

INTERACTIVE INTELLIGENCE®
Deliberately Innovative

2014 North American Contact Center Systems
Company of the Year Award



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

Company of the Year Award Contact Center Systems North America, 2014

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th-plus year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation, and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2014 North American Company of the Year Award in Contact Center Systems to Interactive Intelligence.

Significance of the Company of the Year Award

Key Industry Challenges Addressed by Contact Center Systems

There are a series of real challenges for premise-based contact center systems in North America. The global economy has negatively impacted sales at a time when the movement of contact centers to the cloud is gaining speed. Cloud solution providers present an attractive alternative to purchasing on-premise systems, enabling customers to use OPEX rather than CapEx funds, scaling economically as needed. Wary premise-based players have therefore looked to prove return on investment (ROI) and provide added value to their offerings. These systems providers have had to counter cloud-provider claims that cloud-based solutions are more flexible, with faster access to new developments that future-proof a customer's investment. Such claims have driven systems providers to offer their own cloud alternatives, further cutting into their own system sales.

Key Benchmarking Criteria for Company of the Year Award

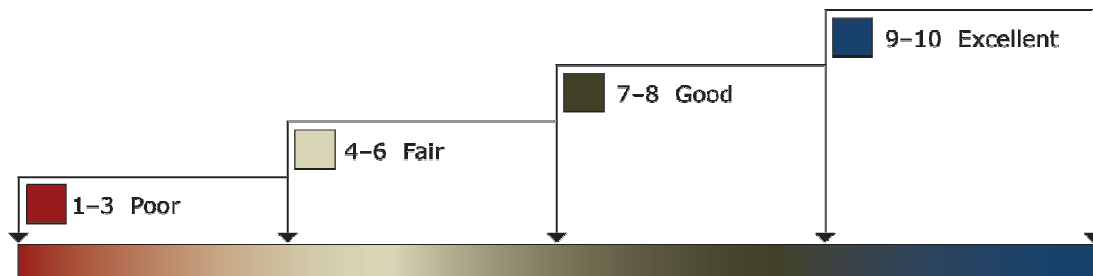
For the Company of the Year Award, the following criteria were used to benchmark Interactive Intelligence's performance against key competitors:

- Growth Strategy Excellence
- Growth Implementation Excellence
- Degree of Innovation with Products and Technologies
- Leadership in Customer Value
- Leadership in Market Penetration

Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies’ performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each Award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and Award category. The DSM allows our research and consulting teams to objectively analyze each company’s performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 1.

Chart 1: Performance-Based Ratings for Decision Support Matrix



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring 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.

Chart 2: Frost & Sullivan’s 10-Step Process for Identifying Award Recipients



Best Practice Award Analysis for Interactive Intelligence

The Decision Support Matrix, shown in Chart 3, illustrates the relative importance of each criterion for the Company of the Year Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

Chart 3: Decision Support Matrix for Company of the Year Award

<i>Measurement of 1-10 (1 = lowest; 10 = highest)</i>	Award Criteria					
	Growth Strategy Excellence	Growth Implementation Excellence	Degree of Innovation with Products and Technologies	Leadership in Customer Value	Leadership in Market Penetration	Weighted Rating
Relative Weight (%)	20%	20%	20%	20%	20%	100%
Interactive Intelligence	9	8.5	8.5	9.5	9.5	9.0
Competitor 1	9	9.5	7.5	8.5	9.5	8.8
Competitor 2	8	8.5	9	7.0	8.0	8.1

Criterion 1: Growth Strategy Excellence

Frost & Sullivan notes that Interactive Intelligence’s culture of openness is a significant force in helping the company grow. That culture is exemplified by exemplary Web-based marketing and sales initiatives that have resulted in a top-tier, informative, and useful Website that includes blogs, demos, adjunct micro-sites and social media, offering customers and prospects an array of useful information.

In fact, Frost & Sullivan considers such marketing efforts to be innovative. For several years Interactive Intelligence has pursued creative marketing campaigns that challenge customers and draw in prospects. The 2014 campaign, “The Customer Experience Makeover: Contact Center Style” increases awareness of the brand by offering organizations around the globe a chance to compete to have Interactive Intelligence and participating sponsors complete a makeover of their contact center at no charge. One past campaign that involved Oxfam, an international organization working to find lasting solutions to poverty in underdeveloped regions of the world, was particularly memorable; any Interactive Intelligence prospect able to meet with Interactive Intelligence would have a goat donated in his or her name to Oxfam. If a prospect also brought their boss, the

donation was in the form of a cow. These types of meaningful and attention-getting campaigns, including print ad campaigns, have successfully created visibility in the press, at trade shows, helped fill the sales pipeline, and showcased Interactive Intelligence's corporate culture. Clearly, these have proven to be wise, fruitful investments. It is therefore also no surprise that on average, Interactive Intelligence invests 19 percent of revenue back into Research and Development.

Even as its marketing efforts have born fruit, the company also has won recognition as a great place to work. Recently, it came in second on Mashable's "List of the 2014 Seven Best Tech Companies to Work For". It also received a Glassdoor Employees' Choice Award as one of the Best Places to Work in the U.S., and for the eighth consecutive year was named one of Indiana's Best Places to Work by the Indiana Chamber of Commerce.

