

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

2024

COMPETITIVE
STRATEGY LEADER

*IN THE NORTH
AMERICAN SERVICE
PROVIDER CLOUD
COMMUNICATIONS
PLATFORM INDUSTRY*

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

BEST

2024 PRACTICES

AWARD

 **crexendo**[®]
Powered by NetSapiens[®]

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. Crexendo excels in many of the criteria in the service provider cloud communications platform space.

AWARD CRITERIA	
<i>Strategy Innovation</i>	<i>Customer Impact</i>
Strategy Effectiveness	Price/Performance Value
Strategy Execution	Customer Purchase Experience
Competitive Differentiation	Customer Ownership Experience
Executive Team Alignment	Customer Service Experience
Stakeholder Integration	Brand Equity

The Rapidly Evolving Cloud Communications Market (Industry Trends and Challenges)

The North American cloud communications services market remains on a steady growth trajectory despite advancing maturity. Cloud-based private branch exchange (PBX) and unified communications-as-a-service (UCaaS) solutions are projected to experience a double-digit compound annual growth rate (CAGR), in terms of both installed seats and service provider revenue, from 2022 to 2029. Frost & Sullivan data from a 2023 IT/telecom decision-maker survey reveal that only 26% of North American organizations have already adopted and 40% will adopt cloud PBX services by the end of 2025.

Organizations are also rapidly embracing cloud collaboration services: 65% have already adopted cloud video meetings and another 28% plan to do so by the end of 2025; similarly, 56% have adopted group chat services and another 35% will do so in the next two years. This creates substantial opportunities for providers to expand their cloud communications portfolios and penetrate customer organizations more deeply while also boosting average revenues per user.

Many organizations acknowledge that there are end-user, IT administrator, and overall business benefits in adopting integrated unified communications and contact center/customer experience management (CX) solutions. Frost & Sullivan research reveals that 95% of contact center decision makers find it important to have tightly integrated UCaaS and contact center as a service (CCaaS) capabilities. The move to cloud services creates opportunities for such organizations to consolidate and harmonize internal and external communications on a single cloud platform. Forward-looking cloud communications providers are launching integrated UCaaS and CCaaS solutions to connect the back office with the front office and

boost agent and enterprise worker productivity through a unified user interface, an enhanced feature set, and improved call routing. Integrated UCaaS and CCaaS solutions also deliver cost efficiencies to the IT buyers and the entire organization through a one-stop shop, a consolidated bill, and a single administration portal across enterprise and contact center capabilities.

Despite certain common trends across companies, communications and collaboration requirements vary considerably by organization, as well as among job roles and user demographics within the organization. While many knowledge workers today require a rich arsenal of calling, meeting, and messaging tools, many other users—including many frontline workers—only need to quickly make and receive voice calls. To properly and cost-effectively address different user needs, organizations require the flexibility to adopt only the right tools, at the right price, for each user profile.

Service providers acknowledge the diversity of customer needs and are evolving their portfolios and business models to be able to cater to different use cases and customer requirements while remaining profitable and sustaining growth. Most providers leverage third-party enabling technologies so they can capitalize on technology partners' software development expertise while focusing their own resources on customer acquisition, retention, and satisfaction.

As providers constantly enhance their solutions portfolios, they need to tightly control costs and flexibly adjust the way they deploy and manage capabilities from different technology vendors. Another important requirement for many providers is the ability to leverage their own established brands, as well as package and price cloud communications solutions appropriately for their target customers. Furthermore, service providers seek partners that are committed to rapid innovation and align their technology roadmaps with important mega trends, including hybrid work, mobility, AI-powered services, and API-driven workflow automation. A flexible approach to service provider communications requirements and an unwavering commitment to provider success will determine provider choice of technology partners in the future.

Crexendo's Leadership in Enabling Service Provider Flexibility (Criteria: Strategy Innovation, Competitive Differentiation, Customer Purchase and Ownership Experiences)

With the acquisition of NetSapiens® in 2021, Crexendo added a robust cloud communications platform to its portfolio and gained access to the influential service provider channel. The NetSapiens platform and business model stand out among competitor solutions with the considerable flexibility they offer to service providers regarding the purchase, deployment, and management of the enabling communications capabilities.

