DAVINCI
Virtual Office Solutions™

THE STATE OF WORKSPACE AND COMMUNICATIONS SERVICES

Industry Report Sponsored by Davinci Virtual Office Solutions

Research, analysis, and report produced by TIRO Communications

Contents

Executive Summary

Purpose of the Report

Business office service providers, answering and receptionist services, among others are playing a critical role in the workday revolution. They give companies of all sizes representing myriad industry segments the ability to easily and cost-effectively leverage rented workspaces and meeting rooms, virtual offices, live receptionists, and live web chat solutions.

Aiming to provide workspace and meeting room operators and communications services providers with the latest data, Davinci Virtual Office Solutions partnered with TIRO Communications to research and conduct an in-depth analysis of industry data (combination of third-party and Davinci Virtual Office Solutions information) and to publish a detailed report on its findings ("The State of Workspace and Communications Services").

Workplace and Workstyle Transformation

The business workplace and workstyles look significantly different today than they did a few years ago. Demographic and economic changes and technological disruption are at the forefront. Millennial workers, who place work-life balance above financial reward, expect rapid career progression, and value employer brands, now comprise over half the workforce.[1] The technologies workers use in their daily lives are being used in the workplace and are driving further disruption. The result is that mobile, hyper-connected workstyles dominate the workplace, as companies focus on measuring performance rather than time sitting in an office. Work is done anywhere, from any location, using any number of devices.

The way people work is rapidly transforming. As a direct result, there is now a significant rise in the use of on-demand workspaces and meeting rooms in the form of coworking spaces, day offices, conferences rooms, training facilities, and event spaces. In some instances, these replace permanent office space, while in other cases they supplement physical workspace. Virtual offices enable companies to retain professional business addresses and to expand into new locations without acquiring and paying for permanent physical office space.

Communications Services Transformation

Sales and service also transform in the age of digital disruption. Customers expect businesses to provide them with omnichannel experiences, allowing them to use any device, anytime, anywhere to interact with them. They also believe that sales and service experiences should be seamless, information is portable and follows them across whatever channels they elect to use.

Companies of all shapes and sizes must rethink how they connect and interact with customers. Omnichannel engagement using phone, email, live web chat, text, and social media, among others is a business requirement. Technology disruption shrinks the divide between large and small businesses, enabling small businesses to look and act like their larger counterparts and compete on a level playing field.

BUSINESS DISRUPTION

Rise of Globalization

The business landscape looks dramatically different than it did just a few years ago. Globalization is transforming how companies of all sizes conduct business. The ability to reach across borders has never been easier, and the role small businesses play in the global economy is growing rapidly. For example, per a McKinsey report, companies with fewer than 500 employees account for nearly 98 percent of all U.S. exporters and 97 percent of U.S. importers.[2]

Technology Transformation

New business models emerge in today's digital age that overturn legacy constraints and exploit unseen possibilities. Disrupters such as Uber and Airbnb have turned industry segments upside down, completely changing business models in their respective spaces.[3] In these instances, disruption benefits both customers and new businesses.

Take Uber as an example. Rather than hailing a taxi from a street corner and then trying to find the right number of bills for the fee and debating how much to tip, customers simply press a button on an app. Payment occurs through the application, and thus customers simply get in and get out. In the case of Airbnb, residents can rent out their homes and apartments to short-term renters at low prices. Just as Uber turned the taxicab industry on its head, so has Airbnb done to the hotel industry.

Workspace and Workstyle Changes

A similar phenomenon is occurring in the area of workspace. Workforce and demographic changes have given rise to a workforce that spurns the 9-to-5 workday and 5-day work week. Instead, workers favor virtual, mobile environments and the flexibility to work anywhere, anytime, and from any device. This is changing how offices are designed, operated, and used as well as how much time employees spend sitting at their desks and working from a permanent office environment.

