The Wainhouse Research Bulletin

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Q2-06 Videoconferencing Industry Statistics

The videoconferencing endpoint market turned in another set of impressive results for Q2-06. Both classes of room systems (our definitio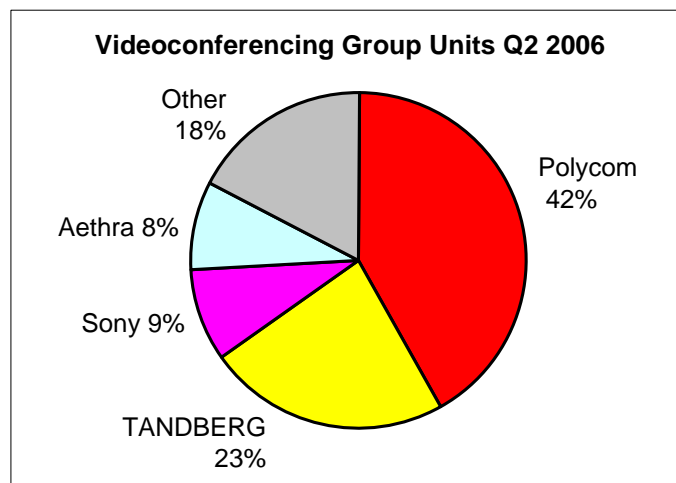n includes executive and modular configurations) had strong annual growth. The only trouble spot is the sequential numbers for the executive category (all-in-one units with built in LCD devices, many of which are deployed in small rooms and many of which are used for personal conferencing).

Group Videoconferencing	Q2/05	Q1-06	Q2-06	Seq. Growth	Annual Growth
Modular Group Rev	$155.1	$164.2	$182.2	10.9%	17.5%
Executive Revenues	$10.5	$15.3	$13.4	-12.5%	27.8%
Total Group Revenues	$165.6	$179.6	$195.6	8.9%	18.1%
Infrastructure Rev	NA	$46.1	$52.3	13.4%	NA
Modular Group Units	29,450	33,602	34,276	2.0%	16.4%
Executive Units	3,268	5,370	4,813	-10.4%	47.3%
Total Group Units	32,718	38,972	39,089	0.3%	19.5%

On a worldwide basis, Q2 was a good growth quarter for "Team China," but the international vendors did even better in China as the Q2 China market had very strong growth in revenues and units.

The shift in geographic distribution was not particularly sharp, with North America rising to its more traditional share of 42% of the worldwide revenues. The new Videoconferencing Endpoints SpotCheck report includes expanded country coverage, thanks to the participation of the vendors – we have added India and Russia to our list that already included France, Germany, UK, Japan, China, and Italy. With this new data, we are finding some sharp differences between countries and will be investigating further in coming quarters. As the chart also shows, we have begun tracking video infrastructure revenues as well, covering video MCUs, gateways, gatekeepers, software, etc.

