

FROST & SULLIVAN

MICROSOFT

2022
COMPANY
OF THE
YEAR

GLOBAL
UCAAS INDUSTRY

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Microsoft excels in many of the criteria in the UCaaS space.

| AWARD CRITERIA | |
|---|-------------------------------|
| <i>Visionary Innovation & Performance</i> | <i>Customer Impact</i> |
| Addressing Unmet Needs | Price/Performance Value |
| Visionary Scenarios Through Mega Trends | Customer Purchase Experience |
| Implementation of Best Practices | Customer Ownership Experience |
| Leadership Focus | Customer Service Experience |
| Financial Performance | Brand Equity |

Visionary Scenarios Through Mega Trends

Capitalizing on its expertise and market leadership in computer operating systems, productivity software, business email, directory services and other technology areas, Microsoft has gradually established itself to a position today as a strong participant in the cloud communications space as well. Microsoft Teams, more specifically, is currently one of the most popular and widely adopted cloud collaboration solutions across businesses of varying size, industry, and geography. It is also Microsoft’s most compelling and most

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*- Elka Popova,
VP of Connected Work Research*

thoroughly envisioned communications platform since the vendor’s foray into the business real-time communications space with Live Communications Server (LCS) almost two decades ago.

In developing Teams, Microsoft bet on several mega trends that would drive the product’s success in the long run. It envisioned Teams as a platform that will deliver a variety of communications services including messaging, meetings, and calling, and make these capabilities available within the applications and workflows where users spend most of their time. It also foresaw the shift to software-centric communications,

as well as its own ability to accelerate that shift. It also acknowledged the rising appeal of desktop and browser-based user clients and saw opportunities to become a major force in promoting the benefits of integrated, multi-modal software user experiences.

Furthermore, faithful to its portfolio-centric approach, Microsoft built Teams to integrate with the rest of its software solutions to deliver greater customer value and create pull-through across Microsoft services. Microsoft is also continually enhancing its portfolio to enable Teams integration with a variety of third-party solutions for the purposes of optimizing workflows and driving business process efficiencies.

While it could not have imagined the drastic and pervasive shift to remote and hybrid work models that took place in the past couple of years, Microsoft designed Teams around the concept of workplace flexibility. Key elements of the Teams value proposition include enhanced user productivity through converged communications and collaboration modalities and convenient access to services on any network or connected device.

Owing to its visionary approach to business communications and effective alignment with mega trends, Microsoft stands out among UCaaS providers today with one of the most compelling solutions that resonates with most organizations as it effectively addresses their evolving business models and communications requirements.

Implementation of Best Practices

Teams' success can be attributed to the vendor's leverage of various industry best practices, many of which Microsoft pioneered.

For almost two decades, Microsoft has led the charge toward integrated, desktop-centric communications user experiences. Microsoft Teams is the culmination of the vendor's vision towards a single pane of glass that enables users to click to message, call, meet or share files. Unlike many of its previous communications solutions, however, Microsoft built Teams as a native cloud solution to deliver greater flexibility, scalability, and extensibility to businesses. Also, unlike most of its previous communications solutions and most competitor UCaaS solutions, Microsoft centered the user experience around team collaboration and group chat, rather than real-time communications. This opens new possibilities for evolving the solution capabilities to address unique use cases (e.g., frontline workers) and provide a more differentiated value proposition to organizations.

Including Teams into Microsoft 365 services bundles and embedding it into Windows PCs considerably boosts the vendor's ability to extend the solution's reach to a larger addressable market and offer a highly compelling price to businesses. Other pricing and packaging strategies, including the availability of a free Teams version and the recent launch of the highly economical Microsoft Teams Essentials, also significantly increase the solution's appeal to more cost-conscious organizations, which enables faster and broader adoption.

Furthermore, Microsoft's bundling approach enables the vendor to populate many customer organizations with the full Teams feature set, including Microsoft Teams Phone, a cloud private branch exchange (PBX). For many businesses, the compelling collaboration functionality within Teams eventually becomes an incentive to activate the integrated PBX services, which enables stickier relationships and

additional revenues. Microsoft's approach, whereby its broader Microsoft 365 portfolio and team collaboration functionality create pull-through for the cloud PBX is strongly differentiated from that of the majority of UCaaS providers which typically lead with their solutions' calling capabilities.

The launch of the Direct Routing, Operator Connect, and Operator Connect Mobile programs, all of which fall under the concept of "bring your own carrier", is one of the most effective aspects of Microsoft's strategy to drive adoption of the call control and PBX functionality within Teams. These programs allow end-user organizations the flexibility to enable public switched telephone network (PSTN) connectivity for Teams Phone using their preferred telecom operator and architectural design (e.g., customer-managed or provider-managed session border controller (SBC)). Direct Routing enables third-party service providers to provide telephony, as well as additional managed services (e.g., managed tenancy; moves, adds,

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changes, and deletes (MACD)) and often custom-design solutions for businesses. Operator Connect and Operator Connect Mobile automate the implementation and management of third-party provider PSTN services, which reduces the cost and complexity associated with such multi-vendor cloud communications deployments. Other providers aspire to replicate Microsoft's success with the "bring your own carrier" approach; however, few have robust programs that match Microsoft's.

Microsoft has also implemented best practices with regard to identifying new use cases for its Teams portfolio of services. It has positioned Teams as a compelling solution for frontline workers that have remained underserved over the years. Capitalizing on Teams' asynchronous collaboration capabilities, which are often preferred by frontliners, it has created differentiated frontline worker bundles tailored for different industries. Integrations with shift scheduling and other vertical applications add value to the already compelling feature set provided by Teams.

