

World's Billionaires: Zoom's Eric Yuan makes booming debut

BY ALEX KONRAD, FORBES, JUL 7, 2020 11:34:22 AM IST

Eric Yuan is helping millions survive social distancing by giving away his videoconferencing tool, Zoom. This is earning him much respect, and when the pandemic passes, the billionaire's business will likely be stronger than ever. But amidst the global crisis, can his app withstand a 610% spike in traffic overnight & the scrutiny of prime time?

Zoom CEO Eric Yuan's kids finally care about what he does for a living. Sure, they were there that morning in April 2019 when Yuan, the founder of the world's most popular videoconferencing company, rang the opening bell at Nasdaq, with Zoom's stock-market debut making him a billionaire. But it wasn't until a Monday in mid-March that Yuan's eighth-grade daughter, forced by the coronavirus to go to school remotely, finally had a question about her father's work. "My daughter had never asked what I'm doing," Yuan says, beaming. "For the first time, she stopped by to say, 'Dad, how do you raise your hand in Zoom?'"

Zoom Responds to the COVID Crisis

Yuan's son, a college freshman, has become an emergency Zoom user, too. "I told my son, 'I finally realised why I was working so hard,'" Yuan says. "'Maybe I built these tools just for you to use in your online class now.'" This newfound respect still wasn't enough to stop either kid from battling for the family's Wi-Fi with dad, jokes Yuan, 50.

Welcome to the new work-from-home family life: Conducted, increasingly, over Zoom. As the coronavirus ravages the planet, leading to quarantined cities, states sheltering in place and schools and universities closing worldwide, Zoom has emerged as one of the leading tools to keep businesses up and running, students learning and people connected through virtual birthday parties, happy hours and yoga classes.

On the last Saturday of March, nearly 3 million people globally downloaded the Zoom app on their mobile devices for the first time—a record for the company, bringing the number of downloads since its April 2019 IPO to over 59 million, according to mobile intelligence firm Aptopia. Zoom recently ranked No 1 among all free apps on Apple's App Store, ahead of Google, WhatsApp and even Gen Z favorite TikTok. None of that accounts for the millions who tune in via computers.

All of this has pushed Zoom, based in San Jose, California, into a new financial stratosphere. Its shares are up by 143 percent since the IPO and 44 percent in the last month—a time when the S&P 500 fell by 11 percent—giving the company a market cap of \$42 billion and Yuan a net worth of \$5.5 billion, making him one of the richest self-made newcomers on this year's *Forbes* Billionaires list. Even before the spread of Covid-19, Zoom was on a tear, with at least 81,000 paying customers, including Samsung and Walmart. It posted revenues of \$623 million and net profits of \$25 million through its fiscal year ending January 2020, up by 88 percent and 234 percent, respectively.

Zoom isn't just a darling of Wall Street. It's a social media phenomenon. On Twitter, TikTok and elsewhere, Zoom has gone viral—quite a feat for a piece of business software. "Just got an email from a prof: 'As a reminder, you are required to wear clothes during Zoom meetings'. Rules are made when they become necessary, not before," one Twitter user quipped, getting more than 85,000 likes. Joked another, to 21,000 likes: "Lol you thought you were better than me cause you went to Harvard??? We're all attending Zoom University now." (Harvard is conducting all of its remaining classes on, what else, Zoom.)

Much of the Zoom boom is fueled by Yuan's decision to provide unlimited free access—first to affected regions in China and then, in mid-March, to all schools shut down in the United States, Italy and Japan. He's since expanded the offer to schools in at least 19 other countries; around 84,000 have signed up. Add to that millions of new individual users taking advantage of Zoom's free 40-minute video chats (available to any individual or group with fewer than 100 participants), which were already free before the pandemic. Zoom won't say how much money all this free service is costing, but Stifel analyst Tom Roderick estimates the additional tab at \$30 million to \$50 million. And all those people are sucking up costly bandwidth—meaning Zoom is likely having to invest in public cloud resources as a stopgap, estimates Sterling Auty, an analyst at JPMorgan. Zoom says its infrastructure can already support 8 billion meeting minutes per month: "In the case of an unprecedented, massive influx of demand, we have the ability to access and deploy tens of thousands of servers."

While Yuan's generosity might be expensive in the short term, it will undoubtedly pay off richly for Zoom, which is already well on its way to becoming the generic term for videoconferencing, much as the brand names Xerox, Kleenex and Google are for their products. The majority of its top customers in 2018 had started out with a free account. Zoom's biggest challenge now is not how to make money but ensuring that its systems don't crash under the weight of millions of new users.

"It was not a hard decision," Yuan says. "When we thought about this decision, we were very excited. We know that whatever problems we face, we will overcome. Cost, our public company gross margin, our capacity: Everything else is secondary."



Kindergarten teacher James Baldwin reads a children's book to his students (next page) from his home in Brookline, Massachusetts, a Boston suburb

Founding Zoom

The son of mining engineers in China's eastern Shandong Province, Yuan grew up fascinated by entrepreneurs like Bill Gates. After graduating from Shandong University Science & Technology with a degree in applied math in 1991, he wanted to head to America. However, US Customs asked for an English-language version of his business card. It listed Yuan as a consultant, and he was misunderstood to be a part-time contractor. His visa was denied. For the next year and a half, the now-skeptical immigration services denied him 7 times. But Yuan refused to give up.

