

An Introduction to the World Enterprise Video Transcoders Market



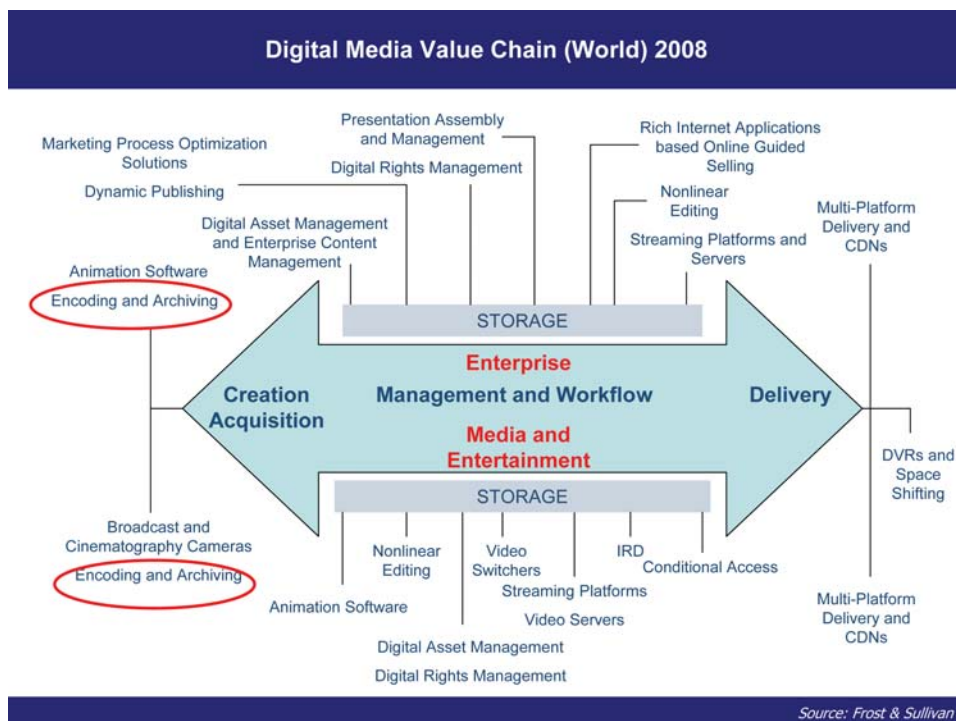
A Frost & Sullivan White Paper

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MARKET OVERVIEW

This research service is part of the extensive Frost & Sullivan research subscription on digital media. The coverage encompasses technologies that span the acquisition of content in a digitized format through management of that content to final delivery. Frost & Sullivan analyzed the digital media value chain from an enterprise perspective, where it is largely used as a tool to facilitate marketing and corporate communications, as well as from the perspective of the media and entertainment markets.



This research service is part of the Frost & Sullivan research series on video encoders and transcoders market spanning the Broadcast, Digital Terrestrial Transmission, Pay-TV, Broadband, Mobile and Enterprise markets. This study analyzes the trends across the enterprise segment.

Frost & Sullivan defines video encoding as the process of taking analog video, and converting it into digital format. Transcoding, on the other hand, is defined as the process of taking video in a digital format and converting it appropriately into other digital formats suitable for distribution over multiple media to various devices. For the purpose of this research, all hardware and software solutions used for compressing video for the enterprise segment are referred to as transcoders.

