



8x8, Inc.

Addressing the SMB VoIP Opportunity as an 8x8 Partner

1/30/2009

Abstract

Many solution providers see recessions as a call to hunker down, reduce head count, and cut every cost possible. Savvy solution providers, on the other hand, see an upside permitting market share gains as others cut back. They'll sit down with clients, discuss their pain points and offer cost effective, value creating solutions to make them more successful. This is the key to building long-lasting client relationships. These bold solution providers diversify their solution offerings, competencies, etc. Talent, for example, is cheaper now and more readily available making it easier to hire technically diversified staff. They'll look to counter-cyclical technologies such as Communications as a Service. CaaS is an outsourcing model for enterprise communications – hosted VoIP, for instance. As a hosted VoIP solution provider, there is little if any inventory to hold. The hardware business, on the other hand, is very capital intensive. Hosted solutions are also user friendly in this regard. Capex is turned into customer opex with easy and fast access to solution functionality and a pleasing pay-as-you-grow formula. This is exactly what the Small and Medium Business (SMB) market segment is looking for. SMBs require the ability to impress their customers with the look and feel of a big company on a small company's recession-adjusted budget. And that means implementing a hosted 8x8 VoIP solution providing their customers with a consistent and efficient service across all of their customer contact channels whether by telephone, email, instant messaging or fax, whatever is convenient to them.

Solution providers looking to address this market have a winning hand partner with 8x8.

Experience	<i>8x8 has over 20 years experience with over 14,700 businesses subscribers.</i>
Coverage	8x8's business services cover hosted PBX, key system and contact center solutions as well as IP trunking dial tone. Services are integrated with Microsoft Outlook, Salesforce.com and NetSuite.
Financials	During the Q3 of FY2009, 8x8 increased its business communications services customer base to 14,706 business customers. Sequentially, 8x8 Virtual Office revenue grew 41% from the same period of FY2008 and 8% from the previous quarter. On a percentage basis, 8x8 experienced its lowest business churn in more than 18 months, which is consistent with the company's strategic shift in focus from residential to business services. 8x8 business services revenue grew to 66% of total revenue in Q3 of FY2009 compared with 48% of total revenue in the same period a year ago and 60% of total revenue in the prior quarter. Overall gross margin for Q3 of FY2009 was 67%, compared with 65% for the same period of FY2008. This was the seventh consecutive quarterly increase in cash and investment balances and the fifth consecutive quarter of positive net income.
Technology	8x8 has developed all core technologies used in its services and has been awarded 73 U.S. patents enabling rock solid solutions with no reliance on 3rd parties.
Compliance	In June 2004, 8x8 became the first major ITSP to offer E911 service to its customers. Moreover, 8x8 VoIP business phone service is also fully compliant for CALEA (Communications Assistance for Law Enforcement Act), USF (Universal Service Fund), TRS (Telecommunications Relay Services) and CPNI (Customer Proprietary Network Information).

Quality	Most services are carried on Level 3 Communications' negligible-latency IP backbone. Two U.S.-based contact centers support subscribers. In FY08 contact center statistics were better than the industry averages with abandoned call rates averaging less than 5% and average wait times averaging less than one minute.
Channel Support	The 8x8 – partner relationship is built at the tactical operations level with each partner receiving a dedicated sales prime. Channel sales, marketing and operations staff are dedicated to maximizing the partner business relationship inclusive of direct involvement in sales closure through its commissioned referral program.

Addressing the SMB VoIP Opportunity as an 8x8 Partner

1.0 The Partner SMB Opportunity

Telecom and data networking solution providers of all stripes – whether interconnects, resellers, VARs, SIs or IT consultants, etc. – have been reassessing their business models for some time now in an attempt to diversify their sales offerings and technology competencies. Voice/data convergence, movement toward software-based VoIP solutions, standardized on SIP, and the march toward cloud computing (i.e., Software-as-a-Service or SaaS) has led to increased competition and reduced hardware and software margins. According to AMI (January, 2009), U.S. channel partners stated that margins earned on the sales of computing and networking hardware are now typically about 50% lower than those derived from services. As a result, solution providers see both a need to drive more top line revenue and margin from services, and a need to work effectively and efficiently across the telephony and data divide which is fast becoming the integrated world of Unified Communications and Collaboration (UCC or UC&C). The economic tsunami only emphasizes the need to do so with dispatch and certainly with consideration of diversification across verticals, as well.

