

FROST & SULLIVAN

BEST PRACTICES

AWARDS

FROST & SULLIVAN

2020 BEST PRACTICES AWARD

zendesk

**2020 NORTH AMERICAN
OMNICHANNEL DIGITAL CUSTOMER
ENGAGEMENT COMPETITIVE STRATEGY
INNOVATION AND LEADERSHIP AWARD**

Contents

Background and Company Performance	3
Industry Challenges	3
<i>Strategy Innovation and Customer Impact of Zendesk</i>	3
<i>Conclusion</i>	8
Significance of Competitive Strategy Innovation and Leadership	9
Understanding Competitive Strategy Innovation and Leadership	9
<i>Key Benchmarking Criteria</i>	10
Best Practices Award Analysis for Zendesk.....	10
<i>Decision Support Scorecard</i>	10
<i>Strategy Innovation</i>	11
<i>Customer Impact</i>	11
<i>Decision Support Matrix</i>	12
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices.....	13
The Intersection between 360-Degree Research and Best Practices Awards.....	14
<i>Research Methodology</i>	14
About Frost & Sullivan	14

Background and Company Performance

Industry Challenges

Customer engagement is changing from a voice-centric approach to the inclusion of digital and self-service channels. Enterprises typically provide six or more channels for customer interaction, and that number is expanding. For instance, according to Dimension Data's 2019 Global Customer Experience Benchmarking Report, "Today, most offer just seven channel options. However, a significant focus on virtual assistants and proactive automation will see the average number of channels increase to 12 by next year." (© Dimension Data 2015 – 2019).

Self-service channels, such as interactive voice response (IVR), chat and messaging bots, and virtual assistants, that take advantage of maturing technologies, such as speech recognition, machine learning, and artificial intelligence (AI), are becoming increasingly popular. The growing demand for these contact channels means that providers must focus on increasing the first-contact resolution for customers and heightening customer satisfaction (CSAT) to improve the overall customer engagement.

The way people communicate is fundamentally changing. Consumers are researching products and services and then contacting brands on mobile devices more than ever before. Conversations are often brief and even somewhat frenzied. Companies have adjusted to contemporary capitalism's more frenetic pace with mobile-friendly applications that accommodate the way users interact, even as more channel options continue to appear. For instance, messaging applications are being adopted globally at an impressive pace. In 2018, Facebook reported that WhatsApp and Facebook alone carry 22 trillion messages per year, offering a significant opportunity for companies to provide new forms of customer engagement. Further research by Facebook in 2019 showed that 69% of consumers feel more confident about brands they can reach through messaging, and 2 in 3 people surveyed worldwide had messaged a business.

However, the messaging app customer engagement channel has been fraught with the same challenges that other channels have experienced. For example, emerging channels are often introduced in silos, resulting in a fractured customer experience (CX) characterized by a lower CSAT and a higher number of occasions when customers must recontact a business. In addition, myriad emerging digital channels are placing higher burdens on customer service agents.

To improve both the CX and the employee experience (EX), solution providers need to find a way to eliminate siloed channels and streamline the way customers seek to engage with businesses.

Strategy Innovation and Customer Impact of Zendesk

Founded in 2007, San Francisco-based Zendesk was one of the earliest providers of customer relationship management (CRM) solutions. Since then, the company has blossomed into a premiere provider of customer service and engagement. Zendesk has over 150,000 paid customer accounts, 3,500 employees and 17 offices worldwide.

Executive Team Alignment

While initially focused on CRM, Zendesk has been highly attuned to the industry goal of adding new sources of data to improve employee and agent engagement, new channels of customer interaction, and seamless omnichannel service delivery, inclusive of digital channels. To this end, the company has continuously refined its portfolio through internal development and by adding third-party applications through rich application programming interfaces (APIs).

To address these challenges, Zendesk's executive team looked at the challenges that a burgeoning ecosystem of applications created, from storage to integration issues. As a result, in the fall of 2018, Zendesk launched its next-generation customer engagement platform, Zendesk Sunshine, which has already seen rapid adoption. Zendesk Sunshine is an open, flexible CRM platform built on Amazon Web Services (AWS) that helps businesses connect and understand customer data and build next-generation customer experiences.

