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Videoconferencing by the Numbers

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Introduction

A common set of questions asked of Wainhouse Research revolves around the penetration of videoconferencing into the enterprise meeting room space. This really devolves into two separate questions: what is the installed base of videoconferencing systems, and what is the number of meeting rooms?

There is no reliable statistic for the number of installed videoconferencing systems. While there are indeed reliable figures for the number of units shipped each quarter, we also know that:

- Many video systems shipped between 2007 and 2009 were HD replacements for SD units; some surveys suggested that as much as 35% of the video systems shipped in this time period were replacements.
- About 10% of the video systems shipped in recent years were replaced after less than 3 years in the field.
- Approximately 50% of the video systems captured during our 2010 survey were five years old or older.
- The weighted average replacement cycle for video systems was 5.7 years, measured in 2010 via a Wainhouse Research end user survey.
- Some video systems still deployed are used very lightly.

Hence, while there is no highly accurate way to measure the installed base, we believe that a reasonable proxy is to take the last 5 ¼ years shipments and to use that total as a measure. This methodology takes into consideration that some older video systems are still in use, while other video systems that are less than 5 years old have already been decommissioned.

Room Systems	Y2006	Y2007	Y2008	Y2009	Y2010	Q1-2011	Estimate
PLCM	64,710	78,150	81,415	81,160	102,185	28,435	436,055
Cisco	40,120	58,550	66,640	69,815	78,200	16,025	329,350
Team china	25,100	39,625	40,400	43,050	44,900	7,335	200,410
Other	34,070	36,305	42,225	33,725	37,265	11,225	194,815
Total	164,000	212,630	230,680	227,750	262,550	63,020	1,160,630

Figure 1 Unit shipment data by vendor

As the table indicates, our estimate of the installed base of videoconferencing systems would support approximately 1.16M to 1.26M units. This figure is far below figures often quoted by vendors, many of whom claim the number is closer to 2M. Given the high level of confidence we have in the unit shipment data provided to Wainhouse Research by the vendors, we believe our estimate for the room videoconferencing market is reasonable.

