

Zoom's next act may be a threat to the rest of tech

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The pandemic catapulted Zoom Video Communications Inc. from a scrappy upstart into a \$111 billion video-conferencing behemoth, central to the lives of millions of remote workers and other socially distant users. Now, as COVID-19 vaccination rates allow for more of a return to normal, the obvious question is, what's next? The answer could be a lot

more than video chat.

This year is shaping up to be a pivotal time for Zoom. Industry watchers have questioned whether demand will ebb for the company's core service as the economy haltingly reopens and users complain of "Zoom fatigue." But there are signs that its conferencing business will be durable. Speaking from personal experience, the vast majority of my external meeting calls are now conducted on Zoom. I'm not alone. The combination of its ease of use, reliability and pervasiveness has made Zoom the standard for corporations. That's showing up in the numbers, too. The latest credit-card data shows spending with the company is still surging.

Zoom's share of the videoconferencing market rose by 10 percentage points to 76% in the June quarter from the prior period, with sales growth rising in each of the three months, according to KeyBanc Capital Markets. And it seems large technology companies are giving up on trying to beat Zoom. For example, Alphabet Inc.'s Google Meet recently added a one-hour cap for nonpaying group calls. The end of the technology giant's unlimited free service for three or more users could drive additional customers toward Zoom.

And then there's Zoom's business beyond video conferencing. Consider the relatively sleepy market of corporate phone systems that has been traditionally dominated by Cisco Systems Inc. and Avaya Holdings Corp. Zoom Phone has been rapidly gaining market share in the category. And two recent acquisitions should accelerate its progress.

In June, Zoom agreed to acquire Kites GmbH, a startup that specializes in real-time language translation. And last month's \$14.7 billion purchase of call-center software maker Five9, which has 2,000 global customers, opens up a large new client base as well. Then there's last month's dual launch of Zoom Events and Zoom Apps. Events enables corporations to

host large internal virtual gatherings or trade shows, and could be a hit. But the Apps platform may be even more important to the company's future.

Already, more than 50 apps are built on top of Zoom, from games, brainstorming whiteboards and cloud storage workspaces to real-time surveys. As a larger ecosystem of apps develops, the platform could further entrench Zoom's dominant position and increase the stickiness of its service.

With Zoom engineering all these products in adjacent markets, its competitors should be worried. It's clear the company isn't satisfied with conquering the [videoconferencing](#) category. There is more to come.

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