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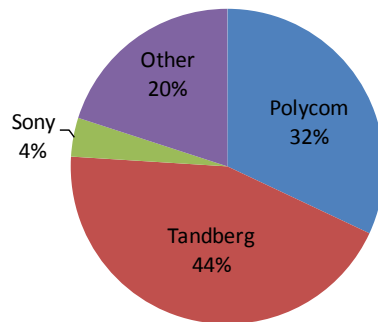


Q3 Videoconferencing Industry Statistics

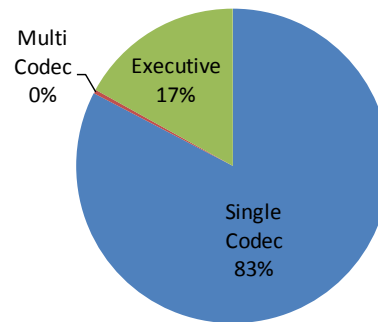
The videoconferencing industry continued its rebound in Q3:

	Q3-08	Q2-09	Q3-09	Sequential Growth	Annual Growth
Group System Revenues	\$347	\$302	\$327	8.1%	-5.8%
Group System Units	58,540	55,333	60,187	8.8%	2.8%
Infrastructure Revenues	\$84	\$103	\$112	8.3%	32.4%

Videoconferencing Revenue



Videoconferencing Units



Cisco-Tandberg Redux

Just as we were going to press, Cisco announced a revised recommended voluntary cash tender offer for Tandberg shares. The main points: A) the price was raised to 170 Norwegian Kroner, up from 153.5 NK, thereby valuing Tandberg at about \$3.4B and B) the deadline was extended from November 18 to December 1. The offer is still subject to the condition that 90% of the shares must be tendered, although Cisco retains the right to waive any conditions.

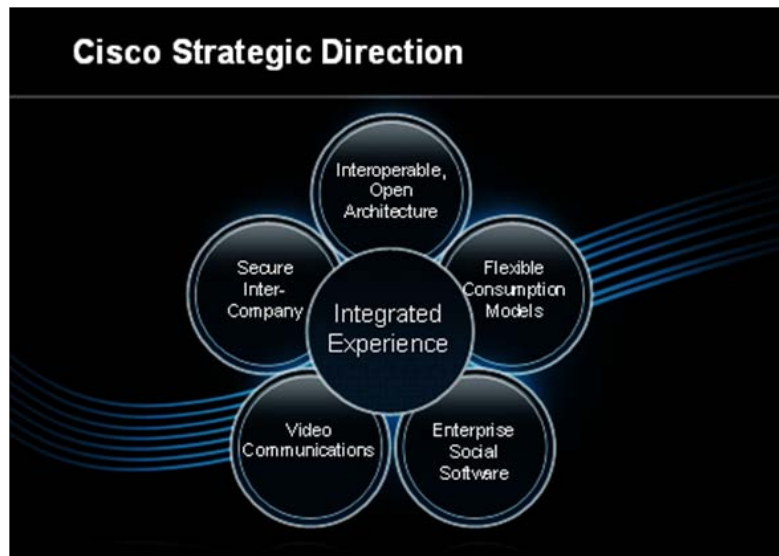
Cisco Launches Collaboration Barrage *Brent Kelly, bkelly@wainhouse.com*

Last week at its partner and analyst conference, Cisco Systems announced over 60 new products or features. All of these new products and product upgrades support Cisco's belief that "the future of the company is built on collaboration." In fact, John Chamber's keynote was titled, "The New Collaboration Experience."



Very little was said about unified communications during the three days of sessions – most of the presented material focused on collaboration. Hence, UC may be out of vogue at Cisco and collaboration is the new fashion.

Almost every session showed the graphic below in which Cisco's strategic direction is outlined, focusing an integrated experience that relies on an open architecture, easy to use networking services and devices, social software, video, and inter-company communications.



