

## **Market Share Leadership Award Video Conferencing Hosted and Managed Services North America, 2013**

### **Frost & Sullivan's Global Research Platform**

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2013 North American Video Conferencing Hosted and Managed Services Market Share Leadership Award to AT&T.

### **Significance of the Market Share Leadership Award**

#### **Key Industry Challenges Addressed by Increased Market Share**

As video conferencing metamorphoses itself from a "nice-to-have" to a "must-have" technology, North American service providers will be presented with an opportunity to assist enterprises in addressing the technological challenges associated with this shift. The market leaders will have a fundamental role to play in this transition as they address the market's key challenges, including interoperability, persistence of "video connectivity islands", big installed base of legacy endpoints, complexity to solve video issues, and high costs of videoconferencing equipment.

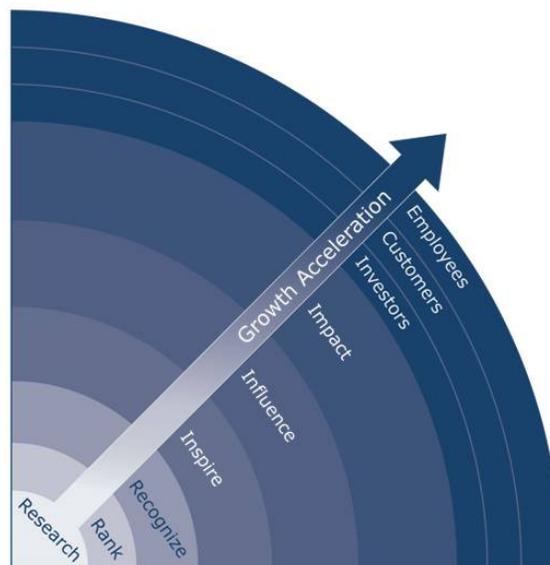
The North American market leader can play an instrumental role in enabling interoperability among disparate solutions by leveraging its expertise in managing equipment from various suppliers. Furthermore, it can encourage the support of a common standard, such as Scalable Video Coding (SVC), or the development of a gateway that will provide transcoding among disparate systems as needed. By attaining a leadership position, this operator can play a key role in articulating customer needs, such as interoperability and ensuring that the vendors address these issues.

Furthermore, the market leader can also be in the driver's seat to help foster a higher inter-company rate of communication. The video conferencing industry has been hampered by low business-to-business (B2B) communication for years, and a wider adoption of initiatives, such as the Open Visual Communications Consortium (OVCC), is necessary to help increase the rate of inter-company video conferences to levels similar to inter-company phone calls. The top carrier has a role to play in encouraging other competitors to join forces and help provide a "video dial tone" via either larger initiatives or smaller initial steps via a Network-to-Network Interface (NNI) or Cisco telepresence arrangements.

Traditional video conferencing offerings, particularly those that still support legacy endpoints, are generally complex to manage. Unlike voice over Internet Protocol (VoIP), video does not have a single standardized measure for quality, like an R-squared value or a Mean Opinion Score (MOS) number. Consequently, a more granular insight into network performance is needed. A market leader can leverage the technical know-how of its staff in arriving at some homegrown solutions to help fine-tune the video performance. This will become an important differentiator over time to help customers make their provider choice.

Finally, video conferencing, in general, still has the stigma of being an expensive technology for which smaller and medium-sized businesses will have a reduced appetite. Until video conferencing establishes a more solid beachhead among smaller firms, reaching the "critical mass" will keep on being a challenge. Conferencing service providers (CSP's) have a role to play by providing enterprises with a wide array of choices, including managed and hosted services which enable companies to embrace video at a fraction of the cost of owning and managing their own equipment. By capturing market share leadership, a CSP can negotiate better terms with video conferencing equipment suppliers and pass some of those savings on to customers.

**Chart 1: Best Practices Leverage for Growth Acceleration**



### Best Practice Award Analysis for AT&T

The Frost & Sullivan Award for Market Share Leadership is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units as specified.

## AT&T's Performance in Video Conferencing Services

AT&T was able to achieve the leadership position in the North American hosted and managed video conferencing market in 2011, surpassing competitors. In 2012, our projections confirm that AT&T was able to maintain the top market position by diversifying its portfolio, increasing its inter-carrier arrangements, and attaining a leading mindshare in the OVCC efforts to increase B2B video communication. In January 2012, the company surpassed 120 large corporate video conferencing customers in North America.

