



Zoom

Expectation relative to market segment
Underperform

Technology Segment
Enterprise Applications

Ticker Exchange Bloomberg
ZM NASD NH NUC <GO>

Analyst
Trevor White
twhite@NucleusResearch.com

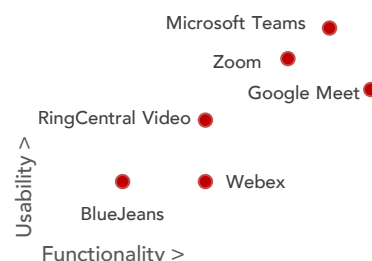
Zoom will face pressure as its premium price becomes harder to justify as employees move back to the office either full-time or in a hybrid model. While demand is not going to fall overnight, and its use as a corporate tool is here to stay, the way employees interact with Zoom is changing.

Price 2/24/2021 \$330.53
52 week range \$167.86 - \$588.84

COMPANY

Zoom offers users a cloud-based platform for video and audio conferencing, text chat, and webinars. The solution became a critical tool for businesses and consumers navigating pandemic-related shutdowns and an increased need for telecommunication. Zoom’s intuitive interface and easy-to-use features enable broader adoption and continue to be driving factors in its selection. The platform also supports digital events, which has been an attractive selling point for organizations looking to continue to host events such as town halls, roadshows, trainings, and user groups online. The solution can accommodate up to 100 video panelists and 50,000 attendees, which has helped enterprise customers sustain both internal and external corporate communications.

MARKET POSITION



MARKET

The seemingly overnight move to remote work for the entire knowledge class was a once in a lifetime opportunity for video and collaboration software. While some providers were able to adeptly make the move to scale up their offerings and meet new demand, none were as successful as Zoom. Zoom was able to take itself from a crowded market to center stage, with the brand becoming synonymous with work from home (WFH) and entering many vocabularies as a verb. The market, however, lacks any real differentiators among its top vendors; Zoom, Google, and Microsoft. Furthermore, video has become tiresome and as employees return to the office full-time or hybrid, and many have expressed to Nucleus a desire to return to phone calls and in-person collaboration. The formality of the video meeting has begun to wear, with “zoom fatigue”

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

becoming a popular term among users. Nucleus found that as usage decreases, organizations are expressing greater price sensitivity, which should negatively impact those vendors at the higher end of the price spectrum.

COMPETITION

The main competitors in the enterprise space for video conferencing are Google, Microsoft, and Zoom. All are intuitive to use, and almost all knowledge workers that Nucleus spoke to reported that they could operate any one of the solutions confidently. This lack of differentiators means that there is little “stickiness” among customer bases. Additionally, a lack of barriers to entry could lead other major vendors like SAP and Oracle to decide to enter the market either through development or acquisition, should video conferencing remain as lucrative as it has over the past year. The similarities in the conferencing features of the software has prompted vendors to attempt to draw distinctions in their collaboration abilities, with Microsoft touting the benefits of Office integration, while Zoom pushes for customers to add its phone services to foster seamless communication.

OUTLOOK

Nucleus expects that Zoom’s biggest challenge will be its ability to retain many of its smaller business users – particularly those with under 10 licenses. These customers are on monthly contracts and may seek more cost-efficient alternatives, as there is no implementation or other IT costs to consider when making a move. Solution offerings from the likes of Google and Microsoft offer highly competitive pricing compared to Zoom, making it harder to justify the continued spend for a product that offers no clear differentiator. Zoom’s most significant market benefit may well be its name recognition and a general attitude of complacency among enterprise customers. With “zoom” becoming a verb synonymous with WFH, the vendor will still automatically be on any user’s shortlist when considering new solutions or renewals. While Zoom should face pricing pressure, its strong year and large customer base means that it has the capital to adjust to new market conditions and respond accordingly.