He eventually made it to California and got a job at Webex, an early player in web-based videoconferencing applications. It was acquired by Cisco in 2007, and Yuan left four years and four months later, disillusioned by the quality of the service. He started to build Zoom and began offering to hook up some in-need organisations and institutions, such as the University of San Francisco, for free.

Now that altruistic impulse is taking on global importance as Zoom has become vital for the work-from-home economy. But it's far from the only company stepping up—and standing to profit later. Google and Microsoft also announced they were opening free features for their classroom and videoconferencing tools. RingCentral, a Belmont, California-based cloud communications company, and Newsela, a New York City-based ed-tech firm, are two of a host of lesser-known players doing the same.

Keeping Up with Demand

But likely no other company has signed up so many new users, so fast. How can Zoom possibly keep up? "Is your platform prepared for practically every college class in America to be using it? Simultaneously? Asking for a whole lot of friends," said Adrienne Keene, an assistant professor of American studies at Brown University, via Twitter. "It's unrealistic to expect we can just transfer class to a Zoom call and things will be fine," she later emails Forbes, noting that some students live internationally, have spotty Wi-Fi or have no quiet space at home. "However, I am looking forward to seeing their faces and hearing their voices." Yuan is confident in Zoom's infrastructure, and his team is working on other work-from-home- and study-from-home-inspired features, from better face lighting to a lecture tool for professors, while he continues to roll out Zoom to as many affected schools as his team can handle. "I feel like overnight, this is one of the catalysts where everybody's realised they needed to have a tool like Zoom," Yuan says. "We feel very proud. We've seen that what we are doing here, we can contribute a bit to the world."

Yuan may not have predicted all the ways Zoom would facilitate a social-distancing lifestyle. But the company started to brace itself for huge changes when Covid-19 first disrupted business in China beginning in January. At that time, customers such as Walmart and Dell reached out with concerns, Yuan says, wondering if their local employees would be able to move full-time to communications through Zoom. In the run-up to going public, Zoom had trained its staff on responses to natural disasters, though the company didn't anticipate that the disaster en route would be a pandemic.

Zoom's 17 data centers were designed to handle traffic surges of up to 100x, Yuan says. "The beautiful part of the cloud is, you know, it's unlimited capacity, in theory," he says. And with engineering teams across the globe, including in China and Malaysia, Zoom has the technical chops to be able to remotely monitor its systems around the clock.

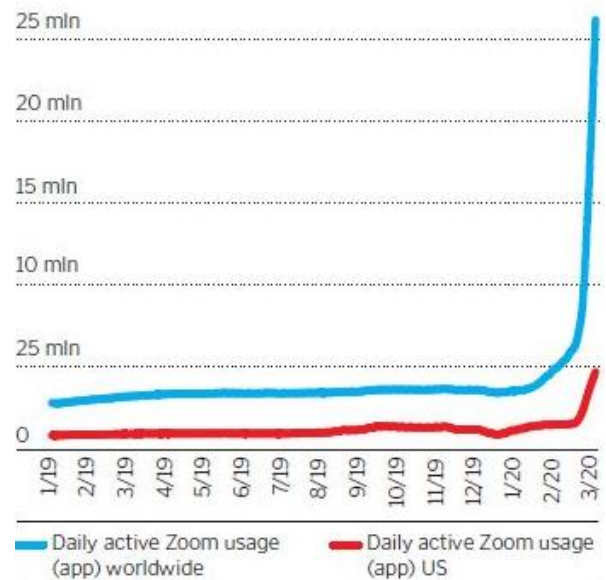
Still, some Zoom users have noticed dips in video quality, or had difficulty connecting. Zoom's online help centre is experiencing the dreaded "longer wait times than normal". On March 23, Zoom's service page acknowledged that some users of its free service reported problems with starting and joining meetings. That's not surprising, given that daily active mobile users jumped by 610% in the last two months, per Apptopia. It's not just Zoom's challenge. The internet as a whole is straining from so many people living entirely online, says Morgan Kurk, CTO of communications tech firm CommScope. His recommendation: Schedule your Zoom—or any virtual meeting—15 minutes past the hour to avoid the virtual rush.

Security Challenges

With ubiquity has come more scrutiny. In late March, Vice Media's tech-news site, Motherboard, revealed that Zoom was sending data to Facebook, even if users didn't have a Facebook account. Zoom said the outflow was limited to metadata—what type of device you were using, the size of your screen, your language and time zone. One day after the news broke, Yuan wrote an apologetic blog post explaining that the program allowed users to log in via Facebook, and that code had now been removed.

