LinkedIn: Selling Zoom on a Digital Marketing Strategy

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It was March 2020 and a newly hired account executive at LinkedIn Corporation (LinkedIn) was keen to close his first major deal. His job was to help marketing teams acquire new customers and grow their businesses by leveraging the LinkedIn Ad network. He had secured a meeting with the vice-president of marketing for the video conferencing company Zoom Video Communications, Inc. (Zoom). He had just one hour to prepare for the meeting and determine the best way to position LinkedIn as a solution for Zoom to handle its growth challenges and opportunities.

Learning Objectives:

This case is designed for a marketing or sales course and can be taught at the undergraduate, graduate, and executive levels. The case illustrates the challenges and pressures associated with executing a complex sale in a high-stakes environment. It can be used to explain how online marketing works, and encourages students to articulate a value proposition and then cater that value proposition specifically to an individual customer (i.e., Zoom). Using the case, the instructor can facilitate a robust discussion on the importance of sales and how marketing interacts with the sales function, and dive into the nuances of what salespeople actually do. Finally, the instructor can guide students in how to prepare and execute an impactful sales meeting with a senior executive. This case demonstrates the decisions that salespeople must make in order to understand and articulate a value proposition from the perspective of a client, and highlights the challenges associated with preparing for and executing a proper sales meeting.

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LINKEDIN: SELLING ZOOM ON A DIGITAL MARKETING STRATEGY

Eric Janssen wrote this case under the supervision of Professor Kirk Kristofferson solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

After spending the last five years in the exciting, sometimes glamourous, and always exhausting world of start-ups, Richard Wong decided it was time to take his sales and marketing skill set to the next level and join LinkedIn Corporation (LinkedIn). In March 2020, the challenge before Wong in his role as an account executive (AE) at LinkedIn was to land his next major client—in the middle of a global pandemic.

RICHARD WONG

Wong was a graduate of the Honours Business Administration (HBA) program at the Ivey Business School (Ivey). Immediately after graduation, he had found himself in a non-traditional sales role: While in the HBA program, he had become so immersed in the environment that he ended up taking on the role of managing recruitment for the new Master of Science in Management graduate degree program at Ivey. In this role, he taught himself how to execute paid media strategies, leveraging Facebook, Inc. (Facebook), Twitter, Inc. (Twitter), and LinkedIn to attract students to join the program. He exceeded expectations and delivered 108 per cent of the target enrolment. The experience showed Wong that leveraging new media platforms as a way to acquire high-value customers would likely continue to be a focal point of modern marketing strategies.

Wong then applied these same digital marketing strategies in a brand management role at Johnson & Johnson, where he worked on brands such as Band-Aid and Visine. Inspired by the impact that new media could have on various types of businesses, Wong moved into a product marketing manager role at Alphabet Inc.'s Google, where he led a new industry narrative aimed at shifting how the Canadian advertising industry approached mobile advertisement (ad) solutions.

Wong then made an entrepreneurial leap and joined the Toronto-based start-up 500px as a business development manager, before joining influencer marketing company Hashtag Paid Inc. (#paid) as vice-president (VP) of marketing and creator relations. While Wong thrived on the energy and chaos of a start-up environment, he felt he was ready for more stability and so joined the LinkedIn team as an AE, where his primary objective was to help ad agencies and marketing teams grow their businesses by leveraging the LinkedIn Ads network. Wong's extensive experience both leveraging new media platforms and helping businesses acquire a wide range of customers provided him with enough experience to be a trusted advisor to his potential clients.

ONLINE MARKETING 1.0

Online advertising started in 1994 when AT&T Inc. paid US$30,000[1] to purchase a banner ad at the top of a website called Hotwired.com. In those early days, advertising online mirrored the way that ads were delivered in magazines: a website would reserve a portion of the site to act as a virtual billboard, which could be leased for a set period of time. The first AT&T Inc. ad was placed at the top of the Hotwired.com site for three months and had a click-through rate of 44 per cent (today's average for the same type of ad is closer to 0.05 per cent).[2] When a user clicked the ad, they were redirected to a new website to learn more about the AT&T Inc. product being advertised.

