



NUCLEUS
RESEARCH

Zoom

Expectation relative to market segment

Underperform

Technology Segment
Enterprise Application

Ticker Exchange Bloomberg
ZM NASD NH NUC <GO>

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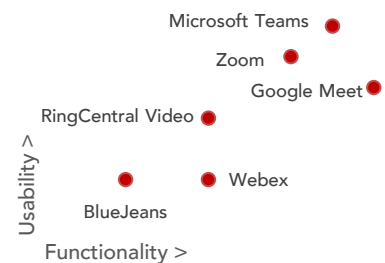
Decreased usage as employees return to the office and students return to the classroom will have a major impact on Zoom’s demand in the long run. Zoom will also face pressure as its premium price becomes harder to justify.

Price 2/24/2021 \$382.93
52 week range \$97.37 - \$588.84

COMPANY

The Zoom platform provides users with cloud-delivered functionality for video and audio conferencing, text chat, and webinars. The vendor has a strong continued presence in industries such as healthcare and education, where telecommuting has become a necessity. Throughout the pandemic, Zoom has been widely adopted for both business and consumer use, and customers note that the platform’s ease of use is a driving factor in their decision to use the solution. Over the past year, the vendor has released a support page with materials such as white papers, tutorials, and webinars to further aid new customer adoption. Digital events have been a point of strength for Zoom, with support for events such as town halls, roadshows, trainings, and user groups that continue to be hosted online. The platform can host up to 100 video panelists, up to 50,000 attendees, and has helped organizations maintain corporate communications.

MARKET POSITION



MARKET

A shift to remote work led to sharp increase in demand for web conferencing and collaboration solutions. Zoom has taken advantage of this market opportunity through its user-friendly platform that is optimized for both personal and business use cases and has been a quick fix in the wake of the pandemic. However, as businesses adjust to the work-from-home reality and “Zoom fatigue” sets in, demand has seen a decrease. Organizations, whether remaining remote or taking on a hybrid in-office approach, are looking to implement more long-term meeting solutions, such as Microsoft Teams (MSFT) and Google Meet (GOOGL) that are part of a larger technology ecosystem and offer fuller functionality for security and collaboration.

RELATIVE SOLUTION COST

WebEx	130%
Zoom	100%
RingCentral Video	90%
BlueJeans	90%
Google Meet	60%
Microsoft Teams	55%

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

COMPETITION

Zoom's spike in consumer demand gave it a competitive market edge that is unlikely to successfully transition into the future of the workplace. The novelty of Zoom has mostly worn off, and with several convenient, cost-efficient video chatting alternatives in the space, demand has dropped off. As the COVID-19 vaccine rolls out, the need for Zoom to be a part of every group gathering is becoming less of a reality. Larger consumer customers such as universities and school districts will drop off, and Nucleus expects Zoom will also have trouble retaining many of its smaller business users. These smaller users are on monthly contracts and may seek more cost-efficient alternatives. Solution offerings from the likes of Google and Microsoft offer highly competitive pricing compared to Zoom, making it harder to justify the continued spend.

OUTLOOK

Zoom is one of the easiest platforms for organizations to adopt, making it a perfect choice for those thrown into remote work without warning in 2020. This is especially true as other vendors such as BlueJeans have costlier, less intuitive platforms. One area where Zoom has looked to expand its user base and expand its TAM is in the phone sector. While Zoom has its own branded solution, Nucleus believes that its best option would be to acquire an existing VOIP vendor, giving it a large user-base overnight and signaling its commitment to the market space. While Zoom continues to do well in the market, a large chunk of its consumer and business customer base will not stay for the long term. Upon a review of customer conversations, Nucleus found that users indicated no loyalty to any one web conferencing provider. The majority of those interviewed noted that they used whatever platform their corporation had provided them with, and all have been exposed to at least 2 different solutions.