Many solution providers see recessions as a call to hunker down, reduce head count, and cut every cost possible. Savvy solution providers, on the other hand, see an upside permitting market share gains as others cut back. They'll sit down with clients, discuss their pain points and offer cost effective, value creating solutions to make them more successful. This is the key to building long-lasting client relationships. These bold solution providers diversify their solution offerings, competencies, etc. Talent, for example, is cheaper now and more readily available making it easier to hire technically diversified staff. They'll look to counter-cyclical technologies such as CaaS – hosted VoIP, for instance. As a hosted VoIP solution provider, there is little if any inventory to hold. The hardware business, on the other hand, is very capital intensive. Hosted solutions are also user friendly in this regard. Capex is turned into customer opex with easy and fast access to solution functionality and a pleasing pay-as-you-grow formula.

The SMB market segment is a great candidate with many untapped opportunities. In fact the SMB has become a much greater focus of Network Equipment Providers (NEPs) and Internet Telephony Service Providers (ITSPs) over the last few years. According to Infonetics Research, there were 2M U.S. hosted seats worth \$1.1B in 2007. They expect the number to more than double to 5M seats worth \$2.5B in 2010. Focusing in on just the SMB segment, AMI estimates North American hosted VoIP market spending will cross \$1.56B by 2010. Hosted VoIP installed seats in the North American SMB market are projected to rise from 394K in 2006 to about 3M seats by year 2010, a CAGR of 50.1%.

IP-PBX vendors also see an untapped opportunity here for premises solutions. According to the Dell'Oro group more than half of 2007 enterprise PBX line shipments were IP, as compared to only 25% for SMBs. In addition, Enterprise IP-PBX lines show a CAGR of 10% over the past three years, compared to 5% for SMBs. In fact, AMI reports that during 2007 U.S. small businesses saw an IP-PBX penetration of only 5%; while U.S. medium businesses exhibited 33%. This is, in part, due to the NEP's focus on feature-rich, highly scalable phone system sales to large enterprises.

This feature gap has encouraged more vendors to enter the SMB space and aggressively develop tailored solutions. Perhaps the most dramatic development has been the introduction of Microsoft's

Response Point. Response Point is a potentially revolutionary software-based IP-PBX supporting SIP trunking and T1s designed to meet the needs of small businesses in the 1-50 employee segment. The user-friendly administrator software empowers an average PC user to set up a phone or make system changes in minutes, with just a few mouse clicks. The unique voice-enabled user interface (the “Blue Button”) instantly connects employees and customers with the people or information they need. No IT resource or particular expertise is needed. Popular features include:

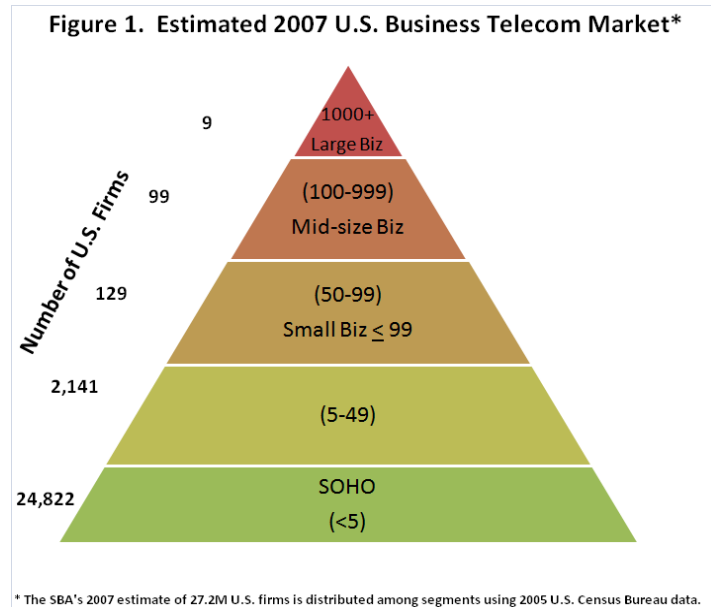
- Phone and service configuration wizards
- Phone auto discovery
- One-touch voice commands
- Automated receptionist
- Two-click backup and restore
- Built-in voicemail
- Voicemail to e-mail forwarding
- Incoming call notifications on your PC
- Outlook contact integration
- Organization-wide call status via Assistant software