As more users went online, the ads slowly became more sophisticated. First, companies began investing their ad dollars into more niche sites that were frequented more often by their ideal customers. By 1998, Internet users were experiencing "banner fatigue"—the Web had become crowded with virtual billboards, and users were starting to ignore the ads. To combat this, WebConnect introduced a product called CustomView, which allowed advertisers to control the number of times a website visitor saw the same ad, and automatically switched it after a pre-determined number of visits.[3]

RETURN ON INVESTMENT TRACKING

Banner ads became the new standard in digital advertising, but marketers were yet to find a way to determine if the ads were truly working. A company called DoubleClick Inc. launched its flagship service DART (Dynamic Advertising Reporting and Targeting) in 1999, allowing marketers to track in real time how many times an ad was viewed and clicked across a range of websites. Previously, campaign managers had to run a campaign, wait for it to finish, and then measure the results. Using DART, they could view, analyze, and optimize ad campaigns in real time. The success of DART led to a new pricing model for online advertising: cost per impression (or cost per thousand, CPM). Instead of posting a banner ad for a flat fee and a pre-determined period of time, marketers could now pay a fee based on the number of impressions (views) the ad achieved.[4]

PAID SEARCH AND PAY-PER-CLICK

By the late 1990s, the Internet was growing exponentially, and early search engines were a go-to resource to help users navigate the new online world. In 1999, GoTo.com (later acquired by Yahoo!) introduced a pay-for-placement service: companies could pay on a cost-per-click basis (e.g., paying $1 every time a user clicked on the ad) to have their results appear higher up on the search ranking.[5] Google, the emerging online search leader, improved on this in 2000 with AdWords, which introduced a quality score model that allowed the most relevant ads (based on click-through metrics) to appear higher in searches.[6] Even if the ad had a

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[1] All dollar amounts in the case are US dollars.
[2] Danielle Reed, "History of Online Advertising," Study.com, accessed January 31, 2021, https://study.com/academy/lesson/history-of-online-advertising.html.
[3] Beth Cox, "WebConnect Launches Custom Ad Tool," InternetNews.com, November 12, 1998, www.internetnews.com/IAR/article.php/13771/WebConnect+Launches+Custom+Ad+Tool.htm.
[4] DoubleClick Inc., *Form 10-K, Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*, Securities and Exchange Commission, accessed January 31, 2021, https://www.sec.gov/Archives/edgar/data/0001049480/000095012305003222/y06461e10vk.htm.
[5] Karla Cook, "A Brief History of Online Advertising," HubSpot, updated May 4, 2020, https://blog.hubspot.com/marketing/history-of-online-advertising.
[6] Google, "Google Launches Self-Service Advertising Program," Google News (blog), October 23, 2000, http://googlepress.blogspot.com/2000/10/google-launches-self-service.html.

lower bid price, it could still appear higher in the rankings if more users were clicking on it—signifying that it was, in fact, a better result.

LET'S GET SOCIAL—ONLINE MARKETING 2.0

In 2006, Facebook began monetizing its platform by allowing advertisers to target ads at its users based on demographics and interests. While controversial at the time, this model proved to be an effective way to acquire new users and monetize social networks.[7] Targeted, relevant advertising quickly became a standard practice leveraged by other social networks such as Twitter, YouTube, and, eventually, LinkedIn.

LINKEDIN

LinkedIn was founded by Reid Hoffman in 2002. Its ultimate success came after the failure of Hoffman's previous start-up, SocialNet.com. In 1997, the year it was launched, SocialNet.com was one of the first social networking sites; it was a hybrid online dating and networking site that aimed to match up users with people of similar interests. As the start-up struggled to gain traction, Hoffman joined a new electronic money transmission service called PayPal Holdings, Inc. (PayPal). Hoffman was responsible for all external relationships at PayPal including payments infrastructure, business development, government, and legal. While his formal title was executive VP, he was called the "firefighter-in-chief" by his then boss, Peter Thiel.[8] In 2002, PayPal was acquired by eBay Inc. for $1.5 billion and Hoffman decided to take another shot at a social network, this time one focused on business professionals.

Boasting over 700 million active professionals, in 2020 LinkedIn was the world's largest professional network on the Internet. People used LinkedIn to find jobs, connect and strengthen professional relationships, and learn skills to help them succeed in their careers. LinkedIn was a two-sided marketplace leveraging its high-value, free professional network to attract high-value users, and then monetizing it by selling recruitment services, advertising, premium subscriptions, and courses.

LinkedIn filed for an initial public offering in January 2011, and publicly disclosed that it had earned $154.6 million that year in advertising revenue alone, surpassing Twitter.[9] On June 13, 2006, Microsoft Corporation (Microsoft) announced that it would acquire LinkedIn for $26.2 billion—the largest acquisition ever by Microsoft.

