Analysis of Investment Insight and Recommendation of Discord Based on the POCD Framework

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Abstract. As the cyber world enters a brand-new phase of its evolution, an easier and better communication among video game users is demanded more from the market. As, an online communication company founded in 2015, has been gradually and efficiently fulfilling the needs of the market. Compared to old-fashioned online communication applications that have been in the market, such as Skype and TeamSpeak, not only does Discord offer a relatively more well-designed user interface and better internet connection, but it grants its users access to create and manage their own servers. Although Discord has not served as many years as its competitors for the gamer community, its monthly active user count has reached a shocking number of 150 million. Discord managed to gain such popularity in only 7 years can be seen as a result of its innovative and creative interpretation of the new ways people are connected in the cyber world.

Keywords: Discord · POCD Framework · financing history · investing advice

1 Introduction

The VoIP market now, under the pandemic of the Covid-19, welcomes an explosion in its users. Because of obvious causes of this such as constant government-pushed quarantines and lockdowns, going online to talk to friends has become a trend. Applications that provide their users with voice and video call services such as Discord Inc. have been considered as the alternative to the general act of meeting in person. Regardless of the situation since the pandemic, as a matter of fact, the VoIP market has been evolving since the start of the world's cyber era. A significant increase in the worldwide VoIP market from 2014 to 2024 (est.) can be spotted in Fig. 1 [1]. From $20 billion in 2014 to an estimated market share of over $140 billion in 2024, an investment in VoIP companies such as Discord is recommended because of the considerable potential. As early as 2004, there had been companies that decided to increase their investment amount in the VoIP industry as they considered VoIP to be a better and less costly way of communication compared to old-fashioned phone calls and fax: "Norshield decided to explore voice over IP as a way to eat up that unused bandwidth, and save money at the same time-the firm faced some hefty telecom bills thanks to its far-flung offices. We were spending about $14,000 to $15,000 a month on long distance calls," Smith said, "It was getting
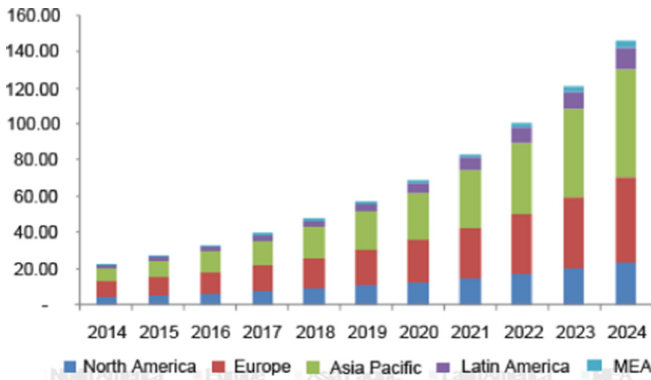
Fig. 1. Global mobile VoIP market by region, 2014–2024 (USD Billion).

to be a significant number" [2]. However, VoIP is believed to face challenges such as latency and delay. Although a relatively fast internet is believed to be commonly used in most Western countries, getting fast internet is still a major technical difficulty for developing countries in Asia, Africa, and South America. One of the types of delay is propagation delay, which is "caused by the speed of light in fiber or copper-based networks" [3]. Unlike traditional phone calls, VoIP calls require a stable and relatively fast internet connection. Among all internet cables, fiber is considered to provide the fastest internet connection. However, restricted by technology and cost, most countries today still use copper-based networks as their major way of connecting to the internet. In fact, most Americans do not have fiber set up in their homes because it is still the costliest internet option so far. This aspect might take a negative impact on VoIP's market share in developing/under-developed countries and should also be considered as one of the major challenges for Discord. Based on Fig. 1, North America does not meet Asia and Europe's market share, meaning that the existence of the market potential is real. Moreover, having business done over VoIP usually means that confidential information might be exposed to random "whomever" on the internet. Therefore, companies that seek a change in the way of communication might want to add cyber security to their cost, indirectly offering a higher barrier to entering the market.

