

## ZOHO: HARD TO CATEGORIZE, EASY TO ADMIRE

### STRATEGY ROOTED IN A UNIQUE CULTURE

#### Zoho at a Glance

Founded in 1996, Zoho has now been around for 26 years. Self-funding, profitable and privately held, Zoho has never raised capital. Born in the cloud, the company owns all the servers on which its customers' data resides. With 11,000+ employees and 55+ apps, it supports over 80 million users and over 540,000 paying customers in 180+ countries.

Zoho offers more than 55 applications, all built with a common data model, all on the same technology stack. They can be purchased individually or in attractively-priced value bundles. These applications span a broad set of business categories, including sales and marketing, customer service, business intelligence, finance, HR, and operations. Zoho also offers productivity apps, communication (email and collaboration), AI and more, including tools that allow customers to customize the solution.

*In the world of enterprise applications, Zoho doesn't fit neatly into a single software category. Small to medium size businesses (SMBs) tend to turn to Zoho to solve a specific problem or fill a functional gap. They often start with [Zoho Bigin](#) or [Zoho CRM](#) as a less expensive alternative to Salesforce Customer Relationship Management. Or perhaps they look to [Zoho Books](#) as they graduate from QuickBooks. Seldom do they come seeking an end-to-end, integrated solution. But those who pay attention soon find Zoho has much more to offer and often find themselves slowly expanding, adding more and more of the 55+ cloud-based apps that are currently available. Soon they start referring to the portfolio of Zoho products as a "platform." As one customer put it: "We came looking for CRM, but here we are 23 Zoho apps later. And yes, they are all integrated." Each customer knows and describes Zoho differently, but always in the context of how it provides value to their business.*

*Not only does it defy the traditional categorization, in a crowded field of enterprise application solution providers Zoho stands out as uniquely one of a kind from several perspectives. First and foremost is its overall strategy, which is deeply rooted in its unique culture. Other vendors, particularly those with product portfolios as broad and diverse as Zoho's, seek to dominate a market through growth. That in of itself becomes the goal. Growth and profits are important to Zoho (it grew 38% last year), but only as means to an end. Zoho's culture and core values define the company's mission and give it purpose. That purpose is to generate opportunity for those who do not have it, thereby creating economic balance and addressing inequality, not only among small businesses, but among individuals.*

*Zoho's profitability is also a differentiator. In a market where it is not uncommon for software as a service (SaaS) vendors to operate at a deficit for years (even decades), Zoho has been profitable from its inception. As a privately held, self-funded and profitable company, it is free to control its own destiny. It has pledged to stay private with a "never exit" strategy, and a commitment to continuous innovation to create differentiating technology that addresses real business needs.*

*Values and philosophy are often viewed as far removed from business. But by deeply rooting those values into the business, Zoho has found a way to actually address the social inequality that (still) plagues our world. Zoho leadership calls it "transnational localism." Here we explore what*

*makes Zoho so different, and why and how that difference is making an impact on the world.*

## WHAT CUSTOMERS (AND PROSPECTS) CARE ABOUT

*"Zoho is nimble, cost effective. It worked for us. The icing on the cake is their corporate philosophy and culture of empathy."*

Zoho SMB customer

*"As a conviction, we invest heavily in technology and R&D."*

Raju Vegesna, Chief Evangelist, Zoho

- *43% of customers use more than 60% of Zoho's products*
- *64% use more than 40%*

*"If I want to try something new, I don't even have to go to my boss. The only added cost might be new users."*

Zoho SMB customer

These goals are admirable, but do prospects and customers really notice and care? If you ask a Zoho customer what drew them to Zoho, a common theme is its simplicity and affordability. "It's simple to use." "It just works." "It does the job." "It's all integrated." These are common phrases you hear. Many really aren't aware of the culture prior to their purchase. Yet culture winds up being very important, because it has a huge impact on what Zoho delivers, and so it helps keep them as loyal customers who push Zoho to do even more.

The seamless simplicity is not the result of overly simplified, lightweight functionality. It is the direct result of Zoho taking a full stack approach. The Zoho philosophy: "To provide this seamless, superior customer experience, we need to own all core aspects of the technology stack." That stack includes everything from the applications themselves, the services, and middleware software, to the hardware, infrastructure, network, and data centers. This, coupled with the belief that modern, technology-enabled solutions should be within reach of all companies, not just large enterprises with massive staffs and deep pockets, requires Zoho to make a huge and continuous investment in technology and R&D.

In the spirit of creating economic balance and addressing inequality among businesses of all sizes, Zoho is willing to make that commitment and investment in continually broadening its applications and deepening its infrastructure. Needs of the customer drive features, functions, and the development of entirely new apps, while the needs of the apps drive innovation of the infrastructure.

And so, the platform continues to expand. Most first-time Zoho customers are searching for a single app to address a specific business problem or fill an identified functional gap. But a good experience leads them to seek a solution to a new problem or fill another gap. Very often customers that identify new requirements will look first to see if another app or a new feature can satisfy that need before looking elsewhere. Once they have deployed several of the apps, they might consider upgrading to Zoho One.

