TECHAISLE TAKE

VENDOR, PRODUCT & MARKET STRATEGY ANALYSIS

REPORT: ZOHO

ZOHO

Addressing the "Rule of 5" for SMBs and Midmarket firms

February 2020

ANALYST
ANURAG AGRAWAL
Founder & Chief Global Analyst

Data You Can Rely On | Analysis You Can Act Upon

Zoho addressing the "Rule of 5" for SMBs and Midmarket firms

Techaisle research shows that 80% of small businesses and nearly 100% of midmarket firms have already deployed cloud. This is because cloud addresses real world problems and is the essential business infrastructure. The first entry point to cloud for 51% of SMBs has been SaaS (cloud business applications). However, most businesses often obtain only fragments of cloud's potential benefits because the cloud business applications deployed usually lack the integration needed to enable a seamless enterprise-wide business process that supports business agility, efficiency and growth.

The Rule of 5

What do we mean by the "rule of 5"? The term refers to sources of complexity in an SMB and midmarket firm's business.

Techaisle's research finds that SMBs are using an average of 5 cloud-based business application categories to address specific business issues and pain-points. The discrete solutions offer immediate relief from problems in many areas including customer service, sales and marketing. Techaisle data also shows that SMB firms are struggling with an average of 5 business and IT challenges. These obstacles are not addressed by point solutions; in fact, disconnected cloud applications introduce friction within the business. **To address fundamental business and IT requirements, SMBs and midmarket firms need to take an integrated approach to IT/business infrastructure for a zero-friction future.**

Source: Techaisle SMB and Midmarket global cloud adoption trends research
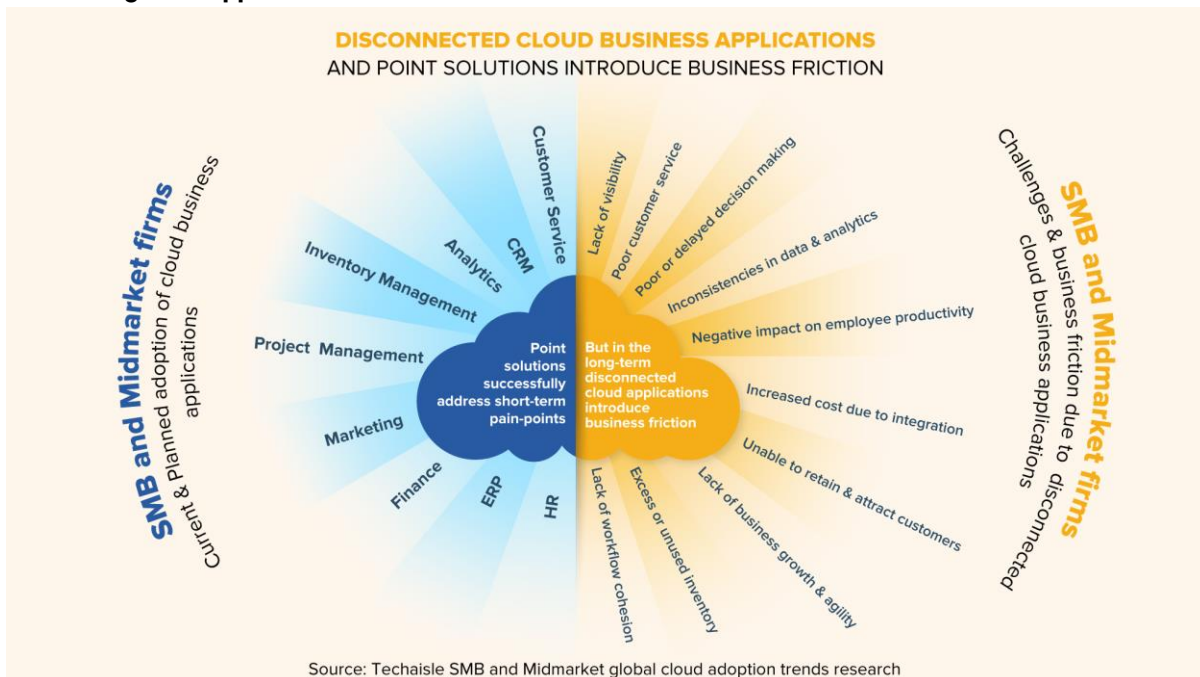
This is where Zoho steps in.