To refine its strategy further, the executive team looked for ways to strengthen the digital customer engagement and saw the opportunity to leapfrog development by approaching Smooch, a premiere provider of omnichannel digital engagement, which had already been a key Zendesk partner in this arena. In May 2019, Smooch became a part of the Zendesk family, and its platform was rebranded as Sunshine Conversations.

Smooch to Sunshine Conversations — the Initial Challenge Smooch Set Out to Solve

Founded in 2015, Smooch quickly became a rising star in digital customer engagement. In fact, Smooch began generating revenue from its first month of business, and by the time it joined with Zendesk, it had been enjoying growth of over 10% per month, or almost 450% per year, since it was founded. The company set out to address the gap that continues to exist between interaction channels and their supporting systems, making it easier for businesses to support the conversations that customers want to have, rather than forcing those customers to communicate on a business's preferred channel. Therefore, Smooch designed a platform that unifies and normalizes data across channels so that a customer can communicate with a business across any messaging platform, with the agent only having to handle one interaction interface.

Frost & Sullivan research shows that Smooch's design philosophy aligned with the following key customer contact trend: enabling the proliferation of digital channels while remaining focused on the human touch. Smooch's founders clearly understood that technology must be tailored to the needs of end users rather than developed for its own sake. The company's mission was to help brands build more meaningful relationships with customers through conversations, thus maintaining a more human form of interaction. In fact, the Smooch company name was chosen to evoke thoughts of customer intimacy to emphasize the company mission of human engagement. Founder and former CEO, Warren Levitan, stated, "We want to help brands build more meaningful relationships with their customers, and we believe that starts with engaging with customers on their own terms.

Today that means messaging. With over four billion global messaging accounts, it's not only where customers are today, but these channels also provide the most personal and natural method of communicating."

In 2019, when Smooch executives determined the depth of Zendesk's vision for Sunshine and its team's commitment to building a truly open platform that mirrored its own view on the importance of conversational data, a marriage of two partners was born, and Zendesk attained the missing piece in its strategy for omnichannel customer engagement.

Digital Strategy Effectiveness

Smooch's first product was in-app messaging, which allows mobile app developers to integrate a chat or messaging experience directly into their app, thereby providing users with mobile-friendly customer and product support without needing to leave the app. Smooch became to mobile apps what live chat was to a Web site. Because the team at Smooch did not want to force yet another screen into enterprise contact centers, it designed its messaging solution to connect with an enterprise's existing customer engagement platform. The product focus has since expanded to help consumer enterprises engage with users wherever those users are, including through web messengers, SMS and rich communication services (RCS), global messaging platforms (e.g., Facebook Messenger, WhatsApp, Twitter, WeChat, and Line), and voice assistants (e.g., Google Home and Alexa).

The second part of Smooch's mission was to unify conversations across both consumer channels and the enterprise. For example, a company might initiate a conversation with a customer using a marketing bot so that the customer can explore a retail Web site and look for something that complements a product they already have. That marketing bot might be running off of an Oracle bot platform; however, if the customer suddenly decides to see if the company offers a replacement part for an existing purchase rather than buying a new one, the customer's prior purchase information and service details might be running off of a different platform, with the customer needing to converse with a different service bot or agent.

Before Smooch was acquired by Zendesk, yet still in the majority of the current market, those conversations required two separate systems and platforms with two different bots. With Zendesk, the combination of Sunshine and Sunshine Conversations enables businesses to break down the walls between marketing, service, and sales and have a single view of the customer and shared conversation across platforms. Therefore, with Sunshine Conversations, businesses can unify their disparate channels and orchestrate the entire customer journey conversation.

Frost & Sullivan believes that laying the foundation by enabling easy cross platform engagement and then extending this across disparate underlying systems go a long way toward delivering real omnichannel digital customer care.

Strategy Execution

The Sunshine Conversations data platform enables companies to bring effective and consistent conversational interfaces across existing and emerging customer contact channels. In addition, this platform unifies and normalizes data across all channels, including chat, messaging, and email.