LINKEDIN MARKETING SOLUTIONS VALUE PROPOSITION—ONLINE MARKETING 3.0

The value proposition for LinkedIn's Marketing Solutions was simply "Do business where business is done."

LinkedIn solved an important problem for high-growth companies: reaching high-value buyers. Selling a business-to-business (B2B) product or service was challenging, with 6.8 people on average in a buying committee, and an average B2B sales cycle length of over six months. Buyers were relying less and less on

[7] Andrew Zaleski, "An Inside Look at Facebook's Controversial Ad Strategy," CNBC, April 14, 2014, accessed January 31, 2021, https://www.cnbc.com/2015/04/14/facebook-stands-behind-its-controversial-ad-strategy.html.
[8] Tami Brehse, "The 'PayPal Mafia' Formed in the Early 2000s, and Includes Everyone from Elon Musk to the Yelp Founders. Here's Where the Original Members Have Ended Up.," Insider, November 24, 2019, accessed January 31, 2021, https://www.businessinsider.com/paypal-mafia-members-careers-elon-musk-peter-thiel-reid-hoffman-2019-11#linkedin-cofounder-reid-hoffman-served-on-the-board-of-directors-when-paypal-was-founded-13.
[9] Ingrid Lunden, "Social Network Ads: LinkedIn Falls behind Twitter; Facebook Biggest of All," GigaOm, January 31, 2012, accessed January 21, 2021, https://gigaom.com/2012/01/31/419-social-network-ads-linkedin-falls-behind-twitter-facebook-biggest-of-al/.

salespeople to educate them on products and services, and, according to global research and advisory firm Gartner, Inc., when B2B buyers were considering a purchase, they were only spending 17 per cent of their time meeting with potential suppliers.

If Google was online marketing 1.0, and Facebook was 2.0, then LinkedIn Ads was 3.0. Unlike Facebook, business professionals went to LinkedIn to network, build connections, and grow their businesses, and it was therefore an ideal place for businesses to market their products and services. According to the most recent user data, there were 65.5 million decision makers on LinkedIn, and four out of five members either were champions in driving business decisions or helped to drive business decisions. In short, LinkedIn was the number-one platform for B2B lead generation, and it had a proven track record of increasing purchase intent, higher conversion rates, and improved brand attributes for clients who used the ad platform. One study found that 94 per cent of B2B marketers used LinkedIn to distribute content.[10]

LinkedIn Ads allowed marketers to invest in both short- and long-term growth. Brand marketing campaigns allowed marketers to highlight a company's mission, vision, or thought leadership, which drove brand recognition and trust, and, ultimately, long-term growth. By contrast, highly targeted demand-generation marketing campaigns created urgency around specific offerings or services to drive short-term growth.

THE LINKEDIN SALES PROCESS

The sales team at LinkedIn was structured on geography and industry. Wong was part of the North American team, and he focused on advertising agencies as well as individual high-growth-potential accounts. The team was comprised of various team members, some of whom were sales development representatives (SDRs),[11] responsible for sending cold e-mails or conducting cold calls against a researched list of pre-qualified contacts within an organization. If the SDR was successful in reaching the contact, they attempted to book an appointment with the contact for a brief discovery call with an AE, such as Wong. The "handoff" was made when the AE accepted the appointment and conducted a discovery call to learn more about the priorities of the contact and determine if there was a mutual agreement that the companies were a good fit. If a fit was determined, the AE was then responsible for building a custom proposal, demonstrating the value the solution might deliver, and negotiating and then ultimately finalizing an agreement. Once the agreement was signed, a customer success manager (CSM) was assigned to the account, and the parties then began working toward configuring and launching a campaign.

The first step in executing a campaign on LinkedIn was to choose the objective of the campaign. A CSM worked with the client to determine if they were interested in driving brand awareness, top-of-funnel consideration (e.g., website visits, video views), or conversions (e.g., lead generation, job applicants, etc.).

Next, the CSM assisted the client in targeting a specific audience. LinkedIn Ads had a number of targeting options:

- **First Party**: This was based on member profile information such as company (e.g., name, size, industry), experience (e.g., job title, function, seniority), education (e.g., schools, degree, fields of study), and interests/identity (e.g., location, skills, age, gender, groups).
- **Lookalike**: Companies could import the profiles and characteristics of their current or ideal customers and the platform would target audiences similar to them.

