



Visual communication goes mass market:

Why operators should care

The idea of **visual communication across a range of devices** is nothing new. In fact, it has been around in one form or another, without achieving any significant level of market success, **for at least 20 years**. So why is it a hot topic today?

WE ARE CURRENTLY WITNESSING a unique convergence of factors that may push visual communication into the mass market for the first time. Technologies from three previously separate market segments – high-end telepresence, video conferencing, and collaboration and unified communications – are rapidly coinciding to form a new visual-communication market. Operators can potentially play a central and profitable role in this development – or be forced onto the sidelines.

GROWTH DRIVERS

What are the external factors creating this change? The first is sustainability. There is a growing consensus that certain aspects of the way the world currently does business are environmentally unsustainable. Face-to-face meetings often involve air travel, and environmental targets laid down by bodies such as the European

Commission place the emphasis on alternatives that are more energy- and resource-efficient.

Second on the list of converging factors is the increased need for businesses to manage costs. The expense of air travel has become harder for businesses to justify as a result of the reduced revenues that followed the recent economic downturn. Time spent travelling also puts further strain on already overburdened employees; one recent survey says that 61 percent of employees have seen their workloads increase as a result of business cost cuts.

The third factor originates from an unexpected event. The ash cloud that grounded air traffic across much of Europe and the east coast of North America in April 2010 highlighted the dependence of our present ways of working on the global transport system – and their sensitivity to any disruptions in this system. A remarkable 85 percent of corporate travel managers in the ►

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► United States say their organization was disrupted by the cloud, with 33 percent saying that its financial impact was moderate to significant.

Communication through video reduces the need for air travel and enables more flexible and productive work routines. Visual communication therefore represents an increasingly attractive response to these converging drivers. Thirty-five percent of respondents to a survey said they now used the technology more than once a week, and visual communication is expected to replace 2.1 million airline seats a year by 2012.

Unfortunately for operators, the dominant players in this new market are, for the most part, not traditional telecoms businesses. The operator's current function is in most cases limited to that of a connectivity provider, while other companies steal ahead to offer video-conferencing services directly to the enterprise.

As a result, operators today are being pushed out to the margins of an increasingly essential area. Reasserting their role will mean taking control of business innovation, product offers, features and pricing from service providers, along with branding and customer relationships. A shift in this balance means that operator-revenue opportunities will no longer be limited to connectivity, with operators gaining access to new ways of building revenues through products, services

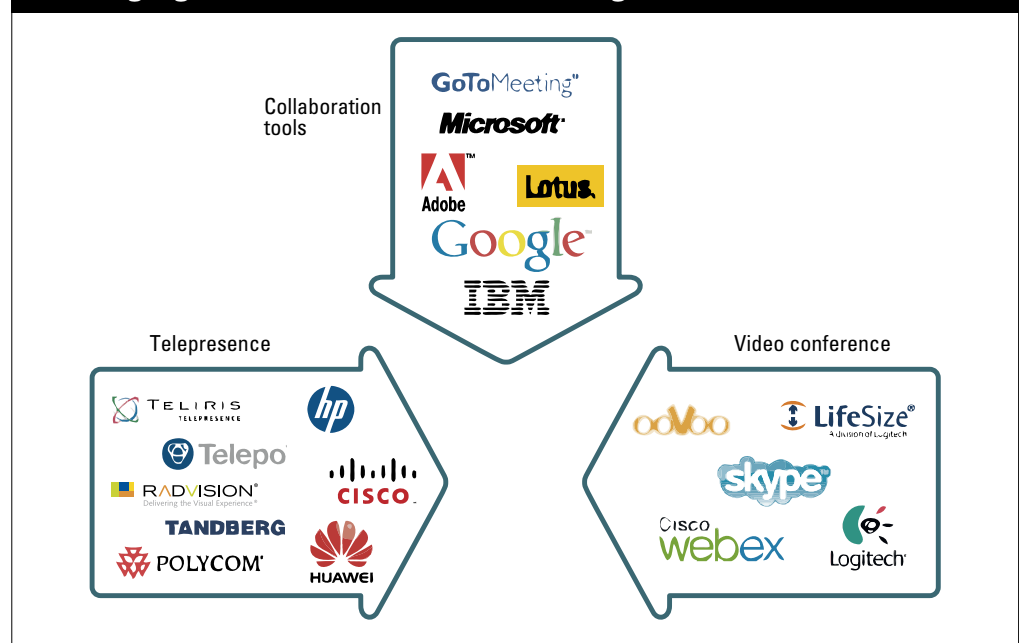
and charges. So how can operators play a more central role in visual communication as it moves into the mass market?