Sunshine Conversations collects input to build a unified conversational record or timeline of all customer engagement, regardless of channel or enterprise function. Through native-built or public APIs, the platform federates content with other systems so that outside conversations can be combined with existing data. This process allows any enterprise system to consume another system's conversations and initiate actions in real time to improve interactions, such as conducting language translation, sentiment and intent analysis, and fraud detection. Moreover, it can integrate Sunshine Conversations with other systems of engagement, including competitive CRM systems. Sunshine Conversations supports an ecosystem of pre-integrated enterprise software, including marketing automation, sales, and chatbots/AI. Additionally, today Sunshine Conversations powers in-app chat, messaging, and conversational bot offerings for over 100 independent software vendors, including Genesys, LogMeIn, Lithium, and Oracle.

Furthermore, Zendesk Conversations orchestrates conversation flow across all integrated software, facilitating smooth transitions from self-service channels to agents (e.g., bot-to-human handoffs), properly routing customer responses to outbound sales campaigns, or posting call surveys from interactions with agents. Moreover, the platform can combine data with other applications, enabling companies to pre-process and enrich messages before routing. For example, a company could apply sentiment analysis on conversations and then based on customer disposition, route the customer to a specific agent or group that is best geared to handle the interaction.

Frost & Sullivan research indicates that in a truly omnichannel landscape, smoothly integrating data across touchpoints and customer journeys and then surfacing that data to supervisors, agents, and other stakeholders will significantly impact CX and EX. The combination of the Sunshine CRM platform and Sunshine Conversations allows one conversational record or 'single point of customer truth' and one API for channel access to drive greater simplification in customer interactions.

Competitive Differentiation

Zendesk has cracked the code to omnichannel service delivery across digital channels in a way not seen by competitors. In fact, Frost & Sullivan research shows that other leading vendors within customer contact center software adopting the Zendesk Conversations platform illustrates the need for this type of technology.

Sunshine Conversations is the first real-time platform to normalize and unify conversation data from any channel. While most companies use profile and transactional data, along with perhaps behavioral, demographic, or other data, to understand customers, Zendesk adds a layer to this and collects and analyzes the conversational aspects of customer

interactions to enhance what the company knows about both the interaction and the customer.

Sunshine Conversations connects any enterprise software with any end-user messaging channel to send and receive messages through a unified API. In addition, the platform automates rich message translation across channels, thereby normalizing message content and optimizing representation of that message for each channel, including support for conversational commerce. More technically, developers can express the content of a message in standardized JavaScript Object Notation (JSON) format, write against the unified conversations API, and have that message automatically translated upon delivery in the most expressive format for each channel.

For example, the Sunshine Conversations Multi-channel Translator uses a defined set of messaging types, such as a quick reply button. In a messaging app, the user is presented visually with a button, an emoji, or the richest representation supported by that app, and when the user clicks on the button, the underlying text (i.e., intent, such as green button being good) is sent back to the business system the initial message came from. Similarly, an agent can send a follow-up survey to a customer regardless of which messaging app the customer is using. The agent can simply click on 'send survey,' and the JSON is sent in the proper format for the channel the customer is using. The translator currently supports 14 messaging types, 12 channels, and 168 variations between them. If a message type is not supported, then the platform understands the message intent and will display it using the best available format.

Frost & Sullivan analysis shows that the ability to write once and deploy across channels, without any real effort on behalf of an enterprise, enables businesses to support the multiple channels that customers are currently demanding. Additionally, the omnichannel characteristics of the Sunshine Conversations platform smoothly fit into Zendesk's omnichannel engagement strategy because both the Sunshine CRM platform and Sunshine Conversations are built for omnichannel service delivery and reside on AWS, thus enabling the scalability, security, and easier development of new capabilities.

Customer Ownership Experience

Sunshine Conversations supports a breadth of messaging channels; therefore, customers can be assured that any additional channels will be supported. Consider that when the messaging app WhatsApp was launched, it reached parts of South America and Africa in which other services, such as SMS, did not cover. In the first six months after launch, Zendesk received over 3,000 requests for WhatsApp accounts and ended up connecting more people to WhatsApp than anyone else.

