2016 North American Hosted IP Telephony and UCaaS Growth Excellence Leadership Award
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Background and Company Performance

Industry Challenges

Businesses are undergoing profound transformation as they adopt advanced information technologies (IT) and innovative communications and collaboration solutions to improve worker productivity, business agility and overall competitive positioning. Each company and industry faces different challenges, but most businesses are affected by certain global, sustainable trends such as: the move to cloud solutions; the rise of the Internet of Things (IoT); growing employee mobility needs; the emergence of the virtual organization; and the increasing role of digital natives in decision-making. These mega trends are affecting business technology requirements and exacerbating the pressure on companies to embrace a digital future.

Digital transformation is a strong necessity, however, it can be disruptive without a tight alignment of technology, people and processes. Businesses must adjust their internal processes and company culture as their technology infrastructure evolves. To address new market challenges, businesses must also embrace new technology consumption models and engage with trusted technology providers.

A key element of digital transformation is the move to cloud Internet protocol (IP) telephony and unified communications as a service (UCaaS). Businesses adopting cloud communications solutions seek innovative providers with robust portfolios, reliable technologies and solid financial performance. They also choose to partner with service providers that are able to sustain high growth rates in an intensely competitive environment.

Many established and emerging providers have launched cloud communications solutions to address growing customer demand for more flexible technology consumption models. Each provider brings a unique set of skills and competencies to the marketplace, but market participants often struggle to differentiate their cloud communications offerings. Provider success in the hosted IP telephony market, as in most other industries, is determined by both strategy and execution. Certain providers have failed due to lack of a viable strategy and a sustainable business model. Others have been unable to sustain competitive growth rates due to poor execution in spite of their seemingly compelling vision. As the industry becomes increasingly competitive with the continued influx of disruptive new solutions, accelerated technology development among existing providers, and ever-expanding customer requirements, it is imperative for market participants to demonstrate relentless commitment to innovation, agility and adaptability, and financial discipline to sustain profitable growth.

A growth excellence strategy leader has combined a powerful vision with effective strategy execution to achieve higher growth rates than the rest of the industry. Growth strategy excellence is not only about driving short-term growth spurts, but also about sustaining
robust growth rates over an extended period of time. To accomplish this task a growth excellence strategy leader has assembled a compelling solutions portfolio and has implemented technologies and processes that enable it to promptly address evolving customer requirements as well as increasing competitive challenges.

**Growth Performance and Customer Impact**

Over the past few years, CenturyLink has established itself as one of the leading hosted IP telephony and UCaaS providers in the North American market. In 2015, the provider experienced one of the highest growth rates in the industry, expanding its installed user base by 90 percent compared to the previous year. Key factors driving CenturyLink’s success include a strong commitment to business VoIP services growth, effective execution, a diversified solutions portfolio, excellent customer purchase and ownership experiences, and a strong brand.

**Growth Strategy**

CenturyLink’s vision is to simplify business communications, effectively connect remote and mobile workers, and unify the user experience across all devices for a broad set of communications and collaboration tools.

Best-of-breed technologies from BroadSoft, Cisco and Metaswitch represent key enablers of CenturyLink’s hosted IP telephony and UCaaS growth strategy. BroadSoft’s industry-leading BroadWorks platform forms the foundation of CenturyLink’s Hosted VoIP offering. In addition to robust softswitch functionality, BroadWorks provides an extensive unified communications and collaboration (UCC) applications stack comprised of PBX, instant messaging and presence, conferencing, mobility, contact center, and more. The core UCC functionality of CenturyLink Hosted VoIP is complemented by Metaswitch’s advanced voicemail and unified messaging capabilities for a superior customer experience.

CenturyLink continually enhances its Hosted VoIP offering to better address the needs of SMB and large enterprises. In 2015, it added a bring-your-own session initiation protocol (SIP) endpoints option, as well as a high-density analog terminal adaptor (ATA) option to give customers greater flexibility in how they deploy cloud communications solutions. CenturyLink also added voicemail transcription to its feature set and significantly enhanced its administrator and end-user portals. Further, service improvements extended beyond feature/functionality enhancements to include IP failover and an over-the-top delivery option.

