



**2017 Latin American
Enterprise Communications Endpoints
Company of the Year Award**

FROST & SULLIVAN

BEST
2017 **PRACTICES**
AWARD

LATIN AMERICAN
ENTERPRISE COMMUNICATIONS ENDPOINTS
COMPANY OF THE YEAR AWARD

Contents

Background and Company Performance	3
<i>Industry Challenges</i>	3
<i>Visionary Innovation and Performance and Customer Impact</i>	3
<i>Conclusion</i>	7
Significance of Company of the Year	8
Understanding Company of the Year	8
<i>Key Benchmarking Criteria</i>	9
Best Practices Award Analysis for Polycom.....	9
<i>Decision Support Scorecard</i>	9
<i>Visionary Innovation & Performance</i>	10
<i>Customer Impact</i>	10
<i>Decision Support Matrix</i>	11
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices	12
The Intersection between 360-Degree Research and Best Practices Awards.....	13
<i>Research Methodology</i>	13
About Frost & Sullivan	13

Background and Company Performance

Industry Challenges

Enterprise communications endpoints (ECE) vendors were heavily challenged during the past 2 years by adverse economic and political conditions in Latin America, leading many enterprises and government agencies to postpone their investments in communications and become more price sensitive. Consequently, vendors were forced to redesign their go-to-market strategies and develop cost-competitive value propositions to maintain or gain market penetration. Moreover, the rising popularity of software-based communications has added competitive pressure to physical endpoints providers.

Price declines are another factor expected to affect the overall growth potential of the ECE market. Price reductions because of new technology advancements and competitive pressures are expected to restrain overall revenues. Fierce competition is forcing many vendors to lower prices significantly through bundling, the use of lower-cost components, and discounts, considerably impacting vendor revenue opportunities.

As the value proposition of ECE continues to evolve, endpoints vendors must consistently enhance their product offerings to stay competitive. Key industry trends such as media/video phones, high definition (HD) voice, rich application delivery, new device form-factors (e.g., media hubs), and interoperability/integration with unified communications (UC) systems are impacting the overall value proposition of enterprise session initiation protocol (SIP) endpoints. Vendors seeking to compete successfully need to reposition themselves by promptly responding to these trends.

Although challenges abound, the ECE market still has growth opportunities driven by various market factors, including the significant growth of the open-SIP phone segment; growth of Internet Protocol (IP) desktop phones within the hosted/cloud-based communications market; the positive evolution of the IP media phone market as a growing segment of IP desktop phones; and the improving general reliability and quality of video conferencing endpoints.

ECE vendors that efficiently respond to evolving market trends and industry challenges with solid and evolving product portfolios can serve customers more effectively. Intelligent strategy development and execution foster closer, long-term relationships with existing customers because of appropriate, timely, and innovative strategies; employment of superior resources; and greater adaptability to market change.

Visionary Innovation and Performance and Customer Impact

Polycom Inc is a global leader in the visual collaboration solutions market and helps clients by unleashing the power of human collaboration in their workspaces. The company helps more than 400,000 organizations worldwide increase productivity, improve speed time to market, provide better customer service, expand education, and save lives. Polycom has

over 200 certified partners in Latin America and the Caribbean that deliver the company's solutions throughout the entire region.

Addressing Unmet Needs

Polycom provides ECE to every market segment in Latin America, offering IP desktop phones, desktop media phones, conference phones, video conferencing endpoints, and headsets. The company seeks to put the best possible endpoint in the hands of every user, regardless of the industry vertical and regardless if the organization is large, medium, or small, while assuring the customer enjoys a superior experience in every touch point with the endpoint.

The IP desktop phones segment is one of the fastest growing for Polycom in Latin America. The company is experiencing the benefits of many years of developing solid relationships with major communication service providers (CSP) in the region, which are now providing cloud IP telephony services to end users and bundling their services with IP desktop phones. A significant portion of CSPs in Latin America offer Polycom's phones, fundamentally driving the company's growth.

Because Polycom's IP desktop phones are open SIP, they can be fully integrated with any open-SIP communications platform, such as BroadSoft, Digium Inc, GENBAND, and Metaswitch Networks, which together account for nearly half of the cloud IP telephony users in Latin America. As a result, Polycom exhibited the highest annual growth in IP desktop phones revenue in Latin America in 2016, while the overall market suffered from a double-digit decline in the same period.