Videoconferencing Group Units Q2 2006

Other 18%
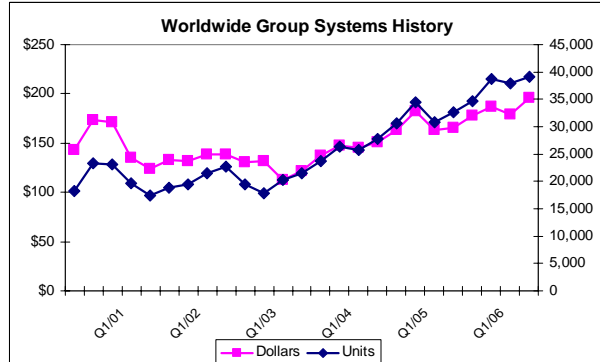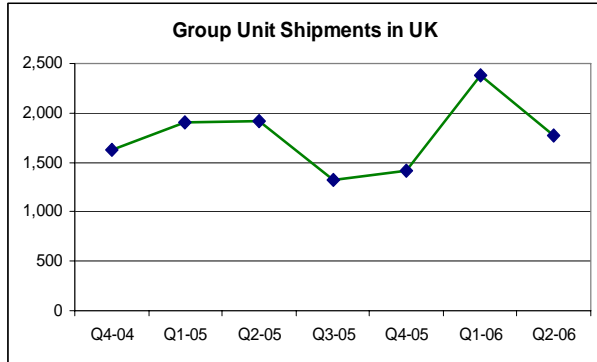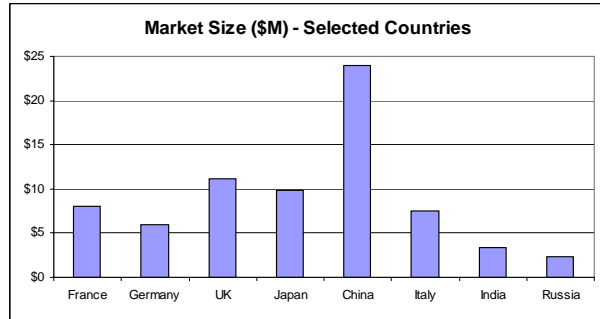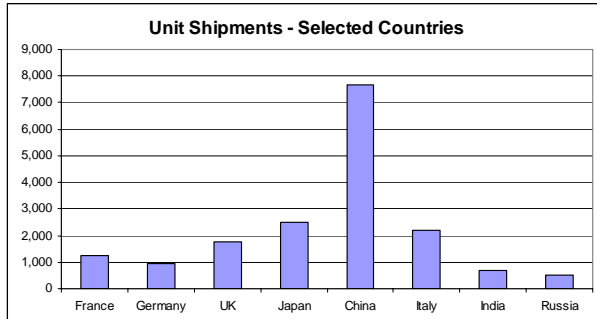Polycom 42%
Aethra 8%
Sony 9%
TANDBERG 23%

The Wainhouse Research Videoconferencing Endpoints SpotCheck report is available as a separate for-fee service. Subscriptions are for a calendar year and include four quarterly reports with the Q4 report also adding an annual summary. To see a sample of a complete report (including an order form), click here to download the pdf or visit www.wainhouse.com/reports .
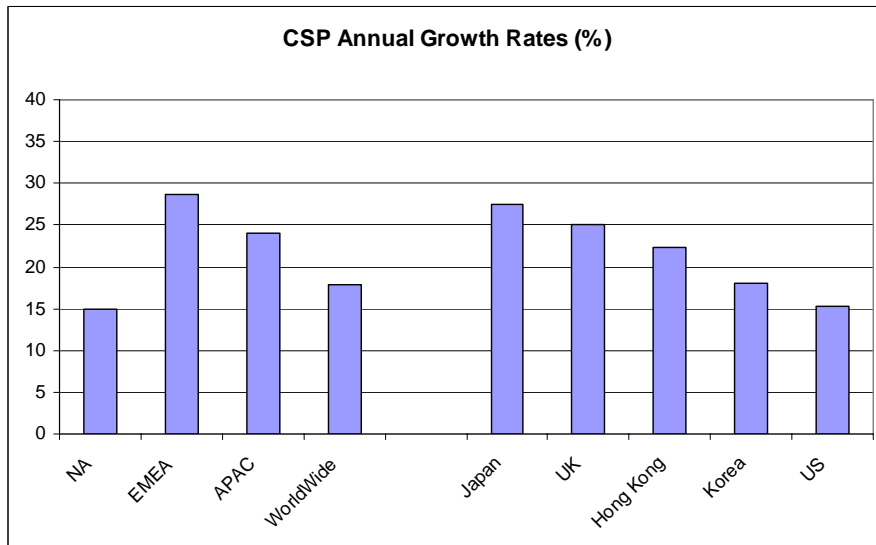
Unit Shipments - Selected Countries

Market Size ($M) - Selected Countries

Group Unit Shipments in UK

Worldwide Group Systems History

Q2-06 Conferencing Service Provider (CSP) Industry Statistics

CSP Annual Growth Rates (%)

Our quarterly report on the CSP industry is now available. The statistics indicate the worldwide CSP market in Q2-06 was nearly $900 million, will nearly $700 million of that coming from attended and un-attended audio services. Subscriptions to this report series are for a calendar year and include four quarterly reports. For details, contact sfargo@wainhouse.com.

