

Zoho Day 2020– An Innovative Technology Company with a Heart

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After more than 20 years of covering the enterprise software market, one could easily be lulled into thinking one knows almost everything there is to know and can no longer be surprised by some new revelations. Well, attending my very first Zoho Day 2020 analyst summit has disabused me of that notion. In a nutshell, I was in disbelief after realizing how incredibly broad the scope of Zoho's offerings is, all without any acquisition ever. Think, for example, of Zoho's lesser-known proprietary custom database. It supports a row-based storage engine. It is also columnar for analytics as well as in-memory, with a graph index, supporting time series for the Internet of Things (IoT) data streams. And, this proprietary database has still more capabilities, perhaps even more than SAP's well-publicized HANA database.

Offering a Full Technology Stack

Zoho also offers its own app servers, its own data centers (DCs), and many other of its own layers of a full stack (see Figure 1). Zoho is in fact a technology company a la Microsoft, Google, IBM, Oracle, etc., with a much broader scope than being only a consumer apps and enterprise software company. In fact, it is not a well-known fact that about one third of Zoho's revenues comes from the Zoho ManageEngine remote IT service desk offering, which competes with the likes of IBM, BMC, Zendesk, and others.

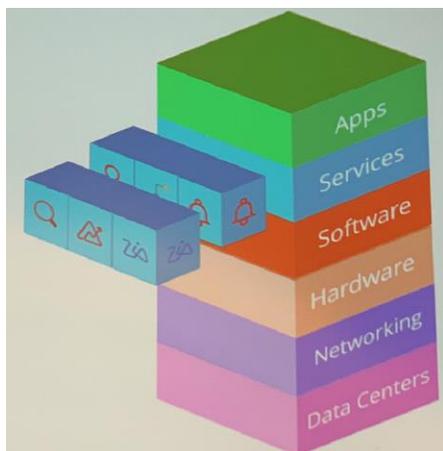


Figure 1. Zoho's Full Technology Stack

Even the much larger (about 30 times larger) and much better known vendor Salesforce, with all of its hefty acquisitions like ExactTarget, Tableau, MuleSoft, and the most [recently acquired Evergage](#), does not cover natively what Zoho does when it comes to the Apps (or solutions) and cross-Apps Services (see Figure 1). For example, Zoho offers its own computer telephone integration (CTI) with a bridge to 80 telecom operators (used by 30,000 companies) in the Services layer.

When it comes to the Apps, Zoho Cliq is equivalent to Microsoft Teams, Slack, or Google Hangout, while Zoho Meetings competes with WebEx or Zoom. Moreover, Zoho Office competes with Microsoft Office or Google G Suite, and even includes electronic signatures, rendering DocuSign or Adobe Sign (former EchoSign) superfluous.

For its part, Zoho WorkDrive could replace Dropbox, Google Drive, or Box. Zoho Connect could do the same to Facebook Workplace, and Zoho Survey could replace Survey Monkey, Medallia, or SAP Qualtrics. Zoho Expenses can fill in for SAP Concur or Coupa, and Zoho Mail can replace Outlook or Gmail, Zoho Subscriptions competes effectively with Zuora or Recurly, and so on.

Also impressive is the aforementioned Zoho Services layer with a number of horizontal solutions that across multiple enterprise software solutions. For example, Zoho Analytics is business intelligence (BI) software equivalent to Tableau, Qlik, or Microsoft Power BI, while other services are messaging, single sign on (SSO), and enterprise search, which not only searches through Zoho's own Apps, but also through integrated third-party apps in Zoho Marketplace, an equivalent to Salesforce AppExchange.

Built-in Artificial Intelligence

Zoho's artificial intelligence (AI) toolset is at least equivalent to Salesforce's much-promoted Einstein or IBM's equally publicized Watson. Over the past 10 years, the company has been developing its own AI solutions without using any proprietary or open source third-party tools like TensorFlow.

Zoho thus has a number of available AI solutions that it embeds into its own customer relationship management (CRM), accounting, procurement, talent management, and other enterprise software apps (see Figure 2).



Figure 2. Zoho AI Solutions

As one example, Ask ZIA is an intelligent assistant (ZIA stands for “Zoho Intelligent Assistant”) that uses natural language processing (NLP) to conduct queries and produce reports in Zoho Analytics (see Figure 3). In addition, [ZIA can learn over time and even glean some insights that users may not even know they needed](#). “Ask ZIA,” which uses the methods like fuzzy search, NLP, optical character recognition (OCR), object detection, proximity, and more, reportedly took six years of research and development (R&D).