Set work hours no longer matter in this scenario; workers are evaluated based on whether they get their work done and the results they produce rather than how many hours they log in the company office. Consequently, companies are downsizing office space and transforming their workspace into environments that accommodate a workforce in constant motion and promote high degrees of collaboration. Workers with permanent office space, or even cube space, are fast becoming the exception versus the norm. This has precipitated a rapid rise in

Top Reasons for Virtual Workstyles— and Workspaces[4]

73% More Flexible Workplace

53% Lower-Employee Related Expense Costs

48% Reduction in the Cost of Real Estate

46% Better Able to Attract Top Talent

43% Better Able to Retain Top Talent

37% Better Business Continuity

36% Reductions in Attribution Costs

When Seconds Count … Phone[5]

40% hang up after 60 seconds (if the call is not answered)

34% who hang up never call back again

65% don't leave a voice mail

Virtual-Mobile Workforce[6]

Over **25%** of global workforce works away from company offices 2 days a week

Expected to grow to **40%** by 2020

2/3 of knowledge work is done outside of the traditional office facility today

telecommuting, as well as coworking spaces, virtual offices, day offices, and rented meeting rooms.
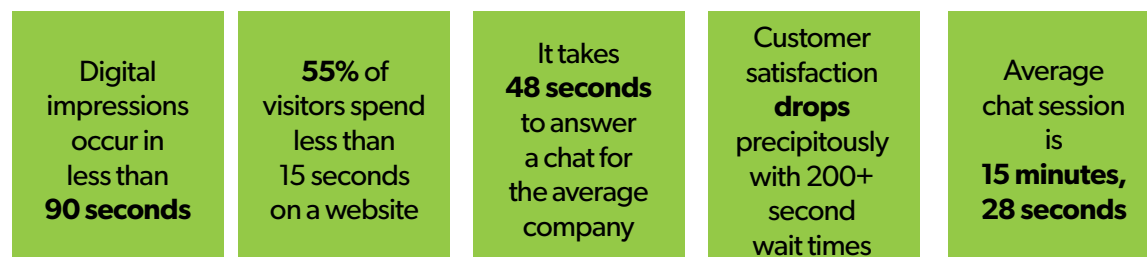
Customer Communications Transformed

Technology is disrupting how customers want to communicate with businesses—both in terms of service and sales. It does not matter whether the business is a multinational corporation or a small business; customers have the same expectations regardless of the size and shape of a business. They want to be able to engage with businesses using the channel and device of their choice. They also expect to be able to transit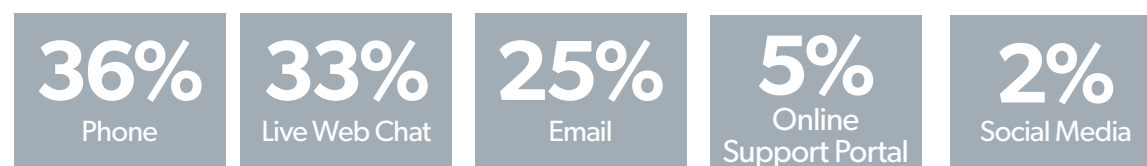ion seamlessly between them. And when they want live human engagement, customers do not want to be put in long wait queues—whether phone or live web chat.

Technology removes the gap between small businesses and their much larger counterparts when it comes to customer communications. Auto receptionists, virtual assistants, live receptionists, and live web chat enable small businesses and solopreneurs to look and act like much larger businesses that are able to afford to build their own communications centers or outsource them to third-party providers.

Live Web Chat[7]

Digital impressions occur in less than **90 seconds**	**55%** of visitors spend less than 15 seconds on a website	It takes **48 seconds** to answer a chat for the average company	Customer satisfaction **drops** precipitously with 200+ second wait times	Average chat session is **15 minutes, 28 seconds**

What Engagement Channel Customers Use First[8]

36% Phone	**33%** Live Web Chat	**25%** Email	**5%** Online Support Portal	**2%** Social Media

Channel Portability[9]

