

Zoom Video Communications Inc.



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Introduction

Zoom Video Communications Inc. is an American company that provides online chat services and video conferencing. Zoom can be, and is, used for just about everything including: lectures, telemedicine, and even virtual weddings. Not only can Zoom be modified to suit all of the customers' needs, but it also offers the most reliable audio and best streaming out of all of its competitors.

Background

> Year Founded

> Brief History

Zooms was initially founded in 2011 when CEO Eric Yuan left his job of 20 years at Cisco. While working at Cisco, he received several promotions and earned the title of Corporate Vice President of Engineering along with being the founding engineer for WebEx, which is now Zoom's biggest competitor. He had been working under Cisco on video platforms when he became extremely frustrated with the productivity of the company. When talking to WebEx customers, he said he “ did not see a single happy customer”¹. He proposed many ideas to help improve the quality of the company but all of them were dismissed because Cisco did not want to fund the process. Yuan came to realize that there was no way to fix WebEx, but rather it was time to leave and create a new company. With 40 employees, Yuan left the company with the dream of creating a more efficient video chatting and conferencing software. Yuan already had the basic tools and skills to create the software, the challenge was to make it superior to any

¹ Kelly, Samantha Murphy. “Zoom's Massive 'Overnight Success' Actually Took Nine Years.” *CNN*, Cable News Network, 27 Mar. 2020, edition.cnn.com/2020/03/27/tech/zoom-app-coronavirus/index.html.

other competition. Yuan opened an office in Santa Clara, where he and his employees released the first version of Zoom on August 22, 2012². The product was extremely impressive and did well immediately after its launch. By May of 2013, Zoom had reached 1 million users. To raise the company above any competition, Yuan knew he needed to take all the flaws he had seen at WebEx and fix them. The team worked extremely hard to fix the quality of the video, expand its marketing, and provide quality customer service. With much hard work and dedication, the company continued to expand quickly, with 10 million users by December of 2019 (before the pandemic had fully emerged)³. The mainstream media leads many people to believe that Zoom only started to do well because of the pandemic however, this is completely false. Covid-19 did help the company grow exponentially, but the company thrived before also.

> Competitors

Zoom has barely faced any substantial competition. In 2010, before Zoom was founded, people were using WebEx. People used WebEx not because they wanted to but rather it was the only option. As a result of the limited competition, Zoom grew very quickly. This past year when Covid-19 hit, life was forced to go remote. When people were in search of the best software for online video chatting services, Zoom was still the most credible and most efficient company by far. Customers find Zoom to be the easiest to set up, easiest to use, and the software allows up to 100 people in a meeting for free. As of today, Zoom's competitors are still very behind. Zoom's biggest competitor today is Cisco WebEx followed by Microsoft, and RingCentral. However all these competitors have not done as well as Zoom. WebEx, the second most popular video

²Shah, Hiten. "How Zoom Became the Best Web-Conferencing Product in the World in Less Than 10 Years." *FYI*, 10 Mar. 2020, usefyi.com/zoom-history/.

³ Richard., Sean, and Brian Deansays: "Zoom User Stats: How Many People Use Zoom in 2021?" *Backlinko*, 10 Mar. 2021, backlinko.com/zoom-users.

streaming service, has a funding of 29 million dollars and a revenue of 465.9 million dollars.

These statistics are insignificant in comparison to Zoom. Zoom has 1.1 billion dollars in funding and a revenue of 2.7 billion dollars⁴. The exponential difference in funding alone can also predict that Zoom will continue to remain above all other competitors. In contrast to other competitors, Zoom offers a package when buying the software. The package offers more and is less expensive than all their competition. Because of this, Zoom has triumphed in all ways.

