Zoom Business Model

Idea In Short

Zoom is a cloud-based conferencing platform that enables users to communicate remotely through audio, video, and chat. The biggest advantage of Zoom is the ease to use of the app and high-quality audio/video communication that keeps its user happy and satisfied at the same time. Zoom's business model is based on charging companies a recurring subscription fee for various services. Additionally, Zoom earns money by promoting hardware products.

Maybe you never used it — or never heard it from Zoom — until the beginning of 2020. However, the Zoom Business Model became the lifeline of many entrepreneurs in the early months of that year, when we were facing social isolation due to the COVID-19 pandemic. This video communications company has been essential for people and teams to be able to talk to each other, even if each member is speaking from different locations and devices. This has allowed group activities, such as meetings, classes, training, and even some events such as lectures, to take place, without any major losses. Due to its convenience, Zoom has seen an excessive growth in the last few months, as the number of users has multiplied exponentially. And of course, if we are talking about a company whose business model is based on users, if that number has grown enormously, you can be sure that this is also true with regard to the company's income.

But, after all, how does the Zoom business model work — and why has its popularity increased so much compared to similar products on the market?

Origin

As the company's website defines:

> Zoom is an easy, reliable cloud platform for video, voice, content sharing, and chat runs across mobile devices, desktops, telephones, and room system [that] helps businesses and organizations bring their teams together in a frictionless

> environment to get more done.

It is a remote video conferencing system, founded in 2011, by Eric Yuan. Yuan was the engineer for Cisco WebEx, also a Cisco videoconferencing product. However, when he realized that his product was not being well used by the company and was not pleasing users, he chose to leave the company and found Zoom.

This SaaS platform allows users to interact using cameras and microphones from devices connected to the internet — computers, smartphones, tablets — and also permits users to share everything on their screens with each other, improving the experience in project meetings, presentations, and classes, for example.

Ownership

The Zoom founder, Eric Yuan, is still up today, the Chairman and CEO. Completing the main board members of the company, there's Kelly Steckelberg as the CFO and Janine Pelosi as the CMO.

Mission Statement

> To develop a people-centric cloud service that transforms the real-time collaboration experience and improves the quality and effectiveness of communications forever

Business Model

Zoom applies the freemium business model. In other words, it uses a monthly subscription system as a revenue stream (there are four different paid plans for meetings), but it also offers a free option, that is, at no cost, with more limited resources. Its main resources are online meetings. The plans are:

- **Zoom Basic**: It is a free plan. Although it offers unlimited meetings and also an unlimited time in a video call between two users, group calls cannot exceed 40 minutes uninterrupted. And there can only be a new call after 10 minutes. In other

words, the free plan is aimed at the individual user, who wants to use the tool only as a substitute for the regular phone call, for example;

- **Zoom Pro**: This plan is aimed at small teams — or individual entrepreneurs, such as teachers and coaches. At $149.90 a year, video calls can take place among up to 100 participants, with a 30-hour time limit per call. In addition, it offers features such as personalized ID, reports, Skype integration, and cloud recordings of up to 1 GB;
- **Zoom Business:** With each license of $199.90 a year (starting at 10 licenses for $1,999/year) this plan has all the features of the Pro, for up to 300 simultaneous participants. Aimed at medium-sized businesses, it includes features such as telephone support, personalized emails, logins, URLs, and an administrator panel, among others;
- **Zoom Enterprise:** In this plan, each license is $240.00 a year, starting at 50 licenses for $12,000/year. It is developed for large companies since it enables at least 500 participants. In addition, it offers unlimited cloud storage, dedicated support staff, and discounts on other extra software benefits;
- **Zoom Business United:** With each license at $350.00 per year, and a minimum of 10 (at least, $3,500/year), this plan sums up Zoom Meetings and Zoom Phone.

Besides Zoom Meetings, the platform also offers other resources, such as Zoom Phone, Zoom Video Webinar, and Zoom Rooms, with different plan options.

In summary, the Zoom business model seeks to transform free users into paying consumers. Because subscribers start with the Basic model, at no cost, but realize that their experience can be much better if they hire a paid plan. As the rates are not exorbitant, it is easy for the user to opt for the upgrade.

Customer Segments

- Worldwide internet user
- Business users (Enterprise, Education, Govt, Healthcare)

Value Propositions

- Free video conferencing that works well
- Video Conferencing with longer duration and professional features

Channels

- Website (zoom.us)
- Zoom app (mobile and desktop)

Customer Relationships

- Self-service
- Customer support (phone and chat)

Revenue Streams

- Free
- Subscription Plans

Key Resources

- Zoom platform
- Proprietary video (Compression Codec)

Key Activities

- Platform development and maintenance

Key Partners

- Skype
- Calendar apps

Cost Structure

- Human resources
- Platform development and maintenance

Zoom Currently

Although the company was founded in 2011, the tool was launched on the market in 2013. Since then, the number of users has grown year after year, always allowing the company to end the periods with a very positive balance. However, nothing compares to recent figures. In March 2020 alone, Zoom got more subscribers than the entire year of 2019. This, of course, is due to the COVID-19 pandemic, which forced people to find ways to work from inside their homes.

There were 2.22 million users in one month — reaching a figure above 12 million subscribers, with more than 200 million people participating in video calls daily. But, in addition to individuals and companies, educational organizations, health institutions, government agencies and so many others that have taken advantage of Zoom's features, the company also has investors. Since 2011, Zoom has raised more than $145 million in investment rounds, becoming a unicorn in early 2017. Today, it is valued at over $16 billion. It is clear that Zoom had a completely unexpected boom, out of the curve, as a result of the coronavirus pandemic that alarmed the planet. However, the company's development was stable, always progressing, annually, both in the number of users and final revenue. Zoom was already well regarded among the corporate community, being the favorite among similar tools, which include Skype, Google Meet, and the latest Teams, from Microsoft (now, the market leader).

This is due to some important factors. First, its free version, the plan to attract new users, manages to deliver value. Although simpler, it guarantees a good experience, even if in less time. And second, because of the quality of the service provided. Zoom manages to keep the videos of good quality and its interface is very simple and user-friendly. In short, everything works, from the beginning. Even for that user who has come to the platform just to keep in touch with the people they love and those who need to keep away.

Summary

As mentioned, the recent pandemic has highly, solidly increased Zoom's market share, making it a fundamental tool not only for enterprises but also for individual users. There were no minimum requirements of amount of employees for businesses that decided to count on Zoom's services to keep on working during the COVID-19 pandemic, with the social distancing and working from home obligations throughout the countries. Even after

the vaccination and the return to the office of many companies, the platform continues to provide its services to way more clients than it was before the coronavirus pandemic.