

Vidyo Threatens Cisco, Polycom; Competition Will Lower Pricing

Companies: AAPL, CSCO, HPQ, IBM, LOGI, MSFT, PLCM, RVSN, SHE:000063, SHOR

November 22, 2011

Research Question:

What growth and market share shifts can the unified solutions industry expect in the next year, and what does that mean for Polycom?

Summary of Findings

- All sources expect the video communication market to grow during 2012. U.S. sources expect growth to be as much as 25% while sources in China expect sales to grow between 20% to 80%.
- [Vidyo Inc.](#) and Logitech International S.A.'s (LOGI) [LifeSize](#) are the biggest threat to [Polycom Inc.](#) (PLCM).
- Both U.S. vendors believe [Cisco Systems Inc.](#) (CSCO) is most at risk of losing share because LifeSize's quality of video is catching up and people are beginning to question Cisco's premium pricing.
- Five of nine corporate end users and six of eight vendors expect prices of video conferencing equipment to decline during the next one to three years because of increased competition.
- Manufacturing costs for video conferencing equipment have risen in China in 2011, and competition from SMEs is expected to increase.
- One industry specialist and one U.S. vendor expect endpoint equipment to become commoditized.
- A large U.S. enterprise source and an industry specialist said hardware manufacturers will need to develop end-to-end solutions and software-based video conferencing endpoints to gain share. Also, a U.S. vendor said share could be gained through video content management solutions.
- Two U.S. sources said cloud- and software-based video conferencing will be the next big trends.

Silo Summaries

1) VENDORS

All eight sources expect the video conferencing market to grow at least 10% in 2012. Three sources in China expect unified solutions demand to grow between 20% to 80% growth next year. **Six sources expect rising competition to push pricing downward** while two had no comments on future prices. **One U.S. source said Cisco is the most vulnerable to market share losses because of its higher price points.** Another U.S. source expects cloud-based and video content management services to gain share and endpoint hardware to become commoditized. Vidyo, LifeSize, Avaya Inc. and China's ZTE Corp. and Huawei Technologies Co. Ltd. are likely to take share from Polycom and Cisco.

2) LARGE CORPORATE END USERS

Both U.S. sources and all three Chinese sources expect the video conferencing industry to grow during the next three years, as much as 15% to 35% in China. One U.S. source believes Cisco has more leverage than Polycom because of its networking equipment stronghold with IT managers. He said **Polycom needs to offer software-based video conferencing in order to gain share.** The second U.S. source said large vendors will stick with Cisco and Polycom while SMEs will choose their competitors. Equipment prices were steady year to year for one U.S. source and down for the other. U.S. sources did not comment on pricing expectations, but **all three Chinese sources expect prices to decline during the next three years. All three also expect Polycom to gain market share.**

3) SMALL CORPORATE END USERS

These four sources—two in the United States and two in China—expect video conferencing to grow as much as 16% in 2012. Prices will decline during the next three years, according to two sources, but a source in China said prices will increase because of higher input costs. **Polycom's pricing is lower than Cisco's but higher than local competitors' in China.** One U.S. source expects Cisco to make as much as a 10% share gain in the next few years.

4) INDUSTRY SPECIALISTS

All three sources expect the video conferencing market to grow further. **One source said Polycom will face market share erosion and that pricing overall is so low that dealers now make money on services, not hardware.** The second source expects desktop services to become commoditized. Our third source believes less expensive technology, such as **desktop and mobile solutions, will lower the baseline price of video conferencing.**

	Video Conferencing Market In 2012	PLCM Share in 2012	Equipment Pricing in 2012
Vendors	↑	→	↓
Large Corporate End Users	↑	→	↓ CHINA
Small Corporate End Users	↑	N/A	→
Industry Specialists	↑	N/A	↓

Video Conferencing Industry: Polycom Inc.

Background

In the video communication space, Polycom and Cisco are the two established heavyweights, both making significant moves in the past year to solidify their positions and enhance their portfolios: for Polycom, the purchase of [Hewlett-Packard Co.'s \(HPQ\) visual communication products](#), and for Cisco, the acquisition of video conferencing solution company [Tandberg](#). However, other vendors, specifically those offering lower-cost services, are attempting to expand their market reach. Polycom's Asia-Pacific revenues grew 41% for 3Q11 year over year outpacing the America's and EMEA growth.

CURRENT RESEARCH

Blueshift assessed industry expectations for growth and market share shifts for 2012 and the effect these could have on Polycom and other video conferencing companies, including upstart competitors. We employed our pattern mining approach to establish and interview sources in five independent silos:

- 1) Equipment vendors (2 in the United States and 6 in China)
- 2) Large corporate end users (2 in the United States and 3 in China)
- 3) Small corporate end users (2 in the United States and 2 in China)
- 4) Industry specialists (3)
- 5) Secondary sources (3)

Blueshift interviewed 20 primary sources and included three of the most relevant secondary sources focused on Vidyo's affordable start-up costs and flexibility, Polycom's RealPresence Mobile, and blog posts praising LifeSize.

Silos

1) EQUIPMENT VENDORS IN THE UNITED STATES AND CHINA

All eight sources expect the video conferencing market to grow at least 10% in 2012. Three sources in China expect unified solutions demand to grow between 20% to 80% growth next year. Six sources expect rising competition to push pricing downward while two had no comments on future prices. One U.S. source said Cisco is the most vulnerable to market share losses because of its higher price points. Another U.S. source expects cloud-based and video content management services to gain share and endpoint hardware to become commoditized. Vidyo, LifeSize, [Avaya Inc.](#) and China's [ZTE Corp.](#) (SHE:000063) and [Huawei Technologies Co. Ltd.](#) are likely to take share from Polycom and Cisco. Sources in China reported rising labor, material and research costs.

- **Sales executive for a U.S. reseller of video conferencing equipment from Polycom, Cisco, Vidyo and others**
Overall market growth in the United States should continue to be strong next year, up to 25%, with Vidyo and Logitech's LifeSize gaining traction and stealing some share from Polycom and Cisco. Prices have compressed during the past six months as competition has risen. The video conferencing market is shifting from dedicated hardware and conference rooms to desktop systems. Cloud-based systems are expected to gain traction, and Vidyo is "catching on like wildfire" with its minimal hardware cost requirements and flexible user plans. The best growth opportunity is not in endpoint hardware, which is becoming commoditized, but in complete systems that allow users to manage video content. LifeSize leads the way in this, followed by Polycom, but Cisco's Tandberg is trailing the pack.
 - "I expect growth [in the overall video conferencing market] to be pretty robust in 2012. I wouldn't doubt another 25% growth next year. We're seeing nothing slowing down."
 - "There's a big shift going on right now. There's a lot of desktop video conferencing interest right now rather than the traditional room-based systems that are out there."
 - "It's a much-changing market. Dedicated hardware is becoming a harder and harder sell as more and more people become aware of

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Sales Executive
Video Conferencing Equipment Reseller
U.S.

