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Itineraries

Telepresence TV

Technology Catches Up to the Teleconferencing Business

By PAUL BURNHAM FINNEY

High-end videoconferencing — the magical ability to be two places at once — has had a bumpy past, plagued by jerky gestures, out-of-sync lips and sound and cumbersome equipment. Few executives liked what they saw, including unflattering pictures of themselves, and most thought the business tool was not worth the price.

But now, thanks to new technology, videoconferencing is delivering on its promise as an alternative to traditional business travel. The high-definition TV images are sharp. Broadband fiber-optic cable has replaced tired telephone lines. And the equipment is often installed in studios that are handsome and appropriately corporate.

And as air travel becomes more difficult, virtual meetings provide an alternative. You can sit across a table from a large screen showing someone who looks quite real and life-size, but may be in London or Frankfurt. Only a handshake and exchange of business cards are missing.

Equipment suppliers, led by Cisco, Hewlett-Packard, Polycom and Tandberg, have created a new word — “telepresence” — to market the technology.

“It’s a big leap forward,” said Claire Schooley, a teleconferencing expert at Forrester Research, a technology and market research consultancy in Cambridge, Mass. “Can you imagine a sales meeting where you go to one of the new sophisticated video rooms and hear the spiel in one hour, compared to attending a meeting in a remote location? It’s perfect if you want to see the body language.”

Ken Crangle, general manager of

Hewlett-Packard’s telepresence unit, known as HP Halo, said, “I just had a four-way meeting today with a C.E.O in London, people in his company’s New York office and in our Alpharetta office outside Atlanta, and several of us here at headquarters in Oregon.”

But telepresence technology comes at a high price: up to \$300,000 to \$400,000 a studio.

“Customers are paying for a Cadillac service,” said Andrew W. Davis, an analyst at Wainhouse Research, a consultancy in Duxbury, Mass., that tracks voice, video and Web trends. “Walk in a Halo room, and everything is ready to run. There’s a slick user interface. But it eats up a massive amount of bandwidth and costs something like \$18,000 a month to keep around.”

The infant telepresence industry may never produce big numbers in dollars or units shipped, Mr. Davis said. So far, Hewlett-Packard has sold a little more than a hundred units (28 for its own use) since Halo’s introduction in 2005. Cisco just began shipping the first of some 110 units it expects to sell within a year.

“I’d guess it will never be more than 1 percent of total videoconferencing sales,” Mr. Davis added.

The mainstream market is dominated by simpler systems that use less advanced equipment and cost from about \$10,000 to \$50,000, depending on location, room size and other features. Last year 163,000 of the units were sold, Mr. Davis said, adding that the market has been growing around 20 percent a year for the last decade. Part of the reason for the increased interest in telepresence videoconferencing is that air travel is more time-consuming than ever, just when companies are putting a pre-

mium on rapid decision-making.

“The endless problems at airports these days — whether it’s bad weather, maintenance delays, crowded cabins or security lines — make alternatives to travel more attractive,” said Gary Foley, the manager of global conferencing and travel services at Xerox who oversees some 19,000 employees who take business trips.

But the trade-off between video and travel can be tricky.

“The reason for actual face time is often subjective — quite difficult to quantify,” said Henry H. Harteveltdt, the vice president and principal analyst at Forrester. “There’s the need to build a relationship, a desire to deliver good news — or bad news — in person. The virtual meeting may change the mix with fewer people traveling for sales purposes and more for client work and conventions.”

Teleconferencing veterans with long memories can recall that the AT&T Picturephone, an early video concept introduced at the 1964 New York World’s Fair, was a commercial flop. But that was then.

The new systems, in contrast, are sleek and glamorous. For example, Cisco’s virtual meeting room includes an IP (Internet Protocol) phone, three broadcast-quality cameras, three ultrasensitive mikes, three 60-inch plasma screens, a crescent-shaped table that seats six and soft back-lighting.

“The table is maple to complement faces,” said a Cisco spokeswoman, Jacqueline Pigiucci. The studios are painted in identical colors, to give the impression that the people on the screen are in the same room.

Cisco’s 3000 model sells for \$299,000. “Double that to \$600,000

when you add a similar system at a remote location,” said Mr. Foley.

But prices for these high-end systems are dropping. “In September of 2005 we were pricing our new Halos at \$550,000,” Mr. Crangle said. Now they are \$329,000 and \$399,000 for the two models.

“Going the video route may seem expensive,” Ms. Schooley of Forrester said. “But if you’re talking about high-level executives moving about in a global company — flying first or business class or in a company jet just to see someone in person — travel adds up and the cost of sophisticated video setups can be a wash.”

Mr. Foley said, “We get our money back in less than 12 months.”

Companies like ABN Amro, AMD, Heinz, General Electric, PepsiCo and

Wachovia are using the new virtual meetings for product briefings, training courses, strategy sessions and inspirational chats.

***High-end equipment
can put an end
to herky-jerky
virtual meetings.***

Videoconferencing is taking a bite here and there out of the business-travel pie — but the overall pie keeps getting bigger because of globalization.

“Videoconferencing isn’t growing at the expense of travel,” said Caleb Tiller of the National Business Travel Association. “Some 68 percent of our travel managers predicted there would be more trips at their companies this year than in 2006.”

Drawing on the latest annual study of 1,400 American business travelers, Peter C. Yesawich, president and chief executive of Yesawich, Pepperdine, Brown & Russell, an Orlando-based travel trend tracker, says that about 33 percent agree that they are “actively seeking ways to use new technology — and not just videoconferencing — to reduce business travel. But when you do the arithmetic, only 3 percent of all business travelers are taking fewer trips because of the advances in technology.”