

MKT 745 Final Project Report – Group 1

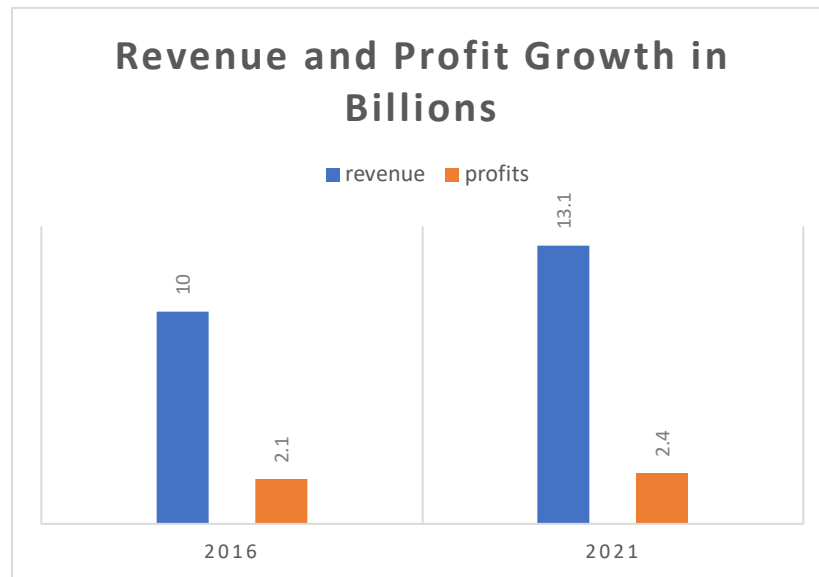
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Zoom at the Epicenter of Three Major Events, November 9, 2020

I. Industry Introduction

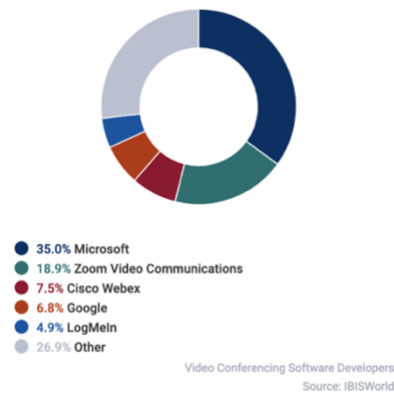
Industry General Picture

Due to various Stay-At-Home orders, the video conferencing industry has grown significantly since COVID. This industry enables people to communicate and share information across the globe over the internet. As of 2021, the industry has 13.1 billion in revenue, increasing 31.2% since 2016. In addition, industry profit hit 2.1 billion, rising 36.8% since 2016.



Major Competitors and Competition

Major Competitors in the Industry as of 2021 are Microsoft with Microsoft Teams with 35% of the market share, Zoom Video Communications with 18.9% market share, Cisco Webex with 7.5% market share, Google with Google hangout with 6.8% market share, and LogMeIn with 4.9% market share. According to IBIS world reports, competition in this industry is high.



Barriers to Entry Checklist

Competition	High ⚠️
Concentration	Medium ⚖️
Life Cycle Stage	Growth ✅
Technology Change	High ⚠️
Regulation & Policy	Light ✅
Industry Assistance	Medium ⚖️

Current situation and customer Profile

In the past, the Video Conferencing industry operated based on the demand for shorter, informal conversations such as phone calls and video chats. Ever since COVID hit, everyone has been forced to adapt to a virtual lifestyle. The conference technology industry has benefited from the growing demand for virtual meetings and collaboration. Most of the workforce and schools have started adopting video conferencing applications to keep the organization running. Due to this change from leisure/amusement demand to rigid demand, companies are adding features for easy collaboration between colleagues and features to mimic the real classroom setting. For example, Microsoft Teams built their ecosystem around the online word, excel, PPT, and to make the collaboration smoother. Zoom added blackboard, cloud recording, hand-raise, and reaction features to mimic the real classroom setting.

