

Cisco Heats Up Competition in the Video Telepresence Market

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Cisco's entry in the "telepresence" market runs in ultra-high-definition video mode, which its competitors haven't offered yet. If Cisco's solution accelerates video adoption, its infrastructure sales may also be increased.

Event

On 23 October 2006, Cisco Systems launched its TelePresence product line, which enables users to hold lifelike teleconferences over an Internet Protocol (IP) network through an ultra-high-definition 1080p video and wideband spatial audio interface. Two models of the Cisco TelePresence Meeting solution will be available in December 2006:

- The Cisco TelePresence 1000 is designed for small group meetings and one-on-one conversations, as well as emerging applications like the "virtual assistant." Prices start at \$79,000 per endpoint
- The Cisco TelePresence 3000 is designed for meetings with up to six participants at each location. Prices start at \$299,000 per endpoint.

Both solutions include displays, cameras, codecs, sound equipment, microphones and furnishings. Network service providers certified by Cisco will be required to provide the network connection, though a dedicated network is not required for the solution. AT&T and Verizon Business plan to partner with Cisco to provide these services.

Analysis

Sales of video telepresence solutions have been increased by the recent entry into the market of larger vendors like HP in December 2005, Polycom in May 2006 and now Cisco. Cisco's new TelePresence product line will also compete against offerings from Destiny Conferencing, Teliris, Telanetix and Digital Video Enterprises. These solutions have expanded awareness of telepresence's potential to reduce business travel — a goal that proved elusive for traditional videoconferencing.

The lifelike meeting experience offered by Video telepresence solutions is far superior to standard videoconferencing, and comes much closer to realizing the goal of an unencumbered meeting experience. Conference participants appear on large screens (typically plasma displays) in life-size or very near life-size mode, with minimal camera-to-eye angles. The voices of meeting participants are projected from an audio speaker and, through spatial audio technology, seem to be coming directly from where the individual is located on the screen, without any perceptible latency. If the solution is properly implemented, meeting participants soon forget the technology is present.

The TelePresence 3000 solution accommodates six participants per room (12 per table). Pricing is competitive against HP's Halo (six participants at \$425,000 per room) and the Polycom RPX204 for four participants (\$249,000 per room). One differentiator in Cisco's product is that it runs in 1080p ultra-high-definition mode. The HP and Polycom products currently run in standard definition mode, although Polycom has announced plans for a high-definition-mode upgrade by year-end 2006.

Cisco has invested heavily in developing the technology and hardware required for the TelePresence solution. Unlike most Cisco products, the solution was developed entirely by an in-house team, rather than acquired. Cisco has high hopes for this market, in part because it raises its own visibility as a solution vendor instead of an infrastructure vendor. It expects these solutions to generate \$1 billion in revenue by 2013. But even if Cisco's solution does not gain the largest market share, its development effort is partially justified by sales of supporting

infrastructure: Cisco's flagship switching and routing products. If overall video demand can increase infrastructure sales by merely 1%, Cisco would gain \$136 million in gross profits.

RECOMMENDATIONS

- Expect continuing improvements in telepresence technology in the coming months as more vendors move to high-definition solutions. Watch for additional competitors to enter the market (such as Tandberg, which we expect will be one of the next vendors to announce a telepresence solution). As sales volume and competition increases and the technology improves, watch for prices to drop.
- Evaluate offerings from the leading competitors, such as HP, Polycom and Cisco, before making a final purchasing decision. Examine the return on investment for telepresence solutions, especially in light of the increased delay, uncertainty and expense of business travel.
- Be aware that telepresence solutions are expensive: Total cost of ownership (TCO) estimates should include the cost of the equipment, facilities, maintenance, upgrades and network services. Most vendors can include all of these offerings and provide a true end-to-end managed service at one complete price, directly or through channel partners.
- Most companies are likely to find that dedicated, in-house telepresence solutions are too costly. During the next several years, Gartner expects to see these solutions installed in conference centers, hotels and other shared facilities, enabling users to rent time, rather than purchasing the systems outright.

RECOMMENDED READING

- "Are Video Telepresence Systems Ready for Full-Scale Deployment?" — High-end videoconferencing or telepresence systems are a viable business offering, but several factors must be considered before making a purchasing decision. **By Donald Stuart**
- "Comparing Videoconferencing Telepresence Systems" — The various differentiating factors of telepresence systems must be compared to minimize the risk when making this major investment. **By Donald Stuart**

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