Criterion 2: Growth Implementation Excellence

These efforts in sales and marketing have helped fuel growth for both cloud and on-premise solutions. Indeed, Interactive Intelligence accomplished this dual success in the face of an entire industry's movement to the cloud, and as competitor's systems revenue has steadily declined. Part of this dual success stems from offering hybrid deployments so that system customers can take advantage of the cloud, and vice-versa. The numbers tell the story. Interactive Intelligence's 2013 year-end financials revealed that cloud-based orders increased 87 percent year-over-year. Total orders also increased as much as 30 percent year-over-year, with cloud-based orders comprising 50% of the total.

Criterion 3: Degree of Innovation with Products and Technology

Since the launch of CIC 4.0 in late 2011, Interactive Intelligence has consistently brought forth innovative enhancements to the product set. In 2011, real-time speech analytics was added to the initial release, along with some well thought-out usability features, such as color coding the visual output of .wav files so users can see which parts are the agent and which are the customer, or which words are negative and which are positive. Similarly, users can see how much time the agent is talking versus the customer. In addition, a new configuration component was added, expanding capabilities beyond simply key word spotting in work groups to the ability to develop policies and assign key words to users and use them for non-ACD calls.

Interactive Intelligence also has shown innovation in combining the contact center and the larger enterprise. CIC includes unified communications, mobile and business process automation features that form bridges with the contact center. But the company also is creative with content management, offering a solution that combines all types of information that can be shared throughout the contact center and enterprise, including scanned images, documents, spreadsheets, photos, call recordings, chat transcripts, and video files. The solution enables users to easily store, organize, and secure all of this diverse information in a customized structure that the customer establishes.

And although Interactive Intelligence is primarily a software company, it also develops hardware in situations where it can help solve specific customer issues. For instance, customers that license CIC software also purchase certain hardware, such as application servers, media servers, gateways, and telephone handsets, and occasionally networking hardware. Indeed, Interactive Intelligence developed its Interaction Media Server, Interaction Edge, and Interaction SIP Station appliances as a combination of hardware and software.

Criterion 4: Leadership in Customer Value

Interactive Intelligence's all-in-one suite of products, including unified communications, mobile and business process automation capabilities, resonates well with customers looking to use a broad swath of communication and contact center features without the breakpoints typically found in legacy vendors' systems products. In most cases this architecture allows customers to add functionality without additional servers, which helps reduce cost and complexity. Moreover, with the release of CIC 4.0, Interactive Intelligence further cut down on system cost by delivering scalability enhancements two to eight times greater than before, resulting in support of 10,000 agents on a single server.

As noted above, Interactive Intelligence continues to expand functionality of the CIC platform through innovation, but also acquisitions. In 2014, it rebranded two of its acquired technologies, Interaction Collector from Latitude Software and Interaction Decisions from Bay Bridge Decisions, after adding new functionality to both.

To foster further innovation and customer value, Interactive Intelligence also created the Interactive Intelligence MarketPlace. This web-based portal acts as a repository of value-add applications, process templates, custom reports, dashboards, Web services, and packaged integrations available from resellers and third-party developers. These partners are eligible to post products on the Interactive Intelligence MarketPlace pending a submission review process.

Criterion 5: Leadership in Market Penetration

Finally, Interactive Intelligence also has put considerable effort into building increased scalability, functionality, and reliability into its core products, which has enabled it to increase market share and gain new footholds in other segments as well; consider that the increase in scale is creating noticeable penetration into larger businesses around the world. During 2014, the company has plans to further pursue these opportunities and expand in all segments and in all regions they support.

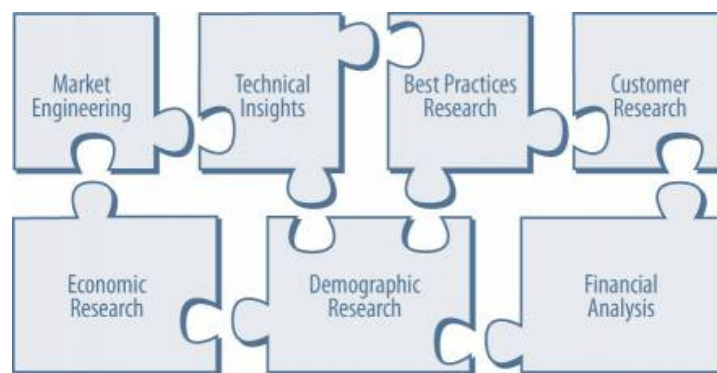
Conclusion

Interactive Intelligence is a strategic leader in all aspects of Contact Center Systems, as shown by its systematic innovation across the product portfolio, as well as how it addresses the core needs of its customers through increased scale, reliability, and flexible deployment options. For these specific reasons, Frost & Sullivan is pleased to present Interactive Intelligence with the 2014 North American Contact Center Systems Company of the Year Award.

Critical Importance of TEAM Research

Frost & Sullivan's TEAM 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 seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

Chart 4: Benchmarking Performance with TEAM Research



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 more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.