

# Zoho wears many hats in the face of strong growth in the post-pandemic world.

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Briefing Note

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# Contents

1	Summary
1	Research Note
8	Conclusion

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## SUMMARY

The pandemic has changed global business models and clients are now looking for an integrated technology ecosystem to cover both diverse business functions and unique industry requirements. Global software solution vendors are consolidating their existing portfolio and adding new capabilities through both organic and inorganic growth. However, very few vendors are as well-placed in this regard as Zoho. The firm offers solutions covering almost all enterprise business functions and is continuously building capabilities to grow in adjacent areas. ISG notes that Zoho has shown impressive growth over the years and is now targeting the primary concerns plaguing global businesses in the post pandemic world. It must communicate and promote its differentiation strongly in the market to compete with large global tech firms whose turf it is now encroaching.

## RESEARCH NOTE

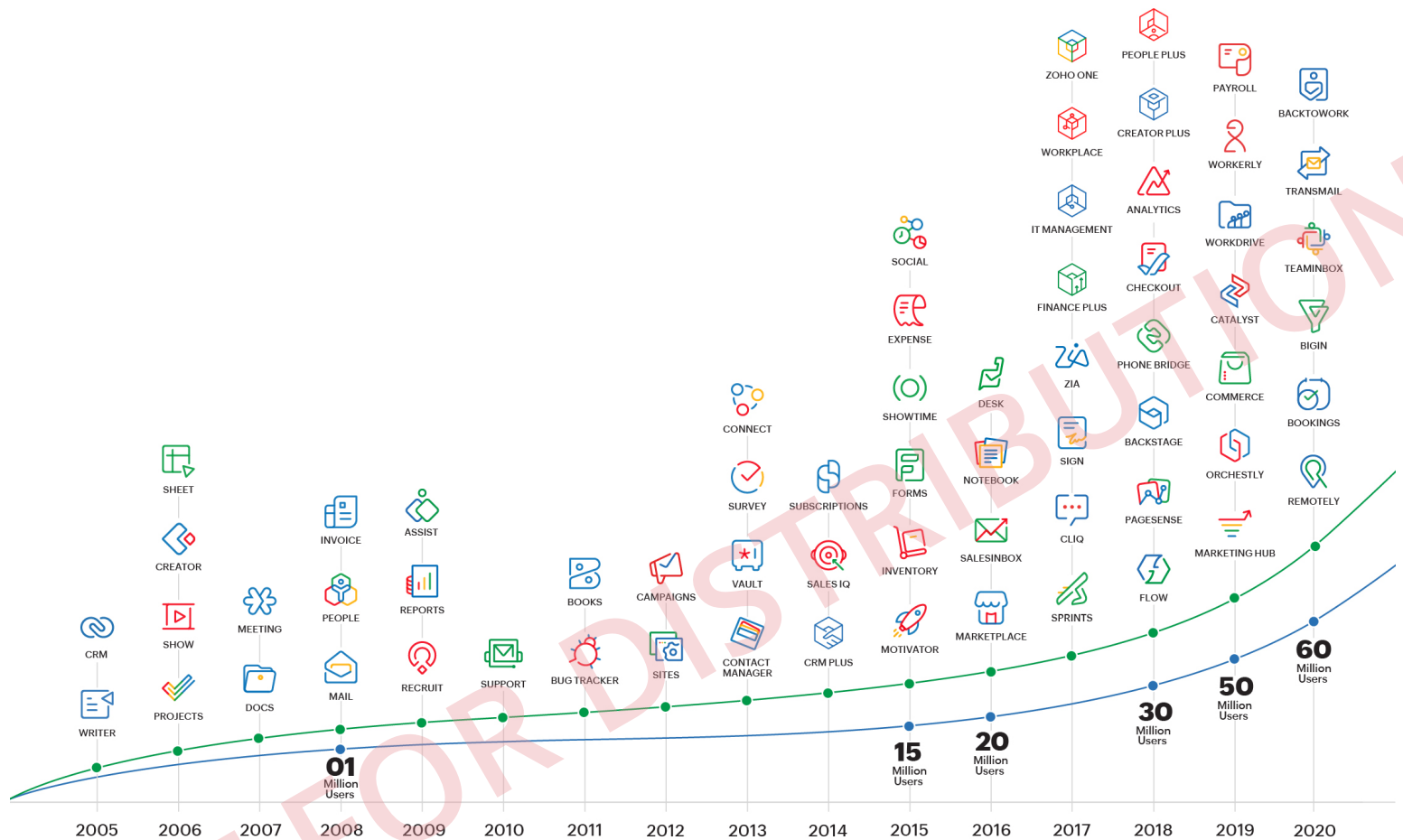
ISG analysts recently attended ZohoDay, a global event organized by Zoho for the advisor and industry analyst community. The company has been organizing ZohoDay as a physical event, however, this year ZohoDay was conducted virtually, much like other analyst events, where the company leveraged its proprietary solutions, Zoho Backstage and Zoho Meeting. The event included many sessions with presentations by Zoho's senior executives, including the founder and CEO, Sridhar Vembu. Zoho is focusing on expanding its presence in new geographies and industries through enhancements in its product suites and through a differentiating culture.

