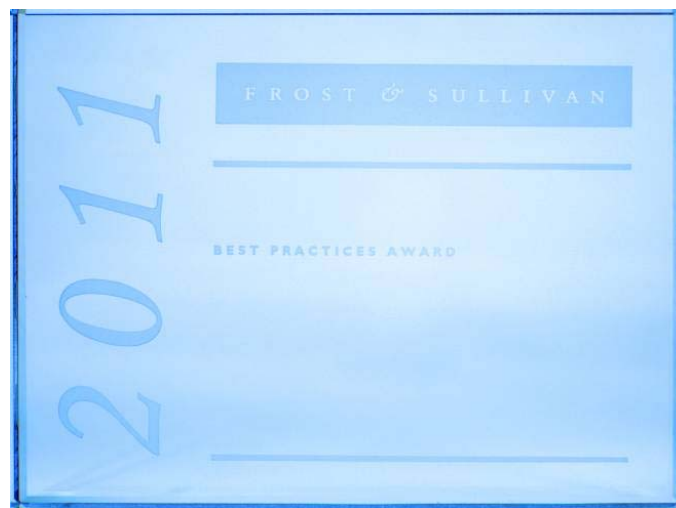


Company of the Year Award Contact Center Systems North America, 2011

Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th 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 2011 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 Company of the Year

The key challenge facing contact center vendors this year relates to the decline in the market for inbound contact routing systems. In short, fewer contact centers elected to replace or upgrade their ACDs during the protracted downturn, instead choosing to put their infrastructure dollars into projects that produced faster return and more direct labor-force efficiency. But demand for next generation ACDs hasn't gone away. Instead, the need for them has been pushed out, creating serious pent-up demand and an opportunity for newer, smaller companies to stake their claim in the marketplace.

With the top vendors seen as vulnerable, more agile companies are increasingly able to compete with the market leaders on price, functionality and speed to deployment. Even as consolidation among some vendors has reduced the number of market participants, competition has grown tougher as all vendors increasingly displace one another, rather than opening up new markets in North America.

While this has been happening, the inbound vendors have had to respond to a strikingly changed customer environment. Social media and new contact channels have challenged the notion that the traditional voice-centric ACD is sufficient to manage a service delivery organization's contact needs. Contact center customers are now demanding that their vendors have a future-proofed roadmap that will allow them to incorporate new channels and multimedia interactions without resorting to forklift upgrades or large-scale infrastructure investments in upgrades.

Contact centers are also much more inclined to demand that their vendors produce solutions that address very specific business problems. This is something of a departure, especially for vendors of the largest core infrastructure systems that are traditionally purchased based on vendor experience, safety, longevity of the brand and other "comfort" factors. Now, buyers are insisting that vendors justify their technology roadmaps to prove that added features and enhancements match the business practices that are real and necessary. Buyers are trying to guard against acquiring technology that doesn't meet their needs and may include unanticipated costs that eventually erodes the initially proposed ROI. This, in turn, leads to underutilization of the systems acquired which results in negative market perceptions related to the value of that specific system component.

Buyers are also reacting to the explosion of technological complexity by demanding that vendors build user interfaces that are easier to use for line managers and end users; easier to install and maintain; and that overall make it easier to use data that contact center systems produce.

Overall, the challenging environment has made it possible for companies with innovative ideas – and the ability to execute on them – to muscle their way into deals and deployments that they otherwise would not have had access to.

Impact of Company of the Year Award on Key Stakeholders

The Company of the Year Award is a prestigious recognition of Interactive Intelligence's accomplishments in the Contact Center Systems Market. An unbiased, third-party recognition can provide a profound impact in enhancing brand value and accelerating Interactive Intelligence's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third-party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

