

If you were paying attention the past two weeks, you would have noticed the crossfire on the videoconferencing front as well as tons of news and views coming out of the Mobile World Congress in Barcelona. The world continues to evolve – on the video side, despite the controversy and infighting, with a little marketing hype thrown in for good measure, things seem to be getting better; on the mobile side, it's too close to call.

Polycom Steps into the HiP Fray

Polycom became the first videoconferencing vendor to announce support for H.264 High Profile. High Profile is one of 16 profiles that are part of the H.264 AVC (advanced video coding) recommendation. (Of the 16 profiles, three are for Scalable Video Coding, a development that is covered extensively in our report [H.264 SVC: A Technical Assessment](#) while the other 13 profiles do not support scalable coding.) H.264 High Profile reduces the bandwidth requirements for videoconferencing transmissions, but requires more compute horsepower. According to Polycom, the bandwidth savings can be as much as 50%. The company offered the following table during the briefing.

Resolution / Frame Rate	Call Speed
4CIF30 (DVD quality)	128 kbps
4CIF60 (DVD quality)	512 kbps (codec set to motion)
720p30 (HD)	512 kbps (codec set to sharpness)
720p60 (HD)	832 kbps (codec set to motion)
1080p30 (HD)	1024 kbps

High Profile (HiP) requires significant compute horsepower to accomplish its magic in real time – horsepower that is now available on Polycom's HDX systems shipping with the latest revision of silicon. HiP is not supported on the embedded bridge and is likely to appear next in Polycom's RMX product line. However HiP is supported by the HDX 6000, which with the Eagle Eye camera, has a list price of just \$4,999. Impressive!

Here's What I Think re: HiP: This is a natural evolution for the videoconferencing industry – one that has been going on for more than 20 years. Yes, every few years we get new silicon, new software, new algorithms – all pointing us to better audio-video quality at ever improved bandwidth requirements. HiP is the next step. Polycom's implementation follows the industry practice of making itself known during call negotiation; the systems then fall back to an algorithm supported by both ends if needed – this

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provides the all-important backward compatibility. Our research shows that the vast majority of video calls today are still being made at 768 kbps or lower, so this move by Polycom is significant. Whoever said that bandwidth was free?

On the other hand, we hasten to add that feedback we've received from two independent video algorithm experts would suggest that Polycom's bandwidth claims are exaggerated, that 50% bandwidth savings is not real, and that 15-30% is much more likely, and dependent on a variety of circumstances. Whoever said that press releases had to tell the whole truth and nothing but the truth?

Polycom's HiP press release goes even further, pre-announcing the company's intention to support sometime in 2010 another industry standard algorithm – H.264 Scalable Video Coding (SVC), also known as Annex G of the H.264/MPEG-4 AVC standard. While Vidyo has been shipping SVC products for about two years now, and while Radvision and Teliris have announced SVC implementations that are also shipping along with Hitachi, Google, and ShoreTel, Polycom claims it will deliver the industry's first "Full Scalable Video Coding (FSVC)," thereby establishing a new marketing term for a non-existing standard. Yes, things get confusing. Apparently the existing SVC players use SIP signaling, while Polycom will support H.323 signaling, thereby achieving the "Full" title. FSVC will be deployed in both Polycom endpoints and infrastructure (bridges) as well.

Here's What I Think re: SVC: It's not totally clear from the press release what Polycom's SVC implementation will look like. But it sounds like it will mirror the HiP implementation – that is, it will allow systems that support SVC to fall back to non-SVC (known as baseline profile in the videoconferencing world) during call negotiation. Don't quote me on this, because this isn't specifically called out in the description of FSVC. If that is true, Polycom will have an interesting and valuable compatibility story. We believe that HiP and SVC have many technology overlaps or commonalities, so that HiP might be Polycom's first step towards SVC.

It sounds to us like Polycom's approach is device-centric, while a contrasting approach taken by SVC pioneer Vidyo is architecture-centric (again, see our H.264 Technical Assessment). We should see a nice debate over these differences in the coming months – including a panel I will be moderating at VoiceCon on March 23. The issues involve price, performance, interoperability, MCU's vs. gateway advantages, and backwards compatibility, with maybe a little name calling thrown in for good measure. Come see the sparks fly. Before we leave this issue, however, we would like to add that Polycom's entry into the SVC arena is a welcome move – we think SVC will be a very significant player in the videoconferencing world very soon – affecting devices, service providers, and carriers alike.

