Twilio's Revamping May Not Be Enough to Unleash Major Upside

Companies: ADBE, AMZN, CRM, CSCO, EGHT, ERIC, FIVN, MSFT, NICE, RNG, TWLO, ZM

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Research Question:

Does Twilio have the technology, upsell opportunities, and competitive moat to boost its long-term growth rate?

Summary of Findings

- Twilio Inc.'s (TWLO) recent restructuring and job cuts put the company on a better path but still leave it with little margin upside in its core messaging business and a challenging road for its emerging customer data aspirations, according to 15 interviews with customers, partners, competitors, former employees, and other industry specialists.

- Sources offered mostly positive assessments of Twilio's technology in both its communications platform and customer data software. Its highly customizable building-block approach is exceptionally appealing to companies with strong development teams.

- Twilio's recent split into two divisions, along with some of the deepest job cuts in the tech industry, could help address a flaw in its go-to-market strategy: Product knowledge was siloed and account reps tasked with upselling new software offerings did not always have the technical chops to do so.

- Still, the changes do not alter the fundamental dynamics in its core messaging business—namely that it is a margin-pressured endeavor with largely commoditized products. Companies can get a solid messaging system running for a $500 setup fee and $100 per month with competitors like MessageBird, one source said, while Twilio's implementation costs can run into the hundreds of thousands of dollars for highly customized deployments.

- For the customer data software now pegged as the centerpiece of Twilio's growth, sources said the company is likely to struggle with upselling from its messaging platform. The products have different buyers and require a different sales pitch—selling development tools to engineers on the communications side vs. selling outcomes to marketers and others on the customer data side.

- Further, Twilio's core products in its new Data and Applications division—Flex, Segment, and Engage—are fighting in highly competitive arenas. Flex in particular has an uphill battle as it squares off not only against mature contact-center suites but also Amazon.com Inc.'s (AMZN) Amazon Connect, which appeals to similar buyers. Sources said Segment is a unique offering but does not fit well with the rest of Twilio's platform, and the company has priced it out of reach of a large swath of the market.

- Competitors said Twilio's technology advantage is shrinking, and they see its job cuts degrading customer support. Former employees said the cuts will also hinder upselling because enablement teams have been trimmed. One employee laid off in February said morale at the company had been "abysmal" in recent months as rumors swirled about a second round of job cuts.

Key Quotes

"[Twilio's management] has been chaotic defining their long-term business strategy. They pivot a lot. They are more reactionary to the market, the competition, and other external influences. They are not so proactive."

"SMS API, which is where most of the revenue for CPaaS [communication platforms as a service] comes, is a commodity business now. You need to be the biggest and have the most coverage and have the most connections to the mobile operators in order to get the best cost structure to win in that game. [Twilio] simply doesn't have that."

"I don't see how you enable a sales force to sell a new product when you gut the enablement teams that are there to help prep and get them ready to do that. I will be surprised if Twilio comes out victorious in this software venture."

"I don't understand what they were trying to do with the Segment purchase. It feels like … a completely different company. I don't get what synergies they were looking for."

"Many of the [Twilio] account executives we've been working with to close deals were let go. This means that a lot of our sales pipeline just died. … The energy we had around Twilio stalled because of their layoffs. It was brutal."

"Companies buying the Twilio communications platform are not always going to be prospects for the other parts of their business. … I don't know if they're going to find synergies in cross-selling between the software developer department part of an organization and the customer success department."

"Twilio is the market leader at the moment in the CPaaS industry. … That said, that edge—the gap between them and their competitors—is quickly closing."

	Twilio's Technology	Outlook for Twilio's Communications Platform	Twilio's Software Upselling Outlook
Twilio Partners	⬆	⬇	➡
Twilio Customers	⬆	➡	➡
Twilio Competitors	➡	⬇	⬇
Former Twilio Employees	➡	➡	⬇
Industry Specialists	⬆	➡	⬇

Background

Twilio offers a communications platform that helps businesses interact with and track customers. Its core business—which offers text, email, voice, and video communications—represents about 88% of revenue. Increasingly, though, Twilio is focusing on a higher-margin layer of software aimed at helping businesses improve customer data analysis and marketing. That software layer—including its Segment, Engage, and Flex contact center products—account for about 11% of revenue but closer to 17% of gross profits.

Shares of Twilio took a beating in 2022, losing more than 80% of their value as the company struggled with both macro headwinds and internal execution issues. The company's year-over-year revenue growth has declined from 67% in Q2 of 2021 to 22% in Q4 of 2022, and its guidance suggests less than 15% year-over-year growth in the current quarter. Twilio's measure of whether existing customers are spending more with the company has also been trending down since late 2020, and further, executives have largely abandoned their goal of reaching 60% gross margins. Margins in Twilio's largest business—messaging—dropped from 41% in 2020 to 33% in 2022, hurt by rising fees domestically and a more challenging environment internationally. In September 2022, the company announced it was laying off 11% of its workforce and then followed that by cutting another 17% of jobs in February.

Executives have pledged to reverse Twilio's fortunes—and deliver an operating profit in 2023—by revamping the company's go-to-market strategy to encourage more self-service in its messaging business and building out the sales force to focus on its software layer. Twilio executives see the combination of their messaging technologies and software suite as a powerful way to merge communications and data to help companies offer a better and more personalized experience for customers. "It's not yet growing as quickly as we'd like due to some internal missteps," CEO Jeff Lawson said. "Despite that, we're uniquely positioned to win. … We're a leader in CPaaS [communication platforms as a service], a leader in CDP [customer data platforms], and a leader in customer engagement platforms. We have the foundation to win; now we just need to execute."

Twilio faces a range of competitors across its portfolio, including companies such as Ericsson Telecommunications' (ERIC) Vonage, MessageBird, Plivo Inc., 8x8 Inc. (EGHT), RingCentral Inc. (RNG), and even Microsoft Corp. (MSFT). In its most recent evaluation of CPaaS vendors, IDC listed Twilio as the market leader. Within Twilio's customer data and marketing operations, its key competitors include industry giants such as Salesforce.com Inc. (CRM) and Adobe Inc. (ADBE).

Multiple sources in Blueshift's Sept. 29, 2022, report on Five9 Inc. (FIVN) called Twilio's contact center offering, Flex, a basic but highly customizable solution, similar to Amazon Connect. "When you buy solutions that are consumption-based, like Amazon Connect or Twilio, it's like buying a giant tub of Legos that doesn't have any pictures on the side of the box that would show you that you can build a house or a spaceship with those pieces," said a marketing executive for a call center consulting firm. "You have pure freedom to build whatever you want."

Twilio Inc.

Current Research
Blueshift Research assessed the outlook for Twilio to boost its long-term growth. We employed our pattern mining approach to establish five independent silos, comprising 15 primary sources (including two repeat sources from reports on Five9 and RingCentral). Interviews were conducted Feb. 13-24.
1) Twilio partners (4)
2) Twilio customers (3)
3) Twilio competitors (2)
4) Former Twilio employees (3)
5) Industry specialists (3)

Next Steps

Blueshift Research will follow Twilio's progress in its emerging customer data software business to see how the restructuring of its go-to-market approach affects its sales trajectory.

Silos

1) Twilio Partners
Twilio's product technology is strong; but its management, execution, and go-to-market strategy have been less than stellar, according to the four channel partners in this silo, all of whom are involved with helping companies deploy Twilio's software. The company's recent restructuring was a necessary and useful step to help address serious flaws in its sales operation that were hindering efforts to upsell communication platform customers on data software. Even with the changes, though, it will be difficult for Twilio to meaningfully improve margins on the communications side, as its core messaging system is largely commoditized. On the software side, Twilio's biggest challenge is that potential buyers are not the same as those deploying its messaging platform, making its efforts more of a cross-sell than an upsell. Its Flex contact center system faces a lot of competition from well-established vendors of cloud-based platforms and will only appeal to companies that are willing to invest heavily to develop highly personalized customer experiences. Twilio's Segment customer data platform was praised as a unique approach to helping companies get the most out of customer data, but it is also expensive in a competitive market and does not fit well with the rest of Twilio's product suite. Twilio's software does tend to be sticky because of the customization and integration work that generally goes into deploying it. Although Twilio's restructuring is partly aimed at helping its direct sales force better sell its software, the company may be more reliant than ever on channel partners, as job cuts have left it stretched thin. It could take six months to a year before Twilio's latest pivot starts to boost growth, one source said. In the short term, economic conditions are extending sales cycles by as much as a quarter. But overall demand for Twilio's automation and personalized communication capabilities continues to trend up.

Key Silo Findings
Twilio's Product Suite
- 4 of 4 had mostly positive comments about Twilio's technology and product line.
  - 3 are heavily involved with implementations of Flex, though they also work with other Twilio products.
- 1 said Twilio is in a good position because its focus on personalized customer interactions is growing in importance.
- 1 said Twilio has a good vision for its product road map and that all its products work well together.
- 1 said Segment is a unique product with a strong ability to help companies make sense of user data and habits, but the platform does not fit well with the rest of Twilio's offerings.
  - Segment seems to operate as a different company with a different customer base from Twilio's communications platform.
- 1 said Twilio's acquisition of Segment made sense, as third-party data and cookies are being phased out or becoming less reliable. But the company has yet to find its footing for how to market Segment.
- 1 said Twilio's management has been chaotic and not proactive.
- 1 said Twilio's pricing tends to be middle of the pack, while 1 other said customers considering Twilio's contact center and communications products are more interested in functionality than price.

- o Twilio's usage-based pricing is more attractive than the large capital expenditures needed with competitors such as Avaya Holdings Corp., Cisco Systems Inc. (CSCO), and Genesys Telecommunications Laboratories Inc.
- – 1 said Twilio's platform is mission-critical for users, especially for those using it for short message service (SMS) verification.

Competitive Landscape

- – 2 said Twilio's core messaging offering has largely become commoditized. Customers can get all the functionality they need at a much lower price from competitors such as MessageBird.
  - o 1 said margins are so low in this area that it takes very high volumes to make any money.
  - o 1 said it is unlikely that Twilio can meaningfully improve its margins in this business.
- – 1 said basic phone services also are commoditized, but Twilio's programmatic voice system is a unique product that is worth the additional cost.
- – 1 said Twilio faces a lot of competition in the cloud center market from vendors offering a fully featured product for much less money.
  - o Twilio only succeeds with its Flex contact center platform when customers are motivated to invest in a highly customized experience for all of their communication channels.
- – 1 said Twilio wins deals when potential buyers are focused on the customer experience and are open to building software.
- – 1 said Twilio does well with companies that want a series of customized, a la carte solutions rather than a broad set of prepackaged ones.
- – 1 said Twilio loses when customers want a quick deployment of an off-the-shelf solution.
  - o Twilio's usage-based pricing can rapidly get too expensive for smaller businesses.
- – 1 said Twilio can lose out on smaller companies that need inexpensive products or with very large companies that want enterprise-level functionality out of the box.
- – 1 said Twilio's product prices are in line with most competitors, but the development costs involved with deploying its software is where the company loses deals.
- – 2 said Segment is expensive.
  - o The product does not have a less expensive, entry-level tier but instead costs about $30,000 for everyone, which is beyond the price range of a large part of the market.
- – 1 said Amazon Connect is Twilio's closest competitor for contact center deployments, likely appealing to the same types of buyers.
- – 2 said Twilio's software is sticky because of all the custom code and integrations associated with it.