[10] Alex Rynne, "10 Surprising Stats You Didn't Know about Marketing on LinkedIn [Infographic]," February 1, 2017, accessed January 31, 2021, LinkedIn Marketing Solutions (blog), https://business.linkedin.com/marketing-solutions/blog/linkedin-b2b-marketing/2017/10-surprising-stats-you-didnt-know-about-marketing-on-linkedin.
[11] Sales development representatives were also commonly referred to as business development representatives.

- **Account**: Companies could upload the contact information of the specific target people or accounts.
- **LinkedIn Audience Network**: Leveraging third-party applications, LinkedIn could serve up targeted ads to audiences outside of the LinkedIn platform.

Following this, the CSM launched the campaign, leveraging any number of LinkedIn Ad products depending on the stated objective(s):

- **Sponsored Content**: Premium in-feed, in-view placement via mobile and desktop
- **Lead Generation Forms**: One-click population of lead generation forms to increase qualified leads
- **Native Video**: Video ad formats, resulting in three-to-five-times greater engagement versus static image content
- **Carousel Ads**: A swipeable series of cards in a single ad to showcase multiple offerings
- **Message Ads**: Customized direct messages sent to the client's prospect to spark immediate action
- **Dynamic Ads**: Personalized ads that included the member's profile name and photo
- **Website Retargeting**: Re-engaging the client's website visitors and defining audiences based on pages they visited on the client's website

Finally, the CSM would measure the results of the campaign. Using a product called Campaign Manager, users could validate results against their stated objectives. From the interface, they could manage campaigns and optimize performance by investigating the following statistics (among others):

- **Brand Awareness**: Impressions or unique reach by segment, brand life, video views, video completion rate by segment
- **Engagement**: Social actions on ads (e.g., likes, comments, shares) by segment, clicks or click-through rate by segment, number of sponsored message opens
- **Website Visits**: Number of unique site visitors by audience segment, time spent on the website
- **Website Conversions**: Number of conversions by audience segment, conversion rate by segment
- **Lead Generation**: Number of leads by segment, lead generation rate, marketing qualified leads, cost per marketing qualified lead
- **Business Impact**: Sales qualified leads, cost per sales qualified lead, engagement with the sales team's target companies, average deal size, win rate

THE DREAM CUSTOMER: ZOOM

Wong had his sights set on an account that could make his year: Zoom Video Communications, Inc. (Zoom). The video conferencing company was already performing well in 2020—it was perfectly positioned for significant growth of its video conferencing platform after COVID-19 caused the world to go remote. Zoom provided a video-first unified communications platform through video, phone, chat, and content sharing. Its products included Zoom Meetings, Zoom Phone, Zoom Chat, Zoom Rooms, Zoom Conference Room Connector, Zoom Video Webinars, Zoom for Developers, and Zoom App Marketplace.[12] Zoom leveraged a freemium business model, signing up customers for its free plans and offering a tiered pricing model based on increased usage and advanced requirements.[13]

[12] Zoom Video Communications, Inc., *Form 10-K. Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*, United States Securities and Exchange Commission, 5, March 2021, https://investors.zoom.us/static-files/09a01665-5f33-4007-8e90-de02219886aa#page=5&zoom=100,21,74.
[13] "Choose a Plan," Zoom, accessed January 31, 2021, https://zoom.us/pricing.

Recently, the company's stock price had surged 400 per cent over a six-month period.[14] Zoom was a big-name account—or "whale" as it was referred to in the industry—that would require Wong to dig deep into his sales toolkit to "hook" and close.

While Wong did receive a steady stream of pre-qualified leads from his SDR team, he also took the initiative to connect directly with his highest-priority accounts. With Zoom, he leveraged some of his industry connections, and planned to set up a discovery call with Zoom's VP of marketing to learn more about the company's current priorities and see if LinkedIn would be a good fit for helping Zoom achieve its marketing objectives.

THE CHALLENGE

About an hour before the scheduled call, Wong received an e-mail from Zoom's VP of marketing stating that she would like to skip the initial "fact-finding" call and jump right into a full-on sales pitch. Wong knew that expediting the sales process would be both exciting and challenging. It was a good sign: clearly, the VP of marketing could see value if she was willing to skip the initial discovery call. However, without a proper discovery, Wong did not have a clue as to what her true priorities were; what she was struggling with; or how LinkedIn could help, if at all! After all, this was Zoom—was it not *crushing it* right now?

GO TIME

Wong had only one hour to prepare for his meeting, where he would have to strike a balance between asking the right questions to validate Zoom's priorities, and pitching the elements of the platform that might have the most value for Zoom.