↳ [WR Forums: Polycom: H.264 High Profile](#)

News in Brief

- Cisco has dropped HP from its reseller program. The change means that HP will no longer have access to information like Cisco's product roadmaps, which help partners make long-term plans for how to position Cisco gear. HP will still be able to sell Cisco products to its customers, but it won't be eligible for rebates and other incentives. Yes, we have co-opetition. Can other divorce/separation news be far behind? As companies expand

their horizons (think Google-Apple), product overlap and competition will continue to rear their heads.

- Citrix has introduced GoToTraining, a training-oriented version of its popular "GoTo" web conferencing services. Supporting up to 200 learners per class, the GoToTraining service includes full-service registration, testing and polling capabilities, content library, and the ability to reuse materials like polls and tests. Integrated phone and VoIP audio conferencing, Mac and PC support for both trainers and learners, and a "break timer" are among its capabilities, while recording and archiving capabilities support on demand content access. Pricing starts at \$149 per month (25 learners) or \$349 per month (200 learners maximum); this pricing includes a GoToMeeting license as well.
- Mitel Networks is jointly announcing with VMWare a truly virtualized offering of its core 3300 ICP telephony system. Mitel has previously used VMWare's virtualization platform to support a combination of its core telephony and communications application software solutions on a single physical server. A new version of Mitel Communications Director generic software, vMCD, will be able to run on a virtual server platform, based on VMWare's vSphere 4, with other third party, i.e. non-Mitel, business applications, such as email, Web server, customer file server and database applications.
- Radvision has been granted a U.S. patent for initiation and support of videoconferencing using instant messaging (IM). In accordance with the patent, popular instant messaging services and applications can be used to automatically initiate videoconferences.
- CSC and Avaya announced an agreement to expand CSC's Unified Communications portfolio with new Communications Enabled Applications (CEA) and Services based on the Avaya Agile Communication Environment. CSC's Unified Communications and Collaboration services now feature a suite of both ready-to-use communications-enabled applications and customizable application integration solutions.

News in Mobile

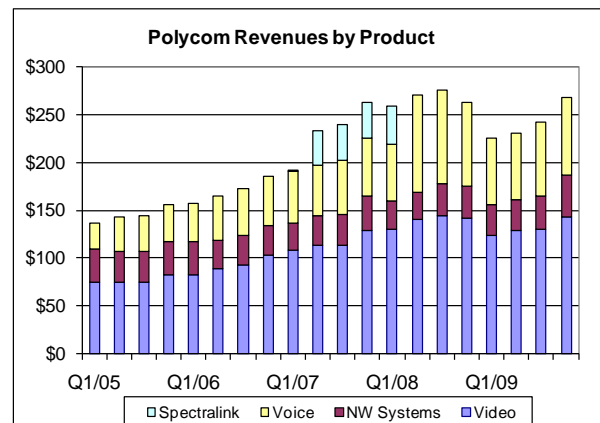
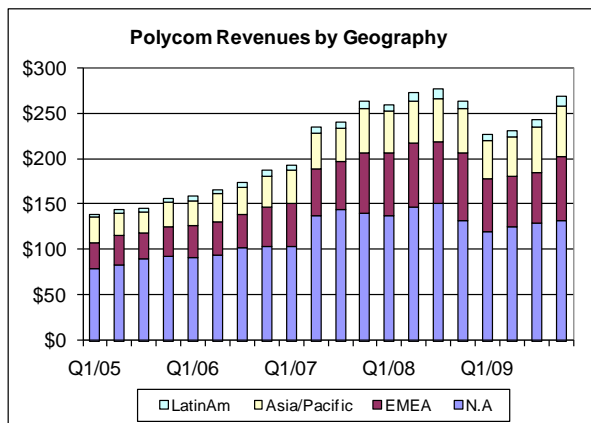
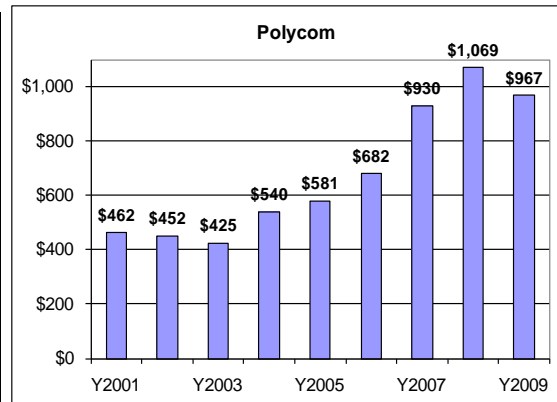
- Verizon Wireless and Skype have announced a strategic partnership that will provide Verizon Wireless with an exclusive Skype mobile offering for 3G smartphones. The offer, planned for release in March, will initially be available Verizon Wireless 3G smartphones with data plans, including select BlackBerry Storm and Curve models, World Edition and Tour 9630 smartphones, Droid phones from Motorola and HTC, and the Motorola Devour phone. The Skype mobile application can be used to make and receive unlimited Skype-to-Skype voice calls to any Skype user around the globe, call international phone numbers at competitive Skype Out calling rates, send and receive instant messages to other Skype users, and ability to see friends' online presence.
- According to a communication we received from Catharine Trebnick at Avian Securities, just back from the Mobile World Congress in Barcelona, operators and suppliers are focused on how current business models are not sustainable (i.e. flat rate data plans) in terms of bandwidth consumption and ROI. The emphasis is on developing new revenue opportunities such as usage-based consumption billing, policy control for personalized services, Quality of Service for video and controlling costs by optimizing both video and data applications on the network. (Sounds to us like we should all be worried.)