Video Conferencing Industry: Polycom Inc.

what you can do on the desktop now. [With a desktop system], you can start serving the masses more. Everybody's got a laptop. webcams are cheap. The quality that you can achieve at the desktop is excellent, and you don't have to get up and move—as opposed to a dedicated room that's expensive to build and where utilization is generally much lower than if you have a camera at your desktop.”

- “You're going to see more cloud-based offerings. We've actually taken Vidyo's equipment, hosted it at a couple of colocation centers and offered it as a service, and that seems to be catching on like wildfire. [Users] don't have to invest in infrastructure. It's almost like a cell plan. You pay by the month; you can get unlimited use or get a minute plan. ... The only equipment you need is a webcam and a nice headset or echo-canceling speaker/microphone. You can pick up a headset for \$30, a webcam for \$70.”
- “Vidyo, whom we do quite a bit of business with, has a different model than traditional companies like Polycom, LifeSize, Tandberg. They do a lot of the encoding and decoding right at the desktop endpoints rather than these hardware-based switches that the traditional companies have.”
- “It's an advantage in scalability and cost. Instead of having to guess what my capacity is of the video conferencing network that I'm trying to build out and instead of having to size up an MCU [multipoint control unit] to be sufficient for that demand, [Vidyo] can scale drastically higher than these older MCU systems.”
- “The traditional companies that are out there, the bigger video conference players, don't want to cannibalize their architecture and sales on these bigger components, so they're fighting [the desktop model] a little, but certainly in the background they're developing competitive solutions to it.”
- “Vidyo is ramping up fast. They're gaining market share big time in the corporate market.”
- “A smaller player that's growing fast is LifeSize, which is part of Logitech now. They really have some nice products out there. They're getting more and more traction on the ecosystem pieces of it, so they're getting away from just the video conferencing endpoints to [providing equipment] to manage content, to be able to record it and play it back. That's starting to become a bigger and bigger piece.”
- “LifeSize is showing strong growth. ... They don't have any 720p models anymore. Their entire product line is 1080p now.”
- “[Vidyo and LifeSize] are gaining some market share overall, but the market is still growing. They're probably taking an equal amount out of Polycom and Tandberg. I think Tandberg's probably feeling a little more of the squeeze now since they've been taken over by Cisco. It's not a very smooth purchase process right now. They've had some internal turmoil with different groups turning over within Tandberg, some going to Polycom, some to LifeSize, some to Vidyo. It's an incestuous market.”
- “All of them have their own values they can tout as far as quality is concerned. I think LifeSize does a better job over low-bandwidth networks. Tandberg probably has the best quality of video though LifeSize is catching up. Polycom has a good, middle-of-the-road, standard product offering—not horrible, not as high-quality as Tandberg, but they've been around a long time.”
- “Everybody is trying to get away from just providing endpoint [equipment] because that endpoint market is really becoming commoditized. You're seeing more and more trying to build up infrastructure. An example is Polycom's acquisition of [Accordent](#). They're going to have to try to leverage that to become more of a media management type system. In my opinion, that's where more of the growth is going to come from. We've got tons and tons of endpoints out there, so now the question is who can manage the capture and playback, adding metadata, almost making a full media management system?”
- “LifeSize is probably best positioned. Polycom is probably next. I'd say Tandberg is trailing the pack right now. I wouldn't be surprised to see Cisco making some acquisitions to try to build up some of the pieces that are missing.”

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*Sales Executive
Video Conferencing Equipment Reseller
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Video Conferencing Industry: Polycom Inc.

- “It’s one thing to manage the codecs, set up a call between the codecs, software upgrades to the codecs. ... But one of the bigger challenges is how do they capture, how do they play back, how do they assign metadata? How do they do more than just live, two-way interactive video with these systems?”
- “Prices aren’t too much different [now compared to last year]. We saw a little bit of price compression over the last six months. There’s continuous price pressures as you get more competitors, more vendors, more solutions out there. But some of the bigger brands have already experienced significant street price deterioration, so you’re getting to a point where it’s not changing too much now. Older models get discontinued and newer models come out; that’s how they’re fighting it a bit.”
- “Cisco Tandberg is always the more expensive one on the market, and they’re known for it. You’re buying the Mercedes there.”
- “The [expensive] telepresence systems are very nice and are tailored for a very specific use, but they’re only for the biggest of the big. Who can afford \$250,000 or \$300,000 a room? Plus, you’ve got ongoing maintenance costs.”

► Sales director for a Northeast reseller of Polycom, Avaya and LifeSize video conferencing systems

Demand for video conferencing equipment is up 25% year to year, and growth is expected to continue in 2012. Prices are falling 5% to 8% year to year for such vendors as Polycom and LifeSize, partly because of lower-priced alternatives. This source does not believe LifeSize will survive past two years. Avaya has a chance to leverage its voice technology and gain some share. Cisco may be ripe for losing some share because of its consistently higher prices.

- “I’d say [demand for video conferencing equipment] is up about 25% from this time last year. Absolutely, [it should continue]. We’re banking on it. We’re bringing on some more resources to handle the demand.”
- “The price points are certainly coming down significantly, and people are getting their budgets cut. Those are the two big things [that are driving demand]. People are looking for alternate ways to be productive.”
- “Prices for Polycom and LifeSize are about 5% to 8% lower than they were a year ago.”
- “It seems that Cisco pricing seems to be about a 10% premium and people are starting to question whether they need to pay that premium. So I think Cisco is probably the most vulnerable out there.”
- “Avaya’s strategy is not really in the room-based systems. The game is changing away from the group video to giving that capability down to the individual on any device they want to have.”
- “I’d say they’re all fairly even [in terms of quality]. There’s nobody that jumps out as being particularly better or uglier than the others.”
- “I think price is a big determining factor. Polycom certainly has a much more established name than LifeSize or Avaya. I’ve seen a couple of deals swing where the price points were 10% or 15% higher for Polycom, but customers knew the name and were familiar with them and felt they were buying something that was better established.”
- “LifeSize really is a niche player, playing in the [dedicated conference] room space and to a lesser degree, the desktop space. I don’t see how LifeSize survives past the next year or two.”
- “I think [Avaya’s] strategy is a little different and unique. They’re going to try to take advantage of the desktop space that they have today with their phones and shift that to video and taking advantage of [SIP \[session initiation protocol\]](#). Avaya is really banking on SIP to be the transport mechanism going forward, which I think is a pretty safe bet.”
- “They’re going to have some conference bridges built into their architecture, whereas with Polycom and Tandberg you still need a big, old box with cards in it and everything else that starts around six figures to do a conference bridge. Avaya is going to embed some of their existing voice technology into their session manager that’s going to allow them to do very well in the video space.”
- “Avaya has a lot of work to do to establish their brand name, but I think their vision is going to be a game changer and they’re going to pick up some serious market share. And they can only go up.”
- “I think [Polycom and Cisco Tandberg] have always banked more on the room-based systems [than desktop systems], so from that perspective the playing field is probably fairly even. I think Avaya has some advantages with their existing voice architecture that those other guys don’t have.”
- “I don’t know that there’s a big differentiation [between Polycom and Cisco]. What I’m seeing and hearing more of—and it’s not just around the video piece—is that people are starting to look at Cisco and seeing just how

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*Sales Director
Video Conferencing Systems Reseller
Northeast, U.S.*

Video Conferencing Industry: Polycom Inc.

expensive they are. I'm assuming that's going to continue [now that Cisco owns Tandberg]. Most of the times we've competed with Tandberg, we've won on price between Polycom and Tandberg."