This industry also benefits the younger generation with higher technology acceptance and adaptability, which is the foundation for video conferencing companies to survive in the marketplace.

Challenge and the Future

Since COVID, demand has been growing for video conferencing and online collaboration. Many companies are trying to enter this market, and thus competition has increased significantly. For example, zoom has grown a lot since COVID, and gradually, Google and Microsoft have entered the market and successfully taken part in the market share. Another challenge for the industry is privacy issues. When everything moved in front of the camera, people started to be concerned about their privacy and how their data could be protected. Additionally, industry standards have not been set since this industry is new. As a result, the law regarding video conferencing data privacy and user data access has not been in place to protect users.

Related to Pandemic

Unlike other industries, which took a brutal hit on the global pandemic, Video Conferencing Industry was brought to life by the pandemic. A sudden increase in demand allows companies like Zoom to develop their product quickly and adapt to the most frequently used scenario. However, as the global pandemic is cooling down after years of fighting and vaccine administration, most companies or schools still preserve the hybrid mode of operation. Thus video conferencing industry is kept in business.

From Leisure to work

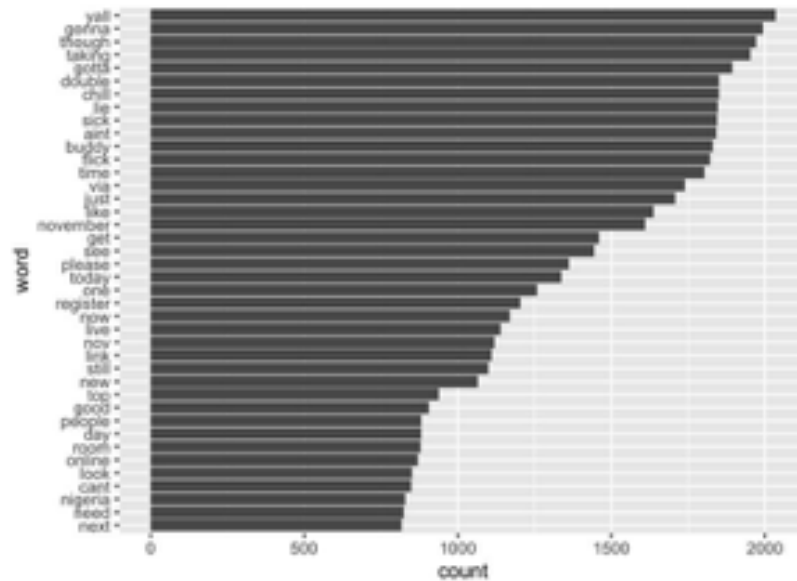
Most of the products in this industry focus on leisure chatting and video calling with family or friends far away from each other. Thus, most of them incorporate exciting features such as filters and fun backgrounds. However, as the pandemic hit, the focus changed to work or classroom-related use. The industry sensed the change in the user group and quickly adapted their functions to these user settings. For example, Zoom added the chat function, hand raise, reaction function, and even poll functions to adapt to mostly classroom settings.

On the other hand, Microsoft Teams connected Teams with other services such as Microsoft Online offices, and the setting on Teams makes sharing files and collaboration easier. This is primarily beneficial to a work setting. It was surprising to see how quickly this product can detect market needs and adapt its products accordingly.

II. Word cloud and sentiment of major players in a normal day (before event)

On November 8, 2020, people talked about random things when they referred to zoom. After we deleted high-frequency words, including "meeting," "call," and "join," to witness an apparent pattern, we noticed there were not many informative words showing up in the word cloud graph. Instead, we see "yall," "gonna," "though," and some other meaningless content ranking to the top. There are only around 30,000 tweets for this day alone, with a small percentage of tweets using Zoom as a verb.

