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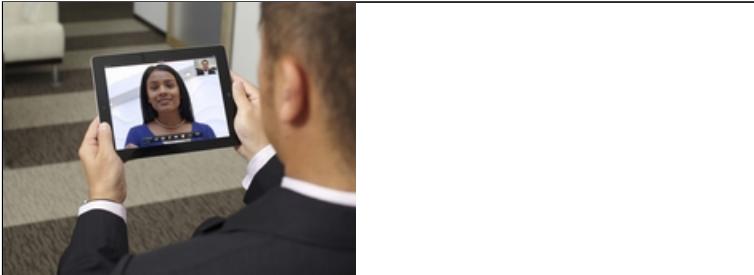
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VC GOES DOWN MARKET

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Videoconferencing is expanding into cloud-based services and inexpensive endpoints such as PCs. Tim Kridel explores whether that trend is a problem or an opportunity for AV integrators.

Every revolution has its martyrs. Avoiding that fate often requires giving up longheld beliefs and changing with the times. The videoconferencing market is a case in point. With the arrival of apps – such as Polycom's Telepresence m500 – that turn smartphones and tablets into endpoints, the declining cost of large displays and the proliferation of desktop solutions, videoconferencing no longer is something that's the exclusive domain of executives in boardrooms.

"The cost of videoconferencing at the endpoint has just fallen off the scale," says Dominic Dodd, a Frost & Sullivan principal analyst who tracks the unified communications (UC) and collaboration markets.

"It used to be around $200 for a software package like Polycom PBX or a Cisco/Tandberg Movi software client. [It's gone] down to virtually nothing once the video software client is bundled in with the UC client on the desktop."

The declining cost of endpoint hardware and software – including videoconferencing solutions that let enterprises re-use their existing PCs – is affecting the infrastructure side of the market, too. Not every organisation can afford to spend five or six figures on infrastructure such as bridges, especially not small and medium-size businesses (SMBs), which have been largely under-served in the videoconferencing space. Those up-front costs help create an opportunity for cloud-based videoconferencing services, where a third party hosts the infrastructure in exchange for a monthly fee. In the process, cloud services are opening the videoconferencing market – not just to more users, but also to more non-AV companies, such as IT integrators.

"We see companies very interested in adding AV communication solutions to their current IP networks," says Victoria Myers, director of operations and cofounder of Myers Network Solutions, which provides IT services in the San Francisco Bay area.

"Previously the sticking point was the big-gulp up-front cost of the infrastructure. With cloud-based, product-agnostic solutions, a number of our clients – financial advisors, higher education, consulting services and companies with regional offices – are jumping to add AV communication solutions."

Is anybody really using them?

Despite the growing number of vendors offering cloud-based and desktop-centric videoconferencing solutions, there's ample scepticism about exactly how widely they're being deployed.

"I accept that vendors are launching products into this space, but we are not seeing customers buying them," says Ian Vickerage, managing director of Imago Group, a European distributor.

"That's without mentioning the many failed attempts with videophones. So far – and I hope this changes – these are products looking for an application, in my opinion."

"The vendors are pushing them, and there are some folks that are probably making the wholesale change," counters Scott Christianson, owner of Kaleidoscope Videoconferencing, a U.S.-based integrator.

Limited deployments

However, what Christianson is seeing more of is a mixture of solutions. "They might integrate their videoconferencing (room and desktop) and VoIP systems via SIP for conferencing, but use OCS for chat," he says.

"I think that a lot of the market is really in play. I think that if Google wanted to make a play for this business, you could have a viable cloud-based solution. If you use Google Plus or iGoogle, you already have integrated presence information, chat, voice communications, video communications, email, document sharing and probably other features."

Some vendors and service providers acknowledge that adoption isn't as widespread as the current product selection might suggest. "There's not a lot of awareness yet because cloud services for videoconferencing are new, so it is a pretty significant barrier," says Mariette Johnson Wharton, vice president of marketing at Vidtel, a U.S.-based provider of cloud-based videoconferencing services.

Raising awareness

"We see the need for solutions like this high, although the demand is a step behind as many SMBs don't realise that there are cost-effective, high-quality solutions available to them," says Frank Picarello, COO at CMIT Solutions, a U.S.-based provider of managed IT services.

"Companies like CMIT [are] educating the SMBs on not only the advantageous price points and related technology, but also the business benefits in creating a visual collaboration environment."

Some vendors say another barrier to adoption is that enterprises often don't see a clear return on investment for desktop video calling and videoconferencing, regardless of whether it's facilitated by the cloud or with premises-based infrastructure.

"It's only now starting to get interesting," says Bob Romano, Radvision vice president of enterprise marketing, who says he's been pushing desktop video for years.

"I think that's because of the UC platforms [adding video], by the way, not because of the videoconferencing industry."