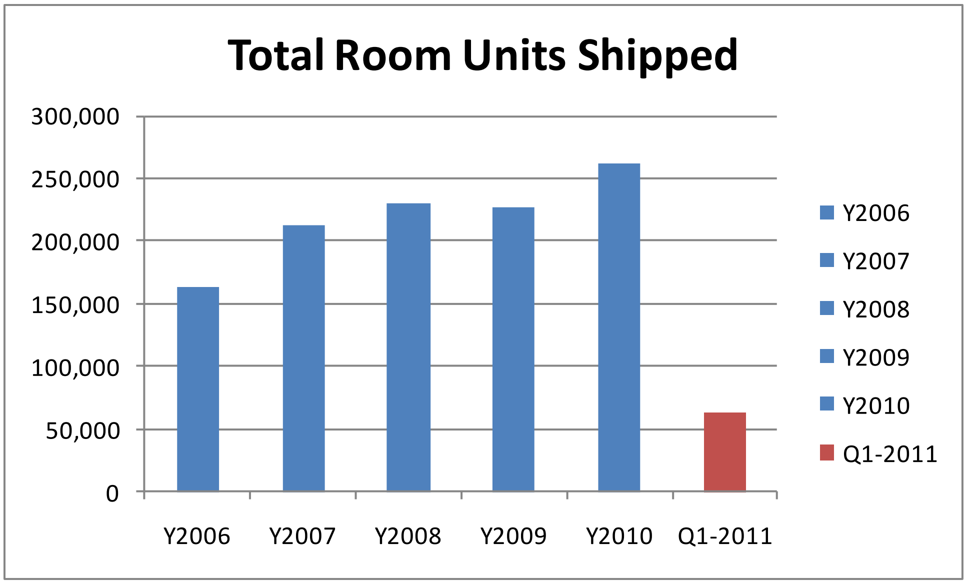

Figure 2 Room system unit shipments by year and Q1/2011

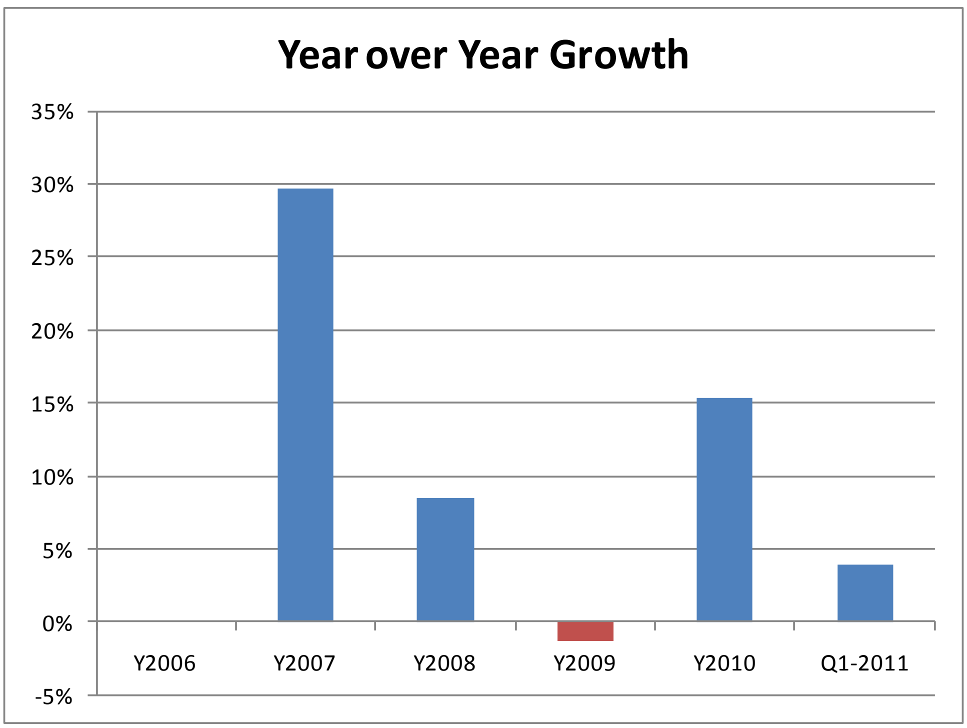

Figure 3 Year over year growth rates: group videoconferencing system

Market Shares

The industry has long been dominated by the top two vendors. This is true for both the most recent quarterly figures as well as for our estimates of the installed base.