2 Introduction of Venture Capital

Terms that investors and companies in financial rounds are exposed to, such as convertible notes and private equity, are commonly known as venture capital, a method that allows investors to maintain management and help push the growth of companies that they invest in [4]. As described in Investopedia, "Venture capital (VC) is a form of private equity and a type of financing that investors provide to startup companies and small businesses that are believed to have long-term growth potential" [5]. This method of measurement can apply to the relatively recent-funded company that is being analyzed in this article, Discord app. Companies such as Google, WhatsApp, and Uber have participated in their process of venture capital.
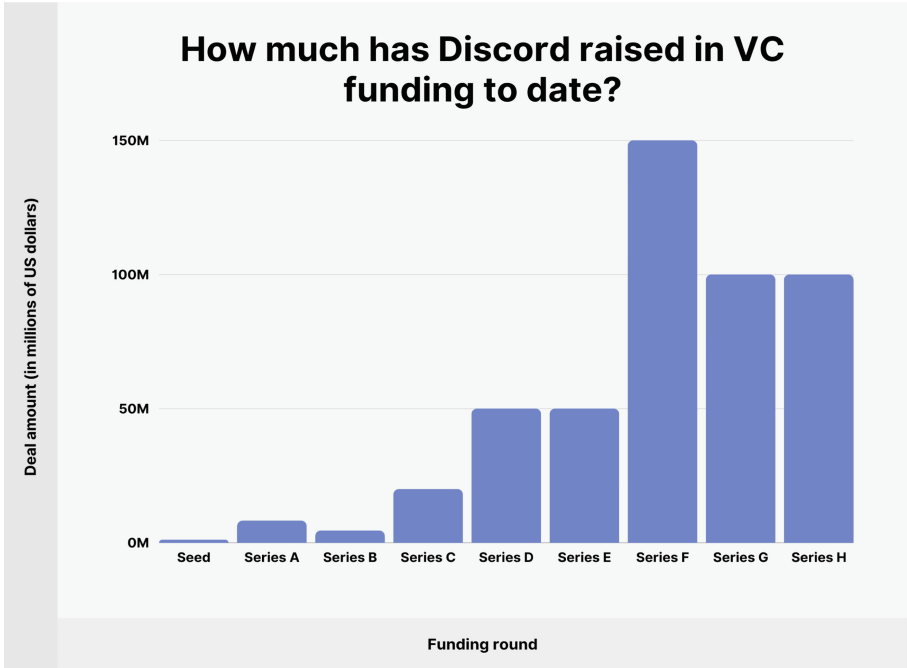
Fig. 2. How much Discord has raised to date from different series in VC funding.

3   Brief Introduction of Discord

Discord Inc. is a privately owned company and, according to a Bloomberg article published in September 2021, its valuation has reached $15 billion by the year of 2021. According to a Crunchbase article, in which gives a piece of brief information about Discord's financing history, "Discord has raised a total of $995.4M in funding over 16 rounds [6]. Their latest funding was raised on March 12, 2022 from a Secondary Market round. Discord is funded by 31 investors. Arcane Group and Flat Capital are the most recent investors. Discord has acquired 3 organizations. Their most recent acquisition was Sentropy Technologies on July 13, 2021" [7]. Discord currently has 10 lead investors and a total of 31 investors. As shown in Fig. 2, companies or individuals such as Sony Interactive Entertainment, Franklin Templeton Investments, and Fidelity Management and Research Company have joined Series H in investment to Discord.

4   POCD Framework on Discord Inc.

4.1   People

Discord was founded in San Francisco, California by Jason Citron (co-founder, CEO) and Stanislav Vishnevskiy (CTO) on May 13, 2015. Jason Citron studied at Full Sail University and previously founded OpenFeint. Stanislav Vishnevskiy majored in Bachelor of Arts/Science at California State University, Northridge [8]. The two founders or

owners of Discord share a common advantage because they both are educated as they both have attended top colleges and had experience in starting a company. To build on this, Jason Citron's early attempt in the gaming VoIP industry gained his experience and confidence in continuing to seek more opportunities in Discord Inc. OpenFeint was founded in 2009 by Jason Citron and served on the internet as a "social platform for mobile games that allows social networking features to be integrated into the game's functionality" [9]. Founding in a tech company such as OpenFeint can be precious as, in this case, Discord's success today seems rather explained. Speaking of their education history, Stanislav Vishnevskiy's alma mater, California State University, Northridge, ranks in the top 20 of Top Public Schools [10]. However, transparency seems to be an issue between the two founders. Because of the fact that no significant information can be found over the internet searching their names except for the company they currently work for, Discord Inc., in this case, and their education, investors will have a hard time finding any more useful information on their background. Unlike most company owners who desperately seek investors, they prefer their personal information unknown. To many investors who are unfamiliar with Discord's success and potential in the market, this might be a significant negative aspect.