Compass Intelligence reported (August, 2008) that U.S. businesses will spend \$688B on Information and Communications Technology (ICT) services, equipment, outsourcing and personnel this year, with small businesses (5-99 employees) accounting for 32 percent of that. SMBs, defined here as 5-999 employees (or about 9% of the total SMB market), will increase their ICT spend between 6% and 8% annually through 2012 accounting for \$413B that year. Small businesses will comprise two-thirds (nearly \$280B) of total 2012 spend. Managed and hosted services, wireless, and some networking are predicted to be the fastest-growing technology sectors.

In a similar vein, Infonetics Research reported that despite the all encompassing economic recession, worldwide hosted PBX deployments increased between the second and third quarter of 2008. VoIP phone shipments saw year-over-year growth of 25%, while IP softphone deliveries more than doubled between the two quarters. The telephony market also grew overall by 8% over the period, reaching \$2.6B. And AMI just reported (January, 2009) that U.S. channel partners predict that their managed services revenues will actually grow by 20% in the next 12 months.

2.0 The SMB Demographic

99.97% of the estimated 27.2M U.S. firms in 2007 were classified as SMBs (0-999 employees) as shown below in Figure 1. Taken together, this market segment has a gross domestic product that would be the third largest economy in the world. According to the Small Business Administration’s (SBA’s) Office of Advocacy, businesses with fewer than 500 employees employ about half of the private sector work force and generate more than half of nonfarm private gross domestic product.



The size difference between the average small and large business is stark. According to the latest U.S. Census Bureau data (2005), the mean SMB employer (0-999 employees) had one location and 11 employees. Among just the medium sized firms (100-999 employees) the average business has 5 locations and 239 employees. Large businesses (1000+ employees), on the other hand, had 62 locations and 3,300 employees. The median employer size was about 2 employees for SMB firms and 1,900 employees for large firms. The Small Office-Home Office (SOHO) sector includes over 20M non-employers. These are mostly self-employed persons operating unincorporated businesses.

2.1 SMB Pain Points

At the close of 2008, economic uncertainty was making it difficult for most businesses to accurately establish their budget forecasts and plan for the year ahead. The net result is tight cost control and an effort to extract every ounce of productivity from business processes. Yet SMBs know they need to impress their customers with the look and feel of a big company while controlling and even reducing costs. And that means providing their customers with a consistent and efficient service across all of their customer contact channels whether by telephone, email, instant messaging or fax, whatever is convenient to them. Otherwise:

- How will the company be able to respond to customer demands for higher levels of personal service and responsiveness?
- How will it increase customer loyalty and extract maximum value from customer relationships?
- How will it achieve competitive differentiation?
- How will they acquire new customers while retaining existing ones?

Companies know that communications infrastructure is at the heart of a modern business and that business challenges must be surmounted in our “winner take all” competitive environment. Thus, the number one question to the solution provider is: How will management grow customer spend through effective farming of the current customer base and attraction of new ones while maintaining the required tight rein on capex and opex, when communications costs are getting harder to manage and

control? ICT charges are increasing, driven by support for: mobile employees and remote locations, addition of new features required for productivity growth and CRM, growing bandwidth, network QoS and security requirements.

The SMB market is the sweet spot for SIP trunking deployments. SIP trunking provides these businesses with a painless first step and a seamless migration path to VoIP. It enables businesses to leverage their bandwidth investments by sharing voice and data traffic. Businesses gain the cost savings and flexibility associated with VoIP without having to purchase a new telecommunications system. SIP trunking is a scalable and affordable alternative to traditional dial tone - offering local, long distance, toll free and international calling at very low rates. And businesses can pay-as-they-grow, one line at a time.