For larger businesses with a strong preference for Cisco technology, CenturyLink recently launched a cloud communications offering based on Cisco’s innovative Hosted Collaboration Solution (HCS) platform. Similar to BroadSoft BroadWorks, Cisco HCS supports a broad set of UCC applications to meet the needs of the most demanding customers. Cisco HCS-based solutions provide customers with existing Cisco technology
investments additional benefits including the ability to reuse Cisco phone terminals and to integrate cloud and premises-based communications system deployments in hybrid architectures.

CenturyLink’s hosted IP telephony and UCaaS product line is complemented by SIP trunking, multi-protocol label switching (MPLS), advanced audio and web conferencing services, as well as multi-channel contact center (including ACD, chat and email,) IVR, workforce optimization offerings, IP long-distance and IP toll-free services, as well as premises-based communications and managed office solutions. A diversified product line enables CenturyLink to be a one-stop shop to many businesses looking for a broad array of related services as well as the streamlined vendor management and accountability benefits of a single-source provider.

CenturyLink VoIP services are offered nationwide in the United States and are currently available in **11,500+ local rate centers in all 50 states with more local markets being added on a regular basis.** This enables CenturyLink to compete successfully against many small providers with a more limited network footprint and geographic coverage.

**Above-market Growth**

In 2015, CenturyLink reported 90 percent installed user base expansion over the prior year, which exceeded industry average growth rates and those of most other similar-size providers. Total market user base and revenues have been growing consistently at about 25 to 35 percent per year, and are projected to maintain similar growth rates over the next seven years. CenturyLink’s ability to outpace the market is due to concerted efforts to establish itself as a leading provider of hosted IP telephony and UCaaS solutions. Executive leadership focus on transforming the business has driven the provider’s transition from multiple disparate legacy services to a cohesive portfolio of VoIP services and other advanced communications and collaboration offerings. Strategic vision has also been aligned with effective execution on initiative such as expanding the solutions portfolio and geographic footprint, continued product feature enhancements, and a strong commitment to service reliability.

**Growth Sustainability**

Many hosted IP telephony and UCaaS providers have been successful with customer acquisition but few have sustained high customer retention rates. Service performance issues as well as limited control over service quality have resulted in customer churn affecting overall growth rates.

Service quality and reliability represent key focal areas for CenturyLink and are likely to enable the provider to sustain high growth rates going forward. Geo-redundant infrastructure enables CenturyLink to deliver high service availability and competitive
service level agreements (SLAs). It reports consistent service availability of 99.998 percent over the past three years, which is better than the service availability reported by many competitors. CenturyLink Hosted VoIP services are typically delivered over managed connections, which helps ensure better service quality and results in greater customer loyalty. However, services are also available over public broadband connections and third-party access networks for businesses that have existing Internet access agreements. This allows CenturyLink to extend its services to a broader customer audience and thus accelerate customer acquisition.

Continued solution enhancements represent another growth lever for CenturyLink. Improved solution feature functionality differentiates CenturyLink services and raises their appeal to businesses. New solution capabilities enable the provider to deliver greater value to existing customers and tap into new customer segments. This helps accelerate CenturyLink growth both through new customer acquisition and upsell/cross-sell opportunities among its installed base.

In addition to its existing offerings, CenturyLink plans to launch an innovative cloud communications solution catering specifically to the unique needs of the hospitality industry. This new offering will enable the provider to penetrate the hospitality vertical which has been slow to move to IP communications. Other pending solution enhancements include the addition of cloud-based call recording and wireless SIP endpoints.

International expansion into Canada, Europe and Asia-Pacific is likely to provide another growth lever for CenturyLink and permit it to better serve multi-national organizations, as well as other businesses in new markets. Pending industry certifications—FedRAMP, HIPAA and PCI—are likely to considerable boost CenturyLink’s appeal in certain vertical industries.

Overall, a combination of strategic focus and disciplined execution is likely to help to sustain high growth rates for CenturyLink in the future.

**Customer Purchase Experience**

CenturyLink provides businesses with two main cloud communications options. Customers have a selection of different functionality, security and customization capabilities as they choose between the BroadSoft-based Hosted VoIP and Cisco HCS-based UCaaS. CenturyLink’s more established Hosted VoIP offering based on BroadSoft BroadWorks is designed to provide the best value to SMBs. BroadWorks’ multi-tenant architecture allows CenturyLink to provide compelling feature packages at competitive prices.