Polycom has built a solid ecosystem among CSPs in Latin America, which will likely sustain considerable future growth for the company as the cloud IP telephony and unified communications and collaboration (UC&C) services market in the region is expected to experience high double-digit growth rates in the next 5 years, according to Frost & Sullivan's most recent research.

Visionary Scenarios

In addition to experiencing solid growth among CSPs in Latin America, Polycom is enhancing its value proposition for the large enterprises segment in the traditional capital expenditure (CAPEX)-based market. Because of its strong partnership and integration with Microsoft, Polycom has introduced its endpoints in several organizations within this market segment.

Historically, Polycom has had difficulty penetrating the large enterprises segment because most of these organizations used to opt for traditional enterprise communications vendors that bundled their own IP desktop phones into their value propositions, thus leaving little-to-no space for Polycom's phones. More recently, Microsoft's enterprise communications platform (Skype for Business, formerly Lync) has gained more acceptance among large

enterprises, thus acting as an entrance for Polycom's IP desktop phones in these organizations and boosting the company's market penetration.

Implementation of Best Practices

The challenging economic scenario in Latin America increased the level of price sensitivity in the market, leading many vendors to offer greater discounts in their offerings. Polycom strategically adapted to this new business environment by developing new endpoints at a lower cost point, such as the VVX 101 and VVX 201, which were highly accepted in the region. This strategy allowed the company to penetrate the small and medium enterprise (SME) segment further and satisfy price-sensitive customers. Furthermore, the launch of these new models enhanced Polycom's value proposition by offering a greater diversity of endpoints to large enterprises that often buy several different phones for different types of employees.

However, while developing more cost-effective IP desktop phones, Polycom brought greater innovations to its entire enterprise communications endpoints line to enhance the customer experience. One innovation that Latin American customers particularly appreciated was the noise-cancellation functionality, which was added to Polycom's IP desktop phones, conference phones, and video conferencing endpoints as well. This new technology significantly enhanced the customer experience when participating in audio, Web, or video conferences.

Additionally, Polycom's RealPresence® Trio conference phone enjoyed great adoption in Latin America and completed the company's product portfolio for the region. This endpoint brings voice, video, and content sharing to conference rooms in only 1 device and has been crucial for Polycom's penetration in huddle rooms.

Price/Performance Value

When first launching their cloud IP telephony services, many CSPs try to develop service bundles with the lowest price point possible. Hence, some customers purchase aggressively priced open-SIP desktop phones that may seem functional at first but eventually experience technical issues that require further time and money from the CSP and frustrate the customer. As a result, the total cost of ownership (TCO) of these phones turns out to be much higher than expected, while the CSP suffers from higher churn rates in its services.

Polycom's open-SIP desktop phones offer a superior customer experience to the end user and are extensively tested in the marketplace. Consequently, CSPs that include these phones in their service bundles experience higher customer satisfaction and better business outcomes.

Customer Ownership Experience

While the video conferencing space suffers from the entrance and exit of market participants almost every year, Polycom is one of the few companies that has remained in Latin America without interruption for the past 20 years. The company has a proven track record in this market and is widely recognized for its high-quality solutions.

During the last 2 to 3 years, however, Polycom was challenged by political and economic uncertainties in many countries in the region, leading many local organizations to postpone investments in visual collaboration and become more price aware. Consequently, the company introduced new and more cost-competitive video conferencing endpoints to the market to increase its adoption and to lead the Latin American video conferencing endpoints segment in 2016, in terms of units.

Customer Service Experience

Polycom sustained its performance in the video conferencing market by penetrating several industry verticals throughout the region, such as healthcare, education, government, manufacturing industry, professional services, utilities and energy, and financial services.

In Brazil, the company provided several solutions to healthcare organizations, boosting the implementation of telemedicine programs in the country. One of the most important projects in this segment was bringing visual collaboration solutions to the Telemedicine University Network of Brazil (RUTE), directly supported by the Ministry of Science. Polycom delivered a full stack of video conferencing solutions, including Open Telepresence Experience™ (OTX), multipoint control units RMX 4000, recording and content management system RSS™ 4000, RealPresence® Distributed Media Application™ 7000, RealPresence® Resource Manager, and over 120 endpoints HDX® 7000 and 8000. As a result, RUTE expanded the visual collaboration capabilities for university hospitals, universities, and health institutions throughout the entire country.

