Growth Opportunities for Professional Headsets, Global

An Executive Summary Prepared for Poly

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FROST & SULLIVAN

Executive Summary

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The distributed, dynamic, and on-demand workforce of today requires unprecedented mobility, connectedness and top-notch experiences to stay engaged and productive.

The Market is Growing

The professional headset market is witnessing rapid growth powered by the ongoing workplace and workforce transformation trends and rising use of software-based communications. The **PRODUCTIVITY BENEFITS** associated with professional headsets, proliferation of software-based communications and collaboration services, and growth in advanced wireless headset models have been the major drivers behind the growing penetration. The professional headset market revenue reached $1.38 billion in 2018 and is expected to grow at a robust CAGR of 9.8 percent in revenue and 11.8 percent in units (2018-2025).

Future of Work Drives Innovation

Advancements in wearables, hearables, Internet of Things, artificial intelligence and augmented hearing continue to inspire a new generation of headsets for business users. The continued influx of younger generations of workers is expected to change workplace habits and communications patterns to drive the **USAGE OF SOFTWARE-BASED COMMUNICATIONS** as well as consumer-inspired devices such as advanced Bluetooth stereo UCC headsets. Modern headsets enable Millennial and Gen Z users, whose personal and business lives are intertwined, to conveniently switch between tasks (e.g., from listening to music to making a business call) on the same device.

Open Offices are Here to Stay

The multipurpose multidimensional office, featuring shared workspaces, hot desking and hoteling, is here. Open floor plans and workspaces promote spontaneous collaboration but can also be disruptive. The **TREND TOWARD MORE OPEN OFFICES HAS CREATED A GROWING USER DEMAND** for headsets that offer disruption-free communications. Headsets with best-in-class noise cancelation technologies enhance concentration and productivity while allowing users to connect and collaborate anytime, anywhere.

Source: Frost & Sullivan

Executive Summary (cont.)

PC USB and UCC Headsets Experience Rapid Growth

PC USB and UCC headsets continue to experience rapid growth, especially wireless Bluetooth stereo UCC headsets. In 2018, professional PC USB and UCC headset sales had a record growth rate of 25.1 percent in revenue. Wireless Bluetooth stereo UCC headsets grew at a whopping 79.2 percent.

INNOVATION CONTINUES TO BE STRONG, with several solutions featuring advanced active noise cancelation, improved connectivity, appealing ergonomics, newer form factors, and a growing array of built-in features. Driven by rapid adoption of software-based communications and collaboration tools, advanced Bluetooth stereo UCC headsets continue to attract business users which is helping ignite overall demand.

Source: Frost & Sullivan

Market Definitions and Forecasts

Growing Choice

One size does not fit all

A wide array of solutions that work across platforms and work styles are providing users more choice. The number of vendors manufacturing professional headsets continues to increase, expanding the array of headset offerings. Professional headsets include corded and cordless headsets that are used in conjunction with enterprise endpoints integrated with the rest of the enterprise communications infrastructure (premises-based call-control systems and/or hosted/cloud-based call-control systems).

CORDED HEADSETS

Corded headsets are the most common type of professional headsets. They connect to business phones through amplifiers or Direct Connect Quick Disconnect (bottom) cables. Usually, the Direct Connect cable plugs into either a handset port (RJ9/RJ10/RJ22), a dedicated modular headset port or a 2.5 mm headset jack located on the side of the endpoint. USB corded headsets (PC USB corded headsets), on the other hand, plug into PCs and some types of IP desktop phones for IP communications.

CORDLESS HEADSETS (WIRELESS)

Some cordless headsets connect to a business phone or a PC via a base station that connects through either a handset port, a modular headset port, or a USB port in the PC or desktop phone (PC USB cordless headset). Using either Bluetooth wireless technology or DECT radio technology, the headset can transmit up to a 300-foot range (between base station and headset). Other cordless headsets connect to mobile devices via Bluetooth and to a PC via USB dongle.

GROWING USE CASES

Matching the Features to the User

- Cubicle Worker
- Road Warrior
- Executive
- Open Office Worker
- Contact Center Agent
- Remote Worker

Source: Frost & Sullivan

Adoption is Booming

Strong Market Drivers

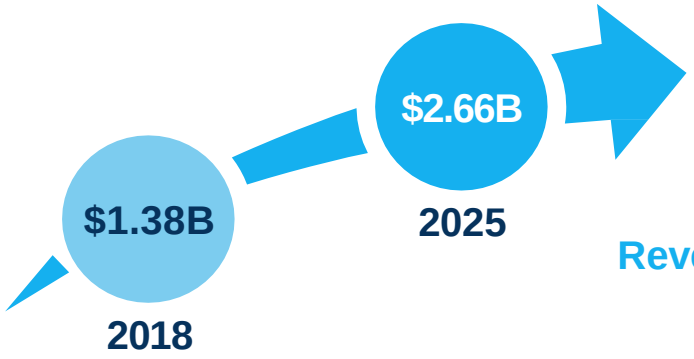
Headsets are evolving from mere accessories to full-fledged enterprise communications endpoints.

