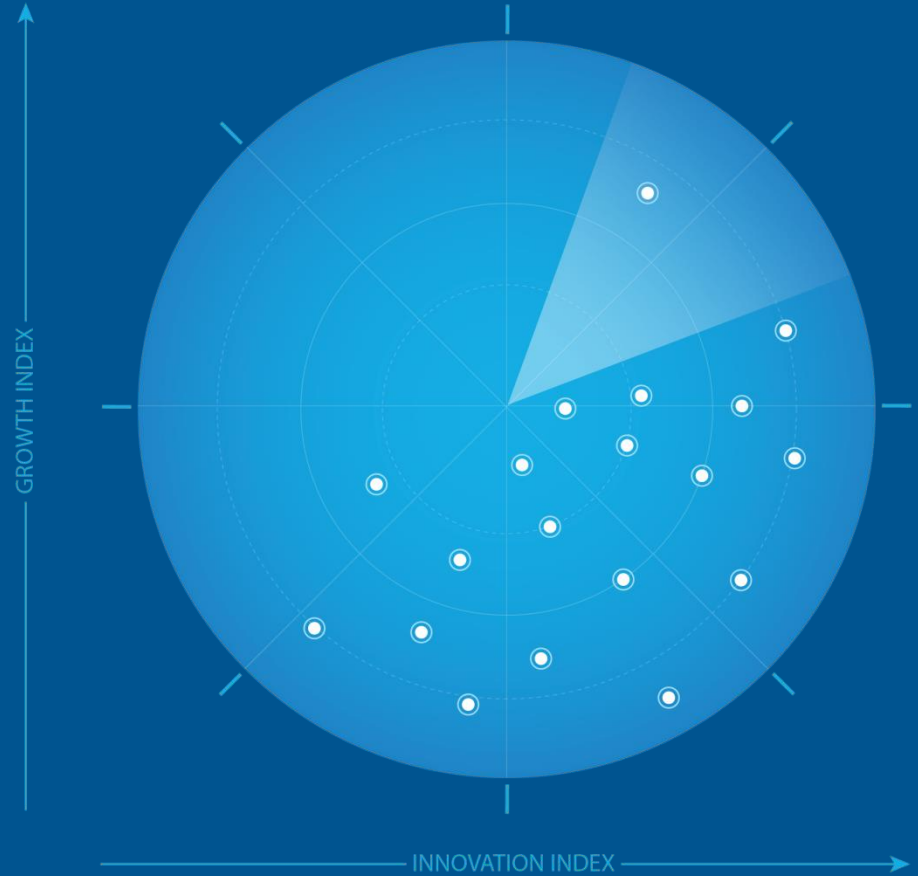# FROST & SULLIVAN

Frost Radar™: Unified Communications as a Service Market in Latin America and the Caribbean, 2022

A Benchmarking System to Spark Companies to Action - Innovation that Fuels New Deal Flow and Growth Pipelines

Global Information & Communications Technologies Research Team at Frost & Sullivan

Strategic Imperative and Growth Environment

Strategic Imperative

- The COVID-19 pandemic and subsequent expansion of the work-from-home customer base accelerated adoption of cost-effective and agile Unified Communications-as-a-Service (UCaaS) solutions in 2021. Plug-and-play solutions available through digital channels provided a lifeline for many small and mid-sized businesses (SMBs) and small/temporary remote teams in Latin America and the Caribbean (CALA). Moreover, UCaaS bundled with mobile services or included as part of broader productivity and collaboration suites, such as Cisco Webex, Microsoft 365, and Google Workspace, experienced more rapid adoption than those not bundled or included in suites.

- Technology vendors such as Cisco and Microsoft began releasing new UCaaS platforms/solutions hosted in their data centers (vendor-hosted) in a move away from the partner-hosted modality where the service provider hosts the solution in its data centers. The difference here is that vendor-hosted solutions are always based on an OPEX agreement, which provides more flexibility and lowers the barrier to entry for service providers looking to offer a UCaaS service.

- Many service providers in the region took a hybrid approach, where one part of the solution (usually the telephony/PBX component) is partner-hosted and the other part (often advanced UC capabilities, such as video-based meetings and team collaboration) is vendor-hosted as a way to provide flexibility for customers looking to maximize existing investments.

Source: Frost & Sullivan

Strategic Imperative (continued)

- Yet following the vendor-hosted UCaaS model makes it harder for service providers to distinguish themselves because most offerings are based on similar platforms and provide a comparable value proposition.

- To remain in the game, service providers now differentiate themselves based on value-added or managed and professional services. In addition, they deliver an end-to-end solution with several enterprise-grade offers, such as connectivity, networking, security, and business applications.

