

Leadership and Technology: Video Communications Benefits Midmarket Enterprises

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Executive summary

Midmarket enterprises strive for success in a highly competitive landscape. Being successful means consistently making smart decisions—including smart technology use. Today, technology should enable an enterprise to meet the needs of its employees and customers; in the future, it should allow businesses to make simple but value-rich changes. Implemented technology must support changes that occur in a business without increasing the risk associated with providing excellent customer service, engagement with suppliers, and many common business processes.

This white paper looks at the increasing value of video communications for midmarket enterprises. Video communications help these enterprises address their top-five information technology (IT) challenges: reliability, simplicity, security, mobility, and productivity. Although partners can deploy video communications as standalone solutions, it is best to choose unified communications (UC) platforms such as the Cisco® Business Edition 6000 that have embedded video capabilities. Even if a midmarket enterprise does not deploy video communications during an initial unified communications implementation, the enterprise will likely implement this technology within the next several years. It is quite common for enterprises to keep unified communications platforms for 10 years, so it is fiscally wise to purchase a unified communications platform that is video-ready today. In addition, midmarket enterprises can use video communications to facilitate interactions between employees and customers—a use of technology that can increase sales and levels of customer satisfaction.

Analysys Mason forecasts that revenue from video communications equipment—including hardware, software, and deployment services—for midmarket enterprises will grow at a 21-percent compound annual growth rate (CAGR) between 2012 and 2016, to US\$982 million (refer to Figure 1).

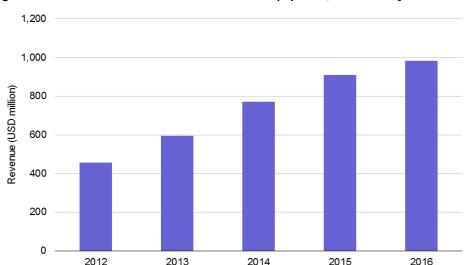


Figure 1 Revenue from Video Communications Equipment, Worldwide [Source: Analysys Mason, 2012]

Recommendations for Midmarket Enterprises

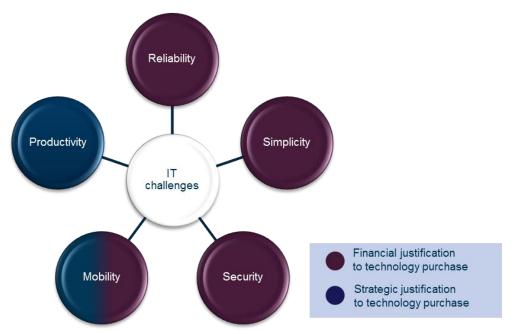
When contemplating the purchase of video communications, midmarket enterprises must consider a range of factors such as price, functions, existing and future business needs, as well as partner implementation expertise; they should:

- Choose a video solution built on a robust, all-in-one unified communications platform: Integrating video and unified communications technology from various vendors increases the costs of deployment and the risk of implementation failure. Picking a platform that offers an all-in-one unified communications platform including voice, video, presence, conferencing, security, and mobility will minimize implementation costs and risks. Even without initial video implementation, it is important to have a platform that enables flexibility for the future. A midmarket enterprise's unified communications platform should facilitate the cost-effective addition of applications, not hinder it.
- Choose a video solution built upon open standards: Video technology holds great promise for the future of communications. In a world where applications are proliferating, we can assume that over the next 5 years new solutions will be built that can integrate nicely with video technology. Use of open standards allows for transparent integration of technology with business process.
- Pick a unified communications platform that provides interoperability and protects past investment decisions about video technology: The best vendors of video communications have created solutions that allow the integration of older and newer video endpoints. Many enterprises have older video solutions, and integrating those solutions on a common unified communications platform can lead to significant cost savings.
- Pick a vendor that has a broad selection of video solutions: The best vendors of video technology provide a broad selection of video endpoints—from conference room-based immersive telepresence to desktop-based solutions and video on mobile devices. Many enterprises mix various types of video endpoints to best serve the needs of their employees, partners, and customers. Enterprises that make video communications available anytime, anywhere, and on any mobile device will find much higher adoption of this business technology than less-flexible enterprises. This flexibility will pay off with increased collaboration between employees and more personal interactions between employees and customers. Remember: Progressive midmarket enterprise employees will want to use video communications for customer interactions rather than employee-to-employee interactions.
- Do not assume top technology will cost more: When a midmarket enterprise chooses a unified communications solution, key requirements include quality, security, and long-term viability of both the product and the vendor that supplies the product. Of course, competitive pricing is an important factor. The total cost of ownership (TCO) when choosing a unified communications platform such as the Cisco Business Edition 6000 with built-in video capabilities will save money and reduce implementation risks, compared to using third-party arrangements.
- Pick a channel partner that has excellent professional services skills with experience in video communications: Professional services and project management skills matter. Channel partners that have the required certifications in video communications will minimize implementation risks and provide better overall support for an enterprise's video communications needs.