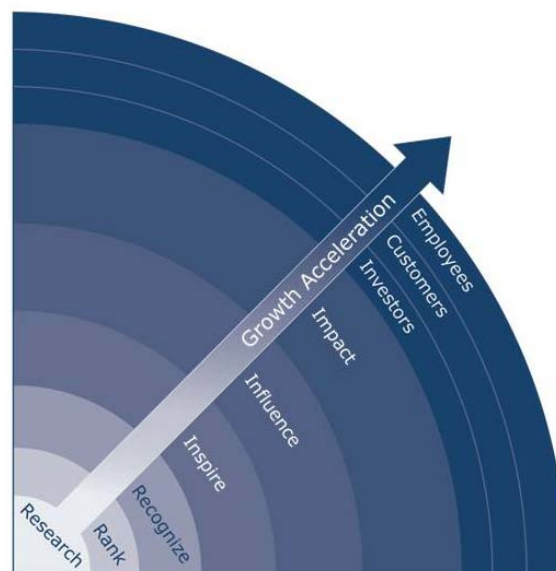
- **Customers**

Third-party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of Interactive Intelligence's executive team and employees. Such public recognition can boost morale and inspire your team to continue its best-in-class pursuit of a strong competitive position for Interactive Intelligence.

Chart 1: Best Practices Leverage for Growth Acceleration



Key Benchmarking Criteria for Company of the Year Award

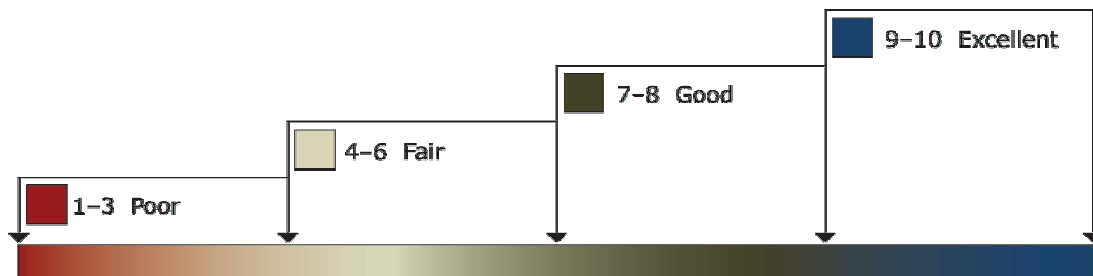
For the Company of the Year Award, the following criteria were used to benchmark Interactive Intelligence's performance against key competitors:

- 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 2.

Chart 2: 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 3: Frost & Sullivan’s 10-Step Process for Identifying Award Recipients



Best Practice Award Analysis for Interactive Intelligence

The Decision Support Matrix, shown in Chart 4, 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 4: 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	9	9	8	7	8.4
Competitor 1	7	6	9	7	9	7.6
Competitor 2	7	7	8	7	8	7.4

For the second consecutive year, Interactive Intelligence is the recipient of the Frost & Sullivan Company of the Year Award in the Contact Center Systems Market. Our analyses of the North American Contact Center Systems Market reveal the following key competitive performance drivers for Interactive Intelligence.

Criterion 1: Growth Strategy Excellence

Interactive Intelligence was the only Tier 1 vendor in the contact center space to grow its business in all six sub-segments of the market in 2010. More important, the company grew most in the segments where its competition is the most formidable: inbound contact routing, IVR and outbound dialers. Interactive Intelligence has grown into a legitimate rival of the larger and more established vendors, muscling its way into significant deals and capturing a great deal of mindshare in these spaces.

While the market for inbound contact routing (ICR) systems as a whole declined slightly in 2010, Interactive was able to grow both its revenues and its market share. The company has excelled at selling its Customer Interaction Center (CIC) software suite into enterprises, and then leveraging its “all-in-one” platform to add users in contact centers, as well as adding applications on top like quality monitoring, outbound dialing and analytics. Interactive has designed its platform as an all-inclusive, yet modular application suite. The company has added functionality incrementally, largely through internal development, rather than through acquisition or technology partnerships. This has assured customers that the separate application pieces function well together, without added expense or time consumed in linking them together.

Criterion 2: Growth Implementation Excellence

Interactive’s growth plan has focused on several areas: continually adding functionality to Customer Interaction Center (CIC); expanding its footprint to include a significant presence in the hosted deployment market; and maintaining a slim pricing and TCO profile. This has given it a reputation in the industry as a solid provider with strong customer references.

In the core infrastructure segments, it grew despite a decline in the overall market. The company’s strength is due to the strong product portfolio it offers, the steady improvements it makes to those tools, the tight integrations among its applications, and the fact that it gives its customers strong TCO and ROI arguments for purchasing its solutions.

