REPORT REPRINT

Audio and web conferencing provider LoopUp keeps up momentum post-IPO

RAUL CASTANON-MARTINEZ

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The audio and web conferencing provider was the first technology IPO post-Brexit. LoopUp plays in a highly competitive space but its unconventional strategy has resulted in a differentiated product and solid footing.

LoopUp is a remote audio and web conferencing SaaS provider that's going head-to-head against some much larger competitors. The industry as a whole is growing, but the company does stand out among the crowd in that regard. In the past three years, LoopUp experienced above-average growth rates in terms of revenue and gross profits. It also enjoys a much lower churn rate than its competition. UK-based LoopUp was notably the first technology IPO post-Brexit. Despite market uncertainty, it appears to have kept its momentum one year after IPO. Here we look at how its unconventional product and go-to-market strategies have contributed to its success.

THE 451 TAKE

LoopUp stands out above other remote meeting and UCaaS providers. Its business strategy defies in many ways the 'conventional wisdom' in the industry. Its trajectory shows LoopUp consistently beating the odds with calculated risks that other companies may have not considered. Key performance indicators such as revenue growth and profits – which are significantly above industry average – show this approach has proven successful for the company. LoopUp faces intense competition from much larger vendors with deep pockets and substantial sales and marketing resources. The question now is whether its unconventional approach is sustainable in the long term and can help the company get to the next stage. LoopUp has been successful in adapting to changing market conditions; perhaps its most distinguishable trait. Almost a year after going public, LoopUp has kept the momentum it gained in previous years. We expect its approach will continue to yield positive results for the company.

CONTEXT

LoopUp provides a SaaS conference call and remote meeting solutions for the enterprise. The company was founded in 2003 by co-CEOs Steve Flavell and Michael Hughes. LoopUp has 120 employees and is based in London, with offices in San Francisco, Boston, New York, Hong Kong and Barbados. The company went public in August 2016. It was the first technology IPO post-Brexit. The IPO raised £8.5m, valuing the company at £40m.

LoopUp competes in a crowded market that is growing increasingly competitive. There are the legacy providers of audio conferencing such as InterCall, AT&T, BT, Level 3 and Arkadin. These vendors still dominate the market in terms of minutes volume, reflecting the fact that most users are still 'dialing in' to conference calls using numbers and codes. Other players include large providers of business communications and collaboration solutions that are expanding their product portfolios to include conferencing. They have recently started to emphasize the benefits that can be gained from a tight integration across their products. Examples include Google's G Suite and Cisco's cloud collaboration platform Cisco Spark.

The competitive landscape also includes providers of unified communications-as-a-service (UCaaS) and conference call products. A number of these are privately held companies that have seen a growing interest from investors in the last three years. Examples include videoconferencing provider BlueJeans Network, with equity funding of $175m; UCaaS provider Fuze, with $300.4m; UberConference, a videoconferencing offering owned by UCaaS provider Dialpad with $53m in funding; and Zoom, with total funding of $145.5m.

LoopUp followed a different strategy. Prior to going public, it was privately funded by over 50 angel investors and a Spanish VC, Adara Ventures, with several rounds in the $0.5-5m range.

SURVIVAL OF THE FITTEST

The story of the company that eventually became LoopUp dates back to the mid-1990s when its founders met at Stanford University. Their initial efforts include Ring2 Communications, a click-to-dial service. They went through several iterations, building on their technology and experience in communications and collaboration, before launching LoopUp in 2006.

LoopUp's experience pivoting its technology to adapt to market conditions is not uncommon among tech start-ups. A number of decisions along the way, however, shaped its business strategy, resulting in an unconventional approach to doing business. In many cases, these decisions were critical for the survival of the company.