- Software-enabled Communications
- Lower-priced High-quality Devices
- UX Matters
- AI-enabled Smart Devices

Survey results **SHOW THAT NEARLY THREE IN FOUR PEOPLE WOULD WORK IN THE OFFICE MORE – AND BE MORE PRODUCTIVE – IF EMPLOYERS WOULD DO MORE TO REDUCE WORKPLACE DISTRACTIONS,** providing a clear opportunity for IT, HR, and Facilities to collaborate.
(*Source*: Poly)

PROFESSIONAL PC USB AND UCC headset revenue is expected to double in four years

Total Professional Headsets Market



Revenue CAGR = 9.8%

Benefits of Professional Headsets

Improves Productivity	78%
Improves Collaboration/Accelerates decision making	74%
Improves customer experience	72%

Source: Frost & Sullivan Survey "An End User Perspective on Workplace Communications and Collaboration, Global

Visioning Scenarios and Top Trends Redefining Headsets

Workplace Trends

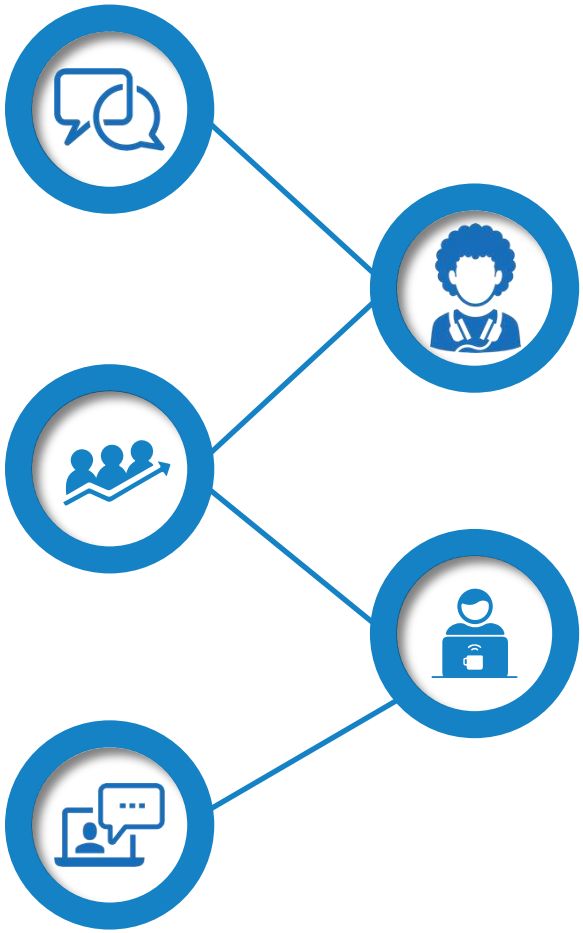
Future workplaces require productive experiences

Top Predictions for the Modern Workplace in 2025

Usage of software collaboration tools will triple

Gen Y is expected to account for 30 percent of the global population

90% of the US workforce would like to telework at least part-time



Millennials will be 75% of the total U.S. workforce

50.9% of the US workforce will be independent workers — freelancers, contractors and temporary employees

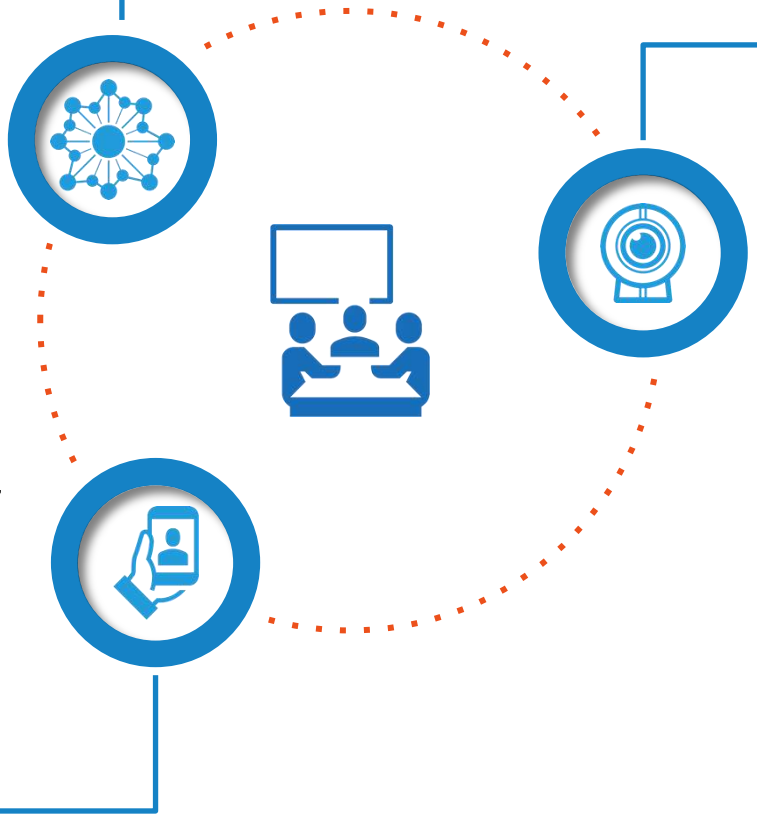
Source: Frost & Sullivan, Freelancers Union, Global Workplace Analytics

