GROUP CASE PROJECT – ENVIRONMENT

**Your Group's Case**: Zoom

**Your Group number**: 8

**Leader (for today)**: Marcus (Richard) Stapells

**Other members present**: Emon Sen Majumder, Maitry Mistry, Marilyn Hollick, Max Cohen, Dylan Federman, Zach Pepetone

Utilize the focal articles, provided links, and library resources to find clues about the environment surrounding your organization. Make sure to include support and justification for your answers (evidence). Include any citations or links that you used. This will be helpful to you when you are writing up your final report. Make sure to clearly identify the source (cite) for each piece of evidence that you are using to justify your reasoning.

EXTERNAL ENVIRONMENT

Complete a PESTEL (Political, Economic, Social, Technological, Environmental, Legal) analysis for the general environment. Also analyze the financial resources sector (technically a PESTELF analysis?). Then complete an analysis of your firm’s task environment.

***PESTEL:***

**Political**

* Zoom is currently restricted in around 20 countries for regulatory reasons including Cuba, Pakistan, North Korea, Syria, Iran, Iraq, etc. (<https://support.zoom.us/hc/en-us/articles/203806119-Restricted-countries-or-regions#:~:text=Cuba%3A%20For%20regulatory%20reasons%2C%20users,unable%20to%20access%20Zoom%20services>.)
* A significant portion of these countries are restricted not due to the respective country’s regulations but due to U.S. sanctions on these countries (that Zoom must comply with as a U.S. based company). (<https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information>)
* Governments around the world may have different expectations for zoom’s operations – e.g. privacy/security
* Because they operate globally, Zoom may be affected by political instability and tensions, changes in diplomatic relationships, import/export requirements, trade restrictions, etc. (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* Zoom has faced political scrutiny from US law enforcement for its relationship with the Chinese government after the company had "suspended user accounts to meet demands from Beijing" (<https://www.reuters.com/article/us-zoom-video-commn-privacy-idUSKBN23I3GP>)
* The level of regulation is light, and the trend is increasing. Low levels of regulation. It is expected that regulatory authority will increase gradually as security and privacy concerns continue to dominate the conversation surrounding internet and software regulation and policy.
* The industry is primarily subject to the authority of the Federal Trade Commission (FTC) in the United States; however, this is a reactive authority, settling cases brought up by consumers and users of software.
* The most significant political factor was the political response to the locking in spring 2020. This is a large catalyst which led to the explosion of Zoom’s adoption. Health restrictions led schools, businesses, and individuals to seek free and easily accessible alternatives to communicate with teams, friends and peers. This was shown by their rapid growth once the pandemic began, jumping from 10M daily meeting participants to over 200M in a matter of weeks (<https://venturebeat.com/2020/04/02/zooms-daily-active-users-jumped-from-10-million-to-over-200-million-in-3-months/>).
* Zoom also has been facing political pressures to block certain events and meetings. For example, Chinese government requested that under Chinese law they must block a videoconference on the Tiananmen Square massacre. These issues have occurred with Pro-Palestine conferences amongst others, and after backlash, the company now aims to become more careful about which events it blocks and allows. The company is now better equipped to handle politically sensitive issues with greater care, according to their government relations head Josh Kallmer. (<https://www.wsj.com/articles/zoom-gets-drawn-into-debate-about-policing-content-a-big-thankless-job-11604408401>)
* Zoom came under scrutiny for its data-mining practices and security flaws. They received significant backlash for sharing data without consent.

(<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions>)