The majority of Crexendo's platform developer competitors increasingly compel providers to resell cloud communications solutions which the developers host and manage on the providers' behalf. Despite certain benefits, including division of responsibilities—i.e., technology development is handled by the platform vendor and customer acquisition and relationship management is handled by the provider—this model significantly reduces service provider margins and flexibility. Unlike its competitors, Crexendo grants providers the choice to deploy the enabling technology on their own network or consume it as a cloud service operated by Crexendo. In the former scenario, providers can choose from two financial

models: they can purchase perpetual software licenses, coupled with recurring maintenance and support fees, or pay fully on an OPEX subscription model.

Crexendo takes flexibility even further by allowing providers to leverage different deployment models for different services or at different provider locations. For example, providers can choose to host the cloud PBX on their own network but consume video conferencing as a cloud service operated by Crexendo. They may also choose to host the NetSapiens platform at certain locations, but leverage Crexendo-hosted cloud services at other locations because of geographic expansion, data center migration, or network redundancy strategies.

Crexendo also differentiates from the vast majority of its competitors with the highly economical pricing model it offers to service providers. While most cloud communications platform vendors charge per seat, Crexendo prices its software and services based on concurrent sessions, thereby disconnecting service providers' costs from their pricing and enabling providers to price and package their solutions any way that fits their customer base. Many of Crexendo's competitors force providers to bundle more capabilities than their customers require and/or price their solutions at non-competitive prices. Crexendo-powered providers also have complete flexibility in how they brand their offerings, which enables providers to assume full ownership of the customer relationship. Most Crexendo competitors today require providers to use the platform brand or co-brand their solutions, which diminishes providers' ability to build brand equity in the cloud communications space.

Overall, Crexendo's approach with the NetSapiens platform enables providers to maintain greater control of their commercial model and the user experience, increase brand equity, and operate at larger profit margins compared to competitor solutions and business models.

Crexendo Innovation Without Disruption (Criteria: Competitive Differentiation, Price/Performance Value)

Crexendo powers provider success by leveraging a single platform to deliver integrated UCaaS, CCaaS, and video meetings. In addition, it offers flexible APIs enabling providers to tailor solutions to specific

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VP of Connected Work Research***

customer needs. Over 400 API-enabled integrations with third-party software and services, including common and vertical-specific CRM platforms and productivity tools, such as Microsoft Teams, enable providers to differentiate from competitors and address unique vertical market requirements. Geo-redundant design (both when hosted by Crexendo and following Crexendo-recommended deployment design) ensures robust service reliability and enables Crexendo to offer 100% uptime guarantees on its cloud services. Furthermore, Crexendo partners and

end customers can choose from 338 endpoints from 23 device manufacturers to ensure each user receives the toolset that empowers him or her to perform his or her tasks most effectively.

Crexendo innovates continually on its NetSapiens platform to align with rapidly shifting market trends and enable providers to compete more successfully in the highly dynamic cloud communications market. In the past year, Crexendo released one major software version and four maintenance releases and plans to maintain this cadence in the foreseeable future.

Among recent innovations, Crexendo enabled persistent clientless access to NetSapiens' browser-based WebPhone without having to have the browser window open, effectively turning WebPhone into a progressive web application. It also enhanced WebPhone to provide customer-requested functionalities such as connection quality details. It also considerably improved the mobile experience through better integration and mobile applications for both Apple iOS and Google Android devices.

Acutely aware of the transformative potential of generative AI and natural language processing (NLP) technologies, Crexendo has enhanced its platform by leveraging Azure-hosted ChatGPT. The first of these new capabilities can be seen in the digital engagement channels of Crexendo's CCaaS solution. Chatbots are now available to enable real-time conversations, including complex requests, questions, and comments, as well as context-aware insights and sentiment analysis. Crexendo's AI-powered solutions are available to customers directly from Crexendo, as well as from partners deploying its CCaaS platform. Crexendo is working on a conversational summarization capability to be launched in the near future.

Crexendo innovation spans not only enhancement to end-customer experiences, but also improvements in partner operational capabilities. In 2023, Crexendo launched NetSapiens® iNSight, which significantly improves service providers' ability to monitor, manage, and remediate their platforms and solutions. NetSapiens iNSight provides real-time analytics, platform health reports, performance-related alarms and notifications, and rich graphical insights through pre-configured and customizable dashboards. This new capability significantly streamlines troubleshooting and provides actionable insights to help providers improve their Service Level Objectives.