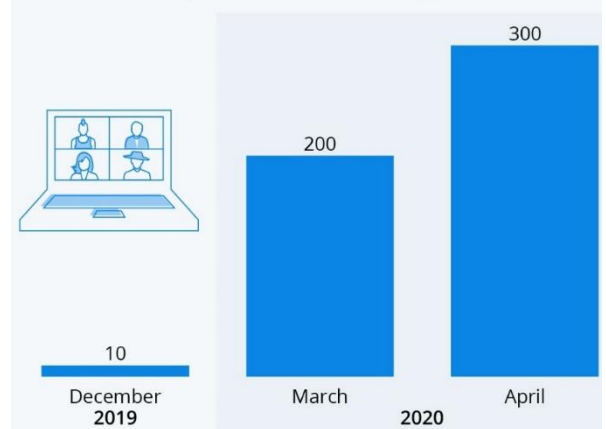
Together, Apart

Since social distancing became the new norm, the number of daily users of Zoom has exploded around the world



Zoom Grows Exponentially

Number of daily users in Zoom meetings (in millions)



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Zoom collects user data only to the extent it's absolutely necessary, it says, to provide "technical & operational support"—in other words, to ensure smooth audio and video. One school in Colorado says it won't use Zoom, citing concerns about how its data would be used and who controls it long-term. Zoom does not have the ability to monitor anyone's conversations or meetings in real time, says global risk and compliance officer Lynn Haaland. While Zoom has also caught flak for an attention-tracking tool that can tell administrators who turned it on when attendees have opened something else over the Zoom meeting for more than 30 seconds, Haaland says that Zoom does not track what users have open besides Zoom. "We are committed to protecting the privacy and security of students' data, as we are all with all customers," she says.

What about protecting users from hackers? On March 30, the office of New York Attorney General Letitia James sent a letter to Zoom outlining several privacy concerns, including whether the surge in users made the platform more vulnerable to hackers. "During the Covid-19 pandemic, we are working around the clock to ensure that hospitals, universities, schools and other businesses across the world can stay connected and operational," Zoom said in a statement. "We appreciate the New York attorney general's engagement on these issues and are happy to provide her with the requested information."

Responding to Customer Needs

In his temporary home-office headquarters, Yuan says demand has pushed him into a 7.30 am to 11.30 pm work routine: "My mom [who lives with us] keeps asking me, 'How come you have meetings like this every day? You missed lunch!'"

He does find time to check social media, where he has long been known to respond to individual user concerns and vow to look into problems himself. "It's not something to distract myself. This is part of our business operation," Yuan says. "At the start of a company like Zoom, there are problems every day. Do you want to know, or do you want to hide? I want to know."

Some of this has led to improvements such as better virtual backgrounds and a default setting for teachers that locks their students' screens so they can't hijack the lesson as a prank. Zoom has also rolled out new capabilities, like a tune-up feature inspired by consumer apps that touches up one's face and lighting. It is also working on a tool for college-sized classes that would make it so that every student's video would appear as though shot from the same angle.

Still, Yuan says he wakes up in the middle of the night worrying if Zoom is doing enough. Some schools in some parts of the world that want Zoom don't yet have it. They decided not to offer a similar program to non-profits or other needy programs. While K-12 school email addresses are easy to verify, there's no good way for Zoom to review and approve the rest.

The Future?

What happens to Zoom after the pandemic passes? Analysts expect its stock, trading at a nosebleed multiple to projected revenues, to fall back to earth, but see the virus as a "wakeup call" for businesses that will save on rent and commuting time by shifting more permanently to work-from-home. Zoom should be able to turn many free users into paying ones in the long run, says RBC analyst Alex Zukin. "Zoom is being a good corporate citizen," adds JPMorgan Equity Research's Sterling Auty. "They are not looking to take unfair advantage. We think that goodwill carries a long way."

Yuan says he has frozen all projects and plans that don't contribute directly to keeping Zoom running—and helping students—through the crisis. He has instructed his executives not to ramp up sales or marketing to benefit from Zoom's current boost. He also approved a bonus for all Zoom employees as they work overdrive through the surge, equivalent to two weeks' pay. "I told the team that with any crisis like this, let's not leverage the opportunity for marketing or sales. Let's focus on our customers," Yuan says. "If you leverage this opportunity for money, I think that's a horrible culture."

Why Zoom thinks you might want Zoom-branded hardware

BY [AARON PRESSMAN](#), FORTUNE, July 15, 2020 10:30 AM CDT

Insanely popular video conferencing software provider Zoom is making a move to extend its offerings into consumer hardware. On Wednesday, the company opened preorders for the \$600 Zoom for Home DTEN ME all-in-one video conferencing screen. Shipments for the device arrive next month in the U.S. and in September in Europe and Asia-Pacific countries.

The [new device](#) has a 27-inch touchscreen, three built in cameras, eight microphones, and speakers. It can connect to Zoom's video conferencing service with built in software, acting as a large screen meeting space. It also has a standard HDMI port so users can use it as a typical computer monitor. "After experiencing remote work ourselves for the past several months, it was clear that we needed to innovate a new category dedicated to remote workers," Zoom CEO Eric Yuan said in a statement. The screen, manufactured by DTEN, also includes Wi-Fi and ethernet networking capabilities.

Expected to be the first of a line of Zoom hardware, the DTEN ME could help cement the company's lead over rivals like Cisco System's WebEx and Microsoft's Skype. Although users will be able to use the device with any app if they hook up a computer, the DTEN ME works most easily and seamlessly with the Zoom service. Zoom has also invested in a Norwegian small hardware company called Neat, which says it "was created with Zoom to provide the ultimate Zoom Room experience."