This strategic direction is built around five core tenets, and Cisco has announced a series of products or product enhancements to support these tenets:

1. Build trust through rich, reliable interactions. This tenet is supported by a new line of IP phones, the 8900 series and the 9900 series, Cisco's Flip video devices, telepresence-WebEx video/data interchange, the new XMPP engine in WebEx Connect and in Cisco Unified Personal Communicator 8.0, and WebEx Connect in a software as a service offering.
2. Collaborate with confidence across companies. Cisco supports this element through a new network device that allows intercompany voice and video exchange.
3. Connect the right people and information. Cisco supports this tenet through a Cisco TelePresence intercompany directory, both XMPP and SIP federation in WebEx Connect and Cisco Unified Personal Communicator, and with Cisco Pulse, an expertise locator tool.

4. Accelerate team performance. Cisco has developed a new social software tool, creatively branded Cisco Enterprise Collaboration Platform (ECP), designed to foster team collaboration and shared workspaces. The company has also launched a new video sharing tool called See and Share that allows video clips/blogs to be uploaded very quickly into the ECP.
5. Maximize the value of investments. The company supports this tenet through high definition interoperability between its telepresence solutions and those of other companies. Cisco also threw in the new WebEX Mail product under this category primarily because WebEx Mail natively supports Exchange protocols.

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The New Products/Enhanced Products

(most available in 1H, 2010)

Cisco announced a plethora of new products, including the following:

- Cisco Unified IP Phones 8900 and 9900 Series. Both of these phones are SIP-only devices with 5 inch backlight displays. Both play HD voice. The 9900 series phones support H.264 VGA video conferencing when the Cisco USB video camera is installed. The higher end 9971 phone also provides a built in a/b/g Wi-Fi capability.



8900 Series Phone



9900 Series Phone

- Cisco Intercompany Media Engine. The Intercompany Media Engine provides secure inter-company voice and video communications over the Internet. It sits between Cisco's session border controller (CUBE) and the Internet. Both companies need to indicate in the IME that the other company is trusted. To initiate the exchange of security certificates, a standard voice call is placed over the PSTN between the companies. The Cisco Communication Manager in the company that was called sends a message up to its IME with the caller ID. The IME then authenticates that number with the IME in the calling party's data center. Once the user is authenticated, security certificates are exchanged. At that point, when the user in the calling company places subsequent calls to the other company, the call traverses the Internet, providing no-cost calling. Calls can also support video if both parties have video-enabled endpoints.

- Cisco Telepresence WebEx Engage. WebEx Engage allows Cisco TelePresence units and WebEx meetings to be scheduled and launched using a common interface. “One Button to Push” capability allows the phone in the telepresence suite to launch both the telepresence meeting and the WebEx meeting. Any slides shown by a participant connecting to a regular WebEx meeting are automatically displayed in the telepresence suites. Likewise, any slides displayed by a PC in the telepresence suite are automatically displayed for the WebEx users. Telepresence video can be viewed by regular WebEx users, but WebEx web cam video does not display on the telepresence screens.
- Intercompany Cisco TelePresence Directory. This is a directory service Cisco will initially own and manage. It basically lets Cisco TelePresence owners put their telepresence information into a public database so that companies can figure out how to call each other. This directory is informational only. In order to connect two Cisco TelePresence units together, the telepresence managers in both companies would need to work with their respective network operators to make sure the appropriate bandwidth with sufficient QoS is available to place calls. The bottom line is that the Cisco TelePresence Directory lets other Cisco TelePresence owners know who they can call, but it does not provide any help or any details on how to actually make the calls work.
- Cisco Media Experience Engine. The Cisco Media Experience Engine (MXE) is a processing product that sits in the network and acts as a video gateway, transcoding video to a variety of video endpoints. As a network appliance, the MXE knows the formats and codecs the connecting devices can support, and it transcodes between a video's original format into one the connecting device can use. The idea behind the MXE is to eliminate the incompatibilities we all experience when we try to view video media. Thus, regardless of the endpoint (telepresence, HD video, smart phone, PC), the MXE will deliver the video in the proper format for the device to use.