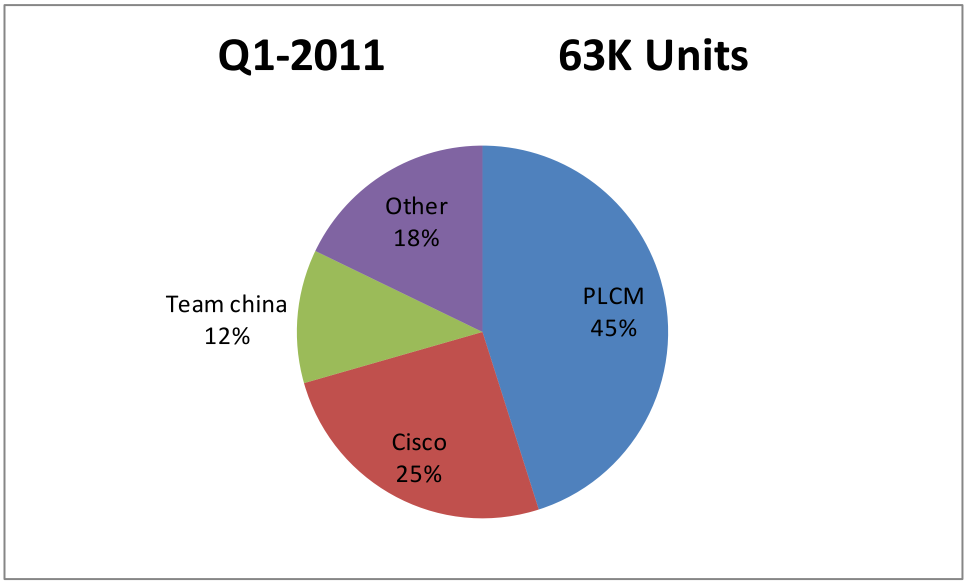

Figure 4 Vendor market shares by units for Q1/2011

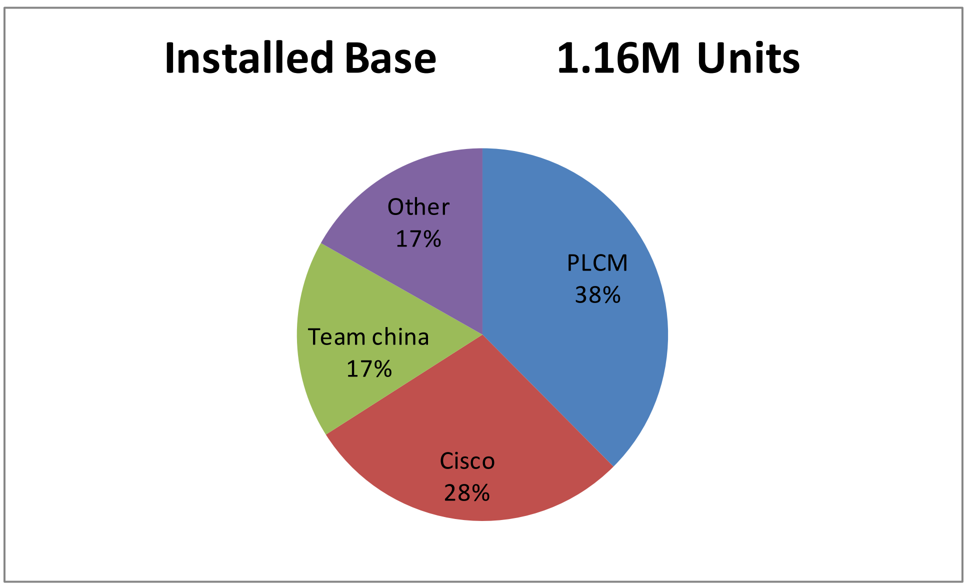

Figure 5 Vendor market shares by units for estimated installed base

Product Segments

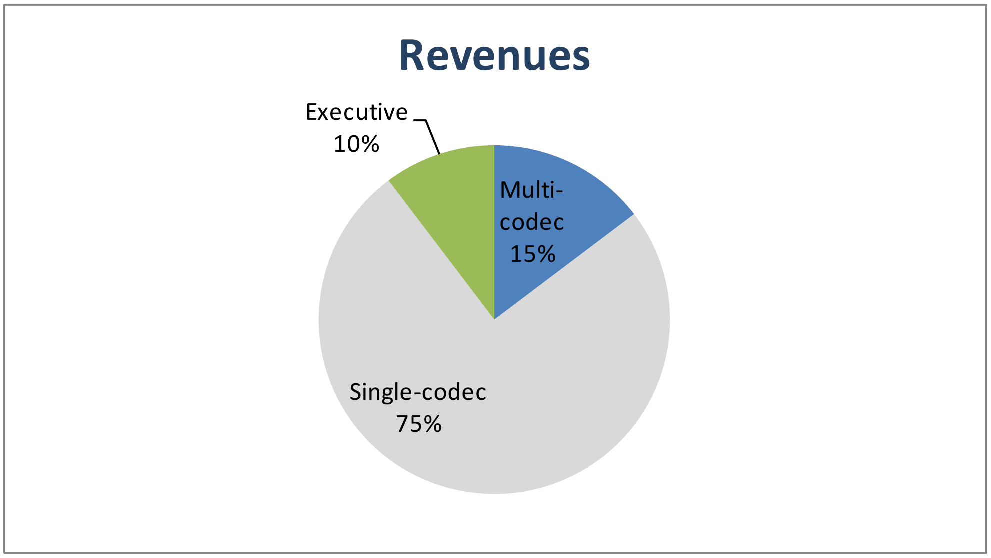

Figure 6 Product segmentation for Q1-2011

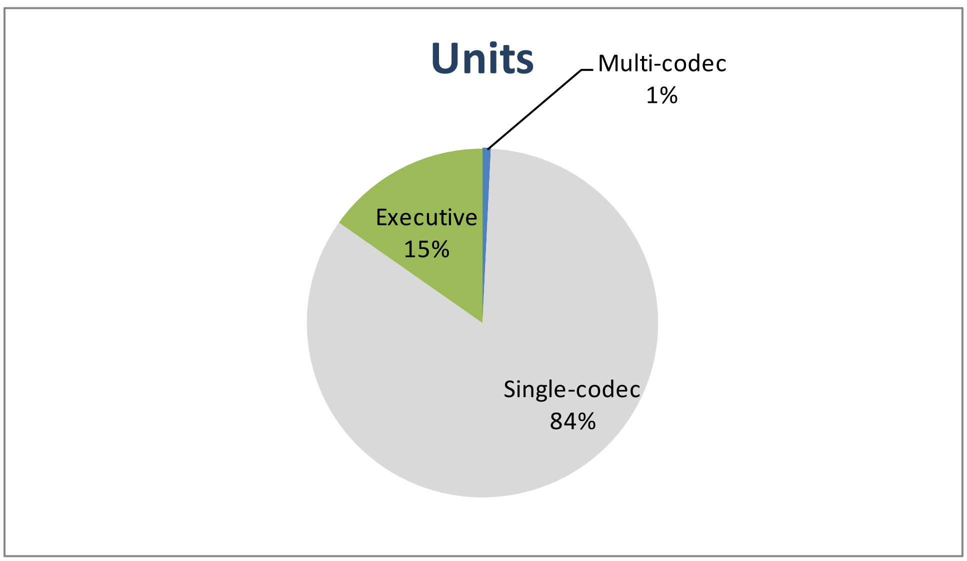

Figure 7 Product unit segments for Q1-2011

We are prevented by non-disclosure agreements from publishing market shares by product category: multi-codec vs. single-codec vs. exec.

Conference Room Penetration

We have yet to find reliable figures on the number of conference room in the corporate world. For one thing, there is no tight definition of what exactly is a conference room, and for another, there is no single item with reliable shipment data that can serve as a proxy. We have, however, tried to come up with a reasonable estimate by using the following analysis.

- We believe there are about 250 million information workers worldwide; although we have seen other estimates as high as 1 billion.
- We believe, based on discussions with a wide range of enterprise conferencing managers, that a reasonable ratio of workers to conference rooms would be 20:1 – 30:1, without figuring in regional differences.

Based on the above, we calculate that there are around 12.5 million conference rooms worldwide (see following table).

We believe about 10% of the cumulative videoconferencing shipments (which includes executive systems) are not installed in conference rooms, but instead are used in private offices. Hence we calculate there are about 1.1 million video systems installed in conference rooms, leading to an estimated penetration rate of ~8.5%.

Information Workers (M)	250	250	900	900
Conference Room Ratio	20	30	20	30
