## News in Brief

➢ Don't know how we missed this one, but Salesforce acquired DimDim earlier this month for approximately $31M in cash. Founded in 2007, Dimdim created real-time communication technologies such as presence, messaging and screen sharing as a service. With the acquisition, salesforce.com gains Dimdim's real-time communication technologies, along with a developers experienced in building cloud-based collaboration services. Salesforce.com will use the acquisition to bring new real-time communication capabilities to the Chatter collaboration platform, mirroring the model of combining collaboration and communication into an integrated service.

➢ Glowpoint has added Telaid as a channel partner.

➢ ScanSource Communications has expanded its distribution relationship with ShoreTel and will now offer the company's complete product portfolio of IP phone systems with fully integrated unified communications (UC).

➢ Canada-based media processing and wireless solutions vendor Octasic announced its new comprehensive video gateway software suite that enables its OCT2224M chipset to radically change the landscape of high definition video applications in media gateways. Primary targets are OEMs looking to design next generation MCUs and media processing engines.

## Report from the Consumer Electronics Show

*Stacy Austin-Li, stacy@wainhouse.com*

CES made clear that video calling is already mainstream in the consumer world. Video cameras are embedded into everything from smart phones and tablets to information kiosks. Skype reported that 25% of global calls utilized its network and of those 41% (10% of all global calls) involved video. A mobile video application that works over 50 devices from a relatively obscure company called Tango has been downloaded 50 million times in less than a year. Here is my roundup of the major trends and how they affect our industry:

➢ **Mobility, Tablets and Android:** New devices and operating systems are creating lots of innovation and competition. Key trends include 1) increased crossover between home and work for mobile and 2) pushing content and identity into the cloud to unify communications and collaboration across devices. One innovative offering

that encapsulates this trend is a UCC software platform from Damaka that supports video calling from all major mobile platforms (iPhone, Blackberry, Android, etc.) as well as SIP enabled rooms systems AND allows a user to "sweep" the session from one device to another in real-time without interruption.

➢ **3D and other flavors of Immersion:** Although 3D was still a buzzword, other types of immersion gained more attention this year at CES. Microsoft Kinect, which uses a video camera and depth sensors to enable gesture based gaming with the Xbox, also enables Live Messenger video sessions from same interface. Kinect-edness may be coming to a PC near you at "the right time" according to Steve Balmer. Alcalu and partners combined 3D telepresence (Telepresence Tech), 3D body scanning, and PC-based video calling (Vidyo) to demo an interactive retail experience that expands brand presence across the retail floor and into the shopper's home. A small Midwestern company called Nuvixa applied has applied the same types of technology that enable MS Kinect to conferencing to immerse the presenter into the presentation – one of the most compelling combinations of video and data collaboration that I have seen in awhile.

➢ **Connected TVs** will change how we view and communicate more than 3D TV. Electronics manufacturers, content providers, and service providers are just beginning to mine the possibilities of having the TV – traditionally the largest screen in the house and the center of living room – connected to the Internet. Two important developments are a) better Skype integration into a host of TVs and b) the Logitech Revue Google TV package. The Skype approach leverages Skype's large user base and ease of use. Logitech and Google TV have addressed the "who can you call" issue by enabling calls between Revue users and any video-enabled PC or Mac with the Logitech Vid software (a free download). The question is whether the offering's superior video experience (quality, PTZ, wide angle) is enough to convince potential Google TV users to download the software and set it up for grandma and grandpa to video chat – or if they will just stick with Skype.
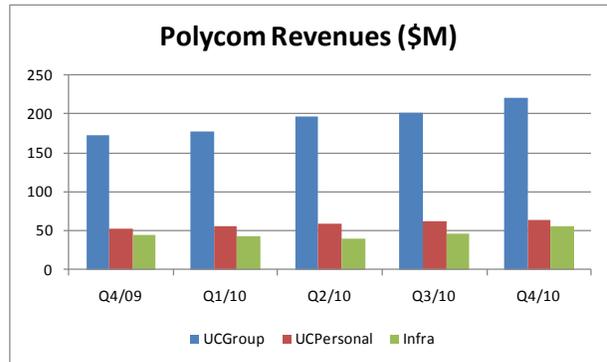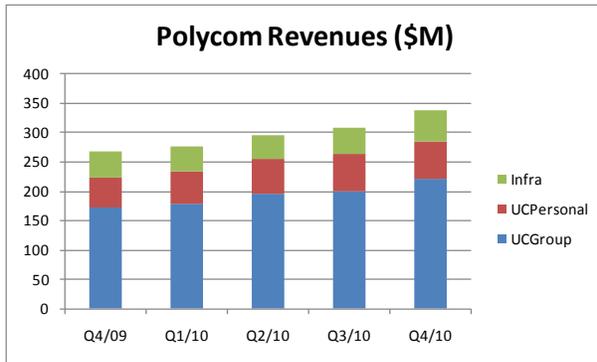
## Dollars & Sense