A summary of Zoho's updates, along with ISG's point of view, is given below:

**Zoho's growth:** Founded in 1996 as AdventNet, Zoho has grown exponentially in the years that followed with technology improvements and increasing its presence in the Enterprise Software market. It started out as a network management provider and diversified into different areas with ManageEngine for enterprise IT management and Zoho.com for cloud business applications. Its original offering under WebNMS brand later evolved into an IoT platform. In 2009, the parent company was renamed Zoho Corp to reflect the growth of the Zoho.com brand. The Zoho.com brand was launched in 2005 with its first products, Zoho Writer, an online word processor, and Zoho CRM. Over the years, the company has launched many products and solutions under each of its brands.

With 25 years in business, Zoho expresses much pride in its achievements, including an exponential growth in its client and user base — from 1 million users in 2008 to 62 million users in 2020. The company offers 65 plug-and-play solutions for enterprises and around 60 solutions for end-to-end enterprise IT management. A snapshot of Zoho Suite offering with around 50 cloud-based business applications is shown below in figure 1. The company also highlighted a substantial growth in its annual revenue and clients in the last five years.

Figure 1: Zoho Suite offering



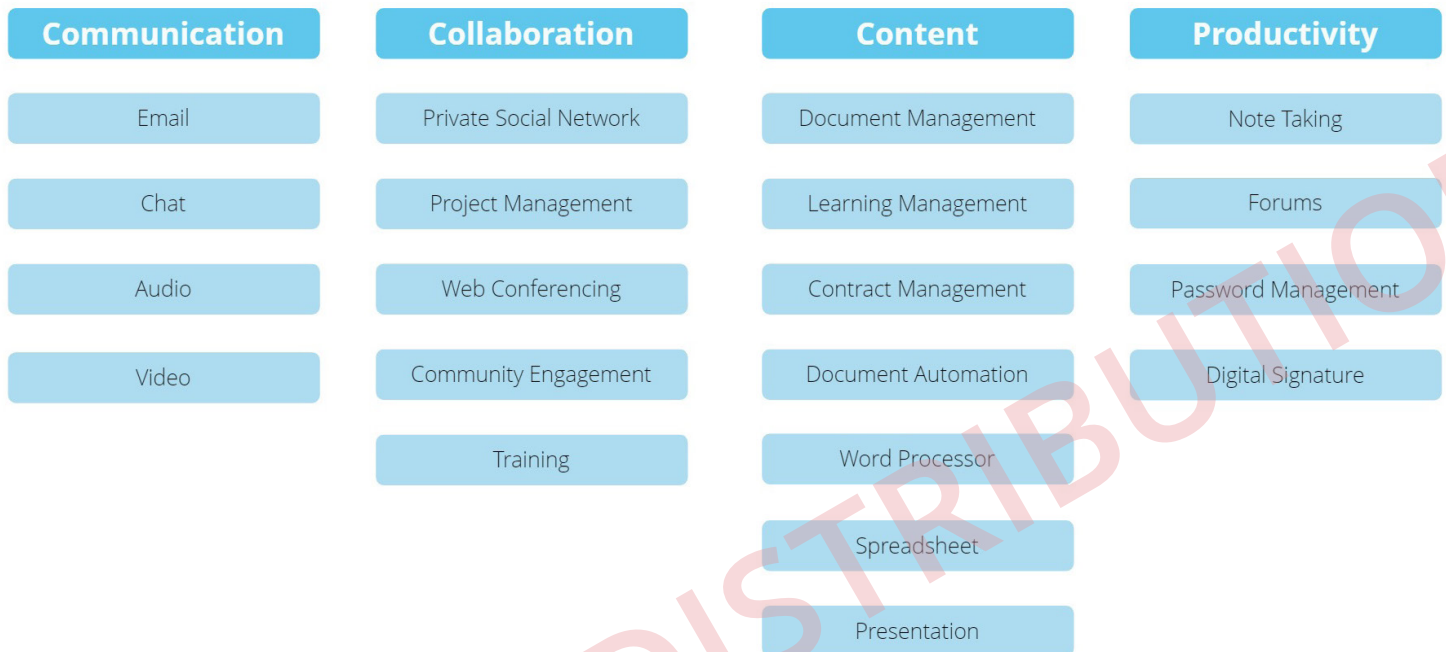
Source: Zoho

Zoho has shown impressive growth by covering the entire technology spectrum for enterprises, encompassing diverse business functions such as IT, operations, HR, sales and marketing. Since its establishment 25 years ago, the company has focused completely on organic growth for enhancing its portfolio. It has built everything in-house to offer service support for the growing needs of its increasing client base. Zoho wears many hats and is reluctant to define boundaries for its work and is ready to dip its toes to meet all technology needs of its clients. This motto has led to the company developing solutions that clients can leverage for different business function needs. The ability to use these solutions individually provides flexibility to clients, including an exit strategy. As a result, Zoho reported a high churn rate with its focus on individual solutions. However, now as the firm tries to push its integrated suite of solutions versus individual solutions, it is closing the exit gaps, which is resulting in high client retention. Zoho's reduced churn rate and client lifetime value (LTV), in months validates this fact — as the company started focusing on its suite instead of individual solutions, the churn rate started to decline, and it started retaining more clients.

In terms of its post-pandemic future, the company is focused on new emerging economies as they try to become more self-reliant, and the local firms try to scale and speed up their digital initiatives covering multiple business areas. Zoho is building solutions covering such business areas (Zoho calls these verticals) and catering to unique industry requirements (Zoho calls these horizontals). The company is planning to invest heavily in research and development (R&D) to build capabilities that would help it to build a vertically integrated company that is horizontally spread out.