Go-To-Market Strategy

- – 2 said Twilio's recent layoffs and restructuring were necessary to improve efficiency and get on a better growth path.
  - o 1 said the company has eliminated its more generalist salespeople on the messaging and communications side so it can concentrate on its Flex and Segment products.
  - o 1 said that in recent years, Twilio had brought on too many people who lacked the technical expertise to inspire customer confidence.
  - o 1 said Twilio's previous go-to-market strategy, based around selling its core messaging platform and then trying to upsell other products, was fatally flawed, as product knowledge was siloed, and too many sales reps had limited visibility into those other products.
- – 2 said channel partners, rather than Twilio's direct sales force, have become key to upselling customers on additional products.
  - o 1 said Twilio's restructuring is partly aimed at helping its own sales team become better at upselling, but 1 other said the layoffs have left the company stretched so thin that it will have to rely on partners even more.
- – 1 said Twilio's layoffs had a terrible impact on channel partners, killing off sales pipelines because partner liaisons were let go.
- – 1 said Twilio is making the right decision in culling some of its product lines, like Autopilot and Frontline.
- – 1 said the biggest impact from Twilio's layoffs has been on sales support rather than customer support.
- – 1 said it could take as long as a year for Twilio's restructuring to start to boost growth.

Near-Term Demand

- – 2 said economic uncertainty is delaying sales cycles for Twilio's software.
  - o 1 said big capital expenditures are taking an extra quarter or so for approval.

- 1 said the upside for Twilio of an economic downturn is that it highlights the need for more automation in operations, which benefits products such as Flex and Segment.
- 1 said automated phone services tend to do well in a recession, to the extent they allow companies to cut staff.

1) Senior support executive for an implementation partner

Twilio's technology is excellent, but the company's strategic vision and execution have been more reactive than proactive. The way Twilio's sales strategy evolved over the years resulted in a messy approach, with a lot of siloed knowledge that made upselling difficult. Its recent restructuring to focus on Flex and Segment should increase efficiency, but it could take as many as a year for these changes to boost growth. As part of its layoffs, Twilio's partner liaisons were cut, killing off a lot of partner sales pipelines. Twilio is making a concerted effort to upsell customers on new products, like Flex and Segment, rather than leaving that process mostly to partners. It wins deals when customers are looking to add on product sets to complete a solution. It tends to lose to competitors when smaller customers need cheaper products or larger ones seek more robust, out-of-the-box features. There is little money to be made in Twilio's core messaging business, but Flex and Segment offer higher margins.

Twilio's Product Suite

- "We [implement] the unified communication platform, cloud call center, and the CDP [customer data platform] landscape. We have partnerships with other companies but not in the same ecosystems as Twilio. If customers for whom we implement Twilio ask for technologies from other brands that compete with a Twilio product, we do those as well, but only by request."
- "[Twilio] has a decent vision for their product and feature sets and where they need to take their products. They have a vision for how to position themselves as a product company. Twilio has a lot of low-code to no-code solutions that are configuration-based. [That's a selling point] for clients who are trying to do a noncomplex implementation with minimal financial output and risk. Companies can do it on their own in terms of straightforward, out-of-the-box implementations. Another pro is that all their product sets are made to work together."
- "[The drawbacks to Twilio] are more on the business side than the technology side. They have been chaotic defining their long-term business strategy. They pivot a lot. They are more reactionary to the market, the competition, and other external influences. They are not so proactive."
- "My concern is not about their technology solution. There are many competitors, but Twilio is a solid choice. But their strategic vision and overall implementation and execution of that vision [has been lacking]."
- "Flex is definitely the Twilio product that we sell a lot of. They haven't had a good story around Segment, but they are starting to pick it up within the customer data platform community. Frontline hasn't gone the way they wanted it. They are reframing Segment to be [part of] Twilio Engage."
- "Twilio is midrange in terms of pricing. They are not the cheapest and not the most expensive. I think they do have room to increase their prices."
- "Core messaging is cheap. The only way to make any money on it is by selling huge volumes. There's no money on small volumes for anybody, not just Twilio. You have to consider that core messaging runs on top of Verizon or AT&T or T-Mobile, whichever messaging infrastructure is out there. The messaging goes across someone else's network. [Twilio] has to pay the providers for messaging. It's a highly competitive and low-profit area to be in. Twilio makes money by selling huge volumes. Messaging that's one penny a call when you're doing a million a day, that's good. If you're doing 100, there's no money in it."

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> Senior support executive for an implementation partner

Competitive Landscape

- "Twilio beats out competitors when companies are looking to bolt on product sets that complete an easy-to-do solution. As an example, it's when a company wants multichannels—voice, chatbots, and SMS. Twilio excels when a company starts with one product, and then [Twilio] can add other products to it. It's easy and cost-effective and requires very little coding."
- "They beat out competitors who only support one thing or another, or they beat competitors who say [a customer] has to buy everything. Twilio is good for companies that need ad hoc or a la carte technology solutions. When a company invests in something like Flex, the cost and overhead to add on other things is nominal."

- "RingCentral and some of the others that have low-end types of solutions with not too many feature sets are examples of who they beat out [in those situations]."
- "Twilio loses out when they're bidding at companies that need cheaper products or more robust features. There are competitors that offer the same things as Twilio along with additional features out of the box. They cost more, however. Companies with larger budgets spend more money on larger competitors to Twilio. Larger companies want more enterprise-level solutions out of the box, which is not Twilio. Amazon and Citrix [Systems] are examples of that type of competitor. Twilio can be those things, but you have to add them on."
- "Companies with smaller budgets can't afford Twilio because Twilio [charges based on use]. For example, a company with a very high-volume messaging center but with a smaller budget will not choose Twilio as a solution because they would get charged for every time they use their service."
- "Twilio's competitive advantage is good at this point, but there are two aspects. In terms of their technology, they are very strong. In terms of the way they sell and operate, there's room for them to grow."
- "Twilio's competitors are even more broad than Twilio in terms of product sets, or they're much smaller, just doing segments of their product sets—like call center but not IVR [interactive voice response], or IVR but not call center."
- "We are now seeing Twilio finally giving the market what it wants. The market wants Twilio to act like a product company. Twilio has accepted that they are not a communications or unified-communications tool company but a product company, and their products are Flex and Segment."
- "Their competitors might be making similar motions. Amazon, with their communications platform, is probably a larger competitor. Citrix, with its communications platform, is also a bigger player. They are more diversified. Twilio's pivot to this go-to-market strategy is an act of maturity."

Twilio's Go-To-Market Strategy

- "Twilio has made some necessary changes to their business strategy. While the layoffs were unfortunate, they were necessary, even from the perspective of a partner."
- "Twilio has realigned how they go to market with their products. Their vision at first was an entry-to-market type of product set. They would sell SMS and SendGrid as entry-level products that were cheap and easy to implement. Then they would try to upsell Flex or Segment or IVR and other technology stacks."
- "That approach resulted in internal bloat in terms of sales teams, account executives, and account management. There were a lot of different knowledge silos at Twilio. The account executives and sales engineers were familiar with certain products but not others. The fatal part was if their go-to-market strategy was to get their foot in the door and then introduce other products, the sales team had limited visibility into the other products and was unfamiliar with how they work and how to sell them. It was kind of shooting themselves in the foot."

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- "This resulted in very slow growth and a lethargic sales force. This is why they realigned internally. They are now going to sell two products, Flex and Segment, which are going to be their flagship going forward. Everything they do is going to be built around those two products. The other things are not necessarily going to go away, but they are not going to drive their go-to-market strategy."
- "SMS and email are high-volume but low-revenue. Flex and Segment are low-volume but high-margin."
- "The shift in business strategy brought about the first round of layoffs, reducing their sales teams to realign across Flex and Segment. In the second round of layoffs, they made a further commitment to that. They eliminated the salespeople who were generalists, selling SMS and email, so they could focus on the people selling the two core products. Now they have targeted sales teams."
- "Any upselling before [the recent restructuring] occurred at the partner level. It was hard for their account executives, because of the way they were trained and positioned, to assess a client's need for [additional] solutions, like what other Twilio product suites they could implement. As partners, we were doing that. It has now become even more focused on Flex and Segment."
- "Many of their outlying products are going to be rolled into their two core products. They are going to start maturing their product line. For example, there's a possibility that the functionality of Frontline is going to be put into Flex. This is going to make upselling easier. Partners are still going to continue to sell, but Twilio is positioning themselves also to be able to do more upselling themselves."

- "The data around their layoffs shows that they eliminated all their business verticals. For example, the HLS [Health and Life Sciences] and retail verticals are gone. The focus is instead changing to the two products, Flex and Segment. They have maintained their market-based divisions in terms of midmarket, enterprise, and nonprofit. The way they are operating is maturing. They realized that before there was waste. It's sad to say because the layoffs affected people's lives."
- "They have also changed their approach to channel partners. They reset everything. Many of the account executives we've been working with to close deals were let go. This means that a lot of our sales pipeline just died. We are rebuilding it, but they weren't very thoughtful in their approach. They're aware of it, and they're going to make sure it's not going to happen again."
- "The energy we had around Twilio stalled because of their layoffs. It was brutal. They laid off of all the partner liaison teams. They're starting to bring some of them back. This liaison now is focused around Flex and Segment to partners. They are more thoughtful about it now, and they are realigning partners around their product. Before, partners were aligned to regions, and now they are aligned to products."
- "I think this is going to work, but I don't think it's going to be immediate. They still are going to have to figure out a lot of stuff. They're on a path, but it's still a journey. Hopefully, the major cuts are done, but it's going to take a little bit to get the wheels moving again."
- "I don't think [the payoff will be] immediate. I would expect it to be six to eight or even 12 months out. My speculation is that the board is going to bring in new players to make sure they become profitable."

Near-Term Demand
- "We are seeing longer sales cycles. Projects that were high-priority are no longer high-priority due to budget constraints and re-prioritization of funding. However, we braced for this early on when we saw it coming in Q4 last year."

2) Partnership executive for a Twilio implementation partner

Twilio's recent restructuring is a necessary step to focus on its high-value data business, as its messaging products have become commoditized with little margin upside. With software products like Flex and Segment, Twilio wins when companies are highly focused on the customer experience and willing to devote development resources. It tends to lose deals because of its high implementation costs, especially when potential customers are looking for a quick deployment and a lot of out-of-the-box functionality. Twilio's layoffs have not hurt customer support, but sales support has suffered. The company is trying to deepen relationships with channel partners. Macroeconomic trends are slowing sales cycles and delaying revenue for Twilio by a few months, but these same budget constraints are highlighting the need for companies to do more with less, increasing the value of automated solutions such as Flex and Segment.

Twilio's Product Suite
- "We do implementations across the whole of Twilio's ecosystem. The only work we do with competing products is if a customer asks us to implement Twilio into an existing product [such as] Genesys, for example. But [selling a competing product] is not something we would pursue by itself."
- "These days, we've had a strong focus around Flex and also how Flex and Segment intersect. We've done a lot of work around the whole suite."
- "Advances in technology are helping the Twilios of the world. If you have the wrong experience when you're checking out from a sale, or you get the wrong message, it will make you feel negatively about the brand."
- "Twilio is on the right path because they are attacking this in multiple ways. They have the underlying communications framework. They can get communications out to their customers as well as anyone else. They have the contact center with agents who have access to deep, customized customer experience, and they can offer customers a good end experience. Then they switched gears and bought Segment when third-party data and cookies were going away, and companies had to start considering how to do more with their own data. This is where Segment and the CDP [customer data platform] play come in. With this, they can operate very widely."

