

TECH TACTICS

Zoom Boom

How Zoom beat established videoconferencing players

Zoom has experienced explosive growth during the pandemic. In December of 2019, Zoom had 10 million daily users. From April to June 2020, the app was downloaded nearly 300 million times — 200 million times from Google Play and 94 million times on Apple’s App Store, shattering records for the most downloaded non-game app in history.

Zoom had the highest growth in brand recognition among Americans in 2020, according to *Morning Consult’s* annual study. By March 2021, Zoom was worth as much as the top seven airlines (by 2019 revenue) combined. How could videoconferencing upstart Zoom crush established players like Skype, owned by Microsoft and Cisco’s Webex?

In 1998 I was in Nepal and needed to call North America. By telephone, it cost 300 Nepalese Rupees per minute (about \$2.50). Instead, I went to an Internet café, put on a headset, and called for 10 Rupees a minute (8.5 cents). At the time, although Voice Over Internet Protocol (VoIP) technology was not duplexed, I predicted that all long distance would be free by 2005 for consumers. Skype beat my prediction by two years launching in 2003.

In the graph below, VoIP calls don’t even register until 2005. International

long distance for telcos peaked in 2014 and then began to decline. By contrast, VoIP continued to explode. International VoIP calls are now more than 1,200 billion minutes or 1.2 trillion minutes a year. It’s important to note, disruption can be a decade or two in the making until the technology matures enough to overwhelm traditional incumbent companies. For example, in 1998 U.S. telcos made 70% of their profit from long distance calls.

Now here’s the killer stat: Zoom is providing 3.5 trillion minutes of videoconferencing a year. That is more than all international minutes from traditional telcos added to all international VoIP minutes — then doubled! And Zoom is doing it by itself.

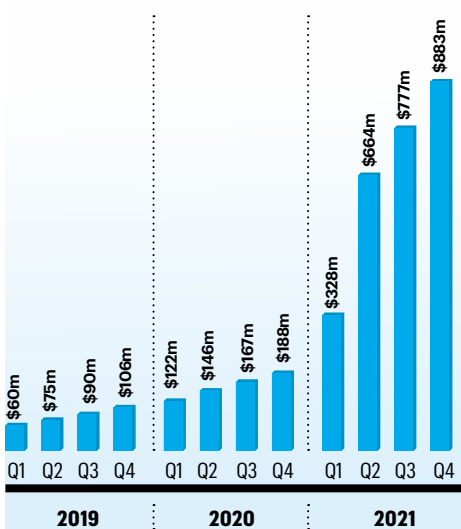
● **Freemium:** Zoom’s freemium model allows a user to host meetings of 40 minutes for up to 100 people. That allows individuals working in companies

that are locked into existing contracts with Webex or Skype for Business, to try Zoom. Zoom Founder Eric Yuan said, “Without a freemium product, you’re going to lose the opportunity to let many users test your products.”

- **Price:** In 2008 at a Cisco Telepresence demo, an immersive video conferencing experience cost \$70,000 per location. In 2020, a Zoom Pro account costs \$20 a month and uses existing hardware (laptop, desktop, or smartphone). Cutting the cost of video communication to almost zero results in exploding demand.
- **Ease of Use:** Zoom has focused on creating a frictionless experience compared to other platforms, with meetings accessed by a simple link.
- **Scalability:** Zoom was designed to scale and built on AWS to serve explosive demand.
- **Implications:** Zoom’s success will accelerate the decline of landlines. The average cost of a home landline in the U.S. is \$45 per month. Users can call worldwide via Zoom for \$20 a month. However, an increase in bandwidth demands and expectations will require connected Ethernet, Wi-Fi and mobile. This, of course, will fuel consumer desire for Gigabit Ethernet, Wi-Fi 6 and 5G. Welcome to the Zoom revolution! ■

Jim Harris is the author of Blindsided.

ZOOM’S QUARTERLY REVENUE



INTERNATIONAL LONG DISTANCE VS VOIP VS ZOOM (BILLIONS OF MINUTES)