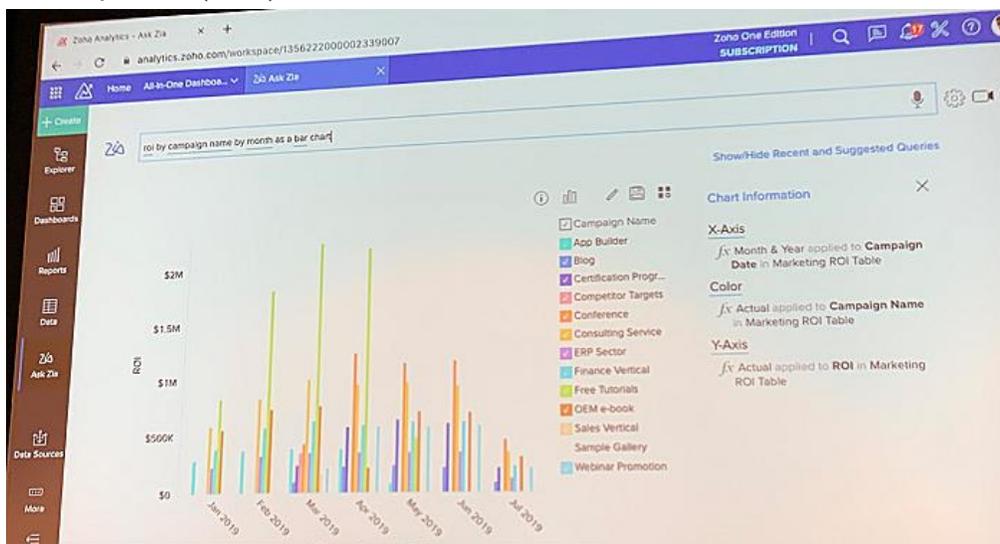


Figure 3. Ask ZIA in Analytics

Zoho already offers over 1,500 out-of-the-box reports and dashboards, even blended with the third-party apps in the aforementioned Zoho Marketplace. Indeed, while offering a treasure trove of its own solutions, Zoho is aware that customer choice is of utmost importance, and thus the vendor offers easy integration to other popular solutions in the market (see Figure 4).

As a matter of interest, a Zoho customer who presented at the event about his company's experience emphasized that Zoho's integration to Jira Desk was better than what Atlassian (Jira's parent company) offers between its own various solutions.

