2016 EMEA Video Conferencing Competitive Strategy Innovation and Leadership Award
Contents

Background and Company Performance .................................................................3

Industry Challenges ..........................................................................................3

Strategy Innovation and Customer Impact .........................................................3

Conclusion .........................................................................................................7

Significance of Competitive Strategy Innovation and Leadership .......................8

Understanding Competitive Strategy Innovation and Leadership .......................8

Key Benchmarking Criteria ..............................................................................9

Best Practice Award Analysis for Lifesize ............................................................9

Decision Support Scorecard ..............................................................................9

Strategy Innovation ..........................................................................................10

Customer Impact ..............................................................................................10

Decision Support Matrix ..................................................................................11

The Intersection between 360-Degree Research and Best Practices Awards ..........12

Research Methodology .....................................................................................12

About Frost & Sullivan .....................................................................................12
Background and Company Performance

Industry Challenges

Frost & Sullivan’s research on the European video conferencing market indicates a revenue decline of 8.4 percent in the endpoint segment and 14.1 percent in the infrastructure segment of the market in 2014.

The overly mature endpoint segment is faced with significant price erosion and consumerization of video in the workplace, thus limiting room for further growth. Boardroom systems are waning in popularity, primarily because of the huge financial investment and the physical space needed for such large and complex systems. In addition, an abundant availability of unequipped huddle rooms is pressing vendors to rethink their product engineering strategies and launch innovative and cost-effective solutions for this emerging opportunity.

On the other hand, the infrastructure segment is impacted by the growing demand and shift to hosted/cloud-based video conferencing services, which is expected to grow at a CAGR of 20.2 percent between 2014 and 2019. Within cloud video, the software multipoint control unit (MCU) based video conferencing service is gaining more momentum than the traditional alternative of hardware-based MCU services. Software-based cloud video provides elastic scalability and flexibility to integrate a variety of software video clients with existing video endpoints and infrastructure components at a reduced cost.

A high degree of innovation is essential to attain the right balance between product/service value and price. A competitive strategy and innovation leader successfully addresses these industry challenges and offers a simple and efficient video conferencing system at an affordable price.

Strategy Innovation and Customer Impact

Strategy Effectiveness

In a highly competitive marketplace, Lifesize’s strategy stands out in its focus on tight integration with existing customer video conferencing assets, directory control and a full feature set in its cloud-based audio, web and video conferencing application. The end user organization’s demand for scalable, cost-effective and flexible services led Lifesize to make a strategic move from premises-based to cloud services delivery over the last few years. Lifesize Cloud offers a seamless multi-party video calling experience across the company’s own and third-party video conferencing endpoints, including mobiles and desktops using the cloud-based application client or browser access. While traditional video infrastructure vendors have also launched cloud services, they have met with mixed success and risk
conflicting with channel partners that are also seeking to build up their recurring revenue streams.

In recognition of market expectations for low cost and easy to use video conferencing endpoints, Lifesize moved away from a traditional boardroom systems product line to launch the highly intuitive, affordable, interoperable, full-feature and cloud-optimized Lifesize Icon endpoint series. These plug-and-play endpoints can be integrated with a desktop and mobile calling client that allows users to experience seamless video conferencing experience across smartphones, tablets and laptops.

These strategic service/product launches resonate well with the long term vision of the company to drive adoption and utilization of enterprise video through a selection of robust and easy to configure endpoints that easily connect to cloud.

Frost & Sullivan believes that Lifesize’s strategy is focused on its customers as the priority and is accordingly designed to address prevailing customer requirements, thereby resulting in success in the EMEA market.

**Strategy Execution**

Lifesize has seen significant growth in its Lifesize Cloud business since it launched. Since 2014, the company has acquired more than 3,000 paid customer accounts globally. Upon the company’s spin-off from Logitech in 2015, Lifesize obtained substantial financial backup from venture capital partners such as Redpoint Ventures, Sutter Hill Ventures and Meritech Capital Partners. These partners validate Lifesize’s approach and serve to empower its presence in the cloud services market.

Lifesize executes on its cloud strategy based on sound technology architecture from SoftLayer, an IBM company. SoftLayer has 14 data centers globally, each equipped with 5,000 servers. Four SoftLayer data centers in Europe are located in Amsterdam, Frankfurt, Milan and London, with an additional eight in the U.S and two in APAC. Lifesize Cloud is hosted in 10 SoftLayer data centers that are all inter-connected with a private data network running at speeds of 2,000 Gbps. Further, Lifesize has partnerships with 20 global carriers that connect to SoftLayer's POPs at a bandwidth of 10 Gbps. These carriers play a critical role in extending the Lifesize Cloud connectivity worldwide. Notable European partners in this alliance include TeliaSonera, Telefonica, Deutscher Commercial Internet Exchange (DE-CIX), Amsterdam Internet Exchange (AMS-IX), and London Internet Exchange (LINX).