**Enterprise collaboration and employee experience:** Zoho offers a multitude of products in the enterprise collaboration space, providing connectivity, meeting, conferencing, and user productivity solutions. In September 2020, Zoho released a new version of Zoho Workplace, an integrated suite combining all its solutions for workplace productivity and collaboration. It offers employee productivity tools such as Zoho Writer for word processing, Show for presentation, Sheet for spreadsheets and WorkDrive for cloud file sync and share. It also allows users to connect over video conferencing through Zoho Meeting, Zoho Mail for business email, Cliq for messaging and Connect for social intranet. It leverages its artificial intelligence (AI) feature, Zia, for enterprise search capabilities and for integrating insights from diverse business functions with enterprise collaboration solutions. Through Zoho Workplace, Zoho intends to integrate business applications with workplace collaboration apps to remove workplace silos. In the post pandemic world, where remote working is becoming increasingly prevalent and where all apps are enabling remote collaboration, Zoho intends to offer value added services to clients, where its workplace collaboration apps, such as Cliq, integrate with enterprise applications, such as CRM, for stronger collaboration. Although Zoho's individual workplace collaboration apps integrate with some third-party enterprise applications as well, it offers comprehensive functionalities when used within a Zoho enterprise environment.

Figure – 2: Zoho's solution coverage for enterprise collaboration and productivity



Source: Zoho

Zoho has also introduced its own telephony service, Zoho Voice, that can integrate with other telephony service providers. It allows users to call directly from Zoho's enterprise business applications. The company reported considerable momentum, in terms of an increase in messages and calls, per day, leveraging its voice and collaboration solutions.

As the company focuses on enterprise collaborative environment, it also highlights the importance of measuring employee experience (EX). ISG too opines that EX has become the focal point of workplace collaboration and productivity. Zoho determines EX through different touchpoints in business processes, covering the entire employment lifecycle. It starts with the recruitment process and onboarding and includes experience with enterprise IT and other business functions, along with experience with clients, vendors, and external collaborators. Zoho extends EX to support employees even after separation from a firm. While Zoho measures EX by way of metrics such as revenue per employee, through its own solutions, ISG has seen the strong emphasis that clients are placing on measuring both tangible and non-tangible EX components.