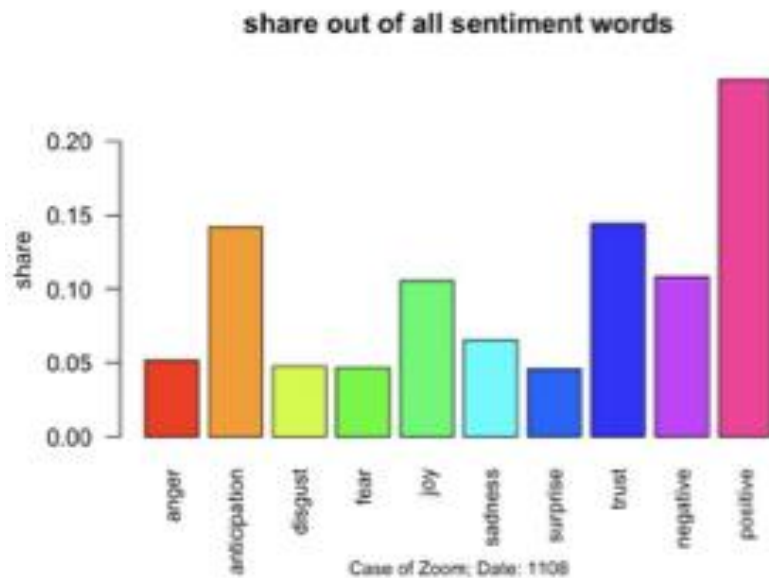
Word frequency graph for Zoom on November 8, 2020



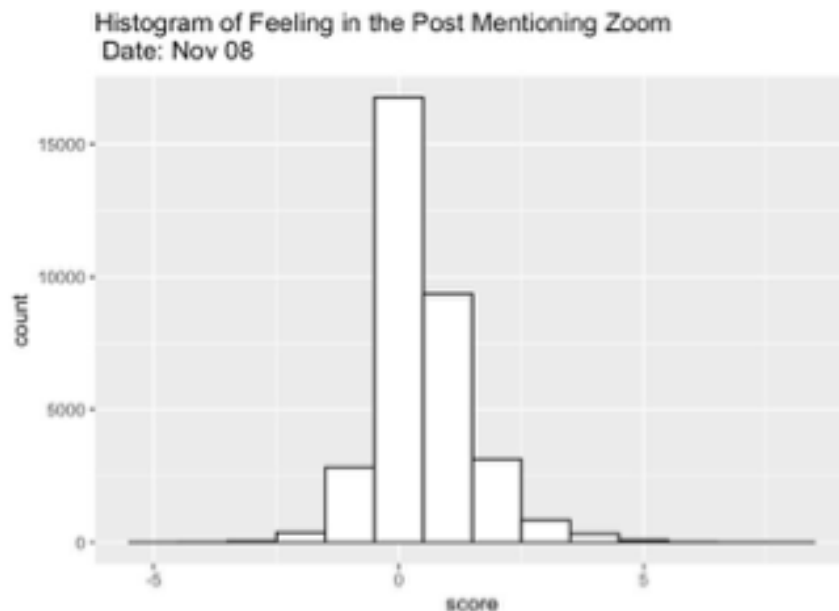
Word cloud graph for Zoom on November 8, 2020



When we look at the sentiment graph, we can say that people are positive and anticipated when they mention zoom. There's also feeling like joy and trust having a comparably high share. However, if we look at the tweets, there is a lot of content like "looking forward to meeting you on zoom!" or "join us on zoom!" with an exclamation. However, there's also some content with sadness and negative feelings. From the contents, we also see some people hate meeting on zoom, are tired of staying at home, and want the pandemic to end sooner.



The histogram of feeling on November 8, 2020, indicates that people tend to have generally positive feelings when they mention zoom since the mean of the score is positive, with the average feeling score equal to 0.50.