Hosted services represent a growing VoIP segment and the one that's best able to address SMB's communication needs. As a cloud service, hosted VoIP is geographically independent. Total Cost of Ownership (TCO) is reduced due to minimal upfront investment, low monthly service fees and remote management. In addition, ITSPs can deploy hosted VoIP faster than an on-premise IP-PBX installation and without involving the limited internal IT staff. VoIP features can be added on the fly and changes made to accommodate the fluctuating needs of a growing business. Hosted VoIP is very flexible for supporting branch offices, remote workers, and new sites as the business expands. All that's needed is to add handsets as you go when setting up a new office location. Bottom line, hosted VoIP is right-sized for the SMB making it easy to increase and decrease capacity in accordance with seasonal peaks and economic swings. Moreover, the ITSP maintains, upgrades, and operates the service over the contract term. What's not to like?

Today there are quite a few hosted VoIP services, such as:

- Hosted PBX
- Hosted Key System
- Hosted Contact Center
- Hosted voice (residential style)
- Hosted Conferencing
- SIP Trunking

The right hosted solution choice is dependent on individual business requirements as dictated by its pain points. SMBs are looking for the local solution provider to come in and sit down to talk about the business and propose a solution that makes sense based on:

- State of current telecom solution
 - Number of employees
 - Whether a phone system is present or not
 - It's ability to scale to handle the current demand for service
 - Number of remote or mobile users who will not have a local office
 - Current mix of calling: Internal, local, long-distance and international calls per average month; percentage of inbound versus outbound calls
- Customer's current cost parameters and drivers
 - Are sites being added?
 - Monthly fees (opex) vs. fixed costs (capex)?
 - Status of leases or purchase agreements and maintenance contracts?
 - Presence of in-house expertise?

- Status of current data solution
 - Insufficient or surplus bandwidth?
 - QoS?
 - Security?
- Compelling Events
 - Location move or expansion/contraction
 - New business acquisition or partnering relationships with new (or reduced) location(s)
 - Commitment to teleworking/telecommuting to decrease space costs and accommodate flexible-worker needs
 - Changed ownership with different financial management methods

The best local partners are focused on building long-term relationships with their customers. They will craft a solution that comprehensively handles the business/project needs of their client from concept to installation through support without playing on FUD (fear, uncertainty and doubt). These solution-focused partners champion NEPs and ITSPs, while standing before the client as the project prime or go-to-guy for all break-fix issues.

2.2 Solving Real SMB Business Issues with 8x8 Hosted VoIP Solutions

The **8x8** portfolio of hosted VoIP services satisfies a broad selection of SMB needs:

- **8x8 Virtual Office** is a Hosted PBX solution providing customers a pay-as-you-grow model without sacrificing features. 8x8's VoIP phone service is fully compliant for E911, CALEA, USF, TRS and CPNI and is broadband agnostic (operates over any public or private high speed data connection; does not require a dedicated data network). **Virtual Office** provides seamless business telecommunications for companies operating from a single location or satellite offices, including remote and home based employees. A simple software installation, available at no charge will seamlessly integrate the Salesforce.com application with any Virtual Office extension. Dramatically lowers monthly phone bills with free in-network interoffice calls and unlimited local and long distance calling plans. Integration with Microsoft Outlook is also available at no extra charge. This is a solution with a lot of potential considering that U.S. business remote branches grew by 11% in 2007.

"I own Insurance Plus Agencies, LLC, a 7 location insurance agency in Houston, TX. I got the idea of using VOIP in about 2001. We had 4 locations at the time and was looking for ways to lower our phone bills and have employees communicate more effectively. I bought a \$35,000 VOIP telephony computer that used the H.323 protocol. Needless to say it did not work as advertised. We used it as a standalone PBX at our main location until I was contacted by a 8x8 sales representative in April, 2007.

I did my homework researching 8x8 and other VOIP companies. Being weary of VOIP after my initial experience I decided to try 3 phones in 3 different locations. We used them every chance we had. They worked great! I then ordered the additional 10 phones and started porting our numbers over to 8x8.