> Ethics

With every big company comes ethical issues. Zoom has been questioned on the company's morality in terms of security. Customers were upset with data being hacked, 'zoom bombers', and unknowingly being recorded⁵. To fix these problems, Zoom implicated certain tools and software to ensure the safety and assurance of all customers. For instance, a two-factor authentication. This authentication process provides additional safety over the account. In order to avoid 'zoom bombers', a password can be set up along with a waiting room, where the host can choose who can enter the conference. The company has also been questioned about the security behind what happens with the recordings of the meetings. Zoom released a statement saying "We do not monitor them or even store them after your meeting unless we are requested to record and store them by the meeting host. We alert participants via both audio and video when they join the meeting if the host is recording."⁶ The company and software is obviously not perfect but these modifications the company has continued to do based on customer requests continues to prove their morality and integrity. Nancy Pelosi, the Speaker of the United States

⁴ *Zoom's Competitors, Revenue, Number of Employees ...* - Owler. www.owler.com/company/zoom.

⁵ *Ethics and Zoom Today*, 23 Apr.

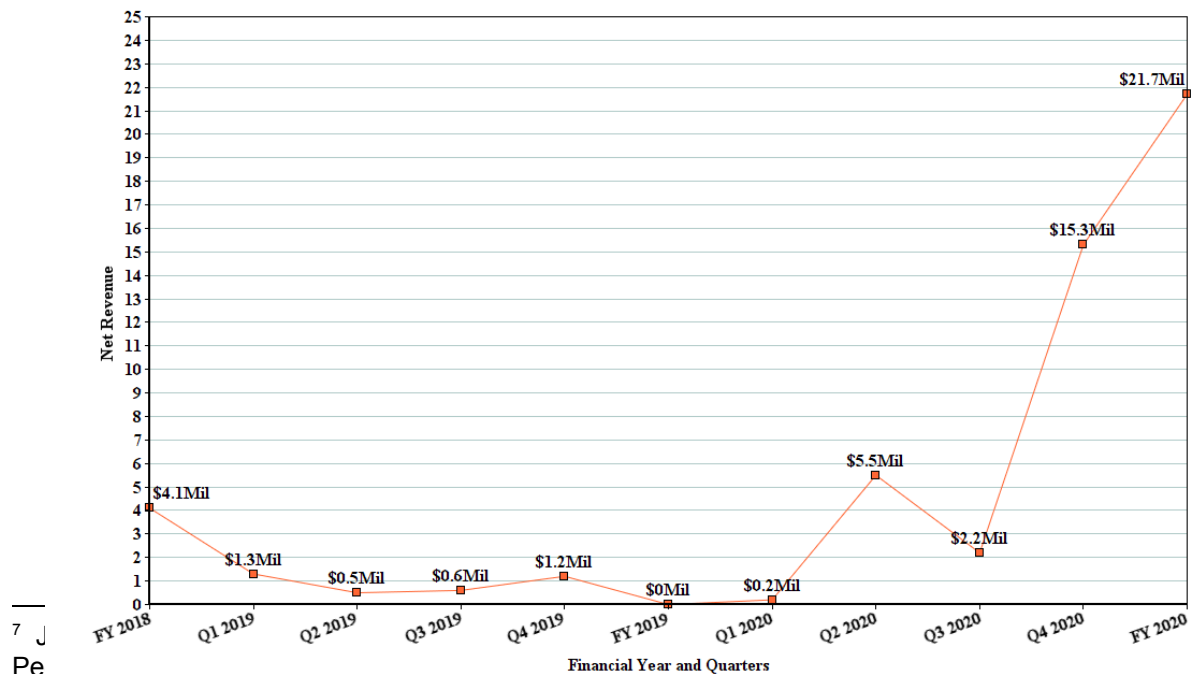
2020, community.icle.org/blogs/john-d-mabley1/2020/04/23/ethics-and-zoom-today.

⁶ Wagenseil, Paul. "Zoom Security Issues: Here's Everything That's Gone Wrong (so Far)." *Tom's Guide*, Tom's Guide, 8 Apr. 2021, www.tomsguide.com/news/zoom-security-privacy-woes.

House of Representatives, called Zoom a “Chinese Entity”. Eric Yuan, the CEO of Zoom, responded to this with “I became an American citizen in July 2007, I have lived happily in America since 1997. Zoom is an American company, founded and headquartered in California, incorporated in Delaware and publicly traded on Nasdaq.”⁷ This being said, some still question the ethics behind the company, but regardless it has not really affected the mass usage of the software.