Dollars & Sense

Polycom Q4-2009

Polycom reported Q4-09 revenues of \$268 million and annual revenues of \$967 million, compared to \$1,069 million in 2008.

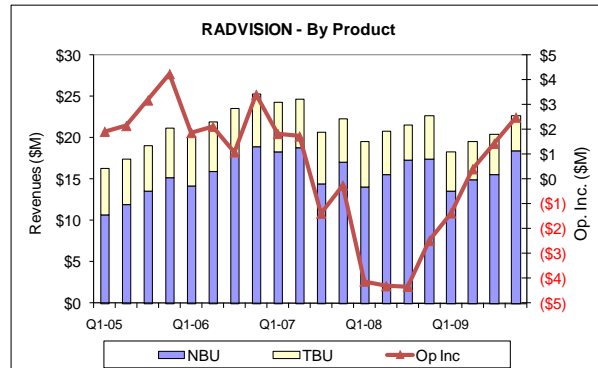
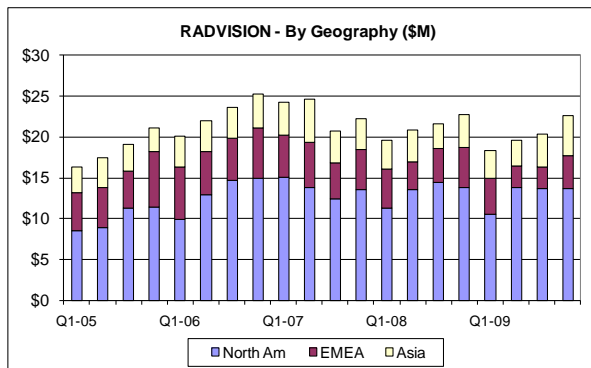
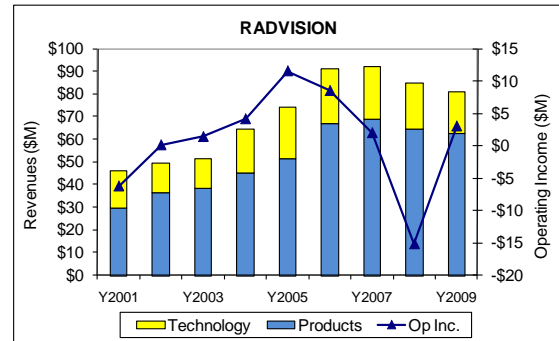
PLCM	Q4-08	Q3-09	Q4-09	Sequential Growth	Annual Growth
Video	\$141.7	\$130.0	\$143.0	10.0%	0.9%
Network	\$34.2	\$35.0	\$44.0	25.7%	28.7%
Voice	\$87.1	\$78.0	\$81.0	3.8%	-7.0%
Total Rev	\$263.0	\$243.0	\$268.0	10.3%	1.9%
Group Units	19,831	20,080	24,011	19.6%	21.1%
Op Inc.	\$34.9	\$18.1	\$19.4	7.4%	-44.5%
N.A.	\$131.3	\$128.4	\$131.5	2.4%	0.2%
EMEA	\$74.7	\$56.2	\$70.4	25.3%	-5.8%
Asia/Pacific	\$48.7	\$50.2	\$55.0	9.6%	12.9%
LatinAm	\$8.2	\$7.8	\$10.8	38.5%	31.7%



Radvision Q4-2009

Radvision reported Q4-09 revenues of \$22.7 million, up sequentially, but flat on an annual basis. The company ended Q4 with approximately \$126 million in the bank.

