

Cisco Sharpens Video Focus With Deal to Acquire Tandberg

Robert F. Mason, David Mario Smith, Scott Morrison

Cisco plans to acquire videoconferencing provider Tandberg to gain access to advanced telepresence, endpoint and infrastructure technology. Cisco's globalization strategy will likely lead the combined entity out of Norway.

NEWS ANALYSIS

Event

On 1 October 2009, Cisco Systems reached a definitive agreement to acquire the outstanding shares of Oslo, Norway-based Tandberg for approximately \$3 billion in cash.

Analysis

Cisco views video as a major part of its collaboration strategy. This deal emphasizes the value of video to a comprehensive unified communications (UC) portfolio, but it also reflects the importance of infrastructure pull-through of video in the enterprise.

Opportunities in the videoconferencing market — which Gartner places at \$2.1 billion in 2009 — are available mostly for high-quality video, including telepresence, and for solutions that extend video capability to the desktop. Execution in the telepresence arena has been critical for vendors seeking to gain executive sponsorship, and the market considers the desktop the only vehicle that could realistically drive enterprise video to critical mass. Despite strong customer interest in both telepresence and desktop solutions, enterprise video strategies still require vendors to address the shared-room environment, which in a global enterprise can consist of hundreds of room systems. Customers demand interoperability within this installed base as a hedge against whether high-quality rooms or improved desktop solutions will carry the day.

Cisco has attained strong customer mind share in telepresence opportunities, but it has lacked a seamless interoperability capability for legacy video. Instead, Cisco solutions relied on Radvision's gateway technology to transcode calls between environments. Cisco has also met some resistance from audio/visual decision-makers within enterprises who have established preferences for Polycom and Tandberg, both industry stalwarts in the room system market. By acquiring Tandberg, Cisco:

- Lowers the barrier to entry in this market, fills out its range of endpoints and accelerates its push into high-quality video over best-effort networks.
- Strengthens its position in the video microcontroller unit (MCU) and management software market, which create multipoint conferences and serve as the "glue" between UC video, traditional videoconferencing and telepresence.
- Further rounds out its collaboration strategy and portfolio, enhancing its ability to compete head-on with IBM and Microsoft.

RECOMMENDATIONS

- **Tandberg telepresence customers:** Continue to invest in T1/T3 systems and leverage the Codian platform for legacy interoperability.
- **Cisco telepresence customers:** Demand a common solution for scheduling and call production across Cisco TelePresence System (CTS) and Tandberg systems.
- **Videoconferencing prospects:** Evaluate product road maps for improved unification of desktop video, shared-room video and telepresence.

RECOMMENDED READING

- "MarketScope for Video Telepresence Systems" — Gartner reassesses the leading video telepresence system vendors in light of enterprises' increasing desire to upgrade their videoconferencing technology to provide a more "immersive" experience. **By Robert Mason and Scott Morrison**
- "The Big Picture for Enterprise Telepresence" — Gartner presents four possible approaches for combining telepresence capabilities with enterprises' existing investments in group video systems. **By Robert Mason**

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REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509