

MICROSOFT RECEIVES THE 2023 COMPANY OF THE YEAR AWARD

*Identified as best in class in the global connected
work 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 connected work 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

Addressing Unmet Needs and Visionary Scenarios Through Mega Trends

Over the years, Microsoft has repeatedly proven its ability to identify unaddressed market needs and envision future scenarios based on its firm grasp of economic, technological, and socio-demographic mega trends. Microsoft’s outstanding performance in the cloud private branch exchange (PBX), unified communications as a service (UCaaS), and the broader connected work space is another example of the vendor’s keen understanding of customer needs and its ability to effectively execute visionary growth strategies.

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cloud services, for many organizations around the world. Frost & Sullivan data show that organizations of varying sizes, industries and geographies are steadily adopting cloud communications and collaboration solutions. In a January 2023 global survey of information technology decision makers (ITDMs), 34% of respondents report that they have already adopted cloud or mobile PBX services. Another 52% report they will adopt cloud or mobile PBX services by the end of 2025. Of those that have already

adopted cloud or mobile PBX solutions, 58% plan to increase their investments by the end of 2025.

In 2026, 27% of the surveyed organizations will be operating entirely or predominantly cloud-based telephony environments. Another 48% will be operating hybrid telephony environments comprised of almost equal proportions of cloud- and premises-based solutions.

A growing number of organizations are also adopting video conferencing and team spaces/group chat solutions, the majority of which are delivered from the cloud. In Frost & Sullivan's 2023 survey, 65% of ITDMs report having adopted video conferencing; another 28% plan to do so by the end of 2025. Of those that have already adopted, 48% are using a cloud video conferencing solution. More than one-half, 56%, have adopted team spaces/group chat and additional 35% plan to do so by the end of 2025.

The rapid adoption of cloud calling, meeting, and messaging solutions is creating significant growth opportunities for technology vendors, such as Microsoft, that have made substantial investments in their cloud communications and collaboration portfolios.

However, many organizations on fast UC adoption and cloud migration trajectories face certain challenges, including the possibility of creating multiple UC and/or cloud services silos. Among current adopters, 62% use two or more cloud PBX solutions or service providers, and 45% use two or more video conferencing or team spaces/group chat providers. Every one out of five organizations is planning to consolidate solutions and providers for one or more of their communications and collaboration capabilities. Microsoft Teams effectively addresses these challenges by providing an integrated set of communications and collaboration functionalities. Integrated cloud services platforms enable organizations to deliver superior user experiences, reduce solution and vendor management costs, and align technology roadmaps across varying capabilities.

Many organizations' digital transformation projects also include increased adoption of mobile communications solutions, including mobile devices, desktop and mobile calling apps, and mobile voice and data services. Mobile business calling apps are seeing strong adoption with the shift to remote work. A robust 38% of surveyed organizations indicate they must have such capabilities and another 45% state they would like to have them. By the end of 2025, 86% of surveyed organizations will be using such apps, which may be partly driven by the growing adoption of cloud PBX and UCaaS solutions, which include mobility as a standard feature.

Within the same time period, 87% of surveyed organizations will be providing mobile phones to some or all of their employees to support evolving work styles and enable anywhere, anytime access to business communications. Business mobile voice and data services will also see widespread adoption in the next three years. Flexible work programs and the need to empower frontline and field workers are among the drivers behind these investments. Native mobile dialers with business phone numbers are a novelty in most world regions. With 37% of surveyed organizations perceiving them as a must-have feature and another 45% perceiving them as a desired feature, native mobile business dialer solutions are likely to experience strong adoption growth in the next few years.

With its focus on enabling mobile communications and collaboration services via both mobile apps and native mobile dialers with business phone numbers, Microsoft is poised to capitalize on future use cases and growth scenarios.

As new disruptive technologies emerge and gradually mature, digital transformation frontiers shift accordingly. Artificial Intelligence (AI)-powered solutions are likely to become key parts of digital transformation projects as organizations seek to automate workflows, improve user and customer experiences (UX and CX), and otherwise improve their organizational performance. In a 2022 Frost & Sullivan global survey, more than one-third of ITDMs reported already leveraging AI to improve a variety of business processes including customer service and support, IT processes, supply chain and logistics, and sales and marketing. Many more are planning to adopt AI-powered solutions in the next two years.