> Graph

Above is a graph⁸ that I created, titled, *Zoom Video Communications Net revenue from 2018 to 2020*, in order to illustrate the value of Zoom’s Net Revenue beginning in the year 2018 until 2020. On the Y axis of the graph, the numbers zero to 25 represent the value (in USD) of Net Revenue. On the X axis of the graph there are labels, FY(financial year), and quarter 1 and 2 by year. The graph contains both year and quarters of the Net Revenue. As pictured above, there



7 www.cnn.com/2020/12/24/zoom-ceo-eric-yuan-became-one-of-worlds-highest-paid-ceo-indices-2020-12-24/

⁸ IQBAL, MANSOOR. “Zoom Revenue and Usage Statistics (2020).” *Business of Apps*, 10 Mar. 2021, www.businessofapps.com/data/zoom-statistics/.

is a significant peak in the year of 2020. The net revenue in quarter 3 of 2020 was 2.2 millions dollars and quickly spiked to 15.3 million dollars by the end of quarter 3. Not pictured in this graph is the year of 2021, where Zoom's net revenue was 671 million dollars. This drastic spike shows how quickly the company sparked when the world was shifted to a remote lifestyle.

Upper Management

>CEO (Bio. -\$\$)

Eric Yuan, the founder and CEO of Zoom Video Communications was born in China's Shandong province and lived there until he was 27. He worked for years to acquire an entry permit to move to the United States but was continuously denied access. On his ninth attempt for an entry permit, he succeeded. That year he moved to Silicon Valley and started working with WebEx. After 14 years with WebEx he left with a vision to create a more efficient video communication software.⁹ However, Yuan is not the stereotypical CEO of a unicorn company. When the company first took off “we did not have product managers, we did not have QA, we only had engineers. Whenever we received a customer cancellation email, I personally replied back [to them].” not only this but Yuan was also a solo founder of Zoom at the age of 41 years old. These two factors are extremely unusual for such an exceptional company. “Yuan was already a billionaire before Covid-19”¹⁰ “At the IPO Yuan owned 22% of Zoom, which was valued at just over 9 billion before trading began” Everyone was already extremely impressed with Yuan's work before Covid had affected the company, however, after Covid the company

⁹ Stone, Brett. “A Biography of Eric Yuan, Founder and CEO of Zoom.” *Medium*, Medium, 29 Mar. 2020, medium.com/@brett.stone/a-biography-of-eric-yuan-founder-and-ceo-of-zoom-deec5b42c723.

¹⁰ Jordan Novet. “Zoom's Eric Yuan Became One of the World's Richest People in 2020 as Covid Sent People Rushing to Meet on Video.” *CNBC*, CNBC, 26 Dec. 2020, www.cnbc.com/2020/12/24/zoom-ceo-eric-yuan-became-one-of-worlds-richest-after-covid-crash.html.

grew exponentially. In December of 2020, Eric Yuan became part of the world's 100 richest people. Today his net worth is 14.8 billion dollars.¹¹

>BoD (# - Gender)

Zoom currently has ten Board of Directors employed under the company. Of these ten board members, eight are men and two are women. One of these board members is Jonathan Chadwick. Chadwick is an independent board member who has been part of the board since September of 2017, and has been a private investor since 2016. “The estimated Net worth of Jonathan Chadwick is at least 85.8 million dollars”.¹²

Middle Management

> List Main Departments

Today Zoom has 4,422 employees¹³. With that, comes many different departments to ensure every aspect of the company works efficiently. Zoom has 13 different categories of departments to work in. These include: sales, engineering, information technology, marketing, finance, security, product team, legal team, customer service, engineering operations, people experience, project management, and administration¹⁴. All of these departments also have a chief overseeing them. Without every single one of these departments, there is room for error. Ceo

¹¹ “Eric Yuan & Family.” *Forbes*, Forbes Magazine, www.forbes.com/profile/eric-yuan/?list=billionaires&sh=1a90fb7a61bf.