Frost & Sullivan estimates that AT&T has over 4,500 managed video endpoints connected to the AT&T Business Exchange and is the leading global provider of Cisco TelePresence Systems. This ballpark figure includes more than 250 rooms owned and operated by AT&T. Over the past two years, AT&T has increased its vendor relationships above and beyond Cisco/Tandberg to also include players, such as Polycom®. It further expanded carrier relationships with providers such as Orange, Tata, T-Systems, and Telmex, adding to the original inter-provider arrangement with BT and increased its global footprint by offering service in 80 countries with full management in 40. AT&T continues to deliver bleeding-edge research that will be eventually be leveraged in its offerings via its AT&T Research team. For instance, at a recent IMTC event, that team presented its ongoing research in interoperable and automatic extraction of content metadata. This can benefit its video conferencing offerings. Lastly, AT&T can also draw upon its AT&T Connect® hosted desktop web conferencing solution, which is a testimony of how well the company has integrated its Interwise acquisition back in 2007. All these factors have enabled the company to continue to grow its video conferencing services revenue at a rate of 30 to 40 percent per year.

### Key Performance Drivers for AT&T

#### Factor 1: Broad Video Conferencing Portfolio

AT&T evolved its video conferencing offering lineup by moving from foundational to pervasive video. In other words, the company started broadening its telepresence offering beyond room-based immersive systems to supporting new desktop, laptop, and mobile devices, such as tablet endpoints. Furthermore, AT&T was among the first carriers to offer video conferencing services not only on a scheduled basis, but also on demand. From a network delivery perspective, AT&T offers video via its own MPLS network and also via the Internet, including mobile (e.g., Wi-Fi, wireless broadband) and fixed access (e.g., ISDN). Given the recent adoption of the Bring Your Own Device (BYOD) trend, AT&T ensured that its video services will be made available not only to registered endpoints, but also via guest access.

Anticipating that Unified Communications (UC) clients will play a key role in the uptake of enterprise desktop video, AT&T continued to improve its UC application portfolio that came via the Interwise acquisition in 2007. Video capabilities in applications, such as AT&T Connect® (web conferencing platform) and AT&T UC Central® (a client-based cloud app for

UC and telephony services including video conferencing), have been enhanced over the past couple of years. More importantly, AT&T supports the hybrid model with a UC video functionality split between the cloud and an enterprise's premises. For instance, AT&T Connect's presence engine works with Avaya and Cisco IP private branch exchanges (PBX's) in addition to Time Division Multiplexing (TDM) Centrex.

### **Factor 2: Professional Services Strength**

The comprehensiveness of the portfolio also manifests itself in the professional services area. For instance, for telepresence, independently of who owns the telepresence premises-based infrastructure, AT&T offers its customers two management tiers and two billing alternatives. The management tiers are "Managed Care" (complete, end-to-end service) and "Essential Care" (for which certain elements, such as software upgrades, remain under the customer's responsibility). Customers may also opt to manage their own customer premises equipment (CPE) and subscribe separately to the AT&T Business Exchange. AT&T offers two billing options: unlimited/flat-rate (with extra charges for inter-carrier conferencing) and metered. In addition, AT&T supports managed sessions, including a full concierge service. Scheduling integrates with customers' Microsoft® Outlook® and Lotus Notes®, or it can be handled through the AT&T Telepresence Solution scheduling portal.

### **Factor 3: Partner Diversification**

Despite the solid relationship with Cisco®, AT&T made a strategic decision to diversify its overall video conferencing portfolio. Over the past couple of years, the company developed a good partnership with Polycom, and that has resulted in a few key video conferencing wins, but the diversification does not stop there. In areas such as telepresence, AT&T now supports a wide array of equipment, including Cisco TPS, Tandberg EX, MXP and C Series, Polycom's VSX and HDX series, and LifeSize's Conference and Team systems.

AT&T maintains that it is able to accommodate extra platforms upon request, as dictated by its customers. AT&T can also accept off-net "guest access" from any video endpoint that is reachable over IP/the Internet or ISDN, as long as the end-to-end connection has enough capacity to support the service. It is this off-net option that enables expanded managed endpoint support that goes above and beyond Cisco TelePresence Systems and incorporates models from Tandberg, Polycom®, and LifeSize®, giving customers a wider variety of options.

### **Factor 4: Customer Driven Video Strategy**

One key element of AT&T's video conferencing strategy is the focus on its customers. AT&T constantly seeks the input of its customers, as their input enables the carrier to drive the industry alignment. In order to obtain valuable feedback, AT&T cooperates with various industry bodies where the company can both further establish its leading R&D mindshare, and learn valuable insights from a wide gamut of customers. AT&T cooperates with industry

organizations, such as the Open Visual Communication Consortium (OVCC) where AT&T is a founding member, ATIS Cloud Services Forum, and the International Multimedia Telecommunications Consortium (IMTC).