There are two versions of the MXE, the 3500 and the 5600; the primary difference between them is the horsepower used in the transcoding engine. The 5600 can transcode at near wire speed, so live video feeds can be used. The MXE in some ways can act like an MCU

as evidenced by this statement from Cisco's website, "One of the innovative aspects of the Cisco MXE 5600 is its flexibility. The Cisco MXE 5600 performs transcoding. Because it supports Session Initiation Protocol (SIP) signaling, it can also integrate into an existing communications infrastructure and act as a media gateway. And used in conjunction with the Cisco TelePresence Multipoint Switch, the Cisco MXE 5600 can provide *some of the functions* of an MCU." And, "Unlike MCU-based approaches, in which the video conferencing endpoints can appear arrayed in a grid in one TelePresence display, with the Cisco MXE 5600-based interoperability solution, each video conferencing endpoint is a full participant in the call, and displays full screen on the Cisco TelePresence System. This scenario preserves the immersive quality of the Cisco TelePresence experience."



3000 Series MXE



5000 Series MXE

So, is the MXE an MCU? Not really, but it could be used as one. It has more capabilities than an MCU. Consider the MXE to be a media switch, but an intelligent switch can transcode video on the fly per the requirements of the device being used to view the video. And Cisco's comments about full screen are really referring to VAS mode of operation.

- Cisco Unified Presence. Remember the Jabber acquisition of 10 months ago? Cisco has rolled out Jabber in its presence engine so that the company's presence solution supports both XMPP and SIP. Cisco's Unified Presence engine can federate with AOL, Microsoft Live, Google, IBM Sametime, Microsoft OCS, Avaya and many other IM clients. Interestingly, there was no mention of federating with Yahoo! during the presentations.
- WebEx Connect 6.0 (available immediately). The big news here is that Cisco has integrated the Jabber XMPP engine into WebEx Connect removing the AOL IM engine dependency. WebEx Connect also integrates with Cisco's voice solutions, supporting a softphone as well as the ability to control a desk phone. There are also improved policy management capabilities.
- Cisco Unified Communications Manager 8.0 Session Manager Edition (available immediately). This product is essentially Cisco's answer to Avaya Aura and Nortel's ACE products. It provides third-party PBX call routing via SIP trunks between CUCM Session Manager and the other PBXs. It removes one of the major complaints of Cisco's solution that a forklift upgrade is required. This version also supports multi-tenancy, so it can be used more easily in the WebEX Collaboration Cloud and by other service providers in a purely hosted model.
- Cisco See and Share. This is a product that allows people to easily take video footage from a Cisco Flip phone or from a web camera, do some simple edits and transitions, and then publish the video. The product also supports a speech-to-text engine so that the video can

be indexed, tagged, and searched. See and Share makes it very easy to create video blogs or video snippets for use on enterprise social networking sites or for YouTube channels.

- Cisco UC Integration for Microsoft Office Communicator (CUCIMOC pronounced cookie moc). CUCIMOC relegates Microsoft Office Communications Server to a role of a glorified presence and IM server, replacing the voice and video capabilities in the Microsoft Office Communicator client by Cisco's own native voice and video functionality. In our minds, this is a defensive move by Cisco to allow companies to deploy Microsoft OCS without Cisco being marginalized by Microsoft's enterprise voice capability.
- Cisco Pulse. Cisco Pulse is an expertise locator. Think of it as a network appliance that tracks and tags information crossing a particular switching location. Pulse tags and indexes documents, email, videos, audio clips, web information, and other sources according to a specific lexicon. When users type in a search term from the lexicon, Pulse will direct the user to any of the documents, files, videos, or web pages where information on that particular search term can be found. The product uses Google-like rankings based on algorithms that help the most frequently used or viewed items surface to the top of the search results.
- Cisco Enterprise Collaboration Platform. The Enterprise Collaboration Platform (ECP) is a full-fledged enterprise social software tool. It supports the typical kinds of social networking elements including user profiles, pictures, shared workspaces, blogs, wikis, and so forth. The ECP is extensible so that it can be mashed up with Cisco's Unified Presence Engine, click-to-call capability, and ultimately with Cisco Pulse (Pulse is not integrated today).
- Cisco WebEx Mail (available now). Cisco spent an hour discussing its new WebEx Mail product developed from the recent PostPath acquisition. Email may be relatively boring to many, but not to Cisco. This is a hosted service integrated with Cisco's IronPort email security solution. Personal mailboxes will support up to 35 GB, eliminating the need for users to create and manage their own Outlook PST files when their mailboxes get too large. WebEx Mail has native Outlook compatibility, meaning that it uses the native Exchange protocols, so that Outlook and importantly, Outlook plugins, will work successfully with this hosted solution.
- Call Center Products. There were several enhancements to Cisco's call center products including an expert advisor that allows non-call center experts to be invited and included in a call, VMWare support on certain products, etc.