60% of customers interact through multiple channels irrespective of device and location	**Half** of contact centers are unable to manage end-to-end workflow of interactions
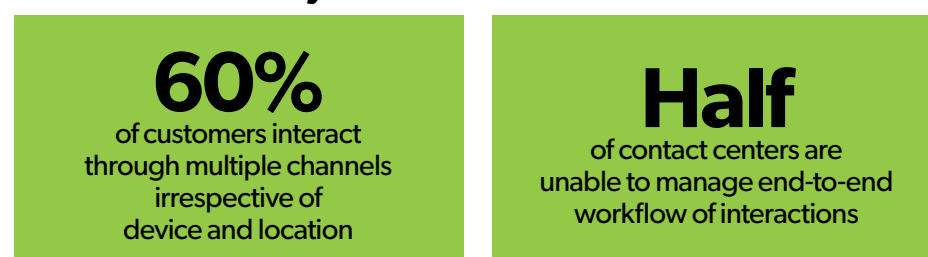
THE SOLUTION PROVIDERS

When it comes to workspace and communications services providers, there are numerous types of businesses that are involved:

Workspace and Meeting Rooms
Commercial Real Estate: Companies developing and managing commercial real estate recognize the value of prime locations and are developing portions of their facilities into non-traditional, more flexible office space. This includes short-term, ready-to-use workspace.

Coworking Operators: Coworking spaces emerged in the late 1990s but lost traction with the dot-com bust. They were revived in 2005 and have doubled in size each year over the past decade. Today, coworking operators are evolving their business models to better serve their users and to expand their revenues by

offering services and amenities often provided by serviced office operators such as short-term dedicated offices and on-demand meeting space. Some even are expanding their services to include communications services.

Meeting Venues: Meeting venues provide meeting rooms and spaces for small to large groups and from the informal to the formal setting. These venues are evolving to include additional workspace options that specifically address event and training needs.

Virtual Office Operators: Businesses are turning to virtual office operators for help in securing professional addresses in prime locations without the expense of a permanent office lease. Many virtual office providers offer add-on services such as rented workspace and meeting room options. The next evolution for virtual office operators is to

communications services such as phone, email, and live web chat, among others.

Meeting and Workspace Platforms: Meeting and workspace online platforms provide an inventory of available spaces and allow businesses and solopreneurs to make reservations by the hour, half-day, day, and week. Meeting and workspace platforms are diversifying by adding complimentary business services to their product portfolio.

Serviced Office Operators: Traditional serviced office operators are facing competitive pressure and challenges from new entrants such as virtual office operators, coworking operators, and meeting and workspace platforms, among others. They are evolving their business models to include or expand some of the capabilities.

Communications Services Providers
Answering Services: Traditional answering services are morphing to include value-added communications services where customer service agents become deep subject-matter experts and automated voice mail technologies transform into virtual assistants.

Call (Contact) Centers: Traditional call (or contact) centers recognize that customers want multiple engagement channels and expect portability of interactions across each of those. Many have transitioned to include multiple forms of engagement and support any number of devices. Some offer agents who are trained and experts in one specific engagement model (e.g., phone versus live web chat), while others maintain a staff versed in all engagement channels.

Specialized Receptionist Services: Some industries are distinct (e.g., healthcare, legal) and they leverage specialized receptionist services staffed by experts with specific industry knowledge and certifications. These specialized receptionist services are expanding their offer communications services beyond phone to include live web chat and messaging technologies.

Changing Business Priorities: 10 Factors

The following factors are prompting companies to reevaluate their workspace configurations and arrangements to accommodate new workstyles of their workers:[10]

1. Attract and Retail Talent
2. Increase Employee Engagement
3. Reduce Absenteeism
4. Increase Employee Productivity
5. Reduce Real Estate Costs
6. Improve Innovation
7. Increase Agility
8. Reduce Work-Life Conflict
9. Reduce Employee Stress
10. Enhance Disaster Preparedness

MARKET OPPORTUNITIES

Workspace and Service Provider Market

The global landscape for workspace offerings is vast, and it continues to expand. Providers vary in shape and size, in addition to the type of workspaces and meeting rooms that are available. Some offer coworking space only, while others provide just meeting venues. In other instances, office business centers offer a hybrid environment consisting of coworking, day office, and meeting room spaces.