Zoho is a technology firm that is resolving the conundrum of piecemeal automation for SMBs, midmarket firms and enterprise organizations.

Zoho One - Zoho's flagship cloud-solution priced at US$30 per user per month and marketed as the operating system for the business - runs on a *unified* database with a *unified* data model with data pillars that enable seamless integration to deliver single truth for the business empowering users with a *unified* experience. A collection of 45+ apps running on a single database architecture and purpose-built on Zoho technology stack that includes services, software, hardware and network infrastructure deployed on Zoho's own global datacenters ensures performance, availability, security and privacy. Clearly, a visionary design architecture, which is desperately being replicated by other CRM and ERP-focused vendors. But Zoho is far ahead. This architecture is the foundation for addressing each of the issues in the "rule of 5".

The trouble with complexity

The "rule of 5" shows that use of cloud-based point (discrete) solutions add several levels of complexity to an SMB and midmarket's business. **Why is this a problem?** The short answer is, complexity isn't a problem. Use of multiple, disconnected systems creates *5 different types of problems:*

1. **Timeliness/accuracy problems:**
   Businesses that use disconnected systems tend to struggle with providing accurate and timely information to customers, management and other stakeholders. Some of the key issues here include:
   o Information needed to provide "an answer" is contained in several different systems, which requires a time-consuming aggregation of data from multiple sources.
   o The process of manually aggregating information creates multiple opportunities for mis-keying or mis-copying data, which leads to mistakes in the information used as the basis for decisions.
   o Each disconnected system has its own interface and set of features and commands; employees get confused and frustrated by the steps needed to perform simple tasks (such as accessing information, downloading reports, saving changes) in different systems.

2. **Process problems:**
   This is the result of the timeliness/accuracy issue: businesses that use multiple disconnected applications cannot use data from one system in a related process. For example:
   o Customer service reps cannot quickly respond to an issue; they must first find a way to access the database that holds the details of the customers' orders.
   o Marketing budget gets slashed, because the marketing systems do not "talk" to the CRM system; management cannot see which marketing activities resulted in sales.
   o Finance cannot provide updates to the CEO, because the accounting system does not input data from the sales and production systems.

3. **Customer problems:**
   Businesses that rely on discrete applications can lose sight of a specific customer – and this loss of visibility can negatively affect revenue and profitability:

- o Marketing campaigns need to distinguish between loyal customers and new prospects, and target appropriate messages to each.
- o Sales inquiries need to be routed to the right internal staff to ensure that questions are answered quickly and accurately – improving the likelihood of a sale without making inappropriate promises or representations.
- o Customer service and finance need to understand the 'whole customer' to determine where additional investment in solving a customer problem, or extending credit, is or isn't the best response to an individual customer request.

4. Cost and consistency problems:

Maintaining multiple disconnected systems creates a variety of cost and consistency issues. For example:

- o The cost and complexity of providing IT support for multiple disconnected systems is much higher than for a single system.
- o Data which is accessed from multiple systems often cannot be 'joined' in a simple and repeatable fashion – which means that:
    - ▪ Different employees may get different answers when trying to compile the same report from the same systems.
    - ▪ A single employee may get different answers when trying to compile a report at different points in time.
    - ▪ *There is no 'single version of the truth' within the business; "facts" vary from user to user.*

5. The problem of incomplete information:

This is one of the most difficult of the complexity problems listed here. The issue? It is possible to make the best decision based on partial information – and arrive at the wrong answer. As an example, consider the following scenario which reflects management decisions in a company that sells $5, $10 and $20 products, but has disconnected systems:

- o The inventory system says that they sell 1000 $5 units for every 100 $10 units and every 50 $20 units. *Let's put a push on $5 units!*
- o The CRM system says that their best customers buy a mix of $5, $10 and $20 units. *Let's create a marketing bundle to build more multi-product accounts!*
- o The customer service system says that they have a high volume of calls from customers who are having trouble integrating our $5, $10 and $20 units. *How can we improve integration to reduce support costs and increase satisfaction with our high-value multi-product accounts?*

Complexity and data analytics

The complexity problems, especially the problems of consistency and incomplete information, become critical in light of an enterprise-wide focus on using data analytics to support management decisions. Analytics provides business management with the ability to:

1. Describe the true condition of business operations,
2. Diagnose issues that affect efficiency,
3. Predict future opportunities,
4. Prescribe actions that help
5. Optimize profitability.