CREATING A MASS MARKET - PHASES ONE AND TWO

The development of the mass market for visual communication will involve three distinct overlapping phases, and operators must be involved in each. The process has already begun at the multinational company level with the connection of rooms for business users or C-suite users. These users have a proven role as early adopters, and this is where operators must initially focus their efforts. Once these users recognize the benefits of visual communication, a business case can be made to mass-deploy interoperable video conferencing across organizations as a whole. This then leads into the second phase of mass-market development, which is the connection of companies and employees through laptops and desktops. Teleworking and home offices also fall into this category.

Operators have one key advantage over their competitors: they are already involved in putting the enablers into place for a wider take-up of visual communication services. The number of fixed broadband subscribers worldwide is expected to reach 600 million by 2015, while the number of mobile broadband subscribers is expected to hit

Converging markets – who will tie it all together?



3.4 billion by the same year. Operators are, in other words, already providing connectivity, and it makes sense for them to be involved in providing visual communication services. The benefits for customers become immediately apparent – not only will the user experience be guaranteed in terms of high-quality audio and video, smooth integration with other essential services and service levels, but they will receive a single bill and have a single point of contact in the event of questions or issues.

In fact, the current separation between connectivity and service providers can give rise to problems when networks are not appropriately dimensioned. Video service providers will not take responsibility for the networks on which their services run, meaning that the introduction of video communication services can consume too much bandwidth and have a negative effect on other business-critical systems. Companies investing in such services must ensure proportional investment in the network, and this creates a window of opportunity for operators to become more closely involved with providing these services – for example, corporate users can be offered high-quality visual communication by operators as an add-on in addition to besides connectivity.

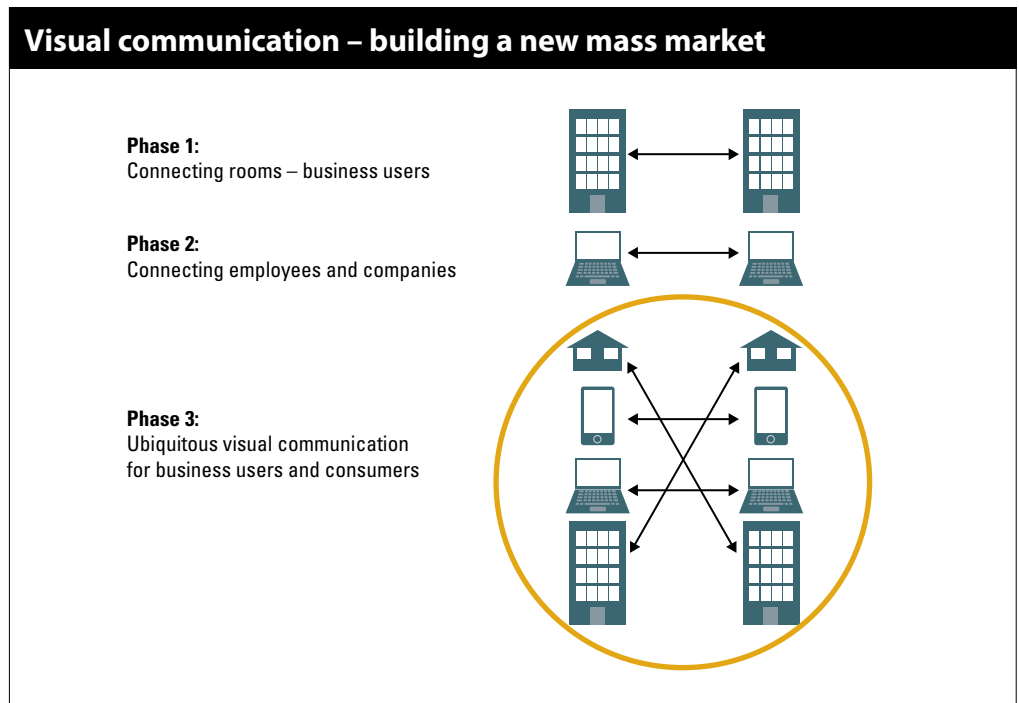
The good news for operators is that they already possess most of the competencies required. Existing