This all tallies to over 100,000 meeting, coworking, or work spaces, accounting for more than an estimated $65 billion in annual revenue. Business centers that offer flexible hybrid models generated over $21 billion in revenue in 2016. Workspace providers generated upwards of $4 billion in 2016 (assumes 50 percent occupancy and $50 per hour). Coworking spaces produced as much as $48 billion in 2016 (assumes $40,000 per location per month).[11] Coworking continues to grow rapidly, increasing 700 percent since 2011.[12] But the market is still evolving, with 1 in 4 coworking space providers failing to generate a profit.[13]

But the market is much larger than workspace and meeting rooms. Dramatic changes in workstyles, driven by technological, workforce, economic, and demographic factors, have created an adjacent market for business services such as virtual

offices and communications services (e.g., live receptionists, live web chat) on a subscription basis. In growing numbers, solopreneurs and small businesses are spurning permanent physical office space for on-demand workspace in the form of coworking, day office, and meeting room spaces. Small, midsize, and large businesses alike are turning to rented, flexible workspace workspace when they expand into new locations.

This diversification of the workspace and services market creates new growth and revenue opportunities:[14]

First, the number of solopreneurs and small businesses using coworking spaces expanded 10 percent last year. Business centers recognize the revenue potential, with the number adding coworking space to conventional day office and meeting room spaces increasing 12.9 percent

during the same timeframe. This growth rate is almost four times greater than those adding workspaces to their offerings, which grew at only 3.4 percent.[15]

Second, the profit margins for virtual offices and meeting spaces are much higher than workspace profit margins—18.4 percent compared to 11 percent. Communications services margins are higher as well.[16]

Third, while overall space utilization increased from 75 to 80 percent, further growth opportunities remain—particularly for low profit centers with 62.5 percent utilization rates.[17]

Fourth, with market penetration for communications services much smaller than with workspaces, the potential for higher revenue gains is greater.

Global Workspace & Service Provider Landscape[18]

| 8,000 – 10,000 Coworking Spaces |
| 8,000 – 10,000 Business Centers |
| 50,000 – 100,000 Industry Meeting & Work Spaces |

Average number of workspace customers per office location increased **6.3 percent** last year.[20]

Workers Drive Mobile-Virtual Workstyle[19]

| 65% Increased Flexibility | 62% Improved Productivity | 61% Reduced Commute Time |
| 55% Better Work-Life Balance | 48% More Responsive to Customers | 25% Avoid 9 to 5 Workday |

Over half of workspace and meeting room clients are under age 44, with **nearly one-quarter** between ages 25 and 34.[21]

Virtual office customers grew nearly **800 percent** from 2011 to the present.[22]

BUSINESS DRIVERS

Workspace Solutions

Workspace and communications services solutions deliver tangible value to solopreneurs and businesses. Ongoing customer adoption and expansion of subscriptions are some of the most obvious measurable.

Businesses adopting a virtual or mobile workstyles strategy anticipate a 17 percent decrease in overall permanent physical office space by the end of 2020. Companies that afford their workers with the flexibility of when and where to work generate upwards of four times greater productivity while realizing a 33 percent reduction in worker turnover. Workers concur with their employers, expressing 12 percent greater satisfaction with their jobs and better job performance and innovation when given flexible workstyle options.[23]

And with the cost of prime office space locations far outside the budgets of many businesses and many businesses not requiring permanent office space when expanding into new locations, virtual offices have become a prevalent business practice—and their adoption rates continue to grow rapidly.