CenturyLink’s newer Cisco-HCS–based offering caters primarily to large businesses’ needs. The multi-instance architecture provides such CenturyLink customers with greater security and enables more flexible customization and integration opportunities.
With each solution businesses can also choose seat licenses based on the type of user or station (e.g., knowledge worker, receptionist, and contact center agent or conference room). Multiple seat options allow businesses to select the appropriate feature functionality for the right price.

Businesses also have the flexibility to choose their access/bandwidth. While managed offerings using private networks appeal to businesses with more stringent security, reliability and quality requirements, services offered over public broadband make it easier for businesses with existing provider relationships to deploy CenturyLink hosted IP telephony services.

Compelling packaging also boosts the customer purchase experience. CenturyLink offers prices that are among the lowest in the industry. The provider’s seat prices inclusive of SIP trunks and inbound/outbound calling minutes are typically in the low $20 range, which compares favorably to most competitor solutions. Businesses also have a choice of multiple desktop phones and UC clients (desktop and mobile) depending on their preferred type of communications endpoint.

Businesses can purchase CenturyLink solutions directly or from its reseller channel, which ensures customers can always purchase their hosted solutions from their partner of choice.

Customer Ownership Experience

Higher service quality, security and reliability drive greater satisfaction among customers deploying CenturyLink hosted IP telephony and UCaaS solutions. Frost & Sullivan surveys show that business technology investment decision makers consistently rate service reliability and security as top factors in selecting their cloud communications providers and solutions. The customer experience is also positively impacted by the ability to deploy a broad range of CenturyLink services including audio, web and video conferencing, contact center, SIP trunking, MPLS, and more. Customers can more easily add new services, using their existing provider, as the need arises.

The ability to closely monitor and control their hosted IP telephony and UCaaS services is another critical factor determining customer satisfaction. Many businesses deploying cloud solutions fear they will lose control over their communications capabilities as they move to the cloud. CenturyLink provides its customers with a high degree of control through an advanced portal which empowers both customer IT admins and end users through tools to independently perform key admin tasks and customize settings. The admin portal allows IT staff to easily configure functionality and users, monitor usage, manage billing, delegate administration functions, and report/track issues. CenturyLink’s end-user portal provides end users with visibility into their call logs, call features, voicemail, contacts, profile and settings. It allows users to manage messages, greetings, call and privacy settings, contacts, passwords, call routing, 911 location and other service capabilities. Through its advanced cloud communications portal, CenturyLink gives control and power
back to its customers while taking away the pain of day-to-day solution management by moving communications capabilities to the cloud.

**Brand Equity**

CenturyLink has a strong track record as an IT and communications provider. Combining the skill sets and competencies of leading telcos and IT systems integrators, it is a well-known brand among North American businesses. Customers associate CenturyLink’s brand and portfolio with high service reliability and quality, and robust expertise. Many businesses that have trusted CenturyLink for their legacy communications services are likely to choose the provider for their next-generation solutions as well. Going forward, as the market continues to consolidate it will be attributes such as brand recognition, market share and high growth rates that will represent key criteria for cloud communications provider selection.

**Conclusion**

CenturyLink has excelled among service providers with high growth rates in the North American hosted IP telephony and UCaaS market. With its strong commitment to continued technology innovation and high service quality, it is well positioned to continue to gain market share in the rapidly growing cloud communications market.

With its strong overall performance, CenturyLink has earned Frost & Sullivan’s 2016 Growth Excellence Leadership Award.
Significance of Growth Excellence Leadership

Growth Excellence Leadership is about inspiring customers to purchase from your company, and then to return time and again. In a sense, then, everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that excel in driving growth strive to be best-in-class in three key areas: meeting customer demand, fostering brand loyalty, and carving out a unique, sustainable market niche.

Understanding Growth Excellence Leadership

Companies that creatively and profitably deliver value to customers ultimately set up their businesses for long-term, rapid growth. This is what Growth Excellence Leadership is all about: growth through customer focus, fostering a virtuous cycle of improvement and success.
Key Benchmarking Criteria
For the Growth Excellence Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Growth Performance and Customer Impact—according to the criteria identified below.