- "I've been out in front of customers who have talked about using [Microsoft Corp.'s/MSFT] [Skype](#) and some the challenges of using Skype in the enterprise world, forcing them to look at Polycom or LifeSize or Avaya."

➤ Executive for Jinan Chevlen Electronics Inc.

China's video conference solutions market could see a 50% sales increase as market demand is strong and sustainable. Unified conference solutions could see an 80% rise in sales for the same period. However, the source's company is facing rising material, employee and research costs.

- "For the upcoming three years, we are confident that China's video conference solutions market could see a 50% sales increase as we've on the fast track for some time. Demand is strong and sustainable."
- "In the following three years, the unified conference solutions industry could see an 80% rise in sales."
- "We try our best not to lessen or raise price of our products or services. Our strategy is to enrich the service portfolio and establish our customer service brand as well."
- "The big giants like Polycom and Cisco target the high-end customers. ... We have different customer groups."
- "We are facing opportunities and challenges. We see a bigger and bigger market, but we have to be able to afford the higher material costs, employee costs and research investment costs, so our profit is down."

➤ Executive for Shanghai GESEE Technology Co. Ltd.

The video conferencing market is expected to grow by 10% and unified solutions by 20% next year. Polycom and Cisco will not lose share to smaller competitors because they cater to large clients. Still, greater competition from SMEs will force prices to decline.

- "Next year we probably could see the market modestly increase 10%."
- "The unified solutions are expected to increase at 20% next year. ... Customers would like to apply this kind of solution to enhance long-distance dialog and information update capabilities."
- "The market of the audio-visual conference solutions is definitely expanding. Polycom's and Cisco's market share will not be squeezed by other small audio-visual conference solution suppliers. ... The clients of Polycom and Cisco are all very mature and large companies."
- "The price of the solutions/products is expected to be lower because of fierce competition between the emerging suppliers and big giants like Polycom and Cisco."
- "The market in China could see lower prices in the coming three years."

➤ Executive for Digital China

The video conferencing market will increase as much as 50% in the next three years. Fierce competition from telecom SMEs will threaten Polycom's and Cisco's market share. Prices have held steady year to year.

- "China's video conferencing market will see a rapid growth in the next one to three years. It will almost grow by 50%."
- "Polycom's and Cisco's market share may be squeezed by smaller competitors. In the next few years there will be fierce competition between SMEs in telecom industry. Small and mid-sized telecommunications companies must go through restructuring. ... The surviving companies [will] gain a firm foothold in the market."
- "Equipment prices have not changed much in the second half of 2011 year to year."
- "I'm not sure of the costs to make equipment. ... Polycom and Cisco are very strong in China, so a change in costs wouldn't change their market share."

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Executive, Digital China

➤ Executive for Zhizhen Communications Technology Co. Ltd.

China's video conferencing market could grow by 50% in the next several years, and demand for unified solutions may increase as much as 70%. SMEs are putting pressure on Polycom and other top-tier brands. The cost of producing equipment has risen during the past several years.

Video Conferencing Industry: Polycom Inc.

- “In the coming five years, we probably could see the market with a 50% annual growth consecutively. China’s market has more space waiting to be explored. Last year, I witnessed Polycom grow sharply, almost 60% in China.”
- “Unified solutions could see more 70% growth.”
- “Safety and secrecy are the most important criteria for customers in choosing a brand. SMEs has done very little [to address this] while Polycom, Cisco and [IBM \[Corp./IBM\]](#) have provided customers more protection and safety measures.”
- “The cost of producing equipment has increased in the past several years, and I think it will continue to grow.”

➤ Executive of Shanghai Syitech Co. Ltd.

This source predicts growth in the video conferencing market for the next three years and expects Polycom and Cisco to lose share to SMEs. Prices have risen 5% year to year and will continue to rise during the next three years because of higher labor costs. Manufacturing costs also have increased over the past six months and will continue to rise into 2012. Orders are up year to year.

- “The market will definitely increase over one year or three years although I cannot predict how much growth in percentages.”
- “With the development of SMEs, Polycom’s and Cisco’s market share will surely decline.”
- “The price increased around 5% from 2H10 to 2H11, and ordering is rising too.”
- “I expect prices will continue to rise over next three years because of rising labor costs.”
- “Manufacturing costs for communication equipments have definitely increased over the past six months and it will continue to rise next year.”

➤ Director with Putian Telecom

This source expects China’s video conferencing market to increase more than 50% next year but could not comment on demand for unified solutions. Polycom and Cisco will maintain their market share. Competition from Huawei and ZTE have pressured pricing downward during the past year. The source had no predictions for pricing for the next three years, but said manufacturing costs have declined during the past six months.

- “The market capacity of China’s video conferencing will increase by 50% [during the next three years].”
- “The unified solutions industry is a new area in China, and the Chinese market hasn’t fully accept it so it’s difficult to predict the market.”
- “Polycom and Cisco will not lose market share to smaller competitors because domestic demand for video conferencing are mainly off-site meeting demand, while demand in this area usually focuses on quality and brand.”
- “Pricing this year was slightly down because [of] local telecom brands such as Huawei and ZTE. The old products of Polycom fell slightly, but its prices for new products have been up. The ordering increased from last year.”
- “The pricing trend for the next three years is difficult to predict.”
- “I think the manufacturing costs for equipments have declined in the past six months.”

2) LARGE CORPORATE END USERS

Both U.S. sources and all three Chinese sources expect the video conferencing industry to grow during the next three years, as much as 15% to 35% in China. One U.S. source believes Cisco has more leverage than Polycom because of its networking equipment stronghold with IT managers. He said Polycom needs to offer software-based video conferencing in order to gain share. The second U.S. source said large vendors will stick with Cisco and Polycom while SMEs will choose their competitors. His previous company chose LifeSize over Tandberg because of its ability to use public Internet rather than a dedicated network. Equipment prices were steady year to year for one U.S. source and down for the other. U.S. sources did not comment on pricing expectations, but all three Chinese sources expect prices to decline during the next three years. All three also expect Polycom to gain market share.