The funding strategy previously outlined, for example, was not just the result of a decision to remain independent. The founders were in the process of raising $8m from new investors when the market collapsed in 2008. In order to remain afloat, the company adapted its strategy and raised more limited funding to achieve faster profitability by 2010. The company also had to adapt its sales strategy. Rather than hiring experienced and expensive sales people, they recruited new graduates and trained them. They work in teams of six people, which the company calls 'pods,' and are responsible for lead generation, sales and customer care. They are compensated as a team based on new revenue growth. This is different from the typical approach based on building separate teams by function. LoopUp believes this is more efficient and it has resulted in a low churn rate, which translates into predictable recurring revenue growth, lower acquisition costs and higher profitability per customer than the industry average.

PRODUCTS

LoopUp believes that despite this being a crowded space, there are a number of market requirements that are not being addressed by other conference call and web/video conferencing products. The company contends that meeting organizers are highly risk-averse when hosting remote meetings, due both to their own comfort levels with software in the heat of the moment with clients and colleagues as well as the potential comfort of their guests. This explains the persistent high level of legacy dial-in access, which comes with a lack of visibility and control of the meeting, and results in frustration and lost time and productivity. LoopUp seeks to differentiate itself by coaxing users away from dialing in and addressing the key challenges that users typically face with everyday remote meetings with an approach that provides a streamlined interface, is easy to use and does not overwhelm users with unnecessary features. The company claims that new users in 2016 joined 75% of their meetings by clicking a link in the invitation; this prompts LoopUp call out to them, rather than dialing in.

The platform provides capabilities for hosts such as one-click screen sharing, integration with productivity tools such as Outlook, ability to mute background noise, and call start alerts to let hosts know when guests join. For guests, the system provides a clickable link to join the conference by having LoopUp call out to them on a phone of their choice without having to dial in, ability to join from any device without the need for plug-ins, and the ability to share their screens. Other capabilities include LinkedIn integration to provide additional context with user profiles.

LoopUp has four global datacenters in London, Chicago, Hong Kong and Sydney and provides 24/7 customer support. The company places a strong emphasis on premium voice quality, which is scored objectively across all its international routings.

STRATEGY

The company's primary revenue model is pay-as-you-go per-minute pricing; LoopUp claims it accounts for 98.5% of its total revenue. Additionally, individual users and small businesses can self-serve through an online free trial or one of two pricing plans that offer a set number of minutes per month: per user at $22 per month for 1,200 minutes or $44 for 3,000 minutes. All plans offer the same capabilities.

Even prior to its IPO, the company had been growing rapidly. LoopUp reported a 39% growth in revenue in 2016 and a 38% CAGR in the last three years. Its revenue for 2016 was £13.6m with a gross profit of £10.3m. The company claims it has over 2,000 paying customers worldwide. LoopUp estimates that almost 50% of its revenue is from US-based clients and 46% from the UK. Named clients include Travelex, Kia Motors America, Planet Hollywood, National Geographic and Subaru.

COMPETITION

LoopUp competes with other conferencing providers, including large vendors such as InterCall, AT&T, BT, Arkadin, Verizon, Microsoft Skype for Business, Google Hangouts Meet, Cisco WebEx, Citrix and Amazon. Stand-alone providers of audio and video conferencing include Adobe Connect, BlueJeans Network, Highfive, join.me, UberConference (from Dialpad), and Zoom Video Communications.

SWOT ANALYSIS

STRENGTHS
LoopUp has adopted an unconventional approach for product development, funding and sales that has resulted in a differentiated product and strong financial performance.

WEAKNESSES
The company's approach to outside funding has allowed its management team to retain control over major decisions, but this can be a double-edged sword. Limited funding options could slow down its growth rate and place constraints on its plans for expansion.

OPPORTUNITIES
Remote meetings are gaining relevance as a result of advances in technology that allow for a better user experience. Combined with market trends such as increased worker mobility and work-from-home practices, this is setting the stage for a surge in demand that will benefit vendors such as LoopUp.

THREATS
Conferencing is a central component in the product suites of incumbent providers of business communications and collaboration solutions such as Cisco, Google and Microsoft. These vendors are on the offense to maintain their dominant positions.