Zoom has taken the lead in the booming market for video conferencing during the coronavirus pandemic that has shuttered offices around the world. The company said it was hosting 300 million participants in meetings per day in April, 30 times more than in December. Cisco, using a different metric, said it had 500 million meeting participants in total in April, triple the level of the previous month. Microsoft hasn't given recent numbers for Skype, but said the service reached 40 million daily active users in March.

Zoom shares dropped 2% in midmorning trading on Wednesday, though the stock has still nearly quadrupled so far this year.



Zoom's rise kicked off a tech battle over video conferencing. Here's what's at stake

By Rishi Iyengar, [CNN Business](#), Tue June 2, 2020

San Francisco (CNN Business) Before a pandemic forced millions around the world into lockdown, the phrase "video conferencing" generally conjured up an image of stuffy corporate meetings with people unable to physically be in the boardroom.

But the coronavirus, in a matter of weeks, turned a work tool into the backbone of our social lives. And as millions of people participate in virtual birthday parties, religious events, school and college classes, the tech industry is racing to win over a new and rapidly growing user base — even though it's unclear how long people will need or want to live out so much of their lives on camera.

"We may have accelerated five to seven years' worth of adoption behavior," said Wayne Kurtzman, research director for social and collaboration at IDC. "Everyone was forced to do a seven-year plan in two weeks."

Zoom (ZM) has been an early frontrunner, reaching hundreds of millions of daily meeting participants and becoming the go-to service for people trying to stay connected during quarantine. The company will report earnings for the three months ending April 30 on Tuesday, where it is expected to give the first official indication of just how large its surge in usage has been during the pandemic -- and offer perhaps the clearest glimpse yet at the overnight potential for the market. It's also Zoom's first earnings report since freezing new feature rollouts to shore up its security and privacy after a series of controversies.

More established rivals such as Cisco (CSCO)'s Webex and Microsoft (MSFT) Teams have also seen a spike in growth, and Google (GOOGL) and Facebook (FB) are rejiggering their video offerings to meet the moment, with new services that mimic some of Zoom's most popular features.

It's become the tech industry's next big battleground, and one where it isn't that lonely at the top. "I see room for multiple vendors at the top of the conferencing space," said Kurtzman. "They will each serve very real purposes in the market, but the winners will be whoever can be the easiest to use, the easiest to get value with, and the easiest to integrate to other applications needed in and outside the workplace."

The prize appears to only be getting bigger. The video conferencing market was worth \$14 billion in 2019 and is projected to grow to \$50 billion by 2026, according to a report earlier this month from research firm Global Market Insights. "The video conferencing market is expected to witness high growth during the coronavirus outbreak," the report said.

Google has not revealed how many businesses currently use Google Meet, but its G Suite, which includes the video conferencing service, is used by 6 million businesses around the world. The company made several of Meet's premium features free to use through the end of September.

Facebook is touting its new video conferencing service, Messenger Rooms, as more of a consumer tool, but Kurtzman says it could also "be effectively used by small businesses who can't afford a stronger solution." The company also expanded video calling on its mobile messaging service, WhatsApp, touting the service's end-to-end encryption in an apparent swipe at Zoom's troubles on that front.

Zoom carved out its place in a crowded market using a "freemium" model — with no fee for meetings up to 40 minutes and 100 participants — betting that users would convert to subscriptions thanks to its superior user experience. While that strategy has worked well so far, the free offerings from Google and Facebook could siphon off some of the non-business user base.

Several companies — including Facebook and Twitter (TWTR) — have suggested that remote working could become the permanent norm for many of their employees. But there are still question marks over whether the sudden video boom will outlast the pandemic, as countries and states gradually begin to emerge from lockdown. Many workers will likely either have to go back to offices or will choose to do so rather than living their entire lives on video, meaning demand for these services could drop.

"Video is going to be used more, but it will also be overused more. The trade-offs of being always-on and connected apply just as much or more to video," said Adam Preset, senior analyst for digital workplace at research firm Gartner. "For some, a long day of video meetings at work is going to make video happy hour with friends much less enticing."

And as Zoom has learned the hard way, having a product seen as versatile and easy to use may not be enough to keep users happy. A host of security issues emerged in early March, including controversies over the level of encryption it provides and the practice of "Zoombombing" — where trolls interrupt meetings to share profanity or pornography — prompting scrutiny from US authorities and temporary bans from schools in New York City and Singapore.

Zoom responded by scrambling to make fixes, suspending all new features for a period of 90 days in order to focus on privacy and security measures. That 90-day period is set to conclude at the end of next month. "All video vendors ultimately have security issues they need to resolve," said Preset. "Short term fixes without the right motivation can be just damage control. There's really no rest if a vendor wants to retain its customer's trust and preserve its own reputation."

While Zoom appears to be holding steady, Preset says the effects of new rivals with deep pockets may take a while to play out. "One signal will be your next colleague, friend or family member who invites you to meet in something other than Zoom," he said.

