



Zoom

Track

Technology Segment
Enterprise Application

Ticker Exchange Bloomberg
ZM NASD NH NUC <GO>

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Decreased demand as employees return to the office and students return to the classroom will have a major impact on Zoom's demand in the long run.

COMPANY

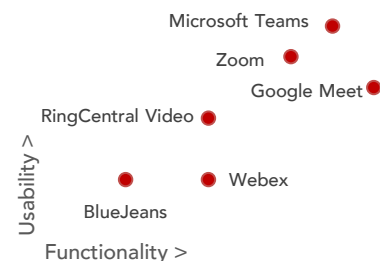
Zoom's platform is cloud-delivered and provides organizations with video and audio conferencing, chat capabilities, and webinars. The vendor has a strong presence in industries such as education and healthcare, where telecommuting is often necessary. Upon a review of Zoom customer testimonials, Nucleus found that the platform's simple, intuitive user interface (UI) was the most reported benefit, explaining its wide adoption among business users and consumers alike. The vendor offers machine learning (ML) driven transcript recording, as well as Dropbox integration to ease collaboration. To support new and existing customers in their transition to remote work during this time, Zoom has rolled out several resources to help users get set up on the solution and answer any questions they may have. This includes a support page with white papers, tutorials, and webinars. Digital events have been another strength for the vendor as work travel and in-person conferences have been halted indefinitely. Zoom is equipped to hold events such as town halls, roadshows, trainings, or user groups, allowing up to 100 video panelists to communicate with up to 50,000 attendees. This has helped ease the strain organizations have faced in keeping up corporate communications.

MARKET

The spike in remote work and stay-at-home orders over the past few months has created ample market opportunity for web conferencing service providers. Zoom has experienced significant increases in demand from consumer use, virtual conferences, and a general rise in telecommuting. However, once business reopen and work life resumes as normal, Nucleus estimates that Zoom and other providers such as Webex will face a subsequent decrease in customer numbers as consumer demand dies down. Facing strong players in the web conferencing space, such as Microsoft Teams (MSFT) and Google Meet

Price 11/30/2020 \$484.45
52 week range \$62.02 - \$588.84

MARKET POSITION



RELATIVE SOLUTION COST

WebEx	130%
Zoom	100%
RingCentral Video	90%
BlueJeans	90%
Microsoft Teams	70%
Google Meet	70%

Relative cost to a customer based on typical mid-sized deployments during the past 6 months.

CUSTOMER PERCEPTION

> 95 Positive

Analyst estimate based on feedback from customers and prospects during the past 6 months

(GOOGL), these vendors will not have the market share or resources to be able to compete on pricing.

COMPETITION

The market is approaching a crucial point in which organizations will need to assess their operations going forward. Zoom's spike in consumer demand has given it a competitive edge that cannot transition well into the reopened economy, as the vendor has achieved 'one-hit wonder' status as a result of the crisis. As conditions return to normal, Nucleus expects the vendor to have trouble monetizing many of its new customers, as there are too many convenient, no-cost alternatives to video chatting such as Facetime and Google, particularly with its large number of customers having less than ten users. Options like Microsoft Teams and Google Meet provide more cost-effective options, as does Zoom's own freemium model, which will serve to undercut revenue as demand wanes. Once bans on larger gatherings are lifted, there will not be an exaggerated need for large groups of people to be on a video call at once. The vendor appears to be on the thirteenth of its fifteen minutes of fame, as the market looks to a post-vaccine world. While this transition may take time, and many organizations have committed to remaining remote, at least until summer 2021 - news about a future vaccine indicates that there is a post-pandemic future.

OUTLOOK

Demand for Zoom is high, as it is simple to adopt as a quick fix for organizations that may have been unprepared to deal with mass telecommuting prior to the downturn. The vendor serves as an attractive option in these circumstances, especially while other providers such as Webex have costlier, less intuitive platforms. Much of the newfound demand can also be attributed to short-term consumer needs, as people look for a simple, no-cost way to connect with friends and family amid lockdown. Nucleus expects that while Zoom is demonstrating strength in the market, it will not be the "end all be all" solution for many of the vendor's customers. Users that Nucleus spoke with indicated no loyalty to any one provider in the web conferencing space. The majority of those interviewed reported that they used whatever service their corporation had provided them with. There is little concern about moving platforms, as all interview participants have had exposure to at least 2 different web conferencing solutions either through working different jobs or communicating with others outside their organization. Furthermore, Zoom has tapped much of its addressable market, particularly in North America and Europe, and as such will need to find new business through other offerings such as its phone services.