Cisco Comments on the Proposed Tandberg Acquisition

While we were meeting with Cisco, Tandberg's shareholders soundly rejected Cisco's \$3 billion offer for the company. Surprisingly, Cisco discussed the proposed acquisition with analysts indicating that a full strategy and product line integration has been considered. Should the acquisition ultimately go through, Cisco would announce the consolidated / integrated product line from day 1. There were discussions with Tandberg about technology exchange and which people were identified to move to between San Jose and Norway, and vice versa. Budgets, including ex-patriot expenses on both sides have been created. When asked if Tandberg would be a Cisco "fighter" brand, targeting the lower end of the market while Cisco branded products target the higher end (like Linksys does for routers/switches), Cisco indicated that there was no intention of making Tandberg into a fighter brand.

What Brent Thinks about Cisco's Collaboration Strategy

Whew, the number of announcements and products has been a bit hard to get my arms around. One thing is clear, Cisco has the most complete and comprehensive collaborative product offering on the market. It's hard to fault a company that has essentially come from zero 10 years ago to such a significant market leadership position.

There is a lot to like in Cisco's UC/collaboration suite of products. The company tells a very compelling story, and we believe Cisco's messaging will resonate with a lot of companies. There was nothing mentioned about pricing for all of these components, and I'm starting to wonder how much a full Cisco collaborative solution will cost? Most likely, Cisco will create some enhanced Cisco Unified Workplace Licenses (CUWL) models that will include most of these new collaborative features, particularly Cisco Pulse and the enterprise social software.

In one sense, Cisco speaks about interoperability and openness, and these new products do have some interoperability and openness to them. However, Cisco's solutions will always work better when deployed with other Cisco components, and there is always that pesky need to have some Cisco network element or Cisco Unified Communication Manger in most of its solutions. Also note that the telepresence directory is a Cisco members-only directory – if you have Tandberg or Polycom telepresence solutions, don't bother to ask to be listed in the directory.

Cisco announced a new "telepresence" standard called TIP (Telepresence Interoperability Protocol), which it has submitted to a standards body. This protocol is designed to allow telepresence units to have a more consistent way to connect to one another and to display screens in a similar fashion. I got the impression that Tandberg, Polycom, and HP were not consulted in developing this standard, however. So, the probability of its success as a standard is likely pretty poor.

The Media Exchange Engine is really a good idea, given the variety of codecs, bandwidths, formats, and so forth used for video in the enterprise today. The key will be how much such an element ultimately costs and how well it performs given the plethora of video elements in use today. Note that the Media Exchange Engine will be the gateway between Cisco TelePresence units and those from other companies, eliminating the need for an MCU.

I also think Cisco Pulse is a very innovative product. The ability to scan network traffic, index and tag it is excellent. The key here will be in how good the search/ranking engine is to bring the most relevant information to the top. Pulse will be even more compelling when tightly integrated with the Enterprise Collaboration Platform.

