



Daniel Newman: Vijay, so great to have you back at The Six Five Summit 2022. It's been too long but love seeing you here once again.

Vijay Sundaram: Thank you for having me back Daniel, excited to join your summit again this year.

Daniel Newman: It's great. We're in our third installment, Vijay and every year the situation has changed. In the first year, we were basically all 100% remote, in the second year we were starting to get mobile but there was still lots of dark clouds. And of course, there were a few big waves of COVID that followed and then this year it's starting to look more optimistic. In fact, getting all these sessions scheduled has been a real challenge because we're on the road. Everybody's back on the road or at least people are leaving, they're going out, their mobility is up.

That's all really good and all that mobility, lots of [inaudible] and that by the way, is what I want to talk to you about today, Vijay. I want to talk about data. I want to talk about privacy. I want to have a continuation of the discussion we had a year ago because over the last year, privacy has just remained an absolute top item. You're seeing leading technology companies, you're seeing policy makers, you're seeing new rules and legislation coming in, laws passed around the world. I want to start there with you kind of what in your mind is going on in the whole privacy landscape?

Vijay Sundaram: Yeah. See a good place to look at it is quickly see the evolution of how these things have come about in the last 20 years, right? I think we've both been long enough to remember CAN-SPAM and the fact that you could actually avoid getting emails that you did not want to get. And then we've heard what the DMA and other agencies did to protect us from unwanted email. And then you had the big one that came onto the world was GDPR and about four years ago in 2018. And then there was a raft of others again, from the state of California, the CCPA and so on.

And in the last couple of years, that's really picked up some momentum. China announced the big initiative, India announced the big initiative, Brazil announced the big initiative. These are the biggest countries in their regions, right, with the largest populations and so on. And then of course, other countries the UAE, South Africa and so on. And so we are seeing a raft of legislation, and I think it's come from two areas. Probably it's the lack of companies themselves able to police themselves adequately. We've seen the inadequacy of that.

And secondly, when you take this onto an international forum, it's countries protecting their citizenry perhaps from other outside agencies in protecting the information of their own citizenry before it has all left the border. I think that's what we are coming to see in the larger world and it's going to impact everything we do, all technology. We've seen what Apple announced last year and the repercussions of that. We're going to see that across all technology companies now.

Daniel Newman: Yeah, we've seen how a single change in the way Apple makes data available to those in its ecosystem had massive impacts. And it wasn't just on small businesses, which were often the ones that had the most problems with data regulation and changes. It was big companies like Meta. Of course, that was very public as to what was going to happen to them. But one of the



reasons I love talking to you, Vijay about this topic is philosophically Zoho is built a little bit differently. While you're not necessarily the biggest name in say a CRM or ERP you guys have really carved out a big niche in that middle of the market, small midsize, and even small mid enterprise but you've just really adopted a privacy driven philosophy inside of your organization.

And you were doing this before it was really trendy. I remember before COVID we were having conversations. I was at Austin at one of your analyst summits. We were hearing about kind of the way you're thinking about this.

Philosophically, there seems to be though this continuum Vijay of companies that are basically monetizing data and then there's companies that absolutely will not monetize data and you've gone to that side. We will not monetize the data and we will be very privacy focused. How did you land on that philosophy at Zoho?

Vijay Sundaram:

Yeah, I think you put your finger at when you talked about monetizing data, if you look at a classic company, so certainly social media companies fit into this. And I would say companies built on ad revenue also fit into this model. They are essentially companies that are really in the business of collecting data. I mean, that's as stark as it is. That is their business. Anything they provide, whether for entertainment or for utilitarian use or for productivity is to allow that, right. But that's the core of what they are. You can't be an advertising company unless you're on the business of collecting data because that's the source of what you do. The first kind of recognition that a company should have when it evolves a policy is what is your fundamental business model? Where will you allow it to progress?

And where will you deny it? That's the big question that most companies used to think about. When it comes to Zoho it started... It's also important where these initiatives start and who pushes it. At Zoho, it started the biggest advocate of privacy here is the CEO and he was way ahead of his time. Back when the company started 25 years ago, he made that decision that we will never have a model that builds on advertising. Remember advertising had just kind of started off at that time. He made that decision and that was percolated through the company. And that's the first place where it got set. You basically divorced your business model from the purpose of serving customers in a particular way, in our case business applications and divorced that from any business model that might collect information because it needs to support an advertising model.

The first thing that needs to happen is where did this initiative come from? How strong was that conviction and how strong was it to take beating from the ranks that you're foregoing revenues and you're foregoing things, right? That's the first place where this actually started. And then I think from there, we had to so we picked the right business model. It was about we won't have ads and we also know that we are going to be online and also a SAS model. And people are going to come to our various sites. And so the obvious way to collect information is through cookies. And it all started fairly innocently to improve the customer experience, to improve the... To get better information on the customer so you can serve them more relevant stuff. That's where it all starts, right? It starts at a zone of relative innocence.