We now have approximately 20 phones and 10 virtual numbers. 8x8 allows Insurance Plus Agencies to act as one office. No matter where an agent is working customers can be transferred to them. If a customer needs to speak directly to the Insurance Company we can transfer them there. (Ever call the Home Depot main office and ask to speak to the location nearest you? They'll tell you to hang up and call that location.) When a customer needs an insurance quote and we're all busy at one location I can transfer them to an agent that is not busy. (I no longer have to risk losing the sale or give bad customer service because I'm already helping a client.) And I haven't even mentioned the auto attendant, on-hold message, virtual extensions and the way we are now providing 24/7 sales and customer service.

Bottom line? Insurance Plus Agencies now has a state of the art multi location phone system at half the price of what we were paying for AT&T with more functionality than a \$35,000 PBX.

Thanks 8x8!"

Michael P. Bailey
Houston, Texas

- **8x8 Complete Contact Center** is an online service with a complete suite of contact center applications for businesses with call center operations from just a few seats to hundreds of seats. No software, hardware or capex required. This solution is ideal for virtual contact centers with home based agents. It may also be integrated with NetSuite or Salesforce.com CRM solutions. 8x8 frequently adds functionality to the 8x8 Complete Contact Center, and these upgrades are included in the low monthly subscription fee. Other applications are easily integrated through its Web-APIs.

Call Centers 24x7® supplies professional offices and small businesses with call center answering services, including e-commerce support, warehousing and fulfillment, mailing services, and support services. Their distributed rural workforce model enables them to provision these domestic-outsourced business support services within the United States at prices competitive with offshore and blended offerings. These domestic-provisioned services are also known as onshore call center services, or onshore outsourcing.

Challenges:

- Difficulty managing and expanding a “virtual” organization made up of rural agents.
- Inefficient and inaccurate routing of calls in a distributed organization.
- Lack of a secure and reliable contact center environment.
- Inability to expand customer base.

Solution:

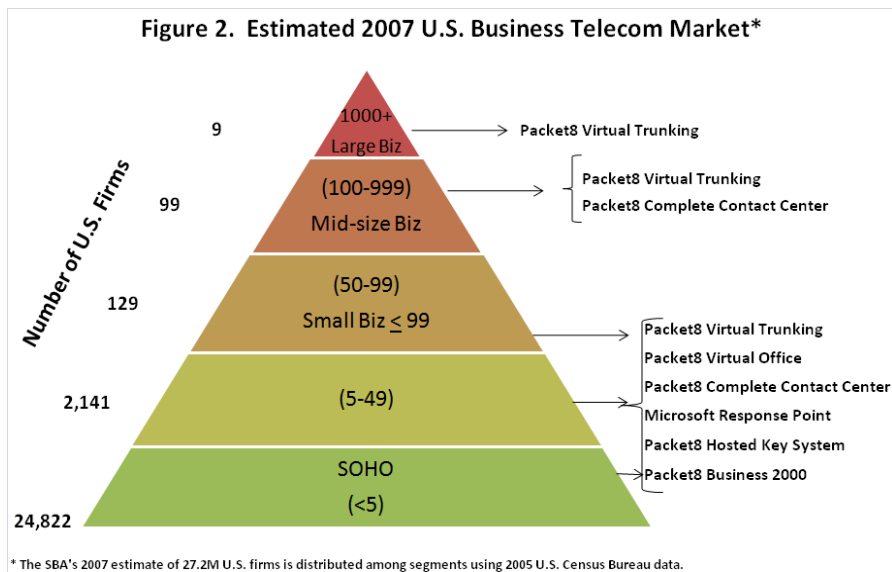
8x8 Complete Contact Center for call, email and web chat routing; monitoring; and reporting.