**Economic**

* The pandemic forced many businesses to make their employees work remotely, and discovered that they were able to maintain the same levels of productivity as before. Therefore, many businesses are planning to continue at least partially allowing for remote work going forwards even after the pandemic ends, since they are able to save on costs such as rent for office space and relocation costs.
* With the global COVID-19 health crisis which resulted in economic recessions, Zoom's sales bloomed as people turned to online video conferencing to stay safe and connected with others (<https://blog.zoom.us/findings-from-the-impact-of-video-communications-during-covid-19-report/>)
* With the pandemic, in-person office work became remote which increased Zoom sales (<https://www.vox.com/recode/22331447/10-ways-office-work-pandemic-future-remote-work>)
* The effect of COVID-19 on the economy may have an impact on zoom, since consumers may view it as a discretionary spending and not want to purchase during a recession (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* The ability to convert users into paid users is unknown once the global recession is over (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* A more stable environment is predicted to drive more subscriptions in the next 5 years (IBISWorld)
* Increase in the competitive landscape
* High-growth stocks facing inflationary pressures (369% quarterly increase)
  + <https://www.cnbc.com/2021/06/01/zoom-zm-earnings-q1-2022.html>

**Social**

* While Zoom is dominating the professional video communication software market (such as use by academic institutions and businesses), this has resulted in the public perception of Zoom as a primarily a professional product. This results in most of the public choosing alternatives for their casual and social video communication needs, opting for more consumer friendly software or video communication features that are part of the social media platforms they already use.
* Different consumer markets may be more or less forgiving to flaws (alluded to in Article 1)
* Zoom expects users to slow/decline after the COVID-19 pandemic (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* Workforces are becoming more globalized, increasing the need for video communication software ([https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594](https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions))
* Data-mining practices by zoom have been harshly received by some institutions and members of the public, leading to bans ([https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594](https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions))
* The social and cultural elements which influence Zoom are, in particular, the division of work between work onsite and teleworking consumer habits. Since the pandemic has begun millions are more comfortable holding video meetings or conferences. Individuals within the workplace share the experience of transitioning online.

**Technological**

* As a relatively small company in the tech industry without any substantial proprietary technology, the tech giants such as Google and Microsoft are already investing heavily in imitating Zoom’s features, and are looking to steal some of the large market share that Zoom currently has. (<https://www.cnet.com/news/googles-zoom-rival-called-meet-is-now-free-to-consumers/>)
* Advances in AI are being applied to video conferencing tools to help with video compression and up-resolution. For example, NVDIA Maxine has created AI compression tools that reduce bandwidth while improving video quality which has huge cost benefits (<https://www.forbes.com/sites/bradtempleton/2020/10/05/ai-applied-to-video-conferencing-kicks-it-up-several-notches/?sh=1f76b4e09792>)
* AI/ML algorithms can identify and block unwanted voices. As well as offer "greenscreens" to change your virtual meeting background. Technological advances in AI/ML are being used to improve customer experience (<https://www.forbes.com/sites/bradtempleton/2020/10/05/ai-applied-to-video-conferencing-kicks-it-up-several-notches/?sh=1f76b4e09792>)
* ‘Zoom-bombing’ and other security flaws have proven difficult for the company to address, and remain prevalent issues for all companies (Article 1)
* Zoom is reliant on the technological infrastructure its consumers have access to, both on a macro (national) scale, to a micro scale (city/household)
* Failures in internet infrastructure or consumer broadband access impacts zoom service for consumers; as well at outages or unmet capacities in data centres (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* End-to-end encryption of conversations and meetings was a focus of technological development in early days of zoom. It is now a high level encryption system which can support up to 1000 attendees.
* The ease of use of Zoom, its customizable features, and integration features have led to mass adoption by academic institutes and businesses.
* There have been significant software and hardware advancements since the pandemic ([https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594](https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions))
* The level of technology change is high. Over the past 5 years, the Video Conferencing Software Developers industry has thrived on technological advancements in both software and hardware
* Software perspective developments have been made in both performance and overall utility
* Hardware perspective, computers and webcams have become more accessible and integrated, there are internet connected mobile devices (<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions>)
* Shortening of the product life cycle with is concerning for SaaS companies

**Environmental**

* A new study conducted by researchers at Purdue, Yale, and MIT has found that one hour of videoconferencing emits up to 1 kilogram of carbon dioxide, uses up to 12 liters (3.2 gallons) of water, and requires a piece of land the size of an iPad Mini.
  + <https://petapixel.com/2021/01/25/turning-off-your-camera-on-a-zoom-call-helps-save-the-planet/>
* Through virtual conferencing, Zoom has eliminated the need for a significant quantity of business travel. They estimate they've reduced their customers CO2 emissions by over 55 million metric tons in 2020. As well, they have designed a sustainability program to achieve a direct positive impact on the environment. Zoom focuses on sustainability initiatives such as energy conservation and waste reduction. (<https://explore.zoom.us/docs/en-us/zoom-esg-framework.html#:~:text=to%20supporting%20education.-,Environment,million%20cars%20off%20the%20road>.)

