

## ONLINE NEWS AND VIEWS ON VISUAL COLLABORATION AND RICH MEDIA COMMUNICATIONS

*Well, it looks like 2005 is going to end on a combination of loud bangs and thuds – see the interesting, perhaps shocking, announcements below. And stay tuned for the ramifications.*

*This is our last newsletter for 2005. We look forward to keeping you up to date on this ever-changing industry as voice, video, web, and IM go mainstream in 2006. We believe there are some interesting shifts in the winds and we hope to help you navigate the rich media conferencing products and services waters over the coming months. Before signing off for the holiday season, all of us at Wainhouse Research would like to take this opportunity again to say “thank you” to the corporate sponsors whose financial support make this newsletter possible. If you’re reading this newsletter for free, and every one of you is indeed doing so, it’s because these sponsors make it happen.*

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### HP Introduces Halo

I had the strange sensation the other day that it was April 1, not December 13. In the same week that Volkswagen NA introduced the new Bugatti Veyron, a two-seater selling for over \$1,240,000 with 1,001 horsepower and performance specifications that include 0 to 100 kph in 2.4 seconds (with special tires), HP has introduced Halo, a totally managed videoconferencing system (with special network) that makes even less sense than the Veyron. At least the Veyron will be a collector’s item.



HP’s Halo Collaboration Studio is a totally immersive environment similar in concept to that introduced years ago by TeleSuite and Teliris. And the multiple cameras in one room sending multiple simultaneous videos is an innovation introduced by inSORS in 2003. With Halo, HP assumes responsibility for everything from the endpoint to the network and full operator services. Data collaboration is built in, although some might argue that the screen is located in a strange place. (Note the total lack of eye contact in the photos below; everyone appears to be looking up at the ceiling.) Designed in collaboration (no pun intended) with DreamWorks Animation, and promising some royalty payments to DreamWorks, Halo provides a low-latency videoconferencing environment due to the use of MPEG codecs, one for each of the multiple cameras in the room, driving multiple 50 inch plasma displays (to provide life size images!). We believe the system requires a dedicated T3 and has no interoperability with any “standard” H.323 room systems; nor does Halo support multipoint video. One other detail: Halo costs

roughly \$550,000 per room (you need at least two of these) and runs about \$18,000 per room per month to operate. Dream on.



*Here's What I Think:* OK. Color me amazed. How could a company as smart as HP introduce a product as silly as Halo? How could a company as technology savvy as HP market a product that is so non-competitive in price or performance? And how could companies like PepsiCo and AMD actually decide to buy such a monstrosity? Is this just substantiation of PT Barnum's famous quote, or is it maybe that we guys at WR just don't get it? In recent weeks HP CEO Mark

Hurd has announced that he expects revenues to grow at HP driven by digital printing and data centers while at the same time he has eliminated about 15,000 jobs and an entire sales group. I guess you could stretch the data center concept to include managed services, and then stretch that a bit to include Halo. But for a company trying to return to its core competencies, Halo sticks out like a sore thumb.

For the conferencing industry, the Halo cloud has three possible silver linings. 1) The HP name has already created miles of PR ink for conferencing and collaboration and highlighted the industry's claim to make people more efficient working at distances and at cutting travel costs. 2) Halo should give more credence to the managed services concept. The more I talk to end users the more I believe that managed services are the road to the future for many enterprise video deployments. 3) I can name more than half a dozen integrators/VARs working with Polycom, TANDBERG, Sony, LifeSize and the like that can deliver twice the Halo performance at less than 1/4 the cost. These guys need to figure out how to turn Halo publicity into a real sales opportunity for themselves. Any customer with the most casual interest in ROI (return on investment) should be an eager listener.

If HP thinks Halo will make an impact on the growth prospects for the ~\$80 billion behemoth, they must be Dreaming. Bugatti of course is the stuff of legend. Halo is likely to be little more than a distraction. Sometimes it's better to NOT follow your dreams.

⇒ [WR Forum: HP's Halo Collaboration Studio](#)

## **TANDBERG Hits Planned Strategic Turning Point**

You've got to love those PR professionals who crank out these headlines. TANDBERG announced on Friday that "based on weak sales development, the company estimates revenues of approximately \$85 M for the quarter, (down sharply from financial analyst estimates and seemingly not in line with the mid-quarter update provided by the company on November 17), and that the board has appointed CFO Fredrik Halvorsen as CEO, effective immediately. Directors accepted the resignation of CEO Andrew Miller with regret. Mr. Halvorsen's appointment is a planned strategic turning point in the development of the company's global business."

Mr. Miller will receive \$1 million in total compensation upon leaving the Company, in line with his employment contract, so if you believe this was a planned strategic turning point, you must also believe in the tooth fairy.

The company's share price plummeted, closing at about 35 NOK on Dec 16, down from 54 NOK the day before with nearly 19 million shares (a huge volume for TAA.OL) trading hands.