4.2 Opportunity

Along with the progress of Discord's growing valuation, it is interesting to notice that its valuation nearly doubled in 2021 compared to that of 2020. The post-Covid-19 ways of teaching can also be seen as a strong controlling reason for Discord's recent success. Discord has been used by schools and colleges since online teaching became necessary after the pandemic hit. That is, in other words, Discord does not necessarily have to serve only as a gaming-communication application, but it sees an uprising demand for online teaching in the market. It does not require studies to state that a decent number of people have chosen to go online instead of meeting in person under the pandemic. This allows online communication applications such as Discord an opportunity to expand and eventually make a bigger profit. It also explains the reason that Discord's valuation and user count have doubled within the 3 years of the Covid-19 pandemic. Another available opportunity in investing in Discord Inc. is generated out of the concept of the Metaverse, a term firstly created by Neil Stevenson. Metaverse is briefly explained in a Pew Research article: "The most-common definitions of the 'metaverse' are: 1) an embodied virtual-reality experience; 2) a Web3 framework for economic interoperability; 3) a creative platform for experiences (e.g., Roblox). Some current versions may be a hybrid of these" [11]. In other words, the movie Player Number One can be seen as one of the most recent portrayals of the concept of the Metaverse as it describes a world in a predictable future in which people's lives are based on virtual reality, any form of action is done over the internet except for basic human activities such as the act of eating and sleeping. Discord Inc. might thrive in a Metaverse world like described in the movie Player Number One because the online form of communication will become necessary. In this case, Discord Inc. will not only be used as a platform for the industry of the gaming VoIP, but it will become something that people's lives rely on. Discord Inc. can be taken as mobile phones that changed people's lives overnight, because about 30 years ago people could not have imagined how much of an impact would mobile phones exert on their lives and society.

If the invention and the widespread use of the mobile phone are to be considered as an evolutionary change in human activity in the last 30 years, VoIP applications such as Discord will be under the same effect in the future.

4.3   Competitors

Though Discord has competitors in two different industries, the gaming VoIP (Voice over Internet Protocol) industry and the online learning industry, it does not necessarily mean that there is more obstacle to its development. In the VoIP industry, Discord faces challenges mostly from TeamSpeak. However, according to statistics on TSViewer.com, only 4% of its users are from the United States, while Germany is the biggest country for TeamSpeak, 36. As illustrated in Fig. 3, the maximum user count of TeamSpeak within the 24 h of June 18, 2022 has reached only 210,000, which is considerably low compared to the user count of Discord [12].

Moreover, as a former user of TeamSpeak, the user interface is relatively complicated and difficult to use au contraire to that of Discord. Most importantly, it is not free to create a server in which people can invite others to: "On TeamSpeak, to host a server, you must buy it from a host as it is not free to use. Depending on how many client slots you are opting for, it will cost you accordingly." [13]. While Discord allows its users to create as many servers as they wish free of charge. Moreover, Discord offers its users a community hub in which people can look for any kind of server that they are interested in.

In the online learning industry, Zoom is to be considered the biggest competitor of Discord. While thousands of online classes are held over zoom, Discord can offer a more flexible and easier platform for students, allowing them to discuss and learn in specified voice servers. In fact, most college students collectively create their own Discord voice servers to study together online, with both text and voice servers, they are granted access to share their work and an opportunity to exchange thoughts. According to a UNLV article, teaching assistants and professors are allowed to hold office hours more conveniently using Discord [14]. This is the aspect that Discord can offer, and Zoom cannot. However, as the most competitive rival of Discord, Zoom does have its decent aspects as a VoIP provider. Firstly, Zoom is better known as a video-conference application than Discord is. To build on this, statistics indicate that Zoom had over 300 million users participating in meetings/conferences in 2020. Furthermore, it is still
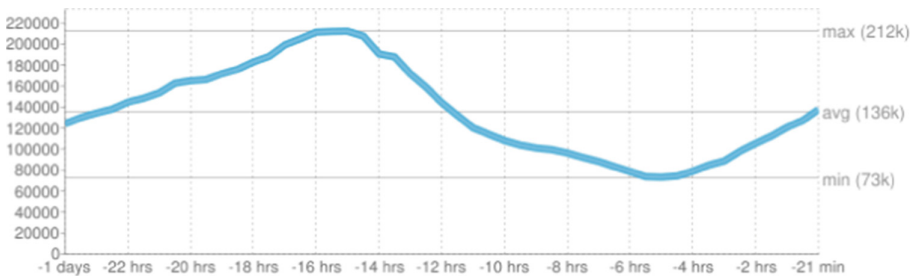