**Legal**

* Changes in privacy laws in the future will have a large impact on the services that Zoom is able to offer and who they can offer it to.
* Ex. In Canada, Bill C-11 is currently passing through parliament, and it will impact how corporations can use customers’ personal data. <https://www.theglobeandmail.com/politics/article-privacy-commissioner-calls-for-bill-to-include-tougher-regulation-of/>
* Zoom may be subject to a variety of U.S., Canadian, EU, and international laws and regulations (2021 annual report)
* Expanding globally means they are subject to more regulatory risks (2021 annual report)
* Courts forced to be moved digitally, expressed intention to leverage the zoom platform - Expected to continue post-pandemic
* <https://www.fox2detroit.com/news/after-covid-19-forced-courts-to-go-digital-zoom-hearings-are-here-to-stay>
* Zoom etiquette EPL claims

https://www.canadianunderwriter.ca/insurance/how-video-conferencing-misbehaviour-creates-commercial-liability-risk-1004208594/

* Concerns over security and privacy are among the most prominent challenges to the industry’s growth (<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/industry-at-a-glance>)

***TASK ENVIRONMENT:***

**Financial**

* Zoom is publicly listed on the NASDAQ, and thusly must follow listing requirements, financial reporting regulations and disclosure laws (<https://www.inc.com/encyclopedia/sec-disclosure-laws-and-regulations.html>)
* Zoom has raised USD2 billion in underwritten public offering of 5,882,353 shares of its Class A common stock, including 735,294 shares pursuant to the full exercise of the underwriter’s option, at a price to the public of USD340 per share.
  + (<https://advantage-marketline-com.libproxy.wlu.ca/Deals/Facts/rss-alerts-capraiseipo-update-zoom-announces-pricing-of-175-billion-public-offering_2894833>)

**Industry**

* Zoom has strong competitors such as Cisco WebEx, Microsoft Teams, Google Meet, but it managed to surpassed all of its largest competitors in 2020 because of its efforts of creating an effortless customer experience compared to competitors (<https://www.forbes.com/sites/rogerdooley/2020/09/30/how-zoom-conquered-video-conferencing/?sh=4ecfd4a15a97>)
* Competitors include Cisco Webex, Microsoft Teams & Skype, Google Hangouts, RingCentral LogMeIn GoToMeeting, Avaya, and others (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* Concentration in the industry is considered medium; the 4 largest companies account for 62.2% of industry revenue ([https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594](https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/operating-conditions))

**Raw Materials**

* Suppliers include various co-located data centres – including Amazon Web Services, Oracle Cloud, and Microsoft Azure (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* 1st tier suppliers: internet service providers, intellectual property licensing in the US, computer & packaged software wholesaling (<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/products-and-markets>)

**Human Resources**

* Employees are not representative by labour unions, and zoom hires from U.S. and global labour markets (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)

**Market**

* Zoom has over 10,700 business clients with over 10 employees; and 18 business with over 10,000 employees (<https://investors.zoom.us/static-files/a17fd391-13ae-429b-8cb3-bfd95b61b007>)
* Allowing developers to build apps that run alongside the core video app. Still in beta testing but have three dozen offerings already (zoom plans to stick around article)
* Zoom App Fund (zoom plans to stick around article)
* Corporate (63.4%), healthcare (16.9%), education (12.4%), governments and institutions (5.3%), other (2%) (<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/products-and-markets>)

**International**

* Zoom operates internationally (as does all competitors) due to the nature of the industry, and is not immediately impacted by customs, exchange rates, etc.
* Exports in this industry are low and steady, imports are low and steady. The video conferencing software developers industry does not conduct trade (<https://my-ibisworld-com.libproxy.wlu.ca/us/en/industry-specialized/od4594/products-and-markets>)