8x8 IP Trunking (Virtual and SIP Trunking) enables businesses to leverage their bandwidth investments by sharing voice and data traffic. Moreover, 8x8’s SIP trunk offering may be delivered one line or multiple T1s at a time in a pay-as-you-grow model. On a like-for-like basis, savings are significant compared to traditional SP solutions. Customers can save at least 50% on their phone bills with the trunking solution as indicated below in Table 1; and in some cases customer payback occurs in the first month. 8x8 and Microsoft are jointly marketing the combined Response Point/SIP Trunking solution to small businesses in the 1-50 employee segment through their respective VAR channels. All Response Point customers with 8x8 SIP Trunking service are “on-net” and receive free calling to all other 8x8 subscribers. Response Point/8x8 customers can choose a combination of on-premise and hosted solutions for multiple locations from one vendor.

Table 1. Cost Analysis and Comparisons between the 8x8 Virtual Trunking and Traditional SP Solutions

	8x8 Virtual Trunking	Broadwing PRI Customer, Chicago, IL		8x8 Virtual Trunking	Cleartel PRI customer, AT&T internet, FL		8x8 Virtual Trunking	AT&T FlexT customer, CA
	Assume 3MB business cable			Assume business DSL			Assume business DSL/Cable	
internet access	\$129.00	N/A	internet access	\$64.95	\$64.95	internet access	\$49.99	\$59.99
Number of lines	23	23	Number of lines	Unlimited	10	Number of lines	6	6
Voice service	\$399.00	\$841.80	Voice service	\$175.00	\$511.39	Voice service	\$150.00	\$217.83
DID	\$79.50	\$2.12	DID	\$10.00	Included	DID	Included	Included
Intrastate usage (mins)	9759	9759	Intrastate usage (mins)	Included	Included	Intrastate usage (mins)	6000 pooled with LD	1000
Intrastate charges	Included	\$436.01	Intrastate charges			Intrastate charges	Included	\$34.95
LD usage (mins)	496	496	LD usage (mins)	Included	611	LD usage (mins)	6000 pooled with local	1000
LD charges	Included	\$23.50	LD charges	Included	\$11.68	LD charges	Included	\$41.98
TF usage (mins)	5975	5975	TF usage (mins)	Included	Included	TF usage (mins)	N/A	N/A
TF charges	\$134.00	\$283.83	TF charges			TF charges		
Billing services	\$0.00	\$0.00	Billing services	\$0.00	\$0.00	Billing services	\$0.00	\$49.95
Total Charges	\$741.50	\$1,587.26	Total Charges	\$249.95	\$588.02	Total Charges	\$199.99	\$404.70
Typical Monthly Savings	\$845.76 53%		Typical Monthly Savings	\$338.07 57%		Typical Monthly Savings	\$204.71 51%	

- **8x8 Hosted Key System** provides all the features that small businesses are accustomed to with a traditional key system including enhanced call management, network corporate directory search, shared line appearance, intercom and personal phone directory.
- **The 8x8 Business 2000** service plan is a great SOHO solution. The service can be set up to offer a variety of end user solutions including two roll over lines or a single line and a dedicated fax line (each line sold separately).



3.0 Partner Value Proposition

The importance of the consultative solution sale should be great news for channel partners, as it gets them closer to their customers, and allows them to offer additional services instead of only a one-time hardware sale. Consider the case of an SMB firm with a premises PBX that's three years old – much too new for a forklift replacement especially in this credit-tight, recession economy. SMBs often keep their data and telecom equipment in excess of six years and if focused on a premise-based replacement VoIP solution may only upgrade to VoIP at the same time as they upgrade their data and security infrastructure. Now, the true consultative solution here would be an evolutionary path focused on cost reduction through the integration of SIP trunking with the legacy phone system permitting the firm to be more efficient with its communications budget. This offering breeds goodwill while extending a close customer relationship for the length of the service contract. And there's a good chance that the solution provider will go on to win the whole business the next time around when that phone system comes up for renewal – no doubt a great opportunity for an interconnect, reseller, or VAR looking for a strategy to effectively farm its installed customer base.