Growth Environment

- The UCaaS market exhibited strong growth in 2021, driven by the rise of hybrid and remote work environments and CALA organizations' efforts to support their employees' remote communications and collaboration needs.

- Solid economic GDP growth across the region (6.3% according to the IMF and 6.2% according to ECLAC, at constant prices) strengthened CALA enterprises' posture to invest in digital transformation solutions.

- The market is somewhat fragmented. Global providers are serving global customers from local offices, value-added resellers (VARs) are focusing on large clients, and telcos are covering the entire spectrum of organizations of every size, with several offerings for different types of companies.

- This movement led several organizations to unsubscribe from UCaaS and cloud meetings services as well as deprioritize unified communications and collaboration (UC&C) in general.

Growth Environment (continued)

- During the next 5 to 6 years, the UCaaS landscape will continue to grow but at a slower pace as its penetration rate increases, competition intensifies, and the global political and economic scenarios become more uncertain, all while ARPU continues to decline. Frost & Sullivan expects that from 2021 to 2028 the market will grow at a compound annual growth rate (CAGR) of 8.3% in users and 3.8% in revenue.

- The hybrid work world continues to create growth opportunities for vendors and service providers. Organizations across the board will require optimized collaboration tools, including UCaaS suites, cloud meetings solutions, video conferencing devices, headsets, interactive displays, and adjacent technologies that are paramount for a successful digital transformation and key to success in the hybrid work era.

- Frost & Sullivan study related to this independent analysis:

  o Latin American and Caribbean UCaaS and Cloud Meeting Services Growth Opportunities.
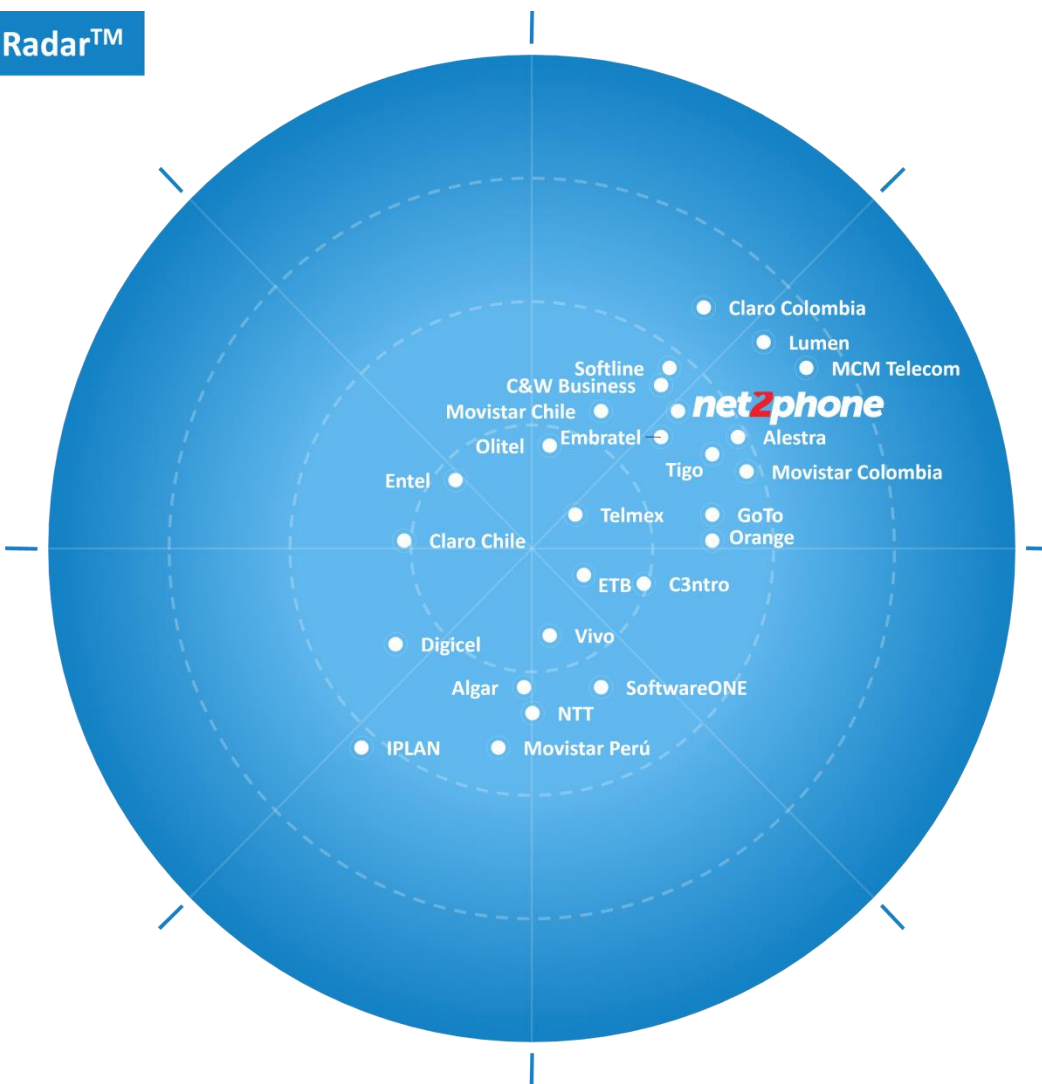
Source: IMP; ECLA; Frost & Sullivan
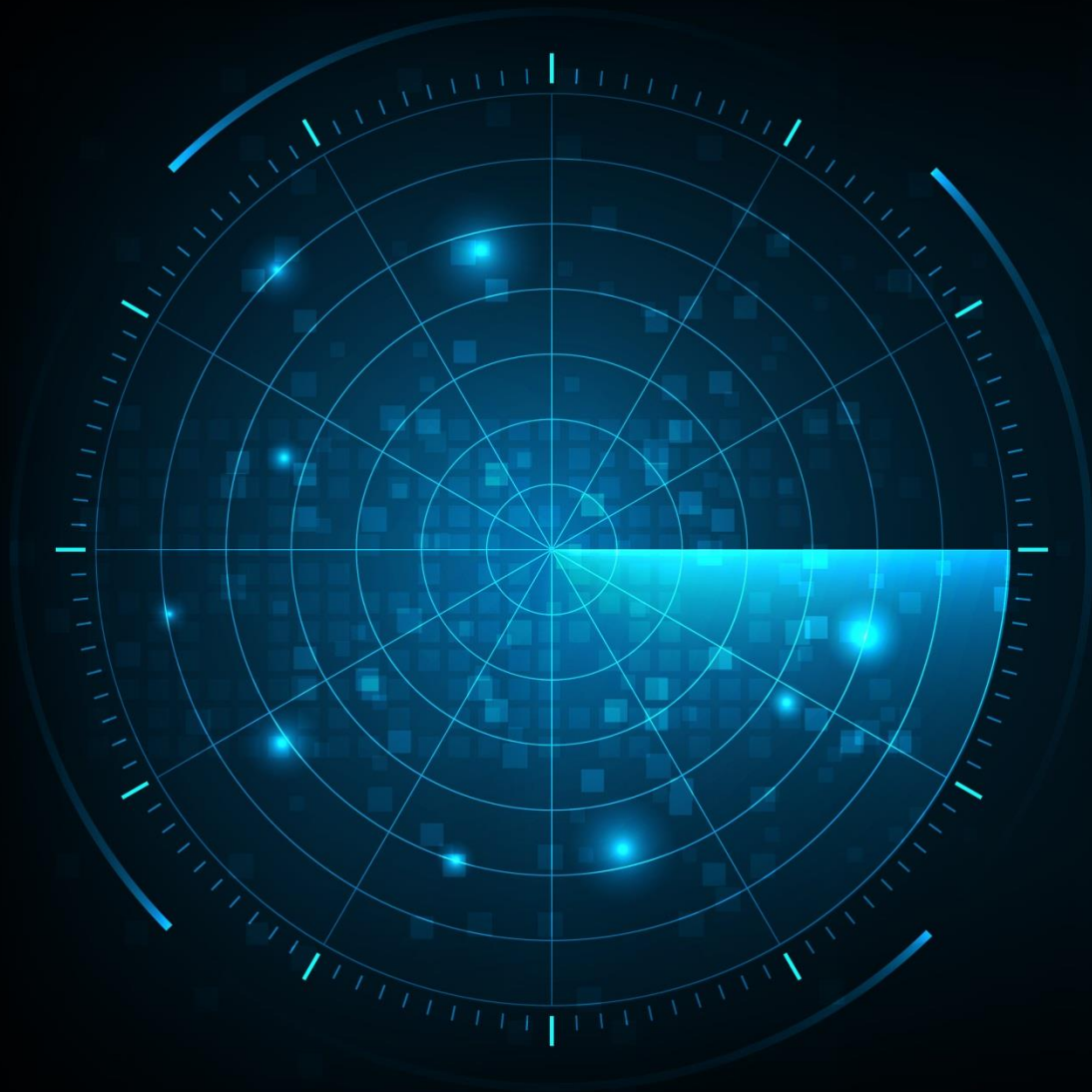
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Frost Radar™