➤ Top IT executive with a multibillion-dollar power company in the United States

This source expects growth in the industry because video conferencing allows many enterprises to save time and money. Tandberg could give Cisco leverage over Polycom, especially since Cisco already has its foot in the door with many IT managers. Video conferencing prices have remained steady year to year. He does not consider Skype a viable alternative

Video Conferencing Industry: Polycom Inc.

because of security and reliability risks, but would consider using [ShoreTel Inc.](#) (SHOR). Many businesses are more concerned with having the necessary bandwidth to support video conferencing than with any differences in the equipment offered by various vendors. Polycom needs to develop software-based video conferencing endpoints to gain market share.

- “The video conferencing market overall will continue to expand as organizations continue to look for efficiencies and begin to rationalize video conferencing equipment costs versus time and money spent traveling. A deterrent to market share expansion will continue to be the high cost of conference room solutions.”
- “Given that Cisco is already high and wide with so many organizations based on their network market share, it makes sense that adding Tandberg to the sales discussion will give Cisco more leverage than Polycom could gain as an independent vendor.”
- “Video conferencing equipment costs seem to have remained steady over the last couple of years. We see a future need for both conference room and desktop video, but we have not done a good cost-benefit analysis of conference room versus desktop video. For a very large organization that has a significant travel budget, paying the high price for video conferencing equipment makes sense. For an organization with a smaller travel budget like us, we are selective and cost-focused when it comes to video conferencing capabilities.”
- “We use video conferencing between remote locations as a means for reducing travel time and travel expenses. We are piloting the use of video conferencing to enable discussions with key vendors and suppliers as well. We plan to continue to expand our video conferencing capabilities, and we are considering a desktop video conferencing pilot in the next 18 months. We are moving slowly with both telepresence/unified communications and video conferencing due to the high cost of entry.”
- “We are just starting to use telepresence to enable a more mobile workforce. We are looking at ways to keep employees connected and show their availability while they are mobile.”
- “We primarily use Polycom for voice conferencing and both Cisco and Polycom for video conferencing.”
- “I don’t consider Skype to be a suitable enterprise-level solution for video conferencing. There are a host of security, reliability and availability requirements that we need to meet in order to have a viable solution and Skype isn’t on our list for those reasons. While we might invite ShoreTel to participate in a video conferencing or unified communications RFP [request for proposal], I think Cisco is the elephant in the room for most Cisco-centric organizations.”
- “I think the key issue [for enterprises wanting to use video conferencing] continues to be bandwidth and video quality, not the type of products and service offerings from video vendors. It is possible that the market will develop only as quickly as increasing bandwidth becomes generally available.”
- “It’s possible that we are one really great consumer handheld video solution away from a market changer. If live-action video becomes viable on iPhones and Droid phones, we may need to respond to internal customers who demand a similar service.”
- “If Polycom can put together an offering that looks like software-based video conferencing endpoints, they may be able to gain a bit more market share.”

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*IT Executive
Multibillion-dollar Power Company
U.S.*

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- **CIO for an online university and former IT executive for a \$2 billion energy company in the United States**
This source expects the video conferencing market to expand as prices drop and the technology improves. Big vendors such as Cisco and Polycom are likely to keep their hold on higher-priced, dedicated video conferencing rooms, but lower-priced sellers will provide serious competition for SMBs. His previous company chose LifeSize over Tandberg.

Video Conferencing Industry: Polycom Inc.

- “Video conferencing, now that the price points are coming down, is becoming a bigger deal. The quality is much higher and price points much lower than just a few years ago, and so it makes more and more sense. The technology is getting better, so more and more people are going to use it.”
- “We implemented LifeSize and got a nearly immediate return on the investment. We looked at Tandberg, but at that point LifeSize was a better fit for us in terms of the cost-quality equation.”
- “One of our requirements was that they use the public Internet, and that’s one of the places LifeSize won. All LifeSize needed was an Internet connection between the two locations. Some of the older systems, such as Tandberg, required a dedicated network. You had to deal with the costs of a dedicated point-to-point network, and if a provider requires the use of a private network, that limits the use of the conferencing. With a private network, I can conference easily only with those that are on my network. But if the provider can utilize a public network, then I can connect to partners, vendors, etc.”
- “At the time [about two years ago], LifeSize was much less expensive than Tandberg and the quality was good enough. They had an onboard compression algorithm that made it so you wouldn’t swamp the network by sending video signal, and then it would get decompressed on the other end.”
- “LifeSize was making enough noise in the marketplace that Tandberg had to change their approach. When we looked at Tandberg, it was way more expensive and it was that dedicated point-to-point system and that didn’t make sense for us.”
- “It was reasonably good quality. We had LifeSize set up in our research facility. ... The camera was at one end of the room—the room was probably 24 feet long—and the white board was at the other end. But the quality was good enough that even with the camera at the other end, you could read what people were writing on the white board.”
- “We looked at Tandberg and another vendor that required a dedicated network and a massive system involving dedicated conference rooms. Many of the larger, Fortune 100 companies had those set-ups, but each room was \$1 million. We did a joint project with a large German chemical manufacturer, and they had one of these incredibly expensive, dedicated video conferencing systems. We had to pay a bridging fee for every video conference we did with them because we had to tap into their dedicated network.”
- “LifeSize certainly brought Tandberg pricing down. When we looked at Tandberg about a year ago, it was quite a bit less expensive than what they had quoted me just a year before [at the previous company].”
- “It was a combination of quality and cost [that kept businesses from buying video conferencing systems]. But the technology and the quality are getting better and better. You used to need a really big network connection in order to get any quality at the ends, but it’s getting better.”
- “We did a quick analysis looking at how many people fly in a month from [a site in the western United States to a site in the East]. If we cut that by one-fourth [through the use of video conferencing], the system would pay for itself in about three months, so it was a pretty easy decision.”

➤ Representative of [Shanghai Volkswagen Co. Ltd.](#)

This source expects 15% growth in the computer telephone and video conferencing in the next few years. Although her company uses Cisco, she believes Polycom is gaining more share. The ultimate winner will be the company that can provide the best customized service. She has seen prices trending down overall, with Cisco priced higher than Polycom and both priced higher than local suppliers. Polycom is attempting to stay competitive with both local and international competitors. She does not expect less expensive solutions like Skype to become dominant in the near term.

- “We want to get the computer telephone and video conference connected when we want they connected. The unified solutions could basically satisfy our demands. I assume it would be with a 15% growth in the upcoming several years.”
- “We use a Cisco conference call terminal. I know some other companies are also using Cisco solutions, but Polycom has gained much more market share than Cisco. Which company will win the battle depends on which one could provide customers more customized service.”
- “We have seen that price is going lower than before.”
- “I expect the more competitors joining into the business communications solutions, the better the service and selections.”

Skype and other cheap Web/video communications companies are entering into the business communication solutions field. That may transform the market structure, but the situation will not change anytime soon.

*Representative
Shanghai Volkswagen
China*

Video Conferencing Industry: Polycom Inc.