Meeting the IT Challenges of Midmarket Enterprises

Midmarket enterprises face five major challenges. Each enterprise places varying degrees of emphasis on these challenges. Enterprises purchase technology solutions—including video communications—to address these IT challenges. Some enterprises justify their purchase of video communications with financial metrics—for example, return-on-investment (ROI) calculations—whereas other enterprises justify their purchase based on the strategic, revenue-generating impact of the technology. The question is which of these five IT challenges is most important to an enterprise (refer to Figure 2).

Figure 2 Five IT Challenges of Midmarket Enterprises and Purchase Justifications [Source: Analysys Mason,



- Reliability. Midmarket enterprises create IT networks, communications infrastructure, applications, and other technology systems to provide heightened levels of reliability. Although different levels of reliability are required by different midmarket enterprises, providing fully reliable systems is critical to a business' ability to serve its customers. The IT departments of some midmarket enterprises create ROI models to justify the costs and benefits of IT equipment to improve technology reliability.
- Simplicity: Midmarket enterprises strive for technology simplicity. Complex solutions built upon multiple platforms with siloed applications increase their ongoing support costs. In addition, all technology solutions require systems management. It is therefore critical that technology solutions, including video communications, have simple systems management software to reduce ongoing support costs for the enterprise.
- Security: Midmarket enterprises invest in technology solutions to support their security posture. Enterprises create disaster-recovery and business-continuity plans that provide policy and technology guidelines to minimize operating risks. In addition, midmarket enterprises consider carefully the security implications related to all technology purchases, including networking, switching, routing, unified communications, and all

applications. The IT departments of some midmarket enterprises create ROI models to justify the costs and benefits of IT equipment to enhance their overall security posture.

- Mobility: Mobility is a relative newcomer to our list of enterprise IT challenges. This challenge has its roots in the inclination of employees to bring their own mobile devices to the office—and expect to have varying levels of access to corporate applications and data. IT professionals simply cannot avoid these expectations and must strategically address mobility-related IT challenges. Some technology solutions supporting this challenge include web-enabled applications, VPNs, and various wireless infrastructure solutions. Needless to say, these technologies raise the topics of reliability and security mentioned previously. Most midmarket enterprises do not use ROI models to justify mobility-related technology adoption; they generally recognize that mobility solutions provide benefits to employees and enterprises related to the ability of an enterprise to innovate, collaborate, and provide more flexible working environments.
- Productivity: Midmarket enterprises invest in technology to more easily and cost-effectively support change in their businesses. Change can be related to the creation of new products and services. It can also require IT departments to support employees' work requirements in new and innovative ways—helping employees work together more efficiently and effectively. If an IT department successfully helps a company become more productive, it has become an integral strategic part of the business, helping to create both revenue and avoid costs. IT therefore becomes an enabler of an enterprise's growth.

Successful video adoption depends on an enterprise's needs to address these five IT challenges. For enterprises that use ROI-based justifications for technology purchases, video can be deployed gradually across an organization. This gradual approach helps solve particular technology requirements of reliability and security at an enterprise, while starting to establish IT as a strategic asset. For enterprises that already recognize IT departments as strategic enablers of their businesses, video can be deployed more strategically across an organization.

Video preintegrated into an all-in-one unified communications platform can allow midmarket enterprises to start incorporating video communications into the culture and business processes of the enterprise. Making a video call to a customer or initiating a video call between employees should be as easy as making a voice call today. Midmarket enterprises adopt technology that is easy to use and, while many older video solutions have proven themselves complex, costly, and cumbersome to manage, new solutions from the best vendors remove the complexity and management problems.

Midmarket enterprises must recognize and be prepared for the future of video communications—a future where simplicity for end users and interoperability between video systems are critically important. Even enterprises not using video communications today will likely be using it in 5 to 10 years; typically, a unified communications system can last 10 years, or even longer. The best vendors of video technology allow the integration of both traditional and newer video endpoints into a common video and unified communications platform. Today, employees are accustomed to using some of these older solutions and should not be disheartened in having to learn new video systems. The unified communications platform should handle the complexities of interoperability, while the end users of the systems should experience a familiar, simple, and productive involvement with a video solution. It is critical to purchase technology equipment and unified communications platforms that provide this type of simplicity for end users, while providing investment protection for midmarket enterprises' IT departments. A wise technology decision today is a wise technology for tomorrow.

Growth of Video Communications

According to Analysys Mason, video communications equipment-including hardware, software, and deployment services—for midmarket enterprises is forecast to generate total revenue of US\$455 million in 2012. The market is projected to grow at a 21-percent CAGR over the next 4 years, to US\$982 million by 2016. Video communications have become commonplace in large enterprises, and we anticipate midmarket enterprises to continue to increase their cost savings and productivity gains from use of this technology.

Video provides new ways for midmarket enterprises to differentiate their business; it provides innovative ways for stakeholders—employees, partners, and customers—to interact, and allows employees to maintain contact with customers on a more regular and intimate basis, thereby increasing customer satisfaction.