But the uncertainty of how long the pandemic and lockdowns will last, and whether the video boom can outlast them, might give some companies pause before going all-in. "In enterprise, the video battle has been raging for some time between a few of the most well-known technology companies," said Preset. "Now what we're seeing is a spillover as video calls become more necessary and more prominent for consumers. It's risky to join this fray right now."



Zoom vs Microsoft Teams, Google Meet, Cisco Webex and Skype: Choosing the right video-conferencing apps for you

by Owen Hughes TechRepublic, May 13, 2020, 4:03 AM PST

Zoom, Microsoft Teams, Google Meet, Skype, Cisco Webex, BlueJeans--the choice of video-conferencing software is huge. Here are a few things to consider when deciding which is best for you.

Businesses forced to work remotely due to coronavirus have relied heavily on video-conferencing software over the past few months. With companies looking for tools that can support staff in their roles and help them maintain contact with colleagues, the market for video chat and collaboration apps has hotted up significantly.

Zoom, Google Meet and Microsoft Teams have perhaps been the most closely contending services vying for users recently. Each provider has been keeping a watchful eye on their rivals and releasing updates on what seems to be a near-weekly basis, with the view to giving them an edge over the competition. The good news for users is that the continual on-upmanship has led platform providers to [improve security](#), add new features and [make some services free](#).

Video-conferencing services: which one should I choose?

Of course, Zoom, Microsoft and Google aren't the only companies competing in this space – far from it. There are a number of well-established providers that have been offering video-conferencing software for years, with equally rich feature sets. This includes Cisco's Webex – a webinar platform long-favored by organisations all over the world – as well as [BlueJeans](#), which was [recently snapped up by Verizon](#) to become part of the telecom company's 5G portfolio.

Each video-conferencing service comes with its own list of pros and cons, as well as a variation in what it offers. Still, with a little research you can ensure that you are selecting the right service for your businesses' particular requirements. The below table – which is by no means exhaustive – represents six commonly used video-conferencing platforms and chat apps, alongside some of the features worth considering when shopping around.

What to consider when selecting a video conferencing tool

1. Price

Price should by no means be the defining factor in your decision, but it's a good place to start. Many video-conferencing tools offer a free version, although these are often limited in their features and can include caps on the number of participants that can take part in a video meeting, as well as a time limit for meetings themselves.

	Free version	Participants (default)	Screen-sharing	Whiteboard	Meeting recording	E2E encryption	Price (p/m)	Mobile app
Zoom	Yes	100	Yes	Yes	Yes	No	\$14.99	Yes
Microsoft Teams	Yes	250	Yes	Yes	Yes	No	\$5.00	Yes
Google Meet	Yes	100	Yes	No	Yes	No	\$6.00	Yes
Skype	Yes	50	Yes	No	Yes	Optional	\$2.99	Yes
Cisco Webex	Yes	200	Yes	Yes	Yes	Optional	\$13.50	Yes
BlueJeans	No	100	Yes	Yes	Yes	No	\$9.99	Yes

Springing for a subscription usually means you can include more people at a time, get better user management and administration controls and benefit from third-party app integration, to name but a few benefits.

2. Security

Remote working during the COVID-19 pandemic [has raised all manner of issues](#) around IT security, namely that businesses have lost a great deal of visibility on the devices accessing their networks. With this in mind, companies should ensure that video-conferencing tools feature robust security controls, and consider the need for things like meeting passwords, encrypted chats and robust admin controls that allow hosts to permit, deny and eject participants as needed.

3. Number of participants

Any video-conferencing platform should have the capability to support the size of your workforce. As mentioned earlier, most services offer a free plan that will come with a lower cap on the number of people that can participate – commonly around 100-200. If you anticipate needing more participants, you may want to look for a plan that allows for this.

4. App integration

Beyond video calling and chat, if you use software to collaborate on documents and projects as a team, you'll want a platform that facilitates this. Most enterprise video-conferencing tools allow users to share files, although others provide additional collaboration tools such as screen-sharing, live document annotation and integration with popular productivity software (e.g., G Suite or Microsoft Office). This integration is particularly useful for collaborating on projects in real time.

5. Meeting recordings

The ability to record meetings can be useful for reviewing notes and making sure that any key takeaways aren't missed. It's also handy if you need to conduct an interview with a candidate or client remotely, which again is something that has become increasingly commonplace amid the coronavirus pandemic. Many video-conferencing tools allow you to record meetings and store them in the cloud (though storage can vary depending by service), while others also provide live captioning and transcription tools to make note taking even easier.

Microsoft to Buy Skype for \$8.5 Billion Andrew Ross Sorkin and Steve Lohr, NYT, MAY 10, 2011

[Microsoft](#) announced on Tuesday that it would buy [Skype](#) Global for \$8.5 billion in cash, in its largest acquisition ever.

In Skype, Microsoft is buying the leader in Internet voice and video communications, with 107 million users per month connected for more than 100 minutes a month on average. That large and active user base represents a major asset, Steven A. Ballmer, Microsoft's chief executive, said in an interview. "It's an amazing customer imprint," Mr. Ballmer said. "And Skype is a verb, as they say."

In an interview Mr. Ballmer never mentioned Google, Microsoft's archrival whose name is used as a verb in Internet search — a market where Microsoft is spending heavily to try to catch Google, making some recent progress, but at great financial cost.