- “Most Cisco product prices are higher than Polycom while Polycom product prices are higher than other local solutions suppliers like ZTE.”
- “Polycom has provided some competitive price subsidizing for users. ... The price cutting is normal.”
- “We are concerned more with the quality and safety of the solutions. If they could provide the high-standard service, the stable price is proper.”
- “Skype and other cheap Web/video communications companies are entering into the business communication solutions field. That may transform the market structure, but the situation will not change anytime soon.”
- “To hold the market dominance, the business communications solutions should keep the technical advantage, safety and secrecy measures, and more tailored service according to the customers’ specific demands; I suppose that Cisco has a more established brand image globally, and the solutions also have technical advantages.”

► Consultant for IBM China

China’s video conferencing market is expected to grow by more than 20% in the next three years. Polycom’s market share will increase. Prices have remained stable but will decline as competition increases. Although Polycom is priced higher than smaller competitors, it offers more value and is priced lower than Cisco.

- “Video conferencing is becoming more and more popular, so I expect it will keep an above 20% rate level over the next three years. The growth rate for 2006, 2007 and 2008 was 39.6%, 48.8% and 30%. In 2010 the rate was 22%.”
- “Polycom’s market share will expand. It will increase continually.”
- “Their clients are large enterprises and government institutions. I don’t think the smaller competitors have the ability to take share from Polycom or Cisco. However, the high-tech industry is changing rapidly. With advanced technology, small enterprise can emerge quickly.”
- “I don’t think there is significant difference between prices of 2H11 and 2H10.”
- “Prices will not decrease [in the near term]. However, with more and more IT companies joining the video conferencing equipment area, there will be lower prices in response to fiercer competition.”
- “Polycom’s price is higher than most competitors, of course, because its quality is better. Compared to Cisco, Polycom’s price is lower.”
- “As the technology becoming more mature, I expected that Polycom’s prices will decline over the next year.”
- “Polycom will adjust its price to overcome intense competition.”
- “When Cisco and Polycom begin to tap the SME market, there will be more serious competition.”

► Marketing assistant for Herbalife (China) Health Products Ltd.

The unified communication market is expected to grow by 35%, and the whole market will see prices decrease in the next three years. Polycom’s products are less expensive than Cisco’s but more expensive than local solutions. Polycom and Cisco will hold the high-end market if they continue to offer customer satisfaction and technological advantages.

- “Demand could reach a 30% to 35% growth in the coming three years as surging gasoline prices test bosses’ patience and corporate business traveling budgets.”
- “Polycom occupies the largest market share in China’s video conferencing. Cisco’s system is also profound. The market share of the high-end video conferencing market will depend on which company provides better and specialized solutions.”
- “Though Cisco has advantages in high-end technology in the unified solutions, Polycom rapidly grasps the opportunities to enhance its product quality and popularity.”
- “Whether the SMEs take up market share from Polycom or Cisco depends on how the two competitors satisfy consumers with service and technological advantages.”
- “Polycom products/solutions are more expensive than any other local business communication solutions, except Cisco products/solutions.”
- “Herbalife is concerned more with the quality and safety of the solutions. ... Whole industry products/solutions could see a price decreasing.”
- “[Companies like Skype, [Radvision Ltd./RVSN](#) and ShoreTel] are joining the business communication solutions sphere, stirring waves

Whether the SMEs take up market share from Polycom or Cisco depends on how the two competitors satisfy consumers with service and technological advantages.

*Marketing Assistant, Herbalife
China*

Video Conferencing Industry: Polycom Inc.

throughout the industry. [They will] probably transform the market structure, but their professional standards and service quality have not caught up.”

3) SMALL CORPORATE END USERS

These four sources—two in the United States and two in China—expect video conferencing to grow as much as 16% in 2012. Prices will decline during the next three years, according to two sources, but a source in China said prices will increase because of higher input costs. Polycom’s pricing is lower than Cisco’s but higher than local competitors’ in China. One U.S. source expects Cisco to make as much as a 10% share gain in the next few years. Neither U.S. source uses a Polycom system; instead, one uses a Cisco system while the other is considering Cisco and Vidyo.

➤ CTO for a U.S. SMB, Cisco user

The video conferencing market will grow slightly during the next year, but improved interoperability will be the industry’s key for growth farther down the line. Cisco’s share in this short-term growth will be flat to up 5% to 10%. The source pricing pressure, and said his company opted for Cisco’s [Callway](#), a new subscription-based telepresence service. Cheaper alternatives like Skype and Apple Inc.’s (AAPL) [FaceTime](#) are not enterprise unified communications (UC) solutions. Companies like Vidyo may be attractive because of their interoperability claims with the iPad and Android, but the source had not heard of Vidyo.

- “There will be an uptick [in video conferencing market].”
- “The reason we went to video was a business problem. Our customers need to see our software. They need to see it to invest in it.”
- “Video is hitting its stride. Most people I know who are traveling [for business and personal] are using Skype to [reach] family. It’s proved its worth in that situation. But [it is not an enterprise UC alternative] at this time.”
- “Cisco has some bright spots and will grow their share—flat to up 5% to 10%. I don’t see them losing share. It’s hard to say what Polycom will do in the future because I don’t know where they are today.”
- “In general, the price pressure is downward. Striations in room-based video gear remain expensive. ... If customers had to buy [them, there] wouldn’t be adoption. But they are cash cows.”
- “Callway is very affordable. ... We found it to be in the area of \$100 a month for our endpoint and enterprise. Adding desktop was also very inexpensive. Even if it were more expensive, we would still consider it over having to dedicate hardware, pay license fees, etc.”
- “Callway is a good way to expand the interoperability. I’m impressed with what they are doing.”
- “I like what we’re doing with Callway. We had enterprise voice/video in the past. The notion of outsourcing all that was appealing. We can plug in, add, remove endpoints and we’re charged for what we use, not excess capacity.”
- “[Cisco] is lowering the level of entry with handsets that are video-enabled. They’re sliding them in with customers with the same priced handset. That doesn’t mean [customers] aren’t closing their irises and using a video phone just like a regular phone because they don’t see how valuable they could be. There needs to be a real rethink around video.”
- “Regarding low-end conferencing, I thought about ... vendors in SMB and realized that Callway plus Cisco’s lower-cost endpoints really plays better in that space than I thought. ... The UI ease of use and the ease of provisioning will really help Cisco’s offerings to SMB. Callway is the really the key here.”
- “For the large enterprise space, I like best what Cisco is doing with Tandberg products.”
- “Vidyo does seem to have a cheaper endpoint. One of the things that attracted us to our Cisco/Tandberg [C40](#) is the API built in. We can control the camera, call disposition, etc. from a Web app that we give our users. Any other endpoint would need to have a similar capability. I do like what Vidyo has to say about interop with iPad and Android. They do seem attractive, but [this] is the first I’ve heard about them.”
- “I like [the Apple] product line. ... The iPad is an interesting, capable video endpoint ... [but] my [MacBook Air](#) addresses two complaints: The iPad has no keyboard—I can only do basic e-mails and edits—and [with my Mac] I can connect a headset and do Wi-Fi-based video calls because it has a video camera and a keyboard. The iPad is an entertainment device.”
- “I like what [Apple] is doing with voice dictation—real day-to-day usage in dictation of email responses. Maybe Apple has an edge there and can get around the keyboard [issue].”