Competitive Landscape
- "Twilio wins out when you have a company that is very focused on the customer experience, very open to the technology, and open to building software. With those three things in place, Twilio becomes a great fit for your business."

- "If you're looking to just buy something off the shelf that will be up and running in a couple of weeks, Twilio tends to lose out."
- "I think Twilio's competitive moat is large and getting bigger."
- "Twilio struggles with monetizing their messaging and conversations layer. If you [just] want to be able to send text messaging back and forth to your customers and engage in conversation, Twilio doesn't win a lot there. Messaging platforms like MessageBird do better than Twilio because they are low-margin messaging and communications platforms. If you get a systems integrator [SI] to build Twilio for you, it will cost $100,000 to $300,000. But at the end of the day, you can spend a $500 setup fee and spend $100 a month and have all the functionality you could want from any of the two-way messaging SMS providers, like MessageBird. Twilio loses out in that space."
- "Twilio also has competition in the contact center space with Flex. Unless a company wants to really invest in the build-out—if they want to get a deep agent experience for a specialized customer experience for all the channels—companies like Five9, 8x8, or RingCentral will give you a full feature set cheaper to get up and running with a contact center, to just play by the contact center rules."
- "Twilio's SaaS licensing costs are competitive and even favorable. Twilio doesn't lose out on [product] price. I don't see challenges around Twilio's core pricing."
- "Deals tend to get lost [for Twilio] on the implementation costs. When you're getting up and running with custom software, you're either paying in-house developers, a system integrator, or professional services. With Twilio, as with Amazon Connect, the implementation costs are much higher [than with others]. You have to buy in to the strategy that you're going to gain an advantage."
- "[It's worth the cost and effort to deploy Twilio] if the customer experience and personalization are important to you and/or you have a set of developers who are not booked out for the next 18 months. You can do some neat things and do them quickly. As [Twilio CEO] Jeff Lawson said, you have to 'build or die.' If you're not building the software that touches your customers alone, you're not differentiating. I subscribe to that. It's important to focus on those customer touch points that make an impact."
- "In terms of their two new business units, I don't think they would be able to increase margins on the core [messaging] unit; but they may have some leeway on the software side, probably more on Flex. I don't know what they're going to do with Segment. With Segment, they are already on the higher end of prices for CDP providers."
- "I think so [the core messaging business has become commoditized]. That's why Twilio made these [restructuring] moves. With the old structure, there was full sales support across all the products, with little to no margin in the core business. There were also specialist salespeople to sell the software services. I think Twilio is on the right track [in splitting the businesses]. They need to stop spending all that human capital on the core business. It has to be efficient because they have to be able to compete on price because of the commoditized services."

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Twilio's Go-To-Market Strategy

- "With the changes they made to the company and how they are going to operate, they've set themselves up to have a great future. They've set themselves up to focus on efficiency for the commoditized side of the business. They have an experienced SaaS leader on the software side, where they are looking for explosive growth. I'm confident for Twilio."
- "Twilio has known for years that the core communication business is very low-margin, and they needed to be focused on their software. The writing has been on the wall."
- "With these layoffs, Twilio is going to come out as a more efficient and better-focused company. I knew a lot of the people who got laid off, and it's terrible, but Twilio is now going to be able to have more focus on their business."
- "Twilio's strategy has always been to go in and expand. They typically did it by getting in with a Flex messaging use case and then trying to expand from one-directional messages to conversations through messages and then full contact center with AI and ML [machine learning] interactions. As partners, we try to help customers see the advantages of moving from one product to using more of the ecosystem, like Flex plus a CDP, for example."
- "Already with the layoffs in September, I feel they've gotten more focused on the partner ecosystem. They're choosing who they talk to and engage with more carefully. We're getting more face time with them, and that's helpful. We're closer to Twilio now."
- "They have been culling down the product suite a little. They announced their end-of-life for Autopilot and end-of-sale for Frontline. Before, they wanted to try to do a billion different things and see what would stick—especially during the

pandemic, when they were making money hand over fist. Now, they've decided to look at some of those experiments and figure out what didn't work."

- "They decided to go back and reimagine things. For example, they chose to partner with Google on the CCAI [contact center artificial intelligence] platform and be more focused. They bought Zipwhip, but then I think they decided it was veering too far from their core business, and they turned it off."

- "We're seeing a company that's running with a lot more focus and intention now."

- "I haven't seen or heard too many negative impacts on their customer support [from the recent layoffs]. The biggest challenges have been in terms of sales support. That sales support staff got laid off, and they have to do some work to get account coverage again, to make sure the accounts have a consistent experience. I haven't heard of customers putting in tickets and not getting answers. Our escalation points are still intact."

Near-Term Demand
- "Sales cycles are extending. A big capex expenditure might take one extra quarter for the decision to be made. We're seeing our pipeline extending out."

- "In [Twilio's] favor, though, the macroeconomic trends are affecting everyone outside of Twilio, too."

- "All companies are [trying to] do more with less. And when you do more with less, you have to turn to solutions like Flex and Segment, and you need to think about automation. These needs are not going away for Twilio. Their revenue might be delayed, but the needs are there and more important than ever."

> "With the changes they made to the company and how they are going to operate, they've set themselves up to have a great future. They've set themselves up to focus on efficiency for the commoditized side of the business. They have an experienced SaaS leader on the software side, where they are looking for explosive growth. I'm confident for Twilio."
>
> Partnership executive for a Twilio implementation partner

3) CEO of a consulting partner focused on Flex implementations

Contact center operators considering Twilio Flex tend to be more concerned with getting good customer data and are not hung up on the price of the software, though its usage-based pricing makes a lot of sense for many buyers. Amazon Connect is not as complete a solution as Twilio but will appeal to many of the same potential customers. Twilio's attempts to cut costs make sense but will leave the company stretched thin and more reliant on channel partners for customer support.

Twilio's Product Suite
- "The projects we've implemented with Twilio fit in two main categories: One is around messaging, which is basically SMS, text, maybe email, and a little bit of WhatsApp. But the primary work that we do are contact center projects, and that is Twilio Flex."

- "Primarily, when we implement Twilio contact center products, it is mostly for customers that aren't too terribly wrapped up in the price. They are more focused on making sure that when customers act, we have good data about them. They are mostly middle-market, high-growth companies that are tech-savvy and looking to disrupt their industry. They are more edgy."

- "Most of these companies aren't really sweating the price point."

- "The beauty of Twilio is that you pay on a per-transaction basis vs. a big capex that you do with an Avaya, Cisco, or Genysys."

- "[One customer] went with Flex because the only thing they needed for a contact center agent to use the product was a Bluetooth headset and a Chrome browser. They could very quickly hire people and run superfast."

- "For Twilio Flex, you either pay a license fee on a per-agent, per-month basis, or you just pay on an hourly basis. You can scale your business to grow. And if you don't grow, you don't pay."

- "We are working with a large real estate development company in the UK that is trying to eliminate no-shows. After an appointment is agreed to, a message is sent; and within 24 hours of the appointment, another message is sent."

- "We are also supporting an SMS implementation for a train service where we built a custom front end to Twilio so [operators] can message passengers on the train to get information about arrival and departure times."

Competitive Landscape
- "The closest competitor is Amazon Connect. It's not as complete, but the people who are looking at Twilio will definitely invest the time to take a look at Amazon as well."

- "There are more proprietary [vendors] like RingCentral, Five9. There are a bunch out there. We replaced Zoom [Video Communications Inc./ZM] in some niche implementations for a financial services customer who needed a solution that is more compliant to the regulations within financial services."
- "[This type of software] is pretty sticky. It's less about Twilio and really more about the fact that you have to build customer code. Ultimately, you have to integrate Twilio with your CRM [customer relationship management]. You may have very custom workflows within your CRM—demos, appointments, follow-ups. It's not impossible [to switch]; it's all open code. It's all very easy, but you have to have that in-house expertise."
- "Most of our projects from a Flex perspective are 45 to 90 days max. That is what we call transformation—helping people do the change management piece, move from what they were using to Twilio."
- "It really is important to recognize that Twilio is not an out-of-the-box solution. The customers we work with get it. They get the benefits, they like the pricing, but they do need to have in-house development expertise."
- "If you don't have domain expertise, it's tricky to have a good conversation with Twilio because they are wondering if you understand how to implement their product. And if you don't, it's a problem. That's where we find real opportunities for our business to grow. We help customers get the most out of Twilio."

Twilio's Go-To-Market Strategy
- "If you look at their hiring over the last two years vs. the previous 10 years, they really accelerated and leaned into the growth. They brought on board a whole bunch of people who were really coming up a steep learning curve. Not a lot of the folks really had the technical chops to give customers confidence. That is where we show up."
- "This restructuring [by Twilio] sort of simplifies things. They are now stretched pretty thin, and they need the channel. They need partners like us to step in for customers who need help."
- "Our place is with those customers who get it, who want it, but don't know how to get there. That's where we've had success."
- "I spent a lot of time at Cisco as an employee, a partner, and a customer. It took Cisco a long time to get their channel right. Now, they understand their channel, and that is their market power. Twilio has some work to do in terms of enabling that [partner channel]."

> "This restructuring [by Twilio] sort of simplifies things. They are now stretched pretty thin, and they need the channel. They need partners like us to step in for customers who need help."
>
> CEO of a consulting partner focused on Flex implementations

- "What I like [about Twilio] is that the more expertise we develop in-house, the stronger we feel about our ability to compete effectively. We know now what projects and how much time they take. And we have developed a toolbox to simplify things and make it happen quicker."
- "Twilio's revenues are very strong. Clearing the decks from an SG&A [selling, general, and administrative expenses] standpoint is going to separate the wheat from the chaff."

Near-Term Demand
- Did not discuss.

4) CEO of a Twilio implementation partner

Twilio's cost is high for customers just needing communications services, which have become commoditized, but it is affordable for anyone needing more programmatic services. Products like Twilio's SMS verification are mission-critical to most organizations. Segment is a unique offering, but its pricing model makes it too expensive for a large swath of the market. Further, a disconnect exists between Twilio's core communications business and its Segment data platform—which seems to operate as a completely different company offering different solutions to a different customer base.

Twilio's Product Suite
- "I don't understand what they were trying to do with the Segment purchase. It feels like a completely different industry, a completely different company. I don't get what synergies they were looking for."
- "I like Segment. I like what they do. They do some interesting things that I can't find out in the marketplace. But it is so unique, it's hard to know how to advertise it. As far as synergies with the other Twilio products, I don't see it."
- "In my current use of Segment, we don't integrate many other Twilio products with our Segment."
- "I think they are completely separate entities with different customers, different customer bases, and solving different types of problems for different types of customers."
- "Even if all you're doing is SMS verification, [Twilio is] mission-critical."

