



THE CONTRASTING FORTUNES OF SKYPE AND ZOOM:

STAGNATION VS INNOVATION –
FALLING BEHIND VS ZOOMING AHEAD

By Prasanna Asokkumar



Falling Behind vs Zooming Ahead

Skype vs Zoom

The Rise to Prominence of Skype and Zoom:

- **Skype**
 - Software launched in August 2003 (Start-Up)
 - Initially launched as a way for people to make free voice calls over the internet via a Peer-to-Peer Model
 - Acquired by eBay in October 2005
 - Majority stake sold to private investors Silver Lake in September 2009
 - Entire stake acquired by Microsoft in May 2011
 - 11m registered users in 2004 → 660m+ registered users in 2010
 - 6th most downloaded app of the 2010s (Google Play and iOS)
- **Zoom**
 - Software launched in January 2013, 2 years after being founded as a company (Start-Up)
 - Specifically designed with the idea of mobile video call conferencing in mind and its code was optimised for it, whereas the likes of Skype were built on code that had to be adapted in order to cope with the idea of video
 - Built its cloud-based infrastructure for seamless scalability and reliability
 - 10m Daily Meeting Participants in December 2019 → 300m Daily Meeting Participants in June 2020

The Current States of Zoom and Skype:

- **Skype**
 - Retired in May 2025
- **Zoom**
 - An industry leader in global video calling/conferencing



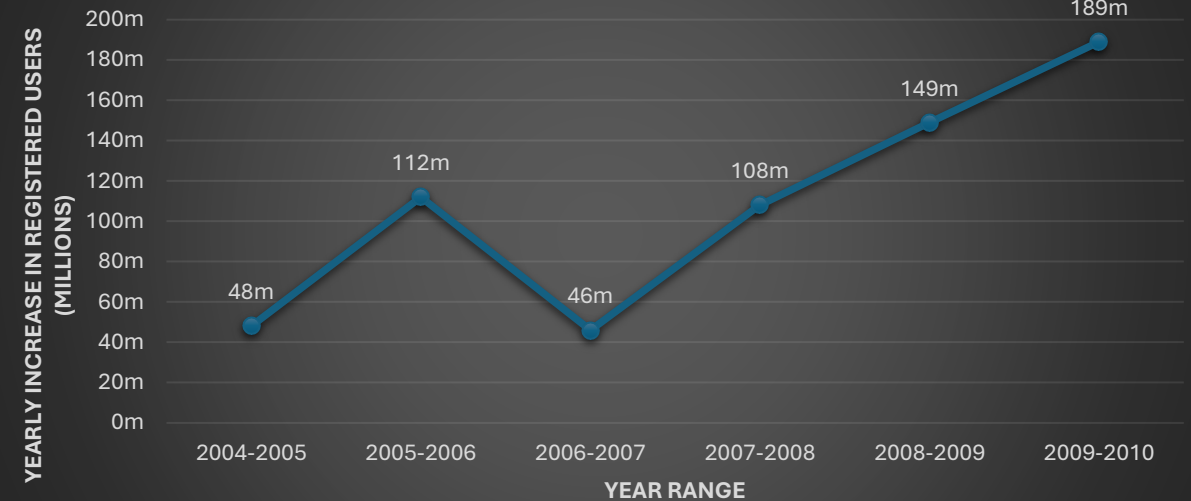
The Rise of Skype: A Pioneer

Skype vs Zoom

Skype's Early Growth in Users (2004-2010)



Skype's Yearly Increases in Registered Users



Key Trends & Observations:

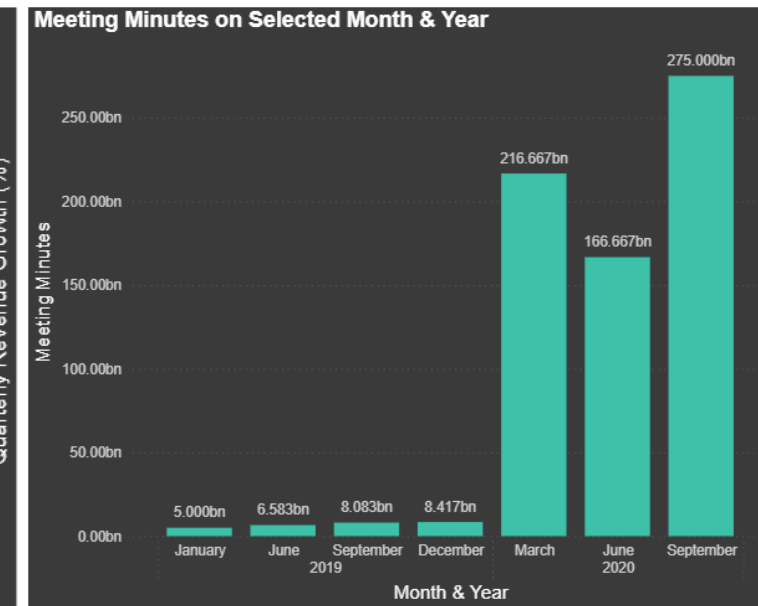
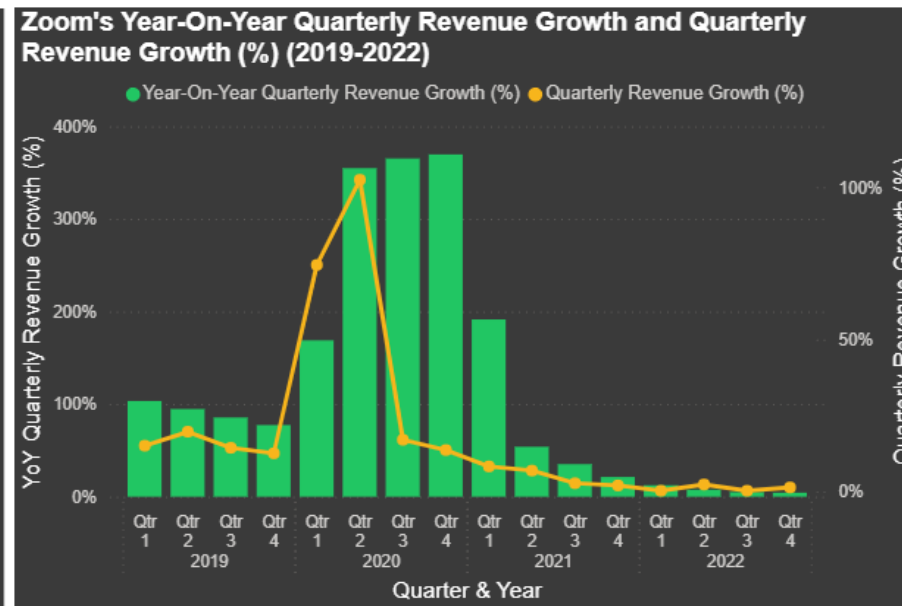
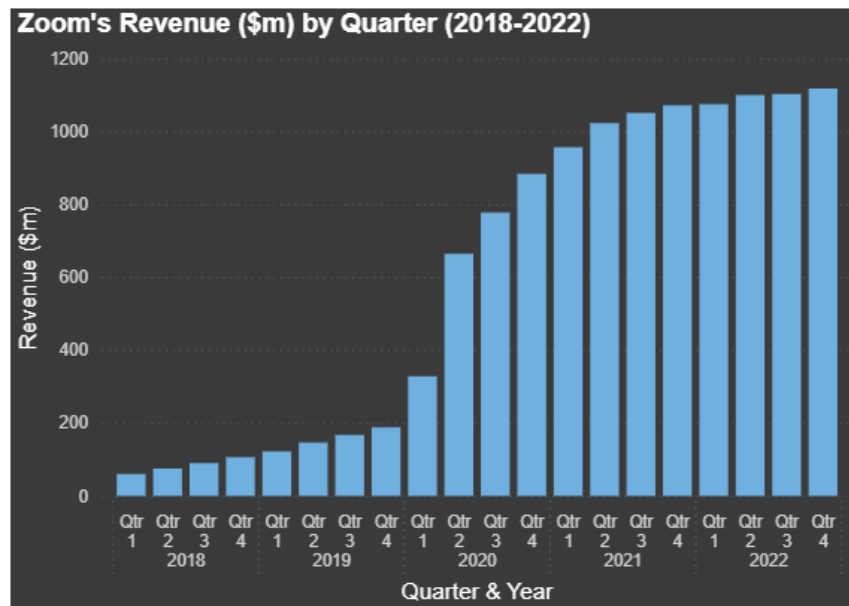
- Skype grew rapidly right from its inception in 2003 – general trend of exponential growth in their Registered Users base
- 11m Registered Users by the end of 2004 → 663m Registered Users by the end of 2010
- Registered Users - Compound Annual Growth Rate of circa 98% over 6 years (2004-2010)
- Monthly Active Users – Compound Annual Growth Rate of circa 41% over 3 years (2007-10) – Steady Growth
- Strong yearly increases every year – 2005-06 spike did seem to be however be followed up with a loss in momentum in 2006-2007, before continual strong accelerated growth afterwards