With a clear view of shifting customer digital transformation requirements, Microsoft has appropriately evolved its portfolio to provide cloud-based, mobile-ready, increasingly AI-infused, integrated cloud communications and collaboration solutions. Microsoft stands out among competitors with its ability to address unmet customer needs and a broad spectrum of use cases effectively and holistically.

Implementation of Best Practices

Microsoft's exceptional success in the connected work space can be attributed to the vendor's best practices in terms of solution design, portfolio evolution, and go-to-market strategy. An integrated platform approach, creative solution packaging and pricing, innovation velocity, astute choice of innovation vectors, ability to identify new target customer segments, and a robust partner ecosystem have propelled Microsoft to a leading position in the cloud communications market.

Microsoft has demonstrated visionary insight by designing Teams to deliver multiple communications and collaboration functionalities from the start and continually evolve as a multi-purpose platform leveraging an ever-expanding spectrum of technology advancements (e.g., AI, programmability). Teams' tight integration with Microsoft's broader portfolio comprising directory, email, productivity, customer relationship management (CRM), social networking, file collaboration, and other solutions provides end users and IT administrators with productivity and efficiency benefits that are unmatched in the industry.

A range of packaging and pricing options enable customer organizations to purchase Teams standalone or as part of different solution bundles and choose which functionalities they wish to activate. Microsoft recently launched Teams Essentials and Teams Premium bundles to better address the needs of customers at both ends of the spectrum—cost-conscious small businesses looking for simpler and more economical solutions, at one end, and organizations with sophisticated requirements, including AI-powered features, at the other.

Microsoft's unwavering commitment to rapid innovation is another best practice that differentiates it from many of its competitors. It has embraced mobility and AI faster and more broadly than most other cloud communications vendors, which will enable it to deliver enhanced customer value. Microsoft is also consistently filling gaps in its portfolio, such as with the recent launch of Microsoft Digital Contact Center and Microsoft Copilot.

Microsoft has also demonstrated out-of-the-box thinking by being the first to market with truly compelling frontliner-centric communications solutions. By targeting this underserved employee demographic with tailored services bundles and functionality, Microsoft has expanded its addressable market and more effectively differentiates itself from competitors.

Microsoft fully acknowledges that success in the business communications industry requires a robust ecosystem of partners in addition to a rich and highly diversified solutions portfolio. The vendor augments its capabilities set by partnering with a variety of technology and services providers, including telecom operators and device vendors.

Microsoft's Direct Routing and Operator Connect programs have proved highly effective in driving success for Teams, and Teams Phone in particular. The ability to use Teams Phone with third-party public-switched telephone network (PSTN) services provides organizations with greater flexibility and speeds up deployments, which benefits Microsoft, telecom operators, and their customers. Most recently, Teams Phone Mobile partnerships with leading operators such as BT, Deutsche Telekom, Rogers Communications, Swisscom, Telia and Verizon are enabling Microsoft to take the lead in powering the next phase of mobile business communications.

Device partnerships with leading desktop phone, headset, and audio and video conferencing device vendors such as AudioCodes, Cisco, Crestron, EPOS, HP/Poly, Logitech, Neat, and Yealink ensure excellent experiences for Teams Phone and Room users. Such partnerships enable customers to right-fit their solutions leveraging best-of-breed capabilities from multiple vendors to address varying requirements. New initiatives, such as the recently launched Microsoft Device Ecosystem Platform (MDEP), will enable Microsoft to securely and reliably support an expanded array of devices, including those based on the Android operating system.

Leadership Focus and Financial Performance

With an estimated 15+ million PSTN-enabled Teams Phone users globally, Microsoft currently leads in the highly contested cloud PBX and UCaaS market. In 2022 alone, the vendor added five million new PSTN-enabled Teams Phone users—a significant accomplishment in a maturing market and a tough macro-economic climate, in which most competitors are experiencing slowing growth rates.

Microsoft recently announced that Teams has reached 300 million monthly active users, only months after it reached 280 million. Healthy Teams growth rates indicate strong customer demand for Teams messaging and meeting capabilities. The Teams user base also represents fertile ground for further Teams Phone penetration. The vast Microsoft 365 customer base (estimated at more than 400 million users), which has been populated with Teams, creates further opportunities for Teams Phone adoption and usage. In particular, E5 license holders (estimated at more than 60 million), can easily activate Teams Phone, which is included in their license, with a Microsoft or third-party calling plan.

