Breaking The Mold: Zoho Changes the Game for Enterprise Software and its Customers

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Introduction: Going Beyond Feature/Functionality

Zoho Corp., a 25-year-old software company based in Austin, TX and Chennai, India, has built a reputation for doing things a little differently than most enterprise software companies, in a very customer-friendly way. From how Zoho prices and licenses its software to how the company approaches the issues of privacy and security, Zoho's take on what it means to be an enterprise software vendor has made it quite unlike any of its peers. Judging from the company's continued customer success, understanding the different parameters of the "Zoho way" can provide customers with an important way to understand Zoho's offerings beyond individual features and functionality.

This is the first in a series of reports on the different ways in which Zoho *breaks the mold* in the enterprise software space and how that benefits its customers. This first report will look at one of the most significant ways in which Zoho breaks the enterprise software vendor mold: its exceptionally customer-friendly licensing and pricing model.

How it Starts: Offer the Best Prices

One of the favorite sayings at Zoho is "your margin is my opportunity," a quote attributed to Amazon founder Jeff Bezos. The embrace of this concept at Zoho is not without some irony: one of the companies whose margin Zoho considers its opportunity is Amazon and its hosting service, Amazon Web Services (AWS.) The reasoning is simple, and emblematic of how Zoho looks at how to price its products.

AWS makes a large profit on hosting SaaS software for vendors, so what if Zoho were to host its own software in its own data centers, eliminate the platform as a profit-making line item, and pass the savings to the customer?

This is just one example of the customer-centric approach to pricing and licensing that permeates Zoho's thinking. While undeniably a company that aspires to be successful and profitable, that success doesn't have to be part of a zero-sum game Zoho plays with its customers. "Just because there is money to be taken doesn't mean we have to extract it," said Raju Vegesna, Chief Evangelist at Zoho. Vegesna likens Zoho's approach to big box retailer Costco. "Don't get greedy, and offer the best prices to the customer."

Add Innovative Licensing… and a Broad Suite of Functionality

This mentality extends to the licensing regime at Zoho, which deviates from the rest of the industry by allowing customers to cancel a contract or lower the number of users under contract without paying penalties or incurring hidden costs. The reason is simple, according to Vegesna: requiring a customer to stay in a business relationship it finds unsatisfactory is simply not part of how a company should do business. "We don't force a user agreement on the customers," Vegesna said. "If they're not happy and they want to cancel, we say 'you can cancel.'"

The low price and customer-friendly licensing terms is an approach best seen in the company's Zoho One product suite, which offers an ever-increasing number of applications (there are currently more than 45 individual apps in Zoho One), all based on a single platform and data model. Under the hood is Zoho's flagship CRM product, as well as apps that cover analytics, finance, project management, invoicing and expense management, a suite-within-a-suite of productivity apps, and its low-code development tool, Creator.

The entire suite is available for $37 per user per month, if every user in the company is given a license for Zoho One. For companies that don't think they're ready to make that commitment, Zoho One can be licensed for $90 per user per month. By contrast, most competitors price much higher, with professional sales tools selling in the range of $60-$120 per user per month – for a single tool. Bundling some reasonable subset of the functionality in Zoho One (no other vendor offers a comparable range of functionality in a single suite) could easily cost ten times more, and that's without the special charges for "device licenses," data storage, and integration costs that predominate the market.

This pricing and licensing strategy, needless to say, is a big hit with customers. "It's very straightforward, there's not a lot of hidden costs. What you see is what you get," said Julie Doris, director of sales operations at Rain for Rent, which is headquartered in California and provides solutions that store and transport water and other liquids for commercial companies nationwide.

Rain for Rent, like many Zoho One customers, came across Zoho when it was looking for a way to replace an overly customized and complex CRM system that was expensive and not providing a good return on the company's investment. Fixing that problem with another CRM product would mean a full reimplementation, and Rain for Rent's management had no appetite for another long, expensive implementation process or a high per user cost. "One of the concerns of the leadership was the total cost" associated with some of the major CRM brands, Doris added. The pricing and simplicity of Zoho "made the internal sale very effective," Doris added.