Changing Workforce Dynamics[24]

25% of Workers Work Away from Their Company Offices, 2+ Days per Week

Expected to Grow to **40%** Over Next 5 Years

67% of Knowledge Work Is Performed Outside of Company Offices

Communications Services Solutions

Customers are frustrated when it comes to not receiving the types of experiences they expect in today's digital age. Businesses are simply misaligned; more than 90 percent of marketing budgets are spent trying to get prospects and customers to call; however, only six percent is spent on operations for handling the call.[25]

Customers feel frustrated and are letting their fingers and feet to do the talking. Sixty-seven percent have hung up on a customer service call they placed because they were unable to get a real human on the phone. For those making a purchase, 78 percent have bailed on completing a transaction because of a poor engagement experience. The result is that customer satisfaction continues to plummet, with a majority now reporting dissatisfaction with vendors.[26]

With this in purview, solopreneurs and small businesses are turning to hosted communications and administrative services to engage with their customers. They can look and act like much larger counterparts and deliver sales and services experiences that give them a differentiated advantage.

45 percent of customers will abandon an online purchase if they cannot find quick answers to their questions.

When customers do call, businesses have about 60 seconds to make a connection with them—**40 percent** hang up after 60 seconds, and **34 percent** of them never call back again.

Portability is critical when it comes to customer engagement; **60 percent** interact through multiple channels irrespective of device and location.

For many small businesses, the cost of hiring an in-house receptionist is simply too much. The average cost of a receptionist runs around **$45,000 annually**.[27] Further, there are the intangible costs such as lunch breaks, vacation, sick days, turnover, training, and other issues that do not exist when third-party live receptionist services are engaged.

THE MARKET

Upgrade and Cross-Sell Ratios

Workspace and Meeting Rooms:
Cross-Purchase Rates

Fourteen percent of subscription customers—virtual offices, live receptionists, or live web chat—have booked workspace and meeting rooms. Of those, 72 percent have only one service, and 27 percent have two or more. Of subscription customers booking on-demand workspaces, nearly all of them have virtual offices; the breakdown is as follows:

97% Virtual Offices
35.5% Live Receptionists and Live Web Chat

Subscription Services:
Cross-Purchase and Upgrade Rates

Customers relying on workspace and communications services expand the use of these individual solutions over time. Over half of the time, the initial product purchased by customers is virtual offices, followed by meeting rooms, live receptionists and live web chat:

53% Virtual Offices
33% Meeting Rooms
14% Live Receptionists and Live Web Chat

Cross-Purchase Rates
Live Web Chat
26% Add Live Receptionists
11.5% Add Virtual Office

Live Receptionists
7.5% Add Virtual Offices

Virtual Offices
2.75% Add Live Receptionists

Upgrade Rates (within same services line)
32% Live Web Chat
26% Live Receptionists
15.5% Virtual Offices

(**NOTE:** These are cross-sell and upgrade rates based on the customer's initial purchase.)

Industry Breakdown

Of the 15 different main industry segments used for this report, professional services and legal dominate the adoption across all four categories, though there is wider distribution across industries for communications services as compared to workspace and meeting rooms and virtual office solutions.

Workspace and Meeting Rooms

Legal is the top industry segment when it comes to meeting room and workspace bookings, comprising 35 percent of all. Professional services have half that number (17.5 percent), with finance and insurance, technology, and healthcare the next closest. Interestingly, the numbers shift when meeting room bookings are examined from the lens of repeat utilization; professional services tops out the list at 24 percent, followed by legal at 20 percent. Retail also repeats bookings at almost twice the rate of single bookings.

Virtual Offices

Professional services use virtual offices at a higher rate than other industry segments (17 percent). Legal is next at 11 percent, followed by finance/insurance at 8.75 percent and technology (5.5 percent).

Live Receptionists

Professional services lead industry segment usage at 17 percent, followed by legal (11 percent), finance/insurance (8.75 percent), healthcare (6 percent), and technology (5 percent). The higher percentage of live receptionist utilization in healthcare compared to use of workspace and meeting rooms as well as virtual

offices makes sense, with most healthcare providers requiring permanent physical office space due to the nature of their business.

Live Web Chat
There is greater industry distribution for live web chat as compared to other workspace and meeting room solutions and even live receptionists. This is largely a result of differing use cases for live web chat. Those in the technology sector (9.1 percent) are more technology-savvy, and thus the higher utilization rates for live chat in that industry segment versus others makes sense. E-commerce is an important revenue generator for retail, and the higher numbers in that industry segment is expected.