¹² Editors, Wallmine. “Jonathan Chadwick Net Worth (2021).” *Wallmine*, Wallmine, 27 Apr. 2021, wallmine.com/people/6135/jonathan-chadwick.

¹³ “Zooms Competition, Zoom Overview.” *Owler*, www.owler.com/company/zoom

¹⁴ “Video Conferencing, Web Conferencing, Webinars, Screen Sharing.” *Zoom Video*, zoom.us/team.

Eric Yuan, has instilled every single one of these departments in order to create an extremely successful company.

> Finance

-Stock Price - Sales revenue

-CFO Biography

Zooms financial statement exhibits that in 2020 their sales/revenue was \$663.50 million dollars and in 2021 it is currently 2.6 billion dollars. The sales growth has gone from 88.39% to 355% in the last year. The current stock price is 315.95 usd. ¹⁵

Kelly Steckelberg, is the Chief Financial Officer of Zoom Video Communications Inc. CEO, Eric Yuan, worked with Steckelberg at WebEx when they both saw the company was inefficient and left. When Steckelberg left WebEx she became the CEO of Zoosk, a dating platform. Six years after Yuan had established Zoom, he hired Steckelberg as the CFO of Zoom. "We didn't hire Kelly because we are going to go public, It's more to help us grow our business."¹⁶ Steckelberg has worked at Zoom since 2017 and has become an imperative part of the company's success. This past year she was titled CFO Dives, CFO of the year. "Kelly Steckelberg is responsible for developing the financial infrastructure, facilities, teams and processes that the company needs to continue its growth."¹⁷ To help facilitate all of these responsibilities Steckelberg upholds two principles: employees should view the finances as if they are their own, and should understand how their role impacts the company. By following

¹⁵ "Zoom Reports Second Quarter Results for Fiscal Year 2021." *Zoom*, investors.zoom.us/news-releases/news-release-details/zoom-reports-second-quarter-results-fiscal-year-2021

¹⁶ Freedman, Robert. "CFO of the Year: Kelly Steckelberg, Zoom." *CFO Dive*, 9 Dec. 2020, www.cfodive.com/news/cfo-of-year-kelly-steckelberg-zoom-2020/589106/.

¹⁷ *Bizjournals.com*, www.bizjournals.com/sanjose/c/meet-the-women-of-influence-class-for2018-l-z/4917/kelly-steckelberg.html.

these two principles, Steckelberg's role as the CFO has helped the company grow immensely. During the pandemic, with her help, Zoom grew 355% over two quarters. In the most recent report from Forbes, Stackelberg's net worth was 255 million dollars.¹⁸

> Marketing

- VP Biography
- P/S

Zoom's marketing team, led by Janine Pelosi, has worked extremely hard to help grow the company. The company's team has led the triple digit growth the company has seen. Three tools that helped Zoom get to where they are today are, being a customer driven company, being a product that sells itself, and the company invests when it comes to building the brand. Zoom has an entire team devoted to customer service. Zoom ensures that all customer's needs will be dealt with. The marketing team also has worked to sell Zoom by itself. Instead of telling customers what Zoom has to offer, they show them.¹⁹ As previously stated, the packages Zoom offers are considerably better than other competitors. Lastly, Zoom is not afraid to invest. When the company sees an opportunity to invest in a marketing tool that will help them, they do. One of Eric Yuan's biggest complaints while working with WebEx was the unwillingness to invest, so when creating Zoom, he constructed the managing team to invest when it could help the company. Zoom's best marketing tactics have been: partnerships, SDRs and Demos, Inbuilt distribution, Social and ads, content, and zoomtopia. An example that shows how the Zoom team markets is their partnership with the Golden State Warriors. In 2016 the basketball team used

¹⁸"Kelly Steckelberg." *Forbes*, Forbes Magazine, www.forbes.com/profile/kelly-steckelberg/.

¹⁹ Molly Sloan, Apr 10, 2020. "The 3 Secrets Behind Zoom's Triple-Digit Growth." *Drift*, 11 Nov. 2020, www.drift.com/blog/how-zoom-grew/.

their software for free in exchange for branding. Investments like these created more publicity and essentially led to the growth of the business.