The rise of cloud-based services

Slow as it might be, videoconferencing's march down market already has implications for AV integrators. At first blush, declining endpoint costs might appear to be a major negative, especially in terms of margins. But cheaper endpoints also could expand the market for videoconferencing hardware and services. For example, relatively inexpensive endpoints could encourage large enterprises to expand their videoconferencing systems beyond conference rooms and executive offices.

That in turn could encourage them to spend more money on bridges and other infrastructure, or on cloud-based videoconferencing services. Many AV integrators have spent the past several years adding IT skills as more AV devices and services move onto IP networks. So those integrators also could make money by selling IT services such as network surveys and upgrades to enterprises that are expanding their videoconferencing systems.

At the very least, the ability to design and support videoconferencing over LANs, MANs and WANs is a must-have for AV integrators that don't want to lose business to IT integrators or even enterprise IT departments.

Meanwhile, cloud-based services offer AV integrators another revenue opportunity. For example, Vidtel is looking to use AV integrators – currently in North America but soon Europe, too – as sales channels for its MeetMe Video Conferencing Service. Another example is Cisco's TelePresence Callway, which Cisco will host but rely on integrators and other partners to sell. For both integrators and their clients, part of cloud's appeal is that it can streamline design and installation.

"A cloud-based solution like LifeSize Connections allows a small vendor like me to implement very large projects very quickly for new customers," says

Kaleidoscope's Christianson.

"Say that I have a customer that wants 30 endpoints deployed around the U.S. and 120 desktop systems for his mobile workforce and wants them all to be able to conference via a schedule or ad hoc as they like. In a traditional installation, this would take a lot of planning, a lot of work to get the infrastructure up and running, a lot of bandwidth or need to co-locate some central equipment and a lot of time and training.

"With LifeSize Connections, I can have the mobile systems up and running immediately, using the firewall traversal, the MCU, presence server and IM client that are build into the service. The endpoints can be added as soon as I can get a tech on-site. And in this case, the entire deployment would be done by techs that just need to know how to hook up a codec and make a call."

A scant few cloud-based services also are attractive for their ability to make a hodge-podge of platforms, services and endpoints work together. For example, Vidtel's MeetMe Video Conferencing Service works not only with room-based systems and executive-suite desktop platforms from Cisco, LifeSize and Polycom, but also with Google Talk and Skype, including on tablets and smartphones.

MeetMe's flexibility is designed to cater to the underserved SMB market, where it's not uncommon to find those companies using Skype for video calling because that's all they have the money, IT skills or both to implement. Cloud-based services could help integrators crack that market by attacking the pain points of complexity and affordability.

"What we hear from a lot of the AV integrators is that there's only a certain number of companies that have an addressable market where they're willing to spend a quarter of a million dollars or more," says Scott Wharton, CEO of Vidtel.

"You hear a lot of people saying, 'I wish I could have something better than Skype, but I can't afford it.' And even if they could afford it as equipment prices come down, it's still too complicated." Cloud services could be equally attractive at the other end of the market, among enterprises that already own pro-grade videoconferencing endpoints and infrastructure.

For example, Vidtel says MeetMe addresses interoperability problems between different vendor platforms, making them more practical for videoconferencing sessions where some participants are outside of the company and using another system. The service also makes it easier for those enterprises to conduct videoconferences with employees in the field who are using tablets, smartphones or laptops.

All of that newfound flexibility and interoperability could be a plus for AV integrators if it helps clients make a business case for spending more than they otherwise would have. Reselling or building cloud-based services might be the only way for integrators to make money if desktop solutions grow from the exception to the rule. Even if PC- and tablet-based solutions didn't exist, the upper half of the hardware and software field still would be declining in price and margins.

"Overall, I think that margins on hardware are drying up, and you have to be offering some service," says Kaleidoscope's Christianson. "I have been spending a lot of time in the past two months starting an infrastructure-as-a-service company called VTCStream.com, in which we rent space on devices that will stream and record videoconferencing.

"It might cost $40,000 to get one of these devices up and running, and a small law firm with four videoconference units and a desire to record three events a month can't justify it. But they can justify $350 a month for my service. It is selling well so far, and we are doing a lot of work with other resellers to allow them to resell our services."

Despite all of their potential benefits for integrators and enterprises alike, cloud and other down-market solutions don't spell the end for expensive, roombased systems or big, immersive executive-desktop products. A law firm, for example, might still shell out for those kinds of solutions. "But they'll probably say, 'I don't want to have to put in the MCU, gateways, firewall traversal servers and everything else,'" says Radvision's Romano. "They'll buy that from the cloud.

"I think that a lot of the savvy AV integrators that have been reselling videoconferencing are looking at this and saying, 'Maybe I can stand up a service here,' because a lot of the AV guys are providing managed services now. So it's not that hard for them to say, 'I could probably put up a hosted service and be able to provide some of these conferencing services to the customer.' I think they still play in the game."

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