But…data analytics starts with data. If the input to the analytics system isn't consistent and complete, the output is usually unreliable. Businesses need a single and comprehensive version of 'the truth' in their operations, to make decisions that will drive growth in their organizations

Specifically, midmarket and enterprise segments want Key Performance Indicators (KPIs) as a standard part of the application architecture inclusive of meta-directory of KPIs that all applications can access to measure elusive objectives - Return on Marketing Investment, Optimal Pricing, Cost of Acquisition, Lifetime Customer Value – right out-of-the-box. *And that is Zoho's strength*. Zoho Analytics has 1500 built-in dashboards and reports and also integrates with 3rd party vendor cloud solutions. Zoho's universal NLP (Natural Language Processing) search is enabled across all apps and data pillars, provides contextual answers to questions, processes 16 million search requests and performs 150 million indexing jobs a day.

What's the right approach to the "Rule of 5?"

There is no debate as to whether the business benefits associated with addressing the complexity problems that are wrapped into the Rule of 5 are compelling:

1. Better management visibility into the business,
2. Better service for customers,
3. Better ability to drive efficiency,
4. Reduced business process costs
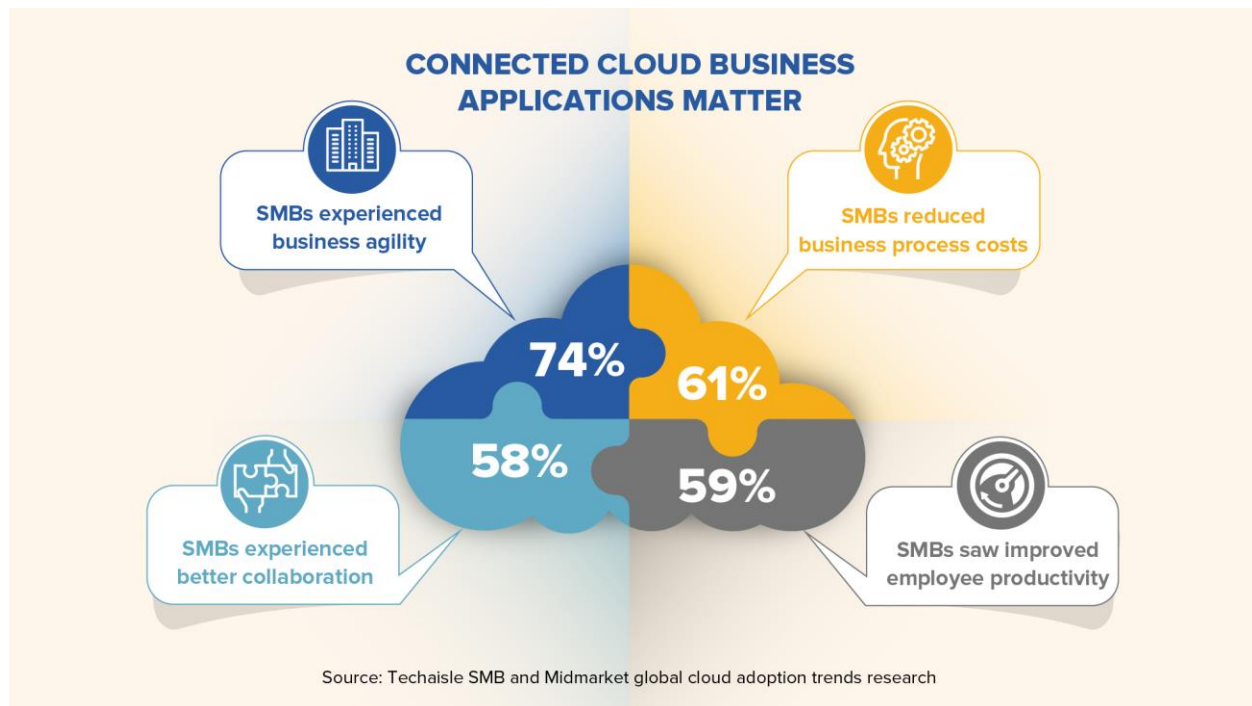5. Improved growth and business agility.