With the Zendesk acquisition and the rebranding of Smooch as Sunshine Conversations, Smooch's installed customer base has access to true omnichannel service delivery through the greater Zendesk portfolio and can continue to gain capabilities through the ongoing development of the Conversations platform. For instance, existing Smooch customers will soon be able to offer more secure and compliant messaging solutions. Furthermore,

adding capabilities around group chat with outside resources will allow for greater customer engagement.

Brand Equity

Prior to its acquisition by Zendesk and despite its youth, Smooch had rapidly made substantial inroads in obtaining key partnerships within customer contacts, enabling it to expand and grow its presence and installed base of customers. In addition to Zendesk, other partners, such as Genesys and Oracle, recognized the value that Smooch brought in terms of expanding the capabilities of various customer interaction channels. Marquis brand customers have come on board as well, including Hilton, Volkswagen, Uber, L'Oréal, Freshworks, and the Four Seasons Hotels Limited.

With the Zendesk acquisition and integration into the portfolio, brand awareness and adoption of the rebranded Sunshine Conversations platform is soaring for messaging and has raised brand awareness for Sunshine as a whole. In the year since the launch of the Zendesk Sunshine platform, 2,500 customers have already been brought on board. With Conversations added, the omnichannel service delivery and conversational business engagement story are only strengthened.

Frost & Sullivan analysis shows that it is a particular testament to the strength of Zendesk's Sunshine Conversations platform that companies, such as Genesys, that are firmly committed to investing in areas such as AI, natural language interfaces, and other technologies have chosen Sunshine Conversations to enhance their product portfolios. As solution providers continue to embrace these technologies to improve the CX and deliver on omnichannel customer contact, Zendesk's solutions will only continue to grow in prominence.

Conclusion

Zendesk excels at executing a strategy of seamless digital customer engagement across channels and platforms. With its initial product releases and its long-term development strategy, the company is a rising star in omnichannel customer contact. The company's visionary innovation in messaging and other interaction channels, strong partnerships, and solid roadmap are boosting its ability to provide seamless customer journeys that improve the CX.

With its strong overall performance, Zendesk has earned Frost & Sullivan's 2020 Competitive Strategy Innovation and Leadership Award for omnichannel digital customer engagement.

Significance of Competitive Strategy Innovation and Leadership

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



Understanding Competitive Strategy Innovation and Leadership

Driving demand, brand strength, and competitive differentiation play critical roles 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 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

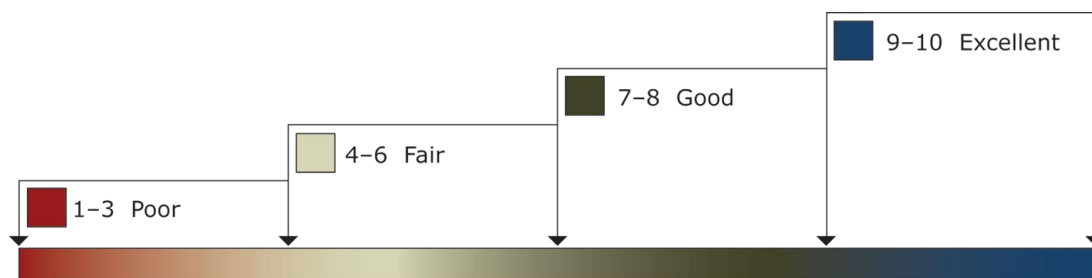
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for Zendesk

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 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 considers Strategy Innovation and Customer Impact (i.e., 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, Frost & Sullivan has chosen to refer to the other key participants as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Competitive Strategy Innovation and Leadership	Strategy Innovation	Customer Impact	Average Rating
Zendesk	9	9	9
Competitor 1	7.5	7	7.25
Competitor 2	7	7	7

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 supports 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 in the industry.