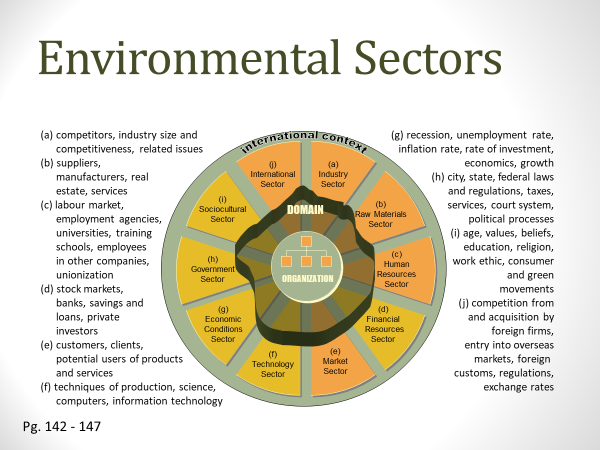
ENVIRONMENTAL UNCERTAINTY

Once you have completed analyzing all of the environmental sectors, evaluate the environmental uncertainty for your firm. Which **quadrant of the environmental uncertainty model** best describes the organization’s environment? Justify your answer with information about the relevant environmental sectors.

We believe that the High Uncertainty quadrant of the environmental uncertainty model best describes Zoom’s environment.

1. It has large number of external elements and elements are dissimilar
   * Zoom works with many universities, businesses, organizations, schools, and individuals around the globe. There are also several large competitors as well.
   * Zoom has to facilitate many different cultures and government regulations around the world
2. Elements change frequently and unpredictably
   * For example, the economic recession and health crisis unpredictably increased Zoom's sales.
   * It is highly impacted directly by the technological factors which are changing frequently (ex: continuous advancements in AI/ML provide new features and competitors in the video conferencing space)

Resource for Completing this Assignment:



**PESTEL Factors to Consider:**

***Note:*** *These factors are general, and for your PESTEL analysis, you should do additional research of relevant factors to find out the specific details according to your project and population.*

|  |  |
| --- | --- |
| **Political factors:**  Government stability and likely changes  Bureaucracy  Corruption level  Tax policy (rates and incentives)  Freedom of press  Regulation/de-regulation  Trade control  Import restrictions (quality and quantity)  Tariffs  Competition regulation  Government involvement in trade unions and agreements | **Economic Factors:**  Growth rates  Inflation rate  Interest rates  Exchange rates  Unemployment trends  Labor costs  Stage of business cycle  Credit availability  Trade flows and patterns  Level of consumers’ disposable income  Monetary policies  Fiscal policies  Price fluctuations  Stock market trends |
| **Socio-cultural Factors:**  Health consciousness  Education level  Attitudes toward imported goods and services  Attitudes toward work, leisure, career and retirement  Attitudes toward product quality and customer service  Attitudes toward saving and investing  Attitudes toward “green” or ecological products  Attitudes toward and support for renewable energy  Emphasis on safety  Lifestyles  Buying habits  Religion and beliefs  Attitudes toward “green” or ecological products  Attitudes toward and support for renewable energy  Population growth rate  Immigration and emigration rates  Age distribution and life expectancy rates  Sex distribution  Social classes  Family size and structure | **Technological Factors:**  Basic infrastructure level  Rate of technological change  Spending on research & development  Technology incentives  Legislation regarding technology  Technology level in your industry  Communication infrastructure  Access to newest technology  Internet infrastructure and penetration |
| **Environmental (Ecological) Factors:**  Weather  Climate change  Air and water pollution  Recycling  Waste management  Endangered species  Biodiversity | **Legal Factors:**  Discrimination law  Copyright, patents / Intellectual property law  Consumer protection and e-commerce  Employment law  Health and safety law  Data Protection  Education Law  Anti-trust law  Laws regulating environment pollution |

**Source:** <https://www.strategicmanagementinsight.com/tools/pest-pestel-analysis.html>

