



2015 Global Enterprise IP Communications Endpoints Market Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

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Background and Company Performance

Industry Challenges

The enterprise IP communications endpoints market has been facing several challenges constraining its overall growth opportunity.

Over the past few years, most businesses have been shying away from making new investments in IP desktop phones. Tough global macro-economic conditions prompted many businesses to keep on using their existing desktop devices and adopt a wait-and-see approach, which negatively affected global sales of enterprise communications endpoints. These harsh conditions are expected to linger, making organizations very cautious about their next steps and strategies related to communications technology investments.

Furthermore, customer price sensitivity has considerably increased, resulting in some businesses deploying lower-cost endpoints and curtailing the purchases of middle- and upper-range devices. Within the last two to three years, different enterprise communications endpoints vendors reported growing share of their low-end IP desktop phones of total desktop phone shipments. This shift in purchasing behavior could also be attributed to the increased focus of enterprise communications vendors on small to medium-sized businesses (SMBs) that are, usually, more cost-conscious than larger enterprises. Price sensitivity, coupled with fierce competition in the enterprise communications endpoints market, is compelling many vendors to introduce newer features and capabilities at lower prices, which is limiting overall revenue opportunities. Today, businesses typically expect greater phone functionality at lower price points.

Finally, rapid technology evolution in the software-based communications realm is forcing enterprise communications endpoints vendors to continuously adjust and enhance their unified communications and collaboration clients. Changes are not only feature-specific, but also involve back-end modifications related to the provisioning and delivery of the software tools. Today, more and more business users expect the same application experience they are receiving on their personal devices and tools to be replicated in their enterprise communications and collaboration solutions. The agile and ever-changing nature of software-based communications is making the job of enterprise communications endpoints vendors increasingly challenging.

In spite of intense challenges, Cisco not only managed to maintain its leadership in the enterprise IP communications endpoints realm across the years, but it has also managed to outperform competitors in terms of IP endpoint shipment growth, displaying a compound annual growth rate of 18.8 percent within the last five years.

At times of intense challenges, market share leadership provides a vendor with a competitive advantage in terms of visibility, positioning for sales and partnership opportunities, and overall ability to thrive. A market share leadership status validates that

the vendor has adapted its offerings and strategies to address demanding industry conditions. Customers evaluating cost-effective, yet feature-rich IP endpoints frequently choose the market leader as they perceive it as the most reliable and trustworthy partner. Increased visibility builds company awareness and helps position product portfolios more successfully among decision makers and end users. Likewise, a market share leader is often more capable of coping with evolving industry trends and handling the competitive pressures of the market due to greater resources, accumulated experience and better-developed partner support strategies.

Market Leadership of Cisco Systems

Frost & Sullivan is pleased to recognize Cisco Systems for its outstanding performance in the enterprise IP communications endpoints market. Cisco has received this award based on the company's relentless pursuit of technology excellence in both the IP desktop phone market and the IP communications software client market. In 2014 Cisco not only maintained its dominant position in the global IP desktop phone market, with 32.5 percent share of unit shipments, but also regained its leadership in the IP communications software client market, with 32.9 percent share of IP desktop communications client unit shipments and 35.0 percent of mobile voice and UC client unit shipments. In a market that is evolving at a fast pace, Cisco has maintained its leadership position through growth strategy and implementation excellence, brand strength, technology leverage, as well as through delivering superior customer purchase and service experiences.

Growth Strategy Excellence

The enterprise communications market has witnessed several changes related to the evolving nature of IP communications endpoints. On one hand, IP desktop phones have considerably progressed from basic grey, monochrome display models introduced in the late 90s to advanced, feature-rich, intelligent endpoints, which incorporate high-resolution colour screens, wideband audio support, touch-screen displays, integrated Gigabit Ethernet, immersive video capabilities, and mobile integration capabilities. IP communication software clients, on the other hand, have evolved from simple desktop softphones and PBX-to-mobile extensions to innovative UC&C desktop and mobile applications. Throughout the years, Cisco has demonstrated the ability to consistently identify, prioritize, and pursue emerging growth opportunities in the IP communications endpoint market. The company has not only been constantly refreshing its IP desktop phone portfolio to address evolving market trends and newer segments, but it has also spearheaded the shift towards software-based communications applications.