Buying Skype, analysts say, gives Microsoft the upper hand in the fast-growing market for Internet communications, both for consumers and businesses. "Google is way behind Skype, and getting ahead of Google in this market was certainly an incentive for Microsoft," said Leif-Olf Wallin, an analyst for Gartner in Sweden.

Mr. Ballmer emphasized that Microsoft plans to expand Skype's business and inject its voice-and-video technology across the spectrum of Microsoft products, from consumer offerings like Xbox to its Office productivity software: "There are a lot of great opportunities to optimize Skype services in Microsoft products."

Despite its popularity, the service has struggled to maintain profitability. Since most of its services are free, Skype makes much of its income from a small group of users who pay for long distance calls to telephone numbers. In 2010, Skype recorded \$859.8 million in revenue but reported a net loss of \$7 million.

Marc Andreessen — the co-founder of the venture capital firm Andreessen Horowitz, an investor in Skype — is optimistic about the company's prospects under Microsoft, given the behemoth's extensive lineup of products and various market opportunities. "Microsoft has extremely broad reach, they have a whole product portfolio that Skype can be attached to," said Mr. Andreessen, whose firm bought a \$50 million stake in Skype in 2009. "There's all kinds of ways Skype can make money."

But Microsoft's deal-making history is mixed. The company has often been a smart acquirer of start-ups and smaller companies, analysts say, picking off technical teams that are then folded into products like Windows, Office and Internet Explorer. But during Mr. Ballmer's tenure as chief executive, beginning in 2000, the company has also made far larger, riskier bids, most of which have been viewed as unsuccessful.

In 2004, Microsoft entered into talks to buy the big business software company [SAP](#), for about \$50 billion, according to testimony that came out in a court case. In 2007, Microsoft acquired aQuantive, an online advertising company, for about \$6 billion, a sizable premium, and some suggested it overpaid. Nearly three years ago, the company made a surprise \$48 billion offer for [Yahoo](#). Talks then broke off, and Microsoft withdrew its bid, but later reached a partnership to take over Yahoo's search business.

The Microsoft acquisition is the second time a technology giant has acquired Skype. In 2005, eBay bought Skype for \$2.6 billion with hopes of tightly integrating the service as a sales tool. But the deal never lived up to its promise and [eBay](#) took a \$1.4 billion write-down on its investment.

Skype was sold several years later to a consortium of investors led by Silver Lake Partners, Index Ventures, Andreessen Horowitz and the Canada Pension Plan Investment Board. [Mr. Andreessen](#), who co-founded Netscape Communications, was seen as a pivotal matchmaker for Skype, at one point trying to put it together with Facebook, another company for which he is on the board, according to people involved in the discussions.

The Microsoft deal ends the speculation about Skype's future. The company had been planning an IPO but delayed its debut last year, prompting talk that it would be sold to a company like Facebook, Google or [Cisco](#).

Microsoft, Mr. Ballmer said, has looked at the possibility of acquiring Skype in recent years. But with Skype's private equity investors known to be exploring a public offering for the company, Microsoft moved in early April. Peter Klein, chief financial officer, flew down to Silicon Valley and made an unsolicited offer to the investor there, Silver Lake and Andreessen Horowitz. The negotiations accelerated in the last few weeks, Mr. Ballmer said, and the final agreement was signed on Monday night.

The boards of both companies have approved the deal. "Microsoft and Skype share the vision of bringing software innovation and products to our customers," said Tony Bates, the current head of Skype who will become the president of the newly created Microsoft Skype Division. "Together, we will be able to accelerate Skype's plans to extend our global community and introduce new ways for everyone to communicate and collaborate."



How Skype lost its crown to Zoom

Skype should have dominated lockdown communications, but now we're all stuck on Zoom calls. What went wrong?

By [CHRIS STOKEL-WALKER](#), *Wired*, 12 May 2020

It should have been an easy win for Microsoft. When coronavirus sent entire offices home, Skype — which for nearly two decades has been the de facto app people use to keep in touch via video — ought to have been the natural choice for businesses. But soon after lockdown, Skype found itself out of sight, out of mind, replaced by an app half its age: Zoom. What happened?

To understand that, you need to go back to May 2011, when Microsoft acquired Skype for \$8.5 billion. Back then, [WIRED questioned the value of the deal](#): Microsoft already had VoIP telecommunications software built into its programs, including Windows Live Messenger, and Skype had a fraction of the user base — albeit ones that paid. But the purchase was a way to capture the zeitgeist through the acquisition of a buzzy consumer product. Skype was cool. Heck, Skype was a verb.

But when the buzz didn't move over, Microsoft doubled down on trying to make it compete with other apps, while sacrificing the thing that made it most useful: reliable video calling. "They did a redesign of the app and tried to make it a bit more sexy, young and fresh to compete with the WhatsApps and Telegrams of the world," says Carolina Milanese, analyst at Creative Strategies. However, by integrating a raft of new features — including "mojis", Skype's version of emojis, as well as [various features borrowed from Snapchat](#), developers lost their way and didn't make sure the video call quality remained.