Zoho One is a bundled (and integrated) suite of applications, all built with a common data model, all on the same technology stack, serving the needs of marketing, sales, support (the front office), and finance, HR, and operations (the back office). Zoho One also includes productivity apps, collaboration, communication, analytics, artificial intelligence (AI) and more - all for \$1/day/employee. Once a customer moves to Zoho One it is even easier to expand its implementation. It may result in adding more users, but there is no new app to purchase.

*To understand what customer wallet fracking is, just think what you do when a well starts to run dry. You frack it to get every drop of oil or water possible.*

Zoho's culture also creates a kinder, gentler company than your typical software vendor. While others (with negative margins) burn through venture capital and private equity funding at an alarming rate, Zoho builds up cash reserves by keeping its margins at about 20%. Negative margins lead to what [TechVentive's Brian Sommers](#) calls "customer wallet fracking." These companies essentially try to milk their customers dry. In contrast, cash reserves allowed Zoho to offer a subscription assistance program during the height of the pandemic, whereby it suspended subscriptions for six months for customers whose revenues had plummeted due to the shutdown. Yet, during that time, it continued to pay commissions to partners. And it offered free product training for all products, in all regions.

In order to bolster these reserves amidst the crisis, Zoho cut back on marketing spend (not development) and promised to cut executive salaries before laying off any employees. Those actions spoke to Zoho's culture much louder than words ever could. And those types of actions contribute to customer loyalty.

## TRANSNATIONAL LOCALISM

*Zoho's core values and culture define the company's mission and give it purpose. That purpose is to create opportunity for those who do not have it, thereby creating economic balance and addressing social inequality.*

If you recall from our introduction, Zoho's core values and culture define the company's mission and give it purpose. That purpose is to create opportunity for those who do not have it, thereby creating economic balance and addressing social inequality. This goes way beyond the typical lip service paid to good will efforts of your typical software vendor. We're not just talking about balance and opportunity in the big cities of the world. Quite the contrary. Zoho's global workforce is distributed around hub offices in rural towns, with smaller spoke offices in even smaller communities, including villages in India.

Zoho has established these "hub and spoke" models in India, Texas, Mexico, Canada and other locations, bringing high-paying jobs to locations where jobs with competitive pay and a living wage are scarce. This approach has been successful largely due to Zoho's [Schools of Learning](#) where young people with the equivalent of a high school education learn software engineering, relevant English communication skills, and helpful mathematical concepts - skills relevant for real software careers. Instead of draining raw talent from these rural areas, Zoho brings expertise and know-how from the cities directly to this latent talent.

Students pay no tuition; in fact they are paid a stipend to cover living expenses. At the completion of the course, students automatically become employees of Zoho. And so, instead of bemoaning the skill shortage faced by all today, Zoho is doing something about it. This focus on rural jobs is localism at its best.

Transnational localism combines global connectivity (shared knowledge and culture) with local sustainable economies, while delivering opportunity to many who would have otherwise been denied it.

## A DIFFERENT TYPE OF FOCUS

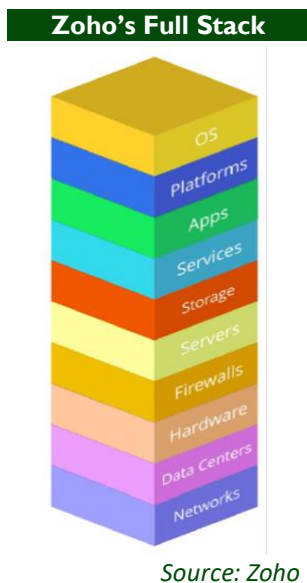
Enterprise application vendors often turn to third parties and partnerships to supplement or strengthen their solutions. Sometimes these partners provide the very foundation on which solutions are built. Think Microsoft .Net and Azure, Amazon and Amazon Web Services (AWS), Salesforce Force.com, Google Cloud. The list goes on. These vendors often brag about their laser focus on their core competencies. Doing only what they do best. The focus might be expanded as they acquire other companies and their applications and expertise. But typically these competitors will remain focused on business software.

Zoho doesn't take this approach. But that doesn't mean it is not laser focused. Its focus is just different. Zoho is focused on its mission and purpose: to generate opportunity for those who do not have it, thereby creating economic balance and addressing inequality. Business software just happens to be a key facilitator of that mission.

By taking a full stack approach, Zoho doesn't have a laser focus on just the applications. This stack includes not only the applications themselves, but also services, middleware software, firewalls, hardware, infrastructure, network, and data centers. And so, you might think those other vendors that have the luxury of developing only enterprise applications might produce more features, functions, and apps. But you would be hard pressed to find a more prolific vendor than Zoho, and we expect the current portfolio of 55+ apps to continue to grow at a very healthy pace. Also, in owning the full stack, it gains control and the ability to protect privacy – something that is very much a priority to Zoho.