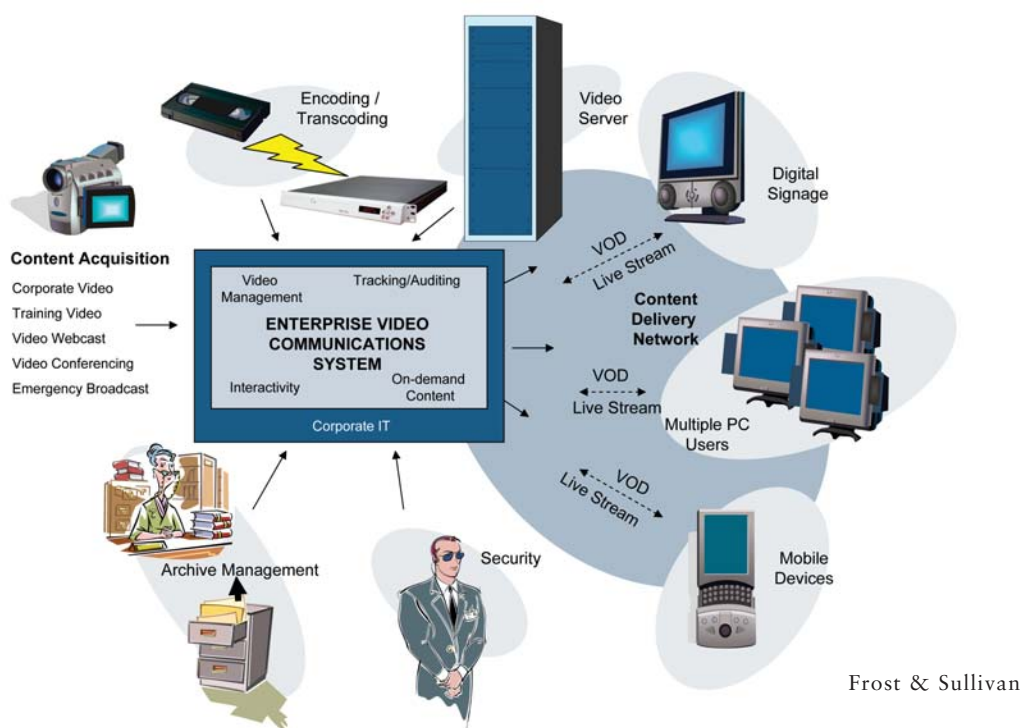
Over the years, the use of video has grown and broadened significantly not only in the media and entertainment (M&E) market but also within the enterprise segment covering

application markets such as corporate, government and public agencies, education, healthcare, hospitality, and houses of worship, among many others. Reaching the largest audience necessary in the most efficient manner is paramount for organizations looking at controlling costs in today's troubled economy. Enterprise video applications are now increasingly seen as a "must have" by organizations across verticals looking at communicating critical messages and facilitating effective communication within the enterprise and with external stakeholders. These communications include corporate communications, marketing communications, training and emergency broadcasts, among others. The value proposition of enterprise video applications is driving a surge of interest and investment in complete video delivery infrastructures.

With bandwidth restraints receding worldwide, enterprises are moving swiftly to an all IP network and digital workflows for assimilation, storage and distribution of content. The availability of tools and methods to create and distribute video cost-effectively is driving many public and private, profit and non-profit organizations to use increasing amounts of video over Intra- and Internet.

Organizations offer video content through their websites for training, distant learning, and marketing. They are consistently creating or acquiring multimedia content; managing and distributing it to conference rooms, desktops, auditoriums, set-top boxes, and various multimedia appliances for internal as well as external audiences.

However, to create and deliver video content in an accessible way across various application markets and to be able to broadcast it to a myriad set of devices, enterprises need to deploy an efficient suite of solutions at the backend. Transcoding is a vital component of this workflow.



The world enterprise video transcoders market comprised over \$90 million and grew over 20 percent in 2008. The market is estimated to grow at a healthy compound annual growth rate (CAGR) of over 12 percent from 2009 to 2015.

This research study does not include transcoders used for post-production, authoring and encoders integrated within editing software. It also does not include solutions used in telepresence, and lecture capture and digital asset management (DAM) solutions that might include some transcoding capability.

The leading factors that are driving growth in the Enterprise Video Transcoder Market include:

- Enterprise transition towards digitized IP video distribution platforms requires investment in digital equipment including encoding and transcoding solutions.
- Rising adoption of webcasting and streaming applications for greater business efficiency is expected to increase the adoption of encoding/transcoding appliances.
- The increasing adoption of Video-on-Demand (VOD) and High-Definition (HD) content within various enterprise communication applications generates more demand for enterprise video solutions.
- The growing usage of video in non-traditional enterprise segments such as community groups, public agencies, houses of worship and others; spurs demand growth for enterprise video solutions from an expanding market.
- Reduction in product prices and the resulting attractiveness on the return on investment (ROI), boosts the adoption of digital equipment including encoding and transcoding within enterprises.