Top 10 Industry Bookings Meeting Rooms and Workspaces

INDUSTRY	BOOKINGS	REPEAT BOOKINGS
Legal	35%	20%
Professional Services	18.6%	24%
Finance & Insurance	8.1%	7.5%
Technology	6%	7.8%
Healthcare	5%	6.6%
Media & Entertainment	3.6%	4%
Retail	2.8%	4.7%
Education	2.2%	2.5%
Real Estate	1.2%	1.5%
Energy	1.1%	1.4%

Virtual Offices
17% Professional Services
9.5% Legal
7.4% Finance & Insurance
5.1% Technology
4.5% Retail
3.9% Healthcare
3.7% Real Estate
3.6% Media & Entertainment
3% Construction
2.2% Transportation

Live Receptionists
17% Professional Services
11% Legal
8.7% Finance & Insurance
6% Healthcare
5% Technology
4.8% Retail
4.2% Media & Entertainment
4.1% Real Estate
4.1% Construction
1.7% Transportation

Live Web Chat
14% Professional Services
9.1% Technology
8.1% Finance & Insurance
8% Retail
7.1% Healthcare
6.7% Legal
5.6% Media & Entertainment
5.2% Real Estate
3.1% Construction
2% Travel & Hospitality

Workspace and Meeting Room Bookings

Workspace and Meeting Room Type
There are various workspace meeting room types. Not every workspace provider can offer every room type. The following are the most prevalent when it comes to workspace and meeting room bookings:

26.5% Small Conference Rooms
25.5% Day Offices
19.5% Large Conference Rooms
19.5% Medium Conference Rooms
5.25% Board Rooms
3.6% Training Rooms
Less Than 1% Hot Desk
Less Than 1% Event Space

Note: Since Davinci Virtual Office Solutions recently began offering coworking spaces and memberships, it is not included in the above. Based on industry growth data and trends, it will begin to comprise a larger percentage of bookings in future years.

Repeat Bookings
Thirty-nine percent of solopreneurs and businesses that book workspace and meeting rooms do so multiple times. This translates into a substantial market opportunity to drive higher utilization rates through better targeting of customers who used a workspace or meeting room only once.

Live Inventory Opportunities
The ability to post live inventory to Davinci Meeting Rooms is driving higher utilization rates for workspace providers that are leveraging the capability. Customers can view and reserve workspaces such as conference rooms, day offices, and coworking spaces in real time, 24 hours a day, and transact unassisted. They can also manage changes and receive instant confirmations.

The average booking ratio for live inventory sites is 49 percent higher than the non-live inventory rate. In addition to more bookings per site, live inventory generates $193 per booking compared to $140 for non-live inventory—a 38 percent higher rate.

Retention and Churn Rates: Subscription Services

Workspace and communications services solutions not only generate cross-sell and upgrade opportunities, but they also retain customers over lengthy timeframes. Live receptionist services retain customers nearly 18 months on average. Virtual office and live web chat customers also exhibit comparably lengthy retention ratios—remaining customers for 16 months and 15 months, respectively.

For existing customers, over one-third in each solution category are current, having no interruption in service—between initial signup (from one month to five years ago) and their present subscription(s).

Annual churn rate for the three subscription services is better than those deemed as a positive ratio for the typical Software-as-a-Service (SaaS) solution: less than 10 percent annually.[28] In the case of all three subscription services offered by Davinci Virtual Office Solutions, the churn rate is less than half of what is considered an acceptable SaaS ratio. Further, over the past five years, churn rate has decreased significantly for each of the subscription services:

57% Decrease for Live Web Chat
35% Decrease for Live Receptionists
17% Decrease for Virtual Offices

Churn rate for subscription services is **more than twice** as good as standard SaaS-accepted rates.

Live receptionists retain customers nearly **18 months** on average.

