FROST & SULLIVAN

Vonage

2022
COMPETITIVE STRATEGY LEADER

North American API-led Business Communications 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. Vonage excels in many of the criteria in the API-led business communications space.

AWARD CRITERIA

Strategy Innovation	Customer Impact
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

Competitive Differentiation

For most of the last decade, leveraging application programming interfaces (APIs) for communications services including voice, video, and messaging, has required using a third-party communications platform as a service (CPaaS) solution or a one-off custom engagement with a service provider. In either case, API access has been treated as an isolated service separate from a customer's core communications services. Vonage, a leading provider of consumer and business cloud communications services, set out to end this bifurcation of programmable and business communications with the acquisition of CPaaS provider Nexmo in 2016 and programmable video provider TokBox in 2018. Several years of development and integration efforts later, with this core set of API-based capabilities in place, Vonage launched the Vonage Communications Platform (VCP). VCP is an integrated platform for business communications services, including unified communications as a service (UCaaS) and contact center as a service (CCaaS), and CPaaS capabilities via APIs. Through VCP, Vonage can both serve third-party developers and push its own development and innovation.

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> **Sr. Industry Analyst**

VCP delivers a rich suite of UCaaS and CCaaS applications and enables the possibility to build new ones on top of this highly programmable communications platform residing on a global network. Product and development synergies continually prove the differentiated value of VCP. To address growing demand for video-enabled contact center agents, Vonage leveraged VCP's video APIs and experience developing Vonage Meetings, its video collaboration and meeting solution, to extend the similar capabilities in its CCaaS product. While many of its competitors continue to push disparate services, Vonage's realized vision of a single communications platform is allowing both Vonage and its customers to innovate and grow.

VCP is a bold approach and Vonage's greatest strength, appealing most strongly to customers seeking fully integrated services. Vonage has invested significantly in technology development and acquisition to achieve the vision of a fully integrated VCP that enables a virtuous cycle for the vendor and its customers and partners. As new technologies and APIs are made available to developers through VCP, Vonage's UCaaS and CCaaS applications can capitalize on these innovations to deliver enhanced employee or customer experiences. Likewise, these higher-level applications push innovation back into the API platform. As the CPaaS teams work to support UCaaS and CCaaS with new features and capabilities, those same features can be consumed (and paid for) by third-party developers.

Strategy Execution

Today, VCP supports a wide range of communications modalities via APIs, including voice, video, short messaging services (SMS), two-factor authentication or verification, social media messaging channels, email, and in-app notifications. These APIs are available for Vonage's own development efforts, business developers, and third-party developers.

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Vonage leverages its extensive APIs for its own integrated applications services. Today's offerings include Vonage Business Communications (VBC), its communication and collaboration offering, and Vonage Contact Center (VCC), its contact center application. In addition, thanks to the 2021 acquisition of Jumper.ai, Vonage now offers conversational commerce, a suite of AI-driven chat bots, live chat, a commerce engine, and CRM and analytics tools that help create personalized, message-based shopping experiences for customers.

VCP enables rapid development of new products and solutions in response to shifting market demand and requirements. Video Express, for example, is a new solution Vonage began rolling out to customers in late 2021. The solution allows web developers to embed sophisticated multi-party video meetings within their applications with as little as two lines of code. Eschewing the complexity of user licenses and enterprise contracts, Video Express supports simple per-participant, per-minute consumption pricing. This allows businesses to quickly bring their web applications to market, and scale the solution as demand grows.

Strategy Effectiveness

Vonage's VCP strategy fundamentally changes how the provider views its own success and growth. While Vonage's competitors in the UCaaS and contact center market require ever-increasing user adoption and customer spend to drive growth, VCP enables Vonage to take a more holistic approach to the consumption of its platform. Vonage notes that, in 2020 and 2021, VCP exceeded its performance expectations. In particular, this growth was fueled by high demand for CPaaS and APIs among enterprises, as well as Vonage's efforts to extend the reach of its developer and partner programs. In both years, the provider experienced high double-digit growth rates for API-based business communications services, even while growth rates of its traditional UCaaS and CCaaS sales slowed.

Vonage cultivated growth by leveraging APIs in its customer-facing applications, such as Vonage Meetings and video-enabled contact center agents, as well as by enabling enterprise and third-party developers on a common platform. In addition, while competitors push "make fit" solutions using traditional video meetings, Vonage has seen significant video growth in custom, secure, embedded solutions that leverage video APIs to enable telehealth, social and education platforms. Ultimately, the VCP platform enables Vonage to capture customers' wallet and mind share by giving businesses a solution that meets their exact needs and requirements, rather than settling on plain-vanilla UCaaS, CCaaS or video meeting packages.

Ultimately, Vonage's VCP strategy is coming at the perfect time, just as the industry and customers are recognizing the value of programmable communications. Pandemic-driven workflows, including curbside pickup, COVID pre-screening ahead of appointments, and telehealth visits, highlighted the need for business communications services to quickly adapt to a changing business environment. While some of these use cases may diminish over time, others, such as curbside pickup or appointment reminders, are already becoming ingrained as a standard way of doing business. It is clear that every business, regardless of size or vertical, needs more than just a phone system or contact center to effectively engage with customers. Open and extensible platforms like VCP empower businesses to embed, integrate, and program communications into the core of their business processes.

Customer Purchase/Ownership Experience

Through VCP, Vonage lets customers define the terms of their consumption of services. For UCaaS and CCaaS services, typical per-user/per-month pricing is the norm, with tiered offerings based on the user and feature requirements. In terms of API-based business communications, VCP offers a number of different paths. For third-party developers, Vonage offers consumption-based pricing models. Through a web portal, developers can simply create an account and start developing and testing their applications against the APIs. Flat-rate, per-use pricing is posted on the Vonage website. In this way, it remains a pure-play CPaaS offering.

For enterprise customers, Vonage offers unlimited voice calling on VCP, with standard or premium tiers of support. For enterprise customers used to high-touch engagements with their solution providers or just starting to embed communications within their applications and workflows, the premium tier includes consulting services and a customer success manager.

Similar to its partner program for UCaaS, Vonage offers the Vonage Voyagers program for partners leveraging its API-based services. The program provides technical, consultative and marketing support for application, technology, and integration partners wanting to leverage voice and messaging APIs.

Finally, under VPC, Vonage offers its APIs to its established installed base of VBC UCaaS customers. For example, under the Vonage API platform, SMS functionality is enabled on all customer lines. Rather than charge an extra fee for the SMS overlay, Vonage is including it as part of customers' monthly subscription costs. For advanced business application integrations and embedded business applications, Vonage works closely with customers to determine specific needs and pricing.

Conclusion

Vonage recognized that programmable communications options, alongside more traditional communications services, would be a long-term need for customers of all sizes and verticals. By aligning all of its core services under a shared platform, Vonage is finding renewed success and growth in the UCaaS, CCaaS, and CPaaS markets. With its strong overall performance, Vonage earns Frost & Sullivan's 2022 North American Competitive Strategy Leadership Award in the API-led business communications market.

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

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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™.

Learn more.

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)