

## **Financial Times Survey - Business**

by Sarah Frater

### **VIRTUAL MEETINGS INCREASE, BUT THERE ARE STILL DOUBTERS.**

The technology can greatly reduce travel costs, putting widely dispersed business people in visual contact, but it is seen by detractors as 'a triumph of optimism over reality'.

Video conferencing is well-established in the business world. Companies large and small routinely use single and multi-point systems for meetings both within and between companies, as well as a substitute for non-essential business travel.

The technology is far from glitch-free, however - indeed, one manufacturer, citing its poor synchronisation and high drop-out rate, referred to it as a "triumph of optimism over reality". However, video conferencing's ability to enhance communications, and partially reduce travel costs, is widely accepted.

Since the terrorist attacks on the US in September there has been a renewal of interest in the technology. The fear of flying will eventually fade, but the suspension of many business trips in the immediate aftermath of the attacks provided a window for assessing the electronic alternatives.

"We have seen a four-fold increase in the volume of enquiries as companies seek an alternative to air travel since September 11," says Jamie Thomson, joint managing director of Teliris, a telepresence supplier. "Of that, we expect a 100 per cent increase in projected contract completion".

Andrew Pearce, European executive vice-president for Genysys Conferencing, also reports a surge of interest in the technology over the past two months. "We have seen a 58 per cent increase in minutes of usage of our systems, which equates in revenue terms to a Euros 1m rise," he says.

Teliris's Mr Thomson attributes the increased interest to a radical decline in business confidence in airline security. He also identifies recessionary factors already in the system, as well as a cultural shift in attitudes towards business travel, also under way before the terrorist attacks".

"Ten years ago, business travel was a badge of honour," he says. "Now the culture is changing. Travel is seen less of a perk and more as a tiring necessity. And it doesn't always deliver the results you want. You might just as easily achieve your goals with another means of communications".

Unsurprisingly, most video conferencing companies are reluctant to quote an economic gain from the attacks, although many of their equity prices of many rose significantly in the wake of the disaster. For example, the Nasdaq-listed Polycom saw a 50 per cent increase in the week following the tragedy.

Research from Frost & Sullivan, the consulting firm, suggests that this market buoyancy may not be short-lived. Its upbeat report published this month found significantly greater interest in video conferencing, webcasting and other electronic alternatives to face-to-face meetings. It also identified upcoming improvements in video conferencing technology which will help speed its adoption. Combined, these are expected to feed through to a substantial growth in the sector.

The report predicts that sales of group and desktop systems will more than treble from \$164.1m in 2000 to \$518.9m in 2007. Of this, the majority consists of demand from the UK, France and Germany. Growth in eastern European is expected to accelerate with the adoption of IP-based video conferencing products.

Not everyone is as optimistic. Users cite video conferencing's failed promise of "virtual presence", where they were sold the idea of seeing each other and exchanging information as clearly and smoothly as television. Perfect synchronisation did not arise and widespread disappointment ensued.

"Video conferencing has been one of the great examples of a service not meeting expectations in terms of volume growth," says Tony Cooper, a director in the telecommunications division of Andersen's, the consultants. "The factors are a blend of technological under-performance, the psychology of human interactions, availability and cost".

However, Mr Cooper still believes video conferencing will increase in significance. "Impromptu conferencing from the standard PC will surely grow. When it is integrated into the corporate way of life, on the desktop or laptop, then it will reach a mass business market".

Mr Cooper cites developments relating to the pervasiveness of the internet, familiarity with webcams, the increasing availability of a camera function on most desktop PCs, and improvements in compression technologies.

"The current situation affords the industry the opportunity to leverage recent technological developments and provide a service more clearly matching the needs of international business travellers," he says.