Despite the forecasted growth, this market faces certain restraints including:

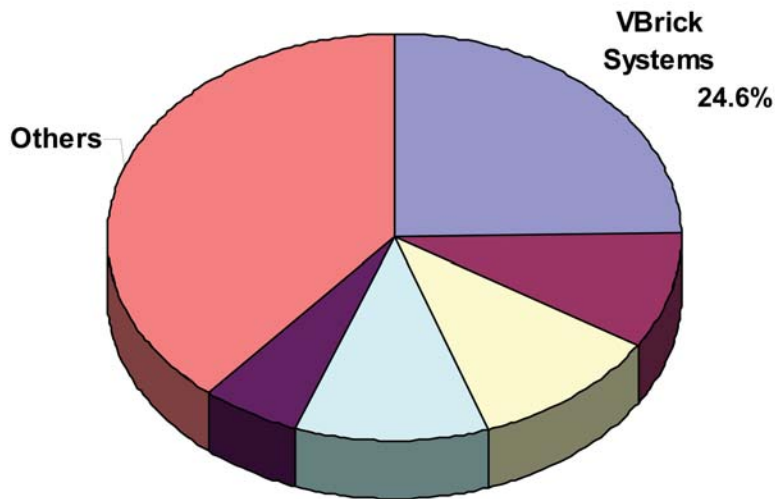
- The global economic slowdown, which has curtailed budgetary spending on technology including investments in digital equipment to enable enterprise video applications.
- Lack of network bandwidth in several organizations across global regions hampers rapid adoption of enterprise video enabling technologies.
- Lack of awareness about the value proposition of enterprise video and the perception of enterprise video applications as “nice-to-have” lengthens sales cycles and hampers rapid growth.

COMPETITIVE ANALYSIS

The world enterprise video transcoders market is extremely fragmented and comprises more than 15 vendors globally. While some of these vendors offer video compression solutions for multiple applications, other vendors provide a comprehensive set of enterprise video solutions. While the landscape also includes a growing number of companies that provide telepresence and conferencing solutions, as well as lecture captures, which include transcoding features in their products, these have not been included in the total market analysis. Frost & Sullivan expects the market to become more competitive over the forecast period with a growing vendor base as companies selling solutions in complimentary areas turn to the lucrative and growing enterprise video market.

Though the enterprise video transcoders market includes a few large equipment vendors such as Cisco, Harris, Motorola, Optibase and Thomson, the market is largely catered to by small and medium dedicated solution vendors for the sector. Most vendors have less than 5 percent market share. The product solutions in this sector range from MPEG-2 only solutions to solutions supporting multiple formats (AVC, VC-1, Windows Media, Flash, AVI, among others) for distribution over different networks and to different devices such as a personal computer, a mobile handset, a PDA, and others. Few companies in this market have the complete versatility to transform video.

Enterprise Video Transcoders Market: Market Share (World), 2008



Source: Frost & Sullivan

Frost & Sullivan

The leading vendors in the world enterprise video transcoders market include Haivision, Optibase, Telestream, VBrick Systems and ViewCast, with VBrick Systems being a clear leader with nearly 25 percent market share. The other vendors in this market include Anystream, Digital Rapids, InletHD, Streambox, and others.

While transcoding is a niche application, the vendors ahead of the market curve have to display versatility across their product line to be more inclusive of any customer demands. There are very few vendors with a complete set of solutions that can enable ingest to processing to distribution of video, and finally interaction with the viewer, over multiple networks.

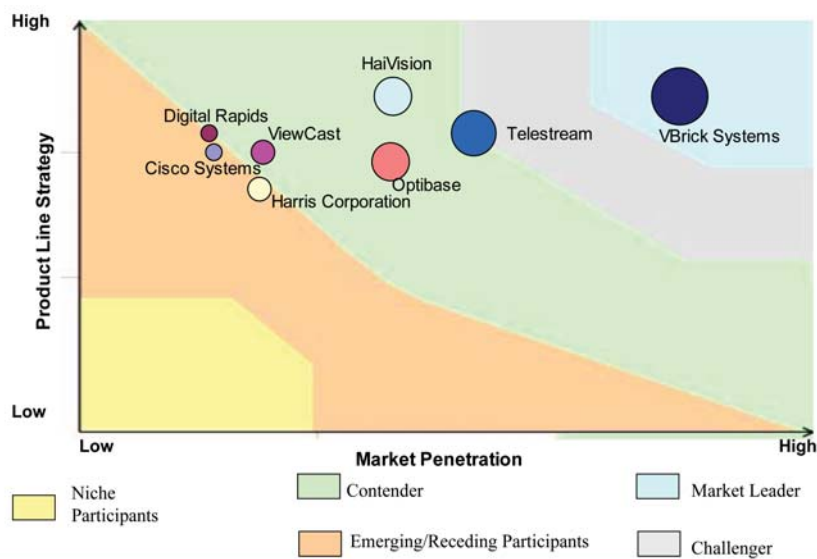
Further, while some customers choose best-of-breed products for their video channel, others require a one-stop shop with easy solutions that are compatible with their IT infrastructure.