Lifesize maintains a focus on reliability, security and control that customer organizations demand today. The company has adopted a cloud architecture that ensures high resiliency and redundancy. By means of clustering call control and multiparty calling instances in each cloud node, Lifesize facilitates fall back on other available instances in response to failure of an instance or connection outages. In terms of data protection, Lifesize
ascertains that all video calls are fully encrypted using advanced encryption standard (AES)-128 and all signals are encrypted using transport layer security (TLS). Thus, Lifesize’s adherence to high SLA standards enhances its competitiveness and differentiation in the cloud video conferencing services market.

Lifesize also revamped its product portfolio to focus on the user experience with easy-to-use video conferencing endpoints. In early 2015, Lifesize launched the Icon 400 endpoint targeted at huddle rooms, and launched Icon Flex targeted at users using video-enabled web conferencing applications such as Microsoft Lync/Skype for Business, Google Hangouts, Citrix GoToMeeting, and Cisco WebEx etc. Both Icon 400 and Flex are plug-and-play solutions that are most suitable for small conference rooms and larger huddle spaces. In mid-2015, Lifesize launched Cloud Amplify, a cloud-based recording, sharing and auto-publishing solution to help organizations leverage valuable content as an asset across their environment. This becomes an important social element as video and audio participants in the call are automatically tagged and recordings are added to their personal libraries, extending the scope for further discussion in the workplace. Lifesize’s all-in-one collaboration platform also integrates 1:1 and group chat across all devices.

By acknowledging the importance of cloud services as an essential service delivery and consumption model in video conferencing and making strategic moves to expand the usability and use cases, Lifesize is excelling in this market.

**Competitive Differentiation**

While the video conferencing industry is in a state of consolidation, Lifesize made the bold decision to separate from Logitech in 2015. Realizing the financial constraints of being part of a large publicly traded company and differences in terms of investment models, Lifesize spun off from Logitech to pursue opportunities in the cloud collaboration space. Lifesize’s independent status as a SaaS provider has afforded the strategic focus and funding opportunities that it needed in a competitive and fast growing market.

The attachment rate of Lifesize endpoints with cloud is ramping up, showcasing its ability to win customer mindshare as a holistic provider in the video conferencing market. Lifesize has an added advantage of tapping into its existing customer accounts that are using the company’s legacy hardware infrastructure to upgrade them to the Lifesize Cloud offering.

Lifesize’s decision to host the infrastructure without white-labeling boosts further adoption as the service guarantees significantly high uptime. However, the company ensures that it protects the interests of its channel partners as they benefit from recurring revenues by offering Level 1 support services in addition to product and service margins, installation and integration services and avoiding the expense of setting up their own infrastructure.
Lifesize’s focus on offering complete portfolio and its readiness to assume ownership of hosting the infrastructure sets it apart from the majority of its competition.

**Price/Performance Value**

The low penetration rate of traditional video conferencing endpoints in the video conferencing market is now pushing the vendor community to launch low-cost endpoints. However, Lifesize has been selling endpoints for $1,000-$2,000 less than the industry average selling price (ASP) since its launch. It has been winning many customers due to its attractive prices that appeal to companies of all sizes.

Similarly, per Frost & Sullivan’s research on the hosted video conferencing services market, the ASP per seat per year was $351 in 2014. In contrast, Lifesize Cloud starts at $349 per seat per year. Lifesize offers three different subscription plans for small businesses to large organizations: Core, Premium and Enterprise. At the same time, Lifesize has not compromised on functionality to achieve its affordability; it has constantly remained on top of emerging technology developments that add value to its customers. The company’s proven track record in this regard is evident from its launch of low-cost high definition (HD) video conferencing endpoints more than a decade ago. More recently, the launch of Lifesize cloud video conferencing services that offer impeccable virtual meeting room experiences and seamless interoperability with third-party solutions validates the company’s continued focus on meeting customer demands with affordable, yet robust solutions.