One much-maligned review saw Skype's [average app store rating](#) drop from 3.5 stars to 1.5 stars. In response, Skype issued an [apologetic blog post](#). "Sometimes when big companies develop products they have a bit of feature creep," explains Om Malik, partner at investment company True Ventures. "They managed to muck it up all along." Malik was a massive Skype advocate until the redesign. "It was so terrible, that was the last time I used Skype... The whole thing got convoluted, the interface got worse, and the performance got terrible. It lost the ease of use it used to have."

At the same time, alternatives were quietly gaining ground, providing the same features for free and without some of the more tangential trinkets. While Skype stagnated and even regressed, others like Zoom started adding relevant features and firming up the quality of calls to result in fewer dropped lines.

Even Microsoft acknowledged it had problems with Skype. The company launched Teams, a product designed to tackle and take over Slack in workplaces, in November 2016, and began integrating video calls into Teams. At the company's Ignite conference in September 2017, Microsoft [served notice](#) on Skype's business-focused sideline, saying it would be replaced shortly by Teams. 18 months later, it also said Teams would replace the consumer version of Skype. By July 2021, [Skype will disappear](#), and anyone wanting to make a business video call through Microsoft products will instead have to use Teams.

Not that people are using either as much as Zoom, which benefited both from being free to download and more reliable than its competitors. (Eric Yuan, Zoom's founder, has been working on web conferencing software [since he arrived in the US in 1997](#) from China to work for WebEx). An April 2020 survey of 1,110 US companies by Creative Strategies showed that 27% of businesses primarily used Zoom for video calls and meetings, compared to 18% that used Teams, and 15% that used Skype. Many companies had quietly moved over from Skype to Zoom in the intervening years as Skype added more and more features that didn't fit the core functionality of the service: producing decent quality video calls. And so when coronavirus hit, what would have been a call to download Skype instead became a demand to download Zoom.

"Zoom has become the poster child for video conference, both from a consumer and corporate perspective," says Milanese. "If you look at the strength of Skype and Teams combined, they should be the ones having the Zoom moment but they're not... A lot of people think of Skype as yesterday's video calling." That's echoed in the news coverage of video conferencing: according to data compiled by Muck Rack, a website collating journalism produced around the world, between May 2019 and February 2020, Skype [consistently led media discussion](#) around video conferencing. But when journalists started having to recommend software to use, they began mentioning Zoom more and more at the expense of Skype and others. In March, Skype was mentioned in 51,000 articles, while Zoom gained mentions in 60,000 stories. By April, Skype remained the same, written about in 50,000 articles, while Zoom was included in 195,000 stories.

Like many changes in society we've started to notice as the coronavirus takes hold, the outbreak of the virus wasn't the cause, but it was a catalyst, increasing what had been a three-year-long shift away from Skype. The need to obtain a reliable video conferencing system at speed meant that people weren't willing to wait around for Skype, which they knew was already on the way out anyway thanks to Microsoft's pronouncement that it would shut down. They went straight to Zoom.

"During Covid-19 we made the decision to switch to Zoom from Skype, as it offers us the features we're looking for," says Steve Sharp of Fat Cow Media, a London-based branding firm. The reasons were numerous: the company had experienced quality issues with Skype in recent months, which they didn't encounter on Zoom. They also found that they were increasingly alone in using Skype. "More and more of our clients are using Zoom, which means they already have the platform installed," he says. "And clients that don't use Zoom have no issues connecting to the browser version."

That ability to connect to calls without any friction is also partly why Zoom has succeeded where Skype has failed: many of Zoom's millions of new users are less tech-literate and simply want something to work — which Skype can no longer guarantee. "That's what really was one of the great things about Skype. It just worked," says Malik. "And now Zoom just works. They have security issues and user interface challenges, but compared to everyone else it's so much easier to use."

So what will be Skype's legacy, having gone from the first thing you think of when considering video conferencing to an app that has sat out the biggest potential use case for its product in human history? There will be twin legacies, reckons Romanoff. "From Microsoft's point of view it'll be a success; they purchased a niche company and integrated it into Microsoft Office so it'll have expanded its reach and usage," he says. But the early adopters of Skype will shake their head at what Microsoft did, he believes. "They took this cool little product and made it corporate."

Cisco Updates Webex Video Conferencing For The Age Of COVID-19

Patrick Moorhead, Forbes, June 22, 2020

Can you remember the last time you had an in-person meeting in a conference room? The onset of the COVID-19 pandemic closed schools and workplaces across the nation and forced all aspects of our lives into the digital realm—remote work, remote education, remote socializing. What that means is that we, as a society, have become more dependent than ever on video collaboration and conference tools. I've written about several of these solutions over the last few months, including [Zoom and its privacy travails](#), and more glowingly, [Cisco and its Webex solution](#). This week, Cisco announced a round of updates to WebEx, designed to further shore up the tool for the new demands being placed upon it. Let's take a look at what all Cisco announced.

Record capacity

To set the stage for the enhancements, Cisco shared that in the month of April, well over half a billion people used Webex, for a total of 25 billion minutes worth of meetings. For comparison's sake, that is 3 times the normal capacity of Webex—an extraordinary jump in traffic in the last several months. As more and more governments, educational institutions, hospitals and other essential organizations turn to Webex, Cisco says it has invested in large amounts of global capacity to meet the increased demand.