Video Conferencing Industry: Polycom Inc.

- “Social is critical for any consumer product. But I have yet to be convinced that, for a regular person in an office trying to make or receive a call, that social is a requirement for finding or connecting with other parties.”

➤ **President of a small, corporate end user considering Cisco as a provider, United States**

Cisco was the top tier-one choice recommended by this source’s technology partner while Vidyo was the cheaper contender. Customer service is key, and a poor experience with Polycom in 2006–07—as well as a perceived lack of desktop solution—kept it out of the running. Security, technology and flexibility are more important than price as this source looks for a provider to help his company grow during the next three years.

- “I am experiencing problems with my telephone ... and Internet. That’s why I’m looking at shifting to a tier one like Cisco.”
- “I am with Comcast [Corp./CMCSA] and a host of solutions for VoIP.”
- “I am looking at solutions that can help us grow, position us in the market. Price is not [the first] concern; it’s the technology, how flexible it is. Then we look at price.”
- “The companies that I looked at prior to Cisco have not been as detailed in listening to our needs. ... Their salespeople were looking at their quotas, not how our [proprietary] solution will work [with their system], where our return on investment will come true. That’s a critical thing for me: how you’re listening.”
- “[We’re looking at using] point-to-point connections: iPads, tablets, desktops, laptops ... but it has to be flexible.”
- “My technology partners are recommending we go with Cisco, and I trust them. I’m pretty comfortable with that decision [but we are still considering others].”
- “I am going to a [Cisco] seminar to provide more information on unified communications. I’m just starting to get a sense of what’s available out there.”
- “We are [also] looking at Vidyo for our video solutions and conferencing.”
- “I tried working with Polycom in the past, but they were not helpful. That was in ’06-’07. I didn’t see they had a desktop solution they were coming up with. Folks were talking about LifeSize when Polycom was introduced to me. But it was too early in the game; Polycom did not have desktop at the time.”
- “People think [security] is just 120-bit compliance encryption. But there’s a lot more; there are so many elements in between. ... Those are questions we need to look at and our technology partners are looking at the variables.”

“People think [security] is just 120-bit compliance encryption. But there’s a lot more; there are so many elements in between. ... Those are questions we need to look at and our technology partners are looking at the variables.”

*President, Small Corporate End User
U.S.*

➤ **Director for the Chinese edition of the *Harvard Business Review***

This Cisco user expects the video conferencing market to grow 16% year to year. Polycom is the market share leader. Polycom and Cisco will continue to dominate while SMEs will work with software development and focus on lower-end customers. Prices have been stable year to year but will trend lower during the next three years. Polycom is priced lower than Cisco but higher than local competitors.

- “Market growth could see a 16% buildup year on year according to an industry research report.”
- “The unified conference solutions are ... popular, and customers would like to apply this kind of solution to enhance corporate networking capabilities and to promote an environmentally friendly business style.”
- “Polycom has taken first place in China in regards to market share. ... Industry giants like Polycom and Cisco are seizing advantages in unified solutions and hardware research, and still hold the technical and market dominance. SMEs mainly are dealing with software developing.”
- “For the top-tier customers ... they will choose the globally brands because they trust them. SMEs are competing in low-end customers.”
- “Prices in 2H2010 and 2H2011 didn’t change much. We have used Cisco system for many years.”
- “In the next three years, I expect price will be lower than currently.”
- “Comparing with Cisco, the price of Polycom is only a bit lower. The other small brands’ prices are much lower than the two companies’.”
- “High-end corporations won’t use Skype, Radvision and ShoreTel.”
- “Customers will gradually have more specific demands.”

Video Conferencing Industry: Polycom Inc.

➤ Consultant for Mercer Consulting in China

The source expects video conferencing demand to grow 15% next year, and also expects Polycom's prices to rise during the next three years because of higher costs. She said Polycom should develop its solutions in mobile tech and shift quickly to cloud computing.

- "Demand will grow about 15% in the next coming year along with business growth."
- "Both Polycom and Cisco will take bigger market share as the business demand is increasing. As to who will take lead, Polycom will show a better performance than Cisco based on current products and technology."
- "Cheap alternatives will, of course, gain some market share among low-level clients who could not afford Polycom and Cisco, but they won't have negative impact on their market position as the target clients are different."
- "Polycom is cheaper than ... Cisco."
- "I think Polycom's prices may rise next year."
- "Polycom will focus more on new tech to hunt new share."
- "Polycom should catch hold of the mobile tech wave and shift quickly to cloud computing technology."

4) INDUSTRY SPECIALISTS

All three sources expect the video conferencing market to grow further. One source said Polycom will face market share erosion and that pricing overall is so low that dealers now make money on services, not hardware. The second source expects desktop services to become commoditized. Our third source believes less expensive technology, such as desktop and mobile solutions, will lower the baseline price of video conferencing. Traditional hardware manufacturers will suffer unless they adopt end-to-end solutions.

➤ Dr. S. Ann Earon, president of [Telemanagement Resources International](#)

Prices have dropped year to year, and margins are thin for video conferencing hardware vendors, forcing distributors to package such equipment with other products and services. Lower-priced alternatives to Polycom and Cisco are expanding the market rather than stealing share, but those two dominant players face threats from big, new entrants such as Microsoft and a shift to new forms of video playback.

- "The less expensive alternatives help the market grow and are not a real deterrent to Polycom or Cisco. A bigger deterrent to them are larger, competitive entrants or different entrants."
- "Polycom and Cisco continue to be the dominant players, but both have had market share erosions from other entrants, albeit still a small impact. As new offerings have entered the market, Polycom and Cisco have become aware of the competition and improved or supplemented their offerings."
- "Further [market share] erosion will take place as new forms of video become dominant; think video over TV or video from your projector."
- "The pricing of video conferencing hardware and software has dropped year over year to the point where dealers and distributors no longer make much of a margin on hardware costs but instead on service. In many instances, video conferencing has become free as it is bundled with other software or hardware offerings. I think this trend will continue."
- "There was a shift long ago away from dedicated video conferencing rooms to multipurpose spaces for many organizations due to space constraints. That does not mean there are not firms that still have dedicated rooms. I would not say there is a shift to software-based systems with desktop and/or mobile endpoints, but instead the inclusion of more of these endpoints in order to meet the needs of the individual meeting participant or the mobile participant. This inclusion has only been a bonus to the hardware vendors since each of them has found a way to address both the desktop and mobile market."
- "There are many factors that drive the growth of video usage. These include improved technology, improved networks, ubiquity of hardware and software, ease of use and anything that causes travel and

The pricing of video conferencing hardware and software has dropped year over year to the point where dealers and distributors no longer make much of a margin on hardware costs but instead on service. In many instances, video conferencing has become free as it is bundled with other software or hardware offerings.