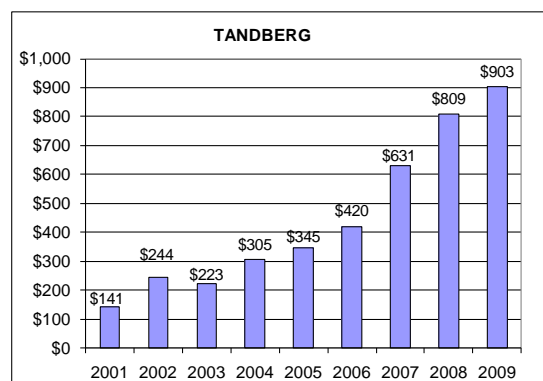
RVSN	Q4-08	Q3-09	Q4-09	Sequential Growth	Annual Growth
Products	\$17.4	\$15.6	\$18.4	18.1%	5.9%
Technology	\$5.3	\$4.8	\$4.3	-11.8%	-19.6%
Total Rev	\$22.7	\$20.4	\$22.7	11.1%	0.0%
NA	\$13.8	\$13.7	\$13.7	0.3%	-0.7%
EMEA	\$5.0	\$2.7	\$4.1	49.5%	-18.3%
Asia	\$3.9	\$4.0	\$4.9	21.7%	25.4%
Op Inc.	(\$2.47)	\$1.45	\$2.50	72.9%	NA

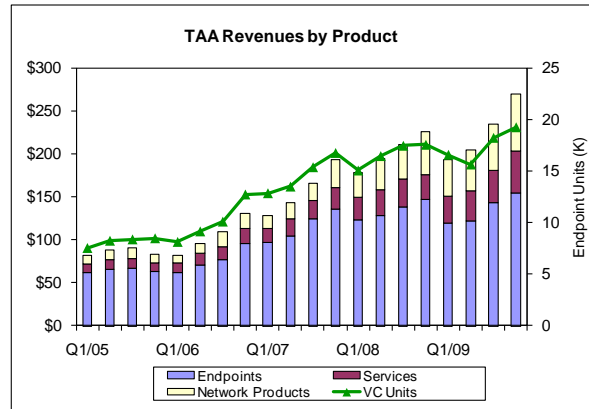
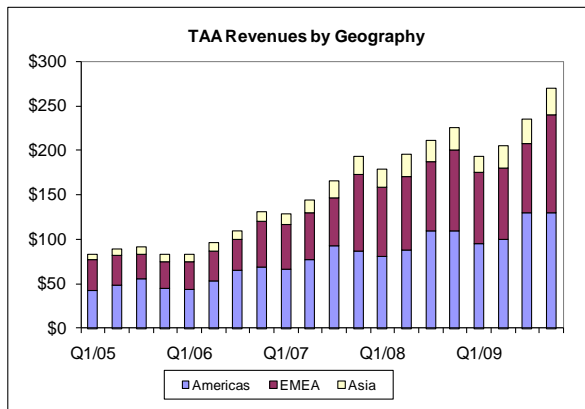


TANDBERG Q4-2009

In what is surely to be its last quarter as an independent company, TANDBERG turned in solid growth numbers across the board, defying the experts who predicted the impending acquisition by Cisco would slow down customer decisions.