Heightened security and compliance

Cisco Webex already had one of the most secure (if not *the* most secure) video conferencing platforms on the market, making it a very appealing alternative to the beleaguered Zoom. Now, the company has announced even more security enhancements to the service. Webex Meetings will now feature DLP (Data Loss Prevention), Retention, Legal Hold and eDiscovery—geared towards ensuring security and compliance for all Webex participants.

IT teams and administrators will now be able to utilize their existing Data Loss Prevention and Cloud Access Security Broker solutions to protect their Webex users and ensure compliance with regulations such as HIPAA, FERPA and PCI. Cisco says this enhancement, in addition to providing stronger security, will save organizations money by getting rid of the need to buy additional 3rd party solutions to protect meeting data. Additionally, Cisco announced that its public Events API will now allow ISV partners to obtain meeting transcripts from their organization's Webex users in the interest of applying customer policies, reporting policy violations and taking action when necessary. Users can integrate the Events API with their own solutions or 3rd party DLP vendors.

Cisco also announced that the Webex Control Hub will now enable IT to put a content retention policy into action for both Webex Meetings and Team content. Additionally, a custom retention period can be set by administrators through the Control Hub, in order to align with their organization's retention policies.

When a company is hit with a lawsuit, it's required to keep all the data from the employees who are named within it. There are 3rd party archive solutions that support this preservation, but Webex customers can now save their money and utilize Webex's native legal hold solution within Control Hub instead. Legal hold makes sure that no relevant data is purged—intentionally or otherwise—until the legal proceedings are over.

On a similar note, E-Discovery will now be available for Webex customers. E-discovery gives administrators the ability to search and obtain any meeting data, via a single console, needed for HR and legal investigations. The big differentiator as I see it is the feature's ability to scale up to 500 users and support gigabytes of content, all in one report—making it scalable enough to support class-action lawsuits.

Cisco also announced that it is integrating Webex with its Cloudlock CASB. Cloudlock features prebuilt policies that Cisco says will protect customers from the illegal sharing of personally identifiable information, credit card information or HIPAA data. Additionally, customers will be able to build custom policies for data protection, in a manner that Cisco says will not deluge administrators with security alerts.

Lastly, on the topic of security, Cisco says it is adding AES 256 Bit encryption with GCM mode to its end-to-end encryption options for Webex. The company says this will further protect customers' meeting data and make it more difficult to tamper with.

Navigating COVID-19 with Webex Control Hub

Cisco also highlighted several timely use cases for Control Hub, Webex's single-pane-of-glass management interface. These use cases, geared specifically towards coping with the challenges presented by the COVID-19 pandemic, include the ability to deploy Webex Assistant on conference room devices. By utilizing voice control, people can avoid the risks of touching shared screens and touchpads and potentially passing on germs.

Additionally, the Webex Control Hub can identify usage trends, which helps inform organizations as to which devices and services it should be investing in. Webex Control Hub also provides insights into which conference



Chuck Robbins, CEO of Cisco

rooms are used the most, in order to optimize cleaning schedules. Additionally, it provides visibility into meeting data that IT teams can leverage to troubleshoot various user issues and help them comprehend the rapidly changing workstyle dynamics of the age of coronavirus. The Webex Control Hub can also be leveraged to support and provide troubleshooting to the unprecedented amount of newly remote workers.

New conferencing hardware

The only hardware announcement made was the launch of the Webex Room Phone, which Cisco calls a “conference phone optimized for collaborating beyond phone calls.” Cisco says this new device enables a whole slew of capabilities beyond phone calls—one-touch joining of meetings, proximity pairing with the Webex app, the ability to screen and application share with both guests and employees (both wired and wirelessly), calendar integration and scheduling, digital signage and more. Impressively, Cisco says this new device was developed and launched during the last several tumultuous months. While some people are spending their free time learning how to bake sourdough bread—Cisco is still hard at work on solutions that improve our ability to collaborate.

New integrations

Lastly, Cisco announced two new significant partner integrations with Webex. First, Webex will now be integrated with Box, a leading cloud content management platform. While Webex Teams already possesses its own secure file-sharing capability, they can now opt for Box if they so choose. This is a big integration—68% of the companies on the Fortune 500 utilize Box, along with almost 100,000 businesses across the globe.

Secondly, Webex will now integrate with Epic, an electronic health record software. One of the trends that has emerged in the COVID-19 crisis is a significant shift away from in-office medical visits in favor of telehealth appointments (to avoid exposure to the virus). Together, Cisco Webex and Epic can enable providers to perform video appointments, go over medical history, update documentation, and more.

Wrapping up

While Cisco already had a killer collaboration product in Webex, it is not a company that rests on its laurels. These enhancements to security, privacy, and compliance should make the offering even more appealing to enterprises—as should the COVID-19-specific use cases enabled by Webex Control Hub. The integrations of Box and Epic only make Webex a more versatile platform. I was also glad to catch a glimpse of the Webex Room Phone, and I look forward to seeing it in action. Nice work, Cisco.