Software-based Communications and Collaboration Triggers Headsets Adoption

Adoption of desktop and mobile soft clients is growing as users demand convenient access to their business communications tools anywhere, anytime. These include:

UCC CLIENTS

Telephony-centric UCC client adoption continues to grow with penetration reaching 29.2 percent of the North American and 16.7 percent of the European hosted IP telephony and UCaaS installed base in 2017. Providing the right devices, that are optimized for the UC solutions, impacts the quality of experience for end users.



TEAM COLLABORATION

Team collaboration services are already used by approximately 27.7 million daily active users spread over more than a million organizations and are expected to grow rapidly. Headsets play an ever-increasing role in the overall end-user experience.

CLOUD CONFERENCING

Cloud web and video conferencing service seats are expected to triple by 2024. As more people use audio, video and web conferencing on a daily basis they need headsets that support high-quality audio, minimize feedback and chatter, and enable privacy.

Source: Frost & Sullivan

Trends Reshaping the Market

Consumerization, cloud, and evolving workstyles are key drivers

Cloud is Powering the Connected Workplace

82%

of North American decision makers report having moved or plan to move part or all of their enterprise telephony solutions to the cloud by end of 2019.

Devices are Proliferating

The average office user utilizes four types of endpoints/devices per day.

BYOD changes the game.

Multi-device Connectivity

Pervasive use of smartphones, tablets, desktop phones and PC-based soft clients by business users requires purpose-built headsets, that intelligently bridge multiple communications and better manage, integrate, and operate the growing arsenal of endpoints and communications solutions.

Demand for Wireless Connectivity

Demand for wireless connectivity continues to grow along with technology improvements in wireless headsets, expanding the overall opportunity for professional wireless headset sales. More knowledge workers are requesting endpoints that allow them to integrate their mobile and PC communications easily for both work and personal use.

Smart Device Management

IT professionals are demanding solutions that allow them to proactively manage as well as gain valuable insights from enterprise devices including professional headsets. Rich analytics, that offer a detailed view of all the user information, arms IT to ensure the best user experience and make more informed decisions.

Agent Empowerment

CX is recognized as a top driver of digital transformation. There is an increasing focus on agent empowerment with advanced tools and technologies to efficiently handle evolving customer needs.

Source: Frost & Sullivan An End-user Survey of Workplace Communications and Collaboration, Global

Trends Reshaping the Market (cont.)

Hearables

Hearables are smart wireless in-ear devices that allow users to not only listen to music and communicate, but also monitor and track daily activities, invoke virtual assistants, and integrate with a wide variety of applications and services. Aside from touch, hearables can be controlled by movement, gestures, and through voice. UC-certified earbuds in the business space is a new form factor that is anticipated to positively impact PC USB and UCC headset demand going forward.

Augmented Hearing

Augmented hearing can be defined as the possibility of selectively tuning sounds from one's physical world. A product with augmented hearing capabilities allows users to effectively filter/mute much of the background noise, while accentuating the speech frequencies of someone seated nearby, enabling better communication, in addition to reducing stress for many.

While regulation is still a major impediment, current petitions will likely open the market for mass consumption in the future.

Artificial Intelligence

AI is making headsets smarter and more intuitive.

While the first phase of AI has been centered around speech recognition and natural language processing, the real potential lies in deeper contextual and predictive applications that will follow over the next several years. Data analytics with deep user information and smart sensors, that better understand communication patterns of workers, will lead to smarter headsets.

SaaS

Double-digit user and provider revenue growth rates in the Unified Communications as-a-service (UCaaS) market clearly show growing demand for as-a-service models.

Major headset vendors are increasingly complimenting their hardware products with SaaS offerings.

Source: Frost & Sullivan

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