Zoho's capabilities in the enterprise collaboration and productivity space makes it an ideal partner for small and medium businesses. It has been positioned as a Rising Star in the meeting conferencing and enterprise collaboration space in the ISG Provider Lens Digital Workplace of the future study 2020. Zoho considers tech giants such as Microsoft and Google as its key competitors in this space. However, given how vendors in collaboration space are building solutions and capabilities to enhance value addition for clients, for their own ecosystem, it is difficult for enterprises already deeply invested with these technology giant ecosystems to consider Zoho products for additional capabilities. Although Zoho has helped some of its large clients to migrate from G-Suite and Office365 to Zoho Workplace.

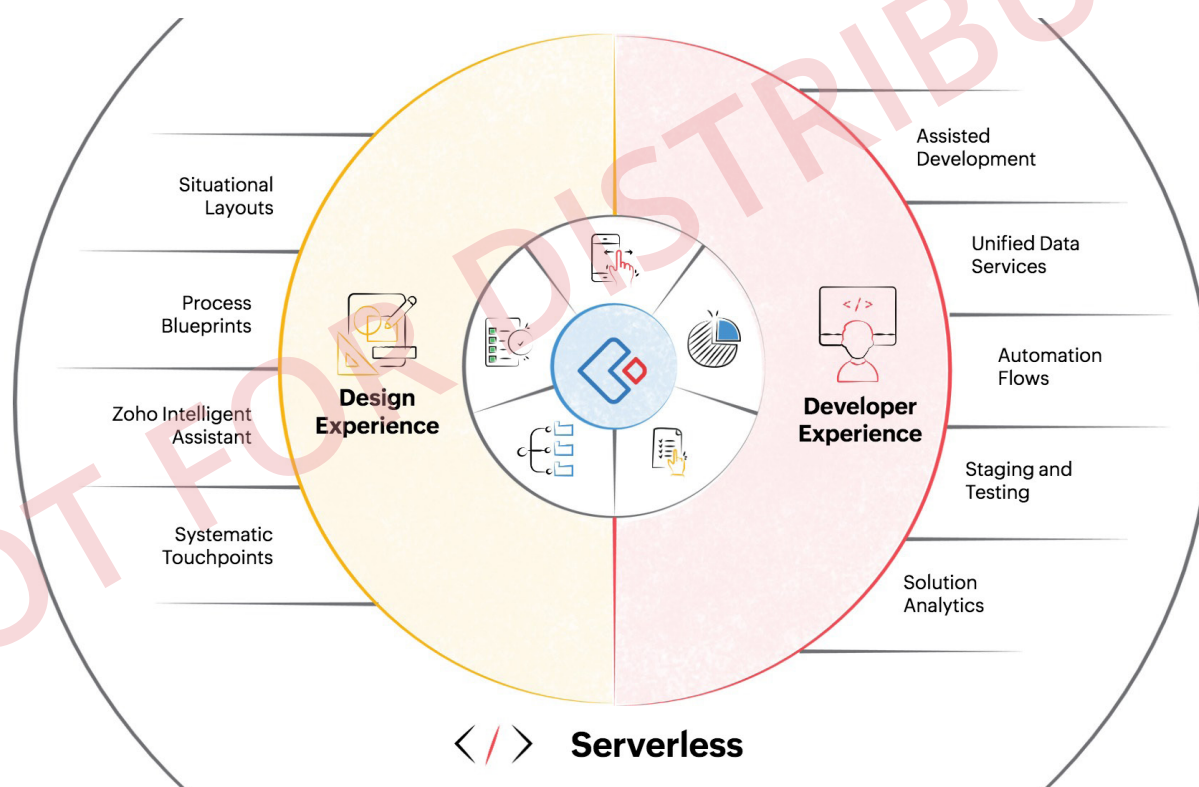
**Zoho Low-code solutions:** Zoho offers low-code functionality with its low-code application platform, Zoho Creator, released in 2006. Zoho Creator focuses on enabling an environment for citizen developers and business users and aims to bridge the gap between applications with low complexity, requiring low skillset and the ones with high complexity, requiring high skillset.

Zoho Creator has a strong client base that includes small and medium businesses (SMBs) and also some large enterprises and public sector clients. Zoho Creator uses Zoho Markup language and workflow developer functionality to define the business logic. Zoho Creator supports integration with more than 45 Zoho applications and 500 third-party services, including business, consumer, and legacy vendors, and provides for centralized management for easy governance. While many enterprises patch their solutions together from disparate applications, systems and technology stacks for a cohesive approach, often there is a lack of a unified data model. Zoho Creator offers a unified data model for consistency across different datasets from interconnected business functions and ensures contextual dataflow between systems handling these business functions. It pulls data from different sources, structures them and contextually adds them to functional applications, enabling developers to establish relationships and standardize external data sources using drag and drop workflow features.