channels can be used and the step from offering voice communication services to video communication services does not have to be a large one. However, it remains for them to differentiate their offerings and to develop effective business models that are attractive to the customer.

FULFILLING A NEED

So what specifics will visual communication solutions have to fulfill to successfully negotiate these two phases? First and foremost, quality and price must be properly balanced. The true mass-market adoption of previous methods of video communication has been stalled by the scales being tipped too far to one side or the other regarding these two elements.

As things stand, the costs associated with the majority of visual communication services are prohibitively high. While paying a premium for services can be appropriate at the C-suite level, the same is not necessarily true for company-wide deployment or for the small- or medium-sized company. On the other hand, more affordable solutions such as Skype can suffer from quality degradation issues. This is a serious issue for smaller businesses and for home offices. If a company cannot afford a high-end solution and attempts to make a pitch or conduct business using low-grade video communications solutions, the



Visual communication will only continue to develop into a true mass-market technology, and it is essential that operators *ensure their own involvement* in each phase of this growth.

► quality of the message can be undermined by the quality of the medium.

Secondly, interoperability will be a key consideration. Visual communication must work regardless of equipment or operator network. Once companies decide to expand the use of visual communication beyond the C-suite to mass deployment across their organizations, legacy equipment – most likely from a range of vendors – will need to be integrated. If a company has employees or customers on another operator’s network, interconnectivity will be required between the different networks.

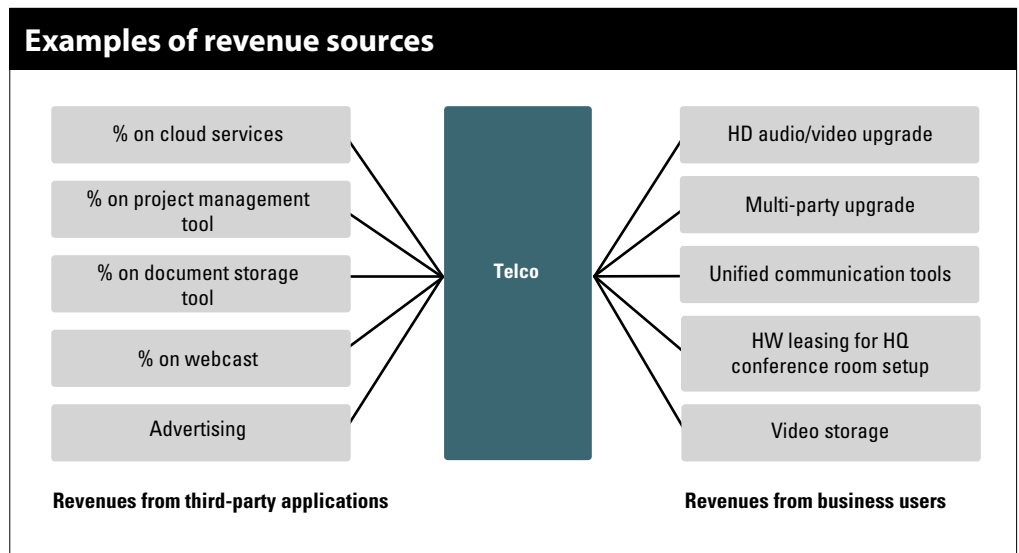
Fortunately for operators, a standard in terms of visual communication already exists in Multimedia Telephony (MMTel). This standard defines an evolved telephony service that enables real-time multimedia communication with the characteristics of a telephony service over fixed broadband, fixed narrowband and mobile access types. MMTel also provides standardized user-to-network and network-to-network interfaces which allow operators to interconnect their networks.