### Polycom Q4-1011

No matter how you cut it, Polycom turned in superb quarterly results. After a decade of reporting financial results by three functional categories – voice / video / network, Polycom is now using new categories – UC group / UC personal / Infrastructure.  UC group and UC personal each now combine

| PLCM | Q4/09 | Q3/10 | Q4/10 | Q/Q Growth | Y/Y Growth |
|------|-------|-------|-------|------------|------------|
| UCGroup | $172 | $201 | $221 | 10.0% | 28.5% |
| UCPersonal | $52 | $62 | $63 | 1.6% | 21.2% |
| Infrastructure | $44 | $46 | $55 | 19.6% | 25.0% |
| Total Rev. | $268 | $309 | $339 | 9.7% | 26.5% |
| AMER | $143 | $169 | $181 | 6.9% | 26.6% |
| EMEA | $70 | $75 | $86 | 15.0% | 22.9% |
| APAC | $55 | $64 | $73 | 14.2% | 32.7% |

both voice and video products into one category, at least for the time being making comparisons with Polycom's long term historical numbers a challenge. Another change: the Americas category includes CALA, which used to be reported separately.  More importantly, the UC nomenclature change signifies Polycom's intention to be known NOT as a voice and video company, but rather as a unified communications company, a tag line that CEO Andy Miller has been promoting since the day he joined Polycom.  Based on the impressive annual growth figures, this is more than a tag line change, it is a fundamental change in the way the company is positioning its solutions as well as executing in the field.

**Polycom Revenues ($M)**

(Stacked bar chart, Y-axis 0–400, categories Q4/09, Q1/10, Q2/10, Q3/10, Q4/10. Legend: Infra, UCPersonal, UCGroup)

**Polycom Revenues ($M)**

(Grouped bar chart, Y-axis 0–250, categories Q4/09, Q1/10, Q2/10, Q3/10, Q4/10. Legend: UCGroup, UCPersonal, Infra)

## WR Visual Collaboration Summit Amsterdam – NEXT WEEK

The focus of the **WR Visual Communications Summit** will be on moving videoconferencing and visual communications into the enterprise mainstream, what are the challenges, and how are varying solutions addressing those challenges. Come hear 16 experts, including SIX customers, speak to these issues. Visit www.wainhouse.com/ams2011 to register and review complete up-to-date information.

Andrew Davis / Wainhouse Research

Ken Davison / Magor

Even Zimmer / Ceelab

Ulrich Schwenn / Max Planck Society

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Udo Gehrmann / Nokia Siemens

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31 January &
1 February, 2011
Amsterdam

The Summit will be webcast for FREE, courtesy of VBrick. *Don't miss it.* Register here.

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## *People & Places*

Glowpoint, **Stephen Vobbe**, Sr. VP of Sales & Marketing

Tata Communications, **Vinod Kumar**, Managing Director and CEO

Tata Teleservices Ltd. and Tata Teleservices (Maharashtra) Ltd**, N Srinath**, MD & CEO

Telaid, **Dennis Murphy**, VP of Managed Video Services

| Conferencing & Collaboration Events | |
| --- | --- |
| **When & Where** | **Who & What** |
| 31 January & 1 February 2011, Amsterdam | WR Visual Communications Summit Europe (co-located with ISE Europe), details & registration |
| 13-15 June, Orlando, FL | EduComm |
| 15-17 June, Orlando, FL | InfoComm |
| 19-20 July 2011, Philadelphia | WR Collaboration Summit, save the date |

## *One on One with Vidyo CMO & SVP of Corp. Dev., Ashish Gupta*

**WRB**: Let's start with the question at the top of everyone's list. What drugs are you on?  What would inspire you to leave Microsoft for an upstart videoconferencing company like Vidyo?