For Purolite, Inc., a high-performance resin manufacturer and supplier based in King of Prussia, PA, the ability to support CRM and a wide range of other requirements was what drew the company the Zoho, according to Amanda Dolan-Riddle, the CRM integration manager at Purolite. The company was looking to create an internal company website to support a range of different functions, and the main option on the table would have entailed an expensive, custom implementation project. "Zoho gave us this out-of-the-box product we could do everything in" while eliminating the need for "a ton of subscriptions" for other SaaS products, Dolan-Riddle explained. "This was a no brainer: let's not pay someone else when we can use Zoho and get all these great features. The functionality we get pays for itself."

Happy Customers, No Compromises

The return on investment enjoyed by Zoho customers typically comes without the sense that users have to compromise on their CRM and other requirements by using Zoho, despite the dramatic differences in overall cost between Zoho and its competitors. Indeed, the broad range of functionality provided by Zoho One has allowed companies like Rain for Rent to both expand the footprint of Zoho across the company and meet most if not all of the different departments' needs at the same time. "I haven't found anything that I want to do that I can't do," Doris said. "I don't feel like it's a compromise."

The integration of all that functionality at Purolite under a single product has made administering the rollout of Zoho One extremely easy, starting with the fact that there's a single contract to hold instead of multiple contracts for individual products, Dolan-Riddle said. Having so much functionality under the Zoho One umbrella means that Dolan-Riddle can now work with other departments to streamline processes and add workflows – using Zoho Flow – in order to further automate tasks that users were formerly trying to "automate" using email, all while maintaining enterprise-wide visibility into Zoho's use across the company. "I can manage my 500 users in the admin panel of Zoho," Dolan-Riddle added.

Behind the Scenes: How Zoho Does It

There are several important reasons why Zoho can so effectively disrupt the world of enterprise software pricing and licensing. The most important is that Zoho has developed its software from the ground up, based on a common data model and user experience. The company eschews mergers and acquisitions, which means this broad suite of products does not come with a hidden integration burden that requires customers or their service partners to be responsible for stitching Zoho's applications together. This is a major different in the market: burdening customers with the need to integrate a vendor's product line is something that has been standard operating procedure in the enterprise software space for decades. In addition, Zoho is privately held, and has no outside investors. This frees the company from the quarterly profits-at-all-costs mentality of the public stock markets, allowing Zoho to take the long view that puts customer out front, instead of investors.

The products are hosted in Zoho's own data centers, which lowers the overall infrastructure cost to Zoho – to the detriment of an AWS or other hyperscaler that would take their share of the margin for themselves. Using its own data centers also allows Zoho to design its software and services in such a way as to provide an additional level of efficiency in the operations of its applications in the cloud. And with control over the entire stack, from raw metal up to the infrastructure, the security policies, and the enterprise applications themselves, Zoho can continuously optimize the platform and the efficiency of the applications.

The other important factor is Zoho's own philosophy about how to best serve its customers. When the company started, it was selling its software at prices more in line with rest of the industry. A decision was made to lower the price and go for a higher volume market, which began an important expansion of the company into new markets. Newly emergent markets such as those in parts of Africa and elsewhere are understandably price-sensitive, and maintaining its level of pricing allows the company to readily expand into these new geographies. "Countries like Nigeria will be important 20 years from now," Vegesna said. "If we raised prices now that wouldn't be competitive for other markets."

Its customer-friendly pricing continues to work well for the company, and helped it stand out in an industry that tends to try to corral customers into pay as much as the market will bear. These kinds of pricing schemes "would benefit Zoho in the short term, Vegesna explained, "but our cost structure would increase and ruin the culture of the company. The human-to-human aspect of the customer relationship are the most important."

As befitting a company best known for its CRM software, this perspective serves as both its North Star and its calling card. It's a perspective that serves Zoho's customers equally as well.