TAA	Q4-08	Q3-09	Q4-09	Sequential Growth	Annual Growth
Americas	\$108.9	\$129.7	\$129.8	0.1%	19.2%
EMEA	\$91.0	\$78.1	\$110.1	41.0%	21.0%
Asia	\$25.6	\$26.9	\$30.1	11.9%	17.6%
Total Revenue	\$225.5	\$234.7	\$270.0	15.0%	19.7%
Endpoints	\$146.6	\$143.1	\$154.1	7.7%	5.1%
Services	\$29.3	\$38.3	\$48.6	26.9%	65.8%
Infrastructure	\$49.6	\$53.3	\$67.3	26.3%	35.7%
Op Inc.	\$52.8	\$50.0	\$60.0	20.0%	13.6%
Video Units	17,584	18,260	19,289	5.6%	9.7%





The Big Three

Q4-2009 Picture

		Q4-08	Q3-09	Q4-09	Sequential Growth	Annual Growth
PLCM	Room Video Units (1)	19,831	20,080	24,011	19.6%	21.1%
TAA	Room Video Units (2)	17,584	18,260	19,289	5.6%	9.7%
PLCM	Video revenues (\$M) (3)	\$141.7	\$130.0	\$143.0	10.0%	0.9%
TAA	Video revenues (\$M)	\$146.6	\$143.1	\$154.1	7.7%	5.1%
PLCM	Infrastructure rev (\$M) (3)	\$34.2	\$35.0	\$44.0	25.7%	28.7%
TAA	Infrastructure revenues (\$M)	\$49.6	\$53.3	\$67.3	26.3%	35.7%
RVSN	Infrastructure revenues (\$M) (3)	\$17.4	\$15.6	\$18.4	18.1%	5.9%
PLCM	Total revenues (\$M)	\$263.0	\$243.0	\$268.0	10.3%	1.9%
TAA	Total revenues (\$M)	\$225.5	\$234.7	\$270.0	15.0%	19.7%
RVSN	Total revenues (\$M)	\$22.7	\$20.4	\$22.7	11.1%	0.0%

1) Includes VVX 1500 and CX5000, 2) Includes E20, 3) Include services revenues

Annual Revenue Picture

	2008 Revenues	2009 Revenues	1 Year CAGR	5-Year CAGR
Polycom	\$1,069	\$967	-9.5%	12.4%
RADVISION	\$84.7	\$81.0	-4.4%	4.8%
TANDBERG	\$809	\$908	12.2%	24.4%

People & Places

NComputing, **Kim Niederman**, SVP Worldwide Sales

AVI-SPL, **Bob Zimmermann**, UC Business Development Manager Western Region,
Mitch Moore, UC Business Development Manager Eastern Region

Glowpoint, **Thomas Brown**, Sr VP Sales and Marketing

Wainhouse Research in Berlin: April 19-20-21, 2010

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Once again we are planning our April conferences in Berlin. The CSP Summit will be a half day conference on 19 April, while the Collaboration Summit will follow on 20-21 April. The market is changing rapidly, and we will be addressing business and technology issues that are of interest to a wide range of end users and service providers alike. If you would like to learn more about

being an event sponsor, contact sfargo@wainhouse.com.

The Collaboration Summit this year *will be streamed live and FREE* courtesy of Easymeeting. Just a few of the featured speakers and presentations at this year's event include:



Chuck Stucki
 Cisco
A new perspective on visual communications and enterprise collaboration



Jerry Pompa
 Compunetix
Unified communications and mobile conferencing services



Luis Carlos Garza
 CEMEX
From telepresence to the desktop: Key issues



Moshe Machline
 RADVISION
A new perspective on videoconferencing

Sitting in the center of the industry's biggest acquisition, Charles Stucki is the GM of Cisco's TelePresence Systems business unit, responsible for the TelePresence product development and engineering roadmap as well as the creation of the integrated go-to-market strategies that include the development of the services, channels, and deployment of Cisco TelePresence into the Enterprise, Commercial and Consumer markets. Chuck has agreed to take time out of his whirlwind schedule to present to the Summit audience and maybe answer a few questions from the curious.

Collaboration Summit Sponsors		

Collaboration Event Calendar

Conferencing & Collaboration Events	
When & Where	Who & What
March 22-25, Orlando, Florida	VoiceCon (8 sessions with WR analysts)
March 23-25 2010, via the Internet	Education for Everyone Virtual Symposium
April 7-8, via the Internet	IMTC Virtual Conference
April 19, 2010, Berlin, Germany	Wainhouse Research CSP Summit - Europe
April 20-21, 2010, Berlin, Germany	Wainhouse Research Collaboration Summit
July 20-21, 2010, Boston, MA	Wainhouse Research Collaboration Summit
October 12, 2010, Boston, MA	Wainhouse Research CSP Summit - North America

New WR Subscription Service Content		
Subscription	Document Title and Link	Description
VCP	Videoconferencing Managed Services: A Market Overview	An overview of the videoconferencing managed services market.

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