- "Twilio has a unique product in the voice marketplace. It's a bespoke solution. Every other VoIP provider out there is basically providing the same phone services we've had since the '70s—voicemail boxes, extension dialing, attendant menus."
- "If you are using Segment, it is going to be mission-critical. It is hard to replace that with other products that are out in the marketplace today. They do a really good job of integrating a whole bunch of data from a whole bunch of different locations and making sense of it and making sense of the users and their habits. And that is difficult to find out in the marketplace."

> "I like Segment. I like what they do. They do some interesting things that I can't find out in the marketplace. But it is so unique, it's hard to know how to advertise it. As far as synergies with the other Twilio products, I don't see it."
>
> CEO of a Twilio implementation partner

Competitive Landscape

- "The VoIP community has kind of conceded its programmatic voice market to Twilio. They do it really well. They do it better than anybody."
- "Segment is very expensive. It's a unique product, so it's hard to compare. But it's so expensive that they've kind of priced themselves out of a lower market."
- "It doesn't seem to really scale. There is no free version, then $100 a month, then $1,000 a month, then $10,000 a month. They have one product, and it's like $30,000 a year, and that prices them out of huge segments of the market."
- "For a small business with 20 phones—20 employees just needing extension dialing, some voicemail boxes, and an attendant menu—they are going to be significantly more expensive than an entry-level provider. However, if you need a more programmatic voice experience for your customers, then it is very, very affordable."
- "For me personally, I have a Twilio phone number that routes to my cellphone. I can put the Twilio number out on the website and not my personal phone. And that is very inexpensive. They do that really well."
- "They are inexpensive at simple things and not bad at really complicated things. It's that middle segment where it's more expensive, more time, more energy, more work, and more money to go to Twilio than to go to a more generic competitor."
- "As a bespoke service, they need to charge more."
- "Basic services are completely commoditized. But adding any layer of functionality or sophistication, then no, they are the only player."
- "[Twilio's software] is unbelievably sticky. I wouldn't even want to contemplate it. If it's just voicemail boxes, extensions, and an attendant menu, it's fine. You can switch. But as soon as you have any sort of customization, no. There's no way. You'd have to rewrite a lot of stuff to switch providers."
- "We took the best parts of our service, the best parts of Twilio's service, and we integrated them for our customers. I am a believer in the best in breed. You can't be all things to all people. No one can be all things to the entire market."

Twilio's Go-To-Market Strategy

- "You can always get more efficient, but at what cost? I think at this point they are [as] efficient as they are going to get."

Near-Term Demand

- "VoIP and phone services typically do really well in a recession, especially if it can allow you to cut employee expenses."

2) Twilio Customers

Twilio's communications platform is flexible, easy to get running, and reliable, said all three sources in this silo. One, however, has had a terrible customer support experience and is leaving Twilio. The service is not mission-critical, according to two sources, who said they have other communication channels they can turn to if a problem arises with Twilio. Only one said his company is considering additional Twilio products, though it could be three years or more before it makes sense for him to add an offering like Segment. Twilio has not been making a hard push to get any of the sources to add new software. Two sources said Twilio is more expensive than competitors, but one of those said the savings from going with a cheaper option like Vonage might have been wiped out by the development costs needed to customize Vonage. One source uses RingCentral for a broad array of unified communications functions while relying on Twilio solely for automated texting, an area where it excels. One source said he has not seen, nor does he expect, any impact from Twilio's layoffs. The source who is leaving Twilio, however, said he noticed reduced responsiveness to customers from the company last fall, not long after the first round of job cuts. Uncertainty about economic conditions is not yet affecting IT budgets, one source said.

Key Silo Findings

Twilio's Product Suite
- 2 of 3 have had a positive experience with Twilio.
  - All are using Twilio for communications, including phone and messaging services.
  - 1 is using Flex for his contact center.
- 1 said he is leaving Twilio after the company disconnected 600 customer phone numbers with no warning.
  - He had been using Twilio for more than five years.
- 2 said Twilio's service is not mission-critical for them, as they have other communication channels they can turn to.
- 1 said Twilio is a mature platform that is easy to launch, with excellent documentation and support.
- 1 said he values Twilio's flexibility, especially the ability to customize operations for the specialized needs of a healthcare provider.
- 1 said his company may consider adding Twilio's customer data platform, Segment, in a few years.
- 1 said Twilio's reporting functions and data need improvement.
- 1 said Twilio had recently been paying less attention to customers, but 1 other said he has had a great relationship with Twilio.
- 1 said Twilio is relatively expensive.
  - The cost of phone numbers and per-minute call rates will be about half as much with his new provider.
- 1 said Twilio's cost is a barrier but ultimately a good value.
  - Using Vonage might have cost only two-thirds of what Twilio cost, but the savings may have been lost because of the development work necessary to customize Vonage.
- 2 said Twilio's platform has always been reliable.

Competitive Landscape
- 1 said Twilio's competitive moat for larger customers is its scalability; for smaller customers, its advantage is an easy deployment at a reasonable cost.
- 1 said vendors who cater specifically to the insurance industry might be better fits than Twilio, though some use Twilio as their own backbone.
- 1 said Avaya was too basic for his company's needs and had significant technical challenges.
- 1 said Twilio is more robust than platforms like Talkdesk.
- 1 said he uses RingCentral for a broad range of unified communications, such as conversational texts, while using Twilio for automated texts.
  - He could ditch Twilio and consolidate on RingCentral, but it is not worth the development cost. He could not consolidate on Twilio.
  - Twilio shines with its ability to set rules for sending automated texts.

Go-To-Market Strategy
- 2 said Twilio has not made any hard push to get them to add more products, such as its customer data and analytics offerings.
- 1 said he has not seen and does not expect any impact from Twilio's layoffs.

Near-Term Demand
- 1 said economic conditions are not yet affecting his company's IT spending.

Twilio Inc.

1) Patrick Graham, service center director for FYidoctors

Twilio is more robust and flexible than competing products. It has some shortcomings around its reporting and data but is working on improvements. Twilio's pricing is a big barrier to adoption, but the company manages better relations with customers than competitors do. There has been no degradation of Twilio's customer support stemming from its job cuts. FYidoctors may add Segment to its Twilio suite in a few years. The company has not tried to push the organization to adopt such products faster.

Twilio's Product Suite
- "We use Flex Insights from Twilio. We've been using it since the fall of 2021. It's recent, as we've just started to build out our call center."
- "We're considering increasing our footprint [of Twilio products] in the next three or four years. It'll be a question of when we reach critical mass to maybe increase functionality then and use CDP functionality with Segment."
- "I do consider Twilio good value. Our pricing is standard. It's maybe $100 to $120 a month per seat, and we have around 50 seats."
- "A lot of the patient interaction and outreach is done at the clinic level. The call center part has a supporting function."
- "The best thing about Twilio is the relational aspect. Over my career, I've worked with other vendors in the call center software space, and I've never had a better relationship than with Twilio and the partner that we worked with. They've been a really good partner with us."
- "We had used Avaya before Twilio. I've also used Vonage. Twilio had more flexibility with the platform, and that's one of the major things that drove us to them. Also, our ability to customize our operations because of our specialized needs as a healthcare provider, including regulatory requirements around patient health records. Because of the kind of information that we needed to have at hand, we would have had to customize too much with the other platforms."
- "Because I do analytics in my role, the reporting and data side of Twilio are a little lackluster. I've had conversations with Twilio and our partner, and they're taking my concerns and observations seriously. They are planning on working on a few things to make their reporting offering more robust in the future."
- "We have three individual teams that leverage Twilio. There's an internal-facing IT desk, an internal-facing clinic customer support team—a kind of central home office for calls and requests from the individual clinics—and then there's a patient-facing team."
- "[The patient-facing team] is the smallest one, but in two to three years it will be growing, and it will be bigger than the other two teams combined. We have other communications channels for the internally facing teams that we can leverage easily if something happens to Twilio. With patients, however, it would be more challenging if there's ever an issue with the platform. I haven't had any serious reliability concerns with Twilio since we've started using them."

Competitive Landscape
- "With Avaya, we had to use a different solution for reporting, but we had easier access to call data. On the other hand, we had technical issues like calls weren't recorded properly; and we couldn't properly filter out patient health information in calls, which is a big regulatory problem that we had to fix."
- "With Twilio, we were able to customize the UI [user interface] easily to our needs. I was able to learn easily the ins and outs of setting up the IVR and flows. It was easy to set up the webhooks to move information back and forth."
- "Twilio was more challenging pricewise. It was more expensive than some of the other options we were considering. We were looking at Vonage and ended up not selecting them. Vonage might have ended up costing us two-thirds of what Twilio ended up costing, but we reasoned that we probably would have spent those savings doing development work to get it to do what we wanted."
- "Avaya was a little too basic for our needs. We'd been using it for years, going back to when our call center operations had 12 people using only emails and telephones on their desk. Part of my mandate was to modernize our support operations, and I feel that's been successful so far."
- "I find Twilio to be more robust compared to other platforms I've seen—for example, Talkdesk. We haven't had many problems [with Twilio]. It's the things that you don't have to email about or make emergency calls over. That's a big advantage in and of itself."

> "The best thing about Twilio is the relational aspect. Over my career, I've worked with other vendors in the call center software space, and I've never had a better relationship than with Twilio."
>
> Patrick Graham, service center director for FYidoctors

- "[Whether Twilio can increase prices] would depend on the needs of the customer and where a solution like Twilio fits into their budgets. Our organization, back in 2017 maybe, wouldn't have been able to afford Twilio. Cost might be one of the biggest barriers to getting in with Twilio, even if the value is definitely there."
- "We've used different platforms for emails, tickets, and case management. Some teams are using Zendesk, and others are using Zoho's ServiceDesk Plus. We use Twilio for voice and web chat and also SMS. Twilio is definitely the one getting the most use."

Twilio's Go-To-Market Strategy
- "That's not Twilio's character [to push products]. There are vendors that do hard sells, but I wouldn't characterize the relationship with Twilio that way."
- "There'll be opportunities [to upsell] as our budget permits, but we have a strong enough relationship, and there's trust that they will grow with us as our business grows organically. They're aware of our road map and we're engaged as partners."
- "I had a regular check-in with Twilio as recently as yesterday, even if we're not actively working with them on any projects. We touch base about once a month. It's still the same people."

Near-Term Demand
- Did not discuss.

> "Vonage might have ended up costing us two-thirds of what Twilio ended up costing, but we reasoned that we probably would have spent those savings doing development work to get it to do what we wanted."
>
> Patrick Graham, service center director for FYidoctors

2) Chief information and technology executive for an insurance firm

This source's firm uses Twilio for automated texts but RingCentral for the rest of its unified communications needs, including conversational texts. Twilio is not considered mission-critical, as the firm could turn to phone calls or emails if Twilio was not working. Twilio is a mature platform that is easy to get running and reasonably priced. For larger companies, scalability is its competitive advantage.