Conference Rooms (M)	12.5	8.3	45	30
VC Installed Base (M)	1.2	1.2	1.2	1.2
Personal Use Estimate	10%	10%	10%	10%
Conference Room VC Systems (M)	1.1	1.1	1.1	1.1
Overall Penetration	~8.5%	~13.0%	~2.4%	~3.6%

A little sensitivity analysis around the number of information workers and the conference room ratio suggests that the penetration rate could be as low as 2½% or as high as 13%. If the worker/room ratio is actually less than 20, then the penetration rate would be even lower.

Summary

The videoconferencing industry experienced a bubble of high growth during 2007 and 2008, fueled in large part by the excitement over HD and the introduction of multi-codec systems. But growth turned negative in 2009, indicating that the industry is not immune to external economics, while returning to a level of 12% year over year for 2010.

We believe that visual communications is on the verge of becoming mainstream for knowledge workers. Whether the growth in video shipments will take place in room systems, or in personal systems such as tablets and pads and notebooks, or in both, remains to be seen. However, it is clear that penetration into the enterprise conference room market has a long way to go before reaching the saturation point.

About Wainhouse Research: WR provides strategic guidance and insight on products and services for collaboration and conferencing applications within Unified Communications. Our global client base includes established and new technology suppliers and service providers, as well as enterprise users of voice, video, streaming, and web collaboration solutions. The company provides market research and consulting, produces conferences on technology trends and customer experiences, publishes a free weekly newsletter, and speaks at client and industry events. More about WR.