*President
Telemanagement Resources Intl.*

Video Conferencing Industry: Polycom Inc.

communications to be difficult.”

► CEO of a communications technology firm

The major growth in video conferencing is in desktop solutions, rather than dedicated video conferencing hardware, and is being driven by the proliferation of webcams, improvements in software and better bandwidth speeds. Although Polycom, Cisco and others will attempt to compete in the desktop video space, such service will quickly become commoditized. The consumer side push of video conferencing will spur demand in the office place.

- “The [growth line for video conferencing] is not straight up—it’s not going to go through the roof—but it’s an upward slope.”
- “Certainly, the cameras are good and they’re cheap. They’re built into your computer or iPad, so the hardware is pretty much a given. The software is getting better all the time and the bandwidth is getting better. It won’t be long before we have LTE [long-term evolution] on mobile devices, and that will be a big driver. When you start using your mobile device to join a business conference, that will drive usage up.”
- “I know Polycom’s going to desktop video in a pretty big way. I’m sure Cisco is heading that way as well. They’re all moving in that direction.”
- “For Logitech, LifeSize’s growth is still pretty good. The Logitech family is suffering from flat sales in a lot of areas, but the LifeSize group is still doing well. But I do think within a couple of years, it won’t take very long, that conference room video solution will level out and desktop video will continue to grow rapidly.”
- “Desktop video is going to be a commodity product. Vidyo [has] an enterprise-level desktop video software solution and they’re doing pretty well, but in general, I think it’s going to be a commodity. It’s just going to be there. It’s ‘baked’ in to your iPhone.”
- “I just don’t see the advantage that Polycom or anybody can bring to the party. As it grows, it’s going to be a commodity. And we treat it that way. We don’t charge any extra [for video capability]. We just bundle it into our product.”
- “There are classic applications that are still going to be there that Polycom and others will service. The medical industry has been using video conferencing extensively, as have the military and NASA, and they will continue to do so. ... But I don’t see that growing anywhere near as much as the desktop webcam stuff is growing.”
- “We’re also seeing a push from the consumer side. The more people get comfortable with [iChat](#) and being able to see who they’re talking with, the more they want to use that at work.”
- “[Our product] is a Web-conferencing tool that’s delivered in an appliance, on-premise, to solve the problem in the marketplace where people want to do secured collaboration or integrate the collaboration tools with other tools or they want to brand it. All those things are hard to do with hosted solutions.”
- “We knew WebEx was well-established and we knew Citrix [Systems Inc./CTXS] had a great product with [GoToMeeting](#), so we thought the opportunity for us was in the on-premise appliance segment.”
- “Our definition of real-time collaboration is screen-sharing, which is Web conferencing, desktop video, audio conferencing, integrated chat and presence. Those five components are the makings of a real-time collaboration environment.”
- “You plug [our appliance] into your network and you can have meetings either inside the firewall or outside. The box can ensure that the only people that come into your meeting are behind your firewall, if you set it up that way. You treat it like you would any other hosted solution. You can brand it, you can integrate it.”
- “There are two dominant ways that [Web conferencing] is delivered. There are hosted solutions, like WebEx or GoToMeeting, or they’re software-based, like Microsoft [Lync](#). Our appliance has the same kind of capability as the software, but it minimizes or eliminates the IT support.”
- “We think the most important part is sharing desktop information. But we found there is a social component to desktop video that is very important, so people are using it.”
- “What we’re seeing is that often times people will use video to start the meeting, introduce everybody and then that’s where it ends and they turn [the video] off to save bandwidth. That’s the usage we see.”

Desktop video is going to be a commodity product. Vidyo [has] an enterprise-level desktop video software solution and they’re doing pretty well, but in general, I think it’s going to be a commodity. It’s just going to be there. It’s ‘baked’ in to your iPhone.

CEO, Communications Technology Firm

Video Conferencing Industry: Polycom Inc.

- “The concern that everyone has is that video is a bandwidth hog. People have been working on making video efficient for 30 years. It’s getting better and we’re getting better images with less bandwidth, but it still has that issue.”

► Sales director for a UK-based developer of video conferencing management software

Video conferencing equipment makers should see similar growth rates in 2012, but will be outpaced by the growth in video managed service providers, which will see as much as 60% growth because of the increased use of desktop video. The video conferencing industry is being changed by the explosion of desktop and mobile video. Although traditional hardware manufacturers will do well in room-based conferencing systems, they will need end-to-end solutions to avoid losing share.

- “I think the traditional players will still dominate the traditional video conferencing space. However, the battle lines of traditional will be redrawn over the next 12 to 18 months, and manufacturers who fail to embrace the explosion of video conferencing out of its traditional silo into the mainstream world of unified communications will lose market share.”
- “Companies that have the complete end-to-end solution, such as Cisco, will have an advantage. Companies such as Huawei will make some large market share gains in EMEA [Europe, Middle East and Africa] and APAC [Asia Pacific]—not so much in the U.S.—in specific verticals.”
- “Growth in video conferencing in 2012 will be blurred by the gray areas that cross over into the unified communications space, such as Lync, [IBM’s] [Sametime](#) and [Cisco’s] [WebEx](#). These technologies will video-enable people but will not be counted in the traditional way of the video conferencing industry. Growth in video managed service providers will be large at 60%-plus. Video equipment manufacturers will see similar growth rates to 2011.”
- “I would say there will not be a shift away from room-based systems as they have a different purpose to software-based desktop systems. As an analogy, you wouldn’t have a board meeting in your car. Different meetings will use different tools. In fact, I believe desktop video and mobile video will drive up the need for more and more meeting rooms to become video-enabled as people will become familiar with the technology and expect to see people when they speak with them.”
- “Manufacturers will see a big increase in infrastructure sales in the core of the network to bring these various devices together seamlessly. Users want choice and reliability. Solutions must work as predictably as the telephone.”
- “Pricing trends will remain similar. ... However, cheaper technologies such as mobility and desktop will create lower baseline entry points and give a massive increase in video-enabled devices, and this will reflect a large increase in the volumes of calls being made. The need to monitor and control this increase in the core of the network, across a large mix of vendors, is vitally important.”
- “[Our company] is a software manufacturer that creates video conferencing, multitenanted, multivendor, service delivery tools. We enable our customers, who are made up of the video-managed service providers and very large enterprises, to scale their video operations without having to add expensive people while simplifying their video operations. Ultimately, it gives a better experience for the end user of the service. Our API program allows developers to integrate their products into our conference manager, creating video-enabled applications for productivity gains.”
- “We are seeing that our customers are growing in a number of different areas, each being equally important as part of their overall video strategy. Desktop [video]—via [Microsoft] Lync, Sametime and other such products—are integrating into the more traditional world of room-based video systems. This is further complicated by the need to be able to seamlessly call high-end telepresence systems or mobility solutions on mobile devices. The main drivers [of video conferencing growth] are enhanced productivity, the ability to connect anywhere, and cost savings.”