CALA Unified Communications as a Service Market

Frost Radar™: CALA UCaaS Market

Frost Radar™

GROWTH INDEX

INNOVATION INDEX

Claro Colombia
Lumen
MCM Telecom
Softline
C&W Business
net2phone
Movistar Chile
Alestra
Olitel
Embratel
Tigo
Movistar Colombia
Entel
Telmex
GoTo
Orange
Claro Chile
ETB
C3ntro
Digicel
Vivo
Algar
SoftwareONE
NTT
IPLAN
Movistar Perú

Source: Frost & Sullivan

Companies to Action

Companies to Be Considered First for Investment, Partnerships, or Benchmarking

Net2phone

INNOVATION

- Part of the global conglomerate IDT, net2phone is the UCaaS arm with a presence in 40 countries and virtual phone numbers in more than 50 countries and 300 cities.
- The company continually adds new features into its meetings solution Huddle, which is often sold as part of a UCaaS bundle but can also be adopted as a standalone solution.
- Tight integrations are possible with the most commonly used business applications, such as Microsoft Teams, ZOHO, Slack, and Salesforce, and it also leverages Zapier to easily integrate thousands of third-party apps.
- Customized integrations with regional industry-specific CRMs in the automotive and real estate verticals give it a competitive edge.
- Net2phone's recent acquisition of CCaaS provider Integra broadens its portfolio and allows for tighter integration and cross-selling.

GROWTH

- In Latin America, net2phone is present in major urban areas in Brazil, Mexico, Argentina, Colombia, Chile, and Peru. The company leverages its own infrastructure and has a carrier license in each of these countries, allowing it to provide direct inward dialing numbers and include telephony minutes into its UCaaS bundles.
- Frost & Sullivan regards net2phone as one of the fastest-growing UCaaS providers in the region, holding a top 8 position in terms of market share.
- The company has built a highly diversified client portfolio with customers ranging from 2 to 3,000 lines, and it established solid penetration in several industries, such as healthcare, retail, education, hospitality, and professional services.
- Its large partner ecosystem, consisting in hundreds of agents and channel partners, provides the capability to sustain a strong growth pipeline.

FROST PERSPECTIVE

- While this is net2phone's first appearance on a Frost Radar™, it achieved above-average scores on both the Growth and Innovation Indices, averaging 3.83 points.
- net2phone should increase its brand recognition in Latin America by focusing marketing campaigns on the enterprise communications realm.
- The company has centralized development teams that collaborate with regional engineers to tailor projects for large customers.
- net2phone would do well in further synergizing with its parent company (IDT) to drive competitive differentiation in the marketplace.
- It must double down on its AI innovation efforts to improve the communication experience pre, during, and post internal interactions.
- net2phone must continue expanding into more LATAM countries, leveraging its proximity to enter Central American markets.

Source: net2phone; Frost & Sullivan

Strategic Insights

Strategic Insights

1

Most organizations in CALA plan for a hybrid workplace, in which many employees perform tasks from home or another remote location. Over 80.0% of Latin American IT decision-makers had more than 10.0% of their workforce working remotely by the end of 2021. Accordingly, providers must broaden their value proposition to account for every need of those companies embracing a hybrid work arrangement, going fully remote, or returning to the office entirely.

2

The demand for Contact Center-as-a-Service (CCaaS) in CALA is increasing. Frost & Sullivan expects this market to reach 28.7% revenue growth in 2022 and to experience a CAGR of 25.0% from 2021 to 2026. Therefore, UCaaS providers must capitalize on this opportunity and address existing demand among their customers. As a matter of fact, more than half of UCaaS service providers in CALA have developed or are developing contact center capabilities, and this number has been growing year after year.

3

The demand for web and video conferencing is increasing as feature-rich, reliable, yet inexpensive solutions become available. Moreover, a large group of users that choose collaboration-centric over voice-centric solutions for all purposes emerged during the COVID-19 pandemic and are here to stay. UCaaS providers should enhance solution bundles with additional collaboration features to deliver a more compelling user experience, combat declining ARPU, and gain a competitive edge.

Source: Frost & Sullivan

Next Steps: Leveraging the Frost Radar™ to Empower Key Stakeholders

Significance of Being on the Frost Radar™

Companies plotted on the Frost Radar™ are the leaders in the industry for growth, innovation, or both. They are instrumental in advancing the industry into the future.

GROWTH POTENTIAL

Your organization has significant future growth potential, which makes it a Company to Action.

BEST PRACTICES

Your organization is well positioned to shape Growth Pipeline™ best practices in your industry.