CUSTOMER ACQUISITION

Customer Acquisition Per Engagement Channel

Data insights on engagement channels (i.e., lead origin) demonstrate the importance of offering customers omnichannel options. Cross-selling is another growth opportunity for business office service providers that offer multiple subscription and workspace and meeting room products.

A few of the most salient takeaways include:

• Phone is the top engagement channel for all four product offerings

• Live web chat engagement is used at a higher ratio per customer acquisition for the workspaces and meeting room product (26.5%) than live web chat (21%)

• Cross-selling generates a significant percentage of leads for all three subscription services

• Email still garners a significant share of engagement (with live receptionists topping the list at 20%)

Lead-Origin Engagement Channel

Phone
38% Live Receptionists
38% Virtual Offices
34.75% Workspace and Meeting Rooms
29.5% Live Web Chat

Live Web Chat
26.5% Workspaces and Meeting Rooms
21% Live Web Chat
13% Virtual Offices
12% Live Receptionists

Email
20% Live Receptionists
14% Virtual Offices
8% Live Web Chat
7.75% Workspaces and Meeting Rooms

Text*
Less Than 1% Live Receptionists
Less Than 1% Virtual Offices
Less Than 1% Live Web Chat

Cross-sell
27.5% Live Web Chat
20% Live Receptionists
18% Virtual Offices

Web Form
31% Workspaces and Meeting Rooms
18% Virtual Offices
14% Live Web Chat
11% Live Receptionists

Text was added recently. Thus, adoption is still building, and thus the numbers across the aggregate timeframe are low.

Work and Meeting Spaces: Booking and Usage Dynamics

Top Reasons No Booking Occurs

21%	Still Determining Meeting Date
12%	Unavailability of Weekend Hours
10.7%	Still Shopping Around
10.3%	Unavailability of After Hours on Weekdays
10.9%	Specific Location Needed
5.9%	Room Size (25 – 50)
5.6%	Room Size (50 – 100)
3.53%	Room Size (100 – 200)
2.4%	Room Size (10 – 25)

Time to Book

The reservation date cycle for a workspace varies. Nearly one-third of customers take between two and seven days to deliberate and make final decision to purchase. A slightly smaller number take over eight days. Those deciding on the same day or next day comprise almost 40 percent of customers (20 percent and 18 percent respectively).

32%	8+ Days
30%	2 – 7 Days
18%	Next Day
20%	Same day

Reasons Prospects Do Not Book

There are numerous reasons why customers opt not to book a workspace or meeting room. Some factors are beyond the control of the workspace and meeting room provider such as a customer lacking a specific date (21 percent) or simply shopping around (11 percent).

But in other instances, factors provide actionable intelligence used to generate additional revenue streams. For example, the second most frequently cited reason for not booking is the unavailability of weekend hours (12 percent). The fourth most frequently cited reason is the unavailability of after hours on weekdays (10.3 percent). By changing hours of operations, workspace and meeting room operators could increase their revenues by 10 to 20 percent and their margins, comparably. In addition, almost 17 percent of customers are looking for larger workspaces accommodating between 10 and 200 people.

CONCLUDING THOUGHTS

Key Takeaways

Ongoing economic and demographic changes and technology evolution lays the foundation for continued momentum in the workspace and communications services marketplace. Analysis of the data reveals significant business growth prospects for organizations providing workspace and communications services solutions. The following are some of the key takeaways:

1 **Continued Robust Industry Growth.** Both the workspace and communications services industry segments have delivered consistent, robust revenue growth over the past decade. Particularly for providers that diversify and offer integrated workspace and communications services, substantial opportunities exist for expansion of legacy revenues and generation of new revenue streams.

2 **Expanded Revenue Oppportunities.** Margins for subscription services such as virtual office and communications services offer serviced business center operators, coworking spaces, and other workpace and meeting room providers an opportunity to grow their revenues. As these services have higher profit margins than their traditional business models, the opportunity for revenue expansion creates a very compelling business case. For example, workspace and meeting room providers can increase revenues an estimated 20 to 25 percent by simply adding virtual office services. This could mean as much as a five pecent increase to bottom-line profit margins.[29]

On the flip side, workspace and meeting room providers can improve profit margins while growing revenues by integrating changes into their existing offerings such as listing live inventory and offering expanded operating hours (weekdays after 5 PM and availability on weekends).