Crexendo also recently launched its "API V2" program which enables service providers and customers to more easily and effectively leverage Crexendo's APIs. More specifically, Crexendo leverages OpenAPI standards and a full REST API framework to generate API Keys and event subscriptions. Crexendo has also joined the CPaaS Acceleration Alliance to share insights and best practices with other industry leaders to boost customer value by integrating CPaaS-like capabilities into cloud communications solutions.

Crexendo's rapidly expanding strategic partner ecosystem is a dynamic hub that enables its service providers to offer differentiated solutions such as plain old telephone services (POTS) line replacement using Telcloud, hospitality property management systems (PMS) integrations using Nomadix, and cutting-edge generative AI using ChatGPT through a partnership with Ozonetel.

Crexendo's objective is to innovate constantly to empower its partners and customers. However, it aims to do so in a non-disruptive manner, by providing partners with flexible deployment options and freedom to package and price capabilities as they see fit for their specific use cases.

Surpassing Industry Average Growth Rates (Strategy Execution)

The NetSapiens platform has experienced robust growth over the years, which is strong evidence of Crexendo's effective execution and the value the platform provides to partners and end customers. In

2022, Crexendo experienced the highest growth rate among third-party platform vendors selling through service providers in North America. This growth continued in 2023 with a 36% growth in seats almost 2X the industry's average installed-base growth rate estimated by Frost & Sullivan at 19.3%. Crexendo continues reporting strong growth in 2023. In its FQ3 2023, Crexendo reported 52% year-over-year total revenue growth. In late 2023, the platform reached 4 million installed seats globally, the vast majority of which are supported by 220+ providers managing NetSapiens software on their networks. A large

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proportion of these seats are deployed in the highly competitive and rapidly maturing, but still very dynamic North American market.

Key Crexendo growth vectors include organic growth through existing and new service providers, including the addition of new users on existing services and cross-selling of new services (e.g., video conferencing, CCaaS); international expansion; and mergers and acquisitions. Existing partners continue adding more seats as well as cross-selling and upselling customers with CCaaS and other new capabilities. Crexendo has

also been growing its partner base and taking platform market share because of the flexibility it provides regarding deployment models, as well as solution pricing, packaging, and branding.

Crexendo is also experiencing rapid growth in its cloud services, hosted and managed by Crexendo itself. With a robust and growing channel of approximately 200 agents, Crexendo is reaching more end customers and generating growing recurring revenues. It further boosted its position as a service provider with the acquisition of Allegiant, a Crexendo partner licensing the NetSapiens cloud communications software. This acquisition added \$10.5 million to Crexendo’s annual revenues and also augmented its portfolio with managed and network services and white-label offerings. Crexendo’s vision is to continue strengthening its market position through additional acquisitions, with a strong focus on existing licensees.

International expansion will create additional growth opportunities for Crexendo. With an expanding installed base and continued addition of new partners in EMEA and APAC, Crexendo is well positioned to capitalize on the robust growth rates in less penetrated international markets.

Conclusion

Crexendo truly stands out among North American cloud communications platform vendors with the exceptional flexibility it provides to service providers in terms of financial and deployment models, solution pricing, packaging, and branding. Continued innovation leveraging flexible APIs and AI-powered capabilities enables Crexendo to align its technology roadmap with important market trends and key partner and customer requirements. Robust growth rates prove the effectiveness of Crexendo’s growth strategy and execution.

With its strong overall performance, Crexendo earns Frost & Sullivan’s 2024 North American Competitive Strategy Leadership Award in the service provider cloud communications platform industry.

What You Need to Know about the Competitive Strategy Leadership Recognition

Frost & Sullivan's Competitive Strategy Leadership Award recognizes the company with a stand-out approach to achieving top-line growth and a superior customer experience.

Best Practices Award Analysis

For the Competitive Strategy Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Strategy Innovation

Strategy Effectiveness: Effective strategy balances short-term performance needs with long-term aspirations and overall company vision

Strategy Execution: Company strategy utilizes Best Practices to support consistent and efficient processes

Competitive Differentiation: Solutions or products articulate and display unique competitive advantages

Executive Team Alignment: Executive team focuses on staying ahead of key competitors via a unified execution of its organization's mission, vision, and strategy

Stakeholder Integration: Company strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees

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)**