AT&T continues to invest heavily in its video conferencing infrastructure and product offerings which support cloud delivery models. This is an initiative which supports demand from its customers. The company has made video a strategic priority and this has manifested itself in terms of capital expenditures (CAPEX): AT&T easily outspent the competition in this area, and this was driven by client CIO's who recognized video conferencing and collaboration as a key catalyst to improve employee productivity.

### **Conclusion**

AT&T was able to achieve (in 2011) and to maintain the top spot (in 2012) in the North American managed and hosted video conferencing services market. The company's leadership has been demonstrated by its commitment in tackling some of the industry's key challenges, including interoperability, low B2B communication rate, and high complexity of handling video issues. The company was able to achieve some key milestones in adding new vendor partners, such as Polycom, increasing its relationships with other carriers, expanding its number of internal telepresence rooms, and establishing a leading mindshare in initiatives, such as with the OVCC.

Based on its execution in 2011 and 2012, financial strength, and direct and partner-led IT service delivery capabilities, we believe AT&T is well positioned to capture a significant part of the future growth in the managed and hosted video conferencing services market.

### **The CEO 360-Degree Perspective™ - Visionary Platform for Growth Strategies**

The CEO 360-Degree Perspective™ model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The CEO 360-Degree Perspective™ is also a "must-have" requirement for the identification and analysis of best-practice performance by industry leaders.

The CEO 360-Degree Perspective™ model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 2 below, the following six-step process outlines how our researchers and consultants embed the CEO 360-Degree Perspective™ into their analyses and recommendations.

**Chart 2: The CEO's 360-Degree Perspective™ Model**

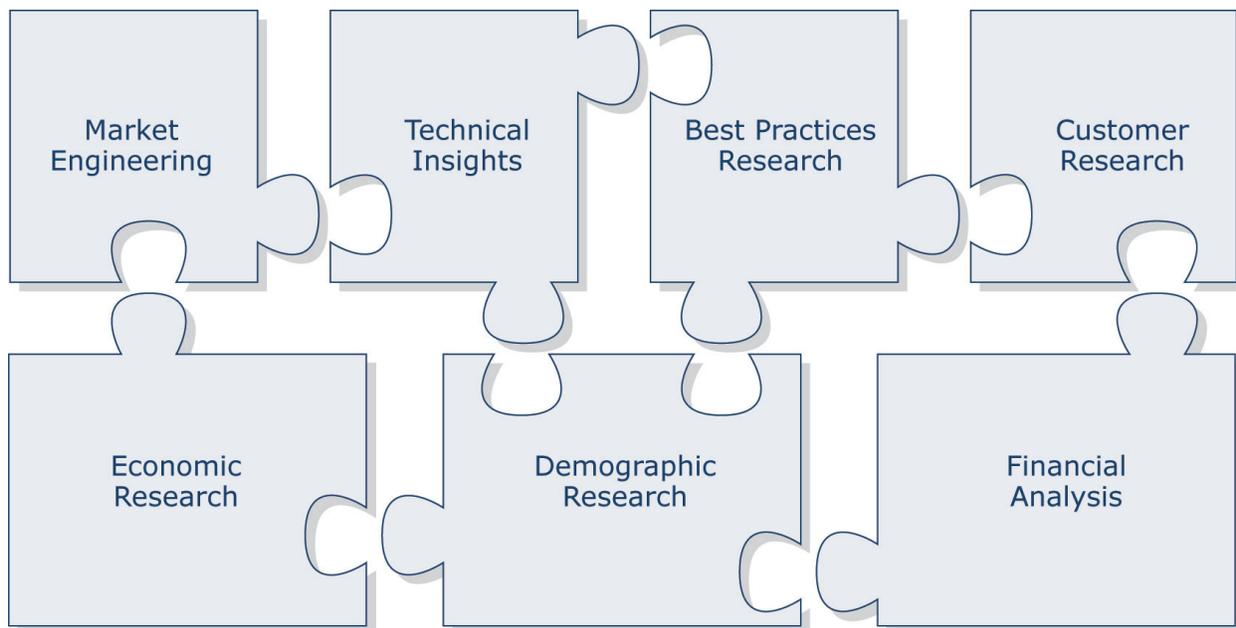


### Critical Importance of TEAM Research

Frost & Sullivan’s TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan’s research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and

commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

**Chart 3: Benchmarking Performance with TEAM Research**



### About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.