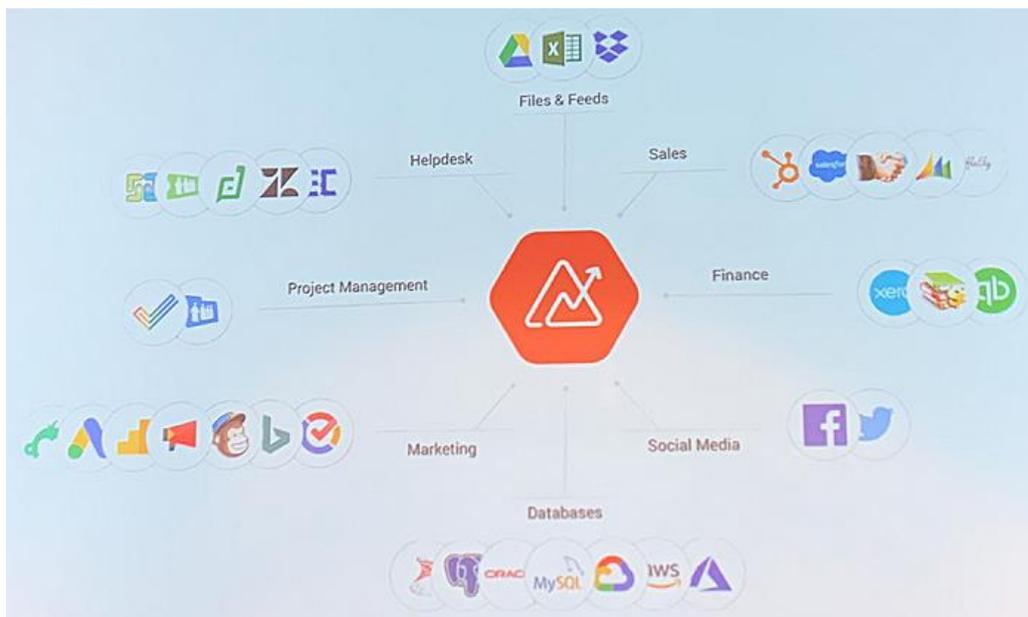


Figure 4. Zoho Openness

At the Summit, Zoho showed how its AI solution is managing the parking spots at a large corporate garage. There, Zoho uses its own object recognition, object detection, OCR, and other sophisticated deep learning tools to process the data streams from hundreds of cameras. The goal is to recommend the best available parking spots for the employees and visitors, as well as to identify bad drivers (e.g., driving in the wrong direction) and those with poor etiquette (e.g., parking crookedly and occupying two parking spots).

As another example of sophisticated AI use, Site24x7 offers outage predictions for its customers, using the aforementioned Zoho ManageEngine offering, bolstered with several AI methods such as forecasting, root cause analysis, anomaly detection,

incident framing, and more. The site will notify the right person in cases of high outage probability.

Zoho Business Update

Another lesser-known fact is that Zoho has been around for 24 years, entirely bootstrapped (with no venture capital or private equity investment ever), and consistently profitable. The company claims to intentionally want to remain private and not be beholden to the investors' expectations and whims. It uses its own Zoho Suite of Apps to run its own global business. Zoho reports internally as if it were a public company, but is quite secretive about its revenues.

Still, given 8,000 employees worldwide, one could fairly easily estimate the company's revenues to be in the order of hundreds of millions in US dollars. Zoho is currently sold in 180 countries, offers more than 45 Apps, and has over 50 million users. About 6% of the freemium users get converted into the paying ones for the professional and richer editions. Zoho pledges to never spam its users with ads even if they are using the free apps.

Currently, Zoho has 12 offices in ten countries as well as ten of its own DCs (having added two data centers in Australia in 2019). If all goes well, in 2020, the plan is to open three DCs in the Middle East, and one in Canada in 2021.

In his presentation, Sridhar Vembu, Zoho's founder and CEO, said that the company tends to build solar panel farms to power its DCs, and that it also invests in network monitoring tools as well as in Zoho acceleration network (ZAN) solutions for faster uploads/downloads, conferencing, etc. Vembu, an admitted lover of nature and countryside (see Figure 5), is also trying to promote employment in India's underdeveloped rural areas, so as to gentrify them as well as to promote healthy living and families growing their own vegetables on the available arable land. He said that, in its Chennai HQ Zoho, observed a 10% turnover and departure rate, whereas the rate is only 2% amongst those who decide to go to the countryside,



Figure 5. Zoho's CEO Sridhar Vembu at Zoho Day 2020

The vendor is organizing ever more local Zoholics user conferences (33 conferences in 27 countries in 2019), along with a bevy of community meetups in a number of larger global cities (536 such gatherings in 2019). China, Russia, Ukraine, the Balkans, and North Africa seem to still not be covered, but elsewhere in the world Zoho is quite well represented (see Figure 6).

Without revealing total revenue figures, Zoho reports a healthy growth of over 30% compound annual growth rate (CAGR) in the last 5 years. This growth is almost equitable in all regions and in all of the product lines/groups: IT helpdesk, HR/payroll, productivity & collaboration tools, accounting, marketing, customer experience (CX), etc. Over half of the revenues come from the Americas, and the US market share keeps going down percentage-wise (though not in absolute figures), due to the growth in new regions.



Figure 6. Zoho's planned expansion in 2020

The most new customers still come via inexpensive inbound sales (similar to HubSpot's business model), but now about one third of revenues come from the channel partners. The customer churn has reportedly recently dropped to only about 2%, while the customer lifetime value is about 3 years. That is the case because Zoho is able to monitor the actual usage of its solutions and figure out the problem areas and incentives to offer for customers to remain loyal.

Not surprisingly, in the last 18 months or so, Zoho has managed to reach about 6%

“share of voice,” i.e., to be mentioned in the media beside Salesforce, Google, Microsoft, and other renowned market leaders. While not that impressive a figure, one should note that it was all but a zero only a couple of years ago.

An upcoming post will zoom in on Zoho’s more recent offerings like Zoho One, Zoho CX, and development platforms (low code, no code, and pro code to cater to all developer levels), and their current state of affairs. It will also touch on some upcoming and emerging initiatives within the very active company. Stay tuned for more!