Topic: Collaboration

Issue: Who are the collaboration providers and how will they evolve?

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Fuze Entry into the Video Conferencing Room Signals a New Price War

Summary: The Fuze For Rooms announcement puts pressure on incumbent hardware-based videoconferencing vendors.

Event: On September 8 2014, Fuze announced its Fuze For Rooms video collaboration service to video-enable workplace conference rooms, supporting smartphones, tablets and desktops. Incumbent videoconferencing providers and emerging cloud video services have made similar announcements recently. In addition to video-enabling offices and meeting rooms, Fuze For Rooms can connect to larger telepresence room systems.

Also, on November 5 2014, Fuze announced an additional $9 million of funding from Hermes Growth Partners. With this investment, Hermes has taken a larger ownership stake as well as an operational role in the company.

Analysis

The entry of software-based providers like Fuze into videoconference rooms will start a new race toward the low prices and increased ease of use that users want, putting pressure on traditional vendors such as Cisco and Polycom.

Because of mobility and the cloud, the real-time collaboration market is seeing more convergence between web and video conferencing. In the past, videoconferencing rooms were the domain of hardware-based providers such as Polycom and Cisco. However, software-based room systems offer a competitive challenge to these vendors due to their lower operating costs and reduced need for hardware infrastructure.

Fuze is not the only cloud video service that is contributing to the decline of videoconferencing prices. In 2014, we saw many announcements of low-cost software-based room systems from Blue Jeans, Google, Microsoft and others. Video infrastructure providers such as LifeSize and Vidyo have also positioned software-based room systems and cloud video services along with their on-premises offerings. In response, incumbent room-system vendors have begun to adjust and offer software-based solutions.

The overall market for big traditional room-based video systems has been on the decline, as enterprises have begun to outfit more conference rooms with software-based video. Cloud-based videoconferencing appeals to firms of all sizes that don't want to procure costly room systems with their necessary management and support overhead. Those with existing room systems are starting to consider offloading support to a third-party provider.

Being able to video-enable meeting rooms and small huddle spaces also lets enterprises make real-time collaboration available to all business users. The democratization of video collaboration via consumer services has raised expectations for enterprise users to have easy access to video for business.

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- Enterprise planners responsible for video collaboration should base buying decisions on specific business use cases rather than just cost.

- Although the Fuze offering is cloud-based, potential customers should get detailed guidance about their network capacity and the bandwidth requirements for video.

- Enterprise planners evaluating software- and cloud-based video services will still need to include internal resources when planning for video collaboration.

Bottom Line

While organizations are experiencing significant cost savings from software and cloud-based video conferencing services, we recommend basing decisions on a mix of cost and support requirements for key business use cases. For example, how will sales, marketing and HR benefit from using video collaboration? Aligning video strategies with core business processes and their desired outcomes will lead to more effective adoption and use of video.

Related Aragon Research

- [Fuze: New Brand And Focus on User Engagement and Collaboration](#)

- [The iPad as a video and web conferencing device](#)

- [Polycom Takes Bold Steps to Transform the Video Era](#)

- [Peoplefluent Prepares for the Pervasive Video Era](#)