Financial Performance

Microsoft reported double-digit revenue growth rates in the quarter and its fiscal year that ended on June 30, 2022, despite various macro headwinds. Microsoft Teams, specifically, has displayed an outstanding performance in the past few years. After a large spike in adoption and usage metrics during the early pandemic lockdowns, Microsoft Teams continued growing in 2022 as well and reached 270 million monthly active users—more than the user base on any other team collaboration platform. Microsoft also reports that Teams is the primary messaging platform in more than one million organizations. Microsoft also last reported approximately 80 million unique monthly active users of Teams Phone for 1-to-1 calling, whether internally or across the PSTN.

Most impressive, however, Microsoft has garnered 12 million UCaaS users—defined as PSTN-connected Teams Phone users—in approximately five years since the launch of Teams. Teams Phone's phenomenal growth rate is unmatched in the industry and has secured Microsoft a leadership position among UCaaS providers globally. The potential to provide PSTN connectivity for more existing users on Microsoft 365 E5 plans, which entitle license holders to Teams Phone functionality, creates a solid growth trajectory for

Teams Phone in the foreseeable future, both standalone and as part of a variety of broader Microsoft solution bundles. Once hooked to the Teams user experience, many organizations are likely to also add Teams Phone to benefit from the convenience and cost-savings of using multiple integrated communications modalities.

Price/Performance Value and Customer Purchase and Ownership Experiences

Microsoft acknowledges the great variety in business communications environments and the many paths businesses take when migrating their solutions to the cloud. That is why it has created a plethora of options for organizations to adopt Teams. It offers a free version, as well as Microsoft Teams Essentials (\$4.00 user/month), Microsoft 365 Business Basic (\$6.00 user/month), Microsoft Business Standard (\$12.50 user/month) and Microsoft 365 Business Premium (\$22.00 user/month). Varying and tiered functionality across the different service bundles helps customers pick the one that best suits their needs. Unique to Microsoft, organizations can purchase tailored frontliner solution bundles. They can purchase a Microsoft 365 F1 license for as little as \$2.25 user/month with an annual commitment.

Microsoft Teams Phone can be added to existing Microsoft 365 licenses with Microsoft Teams Phone Standard (\$8.00 user/month) and Microsoft Teams Phone with Calling Plan (\$15.00 user/month) licenses. It is also included in Microsoft 365 E5 licenses (\$57.00), which includes productivity, security, communications, and other Microsoft cloud services.

In addition to Microsoft Teams Calling Plans, businesses can choose a calling plan and PSTN connectivity options through the Direct Routing, Operator Connect, and Operator Connect Mobile programs (launching later this year). They can also leverage SBCs from different SBC vendors to enable PSTN connectivity on the premises. These options provide customers the flexibility to choose their own way of connecting to the PSTN based on cost, existing infrastructure, services contracts, provider relationships, security and compliance requirements or other factors. The Operator Connect Mobile program announced in early 2022 provides customers with the differentiated opportunity to leverage a mobile device native dialer to make and receive calls through the Teams platform. This capability is developed in conjunction with telecom operators around the world and is likely to have strong appeal among organizations adopting hybrid work styles and a mobile-first or mobile-forward approach to business communications.

Key technology partnerships enable Microsoft to provide customers with holistic solutions. It partners with leading device (e.g., phone, headset, webcam, and meeting room system) manufacturers, contact center solution providers and compliance recording vendors to fill gaps in its own portfolio and to provide customers the benefit of best-of-breed performance.

Leveraging a common platform for multiple integrated functionalities and the option to choose from different solution bundles over time enable excellent customer ownership experiences. Organizations can add and disable functionalities based on need and evolving requirements. Integrations with third-party applications and services help optimize workflows and further improve user experiences.

Brand Equity

Microsoft's exceptionally strong brand creates consideration and often secures deals in all the different markets in which it operates. It has played a significant role in driving traction for Teams and Teams Phone as well. In fact, in a 2021 Frost & Sullivan survey of IT/telecom decision makers, the strong Microsoft brand ranks highest among factors that compel organizations to adopt Teams Phone.

Going forward, the increasing popularity of Teams and Teams Phone will further solidify Microsoft's brand reputation and will create more traction for its solutions. In the fiercely competitive, yet fragmented UCaaS market, Microsoft's highly respected brand is likely to give the vendor a considerable advantage against other less-known brands.

Conclusion

Through visionary scenarios leveraging mega trends and pioneering use of industry best practices Microsoft has succeeded in establishing itself as the leader in the global UCaaS market. Teams' rich feature set, compelling services bundles, unique partner programs, such as Direct Routing, Operator Connect and Operator Connect Mobile, and an exceptionally strong brand have boosted adoption of Teams Phone to a staggering 12 million users in only five years. The accelerated shift to cloud communications across organizations of all size, industry, and geography, combined with Microsoft's solutions and unique strategies, bodes well for future Teams success.

For its strong overall performance, Microsoft earns Frost & Sullivan's 2022 Global Company of the Year Award in the UCaaS industry.

What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Visionary Innovation & Performance

Addressing Unmet Needs: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

Visionary Scenarios Through Mega Trends:

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first-to-market solutions and new growth opportunities

Leadership Focus: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

Best Practices Implementation: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

Financial Performance: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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Key Impacts:

- **Growth Pipeline:** Continuous Flow of Growth Opportunities
- **Growth Strategies:** Proven Best Practices
- **Innovation Culture:** Optimized Customer Experience
- **ROI & Margin:** Implementation Excellence
- **Transformational Growth:** Industry Leadership



The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**