Its main competitors have had more difficulty creating “organic” growth, i.e., growth that doesn’t come because of a one-time acquisition or a shift of focus. Interactive’s growth path has been steady and consistent through the downturn, and unlike some competitors they are emerging from the economic recession in a better position than they were when it began.

Criterion 3: Degree of Innovation with Products and Technologies

The contact center industry is entering a period of immense technological change. Since the introduction of IP to the call routing infrastructure, centers have been able to connect their many front-end and back-end applications to the switching, giving them a better picture of overall operations and effectiveness. But at the same time, this has forced vendors to

rethink the design of their contact center systems to keep operational costs down while still trying to deploy newer features and functionality to meet the needs of the market. It is also forcing them to cope with the massive integration demands for the various premise and hosted solutions that include CRM, ERP, and SFA applications, social media monitoring and analytic tools, and many others.

Interactive Intelligence has been steadily improving CIC since the 3.0 version was introduced in 2007. Regular service updates have included important features like added security and encryption for recordings; screen recording; a browser-based desktop client; an application called Interaction Monitor for multisite monitoring of multiple CIC servers, Interaction Gateways, Interaction SIP Proxies, and third-party gateways from Cisco and Audiocodes; and Interaction Process Automation, an app that runs on CIC. The 4.0 release adds a major architecture overhaul to make it more scalable and reliable, and more easily deployed, especially for distributed organizations. CIC 4.0 also adds features like speech analytics and it offers enhanced recording, drill-down capabilities into additional statistics, and simplified report interfaces.

Criterion 4: Leadership in Customer Value

Contact centers are the main customers that Interactive Intelligence and its competitors have to address. This is an audience that is inherently conservative about adopting new technologies and unproven ideas. It is a market that prizes continuity, but also looks to its vendors to help them cost-justify new tools when they decide they need them to improve operations.

Interactive Intelligence has grown into an increasingly safe choice for many centers. It is a company with a long and consistent history of innovation that makes sense: it does not offer technology change for its own sake. Rather, it has a history of listening to the needs of the marketplace and responding to those needs. For example, instead of rushing to add a speech analytics application through a partnership or an acquisition when that tool became “popular” a few years ago, Interactive studied the existing tools and the needs of its users, coming up with an internally developed application that was better suited to the feature sets that its customers were actually going to need, and providing a solid TCO and ROI argument for using it.

By contrast, its competitors have been very keen on jumping into the fray with new features and options that often have very tenuously-defined use cases. Some vendors have been adding social media features, for example, without understanding how they would actually be deployed in real-world contact center settings. Interactive has been slower, but steadier, creating tighter integrations and more effective integrations because that is what their customer base demands.

Criterion 5: Leadership in Market Penetration

Interactive Intelligence is not the market-share leader, but it is the fastest growing contender. The leader is considered a safe choice, though in recent years the companies that rank ahead of Interactive all have question marks associated with their ability to hold, let alone grow, their positions.

Interactive grew global revenues 27% in 2010, and 57% of its product revenues come from current customers. This speaks to its ability to push new applications to existing customers, and to hold those customers in the face of sharp competition. The company's market share increased in all six segments that make up Contact Center Systems. It is the only company that can make this claim, and it comes on the heels of a very strong performance in the years leading up to 2010. The company also added 210 customers in 2010.

While other competitors are still struggling to find and articulate a growth strategy for the contact center market, Interactive Intelligence has quietly achieved one: steady progress based on selectively-added functionality leads to steady growth. Especially when the company is listening so intently to what its customer base is saying.

Conclusion

Interactive Intelligence was the only company to grow in all the sub-segments that make up the Contact Center Systems Market. In the core infrastructure segments, it grew despite a decline in the overall market. The company's strength is due to its strong product portfolio, the steady improvements it makes to its portfolio, the tight integrations among its applications, and the fact that it gives its customers strong TCO and ROI arguments for purchasing its solutions.

The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

Chart 5: 360 Degree Perspective™ Model



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 6: Benchmarking Performance with TEAM Research

About Interactive Intelligence

Interactive Intelligence Group Inc. (NASDAQ: ININ) is a global provider of unified business communications solutions for contact center automation, enterprise IP telephony, and business process automation. Founded in 1994 and now backed by more than 4,000 customers worldwide, Interactive Intelligence is profitable and debt free with annual 2010 revenues of \$166.3 million.

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 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>.