And before you know it the train has left the station and it's progressed into things that you can't control. We had a policy of no cookies. We're going to have... And that became strong over time. We basically enforced it even at the risk of our own marketing because we can benefit even if we don't sell that data. We can benefit by collecting that data. And we chose to forego that because if you're sincere about this, you've got to keep your nose clean. You can't be halfway in and halfway out. We decided there would be no cookies. And several years ago we went a step further where we said, we learned about this notion of third party surveillance, the notion of third party cookies, primarily. That is where unbeknownst to users information is collected not even by the site you're visiting but by some other party.

And that you have no idea who's purchasing the information, what is going to be usable. And it's not just retargeting it goes into all kinds of other databases. We banned the use and I think we are still the only large provider of business software that completely bans third party cookies on our sites. And if you can do that there are the software and tools that can test that out. And we actually run it our own test and the CEO actually does it. I know Sridhar has randomly looked at some of our products around this and said, "I saw this cookie. Who's at fault here? Why is this even here?" You've got to have that mandate from the top. It takes a few years. You have to fight off some internal opposition to it because marketers are marketers and this is rich information and you're giving it up and your competitors have it. You're at disadvantage. You have to fight all of that and there's a certain conviction that comes with that to see this over time.

Daniel Newman:

Yeah. The philosophy itself, very altruistic. It's hard to not like as an observer, right, or in my case as an analyst to look at and say what a good company? How thoughtful, how altruistic, how... Consider it. Because I think any of us that know how our data is being captured, utilized, it's a little bit like watching fast food get made. It's like you don't necessarily want to see that meat get delivered or how that stuff all happens. You just want to in the end, enjoy it. That's a little bit like how third party data is. In the end, it's used to ideally generate these better experiences across the web that many of us enjoy, whether it's helping recommend a show or a product we might want to buy. Third party data, cookies, customer data, a lot of these things are used in order to do this.

But at the same time, having this philosophy deep down is the true personification of a company that's saying we really, privacy means something to us. And by the way, that is not how Apple is. Despite the commercials, they collect a lot of data on their users and utilize it. But I could talk to you about this for hours. We only have another 5, 10 minutes to talk so I want to get into the meet here. The altruism is good Vijay but your customers are small-medium companies, small enterprises. They need to be able to reach customers, generate great experiences. How do you do that? How do you do that better or as well as your competition when you're saying yeah, we don't use this data that could be critical? How do you make sure that your customers don't sacrifice in the name of your philosophy?

Vijay Sundaram:

Yeah. That's a really good question and let's take it in two parts. Let's take it in what we have self-sacrificed and what we do against that. And then what our customers will sacrifice. I touched upon the first part. We sacrifice our ability to target customers, to target prospects because we track them and we know what they do. We know what they opened and that kind of



thing. At the face of it that's a bad thing. We could do better in our marketing if we had that and any market would object to that. There is a positive to it. It forces you to come up with other marketing techniques maybe ahead of the curve. When all these, when privacy comes in we'll be that many steps ahead because we've found other ways to work with customers because we decided to do the policing ourselves.

I think there's a silver lining to that and we are experimenting with a lot of ideas to help us reach customers and get customer information better. Not the least of which is connecting with customers. That's one part of it. The other thing is again, from our perspective, think of forgone revenue. That's not a tiny amount. We have 60 million users worldwide, right. That's 60 million business users so a very targetable community. And if you look at monetization models, they are somewhere depending on the company, somewhere in the order of \$10 to \$50 RPO per user per year. You're talking even at the low end of it, we would probably be leaving half a billion dollars on the table, right, in terms of advertising revenue. And this is over time but that's something... We're here on the business of selling software to customers, of improving their business process so we're we okay with that. And we're going to be successful with that and we already are. I don't think that's a problem.

Second part is how does it impact our customers? Does it restrict them? We don't restrict our customers. We are not puritanical enough to say that our policies need to apply to how you should conduct your business, right. If a customer wants to use cookies or marketing automation that requires the use of that, they can use that. We have marketing software and they can turn these things on in the marketing software and use them per their policies to their customers. They're not sacrificing anything using Zoho technology because it allows them to do. We have ways to look at what to get it, for example, the live chat that you can do on a website that informs you about a customer or if somebody comes into your site.

We have software that does that. It's called SalesIQ and customers use it. We don't necessarily use it in certain ways ourselves. We allow the customer to make that determination. They're not sacrificing anything by using Zoho software. They just can many customers, especially our partners choose to adopt our policies because they appreciate them over time but we aren't going to impose that upon them. People learn by example, so that's-

Daniel Newman:

It's a risk but it's also very calculated. Basically this is where you stand on an issue. It could be this isn't that different than things like climate and diversity efforts. It's that hey, our philosophy is here and hopefully if you relate to this philosophy, then maybe it'll make you more interested in working with us or appreciate us as a partner a little bit more. However, you've got the APIs you've had integrations. And if a customer wants to manually turn some of those capabilities on it can be done. But that is more of saying hey, we kind of keep everything in the off position when it comes to privacy initially. But if it's important to your business and as you know I mean, it is for many any businesses. But I would argue and this'll kind of lead me to my last question I'm about to ask you. I would argue that learning ways to engage customers and drive that first party data is going to be paramount.