The question is – how do we arrive at that destination?

In a large enterprise, where complexity is a constant, the technology aspect of this answer is rooted in *middleware*. A staff of highly-skilled professionals uses a suite of high-cost tools to custom-build an environment that squeezes information together into a reasonably-consistent data set.

For an SMB and midmarket firm, this approach is somewhat impractical and they don't have the staff or budgets needed to compress diffused systems into a single source of input. Even for the firms which have internal IT, Techaisle data shows that 79% of IT staff time is spent on support and maintenance.

Connected applications within a single database matter for SMBs and midmarket firms because it allows them to:
1. Deliver rapid and accurate information,
2. Enable processes to share information,
3. Facilitate a single view of the customer;
4. Reduce cost and complexity by creating a single version of the truth.
5. And most importantly, from a business outcomes perspective, it provides a stepping-stone for the executive insight needed to drive profitability and growth in an SMB business context.

CONNECTED CLOUD BUSINESS APPLICATIONS MATTER

SMBs experienced business agility

SMBs reduced business process costs

74%

61%

58%

59%

SMBs experienced better collaboration

SMBs saw improved employee productivity

Source: Techaisle SMB and Midmarket global cloud adoption trends research

Why Zoho has the right solution to address the "Rule of 5"

Zoho's secret sauce lies in its interconnected set of data pillars that feed all relevant apps. Each data pillar contains very specific metadata that covers employees, potential candidates, communications, customer leads and opportunities, finance, customer information, assets, files as well as inventory data. Consistency is built into all of Zoho's products. Consistency has a lot to do with vertically integrated systems, a design paradigm that Zoho follows religiously. Across its entire platform, Zoho offers user-interface, experience and data consistencies.

Although Zoho One is the holy grail for digitalizing business processes and enabling digital transformation, most Zoho customers use a set of nine apps:

1. CRM
2. Analytics
3. Books
4. SalesIQ
5. Expense
6. Invoice
7. People
8. Social
9. Inventory

Collectively these apps can easily displace Intuit, Salesforce, HubSpot and several others. In 2020, Zoho is gunning for ERP vendors.

Zoho has the right solution to address the "rule of 5". For example, the data consistency and customer problem issues can be easily managed by *Zoho CRM*, a single app which seamlessly integrates with document management tools, marketing suite, inventory management and services. *Zoho Connect* and *Zoho People* and *Zoho Projects*, which also integrate with Zoho CRM, help businesses create and manage internal timelines for onboarding or team-level project management. Even *Zoho Books* and *SalesIQ* are

inter-connected and are therefore able to extract data from the same architecture to deliver timely, accurate and actionable insights.

Similarly, to address process problems, highlighted in the "rule of 5", Zoho's business process solution consists of two key tools: *Zoho Flow*, for business processes within a department; and *Orchestly*, for seamless flow of information across applications. Orchestly and Zoho Flow work well with each other to contextually push information to the user. Simply put, Orchestly customizes and enables the process that a user follows whereas Flow addresses how data moves from one application to another.

Customer retention and intimacy can be managed not only by Zoho CRM but also by Zoho Desk that handles customer ticketing for improved customer service and support. In fact, by default, Zoho CRM is integrated with 10 other apps which provides businesses a 360-degree customer profile leading to stronger customer experience and satisfaction. The problem facing many sales and support agents is a lack of context. Context about a particular customer can only be gained when information from relevant systems is organized and flows centrally. When that context is built into the system businesses can resolve customer issues in such a way that important customers can be easily prioritized for support by experienced support reps. Zoho Phone bridge, a customer support communication tool within the Zoho suite of apps also integrates with RingCentral, Vonage, Amazon Connect and many others.