In the IP desktop phone market, Cisco was one of the first vendors to introduce touch-screen colour phones, support for XML applications from third-party developer partners, Gigabit Ethernet switch integration, Android-based models, HD and SD video phones, and consumer mobile device integration. Today, Cisco's IP phone portfolio includes devices that offer multimodal communications, including voice, video, XML applications, and unified

communications and collaboration applications. Cisco's DX Series, for example, are Android-based devices that offer voice communications, HD video calling, calendar integration, chat-to-call escalation, chat-to-video escalation, user dialling through voice recognition, and access to a wide array of Android-based applications. In the IP communication software client market, Cisco pioneered advanced UC desktop and mobile clients and various collaborative applications intended to make teamwork simpler. Concepts and elements such as single-pane of glass, gamification, social-media integration, and consistent end user experience across devices have been embraced by Cisco earlier than other competitors in the space. Today, Cisco is a true one-stop shop for enterprise IP communications endpoints.

Implementation Excellence

Cisco's implementation excellence in the IP endpoint space is evidenced by the company's ownership of the largest installed base of IP desktop phones and UC clients in the market. Since the first shipment of Cisco's IP phones more than 15 years ago, Cisco has grown its IP endpoints installed base from 1 million IP endpoints in 2002, to 12 million in 2007, 30 million in 2013, 50 million in 2012, and 70 million in 2014. Cisco achieved this installed base growth through;

- continuously refreshing its product portfolio
- expanding its IP endpoint communications choices
- delivering high-quality endpoints
- implementing successful UC bundling programs
- providing software activation incentives (65 percent of UC licenses provisioned on a yearly basis are activated)
- integrating devices and software communications with other Cisco technologies
- enhancing the user experience
- extending collaboration to all realms—"every room, every desk, every pocket, every app"—following Cisco's new mission

Business partners have also helped to grow Cisco's extensive line of IP endpoints. One of the largest partner ecosystems in the world, Cisco's reseller channel helps ensure consistent global sales, extensive service offerings and sustained innovation.

Brand Strength

Cisco has always invested considerable time and resources to share its vision, direction, and overall strategy, gaining the trust and confidence of a large portion of business customers and partners around the world. Today's Cisco's IP endpoint brand is

synonymous with high technology reliability, advanced functionality, and industry innovation. Cisco has always focused its efforts on marketing strategies promoting its brand as “the collaboration vendor of choice” and has thus managed to gain substantial mind share among business decision makers. Today, thousands of customers trust Cisco’s brand for their business communications. Cisco’s solid brand recognition over the years has granted it the well-deserved recognition as one of the key developers associated with best-of-breed data networking solutions, IP communication systems, and next-generation unified communications and collaboration solutions. This is why Cisco is the technology partner of choice for most of the world’s top service providers, independent software developers, resellers and enterprises alike.

Technology Leverage

As various technological trends emerge in the communications market and shape the ever-changing competitive landscape, Cisco’s response to these trends is to embrace technology innovation, striving to address the evolving requirements of businesses around the world. Cisco’s strong commitment to customer-centric innovation has been key to concentrating its efforts towards flexible deployment and consumption of UC solutions. The company puts considerable R&D resources into its products and technologies, continually creating competitive differentiators in the enterprise communications platform and endpoint marketplace. Much before the competition, Cisco envisioned key industry trends such as the post-PC era, the Internet of everything, the consumerization of IT, mobile/BYOD, WebRTC, the cloud, ubiquitous video, virtualization, and the rise of enterprise social networking. Some of Cisco’s latest innovation announcements in the field of IP endpoints include:

- the launch of two new IP phone series: Cisco IP Phone 7800 and 8800 Series, featuring new ergonomic designs, high audio quality, HD video, USB ports, and Cisco Intelligent Proximity technology on select models
- the release of Cisco Jabber Version 11.0, with broader telephony capabilities, improved usability and a new/consistent user experience design across devices
- the paramount announcement of Cisco Spark, a new collaboration tool that was built mobile first for agile teams, delivers instant multimodal communications and team collaboration inside and outside the organization

The ultimate objective of this never-ceasing effort to innovate is to offer customers a broad range of choices and the most complete and integrated communications and collaboration experience. Today, no one could deny that Cisco’s name is synonymous with innovation and technological advancements in the enterprise and midmarket communications space.

Customer Purchase Experience

Cisco seeks to ensure that its customers feel that they are buying the most optimal solution that addresses both their unique needs and their unique constraints. Customers that choose to deploy Cisco's IP endpoints, do so compelled by the company's solid brand reputation, high-quality products, broad range of endpoint options, and the company's continuous commitment to technology innovation. Whether deployed with on-premise communications platforms or hosted/cloud communications services, Cisco's communications devices and soft clients address the needs of multiple functions within customer organizations. For those who prioritize economical IP endpoints within an IP communications environment, Cisco offers a range of cost-effective IP endpoints. For customers with higher feature and functionality expectations, on the other hand, Cisco offers advanced feature-rich IP endpoint models, including video-capable endpoints and integrated multi-utility collaborative desk endpoints.