Reasons for Skype's Rapid Rise to Market Leader:

- Skype was the first of its kind and a true innovator, appealing to the masses right from the start
- Little to no competition in initial years to help build strong user base
- Initially free to use and added innovative features over time (e.g. video calling, file sharing, screen sharing, calls to landlines and mobiles etc.) to better cater towards user desires
- Network Effects and 'Word of Mouth' advertising
- Boost from 2005 eBay acquisition (potential explanation for spike in 2005-2006), giving Skype increased visibility and credibility despite lack of synergy between the pair due to vastly different user behaviours and business models

The Rise of Zoom: A Modern Competitor

Skype vs Zoom



Key Trends & Observations:

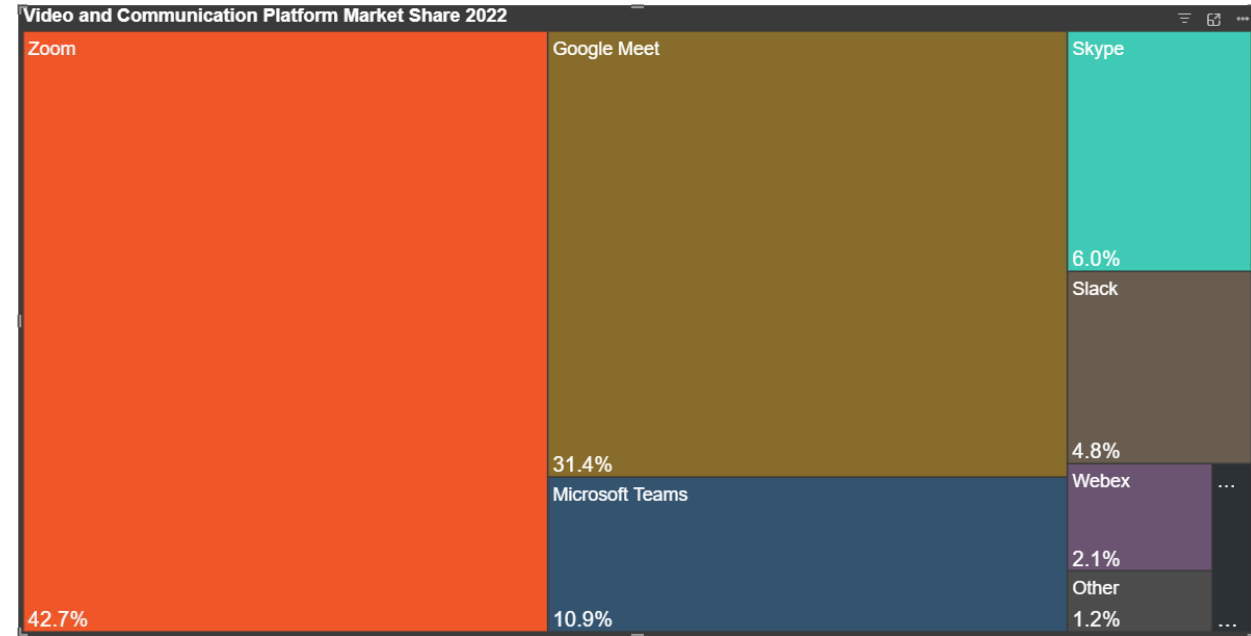
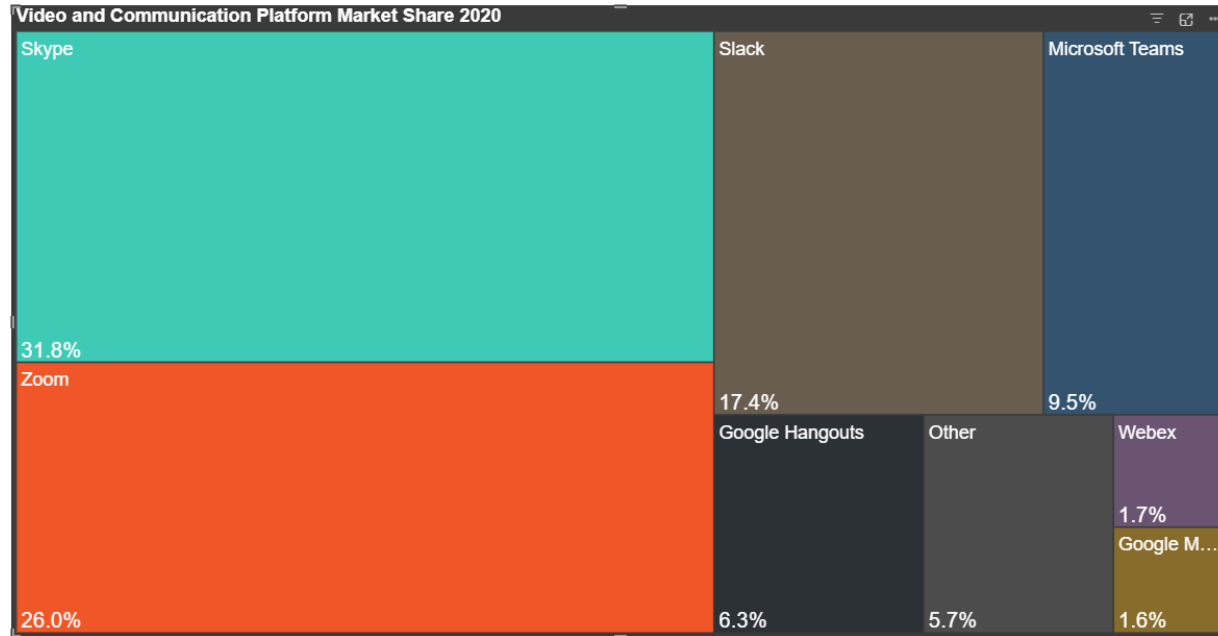
- Zoom's revenue was growing steadily prior to the pandemic (late 2019/early 2020), before revenue growth became explosive (\$60m in Q1 2018 → \$1.117bn in Q4 2022, an 18.6x increase in around 4 years)
- After the rapid pandemic-driven surge, revenue growth normalised to a steadier pace but at a much higher baseline (~\$150m-\$200m mark → ~\$900m-\$1bn mark)
- Both YoY Quarterly Revenue Growth and Quarterly Revenue Growth rates were steady before pandemic-driven spikes, followed by growth rates then falling sharply (as expected) before stabilising to a new baseline
- Steady (in comparison to what followed) but strong growth in monthly meeting minutes across 2019 before explosive surge in 2020, where monthly meeting minutes were 20-35x higher than late 2019 levels

Reasons for Zoom's Steady Growth followed by Post-Pandemic Surge:

- Zoom's initial steady growth prior to the pandemic helped it gain some popularity as a foundation in amongst the competition – it was already continually innovating + being embedded into sectors such as education and telemedicine
- Zoom had standout features/attributes that helped it grow initially including:
 - Not needing an account to join a meeting (no sign-up barrier)
 - Maximum acceptable delay of 150 milliseconds (between a user speaking and the other user hearing)
 - Generous Freemium model with smart limits (e.g. Host up to 100 participants, Unlimited 1-to-1 meetings, 40 mins limit on group meetings, Unlimited number of meetings)
 - Cloud-native and dynamic scalability capabilities + highly optimised code
 - High-performance and reliability, even with poor connection levels
 - Simple, user-friendly and intuitive interface
- Zoom seized the opportunity to become a market leader at the start of the pandemic and adapted accordingly, leveraging their strong foundations (e.g. making it free for schools globally)

Post-Pandemic Market Share Shifts

Skype vs Zoom



Key Trends & Observations:

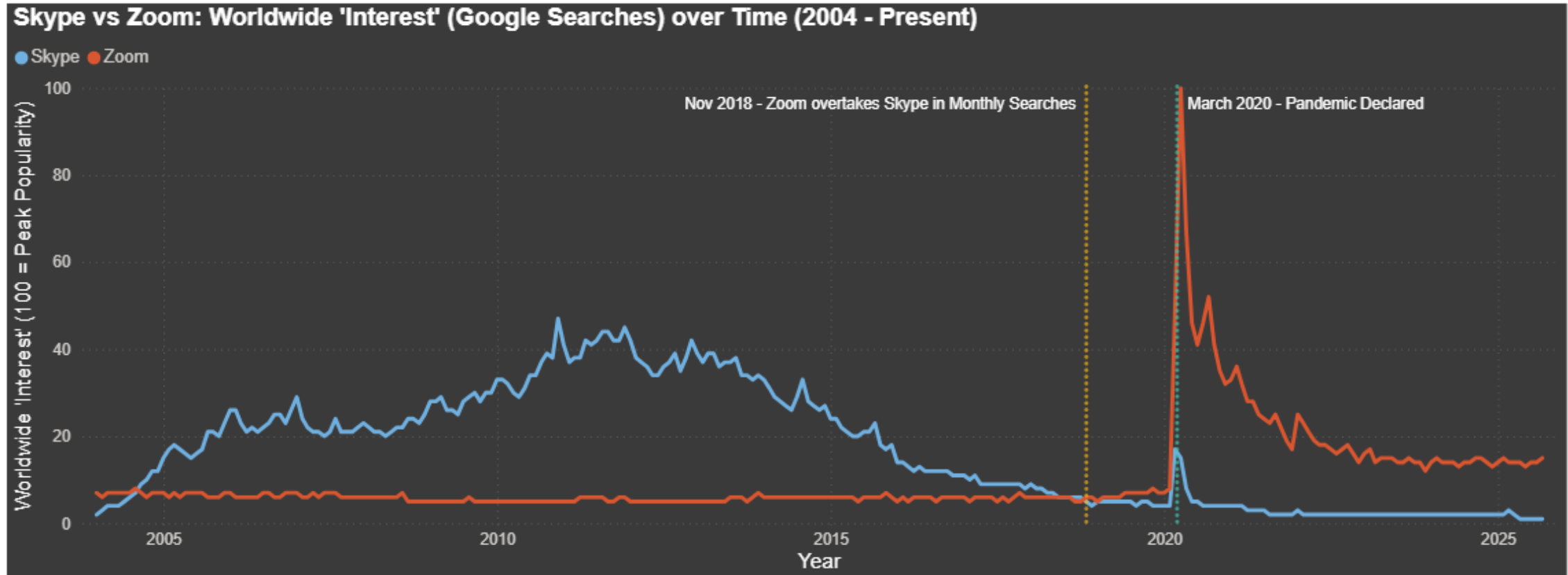
- At the start of 2020, around the start of the pandemic, Skype (turquoise) led with 31.8% market share, with Zoom (light red) closely behind at 26.0% (~6% lower than Skype's), followed by Slack (17.4%) and Microsoft Teams (9.5%)
- By the start of 2022,
 - Zoom was established as a market leader, surging to 42.7% (~37% higher than Skype's) market share from 26.0%, with Google Meet making the highest surge from 1.6% in 2020 to 31.4% in 2022 and having the second largest share
 - Skype's market share significantly decreased to just 6.0% from 31.8% in 2020, falling behind the likes of Google Meet and Microsoft Teams
- Overall trend (Skype vs Zoom) – Skype lost its position as a household name completely while Zoom became a new market leader

