

## REPORT REPRINT

# Abundant Zoho app ecosystem allows business users to find their path without leaving the farm

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### Introduction

It has become increasingly difficult to find a business need that isn't accounted for by Zoho's 45+ business applications, spanning CRM, accounting, mail, commerce, supply chain, HR, service, billing and more. The company has spent the last decade integrating the varying services and building out the proprietary infrastructure underlying the wider ecosystem.

In doing so, Zoho has positioned itself as an all-you-can-eat business operating system anchored by its core CRM and accounting functionality. It doubled down on this strategy two years ago with the launch of its comprehensive Zoho One suite, an offering that has driven growth and amassed over 23,000 customers, as well as generated awareness of the company's wider value proposition.

### 451 TAKE

Staying core to its roots despite its ever-expanding offering, Zoho's total cost of ownership (TCO) story remains its defining differentiator. As it begins to reap the rewards of offering an all-you-can-eat package in Zoho One, the offering's \$30-per-user price tag makes the story enticing and sticky, if Zoho can get in the door. The One package also allows Zoho a level of vertical integration that has been elusive for SMBs. While the feature sets per application outside of its core offerings may not be as rich as other top offerings in those arenas, the ability for organizations to largely rip and replace entire software suites in favor of Zoho tools has significant appeal to some business owners.

The strides it has made in integrating its portfolio of over 45 applications has also shown dividends, allowing the company to overlay interesting search and organizational tools. Looking forward, Zoho will need to build its partner ecosystem strategy, because it cannot be everything to everyone. While small businesses appear ready to buy into the Zoho ecosystem story, upmarket opportunities will require strong partner integration and messaging. Building brand awareness will also be key since Zoho continues to operate under the radar in many of its core markets.

### Context

Bootstrapped since its founding in 1996, Zoho remains a private company with no immediate plans to go public. It launched its most successful product to date with Zoho CRM in 2005, and the company has continued to grow its product portfolio, adding between one and six applications per year over the last 14 years. With over 8,000 employees, the Chennai, India-based firm operates 12 offices globally, and is in the midst of moving its US headquarters from Pleasanton, California, to Austin, Texas.

As Zoho seeks to punch above its weight in terms of features and application ecosystem when pitted against the largest global technology providers, it is also looking to hold itself to similarly high standards when it comes to business ethics and its role as a global citizen. One area of focus is moving toward a carbon-neutral worldwide footprint for its infrastructure.

One of these efforts was its most recent datacenter opening in Australia, which went live being 100% powered by solar energy. Another focus is the issue of data privacy, which can be a challenge as the company looks to build out ML and AI competency. However, Zoho has stated a commitment to not use customer data in training its models, and has worked to eradicate third-party plug-ins and APIs within its ecosystem that could siphon out customer data.

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Zoho is also involved in a number of projects in education and sustainability. Among them is Zoho University, a tuition-free school located at its global headquarters that teaches practical business skills. With plans to open a second location at its new Austin location, Zoho says the program also acts as a recruitment tool, immersing its student body in the company's culture.

Another project in the works is the rejuvenation of rural and farming communities through the infusion of tech jobs. In line with Zoho founder and CEO Sridhar Vembu's recent move out of the San Francisco Bay Area to a small farming community in southern India, the company is actively opening offices in rural areas, hiring local talent and moving existing jobs to new areas.

### Product

Zoho has structured its product offerings to cut through the potential clutter of its over 45 application ecosystems, and center around core business goals. This is essential to the goal of encouraging customers and prospects to vertically integrate the Zoho suite of tools across their businesses.

Although 'land and expand' is a common strategy, Zoho's diverse product set gives it the ammunition to hammer home this story, and allows users to grow within the ecosystem in creative ways. Targeted app bundles include CRM Plus, Workplace (enterprise productivity tools), Finance Plus, IT Management and People Plus. These bundles act as entry points to the Zoho world of products, and are often direct replacements of existing suites.

As the company continues to put more emphasis on customers leveraging its greater stack for their business needs, Zoho as a platform and its comprehensive Zoho One product have come to the fore. Through both upsells of bundle customers and new sales, the company sees the platform as the future focal point of its business.

Looking to ensure customers do not get lost in the sea of applications as well as drive strong value from the suite, Zoho is leveraging its concierge service to help guide customers and prospects through the platform. With the average Zoho One customer using just fewer than 19 apps, each business typically takes their own path through the ecosystem depending on business needs. The most used applications across Zoho One include CRM, Analytics, Books, SalesIQ, Expense, Invoice, People, Social and Inventory.

One emerging segment within the greater Zoho application ecosystem is commerce tools. Following the addition of Subscription Billing to its accounting suite in 2015, Zoho unveiled Inventory Management (order management and logistics) in 2016 and E-commerce in 2019. While the tools currently live across differing application groupings (Inventory and Subscription Billing in finance and E-commerce in sales and marketing), the toolset increasingly looks like a comprehensive commerce suite. Furthering this commerce story, the company recently announced the development of a point of sale application coming over the next year.

Continuing to add services overlaying its application stack, the company has made enhanced data preparation tools a key area of focus. To address these needs, Zoho is working on a new service that allows users to organize, prepare and visualize data. Looking to infuse the tool into its CRM offering first, the company intends to expand it to the greater suite moving forward.

### GTM and pricing

Zoho prides itself in its ability to provide low TCO. This is exhibited in Zoho One's price of \$30 per user. With over 45 applications in the suite and more in the pipeline, Zoho One aims to allow customers to significantly cut down on tech spend and provider count if they buy into the Zoho ecosystem approach.

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Although the company prefers to establish owned physical presences in the markets it operates in, it is also actively expanding its channel business, with roughly a third of sales coming from partners in 2019, up from 16% in 2013. Top customer verticals include hardware and software, services, manufacturing, real estate, retail, and banking and financial services. Operating globally, roughly half of Zoho's revenue comes from the Americas, followed by EMEA and APAC.

### Competition

With Zoho's wide-ranging product set, no technology provider can compete with it across the entire suite. However, the company faces staunch competition across its core product areas (CRM and finance) for the SMB and midmarket clients it sells to. Within CRM, Zoho goes toe to toe with the likes of Salesforce, Oracle NetSuite and Microsoft on the larger end, as well as smaller emerging players that include Insightly, Nimble, Freshworks and Spiro. Core finance competitors are Intuit QuickBooks, Xero, Wave and Pabbly. As the company continues to build out its commerce portfolio, it will begin to compete directly with e-commerce, order management, subscription billing and point-of-sale providers.

### SWOT Analysis

#### STRENGTHS

The Zoho TCO story cannot be understated. While not all of Zoho's 45+ applications have best-of-breed feature sets, they can each pack an individual punch and gain value through their integration with the greater suite.

#### WEAKNESSES

Zoho's holistic ecosystem approach to its products can make upmarket customer acquisition a challenge. While Zoho does integrate with third-party systems, it lacks some of the open partner story expected of modern tech vendors.

#### OPPORTUNITIES

Building out a commerce bundle and tying together the story around its inventory, subscription billing and e-commerce products will provide legs for this product segment. There is certainly room for a commerce vendor in the small to midmarket segments, with the assets and TCO Zoho can bring.

#### THREATS

Zoho continues to play under the radar in the markets it operates in, from both a marketing and brand awareness standpoint. To sustain the type of growth it has experienced over the last decade, this will need to change. With enterprise tech skewing toward open ecosystems with best-in-breed puzzle pieces, pushing upmarket companies toward a platform model can be a significant challenge.