Luckily, Wong had prepared for meetings like this before, and he had a helpful template to organize his thoughts (see Exhibit 1). His "go-to" source of information for meetings like this with public companies such as Zoom were Securities and Exchange Committee filings—specifically, the companies' annual reports (Form 10-K), as well as analyst reports and any recent news. Given his limited time, Wong quickly found Zoom's most recent annual report, from March 2020, and made a note of what he deemed the most pressing challenges and opportunities for the VP of marketing in the coming year (see Exhibit 2).

Wong wondered what examples or case studies he should highlight (if any) from the database of success stories his team had created. Depending on the client's goals, and on Wong's proposed solution, he would have to consider whether and how to highlight LinkedIn's expertise in working with clients like Zoom in the past.[15]

With time running out, Wong also wondered what should be the most pressing issues and opportunities to focus on. How could he position LinkedIn to add the most value? What was the right balance between asking great questions to validate his hypothesis, and actually pitching LinkedIn Ad products and services? To what extent should he rely on the sales collateral that he was had at his disposal versus having a more casual conversation?

[14] Anders Bylund, "Zoom Stock Surged 425% in 2020: Is It a Buy for 2021?," The Motley Fool, December 29, 2020, https://www.fool.com/investing/2020/12/29/zoom-stock-surged-425-in-2020-is-it-a-buy-for-2021/.
[15] LinkedIn Corporation, "Marketing and Advertising Case Studies from LinkedIn Customers," LinkedIn Marketing Solutions, accessed January 31, 2021, https://business.linkedin.com/marketing-solutions/success/marketing-case-studies#region-all/ind-all/prod-all/comp-size.

EXHIBIT 1: MEETING PREPARATION DOCUMENT

COMPANY INFO			
COMPANY NAME		DATE	
CONTACT NAME / TITLE			
BUSINESS DESCRIPTION			
RECENT NEWS, EVENTS, TOPICS			
PROPOSED MEETING AGENDA			

SPECIFIC QUESTIONS TO ASK

THEIR TOP PRIORITIES	SOLUTIONS TO FOCUS ON

THEIR NEXT STEPS	YOUR NEXT STEPS

Other Notes

Source: Created by the case author.

EXHIBIT 2: RISK FACTORS RELEVANT TO ZOOM VIDEO COMMUNICATIONS, INC.'S VICE-PRESIDENT OF MARKETING

Our business depends on our ability to attract new customers and hosts, retain and upsell additional products to existing customers, and upgrade free hosts to our paid offerings. Any decline in new customers and hosts, renewals, or upgrades would harm our business.

Our business depends upon our ability to attract new customers and hosts and maintain and expand our relationships with our customers and hosts, including upselling additional products to our existing customers and upgrading hosts to a paid Zoom Meeting plan. A host is any user of our video-first communications platform who initiates a Zoom Meeting and invites one or more participants to join that meeting. We refer to hosts who subscribe to a paid Zoom Meeting plan as "paid hosts." We define a customer as a separate and distinct buying entity, which can be a single paid host or an organization of any size (including a distinct unit of an organization) that has multiple paid hosts.

Our business is subscription based, and customers are not obligated to, and may not, renew their subscriptions after their existing subscriptions expire. As a result, we cannot provide assurance that customers will renew their subscriptions utilizing the same tier of their Zoom Meeting plan, upgrade to a higher-priced tier, or purchase additional products, if they renew at all. Renewals of subscriptions to our platform may decline or fluctuate because of several factors, such as dissatisfaction with our products and support, a customer or host no longer having a need for our products, or the perception that competitive products provide better or less expensive options. In addition, some customers downgrade their Zoom Meeting plan or do not renew their subscriptions. We must continually add new customers and hosts to grow our business beyond our current user base and to replace customers and hosts who choose not to continue to use our platform. Any decrease in user satisfaction with our products or support would harm our brand, word-of-mouth referrals, and ability to grow.

We encourage customers to purchase additional products and encourage hosts to upgrade to our paid offerings by recommending additional features and through in-product prompts and notifications. Additionally, we seek to expand within organizations by adding new hosts, having workplaces purchase additional products, or expanding the use of Zoom into other teams and departments within an organization. At the same time, we strive to demonstrate the value of our platform and various product offerings to those hosts that subscribe to our free Zoom Meeting plan, thereby encouraging them to upgrade to a paid Zoom Meeting plan. However, a majority of these hosts may never upgrade to a paid Zoom Meeting plan. If we fail to upsell our customers or upgrade hosts of our free Zoom Meeting plan to a paid subscription or expand the number of paid hosts within organizations, our business would be harmed.