Zoho's Upmarket momentum

Already gaining popularity and acceptance within the small business segment, Zoho has positioned itself to meet the needs of upmarket customers. Use of multiple cloud applications within any business adds additional complexity, with the need to integrate and secure multiple data streams; a key reason why IT's influence over cloud is greater within mid-market firms (which have a greater variety of users and applications) than within small businesses. Techaisle data illustrates that these issues define a category in which BDMs (business decision makers) are generally seen as having a primary influence over adoption, but where relatively few midmarket firms (no more than 24% in any employee-size segment, and generally 9%-16%) report that BDMs have sole authority over SaaS initiatives. This "IT/BDM collaborative led" category for cloud adoption decision making and deployment is the trickiest to address. It requires deep information on business benefits and the process steps required to capture those benefits targeted at BDMs, and deep information on how to assemble, deploy, integrate and support/optimize these solutions targeted at ITDMs – and an understanding of how to position and convey the messages to each audience. Zoho has rapidly built a team to provide end-to-end consulting, software implementation and project management services to deploy best-fit Zoho apps.

Techaisle Data also shows that upmarket firms need help in data migration, integration, business process re-engineering, security and deployment. Zoho addresses all these issues and offers several tools that handle data migration based on the type of data – tools to migrate from Exchange to Zoho Mail, tools to enable data migration from other CRM providers. Additionally, Zoho Flow comes with built-in integrations with over 400 third-party vendors, and if required can be extended to any other vendor for specific custom integrations. Zoho Orchestly and Blueprint have the capability of handling process re-engineering. Zoho has a very unique approach to security and privacy which should be "music to upmarket businesses". Zoho has removed all adjunct surveillance and does not run its applications on public clouds.

Final Techaisle Take

The impact of increasing customer base and improving customer satisfaction is manifest across many different SMB and enterprise business objectives – attracting and retaining new customers, increasing business growth, keeping pace with competition, and focusing on new markets are all C-level issues that rely on market reach and effective customer management. For example, executive focus on growth leads directly to demand for improvements in sales and marketing – and in today's market, these improvements are generally delivered in the form of cloud business applications that improve sales process efficiency and visibility, and social marketing systems that capitalize on connectedness within an economy that increasingly relies on person-to-person, cloud-enabled communications rather than broadcast and print media for information. The improved visibility resulting from cloud-based sales and marketing automation systems is in turn illuminating the need for, and potential associating with better-integrated customer management and support processes. This insight is prompting increased investment in connected systems automating business process tasks.

There is no reason for businesses, both small and large, to not consider Zoho.

About the Analyst, Anurag Agrawal

Frequently referred to as SMB Guru, Anurag Agrawal is a well-known industry analyst and has been named as one of the top 10 analysts to follow in SMB, Midmarket and Channel Partner segments.

An intense analytical blogger, Anurag specializes in developing go-to-market strategies, writes and advises senior executives on cloud, routes-to-market, emerging technologies, and industry dynamics. Based on data collected from market research he personally consults with senior executives on developing their channel and SMB and midmarket strategies.

With over 30 years in the industry, he is the Founder and Chief Global Analyst at Techaisle. Previous to Techaisle, Anurag headed Gartner's Worldwide Research Operations. He began his analyst career with IDC where he is credited for launching IDC's much sought after quarterly market share tracker research.

About Techaisle

Techaisle is a global SMB, Midmarket and Channel IT Market Research and Industry Analyst organization that is focused on simplifying, expanding and growing client's share in three of the most complex market segments – SMBs, Midmarket, Channel Partners. Techaisle was founded on the premise that Go-to-Market strategies require insightful research, flexible data, and deeper analysis. Understanding the value of data consistency across markets to inform strategic planning, Techaisle is holistic in its approach to insights and provides globally consistent analysis across geographies. To achieve its objectives Techaisle conducts deep surveys with end-customers and channels to understand market trends, opportunities, buying behavior, purchase intent, and IT priorities. Besides covering such as cloud, managed services, mobility, IoT, virtualization, analytics, collaboration, converged infrastructure, security and digital transformation, its channel research coverage provides in-depth understanding of resellers and channel partners globally. Techaisle's insights are built on a strong data-driven foundation and its analysts are conversant with both primary research and industry knowledge, which is a rare combination. Techaisle offers its clients: Syndicated Research, Custom Primary Research, Consulting Engagement and Competitive Intelligence. For more information, visit www.techaisle.com

Contact:
Ph: 408-4597751
5053 Doyle Rd, Suite 105,
San Jose, CA 95129

| US
| Singapore
| India

techaisle

DATA YOU CAN RELY ON | ANALYSIS YOU CAN ACT UPON