providers. Understanding these companies' pain points and providing solutions that leverage their existing investments in legacy enterprise communication technologies is a must to succeed in the LATAM market.

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[1] Frost & Sullivan, https://store.frost.com/growth-opportunities-in-the-hosted-ip-telephony-and-ucaas-market-in-latin-america-and-the-caribbean-forecast-to-2026.html
[2] IMF, https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020. ECLAC, https://www.cepal.org/es/publicaciones/45445-dimensionar-efectos-covid-19-pensar-la-reactivacion.
[3] Frost & Sullivan, https://store.frost.com/growth-opportunities-in-the-hosted-ip-telephony-and-ucaas-market-in-latin-america-and-the-caribbean-forecast-to-2026.html

Strategy Innovation and Customer Impact

Avaya is one of the global main digital communication products, solutions, and services providers. The company builds enterprise-grade unified communications, collaboration, and contact center platforms for organizations of all sizes. In its 2019 fiscal year, Avaya achieved revenues of $2.9 billion, registered a total contract value of $2.4 billion, and enjoyed 160% year-over-year public cloud seat growth.

Strategy Effectiveness

To achieve its mission of delivering the best communication solutions that enable businesses to excel, Avaya has built one of the most robust partner ecosystems in LATAM. Its network is founded on close relationships with UC resellers, distributors, value-added resellers (VARs), system integrators, and communications services providers (CSPs) in most countries in the region, including Mexico, Brazil, Chile, Colombia, Argentina, and Peru. This network allows the company to enter the hosted IP telephony and UCaaS market using a partner-centric approach, having a significant number of partners delivering UCaaS services based on Avaya´s platforms and the necessary fluidity to expand the adoption of these services in the marketplace. Furthermore, these platforms enjoy market-wide recognition, some having been present in the region for over a decade. For example, Avaya IP Office™ has been crucial to Avaya´s success in the UCaaS landscape, accounting for over 95% of the company´s users in this market.

Avaya's flexible offerings also align with its mission. For instance, its IP Office can incorporate and use legacy equipment, unlike many of the market's alternative platforms by top competitors. This allows companies to leverage existing investments in devices and infrastructure, thus expanding their returns on investment (ROI). Frost & Sullivan noted that a significant portion of companies in countries such as Brazil and Argentina have not yet adopted IP-based communications and are still relying on legacy digital technology. Avaya thus became their first cloud communications provider because of the IP Office's flexibility mentioned above. Avaya's proven success with such companies positions it well to increase the penetration of hosted IP telephony and UCaaS services in LATAM.

Strategy Execution

Avaya enjoys one of the largest installed user bases of enterprise telephony users in LATAM. Leveraging this base to drive sustained growth in its UCaaS business and across the board is one of Avaya´s main growth opportunities. With this in mind, the company launched the Avaya IX™ Subscription program in October 2019 to help existing customers migrate from a CAPEX payment modality to an OPEX agreement. The program provides access to the latest software releases, customer support, and allows customers to oversubscribe by up to 20% users at no additional charge.[4] Moreover, Avaya offers significant discounts to customers that have purchased perpetual licenses to move to an OPEX contract, whether they reside on-premises, on the cloud, or in a hybrid environment. This flexibility becomes extremely important for companies with restricted budgets, especially in the present economic downturn due to COVID-19, and sets a solid growth avenue for Avaya.

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[4] Avaya, https://www.avaya.com/en/about-avaya/newsroom/pr-us-191008/

The company's efficient and consistent leverage of its robust partner ecosystem, large installed user base, and offerings flexibility described above has produced outstanding growth rates that set it apart from the competition. Frost & Sullivan independent research on the hosted IP telephony and UCaaS market in LATAM reveals that Avaya achieved 170% year-over-year growth in 2019 in terms of active users and significantly surpassed other platform providers´ growth rates. Avaya's substantial above-average growth rate has more than doubled its market share and positioned it second in the market.