*My Comments:* Andy Miller had a major impact on TANDBERG, turning the Norwegian-centric company into a sales-driven world power in videoconferencing, more than doubling the company's revenues and market share during Andy's watch. He brought in many new senior managers, and I'm sure the changes in people and policies and procedures upset many of the old guard at TANDBERG. But you can't argue with short term success. I suspect that things fell apart because TANDBERG couldn't deliver what Andy and all his sales skills promised. Hence the definition of success changed. Andy promised to drive market growth. Instead he delivered market *share* growth, an algorithm with ever diminishing returns. The mathematics of market share in the videoconferencing industry is not very interesting. TANDBERG and Polycom each have about 40% of the revenue pie and, given the nature of this market, neither one of them can "outgrow" or "outperform" the market for very long. These companies desperately need the market to grow in order for them to succeed. I give Andy credit for trying, but this is a long term task no one in the conferencing industry can do alone. Hence, I believe Andy Miller set expectations too high. According to the TANDBERG briefing last week, the company will now shift from short term to long term goals.

Well, it's a new day at TANDBERG. The Vikings are back. We look forward to our first meeting with Fredrik Halvorsen, reportedly a sharp finance mind with an M&A background.

## **LifeSize Update**

Two announcements are due from LifeSize Communications this week. 1) The company is now shipping LifeSize Room, its HD videoconferencing group system announced in April. The company has a backlog from both customers and channel partners and is likely to ship about 150 systems this year. Merry Christmas. 2) The company has raised another \$17.5 million in financing. The Series C round brings the company's total funding to date to \$56 million. This round includes LifeSize's current investors Austin Ventures, Norwest Venture Partners, Redpoint Ventures and Sutter Hill Ventures, as well as the addition of Pinnacle Ventures.

## **Update - European Forum in Berlin: 19-20-21 April**

We are beginning to line up our presentation agenda for Berlin. This will be an event you won't want to miss, with a series of speakers on presence-based collaboration deployments, driving video to thousands of desktops, next-generation meeting technologies, and maximizing service provider strategies. Agenda details to follow. One highlight of the European Forum will be a set of workshops by eight Gold Sponsors: Arel, Genesys, Compunetix, LifeSize, Microsoft, Polycom, Siemens, TANDBERG. These companies will be joined by Konftel, MVC, Netviewer, Pactolus, and Vapps and multiple participants from the European Union funded AMI project (next-generation meeting technologies) in the technology showcase. We still have room in our technology showcase for a few more exhibitors. Put Berlin on your calendar now! More details coming soon on [www.wainhouse.com/berlin](http://www.wainhouse.com/berlin).

## **Update - Wainhouse Research Summit: Boston 19-20-21 July**

Once again the Summit will be taking place in Boston in July. 2006 will be our sixth event. The agenda for this interactive forum will deliver thought provoking presentations, panels, and interactive discussions around all types of rich media collaboration products and services. We've already lined up a dynamite keynote speaker, someone who will set you off in new directions of thinking, and we are evaluating several panel/debate formats to bring out the best of conferencing's thought leaders. Stay tuned for agenda details. Meanwhile, the 2006 event will repeat our very well-received showcase format on July 19 with a series of very short presentations/demos from multiple suppliers giving attendees a rare opportunity to compare and contrast solutions in side-by-side format. This year Masergy will be providing its MPLS network services to the Summit, giving showcase participants high speed internet access over

the QoS network; we will also use the network to webcast presentations and to bring in participants via videoconference. As of December 19 we have signed on Arel, AGT, LifeSize,

Masergy, MCI, Polycom, TANDBERG as gold sponsors. The WR Summit has become THE event in the conferencing and collaboration industry. Don't miss it. We have made special arrangements for rooms at the Colonnade Hotel, and like last year, we expect rooms to sell out.

## News in Brief

- Avaya and Polycom have jointly announced the continued integration of Avaya Communication Manager software (IP telephony) with desktop and room video systems from Polycom as well as with Polycom MCUs. The integrated solution also creates a unified communication environment for network administrators enabling video conferencing across multiple parties using various communications devices through shared directories, standardized dialing plans and common authentication and authorization procedures. One piece of this announcement is Avaya Desktop Video Edition 2.0 which integrates Polycom PVX video into the Avaya IP Softphone, enabling a PC or laptop computer to operate as a fully functioning office telephone and video conferencing station, with the ability to switch easily between modes of communication. The Avaya IP softphone interface incorporates onscreen presence information and includes access to Outlook and adds transfer, hold, and mute functions to a video call. Up to 4 video appearances can be shown on a single Avaya Desktop Video screen.
- Microsoft released Office Communicator Web Access, an AJAX-based version of its IM client. Built with open standards, the web client works with Live Communications Server 2005 and provides IM and presence, can hook into audio and video services, and can work with IE, Firefox, Netscape 7.2 and even Apple's Safari. Using the optional Public IM Connectivity pack, users can access MSN, AOL and Yahoo instant messaging networks from the single Web interface.
- CityIS has acquired the Systems Integration Division of Corporate Audio Visual PLC (In Administrative Receivership) from the Joint Administrative Receivers.
- CSP Netconnect Systems will provide Arel Anyware to its global customer base. Arel Anyware is an audio-visual plug-in that establishes true 'face-to-face' meetings by adding multipoint video and wideband audio capabilities to Microsoft Office Live Meeting.
- Forgent has been awarded a new patent for "Adaptive Thresholds in Acoustic Echo Canceller for use During Double Talk."
- Genesys Conferencing has filed a registration statement with the U.S. Securities and Exchange Commission for a share offering that it will use to repay more than half of its total debt.

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