There is no Vice President of Zoom, rather there are different Chiefs of each of the different departments. These 16 Chiefs oversee different segments of the company. For instance Ryan Azuz is the Chief Revenue Officer. Janine Pelosi is the Chief Marketing officer. Shane Crehan as the Chief Accounting Officer. Oded Gal is the Chief Product Officer.

The Zoom price to sales ratio has significantly changed throughout the past five years. In December of 2019, Zoom hit its minimum ratio range of 28.32. In October of 2020, Zoom reached its maximum P/S of 124.24. On average Zoom has a P/S of 55.17, the current P/S ratio is 35.37, as of March, 2021.²⁰

>Operations

-COO Biography

Aparna Bawa, is the current Chief Operating Officer at Zoom Video Communications Inc; Bawa also works as the Interim Chief Legal Officer. Before working at Zoom, Bawa worked at the General Counsel for Magento Commerce as the Senior Vice President.²¹ As the current Chief Operating Officer, she oversees all operational functions of the business. With Zoom, a rapidly growing company, this is a difficult task. Despite the difficulty of this task, Bawa profits not a single dollar from her position as the Chief Operating Officer, and the Interim Chief Legal Officer. “ Ms. Bawa owns over 2,593 units of Zoom Video communications Inc stock worth over 55,085,270 and over the last 2 years she sold ZM stock worth over 40,454,504.”²² In September

²⁰ “Zoom Video Communications PS Ratio:” *YCharts*, ycharts.com/companies/ZM/ps_ratio.

²¹ *Zoom's Competitors, Revenue, Number of Employees ...* - *Owler*. www.owler.com/company/zoom.

²² Editors, *Wallmine*. “Aparna Bawa Net Worth (2021).” *Wallmine*, *Wallmine*, 21 Apr. 2021, wallmine.com/people/107437/aparna-bawa.

of 2020, Bawa made her largest trade which was over 12 million dollars in Zoom stock. As of April 2021, her estimated net worth is 95.5 million dollars.

Conclusion

> Future of the company

There are many different predictions of what will happen to Zoom; the predictions are all over the place because Zoom grew so exponentially due to the Covid-19 pandemic. The question remains: what will happen to Zoom once the Pandemic is over? Analysts predict that Zoom will not crash once the pandemic is over. In fact analysts assume the company will continue to thrive after the pandemic is fully over. In November of 2020, when the Pfizer vaccine proved to be highly effective, Zoom's stock dropped nearly 20 percent²³. However, regardless of the vaccine, many schools, businesses, and institutions have found Zoom very effective and plan on using a hybrid model regardless of the pandemic. "we believe that Zoom will continue to be widely used even after such a vaccine is distributed as we believe that the future of work and play is a hybrid one," FBN Securities analyst Shebly Seyrafi wrote in a note to clients. The end of the pandemic does not mean the concept of video calls will be abolished. Video calls have become such a key component of day to day life and will not vanish once the pandemic is over.

The company is also aware that the pandemic will not last forever. Because of this they have taken measures to help expand and improve the company. Zoom currently prepares to expand the company in October of 2021.²⁴ The video calling market this past year was 7.9 billion

²³ winck, Ben. "Zoom Tumbles 20% as Pfizer's Vaccine Success Drags on Work-from-Home Stocks." *Business Insider*, Business Insider, markets.businessinsider.com/news/stocks/zoom-video-stock-price-pfizer-coronavirus-vaccine-success-telework-zm-2020-11-1029781479.

²⁴ Molla, Rani. "The Pandemic Was Great for Zoom. What Happens When There's a Vaccine?" *Vox*, Vox, 4 Dec. 2020, www.vox.com/recode/21726260/zoom-microsoft-teams-video-conferencing-post-pandemic-coronavirus.

dollars and is estimated to grow to up to 9.7 billion dollars in the next year regardless of the pandemic. This data can determine that the video calling industry is not going anywhere and Zoom will continue to expand.