Criterion 4: Executive Team Alignment

Requirement: The executive team is aligned with 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 they are buying the 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

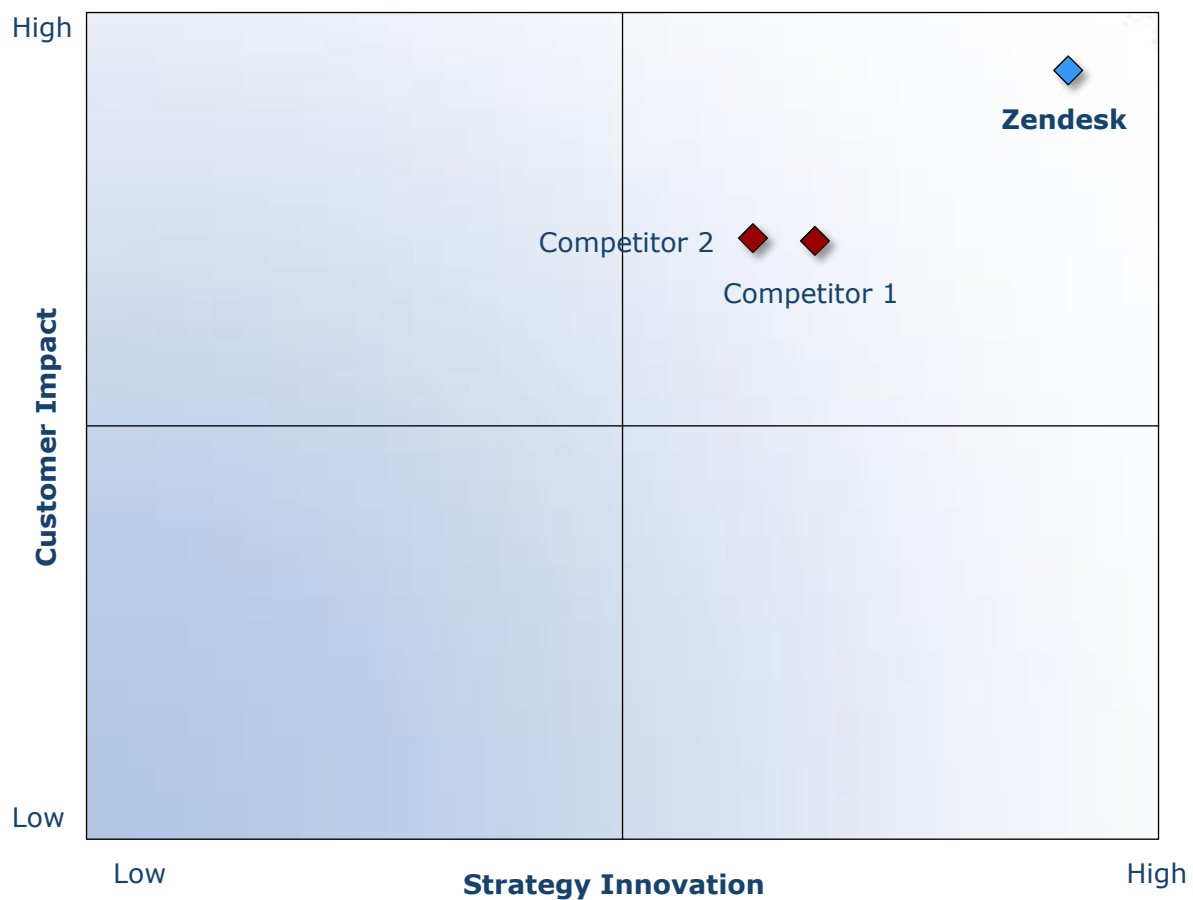
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

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 practices 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 world	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging industries • Scan multiple regions 	Pipeline of candidates that potentially meet all best practices 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 practices 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 practices 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 practices 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 practices award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select recipient 	Decision on which company performs best against all best practices criteria
9 Communicate recognition	Inform award recipient of 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 may 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 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 the 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, resulting in 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, helps clients 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 practices models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages nearly 60 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 45 offices on 6 continents. To join Frost & Sullivan’s Growth Partnership, visit <http://www.frost.com>.