CREATING A MASS MARKET - PHASE THREE

The role of businesses as early adopters – first in the C-suite and then across the company – means that the route to the mass market seems likely to pass initially through phases one and two. These phases provide the momentum for a third stage where operators can support true mass-market adoption of visual communication.

During this stage, visual communication usage becomes ubiquitous among both business users and consumers. An ever-increasing range of connectivity devices, including handsets and tablets, will facilitate the process of visually connecting offices, desktops, laptops, mobiles and houses. Remote working with the systems provided in phase two, where employees use visual communication services at home, will play an important role in raising general awareness. The growth in the high-definition television (HDTV) market can serve as a catalyst for adoption – the number of European households equipped with HDTV, which represents an ideal user interface for visual communication, is projected to double to 220 million by 2018. Operators are therefore in a position to begin offering visual communication as an add-on to existing voice, broadband or multimedia subscriptions, with the possibility of charging additional fees for multi-party or collaboration services. This will enable operators to differentiate their offerings, and could potentially lead to different market leaders in different sectors.

Operators have already made most of the required investments and have the necessary competencies to begin accessing the market. As a range of Ericsson Labs studies have shown, the highest barriers to mass-market adoption may instead be user attitudes. Even if visual communication becomes as theoretically easy to use as a voice call, the mixed earlier experiences of users with video communication technologies may



lead to a certain level of resistance. Some of the negative viewpoints stem from associations with small screens and highly pixelated images. The growing maturity of technologies in this area should, however, reduce the force of these objections.

Harder to dislodge is the belief that the user is not fully in control of the service. Receiving a mobile video call may be convenient, but it can also be perceived as intrusive. Similarly, the handheld cameras incorporated into handsets offer relatively poor focus. Stationary visual communication avoids some of these problems by allowing the user to schedule the call and to use a fixed camera, which provides better focus. The new generation of visual communication solutions will have to steer a middle course and combine the best of both worlds. There is, in fact, little reason why the process of receiving visual calls should be any different from receiving voice calls – users can see who is calling and choose whether to answer or to push the call to a visual mailbox. In the latter case, the caller would instead be presented with a still picture or an avatar of the contact he or she was calling.

Just as with the introduction of mobile phones, users soon become comfortable with new technology and there are more situations in which they feel able to use it. Visual communication will

only continue to develop into a true mass-market technology, and it is essential that operators ensure their own involvement in each phase of this growth. The alternative is to be left behind, and in such a fast-moving area, catching up could prove extremely difficult. ●

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AUTHOR



► **MICHAEL AXELSSON** is Head of Ericsson's program for visual communication. He joined Ericsson in 2001 and has worked in leading marketing positions in the

Core and Radio network areas. Before joining Ericsson, Axelsson worked in leading marketing and business development positions in the airline industry and consumer electronics.

(michael.axelsson@ericsson.com)

Current professional usage of video conferencing

	Traditional video conferencing (many-to-many)	Advanced video conferencing (many-to-many via real size transmission)	Internet conferencing (LiveMeeting, Netmeeting, SameTime)	PC Webcam (IM, IChat or VoIP)
Typical users	Managers (in conference rooms)	Top management (in boardrooms)	Clerical workers/teams operating at a distance from each other	Close colleagues (primarily IT high-techs)
Triggers for usage/purchase	Travel cost reduction Time saving	Time saving	Travel cost reduction	Individual initiative/interest
Benefits	Substitute for face-to-face meeting (useful in certain situations)	Very similar to face-to-face meetings	Useful for collaboration/presentations	Fun/pleasant Brings colleagues closer together
Drawbacks	Difficult to set up Poor quality Lack of involvement	Limited access Expensive	Difficult to use/set-up Seldom used with video conferencing (too complicated)	Poor quality Limited number of users

Source: Ericsson ConsumerLab