III. Event introduction

Pfizer Announcement

On November 9, 2020, three significant events happened with Zoom at the epicenter. First, Pfizer announced the success of the first COVID vaccine after the phase three trial with overall 90% protection. Thinking the pandemic would soon be over and there would be no need for the stay-at-home order, the news headlines made it seem that the world would quickly be back to normal. No one could blame their glimmer of hope. In the Pfizer press release, Dr. Albert Bourla, Pfizer Chairman and CEO, said, "Today is a

great day for science and humanity. The first set of results from our Phase 3 COVID-19 vaccine trial provides the initial evidence of our vaccine's ability to prevent COVID-19. We are reaching this critical milestone in our vaccine development program at a time when the world needs it most with infection rates setting new records, hospitals nearing over-capacity and economies struggling to reopen. With today's news, we are a significant step closer to providing people around the world with a much-needed breakthrough to help bring an end to this global health crisis" (Pfizer, 2020). Within the video conference industry, this event also influenced them negatively. Microsoft, Cisco, and Google saw a dip in the market.



FTC Announcement

The FTC announced a settlement with Zoom on the same day, requiring more robust security. According to the FTC's complaint, Zoom's misleading claims gave users a false sense of security, especially those who used the company's platform to discuss sensitive topics such as health and financial information. "During the pandemic, practically everyone—families, schools, social groups, businesses—is using videoconferencing to communicate, making the security of these platforms more critical than ever," said Andrew Smith, Director of the FTC's Bureau of Consumer Protection. "Zoom's security practices didn't line up with its promises, and this action will help to make sure that Zoom meetings and data about Zoom users are protected" (FTC, 2020).

Because of the lack of security, this event could have influenced video conference platform users to utilize other software such as Microsoft Teams, which could be perceived to have better security.



← Tweet



Patrick Walsh
@zmre

...

So no real repercussions? The FTC essentially said, "hey, zoom, no more lying" and "please promise to do the security basics like vulnerability management." This sends a clear message that lying about security capabilities is no big deal.

 **FTC** @FTC · Nov 9, 2020

#Breaking: FTC announces settlement with @zoom_us requiring the company to implement a robust information security program, settling allegations it engaged in deceptive and unfair practices that undermined the security of its users:
go.usa.gov/x7NaE 1/6
[Show this thread](#)



FTC Settlement with Zoom

Millions of people go to school, have virtual doctor's visits, or take part in work meetings on Zoom, every day. And they share sensitive info in the process.

So what does the FTC's settlement mean for you?
It puts your security top of mind for Zoom. And requires Zoom to protect your information for many years to come — or pay big fines.

5:51 PM · Nov 9, 2020 · Tweetbot for Mac

FTC Requires Zoom to Enhance its Security Practices as Part of Settlement

Commission alleged that the company deceived users about the level of security for Zoom meeting platform and unfairly undermined a browser security feature

November 9, 2020



Tags: Consumer Protection | Bureau of Consumer Protection | deceptive/misleading conduct | Coronavirus (COVID-19) | Privacy and Security | Consumer Privacy | Data Security | Tech

Note: The FTC hosted a conference call for media. Participants included Director of the FTC's Bureau of Consumer Protection Andrew Smith and Maneesha Mithal, Associate Director of the FTC's Division of Privacy and Identity Protection.

The Federal Trade Commission today announced a [settlement](#) with Zoom Video Communications, Inc. that will require the company to implement a robust information security program to settle allegations that the video conferencing provider engaged in a series of deceptive and unfair practices that undermined the security of its users.

Zoom has agreed to a requirement to establish and implement a comprehensive security program, a

Related Cases

[Zoom Video Communications, Inc., In the Matter of](#)

Related actions

[Dissenting Statement of Commissioner Rebecca Kelly Slaughter In the Matter of Zoom Video Communications, Inc.](#)

[Dissenting Statement of Commissioner Rohit Chopra](#)

The Four Season Landscaping

Minutes after Joe Biden won the presidency, President Donald Trump's attorney, Rudy Giuliani, held a press conference in the back parking lot of a small business based in Philadelphia, the Four Seasons Total Landscaping. However, Trump misunderstood the conference to be located at an upscale hotel and later found out that the venue choice was intentional. The meeting set off a wave of jokes and memes online, mainly using the Four Seasons Total Landscaping parking lot as a Zoom background on Twitter, deriding the choice of the venue. That wave of jokes started on November 9, 2020, the last and final event that happened on that day.