Twilio's Product Suite
- "We have another unified communication tool called RingCentral that has texting capabilities as well. For conversational texts, we use RingCentral. For informational, automated text, we use Twilio."
- "Twilio can be down for several days, and we'd be fine. We can just call or email the customer to keep them informed."
- "We use RingCentral currently and could use it for automated text if we ever chose to not use Twilio. Since our notification systems use Twilio and it works, we have chosen not to change the programming to use RingCentral, since the cost of development outweighs the benefits of moving from Twilio to RingCentral."
- "No, [we have not considered consolidating on Twilio]. RingCentral is for unified communications for people like you and me. Twilio is best suited for automation. They serve different purposes despite having some overlaps."
- "RingCentral converts my office phone number into an office cellphone. Before RingCentral, I had a physical phone on my desk, a physical fax machine, a room from which we did video meetings, and I used my personal cellphone to receive and send texts. With RingCentral, there's no more physical phone, fax machine, a videoconferencing room, and I don't have to use my personal cellphone. I have a RingCentral app on my phone that can do all of that, or I can use my office laptop or office iPad from anywhere in the world."
- "With Twilio, I can't just text you from a web page or an app on my phone or office iPad. I have to write automation, programming to do that. The common person doesn't have that know-how. But if I wanted to text 3,000 people a text that their invoice is ready, then I want a programmer to apply business rules, find out who must get a text today and what the text should say based on those rules, and have machines do all that work. That's where Twilio shines. So Twilio can't replace RingCentral; they are meant to do different things."

Competitive Landscape
- "The competitive advantages [of Twilio] are frictionless to start, mature platform, well-documented, and friendly support."
- "Twilio is scalable and can unify various kinds of messaging. For companies desiring scalability, Twilio's scalability is the competitive moat. For SMBs like us that do not require such scalability, frictionless start at a reasonable cost is the moat."

- "However, for SMBs [small and midsize businesses] in the insurance vertical, there are several other options that suit more to insurance customers' needs. Some good startups that understand the insurance industry have leveraged Twilio and other tools for texting and made their own little product, such as Hi Marley, Zipwhip, Salesforce, and others. If a company doesn't want to use their programmers to write code to automate with Twilio, they could use Hi Marley, Zipwhip, and other tools that truly understand the insurance market and pay them to give texting services."

> "The competitive advantages [of Twilio] are frictionless to start, mature platform, well-documented, and friendly support."
>
> Chief information and technology executive for an insurance firm

- "So if you get in a car crash and text an 800 number, a tool like Hi Marley sends me an email or text, and I can converse with you without having my IT team build that out with Twilio. And, such insurance-specific companies really understand customer needs and have prebuilt templates to help a customer service rep like me serve you and your situation better."
- "With Twilio, my programmers and business staff have to think through all of that experience and build it all out."

Twilio's Go-To-Market Strategy
- "We don't have many needs, and we must not be on Twilio's radar for upselling. They haven't upsold us or contacted us for upselling."
- "No impact to us [from Twilio's layoffs]. I am not too worried about a series of layoffs. They aren't making blunders like Elon [Musk] is with Twitter, in my opinion. [Alphabet Inc.'s GOOG/GOOGL] Google, Zoom, Twilio, and big tech sector firms are recognizing the ups and downs that come with situations like the pandemic and reacting to it."
- "There's always a reaction to an action, such as hiring or layoffs in response to the pandemic. Some reactions come years after the action, some are knee-jerk reactions, and some reactions are so subtle that they don't catch our eye."
- "Layoffs are big, and there are copycat layoffs because there's no penalty, everyone's doing it. Layoffs are also a way to clean house and recalibrate company culture. Big companies like Twilio, Google, Zoom, and others will bounce back with hiring, but at the right time."

Near-Term Demand
- "Economic [conditions] are not impacting our spend with any of our software or hardware vendors yet."

3) Robert Wilson, CEO of eTollFree, a provider of phone number and call center solutions

Wilson is in the process of leaving Twilio after more than five years because the company disconnected 600 customer phone numbers without warning. His company used Twilio's inbound direct-inward-dialing [DID] product and as a backup for his call center. Before having customer numbers disconnected, he was trying to increase his business with Twilio but could not get an account rep to help him. While Twilio's prices were somewhat high, product quality was always reliable.

Twilio's Product Suite
- "I use their inbound DID origination service and some outbound termination."
- "Twilio disconnected over 600 numbers without warning, discussion, or attempting to rectify the issue."
- "These numbers belonged to donut shops, retail stores, and other small businesses across the United States that we service."
- "They were especially coldhearted because there was no way to communicate with them to discuss resolutions."
- "After five to six years of service, Twilio would just not engage in dialogue with us. The only way to contact them was through their sales department, and even when I told them it was urgent, it didn't help."
- "The biggest issue was there was no communications. They just shut me off."
- "This happened a few weeks ago. I just got my first set of phone numbers back working yesterday, but not through Twilio. I'm porting them away."
- "I talked to my [Twilio] account manager just a few days before this happened. I had emailed him in November wanting to redo my contract because I wanted to increase my business with them. I heard from them toward the new year when they sent a marketing email. I explained that I really wanted to give them more business and to rewrite my contract. I also told him that they were getting to the point where they were not paying attention to their customers. He said sorry, and then two or three days later, they disconnected my numbers."
- "I'm in the process of porting my clients to another provider."
- "Twilio is on the more expensive side, for wholesale, for somebody who is reselling. But I chose them because they were a young company, and it looked like they were trying very hard."

- "[Twilio] seemed to have advantages as far as call quality. I never had any call quality issues with them. Their calls always completed."
- "I used Twilio for backup for my call center clients, and they were the primary [provider] for my DID clients."
- "I also picked them because they had a good API [application programming interface]. It's a little slow sometimes, but it works."
- "DID is very important to customers. If the DID goes down, their customers can't get in touch with them at all by phone."
- "Switching [to another provider] involves a lot of paperwork, but now I've filled it all out. Still, it takes a while. I filled out the paperwork two weeks ago, but the first set of customers turned up only yesterday."
- "Our reputation was badly hurt. I'm trying to call 600 [customers] on the phone to explain and apologize."
- "It's hard to understand how Twilio got so big with so many employees, but they don't try to establish connections with their customers."
- "I've left Twilio because they shut me down and because they refused to communicate. I'm damn sure not going back to Twilio."

> "I've left Twilio because they shut me down and because they refused to communicate. I'm damn sure not going back to Twilio."
>
> Robert Wilson, CEO of eTollFree, a provider of phone number and call center solutions

Competitive Landscape
- Did not discuss.

Twilio's Go-To-Market Strategy
- Did not discuss.

Near-Term Demand
- Did not discuss.

3) Twilio Competitors

Both sources in this silo said Twilio built a lead over the competition because it was earlier to the CPaaS market and because it smartly catered to the needs of developers. However, both believe that Twilio's technology gap is shrinking and that its brand name is one of its few real advantages. Twilio is more expensive than most other options, and users sometimes rethink their deployment once they start racking up costs due to Twilio's usage-based pricing. Messaging products in general have become low-margin, commodity offerings. The only way to make the cost structure work is to have the most connections with mobile network operators—an advantage Twilio does not have, especially internationally. It is increasingly common for companies to have multiple vendors for different parts of the communications stack or different geographies, one source said, resulting in increased marketing costs for vendors to try to push more traffic to their platform. Twilio's Flex and Segment software offerings are both in highly competitive markets, with some vendors offering customer data platforms for free as part of their communications suite. Further challenging Twilio's upsell efforts is that its messaging products and software offerings have different types of buyers. Both sources said Twilio's customer support is a weakness and likely to worsen with recent layoffs, something competitors believe they can exploit. Economic conditions are hurting budgets for certain types of nonessential communications products, one source said, but the other said overall interest is increasing in mechanisms for making communications more personalized.

Key Silo Findings

Twilio's Product Suite
- 2 of 2 said Twilio has a more mature platform than most competitors, but the technology gap is closing.

Competitive Landscape
- 2 said Twilio's strong brand name is one of its key advantages.
- 1 said competitors can win against Twilio when buyers are not developers but executives looking for a specific outcome.
- 2 said Twilio is generally the more expensive option, though 1 said the company sometimes cuts pricing aggressively to win larger enterprise deals.
  - o 1 said Twilio's usage-based pricing sometimes leads to a reckoning when costs start to accumulate, forcing customers to look at other options.
- 1 said messaging products have become a low-margin, commodity business.

- o The only way to make money is to have the most connections with mobile operators to optimize cost structures. Twilio does not have as many connections as some competitors, especially outside North America.
- − 1 said network quality can be a differentiator for sellers of SMS messaging, two-factor authentication, and one-time passwords.
- − 1 said it is becoming increasingly common for customers to have multiple vendors for different parts of the communications stack or for different geographies, as a way to optimize spending.
  - o Such setups require a lot of sales and marketing costs for the vendors to try to get as much traffic as possible over their platform.
- − 1 said Twilio's Flex plays in a mature and competitive market, especially in the United States.
- − 1 said Twilio's acquisition of Segment was a good move, but competition in customer data platforms is significant, and some competitors do not charge for it when part of a broader communications suite.
- − 2 said communications software can be sticky because of customized code, but 1 said switching providers is not unusual.

Go-To-Market Strategy
- − 2 criticized Twilio's customer support.
  - o 1 said it is a weakness that competitors try to exploit.
  - o 1 said it seems to have gotten worse after recent layoffs.
- − 1 said Twilio seems to have reduced marketing spending as it focuses on profitability, which is an opportunity for competitors.
- − 1 said Twilio's upselling efforts will be challenging because its communications products and software layer appeal to different buyers.

Near-Term Demand
- − 1 said macroeconomic conditions are leading to reduced budgets for some communications products, but 1 other said he is not seeing any slowdown.
- − 1 said demand is growing for products that help brands deliver more personalized communications.
- − 1 said new regulations aimed at reducing robocalls is making the environment more challenging for all providers of communications systems, as evidenced by a recent cease-and-desist order handed to Twilio by the Federal Communications Commission.

1) Marketing executive for a communications platform

Twilio is a market leader with a strong brand name and significant financial resources, but competitors are quickly closing the technology gap in areas such as two-factor authentication and one-time password. Communication platforms tend to be sticky, though customers often use multiple vendors for different functions or geographic regions. Twilio's sales support and customer service have been hurt by its layoffs, which competitors see as an opportunity. Cross-selling between Twilio's communications platform and its data software business can be difficult because the products have different buyers. Macroeconomic conditions are hurting budgets, but some products are must-haves, like transactional types of messaging. Twilio is facing a challenge from new regulations, which will hurt revenue.

Twilio's Product Suite
- ▪ "Twilio is the market leader at the moment in the CPaaS industry. They've held that position for about a decade. They were an early arrival and took a different approach to going to market than the others. They focused entirely on developer marketing and were able to establish a strong foothold that way."
- ▪ "On top of that, they grew from their number of rounds of investments from venture capital. Not every company in the space received as much funding, nor did they leverage it in the same way as marketing spend to grow their position. This means Twilio grabbed market share faster, acquiring new customers at a more rapid pace."
- ▪ "They were similarly able to invest quite a bit in their products early on, and because of that, they were able to maintain an edge on most competitors in terms of product capabilities. That said, that edge—the gap between them and their competitors—is quickly closing."
- ▪ "There are now several competitors that are at parity or close to parity with the Twilio product. Our company, in terms of positioning and investments, is among the top competitors. I'm also curious to see how Vonage ends up with the

Ericsson acquisition, whether they continue to invest in their product or if they are just going to be harvesting profits from there."

