



## Analysis of Purchasing an Audio/Web Conferencing Platform vs. Outsourcing Conference Bridging Services

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### Model Overview

Conference bridging services, which are required to conference together multiple parties, have been predominantly purchased from service providers. This trend had been even more prevalent with audio conferencing than video conferencing bridging services. AT&T, WorldCom, and Sprint have been the dominant service providers offering bridging services. Genesys has been one of the strongest companies amongst the independent conferencing service providers. For Web conferencing services, Latitude, WebEx, Placeware, and Raindance are among the better-known providers of these services. Similar to the trends seen in audio and video conferencing, Web conferencing services have been predominantly purchased by enterprises via a service provider.

Because of the reduction in travel budgets due to the downturn in the economy and fears from the events of 9/11, conferencing bridging service demand and spending have gone up significantly. Audio conferencing bridging services make up approximately 85% of the conferencing services market (audio, Web, and video), and will be the major issue for enterprises because it is so much more prevalent than video or Web conferencing. Web conferencing services have grown at an average of 50% per year over the past three years, and we expect to see the demand and growth of audio, video, and Web conferencing services to continue over the next one to three years.

Because of the strong demand for audio, Web, and video conferencing services, many of the vendors that offer conferencing platforms are starting to develop platforms for the enterprise that deliver audio and Web services. One vendor is developing a bridge that delivers audio and video services that can be integrated with a Web conferencing server. Enterprises will purchase these platforms and maintain them on their premises instead of purchasing the services from a service provider. Typically mid-sized to large enterprises are paying \$0.14 per minute for audio conferencing services for each conferencing participant, which means a 10-person conference is \$1.40 per minute. Web conferencing is typically \$100 for each concurrent user license. Video conferencing bridging services typically cost \$0.50 per minute per participant. Enterprises that are now looking at every possible way to cut costs are starting to notice these exorbitant charges. Our model will clearly show that there is an ROI that should be very appealing for enterprises to purchase their own audio/Web conferencing platform. The only thing that will deter enterprises from purchasing an in-house conferencing platform is the fact that the technology is new and reliability will be a question at the outset. Since IT staffs are currently stretched thin, there is little time to evaluate new technology.

## Model Description

The model that we used to compare purchasing conferencing services via a customer-premises platform instead of through a service provider was a platform that delivers Web and audio conferencing. We used this model because there are more vendors offering this type of platform than those that offer video. Both Radvision and Polycom are introducing new CPE platforms that are made to address the high cost of video conferencing bridging services. The Polycom platform will also deliver audio services and integrate with a Web conferencing server. Radvision will offer audio services with its video bridge. Sonexis, eDial, Latitude, and Spectel all offer Web and audio platforms serving the CPE market.

Our model is based on a business of 600 employees that uses 50,000 minutes per month for audio conferencing and 15 concurrent seat licenses (see Exhibit 1). This usage reflects the use of a high-end conferencing enterprise for a business this size. We included the cost of maintaining and installing the customer-premises equipment. We assumed that the customer was integrating the platform with its PBX, which is what most businesses prefer to do. We added in the costs for toll-free service to the costs for equipment. Even though most of the audio and video conferencing platform vendors have ignored businesses of this size, we used this as our model since we feel that this market is highly underserved and has received little attention from conferencing equipment vendors and service providers. Sonexis and eDial are both offering platforms that are specifically addressing this market size.

### Exhibit 1

#### Audio/Web Conferencing Platform:

#### 600-Employee Enterprise (Customer-Premises Equipment vs. Outsourced Service Provider Model)

Source: *the Yankee Group, 2002*

Audio Conferencing/Web Conferencing Cost Components	Service Provider Model	CPE Model
<b>Audio: Cost per Minute</b>	\$0.14 per minute/ 50,000 minutes per month-\$7,000	\$0.03 per minute 800 number charges - 50,000 minutes - \$1,500
<b>Web Costs</b>	15 users/\$100 per concurrent license per month - \$1,500	
<b>Equipment Costs Web/Audio Platform</b>		24 port/\$36,000
<b>Integration Equipment</b>		T-1 Card - line side: \$3,000
<b>Installation</b>		\$2,500 Installation - Conferencing equipment vendor and PBX vendor
<b>Maintenance</b>		\$4,320 -12%
<b>Total Equipment Cost</b>		\$45,820
<b>Total Monthly Service Costs- Web/Audio</b>	\$8,500	
<b>Total Monthly Savings- Equipment vs. Service Provider</b>	\$7,000 per month	
<b>Return on Investment (ROI)</b>		7 months

## **Model Results**

The results of the model showed a return on investment in seven months for the enterprise. After the seven-month period, the enterprise will realize a savings of \$7,000 per month. The challenge for the enterprise is choosing the right vendor because the technology is new and reliability will be an issue. There will also be the issue of managing and maintaining the system, which is not required in a service provider model.

## **Recommendations**

Because of the strong ROI for an in-house solution, the Yankee Group recommends the following:

### **Enterprise Recommendations**

- Enterprises move toward a CPE model because of the ROI and the ongoing monthly costs savings.
- Extreme care be taken when choosing a vendor because the technology is new and most of the vendors in this market are younger companies.
- The enterprise should involve its current PBX vendor into the initial pre-configuration meeting to make sure that the conferencing equipment provider and PBX vendor have no interoperability issues.
- Enterprise customers should strongly consider the customer service support and maintenance offered by the vendors. This is new technology and ongoing support will be crucial.

### **Vendor Recommendations**

- Vendors should move rapidly to bring audio/Web conferencing platforms to market including product development, sales and marketing, and service and support efforts. Vendors should put in place a product and sales strategy to address businesses with between 200 and 1,000 employees.