While a large organization might use system integrators to link their products and devices across regions enabling efficient video delivery with less redundancy, several small and medium companies do not have the comparable financial or the IT bandwidth and hence require a vendor solution that meets their specific requirements.

For transcoding, vendor solutions have to enable support for industry formats thus facilitating a cohesive workflow from acquisition of content to delivery across a number of platforms.

The Frost & Sullivan digital media competitive landscape chart of the “World Enterprise Video Transcoders Market” analyzes the competitive positioning of the leading vendors in this market. Companies are positioned according to their market penetration and their product line strategy.

Enterprise Video Transcoders Market: Competitive Landscape (World) 2008



Source: Frost & Sullivan

The product line strategy includes factors such as number of enterprise segments targeted; regional penetration strategy, transcoding product line, product line for the enterprise segment, and price competitiveness.

VBrick Systems has been the market leader according to Frost & Sullivan's estimates since 2005 for the enterprise video transcoders segment. They have continued this legacy in 2008 by a significant margin, with 6000 customers and 60,000 installations worldwide.

The market landscape has grown to be complex over the years by the number of customer demands as well as the increasing competition. VBrick Systems' lead in the market is an extension of the vendor's comprehensive enterprise solution strategy. VBrick has long recognized that enterprises require a complete, end-to-end solution to deliver live video both inside and outside the firewall -- with high reliability, minimal impact on bandwidth and adherence to open standards.

A recipient of many awards, VBrick Systems offers a suite of enterprise IP video solutions that encompass ingest to delivery of video for verticals such as education, government and corporate. VBrick Systems' flagship product is the "VBrick Enterprise Media System" (VEMS), which provides a complete IP video distribution and media management solution for enterprise video networks. VEMS integrates all devices and systems, and provides user management solutions thereby allowing one to access all live IP video channels and on-demand servers within an organization.

The VBrick solution includes the following components:

- Encoding and streaming appliances to capture live video in H.264, Windows Media and MPEG 2 & 4 formats. This capture capability also includes the ability to integrate a wide variety of presentation materials together with the video.
- Recording software and Video on Demand servers to Record and Store video.
- Reflector appliances and intelligent management software to effectively Transport video over IP networks.
- Software players, Set Top Boxes, and Hardware decoders to Play video on PCs, Macs, flat screen displays, and mobile devices.
- Intelligent management software which allows organizations to Manage and Control access to their Rich Media assets.

Of particular note, the VBrick appliances have many internal features that allow them to effectively deliver video over any network environment – LAN, WAN, VPN, Wi-Fi, cellular, satellite, and the Internet. VBrick’s management software also intelligently routes users to the most appropriate video resources depending on their location on the network.

VBrick solutions support a variety of applications such as meeting broadcasts, rich media classroom curriculums and distributed training, television distribution, digital signage, web-based marketing, and surveillance. VBrick expands the depth and breadth of these applications by partnering with numerous vendors who complete the solution equation. They integrate technology such as video conferencing equipment, learning management systems, room control technology, networking hardware and software, unified communications platforms and content delivery networks. With such a versatile portfolio of products, VBrick has been able to enable its customers across different segments to achieve critical objectives.

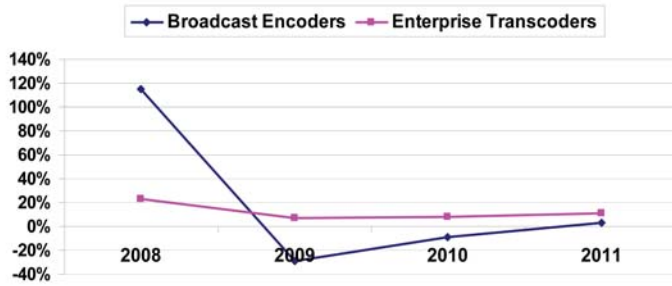
Customers	Achievements
<i>Putnam Investments</i>	Replaced satellite distribution with VBrick for corporate news distribution
<i>CARQUEST</i>	Executive and training broadcasts to 3,400 retail locations
<i>Salem High School</i>	District-wide video broadcasting of school events with support for community television
<i>US Army</i>	Battlefield, training, simulation and internal communications
<i>California Dept. of Transportation</i>	Intelligent Traffic Management and Surveillance
<i>America’s Emergency Network</i>	Syndicated live video feeds of hurricanes to hundreds of newspapers
<i>NCAA Tennis Championships</i>	Live video coverage of twelve tennis courts simultaneously