Customers who want to leverage the multiple features and capabilities available on Cisco's various IP communications and UC platforms, acknowledge that there is no better choice for IP endpoints than the vendor's own deeply-integrated portfolio of IP endpoints. Furthermore, Cisco's SIP endpoints have also been successful in implementations with third-party PBXs. In general, Cisco has gained a market leadership position in the enterprise IP endpoint market by blending rich endpoint functionality with multiple business applications to help customers collaborate more efficiently.

Customer Service Experience

The Cisco Worldwide Customer Service organization is fully dedicated to serving Cisco's customers across geographies with high standards of support. Highly trained and certified professionals provide streamlined assistance across the entire purchase-to-payment cycle. Technical support is offered via telephone queue, over e-mail, online via interactive two-way video and web chat, through web forums, as well as in-person in the field.

One of the company's main goals has been to create the most innovative, Internet-based customer service organization in the world. For this, Cisco provides its customers with different online tools, e-learning modules, and downloadable material designed to not only address the needs and requirements of the company's various customers, but to also educate them about the various options available.

For order taking, the Cisco Internet Commerce Applications allow customers to easily and rapidly place orders, track them, and monitor the status online, avoiding complexities and streamlining product ordering. Finally, the company has been running an Annual Customer Satisfaction Survey since 1992 designed to assess customers' various needs and increase customer satisfaction levels. Cisco's customers appreciate the company's proactive approach, which helps address their needs and challenges effectively and in a timely manner.

Conclusion

Cisco's solid growth and implementation strategy, its differentiated and innovative portfolio, its tight customer focus, and its strong brand recognition in the enterprise IP endpoint market are among the factors that have helped the company to excel in this market and stand out from the competition. With its strong overall performance, Cisco has achieved a leadership position in the enterprise IP communications endpoints market, with 32.5 percent share of IP desktop phone units shipment, 32.9 percent share of IP desktop communications client unit shipment, and 35.0 percent share of mobile voice and UC client unit shipment. Frost & Sullivan is proud to bestow the 2015 Market Leadership award to Cisco Systems.

Significance of Market Leadership

Ultimately, growth in any organization depends upon customers purchasing from your company, and then making the decision to return time and again. Loyal customers become brand advocates; brand advocates recruit new customers; the company grows; and then it attains market leadership. To achieve and maintain market leadership, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, differentiating from the competition. This three-fold approach to delivering market leadership is explored further below.



Understanding Market Leadership

As discussed on the previous page, driving demand, strengthening the brand, and competitive differentiation all play a critical role in a company's path to market leadership. This three-fold focus, however, is only the beginning of the journey and must be complemented by an equally rigorous focus on the customer experience. Best-practice organizations therefore commit to the customer at each stage of the buying cycle and continue to nurture the relationship once the customer has made a purchase. In this way, they build a loyal, ever-growing customer base and methodically add to their market share over time.

Key Performance Criteria

For the Market Leadership Award, we focused on specific criteria to determine the areas of performance excellence that led to the company's leadership position. The criteria we considered include (although not limited to) the following:

Criterion	Requirement
Growth Strategy Excellence	Demonstrated ability to consistently identify, prioritize, and pursue emerging growth opportunities
Implementation Excellence	Processes support the efficient and consistent implementation of tactics designed to support the strategy
Brand Strength	The possession of a brand that is respected, recognized, and remembered
Product Quality	The product or service receives high marks for performance, functionality and reliability at every stage of the life cycle
Product Differentiation	The product or service has carved out a market niche, whether based on price, quality, uniqueness of offering (or some combination of the three) that another company cannot easily duplicate
Technology Leverage	Demonstrated commitment to incorporating leading edge technologies into product offerings, for greater product performance and value
Price/Performance Value	Products or services offer the best value for the price, compared to similar offerings in the market
Customer Purchase Experience	Customers feel like they are buying the most optimal solution that addresses both their unique needs and their unique constraints
Customer Ownership Experience	Customers are proud to 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 of high quality

The Intersection between 360-Degree Research and Best Practices Awards

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

Our awards team strives to follow a 10-step process (illustrated below) to evaluate award candidates and assess their fit with our best practice criteria. The reputation and integrity of our 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 globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice 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	<ul style="list-style-type: none"> • Confirm best-practice 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	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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-practice award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform award recipient of award recognition	<ul style="list-style-type: none"> • Present 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	Once licensed, share award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess award's role in future strategic planning 	Widespread awareness of recipient's award status among investors, media personnel, and employees

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>.