In addition, our user growth rate may slow in the future as our market penetration rates increase and we turn our focus to upgrading our free hosts to a paid Zoom Meeting plan rather than growing the total number of users. If we are not able to continue to expand our user base or fail to upgrade our free hosts to a paid Zoom Meeting plan, our revenue may grow more slowly than expected or decline.

We have a limited operating history, which makes it difficult to evaluate our prospects and future results of operations.

We were incorporated in 2011. As a result of our limited operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, our revenue growth could slow or our revenue could decline for a number of reasons, including any reduction in demand for our platform, increased competition, contraction of our overall market, our inability to accurately forecast demand for our platform and plan for capacity constraints, or our failure, for any reason, to capitalize on growth opportunities. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks

EXHIBIT 2 (CONTINUED)

and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our business would be harmed.

We operate in competitive markets and we must continue to compete effectively.

The market for communication and collaboration technologies platforms is competitive and rapidly changing. Certain features of our current platform compete in the communication and collaboration technologies market with products offered by:

- legacy web-based meeting providers, including Cisco Webex and LogMeIn GoToMeeting;
- bundled productivity solutions providers with video functionality, including Microsoft Teams and Google G Suite; and
- UCaaS and legacy PBX providers, including Avaya, RingCentral, and 8x8.

Other large established companies like Amazon and Facebook have in the past and may in the future also make investments in video communications tools. In addition, as we introduce new products and services, and with the introduction of new technologies and market entrants, we expect competition to intensify in the future. For example, we recently introduced Zoom Phone, a cloud phone system that allows customers to replace their existing PBX solution, which will result in increased competition against companies that offer similar services and new competitors that may enter that market in the future. Further, many of our actual and potential competitors benefit from competitive advantages over us, such as greater name recognition; longer operating histories; more varied products and services; larger marketing budgets; more established marketing relationships; third-party integration; greater accessibility across devices or applications; access to larger user bases; major distribution agreements with hardware manufacturers and resellers; and greater financial, technical, and other resources. Some of our competitors may make acquisitions or enter into strategic relationships to offer a broader range of products and services than we do. These combinations may make it more difficult for us to compete effectively. We expect these trends to continue as competitors attempt to strengthen or maintain their market positions.

Demand for our platform is also price sensitive. Many factors, including our marketing, user acquisition, and technology costs, and our current and future competitors' pricing and marketing strategies, can significantly affect our pricing strategies. Certain competitors offer, or may in the future offer, lower-priced or free products, or services that compete with our platform, or may bundle and offer a broader range of products and services than we do. Similarly, certain competitors may use marketing strategies that enable them to acquire customers at a lower cost than we can. Furthermore, third parties could build products similar to ours that rely on open-source software. Even if such products do not include all the features and functionality that our platform provides, we could face pricing pressure from these third parties to the extent that users find such alternative products to be sufficient to meet their video communications needs. There can be no assurance that we will not be forced to engage in price-cutting initiatives or other discounts or to increase our marketing and other expenses to attract and retain customers in response to competitive pressures, either of which would harm our business. We on occasion offer new customers a free period at the beginning of the subscription term, which can result in deferred billings or long-term accounts receivable and increase the risk of loss on uncollected accounts receivable.

We may not be able to sustain our revenue growth rate in the future.

We have experienced significant revenue growth in prior periods. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. We expect our revenue growth rate to decline in future periods. Many factors may contribute to declines in our growth rate, including higher market penetration, increased competition, slowing demand for our platform, a failure by us to continue capitalizing on growth opportunities, and the maturation of our business, among others. If our

EXHIBIT 2 (CONTINUED)

growth rate declines, investors' perceptions of our business and the trading price of our Class A common stock could be adversely affected.

As we increase sales to large organizations, our sales cycles could lengthen, and we could experience greater deployment challenges.

As our business evolves, we may need to invest more resources into sales to large organizations. Large organizations typically undertake a significant evaluation and negotiation process due to their leverage, size, organizational structure, and approval requirements, all of which can lengthen our sales cycle. We may also face unexpected deployment challenges with large organizations or more complicated deployment of our platform. Large organizations may demand additional features, support services, and pricing concessions, or require additional security management or control features. We may spend substantial time, effort, and money on sales efforts to large organizations without any assurance that our efforts will produce any sales or that these customers will deploy our platform widely enough across their organization to justify our substantial up-front investment. As a result, we anticipate increased sales to large organizations will lead to higher up-front sales costs and greater unpredictability in our business, results of operations, and financial condition.