- "Twilio invested quite a bit in building multiple types of APIs. Beyond just the SMS API, they have things like two-factor authentication, one-time password and 10DLC. We are also on the verge of having those things."
- "Besides CPaaS, Twilio is starting to have multiple separate products. On the solutions side, Twilio is going to be focusing more on Flex, for example. They've put a lot of investment into their data and applications, and they're further ahead compared to anyone else in the market."
- "In terms of geographic coverage, [our company] supports more countries than Twilio. There are areas and nuances where some companies may have slight advantages in different markets. Twilio has more direct relationships with carriers in terms of bandwidth because they are themselves more like a carrier."

Competitive Landscape

- "When [Twilio] wins, it's because they have the bigger market reputation. They are more of a name."
- "We frequently hear that our customer support and customer success team differentiate us from Twilio. When people leave Twilio to come to us, they tell us it's because we have a reputation for taking care of our customers. We don't have as many customers, so we can give them more time and attention."
- "We also have financial benefits because of lower pricing in most markets."
- "Twilio is significantly larger than all the competitors in the CPaaS space. They have 7,000-plus employees. They've been able to build themselves up over time. [Twilio] lost $1.2 billion last year. Not many companies can afford to lose over $1 billion. If they're willing to operate at an operating loss like that, they can build a pretty huge advantage. But it's not clear if they can come out on the other side and become profitable with what they intend to do."
- "Twilio's pricing is always the highest in the market. They can demand that because they have the brand, and that's been consistent in just about every market."

> "[Twilio] lost $1.2 billion last year. Not many companies can afford to lose over $1 billion. If they're willing to operate at an operating loss like that, they can build a pretty huge advantage. But it's not clear if they can come out on the other side and become profitable."
>
> Marketing executive for a communications platform

- "We have seen them take aggressive tactics and cut their margins to meet or beat competitors. Their published pricing is usually on the higher end, and they usually only make concessions to their larger enterprise customers."
- "Our pricing varies by country because we work directly with different carriers. Having said that, I think there is some room for [price] increases, but it depends on the use case. Transactional SMS messages, two-factor authentication, and one-time passwords are not completely commoditized because there's also the quality of the network."
- "We see [customers] who are optimizing their CPaaS for price. They will have multiple vendors, meaning they may use Twilio for the U.S. and us for India. They do that as they try to find a way to optimize their spend on things like transactional messages while maintaining a high deliverability rate."
- "When you've put time and attention into building out a good integration with a platform, it does make it hard to move to another platform. If you have a bad experience, or you can't find a competitor with a similar API that doesn't require a lot of new code to be written, it is sticky."
- "We frequently get Twilio customers switching to us—because they've had a bad experience, because they're looking to move to a different market, or because of a new use case."
- "It's frequent now for companies to use multiple vendors [for the different parts of the customer interaction stack]. It depends on the company and their development bandwidth. There are times when companies want to consolidate on a single vendor, and there are other times when it's easy to leverage multiple CPaaS platforms. One will do voice because there are price efficiencies there, another will do SMS; or maybe it's by country."
- "These [multivendor] situations do require a lot of spending on sales and marketing. And Twilio does, I imagine, relatively spend a lot more than we do. We focus [more] on our customers [rather than trying to woo competitor customers]."

Twilio's Go-To-Market Strategy

- "Twilio's customer support teams seem to have been affected by the layoffs. Customers have come to us saying they are not getting follow-ups from the sales team when they're in the middle of contract negotiations. For example, [because] that person no longer works there."
- "We're also hearing about it just in terms of support. Customers have had dropped tickets or not being able to get any kind of response. These are anecdotal, but we've heard it enough times where we're confident it's not a one-off situation. Already this week we've had customers coming to us telling us about it."

- "There are estimating tools that measure things like investment in Google ads. From that, it seems like Twilio has reduced spending across all their marketing investments. It's an opportunity for us."
- "Companies buying the Twilio communications platform are not always going to be prospects for the other parts of their business. It's a very different type of product. Twilio Flex is more focused on customer service teams. That buyer is not necessarily the same as the one buying their SMS API. One is a developer, and the other is a customer contacts manager."
- "It's more of a cross-sell [than an upsell]. I don't know if they're going to find synergies in cross-selling between the software-developer-department part of an organization and the customer success department. However, there are opportunities within the products to upsell."
- "The whole industry is definitely trying to diversify so that they are not beholden to just a single product. Twilio has been doing that now for a long time. We are also doing it. You don't want to have 100% of your revenue on a single use case."

> "Twilio's customer support teams seem to have been affected by the layoffs. Customers have come to us saying they are not getting follow-ups from the sales team when they're in the middle of contract negotiations."
>
> Marketing executive for a communications platform

Near-Term Demand

- "Macroeconomic conditions are somewhat affecting budgets. Some things, like transactional types of messages, are must-haves. You need to have two-factor authentication and one-time password. Certain types of use cases are not being impacted. And other types of use cases are seeing slowdowns in investments, where they're putting a pause on a new investment or a new technology or integration until they have a clearer picture of what the future holds. We're seeing slowdowns across almost all the industries that are affected by technology."
- "Margins differ by product, by country, and by carrier relations. In our case, optimizing for margins is like a matrix. To improve our margins, in certain countries, we want to sell more of one product than in other countries. There are also other outside factors—like hiring, head count costs, investment in marketing, and all the other pieces. We keep a close eye to make sure our expenses grow at a similar rate as our top-line revenue."
- "In CPaaS, there have been a lot of new regulations. [New rules around] 10DLC and STIR/SHAKEN are going to impact top-line revenue for Twilio and for others. Twilio was issued a cease-and-desist order by the FCC [in January] because they've been permitting too much robocall traffic in violation of rules."
- "We have taken a proactive approach to reducing spam and robocall messages. These new regulations are making things tougher for everyone that's in the business. Even for valid use cases, we are having to screen heavily because we don't want to get into the situation that Twilio is in. If the FCC shuts down a large portion of Twilio, that would be problematic."

2) Strategy executive at a communications platform

Twilio does not have many competitive advantages. Its platform may be more mature than others, but viable providers can compete on price, technology stack, and better customer support. Twilio's SMS API suffers from not enough connections to mobile operators, which hurts its cost structure compared with competitors. While Segment is a good area for Twilio to invest in, that market has many competitors. Twilio's cost structure can make it expensive, driving some clients to switch even if they have to rewrite code. Demand for CPaaS is not slowing.

Twilio's Product Suite

- Did not discuss.

Competitive Landscape

- "Twilio has made great strides in the CPaaS space. People think of them when they think of CPaaS in general."
- "They focused upfront on the developers. This is also one of the reasons competitors can win against Twilio, because those who want to buy these services are not always developers. That's a huge aspect of the market, but there are also companies who want to get benefits from CPaaS and don't necessarily need an API-specific solution. They want an outcome."
- "If you're an enterprise, and you want to consume SaaS services, you [can] consume them on an API level—which means you have developers, and the developers just want to see documentation before they're off to the races. If it's an enterprise that doesn't have a huge development shop, then they want more turnkey applications, and that

means SaaS. And the SaaS is either going to tick all their boxes or it's not. It just comes down to feature parity, depending on if you like one solution over another."

- "We found that understanding potential customers' business dynamics led us to a better outcome than just selling the technology."
- "SMS API, which is where most of the revenue for CPaaS comes, is a commodity business now. You need to be the biggest and have the most coverage and have the most connections to the mobile operators in order to get the best cost structure to win in that game. They simply don't have that."
- "Twilio doesn't have as many MNO [mobile network operator] connections with mobile operators around the world as [our company] or Sinch [AB/SINCH.ST], especially outside of North America. That means their cost base is off, and they don't have any advantage in SMS, the largest revenue driver for CPaaS. That's why they [invested in] Syniverse. Syniverse has a lot of the connections, but they need to make money, too."
- "SMS is low-margin if you have a bad cost structure. [Our company] and Sinch have better margins."
- "With Flex, [Twilio] is in a very busy, competitive market. The contact center industry is very mature and is most competitive in America. That's Twilio's backyard."
- "Emails are an even less expensive solution than SMS. [Twilio] has good traction in email with SendGrid. They bought them at the right time, allowing them to acquire a lot of customers. But it's a very inexpensive channel. It takes a lot of zeros before you actually see a number in terms of how much it costs to send an email."
- "Their CDP area, Segment, is a good area. It's where enterprises are trying to keep all of a customer's data so they can personalize communications to that customer more easily. There are different information silos in an enterprise, like POS [point of sale] systems or CRM systems or systems for marketing or support."
- "There are many different touch points. You can touch a customer across a mobile app, a web app, a website, a face-to-face meeting in a store, etc. In addition, users use all sorts of devices—iPhones, desktop computers. For brands, it's hard to keep straight users' preferences across all the interfaces and devices. They can use a CDP to do that, to know the type of content that a user likes to consume across which channel and which time frame."

> "[Focusing on] Segment is a good move for Twilio, but there is a lot of competition there. On top of that, Twilio charges for it, while at competitors like us—if a customer buys our SaaS product—they get the CDP alongside it."
>
> Strategy executive at a communications platform

- "[Focusing on] Segment is a good move for Twilio, but there is a lot of competition there. On top of that, Twilio charges for it, while at competitors like us—if a customer buys our SaaS product—they get the CDP alongside it. Twilio has pressure to monetize on the SaaS side."
- "Twilio tends to be the more expensive option. I'm sure they reserve the right to give some companies better pricing than their published pricing. We never had a problem competing with Twilio on pricing."
- "When a company starts to move to the cloud, developers log in, put down a company credit card, buy a solution, and then they start scaling on the cloud. They build a workflow, and before you know it, they are using the cloud a lot. Then the CFO wants to know what all the cloud charges are. There's a big rationalization then."
- "This is typically what happens to a lot of Twilio customers. The developers start the relationship, start using Twilio; and before you know it, Twilio is embedded in the organization, and the spending goes out of control. That's when they call [our company] or Sinch as they start looking for similar APIs and functionality that doesn't rack up the charges as much."
- "This can also be the case if they're not getting good service. Twilio takes care of their big customers, but a lot of their users don't get a high level of service. It's an angle that competitors use to get into accounts. They give them a little more tender love and care and find better ways to maximize ROI. A lot of times, it also goes back to cost. This happens all the time."
- "Twilio was the first one to grow most at scale. They think they can command price. Ultimately, though, it's in the cost structure."
- "When you're changing software, you have to change code. There are similarities between our SMS API [and Twilio's], but there are also differences and changes. There's a cost to changing [platforms] because you have to rewrite the code somewhat. In the end, though, it's not that complicated. [Switching providers] happens all the time."
- "Everyone tries to upsell, and Twilio is no different."
- "I don't have a long list of competitive advantages for Twilio. They are a more mature play, so they've been able to get deeper into a few verticals. In new verticals, there are always compliance issues and vertical-specific things. Twilio is a good company, and they have good technology, and the people who work there are bright. But I don't see

them having that much of a competitive advantage. I don't know how much more Twilio can do that [our company] or Sinch can't. In terms of their SaaS, it may be a little more mature, but it's not going to be hard for competitors to catch up."