COMPETITIVE INTENSITY

Your organization is one of the key drivers of competitive intensity in the growth environment.

CUSTOMER VALUE

Your organization has demonstrated the ability to significantly enhance its customer value proposition.

PARTNER POTENTIAL

Your organization is top of mind for customers, investors, value chain partners, and future talent as a significant value provider.

Source: Frost & Sullivan

Frost Radar™ Empowers the CEO's Growth Team

STRATEGIC IMPERATIVE

- Growth is increasingly difficult to achieve.

- Competitive intensity is high.

- More collaboration, teamwork, and focus are needed.

- The growth environment is complex.

LEVERAGING THE FROST RADAR™

- The Growth Team has the tools needed to foster a collaborative environment among the entire management team to drive best practices.

- The Growth Team has a measurement platform to assess future growth potential.

- The Growth Team has the ability to support the CEO with a powerful Growth Pipeline™.

NEXT STEPS

- **Growth Pipeline Audit™**

- **Growth Pipeline as a Service™**

- **Growth Pipeline™ Dialogue with Team Frost**

Source: Frost & Sullivan

Frost Radar™ Empowers Investors

STRATEGIC IMPERATIVE	LEVERAGING THE FROST RADAR™	NEXT STEPS

STRATEGIC IMPERATIVE

- Deal flow is low and competition is high.

- Due diligence is hampered by industry complexity.

- Portfolio management is not effective.

LEVERAGING THE FROST RADAR™

- Investors can focus on future growth potential by creating a powerful pipeline of Companies to Action for high-potential investments.

- Investors can perform due diligence that improves accuracy and accelerates the deal process.

- Investors can realize the maximum internal rate of return and ensure long-term success for shareholders.

- Investors can continually benchmark performance with best practices for optimal portfolio management.

NEXT STEPS

- **Growth Pipeline™ Dialogue**

- **Opportunity Universe Workshop**

- **Growth Pipeline Audit™ as Mandated Due Diligence**

Source: Frost & Sullivan

Frost Radar™ Empowers Customers

STRATEGIC IMPERATIVE

- Solutions are increasingly complex and have long-term implications.

- Vendor solutions can be confusing.

- Vendor volatility adds to the uncertainty.

LEVERAGING THE FROST RADAR™

- Customers have an analytical framework to benchmark potential vendors and identify partners that will provide powerful, long-term solutions.

- Customers can evaluate the most innovative solutions and understand how different solutions would meet their needs.

- Customers gain a long-term perspective on vendor partnerships.

NEXT STEPS

- **Growth Pipeline™ Dialogue**

- **Growth Pipeline™ Diagnostic**

- **Frost Radar™ Benchmarking System**

Source: Frost & Sullivan

Frost Radar™ Empowers the Board of Directors

STRATEGIC IMPERATIVE

- Growth is increasingly difficult; CEOs require guidance.

- The Growth Environment requires complex navigational skills.

- The customer value chain is changing.

LEVERAGING THE FROST RADAR™

- The Board of Directors has a unique measurement system to ensure oversight of the company's long-term success.

- The Board of Directors has a discussion platform that centers on the driving issues, benchmarks, and best practices that will protect shareholder investment.

- The Board of Directors can ensure skillful mentoring, support, and governance of the CEO to maximize future growth potential.

NEXT STEPS

- **Growth Pipeline Audit™**

- **Growth Pipeline as a Service™**

Source: Frost & Sullivan

Frost Radar™ Analytics

Frost Radar™: Benchmarking Future Growth Potential
2 Major Indices, 10 Analytical Ingredients, 1 Platform

GROWTH INDEX ELEMENTS

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline™ system; and effective market, competitor, and end-user focused sales and marketing strategies.

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
  This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.

- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
  This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.

- **GI3: GROWTH PIPELINE™**
  This is an evaluation of the strength and leverage of a company's growth pipeline™ system to continuously capture, analyze, and prioritize its universe of growth opportunities.

- **GI4: VISION AND STRATEGY**
  This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?

- **GI5: SALES AND MARKETING**
  This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

Frost Radar™: Benchmarking Future Growth Potential
2 Major Indices, 10 Analytical Ingredients, 1 Platform

INNOVATION INDEX ELEMENTS

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

- **II1: INNOVATION SCALABILITY**
  This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

- **II2: RESEARCH AND DEVELOPMENT**
  This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

- **II3: PRODUCT PORTFOLIO**
  This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.

- **II4: MEGA TRENDS LEVERAGE**
  This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found here.

- **II5: CUSTOMER ALIGNMENT**
  This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

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