Despite the mockery, Four Seasons Total Landscaping capitalized on the viral attention and began to promote their merchandise on their website.

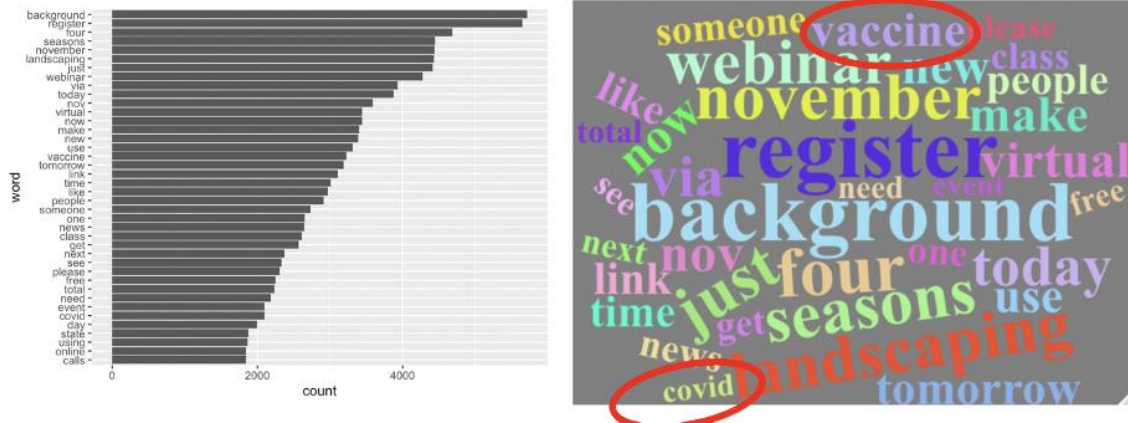


IV. Event Study

These events changed people's feelings about Zoom and caused Zoom's stock price to plummet when the news was released. From the word cloud and word frequency chart on November 9, we can observe that people were mainly discussing "background," "four seasons," and "landscaping." These words showed up on top due to Donald

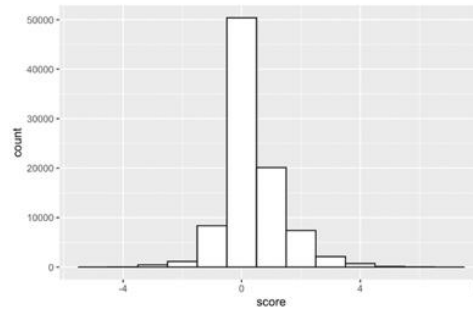
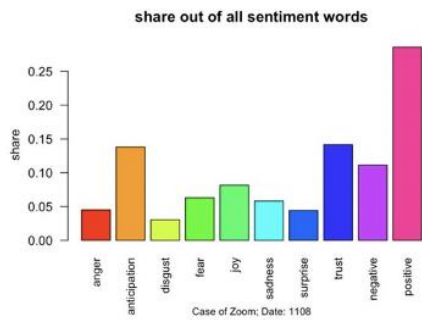
Trump's press conference at the Four Season Total Landscaping. Additionally, words related to the Pfizer announcement and its impact such as vaccine and COVID rose to the top.

Word frequency and Word cloud graph for Zoom on November 9, 2020

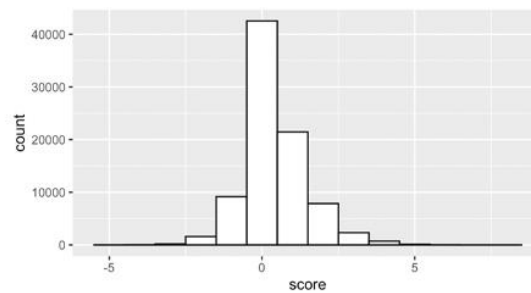
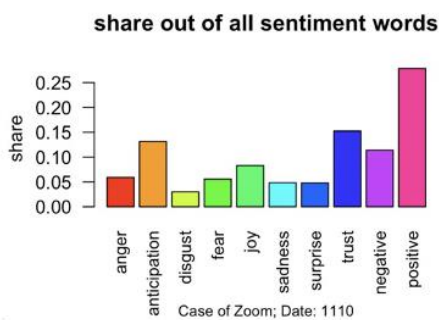