Growth Performance
  Criterion 1: Growth Strategy
  Criterion 2: Above-Market Growth
  Criterion 3: Share of Wallet
  Criterion 4: Growth Diversification
  Criterion 5: Growth Sustainability

Customer Impact
  Criterion 1: Price/Performance Value
  Criterion 2: Customer Purchase Experience
  Criterion 3: Customer Ownership Experience
  Criterion 4: Customer Service Experience
  Criterion 5: Brand Equity

Best Practice Award Analysis for CenturyLink
Decision Support Scorecard
To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are illustrated below.

RATINGS GUIDELINES

The Decision Support Scorecard is organized by Growth Performance and Customer Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.
The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key players as Competitor 2 and Competitor 3.

### DECISION SUPPORT SCORECARD FOR GROWTH EXCELLENCE LEADERSHIP AWARD

<table>
<thead>
<tr>
<th>Measurement of 1–10 (1 = poor; 10 = excellent)</th>
<th>Growth Performance</th>
<th>Customer Impact</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Excellence Leadership</strong></td>
<td><strong>CenturyLink</strong></td>
<td><strong>Competitor 2</strong></td>
<td><strong>Competitor 3</strong></td>
</tr>
<tr>
<td><strong>Growth Performance</strong></td>
<td>9.8</td>
<td>9.5</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Customer Impact</strong></td>
<td>9.8</td>
<td>9.6</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Average Rating</strong></td>
<td>9.8</td>
<td>9.7</td>
<td>9.5</td>
</tr>
</tbody>
</table>

**Growth Performance**

**Criterion 1: Growth Strategy**
Requirement: Executive team has a shared vision for the organization’s future growth, and has created and implemented a strategy that is consistent with that vision

**Criterion 2: Above-Market Growth**
Requirement: Company’s growth rate exceeds the industry’s year-over-year growth rate

**Criterion 3: Share of Wallet**
Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company

**Criterion 4: Growth Diversification**
Requirements: Company is equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) growth opportunities consistent with the long-term objectives of the organization

**Criterion 5: Growth Sustainability**
Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base, and sustain growth over the long-term

**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 like they are buying the most 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

**Decision Support Matrix**
Once all companies have been evaluated according to the Decision Support Scorecard, analysts can then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.
Decision Support matrix for Growth Excellence Leadership Award

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology
Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our 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, leading to 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 players and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards follow a 10-step process to evaluate award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

<table>
<thead>
<tr>
<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monitor, target, and screen</td>
<td>Identify award recipient candidates from around the globe</td>
<td>Pipeline of candidates who potentially meet all best-practice criteria</td>
</tr>
<tr>
<td>2</td>
<td>Perform 360-degree research</td>
<td>Perform comprehensive, 360-degree research on all candidates in the pipeline</td>
<td>Matrix positioning all candidates’ performance relative to one another</td>
</tr>
<tr>
<td>3</td>
<td>Invite thought leadership in best practices</td>
<td>Perform in-depth examination of all candidates</td>
<td>Detailed profiles of all ranked candidates</td>
</tr>
<tr>
<td>4</td>
<td>Initiate research director review</td>
<td>Conduct an unbiased evaluation of all candidate profiles</td>
<td>Final prioritization of all eligible candidates and companion best-practice positioning paper</td>
</tr>
<tr>
<td>5</td>
<td>Assemble panel of industry experts</td>
<td>Present findings to an expert panel of industry thought leaders</td>
<td>Refined list of prioritized award candidates</td>
</tr>
<tr>
<td>6</td>
<td>Conduct global industry review</td>
<td>Build consensus on award candidates’ eligibility</td>
<td>Final list of eligible award candidates, representing success stories worldwide</td>
</tr>
<tr>
<td>7</td>
<td>Perform quality check</td>
<td>Develop official award consideration materials</td>
<td>High-quality, accurate, and creative presentation of nominees’ successes</td>
</tr>
<tr>
<td>8</td>
<td>Reconnect with panel of industry experts</td>
<td>Finalize the selection of the best-practice award recipient</td>
<td>Decision on which company performs best against all best-practice criteria</td>
</tr>
<tr>
<td>9</td>
<td>Communicate recognition</td>
<td>Inform award recipient of award recognition</td>
<td>Announcement of award and plan for how recipient can use the award to enhance the brand</td>
</tr>
<tr>
<td>10</td>
<td>Take strategic action</td>
<td>Upon licensing, company may share award news with stakeholders and customers</td>
<td>Widespread awareness of recipient’s award status among investors, media personnel, and employees</td>
</tr>
</tbody>
</table>
About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to 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 practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.