3 **Upgrade Opportunities.** Upgrade rates for virtual offices and communications services range from 15.5 to 32 percent, with certain industry segments offering higher utilization rates and levels of interest. This presents providers with organic growth opportunities within individual service lines (without cross-selling). In the case of workspaces and meeting rooms, single-digit repeat bookings across most industry segments offer business office services providers a chance to grow revenues by simply tapping their existing customer base.

4 **Cross-sell Opportunities.** There is a significant cross-sell opportunity between the three subscription services and even for subscription customers booking workspace and meeting rooms and vice versa. Leveraging cross-selling between products, workspace and meeting room providers as well as communications providers can grow their revenues while increasing their profit margins.

5 **Positive Retention and Churn Rates.** For subscription services, customer retention rates hover around 500 days on average. Annual churn rates (less than five percent) reside below SaaS benchmarks, and they continue to trending downwards across all three subscription services. This is the result of better delivery systems and greater market adoption of products.

Glossary of Terms

Coworking Space: Provisions shared and collaborative workspaces on a subscription or as-needed basis.

Hybrid Workspace: Business center that offers customers multiple workspace options, including coworking space, day offices, and/or meeting rooms.

Incubators: Low or no-cost workspaces available to startups where the incubator owner often takes a small equity stake in the venture, offers mentoring and coaching, and provides access to financing.

Jellies: Informal gatherings of people who occasionally choose to hang out with others to work, converse, and network.

Live Receptionists: Hosted inbound and outbound communications services for call answering, customer support and service, and sales.

Live Web Chat: Hosted live web chat—often using behavioral rules to target visitors—for customer support as well as online sales.

Office Business Center: Service provider focused on delivering dedicated and private workspaces with associated meeting room and communications services on a subscription or as-needed basis.

Omnichannel Engagement: Customer preference to engage with businesses across multiple engagement channels such as phone, email, live web chat, and social media on devices of their choice.

Subscription Service: Subscription service with time parameters (e.g., three months, annual, etc.) and specific deliverables. Virtual offices, live receptionists, and live web chat are offered as subscription services.

Virtual Offices: Offers tenants a suite of services that include a professional mailing address that sometimes come with live receptionist services and availability of rented workspace.

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About Davinci Virtual Office Solutions

For more information on Davinci Meeting Rooms, visit us at www.davincimeetingrooms.com. For more information on Davinci Virtual Offices, Live Receptionists, or Live Web Chat, visit us at www.davincivirtual.com. You can also call us, email us, or chat with us.

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Davinci Virtual Office Solutions

Davinci Virtual Office Solutions is leading provider of turnkey virtual office, communications, and workspace and meeting room solutions. Founded in 2006, Davinci Virtual helps tens of thousands of small and mid-size businesses as well as entrepreneurs to build meaningful connections with prospects, customers, partners, and employees. Through its Live Receptionist and Live Web Chat solutions, businesses realize better efficiencies and lower costs while building customer loyalty and fostering brand advocacy. And with over 1,200 prime office locations, including more than 5,000 workspace and meeting rooms, in 40-plus countries, Davinci Virtual gives businesses a global presence with a simple click, phone call, or live web chat.

Research, data analysis, and report produced by TIRO Communications.

TIRO Communications works with small businesses to Fortune 200 enterprises to help them build brand awareness and engagement through in-depth data analytics and business intelligence and compelling content, demand-gen, and customer-advocacy marketing outcomes. The team holds more than 30 different editorial and creative awards and has produced thousands of content assets—written, audio, visual, and video—and nurtured and developed thousands of customer, partner, and employee advocates. The company's Cognition Insights tool enables organizations to pinpoint customer and competitor customer sentiment and to align the corresponding deep data analysis into actionable business intelligence.

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