**Customer Ownership Experience**

Lifesize aims to provide exceptional video quality coupled with excellent product design. An illustration of this approach is the company’s video conferencing deployment for Zehnder Group, a leading provider of heating, ventilation and air conditioning (HVAC) and controlled domestic ventilation systems. Lifesize’s solution proved to be the best fit for Zehnder’s requirements that included a smooth video transmission corresponding to the bandwidth, an easy to install and affordable solution that works across different form factors including smartphones, laptops and meeting room systems, and a highly secure solution. With the help of Lifesize’s hardware endpoints, soft clients and Lifesize Cloud service, Zehnder was able to achieve a well-connected work environment by establishing a connection between all video-enabled devices easily. In addition, the ability of Lifesize endpoints to seamlessly integrate with Microsoft Skype for Business enriched Zehnder’s product ownership experience while allowing Skype for Business users to connect via rich visual communications to others outside of the Microsoft environment.

In its position at the cutting edge of technological innovation, Lifesize serves to reinforce better video conferencing experience across users at distributed locations, utilizing different endpoints and on a range of platforms.
Brand Equity

Lifesize has successfully built a strong brand for its technological innovation amidst other participants in this market. High brand value is essential at every segment of the ecosystem in order to remain competitive in this dynamic market. Lifesize’s proven experience and expertise in the market is a valuable asset to its partners, such as Zycko Limited, Dekom AG and Videonations Limited - all can effectively leverage this credibility in the customer community.

One of the most important success factors in the cloud video conferencing service market is to maintain high resiliency. Lifesize achieves this in part through IBM SoftLayer technology. As a testimony to its performance, IBM honored Lifesize with the IBM Beacon Award for Outstanding Solutions Hosted on IBM Cloud, which is given to partners who have excelled in transforming the clients’ businesses and promoting growth based on IBM’s cloud platform.

Accordingly, the market views Lifesize as an innovative and reliable provider which is pivotal in customer acquisition and retention in the fiercely intense video conferencing services market.

Conclusion

Frost & Sullivan’s independent analysis of the Video Conferencing market clearly shows that Lifesize’s focus on an end-to-end offering including product development, cloud service provisioning, and a strong partner ecosystem gives it an upper hand as against the competition.

For its strong overall performance, Lifesize has earned Frost & Sullivan’s 2016 Competitive Strategy Innovation and Leadership Award.
Significance of Competitive Strategy Innovation and Leadership

Any successful approach to achieving top-line growth must (1) take into account what competitors are, and are not, doing; (2) meet customer demand with a comprehensive, value-driven product or service portfolio; and (3) establish a brand that resonates deeply with customers and stands apart from other providers. Companies must succeed at these three things—brand, demand, and positioning—to achieve best-practice levels in competitive strategy.

Understanding Competitive Strategy Innovation and Leadership

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 strategy innovation and customer impact.
Key Benchmarking Criteria
For the Competitive Strategy Innovation and Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Strategy Innovation and Customer Impact—according to the criteria identified below.

Strategy Innovation
Criterion 1: Strategy Effectiveness
Criterion 2: Strategy Execution
Criterion 3: Competitive Differentiation
Criterion 4: Executive Team Alignment
Criterion 5: Stakeholder Integration

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 Lifesize
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 Strategy Innovation 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, Frost & Sullivan chooses to refer to the other key players as Competitor 1 and Competitor 2.

**DECISION SUPPORT SCORECARD: COMPETITIVE STRATEGY INNOVATION AND LEADERSHIP AWARD**

<table>
<thead>
<tr>
<th>Measurement of 1–10 (1 = poor; 10 = excellent)</th>
<th>Competitive Strategy Innovation and Leadership</th>
<th>Strategy Innovation</th>
<th>Customer Impact</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifesize</td>
<td></td>
<td>9.4</td>
<td>9.2</td>
<td>9.3</td>
</tr>
<tr>
<td>Competitor 1</td>
<td></td>
<td>8.7</td>
<td>8.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Competitor 2</td>
<td></td>
<td>7.6</td>
<td>7.5</td>
<td>7.6</td>
</tr>
</tbody>
</table>

**Strategy Innovation**

**Criterion 1: Strategy Effectiveness**  
Requirement: Strategy effectively balances short term performance needs with long-term aspirations and vision for the company

**Criterion 2: Strategy Execution**  
Requirement: Adoption of best-in-class processes to support the efficient and consistent implementation of business strategy

**Criterion 3: Competitive Differentiation**  
Requirement: Unique competitive advantages with regard to solution or product are clearly articulated and well accepted within the industry

**Criterion 4: Executive Team Alignment**  
Requirement: The executive team is aligned on the organization’s mission, vision, strategy and execution

**Criterion 5: Stakeholder Integration**  
Requirement: Strategy reflects the needs or circumstances of all industry stakeholders, including competitors, customers, investors, and employees

**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.
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.

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 over 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 40 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.