Reasons for the Changes in Market Shares of Skype and Zoom:

- Skype's lack of innovation and poor adaption attempts lead to growing customer frustrations (e.g. slow shift away from Peer-to-Peer model to cloud, declining reliability and performance, 2017 UI overhaul missteps leading to diminishing user trust, emergence of MS Teams), which meant Skype were swallowed by the competition
- Zoom's cloud-native scalability made them continually capable of meeting surging demands and their freemium model helped drive viral adoption along with initiatives like making the product free for schools worldwide
- Skype's cultural significance dropped off, whereas Zoom's cultural significance became more synonymous with the masses
- Zoom capitalised on Skype's missteps, showing initiative and proactiveness to adapt in order to propagate their product to the masses while making improvements when required, allowing them to consolidate themselves as a new market leader when the opportunity came up

Worldwide 'Interest' Comparison (2004-Present)

Skype vs Zoom



Key Trends & Observations:

- Skype's traction was generally noticeably higher than Zoom's for at least a decade (late 2004 to late 2015), seeing general growth in this period (NB: Zoom launched in 2013)
- Even before the pandemic was declared, Zoom's traction was starting to overtake that of Skype's which was generally declining from around late 2010 onwards until the pandemic
- During the early stages of the pandemic, Zoom's spike in traction was significantly higher than that of Skype's
- Plateaus for both Zoom and Skype after pandemic-driven surge and Zoom's traction is still comparable to the peak traction Skype received in the early stages of the pandemic

Reasons for the Variation in 'Interest' Levels in Skype and Zoom:

- eBay (2005) and Microsoft (2011) acquisitions of Skype helped raise brand awareness and credibility, leading to surges in growing 'interest' in Skype
- Complacency/aforementioned lack of innovation in Skype and growing customer frustrations a reason behind the steady decline, especially in the midst of competitors joining the scene
- Zoom's continual innovation and people-centric approach made them more appealing and helped build user trust (e.g. additions of features like Zoom Workplace, a 90-day period in April 2020 dedicated to fixing privacy and security issues)
- Neglect of Skype – Microsoft Teams launched in 2017 and essentially became the replacement for Skype

The Lessons Learnt: 5 Key Takeaways

Skype vs Zoom

1. Continuous adaptability is essential to sustain long-term success
2. A people-centric approach helps drive continuous change and transformation
3. Innovation is key along with not being complacent, especially in amongst fierce competition
4. Market dominance cannot be assumed to be permanent - past success does not guarantee long-term, eternal dominance
5. Strategic clarity is essential - even established leaders can falter if poor choices are made



Recommendations for Sustaining Business Resilience

Skype vs Zoom

1. Continuously monitoring trends while fostering continuous improvement via R&D and agile product development and proactively catering for people accordingly to maintain trust and attract more customers – responding empathetically and swiftly to evolving needs
2. Ensure leadership alignment around a clear, long-term vision focused on user needs rather than corporate synergies - preserve strategic autonomy & product vision (avoid acquisitions that compromise product direction or slow innovation cycles)
3. Evolve business models & brand positioning to build brand reliability through innovation (e.g. diversifying monetisation via strategic freemium tiers and enterprise packages)
4. Embed an adaptive, data-driven culture that leverages feedback loops and real-time analytics for evidence-based decision-making and flexibility
5. Designing with scalability in mind – cloud-native architecture to enable this as well as reliable performance that supports rapid feature deployment and global accessibility

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