We generate revenue from sales of subscriptions to our platform and any decline in demand for our platform or for communications and collaboration technologies in general would harm our business.

We generate, and expect to continue to generate, revenue from the sale of subscriptions to our platform. As a result, widespread acceptance and use of communications and collaboration technologies in general, and our platform in particular, is critical to our future growth and success. If the communications and collaboration technologies market fails to grow or grows more slowly than we currently anticipate, demand for our platform could be negatively affected.

Changes in user preferences for communications and collaboration technologies may have a disproportionately greater impact on us than if we offered multiple platforms or disparate products. Demand for communications and collaboration technologies in general, and our platform in particular, is affected by a number of factors, many of which are beyond our control. Some of these potential factors include:

- general awareness of the communications and collaboration technologies category;
- availability of products and services that compete with ours;
- new modes of communications and collaboration that may be developed in the future;
- ease of adoption and use;
- features and platform experience;
- reliability of our platform, including frequency of outages;
- performance;
- brand;
- security and privacy;
- user support; and
- pricing.

The communications and collaboration technologies market is subject to rapidly changing user demand and trends in preferences. If we fail to successfully predict and address these changes and trends, meet user demands, or achieve more widespread market acceptance of our platform, our business would be harmed.

EXHIBIT 2 (CONTINUED)

The failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform.

Our ability to increase our customer and host base and achieve broader market acceptance of our products and services will depend to a significant extent on our ability to expand our marketing and sales operations. We plan to continue expanding our sales force and strategic partners, both domestically and internationally. Identifying and recruiting qualified sales representatives and training them is time-consuming and resource-intensive, and they may not be fully trained and productive for a significant amount of time. We also plan to dedicate significant resources to sales and marketing programs, including internet and other online advertising. All of these efforts will require us to invest significant financial and other resources. In addition, the cost to acquire customers and hosts is high due to these marketing and sales efforts. Our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue. We will not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective. In addition, if we are unable to hire a sufficient number of qualified sales personnel in the near term, our future revenue growth and business could be adversely impacted.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, our ability to expand our base of users will be impaired and our business will be harmed.

We believe that our brand identity and awareness have contributed to our success and have helped fuel our efficient go-to-market strategy. We connect people through frictionless video, voice, chat, and content sharing. We also believe that maintaining and enhancing the Zoom brand is critical to expanding our base of customers, hosts, and users and, in particular, conveying to users and the public that the Zoom brand consists of a broad communications platform, rather than just one distinct product. For example, if users incorrectly view the Zoom brand primarily as a video conferencing point solution or utility rather than as a platform with multiple communications solutions, then our market position may be detrimentally impacted at such time as a competitor introduces a new or better product. We anticipate that, as our market becomes increasingly competitive, maintaining, and enhancing our brand may become increasingly difficult and expensive. Any unfavorable publicity or perception of our platform, including any delays or interruptions in service due to capacity constraints stemming from increased usage due to the recent outbreak of the COVID-19 virus, or of the providers of communication and collaboration technologies generally could adversely affect our reputation and our ability to attract and retain hosts. If we fail to promote and maintain the Zoom brand, including consumer and public perception of our platform, or if we incur excessive expenses in this effort, our business will be harmed.

We may not successfully manage our growth or plan for future growth.

Since our founding in 2011, we have experienced rapid growth. For example, our headcount has grown from 1,702 full-time employees as of January 31, 2019, to 2,532 full-time employees as of January 31, 2020, with employees located both in the United States and internationally. The growth and expansion of our business places a continuous, significant strain on our management, operational, and financial resources. Further growth of our operations to support our user base, our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. In addition, as we continue to grow, we face challenges of integrating, developing, and motivating a rapidly growing employee base in various countries around the world. Certain members of our management have not previously worked together for an extended period of time, and some do not have experience managing a public company, which may affect how they manage our growth. Managing our growth will also require significant expenditures and allocation of valuable management resources. In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to

EXHIBIT 2 (CONTINUED)

effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business would be harmed.

