

Beyond TelePresence, an \$8.5 Billion Business Video Conferencing Market for Service Providers

IBSG Service Provider FastFacts

With reductions in business travel to cut costs, spending on video conferencing is expected to grow as companies look for alternatives to face-to-face meetings. Currently, non-immersive (e.g. non-TelePresence) business videoconferencing is a \$2.2 billion market globally which is relatively small compared to the web and audio conferencing markets. Business video is still in the early stages of adoption, especially for SMBs, but the market has potential to achieve \$8.5 billion in 2015 by enabling key customer value drivers. In addition, service providers could capture another \$3.4+ billion in revenue through add-on services.

While businesses do see value in video conferencing, widespread adoption has not been realized due to cost, management requirements and limited functionality. By enabling the following key customer value drivers, SPs can accelerate video conferencing adoption and usage.

- **B2B Enablement**

- Current video conferencing usage is largely intra-company – typically enterprises with a large number of in-house endpoints. Also, B2B video conferencing capabilities have not yet been widely enabled.
- Enabling B2B enhances video conferencing adoption and usage:
 - “More people to video conference with” is cited as a top reason current non-users would begin to use video conferencing (49%)
 - The ability to conduct video conferences with others outside of the company is sought after, especially by enterprise customers. B2B also increases SMB usage and adoption as it enables SMBs to communicate with their customers and suppliers just like the major-leaguers

- **Advanced Solution Features**

- UC Integration: Video conferencing integration with calendaring and scheduling systems is currently not widespread while “Easier video conferencing set-up” was stated as another top reason current non-users would begin to use video conferencing (49%)
- Interoperability: Interoperability between different forms of video conferencing is currently low, but is desired and can positively impact ROI

(Continued...)



Cisco Internet Business Solutions Group (IBSG)

- Mobility: Video conferencing availability on mobile-enabled devices can increase productivity and accessibility, improving customer ROI
- Vertical Focus: Some verticals have a heightened need for timely access to remote experts and scarce resources, also an increased trust requirement, which can be enabled through visual interaction
- **Managed / Hosted Video Conferencing Solutions**
 - Two of the top barriers for video conferencing adoption are cost and lack of internal resources to provide management support. As a result, many SMBs find that video conferencing as a managed / hosted service attractive because they can:
 - Reduce upfront CapEx with no or little equipment purchase
 - Scale to a full or light solution management support based on needs

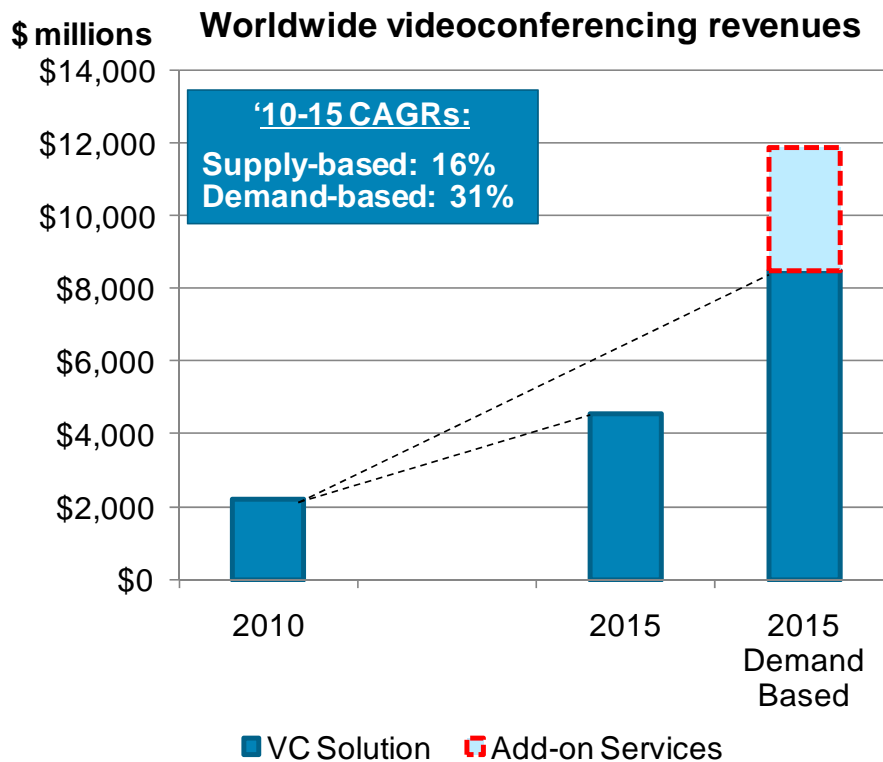
SMBs also present growth opportunities for the video conferencing market. Three in ten SMBs expect their usage of video communications to increase significantly over the next year, while an additional 45% anticipate moderate increases. Yet, current SMB video conferencing spend is only about 15-20% of the overall video conferencing market. In contrast, SMBs accounts for more than 50% of total commercial services spend. The majority of video conferencing installations today are at large enterprises mainly due to following two reasons:

- Upfront infrastructure investment makes it cost-prohibitive for SMBs
- Current video conferencing usage is for intra-company (internal calls) making a case for enterprises with a large number of endpoints in-house

The B2B enablement and hosted solutions mentioned before address these SMB specific needs. Availability of easy-to-use B2B video communication, including common dial plans can drive wide usage between vast number of SMBs and SMB usage with enterprises. Also, large enterprise partners (e.g.. Boeing, Wal-Mart) may encourage/mandate use of video conferencing by vendors/partners as their main mode of communication. Availability of cloud/hosted services can ease implementation and cost concerns.

Today, non-immersive (e.g. non-TelePresence) business videoconferencing is a \$2.2 billion market globally Supply-based forecasts for the video conferencing market, 'as is', suggests that the market will be \$4.5 billion in 2015. With the addition of B2B enablement, advanced solutions and managed/hosted solutions, the market opportunity can almost double to \$8.5 billion by 2015 per Cisco IBSG forecast. Furthermore, SPs can realize additional 40% plus revenue opportunity with add-on services which include implementation, bandwidth, maintenance, management, and B2B support.

(Continued...)



In short, the broader market opportunity for video conferencing (non-immersive/non-Tele-presence) is there for the taking. The question is who is going to seize that opportunity and enable it? Video conferencing is a natural extension of what SPs do today and it plays well to SP core attributes – while offering a path for SPs towards higher value services.

The next steps for SPs that decide to focus on video conferencing should be:

1. Enable the drivers that enhance customer value

- B2B enablement, expansion of devices/features, interoperability, simpler end-devices and management

2. Pursue multiple business models to address evolving market landscape

- Unmanaged resale, resale w/managed exchange and managed/cloud models

3. Move quickly to address the SMB video conferencing market and accelerate market adoption in the early stages of market development

- Lower TCO solutions, simplified management and B2B enablement