Today, the lines between network services, like SIP trunks and data circuits, and hardware sales have blurred. Now, the Interconnect, VAR, agent or SI can do both, plus charge for the professional services to set up SIP trunks, and generate revenue for network readiness assessments including hardware readiness, QoS, bandwidth modeling, security and reliability assessments, as well as ongoing maintenance and operational support. It all comes together, for example, in selling a Microsoft Response Point solution inclusive of SIP trunking. Even here the solution provider needs to calculate the number of phone lines needed to support the business and the number of dedicated lines needed to support analog devices such as fax machines and security systems that depend on analog phone service to function correctly. On the VoIP side, among other things, you will also need to determine whether the customer's firewall and router can allow and prioritize the ITSP's traffic. And confirm that the current router supports QoS for voice traffic. If the router that will be used for VoIP traffic does not support QoS, the customer may need to purchase additional network equipment.

Time to revenue is another important consideration for the partner. Selling a hosted PBX traditionally has a shorter sales cycle than on on-premises equipment, zero equipment staging and the services can be installed by customers and programmed by the hosted provider. Selling SIP trunks can take as few as 5 minutes to set up and no onsite visit is usually necessary.

Business model adaptations that drive services opportunities, add recurring top line revenue streams, shorten sales and deployment cycles, and have very low capex intensity both to the solution provider and prospective customer are indeed very attractive! *The trick is partnering with a winner and that's 8x8.*

4.0 Picking a Winner – 8x8's Story

The popularity of VoIP has led to a huge number of new service providers entering the market - some with little or no experience. VARs need to go with a winner.

8x8, Inc. has been in business for 20+ years offering voice and video internet-based telephony services for business and residential customers. The Company has over 14,700 business subscribers. It has been publicly traded since 1997 (NASDAQ listed: EGHT). 8x8 is in great financial shape – a major plus in this challenging economy! During the Q3 of FY2009, 8x8 increased its business communications services customer base to 14,706 business customers. Sequentially, 8x8 Virtual Office revenue grew 41% from the same period of FY2008 and 8% from the previous quarter. On a percentage basis, 8x8 experienced its lowest business churn in more than 18 months, which is consistent with the company's strategic shift in focus from residential to business services. 8x8 business services revenue grew to 66% of total revenue in Q3 of FY2009 compared with 48% of total revenue in the same period a year ago and 60% of total revenue in the prior quarter. Overall gross margin for Q3 of FY2009 was 67%, compared with 65% for the same period of FY2008. This was the seventh consecutive quarterly increase in cash and investment balances and the fifth consecutive quarter of positive net income.

8x8 has developed all core technologies used in its services and has been awarded 73 U.S. patents enabling rock solid solutions with no reliance on 3rd parties. In fact, more businesses use 8x8's hosted services than all competitors combined. This is an acknowledgement that 8x8 business services meet a wide spectrum of SMB needs as well as a testament to customer satisfaction with the availability of 8x8's extension calling packages and prices, overall Total Cost of Ownership (TCO) and customer service.

Most services are carried on Level 3 Communications' negligible-latency IP backbone. As of June 2004, 8x8 became the first major ITSP to offer E911 service to its customers. 8x8's E911 service, developed in partnership with Level 3 Communications, automatically routes emergency calls, along with computer-based "screen pops" of caller information, to dispatch operators at local Public Service Answering Points (PSAPs). In addition, Level 3 provides 8x8 with other key building blocks for its VoIP services, including (3)Voice Termination, which provides wholesale termination of voice calls and (3)VoIP Local Inbound, which delivers local phone calls to IP endpoints nationwide.

4.1 Benefits of 8x8's Partner Program

8x8 offers its channel partners both SIP trunking and hosted VoIP (PBX or Key System) sales opportunities. On the SIP trunking side partner residuals are typically 15-20% or about \$65 per month recurring revenue on the typical Response Point deal as shown below in Table 2. This is in addition to the other itemized opportunities associated with SMB VoIP solution sales.