Cisco has a huge focus on video. That is all well and good as it drives up network traffic and network upgrades. Cisco said it has updated its own network four times to support its telepresence initiatives. It would be easy to get caught up into the euphoria about the need for video and how video will drive everything. During one of the sessions, Cisco said that the "telepresence industry will replace the videoconferencing industry." Three years ago, Cisco was quite dogmatic on what makes a telepresence experience different from a videoconferencing experience. We now see that for Cisco, telepresence can be regular group HD units or even desktop video. Cisco now states that telepresence is what keeps people's attention, versus the immersive videoconferencing experience Wainhouse Research repeatedly writes about. Cisco's telepresence bar has certainly fallen, but it is

much more in harmony with the market realities and what we've said about HD usually being good enough for a high quality immersive video meeting.

Overall, this is an exciting and impressive set of announcements. There is no question that Cisco's product offering is comprehensive and compelling. The keys for Cisco will be whether the market embraces video to the extent Cisco wants it to and how much all of this will cost the enterprise. We have to remember that for most companies, unified communications, collaboration, and conferencing are the means to an end. For Cisco, they are the end; hence the zealous push.

New White Papers from WR

After years of being relegated to high priced, custom appointed meeting rooms, videoconferencing is finally moving into the mainstream. Key drivers for this growth include dramatic improvements in video quality, manageability, scalability, and affordability. These white papers, sponsored by [Avistar](#), examine the importance and benefits of a desktop videoconferencing solution from two perspectives:

[What Every Business / Line Manager Needs to Know About Desktop Videoconferencing](#) explores and demonstrates why business / line managers looking to enhance the productivity, efficiency, and profitability of their organizations should view desktop videoconferencing as a compelling alternative to traditional audio calls and expensive business travel.

[What Every IT Manager Needs to Know About Desktop Videoconferencing](#) examines the importance and benefits of a properly deployed desktop videoconferencing solution as well as the risks associated with selecting the wrong solution or a poorly planned implementation.

Get your copies by clicking on the titles above or visit www.wainhouse.com/whitepapers.



HP Makes its CounterMove: Acquires 3Com for \$2.7B

The IT giant is certainly not faint of heart. This deal is a direct challenge to Cisco – aimed at the heart of Cisco's networking business. It's getting hard to keep up with the M&A news. The fate of the impending Cisco-Tandberg acquisition is still up in the air and filling the newswires; meanwhile just a week before the HP announcement Cisco teamed up with data storage titan EMC to invade HP's stronghold in server computers and storage. In the middle of all this, Cisco also announced the acquisition of Starent, a maker of network equipment for cellular systems. The 3Com acquisition, with 3Com's core switches and routers, fills important holes in HP's ProCurve line. In the end, HP, like Cisco, is aiming at a converged product line to integrate, standardize, and virtualize the data center. The big guys all seem to be finding it more attractive to buy a capability (or product line) than to build it from scratch.

What should we make of all this? It certainly looks like all the tech giants are spreading their wings and getting into each other's airspace. In today's economy, many enterprise

customers are looking to simplify their RFP and purchasing practices and to save money as well as deploy more efficiently by buying more and more equipment from fewer and fewer vendors. And the vendors are adjusting to this customer initiative.

In recent times, the attention was on telephony. Cisco upset the PBX world long ago when it introduced the IP-PBX which many scorned as providing low quality voice. Fast forward and Cisco is now the telephony leader and Nortel is in bankruptcy. Will Microsoft (and OCS) do to Cisco what Cisco did to Nortel and others? And of course you have the recent server war drum beats and networking gear salvos.

In the conferencing and collaboration and unified communications space, things are even more interesting. Yes, they all partner with each other, just ask any of them. But I suggest that if you look at our diagram below, the partnerships are heading into trouble.

	Avaya	Cisco	Dell	Google	HP-3Com	IBM	Microsoft
Computers			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Servers		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Routers/switches	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		
Telephony	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Presence Server	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
IM		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
E-mail		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Audio Bridging	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Web Conferencing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Telepresence		<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>		
Group Videoconferencing		<input checked="" type="checkbox"/>					
Desktop Videoconferencing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Office Productivity Suite				<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Shared Workspaces		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Enterprise Social Networking		<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>	
Hosted collaboration		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Managed Services	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

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