**AG:**  Drugs?  It must be the endorphins that kick in when you get the rare opportunity to be part of a company that is changing the landscape of the entire industry by delivering the kind of innovation and differentiated solutions Vidyo is providing.  In its relatively short lifespan, Vidyo has already built a several-year technology lead over its competition and forged strong partnerships with such market leaders as HP, Google and Hitachi.  Vidyo has single-handedly re-focused the collective vision and strategy of established legacy players in this industry who are now announcing future products based on technology that Vidyo pioneered since 2005.

Before making my decision to join Vidyo, I examined all aspects of the videoconferencing industry, particularly its evolution over the past 10 years or so.  What was evident to me was that Vidyo is the first solution to address and tackle successfully the age-old problem of proprietary and expensive legacy systems that has resulted in islands of collaboration. Because of its innovative approach, Vidyo now has an impressive technology lead over legacy systems and this lead will only increase as customers and partners build unprecedented applications on the Vidyo platform, while benefiting from the cost efficiency gains provided by the Vidyo architecture.  For example, in the area of mobile video conferencing, Vidyo's platform is already supporting a wide array of mobile devices, operating systems and applications.   Those are just a few of the things that inspired me.

**WRB**: Exactly what did you do at Microsoft and how long were you there?

**AG:** I was at Microsoft for 6+ years and was involved in the Microsoft Office, Unified Communications and Collaboration, Mobile, and Real Time Collaboration teams. Most recently I was responsible for business development and strategy for the Unified Communications Group and built-out the Lync infrastructure and ecosystem, including key strategic partnerships with Polycom, HP, Nokia and SAP. Prior to this, I worked on several strategic initiatives that led up to Microsoft's UC&C solution and the Enterprise mobile worker vision for Microsoft.

In the Wainhouse Research profile written about Vidyo last December, you stressed the importance of the Vidyo-HP relationship and how Vidyo's GTM model is closer to an IP PBX or telephony business model. Well, for almost half a decade at Microsoft, I helped build the strategy and develop partnerships that enabled the company to address that market place. This includes a deep partnership with HP to deliver an end-to-end unified communications and collaboration solution. I look forward to doing the same at Vidyo.

**WRB**: At Microsoft, you were dealing with a wide range of collaboration issues; at Vidyo you're really limited to just videoconferencing. How do you feel about that?

**AG:** At Vidyo, I intend to work on a wide range of strategic partnerships that will accrue to our overall offering and range, well beyond videoconferencing.

Vidyo's platform for video communications and collaboration is rich and rife with potential. Think about it as a Lego plate on which new applications (Lego blocks) are added to deliver innovative new solutions. Vidyo plans to work closely with complementary partners in many horizontal and vertical markets to create a variety of end-to-end solutions. Take, for example, the Structural, Architectural and Construction industry – one in which people often work in distributed environments, and collaboration is key to efficiency. This is one of many examples – in this case we are working with managers of CAD software, project management, architectural and construction firms, etc. – to build and deliver end-to-end solutions that are a logical extension of Vidyo's platform.

**WRB**: According to the press release, you are CMO and SVP of Corporate Development. Let's talk about the two pieces, starting with Corp Development. What does this mean at a company like Vidyo?

**AG:** There's a two-prong approach to Vidyo's Corporate Development. First, it encompasses the strategic and tactical aspects of business development where we are working on a targeted list of strategic partnerships that are complementary to our offering and go-to -market approach; these will continue the organic growth of our business. Second, we will keep an eye out for non-organic opportunities. We have the advantage of doing very well operationally and having a strong vote of confidence from our investors.

**WRB**: Anything unusual about the CMO job?

**AG:** Marketing at Vidyo is an important function, as we think we are the market leader when it comes to the future of video communications and collaboration. As Wainhouse Research pointed out in its December profile on Vidyo, the company remains a "diamond in the rough."

We have attained the status of being the "disruptive technology" innovator in our market; developing the "next generation" architecture for video communication and collaboration. It is not often that a company the size of Vidyo gets the opportunity to carry the torch for the

industry and re-establish the customer value proposition.   It is good to see that legacy players are following our lead and the industry is now moving in the direction we established.  Now our challenge is to maintain and extend that leadership position.