Competitive Differentiation

Unlike most competitors, Avaya provides a full stack of enterprise communications solutions, including telephony, unified communications, collaboration, contact center, video conferencing, team collaboration, and devices. This gives the company a significant competitive advantage as many enterprises strive to attain several communication capabilities from a single vendor for tighter integration of different components on one platform. Simultaneously, Avaya fulfills customers' needs for ease of use and secure and seamless operations. Furthermore, Avaya allows its customers to leverage application programming interfaces (APIs) free of charge to develop tailor-made applications to streamline their business operations and communications. Thus, companies can integrate internal and external communications in most of their processes, significantly increasing efficiency and productivity while maintaining cost competitiveness.

One of the main competitive differentiators among UCaaS technology platform providers is a robust contact center as a service (CCaaS) offering that complements and completes their business communications value proposition. Frost & Sullivan LATAM research shows that the CCaaS market exhibited an astonishing 35% revenue growth rate in 2019 compared to 2018, reflecting increasing demand. Also, the number of UCaaS CSPs in LATAM developing CCaaS capabilities is growing year by year. As one of the established leaders in the contact center space, Avaya holds a competitive edge over UCaaS platform providers that do not have or just recently developed a contact center offering as Avaya´s call center products enjoy wide market recognition. Avaya´s customers that embrace both its UCaaS and contact center solutions get tighter and easier integrations, substantially increasing collaboration between their front-line agents and their subject matter experts in the back end. Furthermore, Avaya adopts the industry best practice of a multi-experience approach to contact centers, which leverages several technology partners (Verint, Affiniti, Google) to incorporate best-of-breed capabilities in its solutions.

Security is paramount

As the digital transformation of enterprises moves forward, cybersecurity becomes fundamental for the entire organization. Businesses worldwide are becoming more digital by the minute, especially during this COVID-19 pandemic, making them more vulnerable to cyberattacks. Frost & Sullivan research shows that the massive transition to work-from-home arrangements has brought significant new risks, as companies cannot guarantee the same level of cybersecurity as at the office. Hence, enterprise communications has become one of the major fields under threat.

Fully aware of the heightened cybersecurity threat, Avaya is committed to delivering robust products and offerings. In providing superior security, the company differentiates itself from most market participants by encrypting its UC, collaboration, and contact center applications as well as devices at the factory. Factory encryption is essential in protecting applications and devices against cyberattacks, unlike open devices set for integration with third-party platforms that cannot get the same encryption level and are, therefore, less secure. Avaya´s focus on security generates ease of mind among customers, who expressed their satisfaction with the company by giving it an unusually high Net Promoter Score of 65; comparatively, its top competitors scored below 50.[5]

Providing a clear path to the cloud
Not resting on the laurels of its tremendous growth in the LATAM market in 2019, Avaya´s executive team recognizes that constant innovation and disruption are necessary to remain relevant in the market and increase its value to customers. Hence, in alignment with the company´s mission of providing the best communications solutions, Avaya embarked on the multitenant UCaaS path to help transition its customers to a cloud-based environment. It partnered with a North American market leader and recognized award winner, RingCentral, and launched a new OPEX-based, cloud-native UCaaS solution, Avaya Cloud Office™, in March 2020. The offering caters to the needs of small and medium businesses looking to leverage UCaaS, visual collaboration, and team messaging. Avaya Cloud Office may take more than a year to reach LATAM as it has only recently launched in the United States and Canada and yet to be introduced elsewhere. However, the move signifies a multitenant cloud future for companies in LATAM on Avaya´s roadmap, thus potentially increasing the penetration of IP-based communication in the region.

Meanwhile, Avaya maintains its commitment to continuously innovate and enhance its products and solutions, including Powered by Avaya IP Office™ (the company´s UCaaS suite currently available in Brazil, Mexico, and Chile, but discontinued in other countries worldwide). The company allows its partners in LATAM that have already invested in resources for Powered by Avaya IP Office (such as infrastructure and training for their workforce) to continue to leverage them. Thus, it is offering the same platform (IP Office) and payment method (subscription-based), but with flexibility in hosting the system—in their data centers, clients´ data centers, in the public cloud of AWS, Google or Azure, or in their clients´ premises.