In its Q3 2023 financial reporting, Microsoft shared strong performance in its entire cloud services division, which is another indicator of the vendor's ability to sustain growth despite macro headwinds. With company leadership prioritizing Teams as an important growth vector, Microsoft will likely maintain a leadership position in cloud communications and collaboration and the broader connected work space for the foreseeable future.

Price/Performance Value and Customer Purchase and Ownership Experiences

Microsoft has an excellent track record of continually enhancing Teams, which is at the core of its communications and collaboration portfolio. In 2022 alone, Microsoft reported 400 new features, which greatly boosts Teams' price/performance value.

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In February 2023, Microsoft launched Teams Premium, which takes Teams to the next level of collaboration benefits. Teams Premium makes meeting, calling, webinar, and virtual appointment experiences more intelligent, personalized, and secure. For a limited time, Teams Premium is available at a promotional price of only \$7/user/month, after which the price increases to a reasonable \$10/user/month.

Among the many new features is intelligent recap, which automatically generates meeting notes, recommended tasks, and personalized highlights. Other existing and upcoming features include AI-generated chapters for PowerPoint Live; personalized

timeline markers for when a user leaves and joins a meeting; live translations from 40 spoken languages; branded meetings (using users’ company logos); organization meeting backgrounds; customized meeting templates; and custom user policy packages.

Advanced meeting protection capabilities in Teams Premium include watermarking, limiting who can record meetings; sensitivity labels for Teams Meetings; and optional end-to-end encryption for highly sensitive and confidential meetings.

Virtual appointments, also included in Teams Premium, enable Teams users to improve their customers’ experiences with virtual, branded lobby rooms; appointment queuing; and department-level or organization-level analytics. Teams Premium also includes webinars featuring virtual green rooms for presenters to prepare, while also offering enhanced host capabilities. Microsoft Enterprise Content Delivery Network (eCDN) is also included in Teams Premium, which allows organizations to livestream meetings for a variety of purposes, including training, town-hall gatherings and more.

Another recent innovation milestone is the launch of Microsoft 365 Copilot. Leveraging large language models, and data from Microsoft Graph and the Microsoft 365 apps, Microsoft 365 Copilot powers next-level productivity for enterprise users and contact center agents. Applications and use cases abound and vary across Teams, Outlook, Word, Excel, PowerPoint, Dynamics, and Power Platform.

Microsoft also fully recognizes the benefits of providing native contact center and customer experience (CX) management capabilities to its cloud communications and collaboration customers. To address growing demand for tightly integrated UCaaS and contact center as a service (CCaaS), the company launched Microsoft Digital Contact Center Platform, which ties the collaboration capabilities of Teams with the rich agent experience of Dynamics 365 and further enhances those with conversational AI from Nuance.

Microsoft has additionally bolstered customer experiences with recent calling and reliability enhancements such as bandwidth controls, 50% power consumption reduction, AI-based built-in noise suppression, and Survivable Branch Appliance. Furthermore, Microsoft Teams Calling Plans, Phone System, and PSTN Audio Conferencing are financially backed with a 99.99% uptime guarantee.

Brand Equity

Microsoft's dominant brand is a key asset and growth enabler in the connected work space. User and IT admin familiarity with Microsoft's structure and experience contributes to the vendor's continued success. Known for high quality and excellent security and reliability, Microsoft solutions typically receive priority consideration in digital technology evaluations. Teams and Teams Phone have benefited from the widespread adoption, excellent performance, and solid reputation of other solutions in Microsoft's portfolio. Microsoft is poised to continue to capitalize on its strong brand equity as it strives to maintain a leadership position in cloud calling, meetings and messaging.

Conclusion

Microsoft stands out among connected work solution providers with its powerful vision and highly effective execution. The success of its Teams platform has been nothing short of astounding and can be attributed to the vendor's keen understanding of rapidly evolving customer requirements, unsurpassed innovation velocity, creative solution packaging and pricing, extensive partner ecosystem, and formidable brand.

For its strong overall performance, Microsoft is recognized with Frost & Sullivan's 2023 Global Company of the Year Award in the connected work 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

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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)**