## BOUNDARIES ARE DISAPPEARING

Zoho also takes full integration seriously – vertically, horizontally, and contextually. As a result, boundaries between apps seem to disappear. Zoho also calls this “de-layering” its stack. For the business user, it will be hard to tell where one app ends and another begins. But that's okay because everything just seems to work. Even though most of these different apps can be run stand-alone, they also can all work together as if they were a single app. That includes the blending of productivity and collaboration tools right in the apps. The real advantage to business users will be clear when they need to do something that would typically require them to exit the application and go into a separate productivity app to email or message a colleague or even a customer. And whether you are running a search, checking on an invoice or managing a project, Zoho apps retain the context of your customer or project in your search or message.



And this seamlessness is not limited to just Zoho apps. Zoho plays well with others, including commonly used apps from competitors like Microsoft (Office), Intuit (QuickBooks) and Salesforce.

### ***DIRECTING THAT FOCUS***

Because it is privately held with no external investment (no venture capital, no private equity, no “Wall Street” stockholders), it is free to invest in what the company decides to invest in. Having no external shareholders demanding an immediate return allows Zoho to be patient, with more long-term vision. But it also forces the company to be prudent and not spend beyond its means. However, to its great advantage, Zoho has no debt. It has been profitable from day one. Cash is plowed back into the business and the products, to the benefit of customers, not external shareholders.

### ***BEYOND (BUSINESS) SOFTWARE***

Zoho is also reaching beyond business software. [Zillum](#) is the perfect example. Zillum is an integrated bundle of seven applications to help families (not businesses) communicate, share, and collaborate amongst themselves. This includes email, messaging, file storage, password management, word processing, spreadsheets, and presentation tools.

And now Zoho is reaching beyond software itself. Remember Zoho’s focus is on its mission and purpose to create economic balance and equality. While software is a key facilitator, it is not the only technology that is useful.

Several years ago Zoho moved its US headquarters from Silicon Valley to a farm right outside of Austin, Texas. And its CEO Sridhar Vembu relocated back to his native village in India. Both locations became working farms where food is grown and shared with employees (as in free lunches) and the community (especially during the pandemic). These ventures in organic farming have further demonstrated to Zoho leadership the very real struggles of those who live in rural areas. And it has reinforced the leadership’s desire to give back to the communities in which it operates.

And so, recently Zoho has made investments in companies in other disciplines besides software, including:

- [Genrobotics](#) (production scavengers to be used in extreme or unsafe working conditions)
- [Production Robotics](#) (automation engineering)
- [VoxelGrids](#) (MRI scanners)
- [vTitan](#) (infusion therapy)
- [Ultraviolette Automotive](#) (electric motorcycles)
- [Bosun Motors](#) (autonomous electric light utility vehicles, suitable for use in farming)

All these diverse companies have a common denominator in that all of them seek to improve the quality of life itself.

*“When the wild pigs  
don’t destroy it, the wind  
will do it, or it will rain  
too much or too little,  
and if your crop survives  
all that, the market will  
crash.”*

Sridhar Vembu, Chief  
Executive Officer, Zoho

*Zoho's core values and culture define the company's mission and give it purpose. That purpose is to create opportunity for those who do not have it, thereby creating economic balance and addressing social inequality.*

## SUMMARY AND KEY TAKEAWAYS

While Zoho doesn't fit neatly into any one category of business software, its mission and purpose are crisp and clean: to create opportunity for those who do not have it, thereby creating economic balance and social equality. It is the belief that business should be about more than profits that truly sets it apart and gives it a mission and purpose. Technology and innovation are key ingredients in Zoho's strategy, which is deeply rooted in its unique culture.

While customers only learn of this culture after they become customers, they come to appreciate it, not only because of the "do good" message it sends, but also because it has a huge impact on what Zoho delivers. The result is a loyal installed base, which only pushes Zoho to do more. And "more" is what Zoho delivers. With more than 55 apps (and growing), Zoho's roadmap remains aggressive even as its investments move beyond software.

Its concept of transnational localism combines global connectivity (shared knowledge and culture) with local, sustainable economies that do indeed create opportunity to many that were previously denied it. And it does so without draining local communities of the raw talent and energy of the next generation of workers.

Zoho's core values include a pledge to stay private with a "never exit" strategy, and a commitment to continuous innovation to create differentiating technology that addresses real business issues. This allows the company to take a "full stack" approach to technology with an uncompromising attitude. Unwilling to sacrifice independence, control, performance, or data privacy, Zoho is also committed to providing seamless integration, a single, unified data model and an openness that means it plays well with others.

In the world of software, which is typically personified as a dog-eat-dog culture, these beliefs and strategy are both refreshing and admirable.

**About the author:** *Cindy Jutras is a widely recognized expert in analyzing the impact of enterprise applications on business performance. Utilizing over 45 years of corporate experience and specific expertise in manufacturing, supply chain, customer service and business performance management, Cindy has spent the past 16+ years benchmarking the performance of software solutions in the context of the business benefits of technology. In 2011 Cindy founded Mint Jutras, specializing in analyzing and communicating the business value enterprise applications bring to the enterprise.*