- "There's viable competition out there that can take [Twilio's] business. In my book, the tech stacks of competitors are on par with Twilio. There might be a maturity-level aspect because they were doing it before the others, but that doesn't last very long."
- "In the enterprises, you're either solving a challenge on the business revenue-generating side or solving a challenge on the cost or support side. As Twilio now has to shift to more SaaS sales to become profitable, they have to sell against their biggest customers as well. … This means any major enterprise that uses Twilio services, because Twilio's SaaS solutions now compete in that space."
- "For example, Twilio's Flex can be used for IVR and contact center services. Twilio is now going to be competing with vendors in the space, vendors who were Twilio customers in prior lives—for example, Avaya, Genesys, Talkdesk, Five9. Twilio is going to be competing more with their customers rather than being an enabler."

> "Twilio is a good company, and they have good technology, and the people who work there are bright. But I don't see them having that much of a competitive advantage."
>
> Strategy executive at a communications platform

Twilio's Go-To-Market Strategy
- "I've always heard that the support coming from Twilio wasn't that great."
- "I don't think they have that much of a channel-partner play. They're more direct. I'm not aware of their channel partnerships moving the needle in any significant way."

Near-Term Demand
- "I don't think macroeconomic conditions are affecting budgets that much. I was surprised by [Twilio's] layoffs. I feel that some of the layoffs are more copycat. Maybe it's because they overhired."
- "I don't see demand slowing. There's no slowing in sending SMSs. Social media usage is not stopping, chat applications are not stopping. If anything, customers are demanding more and more personalized communications from the brands they want to work with."

4) Former Twilio Employees
Twilio's recent layoffs are going to hurt the company on multiple fronts, said the three sources in this silo, two of whom lost their jobs in February. Support will suffer because of the trimming of customer success teams, one source said. Another said upselling will become even more challenging because enablement teams that serve as conduits between the product and sales operations have been cut. Further, Twilio seems to be drifting further away from its roots as a company that caters to the needs of developers, which was what made its platform great. With its recent restructuring, the business is being split not just by product but between a segment that will focus on innovation—its software layer—and a communications unit that will solely focus on cost-cutting and profitability. One source did acknowledge that the company may have become inefficient after years of pushing for growth; the layoffs are a step toward rectifying that. One source was positive on the outlook for Flex because of its customizability, something that competitors which traditionally offered on-premise systems cannot match. One source said Twilio has not been a great place to work since the September layoffs, though employees generally understood that both the job cuts and the declining value of stock-based compensation were industrywide trends. Another said morale has been extremely poor, especially as rumors abounded that a second round of layoffs might be on its way.

Key Silo Findings
Twilio's Product Suite
- 1 of 3 said Twilio emerged as a great company because its platform was built by developers for developers, but the company's focus has shifted to enterprise sales.

Competitive Landscape
- 1 said messaging platforms are a commodity now.
- 1 said Flex's key advantage over competitors is its customizability, allowing companies to build unique experiences for their support agents and customers.
- Flex's big competitors, such as Avaya and Genesys, have their roots as on-premise vendors and at their core are still not cloud-based software companies.

- – 1 said the stickiness of software like Flex depends on how much a company has customized the platform. With little customization, switching vendors is not difficult.

Go-To-Market Strategy
- – 2 said it will be an uphill climb for Twilio to upsell its software layer to its messaging customers.
  - o 1 said messaging customers are buying a commodity and are not necessarily in the market for customer engagement software.
  - o 1 said the layoff of enablement teams will make Twilio's software ambitions much harder to achieve.
- – 1 said it is likely Twilio had become inefficient because of its focus on hypergrowth.
- – 1 said customer support is going to suffer because of the recent layoffs.
- – 2 said the past six months have been a difficult time to work at Twilio.
  - o 1 said employee morale was low after the September job cuts and fell even further as rumors swirled of a second round.
- – 1 said Twilio is in a transition phase from a focus on empowering developers to one concentrating on cutting customer acquisition costs.
- – 1 said only one side of the business—the software layer—will be pursuing innovation, while the communications side will be chasing profitability.

Near-Term Demand
- – Did not discuss.

1) Former Twilio enablement manager; laid off in February

Employee morale at Twilio was poor and getting worse in recent weeks as rumors of a second set of layoffs made the rounds. Twilio has been emphasizing its data platform for about a year, and while it has a chance to succeed there, the latest job cuts are going to make that more difficult. Not only have go-to-market teams been cut, but some employees tasked with making sure product and sales teams were in sync have also been let go.

Twilio's Product Suite
- ▪ Did not discuss.

Competitive Landscape
- ▪ Did not discuss.

Go-To-Market Strategy
- ▪ "Over the last year, the push has been to sell the data platform. It was all about getting into the software world and that the communication products were just the way of opening the door to bigger upsell. I think that Twilio has the chance to integrate itself into this market but will struggle."
- ▪ "The past two layoffs were to trim go-to-market [teams]. That included getting rid of enablement individuals like me. I don't see how you enable a sales force to sell a new product when you gut the enablement teams that are there to help prep and get them ready to do that. I will be surprised if Twilio comes out victorious in this software venture."
- ▪ "My role at Twilio was to ensure that our product teams and go-to-market teams were in sync. If product compliance was making changes to our AUP [acceptable use policy], it was my role to make sure that the customers were able to understand the changes and were disrupted in the least way possible. This related heavily to the communications products that Twilio sells."

> "Employee morale was abysmal. Over the past month, rumors of a second layoff began to permeate the go-to-market teams, and morale dropped significantly."
>
> Former Twilio enablement manager; laid off in February

- ▪ "Employee morale was abysmal. Over the past month, rumors of a second layoff began to permeate the go-to-market teams, and morale dropped significantly."
- ▪ "Additionally, for those of us that were 100% remote, the possibility of in-person time was zero. It was like working on your own island of misery."
- ▪ "I expect with this round of layoffs, like the ones in September 2022, the company will go through a period of doubt. Those that were not let go will have little direction as the executive team tries to figure it out."
- ▪ "Speaking from my perspective, I see the company cutting off their nose to spite their face. They are losing a lot of good talent and are going to further hinder teams' ability to accomplish anything."

- "The expectation will be to do more with less. I expect there to be growing pains, and [CEO] Jeff [Lawson] will bang the drum and attempt to cheerlead his way though this one."

Near-Term Demand
- Did not discuss.

2) Engineer for a retail chain and a former Twilio employee who left in 2021

Twilio became great because it was built by developers for developers, but the company's focus seems to have shifted to enterprises and cutting costs. Flex's competitive advantage is that it is highly customizable, something that is especially clear compared to competitors that started as providers of on-premise call center equipment.

Twilio's Product Suite
- "Twilio's historical strength—the reason it became such an incredible company—is that it was built by developers for developers. Everything we did every day was in service of our customers, who were developers."
- "It used to be all about the developer, and that was its core, its DNA. It seems to me—I'm no longer an employee, but it's more of a focus on enterprises [now]."

Competitive Landscape
- "The key differentiator for Flex is that it is incredibly customizable, and it's built for engineers to customize."
- "It's worth noting that traditional Avaya and Genesys were predominantly on-premise and not cloud-based. They do have cloud solutions now, of course. But at their core, they are still not really software companies. They don't have the by-developers-for-developers mentality that Flex did."
- "Flex is trying to enable very, very cohesive experiences for both the consumer and the agent. Instead of having to receive the call, look up the customer in CMS [content management system], then look at another vendor, developers using Flex can make bespoke and custom experiences for both parties. That is a key strength."
- "If you just sign up, create a Flex account, and put five agents in, then the level of effort to onboard is very low. But if you have engineers build some custom integration, the level of effort to migrate is significantly higher. I would say with Flex, you get what you put in."
- "If you are just comparing the out-of-the box experience between vendors, I don't believe [this type of software] is super-sticky. It's a pain—migrating phone numbers between providers is not a fun exercise—but it's not insurmountable."

Twilio's Go-To-Market Strategy
- "On the 101 [highway in California], everyone would drive past a giant red sign with white letters that said, 'Ask Your Developer.' That was the most successful developer marketing campaign I am aware of. Recently, Twilio replaced it with, 'How can I reduce acquisition costs by 65%?' I think that Twilio is in a transitionary phase."
- "Everything is fixable. Last week there was a reorg at Twilio that, in addition to the 17% [staff] reduction, split business units between basically innovation—things like Flex and how to invest in the growth—and the other side, which rolls into the former CFO, which is to make these things profitable and leaner and, perhaps, less of a focus on innovation."

Near-Term Demand
- Did not discuss.

3) Former Twilio customer success manager; laid off in February

Twilio has a difficult path to upselling customers of its communications platform on its layer of customer engagement software, as the former is largely a commodity that does not necessarily indicate interest in the latter. It is unclear whether Twilio's latest restructuring is a wise move, but any company that has been so focused on growth is likely to become less efficient. Twilio's customer support is going to suffer badly from the latest round of job cuts. Internally, morale did not change meaningfully as a result of the first round of layoffs last September or the 2022 decline in the value of stock-based compensation because both were perceived as industrywide trends.

Twilio's Product Suite
- Did not discuss

Competitive Landscape
▪ Did not discuss.

Go-To-Market Strategy
▪ "It's going to be a challenge to upsell existing [messaging] customers toward software. It is a great challenge that Twilio is trying to take on. If you buy messaging, you are buying a commodity. That would not necessarily lead you to consider customer engagement software."
▪ "[Twilio] moved from hyper-growth to [trying to become] profitable [with this latest restructuring]. This resulted in eliminating job functions to save salary money."
▪ "With hyper, inorganic growth, any organization will become less efficient. I believe the layoffs are some of the steps to becoming more efficient."
▪ "Personally, all of my customers will be screwed as they relied on me to conduct their business. Now imagine that times 1,500 employees let go [in February]."
▪ "All types [of positions were cut], I believe. I am not qualified to speak on [whether there is more room to cut]."
▪ "It was a fun ride while it lasted. The first four years were so great; the last six months, not so much."
▪ "The stock was already super-low well before the first layoffs. I grieved after the first round, but then it was back to business. Employees had to work with the remaining colleagues. The changes in [stock] valuation are industrywide. We could see the writing on the wall from the industry. I didn't feel any worse about Twilio [after the September job cuts]."
▪ "I don't know [whether this restructuring is the right move]. The questions you are asking are about the move toward profitability. One year ago, we were still in growth mode."

Near-Term Demand
▪ Did not discuss.

> "It's going to be a challenge to upsell existing [messaging] customers toward software. ... If you buy messaging, you are buying a commodity. That would not necessarily lead you to consider customer engagement software."
>
> Former Twilio customer success manager; laid off in February

5) Industry Specialists

Twilio has industry-leading technology because of its focus on developers and its building-block approach that makes it easy to connect communication channels with other major enterprise systems, said the three sources in this silo. Its pricing is generally reasonable, with one source praising its usage-based model. However, the company's pivot to emphasizing its customer engagement software is risky. Twilio will be focusing on highly competitive new markets, and its success in communications will not necessarily lead to a smooth upsell path. The core customers for its messaging platform—developers—are not the buyers of its data software, like Segment. Twilio's Flex is unlikely to close the gap with leaders in the contact-center-as-a-software market, one source said. Amazon Connect seems to be making more headway, according to that same source. One source heavily criticized Twilio's layoffs, saying such moves rarely leave a company better positioned. The restructuring is going to leave the company more reliant on channel partners for both customer support and sales. Another said he already sees some negative impact from the job cuts and is concerned they could hurt what has been one of the company's strengths—its knowledge base and documentation. One source was highly complimentary of the two executives who have been put in charge of Twilio's two new divisions. Overall demand for cloud-based contact center software like Flex is rising, with many companies still needing to transition from on-premise systems.