The utilities and energy industry benefitted from Polycom's solutions as well. In Brazil, CPFL Energia has been a major company in this industry for over 100 years. Since the adoption of visual collaboration solutions from Polycom, CPFL Energia, which operates throughout Brazil through its subsidiaries, has promoted the necessary integration to provide its employees with greater productivity and technical and administrative training. Moreover, Gas Natural Fenosa, a major gas distributor in the country, connected its gas distribution centers in Rio de Janeiro and São Paulo through Polycom's technology, which significantly improved communications among the centers and streamlined operations in the country.

Conclusion

Polycom provides a full range of enterprise communications endpoints to its customers in Latin America, satisfying every need in several market segments. The company has shown innovation and speed in adapting to challenging conditions in the region and has developed cost-effective and high-quality endpoints, allowing it to gain massive adoption within SMEs. Moreover, Polycom strategically positioned its open-SIP desktop phones with major service providers in the region to leverage the strong momentum of the cloud IP telephony market and attain solid growth.

With its strong overall performance, Polycom has earned Frost & Sullivan's 2017 Company of the Year Award.

Significance of Company of the Year

To win the Company of the Year Award (i.e., to be recognized as a leader not only in your industry, but among your non-industry peers as well) requires a company to demonstrate excellence in growth, innovation, and leadership. This kind of excellence typically translates into superior performance in three key areas: demand generation, brand development, and competitive positioning. These areas serve as the foundation of a company's future success and prepare it to deliver on the two criteria that define the Company of the Year Award (Visionary Innovation & Performance and Customer Impact).



Understanding Company of the Year

As discussed above, driving demand, brand strength, and competitive differentiation all play a critical role in delivering unique value to customers. This three-fold focus, however, must ideally be complemented by an equally rigorous focus on Visionary Innovation & Performance to enhance Customer Impact.

Key Benchmarking Criteria

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated two key factors—Visionary Innovation & Performance and Customer Impact—according to the criteria identified below.

Visionary Innovation & Performance

- Criterion 1: Addressing Unmet Needs
- Criterion 2: Visionary Scenarios through Mega Trends
- Criterion 3: Implementation Best Practices
- Criterion 4: Blue Ocean Strategy
- Criterion 5: Financial Performance

Customer Impact

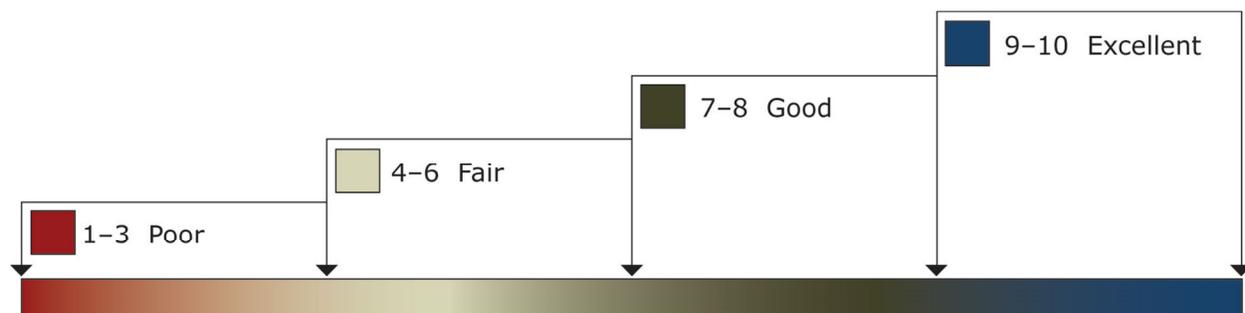
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Polycom

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 Visionary Innovation & Performance and Customer Impact (i.e., these are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion 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 participants as Competitor 2 and Competitor 3.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Company of the Year	Visionary Innovation & Performance	Customer Impact	Average Rating
Polycom	10	9	9.5
Competitor 2	8	9	8.5
Competitor 3	8	8	8.0

Visionary Innovation & Performance

Criterion 1: Addressing Unmet Needs

Requirement: Implementing a robust process to continuously unearth customers’ unmet or under-served needs, and creating the products or solutions to address them effectively

Criterion 2: Visionary Scenarios through Mega Trends

Requirement: Incorporating long-range, macro-level scenarios into the innovation strategy, thereby enabling “first-to-market” growth opportunity solutions

Criterion 3: Implementation of Best Practices

Requirement: Best-in-class strategy implementation characterized by processes, tools, or activities that generate a consistent and repeatable level of success.