The failure to attract and retain additional qualified personnel or to maintain our happiness-centric company culture could harm our business and culture and prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executives, software developers, sales personnel, and other key employees in our industry is intense. In particular, we compete with many other companies for software developers with high levels of experience in designing, developing, and managing software for communication and collaboration technologies, as well as for skilled sales and operations professionals. At times, we have experienced, and we may continue to experience, difficulty in hiring and retaining employees with appropriate qualifications and we may not be able to fill positions in a timely manner or at all. We recently completed our initial public offering and potential candidates may not perceive our compensation package, including our equity awards, as favorably as employees hired prior to our initial public offering. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business could be harmed.

Many of the companies with which we compete for experienced personnel have greater resources than we have, and some of these companies may offer greater compensation packages. Particularly in the San Francisco Bay Area, job candidates and existing employees carefully consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain highly skilled employees. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could impact hiring and result in a diversion of our time and resources. Additionally, laws and regulations, such as restrictive immigration laws, may limit our ability to recruit internationally. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities. If we fail to attract new personnel or to retain our current personnel, our business would be harmed.

We believe that a critical component to our success and our ability to retain our best people is our culture. As we continue to grow and develop a public company infrastructure, we may find it difficult to maintain our happiness-centric company culture. Transparency is also an important part of our culture, and one that we practice every day. As we continue to grow, maintaining this culture of transparency will present its own challenges that we will need to address, including the type of information and level of detail that we share with our employees.

In addition, many of our employees may be able to receive significant proceeds from sales of our equity in the public markets after our initial public offering, which may reduce their motivation to continue to work for us. Moreover, our initial public offering could create disparities in wealth among our employees, which may harm our culture and relations among employees and our business.

Any failure to offer high-quality support for our customers and hosts may harm our relationships with our customers and hosts and, consequently, our business.

We have designed our platform to be easy to adopt and use with minimal to no support necessary. However, if we experience increased user demand for support, we may face increased costs that may harm our

EXHIBIT 2 (CONTINUED)

results of operations. In addition, as we continue to grow our operations and support our global user base, we need to be able to continue to provide efficient support that meets our customers and hosts' needs globally at scale. Customers and hosts receive additional support features, and the number of our hosts has grown significantly, which will put additional pressure on our support organization. If we are unable to provide efficient user support globally at scale or if we need to hire additional support personnel, our business may be harmed. Our new customer and host signups are highly dependent on our business reputation and on positive recommendations from our existing customers and hosts. Any failure to maintain high-quality support, or a market perception that we do not maintain high-quality support for our customers and hosts, would harm our business.

We utilize our network of resellers to sell our products and services, and our failure to effectively develop, manage, and maintain our indirect sales channels would harm our business.

Our future success depends on our continued ability to establish and maintain a network of channel relationships, and we expect that we will need to maintain and expand our network as we expand into international markets. A small portion of our revenue is derived from our network of sales agents and resellers, which we refer to collectively as resellers, many of which sell or may in the future decide to sell their own products and services or services from other communications solutions providers. Loss of or reduction in sales through these third parties could reduce our revenue. Our competitors may in some cases be effective in causing our reseller or potential reseller to favor their products and services or prevent or reduce sales of our products and services. Recruiting and retaining qualified resellers in our network and training them in our technology and product offerings requires significant time and resources. If we decide to further develop and expand our indirect sales channels, we must continue to scale and improve our processes and procedures to support these channels, including investment in systems and training. Many resellers may not be willing to invest the time and resources required to train their staff to effectively sell our platform. If we fail to maintain relationships with our resellers, fail to develop relationships with new resellers in new markets, or expand the number of resellers in existing markets or fail to manage, train, or provide appropriate incentives to our existing resellers, our ability to increase the number of new customers and hosts and increase sales to existing customers could be adversely impacted, which would harm our business.

Our business may be significantly affected by a change in the economy, including any resulting effect on consumer or business spending.

Our business may be affected by changes in the economy generally, including any resulting effect on spending by our customers. While some of our customers may consider our platform to be a cost-saving purchase, decreasing the need for business travel, others may view a subscription to our platform as a discretionary purchase, and our customers may reduce their discretionary spending on our platform during an economic downturn. If an economic downturn were to occur, we may experience such a reduction in demand and loss of customers, especially in the event of a prolonged recessionary period.

Note: PBX = private branch exchange; UCaaS = unified communications as a service.
Source: Zoom Video Communications, Inc., *Form 10-K. Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934*, United States Securities and Exchange Commission, March 2020, https://www.sec.gov/ix?doc=/Archives/edgar/data/1585521/000158552121000048/zm-20210131.htm.