The graphs below show the results of the sentiment analysis. Pre-event, users' overall feelings towards Zoom were positive, and there were about 30k tweets mentioning zoom in total. After Pfizer released the news, the number of tweets rose to 90k sharply on November 9. Also, as seen from the rainbow charts, fear increased, and joy decreased. People's average feeling toward zoom dropped from .5 to .4. A probable reason could be Zoom, and other "stay-at-home" stocks crashed since this news could indicate "back to normal" is close, making those who want to work and study from home upset. Another reason could be that people no longer trusted Zoom due to FTC's settlement.

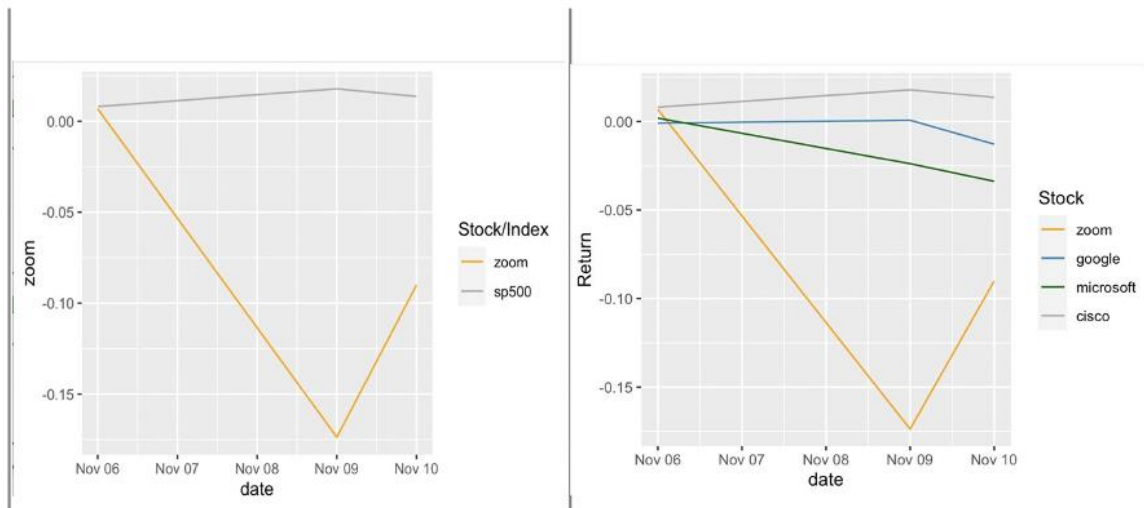
Date 11/09 Average feeling: 0.4021116



Date 11/10 Average feeling: 0.4572338



Finally, let us focus on the event's impact on stock performance. The event happens on November 9, which is a Monday. So, we chose our event window as November 6 to November 10. There are no records for the 7th and 8th, and the return was 0 on November 6 and dropped to -0.18 on November 9. Compared to the competition, the cumulative abnormal return during the event window is -0.2472561 , which indicates the event has negative impact on Zoom's stock price. After this event, the stock market performance of Zoom increased by $.02\%$. Compared with other 'video conferencing stocks', zoom stocks got more seriously crushed since Google, Microsoft, and Cisco do more than JUST video conferencing.



V. Conclusion on Event

From doing this activity, we learned that the news could create a buzz on social media and the market, both of which are very sensitive. Because of that, the stock market and Twitter are complementary. Information can be spread like wildfire on social media and then affect shareholders' willingness to buy or trade their stocks.

In conclusion, social media listening is something companies should pay attention to and constantly monitor. Not only for their bottom line (the market) but also to understand what their customers and potential customers feel about them, how often their brands are discussed, and the sentiment that they cause. Being abreast with both perception and the market will allow companies to better position themselves for success.

References

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