Key Silo Findings

Twilio's Product Suite
- 3 of 3 offered a positive assessment of Twilio's technology.
  - o 1 said it stands out for its building-block approach to integrating with ERPs [enterprise resource planning platforms] and CRMs.
  - o 1 said Twilio's focus on developers makes its platform easier to work with than others.

Competitive Landscape
- 2 said Twilio's pricing is reasonable, including 1 who said its usage-based pricing is a great model.
  - o 1 said Vonage is more expensive and more tailored to enterprises.

- 1 said Twilio's change in strategy to emphasize customer engagement with products such as Segment is fraught with challenges because it is a new market for Twilio and a highly competitive area.
  - Further, its strongest relationships are with developers, who are not the type of buyers for its customer data software.
- 1 said she does not expect Twilio to make a big splash in the contact center market with Flex.
  - Twilio is somewhat late to the game in a highly competitive market, and there are no signs it is closing the gap with leaders such as NICE Ltd. (NICE), Five9, and Genesys.
  - Flex requires more customization than others, resulting in the need for developers or partners to help build it.
  - Amazon Connect is among the challengers gaining market share.

Go-To-Market Strategy
- 1 said a number of unstated reasons could account for Twilio's layoffs, such as a need to pay down debt or wanting to become a more attractive acquisition target.
- 1 said he already sees some negative impact from Twilio's layoffs and is concerned the job cuts eventually could degrade the company's strong knowledge base and documentation.
- 1 said Twilio let go of some talented people, and layoffs rarely end up putting a company in a stronger position.
- 1 praised the executives who have been put in charge of Twilio's two new divisions.
- 1 said Twilio's restructuring and new go-to-market approach means it will need to rely more on channel partners.

Near-Term Demand
- 1 said demand is strong for cloud-based contact center software, especially since more than half of organizations are still working with legacy on-premise systems.

1) Unified communications consultant; repeat source

Twilio gets credit for being an early CPaaS player, but its new strategy of focusing on customer engagement may not pay off, as there is a ton of competition, and it requires selling to different types of buyers. Twilio's Flex suite for contact centers is unlikely to close the gap on market leaders. Twilio's recent layoffs are a shortsighted decision that will not improve operations. However, it made the right call in promoting two of its top executives to guide the restructured company.

Twilio's Product Suite
- "They were one of the early players for CPaaS, and they've got a ton of customers. They are really known for their APIs."
- "Their weakness is that they are totally changing their strategy and focusing on customer engagement. That is a whole other area with lots of competitors. We have to see how they do in that area."
- "I don't think Flex can leap ahead [in the contact center market] because there are so many players out there and because it is more specialized, needing developers or partners to help it. I don't think it is going to leap ahead."
- "Nothing in this area is out of the box, but I like prepackaged solutions from some of the other vendors."

Competitive Landscape
- "If you look at [Twilio's] installed base [for contact centers], it is pretty small compared to NICE, Five9, or Genesys."
- "Twilio is increasing their sales, but so are the other players. I don't think it's really closing the gap."
- "On the contact center side, NICE is definitely the leader right now, but Five9 is gaining. Talkdesk seems to be falling behind a little bit. Genesys is increasing their market share a little bit. [Amazon] is increasing their market share. I would say [Amazon] is probably the one that is gaining a little bit more than the others."

Twilio's Go-To-Market Strategy
- "[Twilio] has separated into two different business units, and that is going to impact things."
- "As far as their sales motion, because they are doing more with marketing, sales, and customer service, they have to sell to the line of businesspeople. That is going to be a challenge because a lot of the people they are really strong with inside of organizations are developers, and that's not who they need to

> "Studies have shown that layoffs just aren't the right way for companies to save money. It ends up hurting them in the long run. ... I don't see how it is going to put them in a stronger position."
>
> Unified communications consultant

be selling [their data software products] to. But they are definitely starting to do more selling to the lines of businesspeople."

- "They let go of some really good people. Anytime there is a layoff like this, it's going to impact how they can sell and support customers. Studies have shown that layoffs just aren't the right way for companies to save money. It ends up hurting them in the long run."
- "It is all about profitability. Even Jeff [Lawson] said it is about being more profitable. I don't see how it is going to put them in a stronger position except in the eyes of Wall Street."
- "It's all about pleasing Wall Street right now and being more profitable. RingCentral, Zoom, all of these companies are not [cutting costs] to improve their operations. They are doing it to please Wall Street."
- "They put Elena [Donio] in charge of data and applications. She is one impressive woman. She is a dynamo. That will be really good for that business unit. And [COO] Khozema [Shipchandler]—they have two very strong leaders in those two. That is a positive."
- "They need more partners who are going to provide complete solutions. They are working with Waterfield [Technologies], which does that, but they need more partners who are going to provide more complete solutions."
- "The acquisition of Segment and the customer data platform, they are using that to get into new markets, which is good. But they are new markets, so it is an unknown. How are they going to do in marketing? How are they going to do in sales? It's great that they are expanding beyond just CPaaS, but there is competition in these other areas from companies that have been doing it a lot longer."

Near-Term Demand
- Did not discuss.

2) Contact center implementation consultant; repeat source

Twilio offers a good CPaaS solution, competing with the likes of Amazon and Vonage. Growth in cloud-based contact centers is strong because more than half of organizations still use on-premise solutions. There may be unpublicized reasons behind Twilio's layoffs—such as a need to pay off credit with ballooning interest rates, the need to increase pay to retain talent, or Twilio's wanting to get its financials in order to be a more attractive acquisition target.

Twilio's Product Suite
- "I think Twilio is a great CPaaS solution. Their success is not necessarily solely in the contact center market but more about working with ERPs and CRMs in scenarios where an application developer taps into their technology as a Lego block."

Competitive Landscape
- "I see Twilio as one of the big CPaaS players. The other two are Amazon and Vonage."
- "CPaaS is great because you don't have to buy the entire solution set. You buy what you need, you use what you need, and you pay for what you need. I believe in Twilio's model."
- "Obviously, Amazon is Amazon. They wouldn't have many financial issues unless they're specific to their division or segment within their whole organization."

Twilio's Go-To-Market Strategy
- "I've been hearing two versions of what's going on with Twilio. This scenario may not apply to every situation, but it could be a cause of some of what's going on."

> "Twilio is a great CPaaS solution. ... You buy what you need, you use what you need, and you pay for what you need. I believe in Twilio's model."
>
> Contact center implementation consultant

- "The first, with interest rates going up in the U.S., organizations that have a lot of outstanding variable debt—and maybe venture capitalists behind them and investors with variable debt—the amounts they have to pay on the balance is much higher now because of rates going up. Brass-tacks numbers require that they make cuts in order to offset the expense load so they don't get in the red for the year."
- "The second version overlaps the first one a little. Right now, because of inflation, it's not the employer in the driver's seat but the candidate. There's leverage for moving positions. That's changing a little because of the layoffs [across many industries], but organizations may be shedding a percentage of their labor so they can take that payroll [savings]—let's say 10%—and provide increases or bonuses to retain [other] staff. It's an interesting theory, and I've heard two private organizations saying that's why they were making cuts."
- "At Genesys, they laid people off based on cost, not ability. The people they laid off were good performers."

- "A third version to explain what's going on: A mentor in the contact center industry told me that when organizations are looking to sell, they want to make their P&L as good as possible. That may not apply to everybody doing layoffs, but when a company is looking to become acquired, they'll do a reduction of their workforce. They reduce their spending. They want to become more attractive. CFOs do crazy things to gear up for a sell or a buy."
- "Morale in the industry out there is OK, even if it's not great. No one wants to see layoffs."
- "I think everyone is going to put in a little extra effort now."
- "There are reports out there that say that a lot of these companies were ballooned. They purposefully had too much staff, and they're now downsizing to what would be considered a normal size post-COVID because of the big push toward cloud during COVID."

Near-Term Demand

- "[Cloud contact centers] are still a hot market. There's still a considerable amount of premise installs in contact centers. More than half of organizations are still working on old premise-based contact center solutions. None of them are going to be there long term. Genesys, for example, announced their end of life [for its multicloud product], and there are other organizations that are contemplating it. I don't think the market is dwindling, and no one I talk to sees it dwindling. In fact, everyone says they have more work than they have employees for."
- "I'm telling my clients to be careful as they plan the end of life of their Genesys platform. There are people out there, but planning ahead might make a difference in whether they get the six-week-trained rookie compared to the 16-year tenured person."

3) Developer for a Twilio technology partner and a Twilio community advocate

This developer prefers working with Twilio over competitors, particularly Vonage, as it is easier to use, less expensive, and offers extensive supporting documents. He hopes that Twilio's recent layoffs will not hurt its operation, but already he is seeing some difficulty determining the right contact in his region for community events and is concerned that the staff cuts could ultimately hurt product support.

Twilio's Product Suite

- "I've been using Twilio for a lot of projects and community-oriented ones."
- "Their pricing has been fair so far. I've been using this since I was a student, so I had a fair amount of support."
- "I have been considering trying out Authy. It's a solution for two-factor authentication. That is something I definitely want to try out because it is a good tool. I will look to explore some of their video-based applications as well."
- "A big pro [for Twilio] is that Twilio does have a high amount of focus on the developer experience. It is easy to work with Twilio. It is easy to implement. Their documentation is fabulous. It does have the least amount of friction for me compared to other tools I've tried."
- "One particular con is that because I'm in India, there still isn't availability of Indian phone numbers. I do believe they expect to solve that in the near future."

> "Vonage is far more tailored to an enterprise experience, which is visible in some of how the documentation is. Moreover, Vonage doesn't feel as fine an experience when learning to work with it, which is something Twilio has really worked on."
>
> Developer for a Twilio technology partner and a Twilio community advocate

Competitive Landscape

- "I have tried Vonage. However, as a developer, I would go with Twilio due to the fact that the initial entry point to Twilio is a lot [less expensive]."
- "I work on small projects with Twilio. Vonage is far more tailored to an enterprise experience, which is visible in some of how the documentation is. Moreover, Vonage doesn't feel as fine an experience when learning to work with it, which is something Twilio has really worked on."
- "Even if the experience of using both were similar, and Vonage didn't require the purchase of a phone number—which would, ideally, make it easier to use—I would still use Twilio because if I have a problem, I understand the roots to go forward, which can get confusing with Vonage."
- "I have been a happy consumer. I would not want to see it go down."
- "If I have issues with Twilio, it is easy for me to resolve them on my own with the way their knowledge base is structured. I have a lot less stress when I'm working with Twilio."

Twilio's Go-To-Market Strategy

- "[Twilio's layoffs have] definitely a [made] major difference. I used to collaborate with them, but some of the teams in my region have been affected. From a community perspective, it's difficult for me to understand who I should contact as my local agent now. As a developer, it hasn't been an issue."
- "It's an issue going forward—six months, a year down the line; that is something [to watch], for sure. I feel there could be a direct impact on maintaining and developing the knowledge bases. That will definitely affect education initiatives going forward. I will keep a close eye on how that progresses."

Near-Term Demand

- Did not discuss.

Additional research by Eva Cahen and Marianne Weaver.