Table 2. Partner Revenue Opportunity* Sale of Microsoft Response Point with Packet8 Virtual Trunking	
Response Point Sale-Related Revenue	Partner Income
System Margin (IP-PBX, 10 Phones)	\$500
Network Assessment	\$250
Installation & Training	\$1,000
Software Integration (Small Biz Server, Exchange, etc.)	\$400
Data/Voice Setup	\$80
Other	\$150
Revenue Over Initial System Sale	\$2,380
Monthly Recurring Revenue	
Packet8 Virtual Trunking	\$65
Remote System Management	\$80
Data/Voice Commissions	\$45
Recurring Monthly Revenue	\$190
Ancillary Revenue**	
Networking, Software and/or Consulting Revenue	\$1,900

* Survey from July 2008. Based on survey sent to 36 MSFT Response Point VARs in USA and Canada.

** On average, VARs that sell IP PBXs uncover \$0.80 of additional networking and computing sales opportunities for every \$1 in IP PBX revenue they generate (AMI Research)

On the voice side are 8x8's services that include dial tone such as 8x8 Virtual Office, 8x8 Hosted Key System and 8x8 Complete Contact Center. These solutions benefit the partner in two compelling ways:

1. 8x8 products address an underserved market. VARs, resellers and interconnects selling traditional phone systems into the SMB market are losing out today because those phone systems are too expensive.
2. On a like for like basis, selling 8x8 Virtual Office brings in roughly the same commission (\$1,700 vs. \$2,000 for a key system supporting 25 users). In addition, 8x8 partner experience supports the claim that in 70% of cases, a 8x8 Virtual Office solution can be implemented for 30% of the cost of a comparable on-premises product. Moreover, the 8x8 solution's sales cycle and deployment interval is significantly reduced, allowing partner sales throughput to dramatically increase!

8x8 treats its channel as its most valued customer. The 8x8/Partner relationship is built at the tactical operations level with each partner receiving a dedicated sales prime. That means that a channel partner calls the same person for support on all deals inclusive of direct involvement in sales closure through its commissioned referral program. Partners have access to online sales and quote tools, customizable marketing collateral, whitepapers and weekly training webinars that show how to present 8x8 products, overcome objections, and solution sell.

In summary, 8x8, Inc. is in the winner's circle for SMB VoIP channel programs.

Table 2. Why Partner with 8x8 for SMB VoIP Business Solutions	
Experience	8x8 has over 20 years experience with over 14,700 businesses subscribers.
Coverage	8x8's business services cover hosted PBX, key system and contact center solutions as well as IP trunking dial tone. Services are integrated with Microsoft Outlook, Salesforce.com and NetSuite.
Financials	During the Q3 of FY2009, 8x8 increased its business communications services customer base to 14,706 business customers. Sequentially, 8x8 Virtual Office revenue grew 41% from the same period of FY2008 and 8% from the previous quarter. On a percentage basis, 8x8 experienced its lowest business churn in more than 18 months, which is consistent with the

	company's strategic shift in focus from residential to business services. 8x8 business services revenue grew to 66% of total revenue in Q3 of FY2009 compared with 48% of total revenue in the same period a year ago and 60% of total revenue in the prior quarter. This was the seventh consecutive quarterly increase in cash and investment balances and the fifth consecutive quarter of positive net income.
Technology	8x8 has developed all core technologies used in its services and has been awarded 73 U.S. patents enabling rock solid solutions with no reliance on 3rd parties.
Compliance	In June 2004, 8x8 became the first major ITSP to offer E911 service to its customers. Moreover, 8x8 VoIP business phone service is also fully compliant for CALEA, USF, TRS and CPNI.
Quality	Most services are carried on Level 3 Communications' negligible-latency IP backbone. Two U.S.-based contact centers support subscribers. In FY08 contact center statistics were better than the industry averages with abandoned call rates averaging less than 5% and average wait times averaging less than one minute.
Channel Support	Channel sales, marketing and operations staff is dedicated to maximizing the partner business relationship inclusive of direct involvement in sales closure.

About the Authors

Paul Robinson, PhD
David Yedwab

Founding Partners



**Market
Strategy and
Analytics**

www.mktstrategy-analytics.com

Market Strategy and Analytics Partners custom designs marketing and sales strategies that are consistent with client core competencies, market focus and competitive environment, and coupled with operationalized go-to-market plans across the value chain to ensure elimination of bottlenecks and complete consideration of end-to-end financials. Our clients include equipment and software providers, service providers and information intense enterprises.