Criterion 4: Blue Ocean Strategy

Requirement: Strategic focus on creating a leadership position in a potentially “uncontested” market space, manifested by stiff barriers to entry for competitors

Criterion 5: Financial Performance

Requirement: Strong overall business performance in terms of revenues, revenue growth, operating margin, and other key financial metrics

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 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

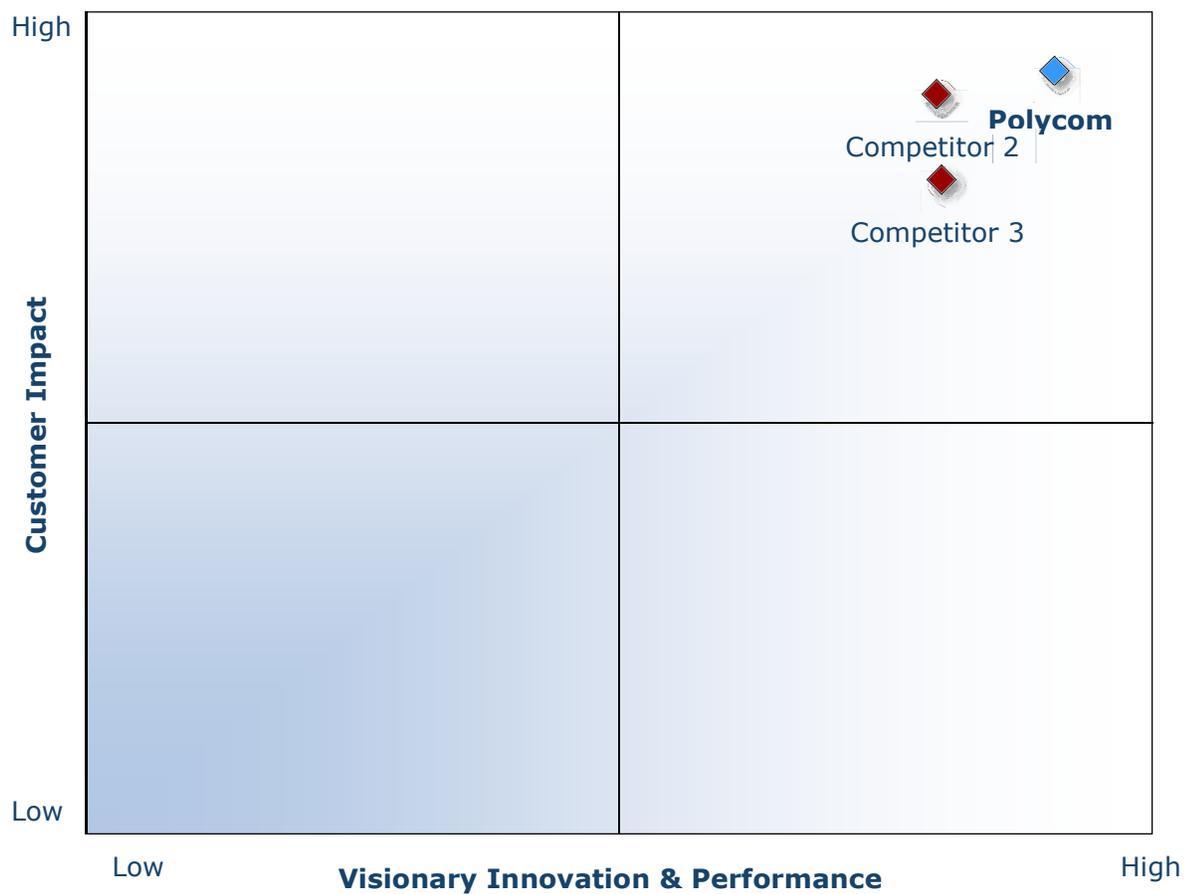
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

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 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.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts 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.

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 of 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	Upon licensing, company able to 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

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 participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



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 more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.