Video communications also allow enterprises to increase productivity. For example, an employee can virtually visit more customers in a single business day compared to that same employee traveling to visit those customers. Although video communication is not a substitute for all face-to-face meetings, it can certainly replace a large percentage of them. Video communications therefore increases customer interactions and can have material financial benefits for a midmarket enterprise, in terms of both cost savings and customer satisfaction.

Real-World Examples of Video Communications for Midmarket Enterprises

There are many types of video communications to address the needs of different types of employees and business uses, as shown in Figure 3. Technology for video communications includes software-based web conferencing, desktop video phones, desktop personal video units, conference room-based video systems, and fully equipped video media rooms. Midmarket enterprises should choose unified communications vendors that offer a full portfolio of video technologies and deployment options.

Figure 3 Video Communications Solutions and Customer Use Cases [Source: Analysys Mason, 2012]

	Employee and business use cases for video communications		
Video communications solutions	Informal customer support	Field service support	Remote sales
Software-based mobile device video communications	0		0
Software-based desktop web video conferencing			0
Desktop video phones		0	
Desktop personal video units	0	0	
Conference room-based telepresence	0	0	
Fully-equipped video media room	0	0	0
Solution applicability: Partial Medium High			

Following are three examples of innovative ways in which midmarket enterprises are using video communications incorporated into a Cisco Business Edition 6000 deployment.

Automotive sector: An automobile dealership wanted to provide additional extended warranty services when customers purchase new and used cars, but having dedicated warranty specialists on site was prohibitively expensive. The dealership decided to put a warranty specialist in its headquarters office and video communications technology at the branch dealership sites. Video communications enables the warranty specialist and the customer to have a video conversation about extended warranty coverage in a more personal and private setting. As a result, the sales process and decision-making process moves forward more quickly, extended warranty sales increase, productivity rises, and

labor costs are controlled through video technology. Video communications can therefore enable an automobile dealership to increase its cash flow by \$11,600 per branch dealership office per month.

With a conference room-based video solution to enable remote warranty sales, an automobile dealership can see an overall increase in cash flow of \$11,600 per branch office per month.

- Manufacturing sector: The repair services division of an equipment manufacturer provides its repair crews with a software-based video communications solution on mobile devices. Repair technicians, by using video on their mobile devices, can seek specialist support from a remote service center employee while making an equipment repair. Using this video technology and smartphones, the repair services division can minimize equipment downtime and increase the likelihood of making a repair correctly the first time, in turn allowing the repair team to be more productive. Video communications can therefore enable a repair services division of an equipment manufacturer to decrease its labor costs by \$5500 per month for a moderately sized staff of 11 field technicians.
- Professional services sector: A professional services firm with several sites needed to reduce operating costs, so it chose to use video communications to staff "virtual" receptionist desks at its branch offices. A visitor upon entering the reception area of a branch office is greeted by a remotely located receptionist over a high-definition video screen terminal. The receptionist provides an identical interaction as if that receptionist were on site. These virtual, video-enabled receptionists provide a heightened level of personal interaction when a client

enters their offices, while still meeting cost constraints required by the enterprise. Video communications can therefore enable a professional services firm to decrease its costs by \$6250 per month across three branch-office locations.

With a high-definition reception room-based video solution, a professional services firm can see an overall decrease in costs of \$6250 per month across three branch-office locations.

Healthcare sector: An internationally known hospital wanted to provide "care at a distance" services to remote healthcare facilities. These services would allow the hospital to extend the expertise of its clinical staff without incurring major travel costs. In addition, these services would provide the latest health services in areas that are difficult to service and have underprivileged residents. Clinicians have access to video services on their smartphones and room-based video solutions in the hospital to facilitate communications among physicians, nurses, and patients. All communications and sharing of medical records are completed in accordance with national healthcare privacy laws and regulations. Video communications can therefore allow physicians to provide unique medical care without incurring hours of nonbillable travel time.

Conclusion

Leadership matters. Technology allows enterprises to empower their employees and better service their customers. The technology chosen by a midmarket enterprise must support future business needs; otherwise it represents an additional financial risk. Vendors that supply video communications solutions integrated with unified communications platforms such as the Cisco Business Edition 6000 are well prepared to meet the needs of midmarket enterprise technology and business challenges. Vendors that can supply video technology—from mobileenabled software-based solutions to high-definition, room-based media centers—are best positioned to address the growing needs of midmarket enterprises.

Midmarket enterprises face five over-arching IT challenges: a need to provide reliable solutions; the mandate to maintain an appropriate security posture; the acceleration toward simplicity; an increasing demand to provide mobile-enabled solutions; and the requirement to increase corporate business productivity. These challenges strongly influence the purchase of technology. A carefully developed strategy to implement video communications can address these five IT challenges.

Video communications help turn an IT department from a cost center into a catalyst for business change. Although some midmarket enterprises will initially deploy video communications to address limited needs within an enterprise, employees will quickly find ways to expand the value of the solutions to help promote innovation and cost savings. Vendors that supply video communications solutions integrated with unified communications platforms are well prepared to meet the needs of midmarket enterprise technology and business challenges.