Agile response to COVID-19 sets future growth opportunities
Since the rise of the COVID-19 pandemic and the subsequent social and economic crises, Avaya has shown proactivity and leadership in alleviating the negative effects in various economic segments. It avails unified communications and collaboration and contact center enterprise-grade solutions free of charge for some time to organizations from any industry, including healthcare and education institutions, non-profit organizations, and contact centers. The solutions include Aura, IP Office, CS1000, and Avaya IX™ Spaces. The recently launched Avaya IX Spaces cloud meeting and team collaboration application allows immediate usage without requiring any software or firmware installation, which has

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[5] Customer Guru, https://customer.guru/net-promoter-score/avaya-inc.

proven crucial for rapid adoption in LATAM among thousands of knowledge workers currently working from home. Consequently, organizations in LATAM choosing to use Avaya's technology since this crisis started have increased significantly, reflecting Avaya's brand equity strength. Contact center agents benefitting from Avaya´s contact center suite during this crisis has also risen to well over 100,000 in countries such as Colombia, Mexico, Brazil, Argentina, and Chile.

Avaya´s rapid response to the crisis is expected to reinforce the company´s already solid brand recognition among LATAM enterprises. This heightened brand exposure is not only increasing customer loyalty to the company; it positions Avaya to leverage future growth opportunities derived from the ever-increasing demand for communication and collaboration solutions that allow for effective remote working. The first opportunity lies in converting Avaya IX Spaces´ free users to paid ones. However, the field of potential growth is wide. Frost & Sullivan research shows that the COVID-19 lockdown is set to accelerate digital transformation projects among organizations, including workplace re-engineering. As more businesses realize the benefits and sustainability of remote work, and as real estate costs continue to rise in major countries in LATAM, companies are expected to increasingly embrace working remotely after this crisis. Consequently, they are likely to need a technology partner to enable the transition. These reasons position Avaya to emerge stronger from this crisis as that trusted partner.

Conclusion

Amid tremendous transformations shaking the enterprise communications industry, Avaya has leveraged its robust partner ecosystem, sizable customer base, and flexibility to achieve triple-digit growth in the hosted IP telephony and UCaaS market in Latin America, elevating the solutions' market penetration. Its response to supporting both existing customers and prospects during the COVID-19 pandemic has been impressive and nimble. Avaya's advanced and secure collaboration solutions are empowering organizations to successfully transition to remote working and keep their businesses running.

For its strong overall performance, Avaya is recognized with Frost & Sullivan's 2020 Competitive Strategy Innovation and Leadership Award.

Significance of Competitive Strategy Innovation and Leadership

Any successful approach to achieving top-line growth must take into account what competitors are and are not doing; meet customer demand with a comprehensive, value-driven product or service portfolio; and establish a brand that resonates deeply with customers and stands apart from other providers. Companies must succeed in these 3 areas—brand, demand, and positioning—to achieve best-practice levels in competitive strategy.

Understanding Competitive Strategy Innovation and Leadership

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

Key Benchmarking Criteria

For the Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated Strategy Innovation and Customer Impact according to the criteria identified below.

Strategy Innovation

Criterion 1: Strategy Effectiveness
Requirement: Strategy effectively balances short-term performance needs with long-term aspirations and vision for the company.

Criterion 2: Strategy Execution
Requirement: Adoption of best-in-class processes supports the efficient and consistent implementation of business strategy.

Criterion 3: Competitive Differentiation
Requirement: Unique competitive advantages with regard to solution or product are clearly articulated and well accepted in the industry.

Criterion 4: Executive Team Alignment
Requirement: The executive team is aligned with the organization's mission, vision, strategy, and execution.

Criterion 5: Stakeholder Integration
Requirement: Strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees.

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.

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	• 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	• Interview thought leaders and industry practitioners • Assess candidates' fit with best practices criteria • Rank all candidates	Matrix positioning all candidates' performance relative to one another
3 **Invite thought leadership in best practices**	Perform in-depth examination of all candidates	• 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	• 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	• 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	• 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	• 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	• 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	• 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 may share award news with stakeholders and customers	• 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.