Conferencing & Collaboration Event Calendar

WHEN & WHERE	WHAT & WHO
2006-September 13-14, Boston, MA	Wainhouse Research CSP Summit – 2006 Co-located with Fall VON
2006-September 25-26, Westchester, NY	Point Nine Peer Networking Forum
2006-October 11-12, Munich, Germany	Point Nine Peer Networking Forum
2006-October 22-25, Orlando, FL	Polycom User Group Annual Conference
2007-June 5-6-7, San Francisco, CA	Wainhouse Research Summit – 2007

One on One with Layered Media CEO Ofer Shapiro

While it seems like hardly a month goes by that we don't get a call from somebody claiming to have a new video compression algorithm that can deliver full motion video in high resolution at 16 kbps with zero latency, we usually put these claims in the same bin with our esteemed colleague from Nigeria who wants to transfer 20 million dollars into our bank account. But when Ofer Shapiro called me about a new approach to video compression that he was pursuing, I had to take the word of this videoconferencing industry veteran seriously.

WRB: So, you're doing a start up company focusing on video compression. Skipping the obvious comments about banging your head against the brick wall, I'll ask about the technology first. What is scalable video coding and why should anyone care. What are the user's benefits?

OS: Scalable video coding (SVC) is a technique that enables a video stream to be broken into multiple resolutions, quality levels, and frame rates. SVC designs were first offered for systems intended for one-way delivery of video over packet-switched networks. Today, this technique is appealing for applications where the bandwidth available cannot be guaranteed and when video has to be processed by network equipment – for example Internet video, video telephony, and wireless communications. Special properties of scalable coding enable transmission over converged networks and no-delay conferencing, putting the price performance of video communication in line with user expectations.

WRB: How will Layered Media make money with SVC? What is your business model?

OS: Our model is focused on delivering the best available SVC based technology, and to that end we have assembled a world class team. Layered Media licenses technology to equipment vendors and solution providers to enable these partners to provide superior, high-quality video at unprecedented low cost. Companies that will benefit from our technology include IP PBX, video conferencing, wireless, web conferencing and instant messaging providers.

WRB: Do you have working prototypes now; is there something people can see today?

OS: Yes we have an easy to integrate SDK. We are the first company to apply SVC technology to real-time IP communications. Furthermore, Layered Media has 20 patents pending on its technology. These patents include technologies for the video encoder, scaleable video communications servers, and video decoder.

WRB: SVC has been around for a long time; what's new with Layered Media's approach?

OS: OK, you are right about SVC. SVC theory is not new. In fact, SVC has been included in MPEG-2 and MPEG-4 and other video standards. But only recently, with advances in algorithms and processors, has the technology been shown to be practical for real-time, two-way video communications. Layered Media is the first company to apply the technology to improve the videoconferencing experience in systems where bandwidth constraints and error resilience have limited user acceptance in the past. Layered Media's solution provides for over all system performance that is better than traditional coding, when there are errors on the network, or when conferencing is required.

WRB: Is there any relationship between SVC and HD; do they co-exist?

OS: HD transmission requires many more packets to be transmitted to complete each frame compounding the existing problem of using video on corporate networks. HD also requires bit rates that are hard to guarantee for all the conference participants making rate matching a must. Not all endpoints are capable of displaying HD, requiring personal layout and resolution as well. Furthermore, with HD the conferencing hardware becomes more challenging as well to deliver in terms of reasonable cost and delay. The result of these challenges is a compelling need for SVC even for smaller deployments.

WRB: Your company is a start up. Who are your backers, and who is involved.

OS: Layered Media investors are Sevin Rosen Funds and Star ventures. These funds started companies like Compaq, Lotus, Ciena, Citrix, Borland and many more. We benefit from the strategic council of our BOD members John Bayless, Avery More and Guy Sella. On the technical side our team includes top research figures in the filed of video compression and communication such as Thomas Wiegand, Alex Eleftheriadis, Roi Sasson, Reha Civanlar, Michael Horowitz and Alon Cohen. We also have a strong marketing team that includes videoconferencing industry veterans such as Michelle Blank, Joan Spindel, Dan Acquafredda and Thomas Neubert. All these individuals have an extensive track record which you can read about at www.layeredmedia.com.

WRB: I understand you will be at VON in Boston next week. How can any interested readers contact you?

OS: We will be demonstrating our technology at VON. Should anyone want to schedule a meeting they can email us at LMinfo@layeredmedia.com or 1.732.290.7468.

Hot Topics on the WR Forums

Join and participate – it's free!

⇆ LifeSize Team Announced

⇆ Videoconference Issues over VPN

⇆ MCU Compatibility

⇆ Codian 1.5

Start your own
forum discussion topic!!

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