Because I do think customers are increasingly fatigued by the retargeting, by the tracking, by the kind of surveillance that is being done. And the fact is the algorithms still aren't always that good because I still get tons of ads for things I've already bought things that I may have talked about that I had no interest in buying, places that I've surfed that were not necessarily for my own benefit or for shopping for something for me. But I continually get ads for something because I help look something up for a friend. I mean, it's just there's a lot of things that are great about third party data in terms of creating experiences. But there's also a lot of errors that first party data and opt in data can be much, much better for.

Where does this go? The privacy discussion, we mentioned policy being driven, software implementations and upgrades within Zoho are being driven by privacy. There is a continuous effort and it's clearly become a talking point. Are others going to follow suit? Is this going to be a differentiator for you? Is it going to become a bigger deal in companies that haven't gotten on board with your train of thinking are going to be in a bigger challenge? What's going to happen over the next couple of years in your eyes?

Vijay Sundaram:

Okay, good. Let me just go back quickly to the previous question. I want to be clear that we don't track customer data but customers can use marketing software to track their customer data. It's not in our business to say what policy they should have. Let's be clear that they can do that. The second thing is we do track how our customers use our applications so that we can improve the applications, right. We just don't use that in anything else. We don't track what other sites they go to but if they work within the application, we see how they use it. We don't give up the experience effect so we can improve the product but we strictly constrain it to that, right. I just wanted to clarify that. Your next piece is going forward. I think in some ways we're just still at that tip of the proverbial iceberg here.

Regulation has just come into place and if you think about it, this is going to be a lot more insidious than we see it. On one end of it, it is information that's being accumulated for better targeting of ads. That's the sort of innocence end of the spectrum. Surveillance, even surveillance by your own governments is at the other end of this privacy spectrum. Depending on which side you are, the people who speak for privacy and want that to be almost a right, they would speak at one end of it. And the people who depend on business models to protect this would speak at the other end, which is I'm trying to do this because I get you better ads or small businesses depend on us to give them this kind of information or e-commerce sites do better for you, et cetera.

The real thing is you can see what's happening. You can see how information take your listeners many of them have probably heard of Clearview the AI company that collected all this information and then pulled... It was basically an AI system to recognize for facial recognition and pulled information from Instagram and Facebook and so on and started building repositories of data that was actually subscribed to by governmental agencies in multiple countries. Now you've had a reaction to that. They've seen action in multiple countries in the UK and Sweden and Italy and so on Australia and so on. And so that's where it can go. You collect this kind of information, it becomes the basis for other kinds of scrutiny, which could happen from other parties, your own government. And now this begins to question the fundamental contract you have in a



democratic society with your government. What is it that they're allowed to use and have about you?

You can see where all this has already gone. Companies like Experian have picked up information, third party information and now they can use it to sell that back to loan agencies and other people that lead to that kind of potential discrimination and inequities you're talking about. This is a societal issue. It is very far from a targeting issue that is used to get you better at. That's the future. I don't mean to sound glum and pessimistic about it but everything I said has already happened. It's not a creation of my mind. It's observing what's happened on the ground. For us, we have started with a certain conviction. We will live by it. We won't ever change it. We won't ever change it and we will live by that conviction. We do think that people value us for it.

Plenty of customers tell us that. Plenty of partners tell us that people associate with others a lot of times and more and more because of fundamental ethics and privacy has now become part of that ethical set of things you bring. How you treat your employees, how you treat your customers, how you treat customers' data that is also part of that ethics. We are bound by that ethical commitment rather than some regulatory compliance. And so I think that is appreciated by a lot of companies, by a lot of customers. We have increasingly we see customers tell us that we respect your position on privacy. Sometimes they hear about Zoho because of our position on privacy and then they find out what we do. It helps us and it is a source of differentiation for us going forward.

Daniel Newman:

Yeah. It's a great way to wrap this up. I absolutely agree fundamentally that these are the kinds of things that companies are doing whether it's, I mentioned climate and sustainability. Companies that are saying yeah, we know that by 2050 the government is saying we're going to have to do this but we're going to accelerate our neutral footprint by 2030. Which it's another thing I know you and your firm are very focused on and didn't talk about today by the way. But my point is just how you kind of operate your business based upon the construct of what is being required of you and then how you operate your business because of what you fundamentally believe and how you want to associate with hire people, bring in customers that tend to share many of those common beliefs with you. I think that's, it's a pragmatic but also a very entrepreneurial kind of philosophy that tends to be one of the key differentiator between companies that really do grow and companies that often do not, is having those strong convictions.

And like I said, there's probably a case to be made for using data. And it certainly isn't any rules against it but we do live in a world where I know many people feel their data is not cared for or respected or treated well. We are definitely going to have to move in that direction. But Vijay congratulations on the progress the company has made, the growth you've experienced throughout the pandemic. And I want to thank you so much for coming back again. I'm going to reach out next year because this conversation is far from over and I always love chatting with you about privacy and all things, enterprise applications.

Vijay Sundaram:

Thank you, Daniel. It was a pleasure talking to you too, as always is. Okay. Good luck with everything you're doing.



Daniel Newman: See you soon, Vijay.