



# The Wainhouse Research Bulletin

ONLINE NEWS AND VIEWS ON VISUAL COLLABORATION AND RICH MEDIA COMMUNICATIONS

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## Polycom Acquires Accord Networks

Literally moments before the TeleCon Show opened its doors on December 6, Polycom announced that it had acquired Accord Networks in an all-stock transaction valued at approximately \$339 million.

Other than that Mrs. Lincoln, how was the play?

This stunning announcement followed by just days an agreement between Accord and TANDBERG and by a few months a deep relationship between PictureTel and Accord to support the 900 Series features on the Accord multipoint bridge products. Accord is also a strategic partner with VCON and Zydacron (who just closed a huge Accord deal in the far East).

Approximately 512 people on the show floor asked me for my take on the deal. It's clearly an industry shocker.

Everyone's putting on a public face of "business as usual" about this. Indeed, it's so business as usual that Accord followed up the acquisition announcement just one day later with three separate press releases saying it would be business as usual. MacBeth would have been proud. One release specifically targeted the PictureTel community, another the Tandberg community, and I believe the third was for anyone else who was feeling left out of the party.

The top brass at Accord took ample time on the show floor, in the booths, and in the hospitality

suites, (tonic water and lime for me!) to explain to me how there would be a "firewall" between the Polycom bridging division (The MGC product people of Accord) and the Polycom videoconferencing systems division (the ViewStation product people). No favoritism would be shown, no secrets revealed, and no customers flipped. Well, 1 out of 3, anyway.

*So, here's what I think.*

1). This is a great move for Polycom. Brilliant actually. The company gets a profitable and growing company that sits at the nexus of the conferencing industry. Polycom will get the opportunity to tie their endpoints closely to the multipoint bridging architecture for both H.323 and H.320, to deliver end-to-end solutions, and to push more product through their dealer channels. And yes, it does represent a major strategic shift for Polycom, which till now has been an endpoint player, not an infrastructure player.

2) This deal is good for the industry, because a major vendor will be able to deliver total solutions that work, and work reliability. This is what customers are asking for.

3) Good news, bad news. It's good news for Polycom, it's bad news for Polycom endpoint competitors, whose names I've mentioned above. Yes, it's almost Machiavellian. Congratulations to Mr. Hagerty, Mr. Alt, and Mr. Malloy.

4) At first I thought this was a tacit admission, but Polycom actually said it – so it isn't tacit. This

acquisition acknowledges the fact that standards and partnerships aren't enough to get interoperable products and reliability to market. Polycom believes that it has to own the technology. The merger probably signals the end of the MCU-agnostic or endpoint-agnostic era as well.

5). Polycom has suddenly become a real global corporation, with R&D operations in four countries: the USA (Northern and Southern California), Canada, Israel, and Texas!

6) Polycom management has shown that it is up to the daunting task of integrating acquisitions and continuing the product development and profit creation cycle. So don't bet against them here. Execution is their forte.

7). This whole business of "business as usual" is really quite strange. Accord has to say it – they still want to work with TANDBERG, PictureTel, and others. And maybe the Accord Management even believes it. Even if it's true, I'm not sure anyone else believes it. Working with the other endpoint companies would be an unnatural act for Polycom. And I don't believe in un-natural acts.

On another, similar front, given the strengths of the Accord product line and the strength of the Polycom-Cisco relationship, I wouldn't be surprised to see Polycom attempt to unseat the Cisco-RADVision partnership. Just my guess.

8) Polycom will tell you that the Accord deal doesn't upset the Polycom partnership with RADVision – the RADVision and Accord products are complementary, not competitive. Yes, and I have some land in Florida I'd like to sell you too.

9) Count me completely buffalo'ed if you see a Polycom bridge in the PictureTel, Zydacron, or TANDBERG booths at TeleCon next year. I'll eat this newsletter.

10) The Polycom-Accord merger is going to create some strange bedfellows over the next few months, bring new meaning to the word "co-opetition" and could also start a small string of

mergers and acquisitions in the community of Polycom and Accord competitors. So let's get on with it. For the time being, however, alternatives to Accord include RADVision, which supports H.323, but not H.320; Computnetix, which supports H.320, but not H.323; Ezenia!, which does both but in different boxes; and Avaya (see below). Polycom is in the catbird seat.

### **Q3-2000 Videoconferencing Industry Statistics Now Available**

A detailed report on the videoconferencing industry, showing product sales by geography and by product type is available on a paid-subscription basis from Wainhouse Research.

Contact [andrewwd@wainhouse.com](mailto:andrewwd@wainhouse.com) for details.

### **TeleCon 2000 Highlights**

The conferencing industry's faithful made their annual trek to Anaheim, California for TeleCon 2000, the twentieth TeleCon event. The mood seemed especially upbeat this year, despite the recent chaos in the stock market. Attendance at the sessions seemed higher than ever, although I suspect show floor traffic was just moderate. It seems like more end users than ever this year used TeleCon as an opportunity to bring together their worldwide conferencing management teams to discuss new strategies and to see all the important vendors and service providers under one roof. Kudos to those companies who used their travel budgets so wisely.