I think the traditional players will still dominate the traditional video conferencing space. However, the battle lines of traditional will be redrawn over the next 12 to 18 months, and manufacturers who fail to embrace the explosion of video conferencing out of its traditional silo into the mainstream world of unified communications will lose market share.

Sales Director
Video Conferencing Software Developer
UK

Video Conferencing Industry: Polycom Inc.

Secondary Sources

Our first source discussed Vidyo's less expensive start-up costs and flexibility. Our second source highlighted Polycom's RealPresence Mobile, which can handle 25,000 concurrent calls, joining Radvision and Logitech's LifeSize in the mobile video conferencing market. Our last source, an industry blog, contained a few comments praising LifeSize.

➤ June 8 All Things D from the *Wall Street Journal*

Vidyo is working to gain share in the higher-end conferencing market by offering systems at 80% less than Cisco's system. With minimal hardware needed and flexibility to be used on both portable and desktop devices, Vidyo hopes to take share from Cisco and Polycom.

<http://allthingsd.com/20110608/the-video-conferencing-business-just-got-interesting>

- "Till now, Vidyo was focused on the desktop video business, but it has aimed its sights at higher-end office conferencing systems. Backed by \$74 million from Menlo Ventures, Rho Ventures, Sevin Rosen Funds, Star Ventures and the Four Rivers Group, it has now set its sights on the higher-end video conferencing market."
- "The first thing I noticed during the Vidyo meeting was what I called The Brady Bunch Effect. Nine screens were arrayed in a conference room, for nine different people against light blue backgrounds (as in the picture above) in a way that reminded me of the old TV sitcom."
- "Vidyo CEO Ofer Shapiro told me that just such a system with nine screens could be set up for \$60,000 compared prices in the \$300,000 range for similar systems from the bigger players with fewer screens. Vidyo's starting price for a four-screen system is \$40,000. It also supports tablets and smart phones, including Apple's iPad 2 and phones and tablets running Google's Android operating system."
- "All a company needs to get started is a good Internet connection and a Vidyo router added to a rack in its data center. There's also an application that must be installed on whatever Mac/PC/tablet/phone you want to use for conferencing."
- "Video conferencing and telepresence are the sort of technologies you keep hearing about, but they never seem to reach any critical mass. I've heard people say 'This is the year for video conferencing' since about 2003, and yet in 2011, it's still unusual, at least in my anecdotal experience, to participate in one. Yet the numbers don't lie. Companies want it, and just as Cisco and Polycom are making a serious go of selling it to them, here comes a start-up ready to turn that business upside down. If I were Cisco or Polycom, I'd be worried."

Vidyo CEO Ofer Shapiro told me that just such a system with nine screens could be set up for \$60,000 compared prices in the \$300,000 range for similar systems from the bigger players with fewer screens. Vidyo's starting price for a four-screen system is \$40,000. It also supports tablets and smart phones, including Apple's iPad 2 and phones and tablets running Google's Android operating system.

Wall Street Journal Article

➤ Oct. 11 CIO article

Polycom entered the growing market of mobile video conferencing with its RealPresence Mobile software. This solution can scale up to reach 75,000 devices and handle 25,000 concurrent calls.

http://www.cio.com/article/691583/Polycom_Brings_Video_Meetings_to_IPads_Android_Tablets

- "Mobile is the new frontier of video conferencing, with several vendors bringing mobile devices into the fold for video meetings. Polycom is set to become the latest, with high-definition calling capability on the Apple iPad, Motorola Xoom and Galaxy Tab."
- "Polycom is introducing its RealPresence Mobile software, which extends its RealPresence video conferencing system to the three high-profile tablets. The software can send and receive video at 30 frames per second and 720p HD on the devices—at least over Wi-Fi connection—and provides the scale and management tools that enterprises demand, according to the company."
- "Last week, Radvision announced availability of its Scopia Mobile V3 video conferencing and data collaboration app for Apple iOS. Logitech's LifeSize division also offers video conferencing for the iPhones and iPads. Polycom rival Cisco Systems has placed a bet on its own Cius tablet as a mobile video conferencing platform."

Video Conferencing Industry: Polycom Inc.

- “Polycom’s RealPresence platform, announced last month, is designed to orchestrate video conferences across a wide range of platforms. It incorporates many existing Polycom infrastructure products.”
- “By using standards including H.264, H.323, SIP (Session Initiation Protocol) and the Cisco-backed TIP (Telepresence Interoperability Protocol), RealPresence can work with endpoints from third parties including Cisco and Radvision, said Jim Kruger, senior vice president of solutions marketing. RealPresence runs on Polycom’s UC Intelligent Core, which can scale up to reach 75,000 devices and handle 25,000 concurrent calls, according to Polycom.”
- “The RealPresence Mobile apps for iOS and Android will be free, but enterprises will have to pay to use them with other types of video endpoints over RealPresence, Kruger said.”

► Oct. 12–14 PhilMug Blog posts

Industry bloggers deemed Cisco as high-quality but expensive. Two forum members praised LifeSize.

<http://www.philmug.ph/forum/showthread.php?p=1018693>

- “Anybody had a chance to assess these 2 brands in terms of video conferencing solution? in terms of quality, price and service.”
- “I tried Polycom video conferencing. In terms of the quality of sound it is great but for the image it’s ok, it has a delay that is very noticeable.”
- “We use Tandberg and Polycom but for me Tandberg is better.”
- “Cisco is preferred but may be too expensive. in the case of delays, quality, lags. will be dependent on your network’s setup. [end-to-end]. I have been a Cisco user for sometime[enterprise networking products/APs] they are very stable.”
- “Cisco’s telepresence is robust and is used by many companies worldwide but then there are the setup costs. Polycom has been in the videostreaming industry for years and does the job. It all depends on how much you want to spend.”
- “[I] am looking at the C-series of Cisco and not the telepresence as it is too expensive.”
- “We moved out of Polycom and now use [LifeSize]. Good experience so far.”
- “Another LifeSize user here. Works well but is a bit pricey.”

Next Steps

Blueshift’s next report on video conferencing will monitor Vidyo’s growth and effect on the industry. We also will gauge pricing of end-user hardware to determine if prices have declined, as predicted by numerous sources. We will monitor Polycom’s presence in mobile technology. Finally, we will assess the adoption rates of mobile and cloud unified solution services.

Additional research by Seth Agulnick, Silvia Yu and Lindsay Gadsby

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