Zoho Creator offers “App Deck”, a store that provides more than 60 ready-to-use vertical and horizontal business applications for one click deployment. These pre-built industry specific solutions are customizable and deploy applications with pre-built entities and workflows. Zoho also offers its own unified endpoint management solution and mobile device management (MDM) capabilities. Applications created through Zoho Creator are thus mobile-friendly and can be white labeled through the MDM functionality.

The next generation of Zoho Creator will focus on two aspects critical to extending its vision of democratizing application development for both developer personas - citizen and professional developers. This is shown in figure 3 below.

Figure 3: Zoho Creator vision



Source: Zoho

The first aspect is to enhance the 'Design Experience', which will help developers build feature-rich applications faster without compromising the end-user experience. This will be powered by personalized situational layouts, process blueprints, Zoho AI and different system touchpoints. Situational Layouts represents situations where end customers or business users would be using the applications on multiple channels or devices, translating into new business requirements. Zoho's Zia, that is more than a conversational AI solution can provide smarter insights for businesses — generating reports and making predictions based on available data.

The second aspect is focused on improving the overall 'Developer Experience', which will include features that will help the IT stakeholders maintain the integrity of the application ecosystem while enabling democratization. It will include assisted development using Zia's integrated machine learning enabled assistant. It could flag changes in the code while also suggesting reasoning for the same. In addition, Zoho Creator also offers application customization through usage of its own scripting language Deluge that minimizes amount of complex code and offers an intuitive cloud-based editor. Understanding the challenges associated with variety of data formats, data integration from disparate systems and technology stacks, Zoho Creator offers a Unified Data Service that offers a unified data model that provides consistency across data sets of interconnected business function. Developer Experience also includes Automation Flows that automates workflows to associate desired actions based on triggers. It also includes application staging that offers greater control such as ensuring that sensitive data stays in house, scheduling deployment and version updates so that publishing of one app doesn't disturb the entire ecosystem. Zoho Creator application testing will capture and build test cases, evaluate results and report failures to relevant stakeholders. Lastly, it will offer analytics and reporting about application performance and user adoption that will help identify champions for change management and implementation.

As enterprises are increasingly considering ways to enhance the digital skills of its employees, there is a natural focus on enabling business leaders with ability to create business applications with lesser coding skills, improving IT productivity, and eventually bringing business and IT teams closer to deliver business outcomes as a team and Zoho Creator offers promising capabilities to address this requirement. Zoho reports that 70 percent of its Zoho Creator users are also first-time Zoho users highlighting its huge success with low code solutions. With its developer and design experience, Zoho Creator offers a strong vision in this space.

**Zoho philosophy and community services:** The key highlight of Zoho operations is its unparalleled commitment toward community services. The company has a vision to create opportunities for those who do not have them. This inspiring outlook is evident in the steps it has taken to improve the lives of its employees, their families and community. A perfect example of this approach is that one of its application developers, Abdul Alim, was first hired as a security guard; leveraging Zoho Schools of Learning (previously called Zoho University), he learned technical skills and was inducted in the firm as a developer 8 years ago. As the company looks to expand into new geographies with its "transnational localism" approach, (locally rooted and globally connected) it aims to serve global clients from diverse locations by uplifting local economies and creating local jobs. Zoho leaderships emphasize on the importance of rural talent, along with ethics, moral and culture, through sustainability efforts such as Zoho Schools of Learning and constructions undertaken in rural areas.

## CONCLUSION

Zoho has strong capabilities in providing a comprehensive technology ecosystem for clients, to quickly start and scale up digitally. It is extremely popular among SMB clients, and is offering an increasing number of solutions for this client base. At the same time, it competes with technology giants in multiple areas, and also as a complete solution suite vendor. The firm has seen more client retention while offering a comprehensive suite instead of individual solutions. ISG believes that Zoho has created a niche and a strong technology ecosystem for its clients that is difficult to penetrate. Its key strength lies in keeping its solutions interoperable with many enterprise application solutions and multiple integrations. The company has been able to serve society and community at large and can continue to offer new and important services as it is still privately owned. Zoho's objective of building everything in-house and its strategy of organic growth has proved profitable in offering better client service, till date — as the pandemic changes global business models and SMBs and large clients alike face these challenges, it would be interesting to see how Zoho continues to wear many hats and keeps stretching its boundaries.

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