I see my job as an incredible opportunity to lead the team that will turn the "rough diamond" into a sparkling jewel that is recognized as such and valued by the market. To that end, we will invest substantially to grow both mindshare and market share.

**WRB**:  OK, let's talk about Scalable Video Coding, the technology most closely associated with Vidyo.  It's an ITU standard, so what makes Vidyo stand out among the crowd.

**AG:**  You are correct, H.264/SVC is quickly becoming a well-adopted standard.  We are proud of the role we have played in driving the adoption of the standard by being the first to deliver a solution that is enabled by this standard.  However, the SVC standard does not differentiate us – it is our architecture gives us the decided edge over other industry players.

Vidyo's architecture is enabled by the H.264 SVC standard and the core differentiation comes from the way the VidyoRouter uses this next generation architecture to manage and deliver unprecedented video communication and collaboration solutions.

The Vidyo architecture and infrastructure eliminates the burden of the costly MCU – used by legacy solutions – and the negative impact of transcoding.  Instead, the VidyoRouter architecture provides rate and resolution matching for each endpoint while dynamically adapting to changing bandwidth.  This technology is the key advancement in making natural, high quality videoconferencing universally available over the Internet, 3G, 4G, or Wi-Fi networks.  It allows us to deliver products and technology that no other provider is able to touch.  For example, it is what has enabled us to develop TV quality, multi-party video communication and collaboration for a wide range of mobile devices.

**WRB**:  Radvision is shipping SVC capabilities today, and Polycom has announced its intention to have SVC in 2011. In fact, the Polycom announcement mentioned SVC for Lync in the press release.  How will all this shape Vidyo's future?

**AG:**  These SVC vendor announcements not only substantiate our vision and validate that our differentiated products are winning in the marketplace, but also demonstrate that our competitors are following in our foot-steps.

Radvision's addition of another codec supported by their MCU affirms the value of SVC, but does not change the user experience in a multipoint call in terms of additional latency added and the level of video quality degradation from the transcoding operation.

 Polycom announced that they will support SVC in the future and they also stated that Microsoft will use their SVC in Lync. Both Radvision and Polycom are smart companies that realize it is the right path to follow in Vidyo's footsteps.  We're happy that they have validated our way of thinking.  However, Vidyo's marked advantage is that we are already delivering products, on a differentiated and patented architecture that utilizes H.264/SVC.

**WRB**:  When multiple vendors have SVC, what are the chances for interoperability before my grandchildren graduate college?

**AG:**  How old are your grandchildren?   I guess it really depends on when other vendors and legacy players will have support for SVC, since Vidyo already delivers this today.

Vidyo is one of the leaders in providing interoperability based on industry standard technologies and driving the adoption of these standards. Alex Eleftheriadis, our chief scientist, is the Chief Editor of the Unified Communications Interoperability Forum's (UCIF) Task Group on Scalable Video Coding (SVC) that will define H.264 SVC UCIF-compliant unified communication systems. Vidyo is also leading the effort to add SVC to H.241 which is in process at the ITU, and the changes to the standard should be ratified by July of this year. This should address the H.323 signaling interoperability issues. So, we are highly optimistic that, as the overall videoconferencing industry adopts H.264 SVC as their primary codec, interoperability will become commonplace.

**WRB**: So, you've migrated from working for the industry giant to an industry challenger (Goliath vs. David). What keeps you up at night?

**AG:** I actually sleep rather well at night – my wife is pretty jealous about that already.

If there's anything that I think about, it is the huge opportunity we have on our hands. We are on a rocket ship with thrusters that are firing on all fronts. Now it's our responsibility to ensure that the ship is guided toward the best destination. What concerns me is that every day we are delayed in reaching an end user, another potential customer may buy a limited quality solution on an outdated architecture that will not be able to scale to address user needs or be too expensive to manage for a global and mobile workforce. We need to make sure that everyone who is looking for the best video communication and collaboration solution knows about Vidyo's next generation solution and how it is better suited to address the needs of customers.

Vidyo is fortunate to have a highly differentiated offering and a top-notch team, and we plan to aggressively pursue this large market opportunity from the front of the pack, and I am looking forward to a great ride on our industry-changing rocket ship.