MAJOR RESEARCH FINDINGS

The world enterprise video transcoders market grew by over 20 percent in 2008, reflecting a non-abating demand among enterprise verticals for creating, storing and distributing video on a day-to-day basis. Average prices for solutions have fallen by over 20 percent from 2007 to 2008 thus making it more attractive for even smaller enterprises such as schools, retail stores, houses-of-worship, and others, to adopt it.

Unlike traditional video encoder-transcoder markets such as broadcast and pay TV markets impacted negatively by the recession, the enterprise video transcoder segment is expected to see positive growth in 2009. However the market is expected to have a tempered single digit growth rate as demand from the corporate sector has fallen significantly.

Video Encoders-Transcoders Market: Broadcast vs Enterprise Growth Trends (World), 2008-2011

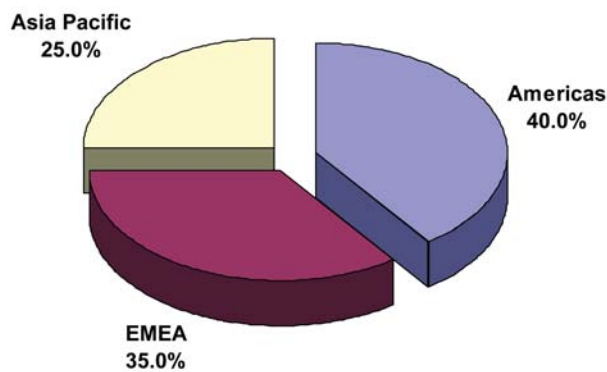


Source: Frost & Sullivan

From 2010 onwards, the market is expected to pick up the threads of a robust demand increase.

While North America, Western Europe and parts of Asia are expected to fuel the continued growth of this market, the rest of the regions have challenges to overcome such as lower broadband speed access, slower transition to HD, and low awareness.

Enterprise Video Transcoders Market: Revenues Region-wise Split (World), 2008



Source: Frost & Sullivan

However, despite these challenges worldwide, customers are realizing the benefits of operational efficiency, higher cost savings, and faster return on investment (ROI) in using digitized video in their day-to-day communication efforts. The flexibility, cost-effectiveness, faster turnaround, easy upgradeability, and the ease of implementation, is making video distribution an inevitable part of enterprise communication and marketing strategy globally.

CONCLUSIONS

The use of video in the enterprise segment is very different from that of the traditional media and entertainment delivery. It is most often used as an integrated asset in communication initiatives across the disparate segments such as education, corporate, government, retail or others.

An enterprise-wide business video strategy may include live video webcasting, video on-demand, and digital signage/syndication capabilities, all functioning transparently on an organization's existing IT infrastructure. For all of these applications, enterprises need to effectively create or acquire multimedia content, manage and distribute those assets through a single platform with the ability to have live interaction with the audience.

Not only does an enterprise customer require identifying the backend ecosystem for its video integration and delivery needs, but also needs to have an efficient underlying system to tie them together, thus enabling optimal use of assets throughout the organization without redundancies.

For more information about the World Enterprise, Broadband and Mobile Video Transcoders Market study and Frost & Sullivan's complete Digital Media coverage please visit <http://www.frost.com>

This report is brought to you compliments of VBrick Systems, Inc.

About VBrick Systems, Inc.

VBrick is the leader in Enterprise IP Video solutions, with over 6,000 corporate, education and government customers and 60,000 installations worldwide. VBrick solutions work over standard IP networks and the Internet to deliver rich media communications that connect people everywhere -- from employees and customers, to partners and shareholders. Our comprehensive product suite and end-to-end solutions are used in a wide range of live and on-demand applications including meeting and event broadcasts, distance learning, digital signage, TV distribution, video surveillance, and Web-based marketing campaigns. Headquartered in Wallingford, CT, VBrick's products and services are available through industry-leading value-added resellers. For more information, visit www.vbrick.com

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