

Frost & Sullivan Research on the Worldwide  
Videoconferencing Endpoints Market

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According to the most recent research from Frost & Sullivan, the worldwide videoconferencing endpoints market reached \$904 million in revenues for January through September 2009, declining by 6 percent over the same period in the previous year. After a slowdown due to economic pressures followed by growth in Q4, we estimate total revenues for full year 2009 reached \$1.25 billion, and units sold grew by 4.1 percent.

In recent years, videoconferencing has largely gained adoption due to globalization, productivity benefits, and the need to save travel dollars. These drivers continue to exist, but 2010 is proving to be a year of cautious optimism, for both customers and vendors. Accordingly, after a short-term period of slow growth, we expect accelerated adoption to lead to a six-year revenue CAGR of 16.5 percent. Key business drivers for growth include increasing globalization, mobile-workforce enablement, and expected Greenfield deployments among SMBs, an underpenetrated market that can see significant benefits from videoconferencing.

Another hot spot for growth is in videoconferencing managed services, which grew by 26 percent in 2009. Users are increasingly looking to outsource the management of videoconferencing to a third-party provider that can offer an easy-to-use and reliable solution, and the ability to connect a variety of endpoints from a variety of vendors.

The awareness for unified communications (UC) also continues to grow at a significant clip, and this is positively impacting the videoconferencing market. As the enterprise communication industry converges around UC, the market for videoconferencing systems and applications that can be integrated into UC applications will grow significantly, both by increasing usage at the desktop as well as by generating increased demand for room-based and executive systems that can integrate with desktop systems. Once UC has been adopted, the next logical step is for the industry to move from a tactical approach to a strategic approach, in which businesses integrate video into business processes, making the technology a true productivity enabler.

Desktop videoconferencing software is seeing similar growth and appeal. In many cases, desktop video software is being used by workers when they are traveling or telecommuting, as an adjunct to the user's video endpoint in the office. As videoconferencing is more readily deployed, and as companies put better bandwidth management in place, desktop video has the potential to become a mainstream communications tool. While we are still a few years away from wide-scale adoption, the market has reached the stage where IT managers are seriously considering desktop videoconferencing as an integral part of their enterprise communications landscape.

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