One of the highlights for me was the industry roundtable, with PictureTel's Norm Gaut, Polycom's Bob Hagerty, TANDBERG's Bengt Thuresson, and VTEL's Stephen von Rump mixing it up in response to some pretty pointed questions about the industry, its history and possible future. The discussion led to a few heated moments, with Gaut and Hagerty arguing product philosophies. Hagerty also got a chance to talk about his Accord acquisition. Stephen von Rump clarified the source of VTEL's recent profitability, while TANDBERG's CEO brought the others back to their senses with a calm, collective opinion on the state of the industry and an explanation of the true function of Viking

horns. The audience of 1500 left entertained and enlightened. I believe Advanstar has agreed to repeat the session next year, and in deference to Bengt, the other participants have agreed to debate in Norwegian. Stay tuned.

### **Andrew's Personal TeleCon Awards (5)**

**Best New Product:** The TANDBERG 1000. I mentioned this product in last week's WRB, but at TeleCon I got a chance to see the system in action in several booths. The design is simply elegant and breathtaking. The unit supports up to 384 ISDN as well as IP, includes a digital PTZ camera, and is supported by TANDBERG's remote management system. Whether wall mounted or desktop/credenza/table mounted, the unit is too good-looking and too easy to use for this to be anything but a huge success for the company. The audio and video quality are TANDBERG quality, which speaks for itself. TANDBERG continues to be one of the most innovative companies in the industry and now has a broad, interesting product line spanning from the 7000 to the 500 with a common user interface, management system, and many unique and useful features. If you get a chance to see the TANDBERG 1000, don't be turned off by the company's marketing campaign – "not another brick in the wall" – which I'm sure means something in Norwegian, but think about the new level of convenience (and sex appeal) represented by the TANDBERG 1000.

**Best New Traditional Service:** AT&T Video On-Demand Service. It was only a matter of time that somebody would introduce reservationless video, but I have to admit I was genuinely surprised that it was AT&T. This is an on-demand multipoint video conferencing service that allows users to self-launch video calls via the Internet. Authorized users enter a secure Web site portal and gain access to a listing of their company's private video rooms worldwide. Then, it's point and click. Users of AT&T Video On-Demand Service also can control the conference once it's established via a Web browser, performing such functions as adding or disconnecting sites, and changing the viewing layout options.

### **New Industry Resource Book Available**

Wainhouse Research has published **["The 2001 Multimedia Conferencing Industry Resource Book"](#)**,

our guide to the technologies and market trends driving the conferencing industry for enterprise users.

The 220-page book also includes an overview of over 75 vendors and scores of products and services. Price is \$995; details available at [www.wainhouse.com](http://www.wainhouse.com).

Also new is AT&T Conference Manager, software that provides monitoring and control capabilities that include: selection of broadcast (one-way) or interactive (two-way) mode; Q&A session administration, and dial-out add-on control. AT&T also showed the capability for customers to manage conferences by using wireless, handheld computing devices, for those of you on the true cutting edge.

**Best New Non-traditional Service:** Brainshark. This is a really elegant service that provides a fast way to self-author and deliver and manage multimedia content via the web. Think of Brainshark as a self-service way to combine audio and slides, author a presentation, and have it available as a streaming media format for your audience. Simple. Smart. Useful. The Brainshark booth was packed at TeleCon, a testimony to the fact that rich media communications isn't always about video.

**Most Unusual Conferencing Concept:** e-Conference by Sony. Sony was demonstrating its concept of the future at their TeleCon booth. E-Conference is a network-centric approach to conferencing based on wireless Ethernet physical interfaces and drag and drop software to connect users' PCs, videoconferencing systems, projectors, document cameras, printers, etc. Kind of a conference room in the air. The demonstration was a marvel, and the Sony people assured me that they've run this by real customers who want this. E-Conference takes Sony off in a direction which no one else is pursuing, as far as I know. The company also assures me that the individual components can work in traditional ways as well, so the customer doesn't have to buy off on the e-Conference wireless concept at first, and can grow

into it. What I saw was science-fiction levels of easy-to-use. What I'm worried about is I can't get simple stuff to work in my office.

**Biggest Show Stopper:** The Polycom-Accord merger (see article above). Attendees stopped arguing about chads to ponder this deal.

### Other Telecon Notables

**Avaya**, the Lucent (AT&T spinoff) spinoff, announced the addition of IP video capabilities to its video MCU with release 7.1 of the software. Users can conference both ISDN and IP callers in the same conference without a gateway. This announcement came a day before the Polycom-Accord merger, which really put Avaya in the spotlight. There are some interesting goings on here. Lucent is one of the biggest (or the biggest) resellers of Polycom ViewStations, and now Polycom is a competitor in the bridging business. And Polycom has been a reseller of Lucent bridges, although my sources say not a happy reseller. So, will they now compete, or co-opetite, or what? At the trade show I detected absolutely no animosity between these two companies. Or will Lucent abandon its own hardware, focus on its core competencies and customer relationships, and re-sell Polycom H.320/H.323 bridges? Time will tell.