Fig. 3. TeamSpeak user count according to time (statistics on June 18, 2022)

the most used online class platform today. Secondly, the way Zoom connects people conducting in conferences or classes in a more convenient way than that of Discord. On Zoom, a conference meeting or class can be easily held by creating a link. Whereas Discord users must create and invite participants to a server in order to hold a conference meeting. However, like Zoom, Discord provides its users with a variety of server regions. For example, Discord owns servers in both Hong Kong, China and Los Angles, United States, allowing conference participants from China and America to connect to each other with a stable connection. Again, Discord does not aim to level with Zoom in the industry of online class platforms but owning a fair proportion of the market share will still allow the company to profit. In short, the two biggest competitors of Discord Inc., TeamSpeak and Zoom, both ask their users who want to host an online meeting or conferences to pay to practice such an act on their servers, whereas Discord Inc. does not. Discord Inc. encourages its users to pay for subscriptions such as Discord Nitro to better or maximize their experience in higher resolution streaming or calls that are of a better quality. No normal function that other companies provide will be charged on Discord as it provides its users with unlimited calls, video streaming, and custom servers completely free of charge. However, such an act of Discord's can have its challenges as mentioned in a CB Insight article: "This strategy is not without downsides." Doug Clinton, managing partner at venture firm Loup Ventures, points out, "It is risky to rely on keeping consumers paying over long periods of time, but beautiful if it works." Will premium users consistently like the platform enough to keep paying for it? Will alternative platforms come along and attract Discord users? It remains to be seen whether its non-ad revenue streams can provide enough money for Discord to keep growing and eventually turn a profit. Below, we dig into each one of these revenue drivers [15]. Discord Nitro, taking up to 40% of all Discord users, has earned over $120 million for Discord as of July 2020[16]. Discord Nitro users pay $9.99 and $4.99 per month or $99.99 and $49.99 per year for better voice, video, and live streaming quality. Compared to non-Nitro users, users who pay for Nitro can hear and see their friends better online. Another perk of Discord Nitro is that Discord Nitro owners can boost their or their friends' servers so more people can get to know about their servers, making it more exposed to other people online who are interested in joining a server but have no clue which exact server they should join.

4.4   Context

The advantage that Discord has in both gaming VoIP and online learning industries can be explained by the increasing number of gamers and online-learning students during the Covid-19 pandemic. Gamers need a platform like Discord to communicate with either their friends in real life or people they meet online. Online-learning students need a platform like Discord to better their academic performance. As long as the Covid-19 pandemic still exists, the online-learning aspect of Discord will only thrive. Additionally, this brings the biggest potential challenge Discord may face in the future, which is whether it will continue to profit from the online-learning industry if the online-learning market shrinks with the end of the pandemic. It is to be believed that Discord will continue to lead the VoIP industry even when the pandemic ends because of its unique and innovative design and aim. From an advertising perspective, compared to VoIP applications that are not as popular, Discord has no advertising needs and because of

this aspect, its advertising cost can be very little to none. Discord has already gotten its name out widely in the gaming community, granting itself the freedom from having to advertise to gain users [16].

5 Conclusion

Discord can and will maintain the level it is on and continue to profit with respect to the POCD Framework. The VoIP industry does not offer strong competition to Discord, almost disallowing existing companies to take any market share of users away from Discord. Discord may still profit off the online-learning industry while the covid-19 is still a problem, otherwise it can choose to exist the industry because it does not necessarily consider online-learning as its main source of profit. In the short run, Discord Inc will continue to benefit from the increasing needs for online communication because of the pandemic. The possibility of an investment in Discord Inc. was illustrated through the POCD Framework that such an act is achievable and profitable. However, as the world trend moves following the concept of the Metaverse, the entire VoIP industry will thrive and so will Discord Inc. Therefore, a success in an investment in Discord Inc. is predictable.

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