The attention at TeleCon was definitely on multimedia bridge manufacturers. **Computnetix** introduced its new product, the Virtuoso Hybrid, a multipoint system that brings audio, video, and data together in one package. Voice is treated natively, not as an add-on. The system supports 24 to 120 ports of audio and eight ports of video at speeds up to 2 Mbps. The product today does not support H.323 in native mode. The company has been a leader in the audio world and a sleeper in the video world. This week may be their wakeup call. Rumor has it their phones were ringing off the hook.

**WorldCom** has expanded its products and services offering. One of the new services is the ability to stream audioconferences, based on the company's relationship with Akamai. The

company has also launched a high-touch event planning service, initiated a voice-blast messaging service, opened facilities in multiple European locations, and signed a global agreement to resell PictureTel 900 series systems.

**Spectel** launched an audio bridge, the Confertel 7000, capable of supporting 4,080 ports.

### Trends to Ponder

Several trends were perceptible at TeleCon this year, although they were just below the surface. Put these three together and you have strong evidence of an impending explosion in multimedia conferencing applications, services, and users.

#### IP

Probably the most important is the transition to IP based conferencing. While the emphasis here is on video, it applies to audio as well, even though many of the cost motivations for moving voice to IP have vanished.

IP voice bridges are coming. **EYAK** was featuring theirs prominently. **Voyant** announced the successful interoperability testing of a VoIP instant conferencing solution. And several other vendors told me that native IP would be supported soon.

On the video front, conferencing over IP suffers from QoS problems, but several practical solutions are becoming evident through service providers. Making a big bang at the show was **Wire One** with its Glowpoint Network. The real principal here is to create a private "cloud" for customers and then connect their endpoints to the private

#### Now Available

#### [Teleconferencing Markets & Strategies](#) [Volume 3: Conferencing Service Providers](#)

*This report includes a five year forecast for multimedia conferencing services as well as an overview of 53 leading conference service providers. Complete details, including an executive summary are available at <http://www.wainhouse.com>.*

service provider cloud. This reduces the number of router hops between endpoints, improving latency, and allows the service provider to implement QoS and charge customers accordingly. Remember, H.323 was designed for the LAN, not the wide area, but LANs are getting pretty expansive. Like Wire One, **VSPAN** is doing this in the UK and **Global VideoCom Group** (UK) is making similar progress with PSINet. This is also the fundamental behind **FVC.COM's** Click To Meet strategy. While you can use a gateway from these private clouds to conference to anywhere, once you leave the private cloud to talk to any random endpoint, you probably will be traveling over the public Internet, in which case, all quality guarantees are off (for the foreseeable future).

### **Better Video**

One of the things you can do over IP with reasonable cost is provide higher bandwidth. With higher bandwidth you can do some interesting things with video. One of the trends visible at TeleCon was coding of the full 60 fields of NTSC video that represent 30 fps full motion. At 1 Mbps or so you get video that really looks like television and since it's H.263++-video, it's also compatible with legacy systems that can't support the higher bandwidth or coding algorithms. Combine the smooth motion of 60 field video with the low latency of controlled IP networks, and you really have the conferencing experience that could propel the industry to the next level. Color me excited about this one. One vendor was even showing live video at 4CIF resolution.

### **Remote Management**

One of the first things enterprises begin to worry about when they start to deploy conferencing systems in reasonable numbers is the ability to manage them from a central facility. While **VTEL** was probably the first to introduce a video network management product, others have followed. Clearly prominent on the TeleCon show floor last week were management systems from **Sony, PictureTel, Polycom, and Tandberg**. While each system has its own special features in a single-vendor environment, several also support

SNMP for use in standards-based multi-vendor support environments.

### **A Word About the Wainhouse Research Bulletin**

Many of you took the time to approach me at TeleCon and tell me how much you appreciate this newsletter and asked me when we are going to start charging for it. We're not. We want everyone inside the end user communities and the vendor companies, including the sales forces and reseller channels, to have access to the information in this Bulletin. So... you may have noticed that we recently introduced a sponsorship program and that the e-mail containers for the bulletin may contain a short commercial message near the table of contents. The Bulletin itself contains no commercial messages.

We are implementing the sponsorship program to help underwrite the costs of this newsletter and are actively seeking additional sponsors. We also trust that sponsorships will not affect our editorial integrity. We insult everyone equally.

The WRB has just completed its fourth month of operation and we are proud to report that we now have 3,500 registered subscribers. We also know that many companies receive one or two copies of the Bulletin and re-publish it via an internal list. Hence we believe our true readership is 2-4x the size of our subscription list. We ENCOURAGE everyone to pass this newsletter on and to spread the word. We encourage everyone to subscribe. We also encourage every reader to think about having their enterprise become a sponsor. Contact [editor@wainhouse.com](mailto:editor@wainhouse.com) for further details.

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