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BEST IN BUSINESS

Knights of the Virtual Table

Video conferencing grows up thanks to 'telepresence' systems

AT&T's stock slid a bit in January after CEO Randall Stephenson noted, at a Citigroup conference, that customers were beginning to treat their home phone bills like their mortgage payments--as in, things they cannot pay. But the real news might have come later, when Stephenson told his audience that, in a nod to the softening economy, AT&T had slashed its own travel budget and installed about a dozen "telepresence" sites throughout the company.

Telepresence is becoming more familiar thanks to Cisco Systems' 30-second commercial showing a relief worker popping into a tent to chat screen to screen with his family back home. Yet the ad actually does little to show the product's chief application as a top-notch business videoconferencing system. In fact, telepresence may very well change the way the world's largest companies do business. Corporations like Procter & Gamble and Wachovia are investing as much as $300,000 a site on Cisco's room-size, multiscreen, high-definition systems, which allow employees in Tokyo to feel as though they're in the same room and sitting at the same conference table as employees in New York. Hewlett-Packard's comparable Halo system debuted in 2005 and has been snapped up by companies like PepsiCo and AIG.

An exact definition of telepresence is still up for grabs, but the technology generally offers users life-size, panoramic images of meeting participants, captured with multiple high-def cameras and high-quality audio, says Andrew Davis, senior analyst and managing partner at Wainhouse Research. The market for telepresence systems was small in 2007--an estimated $72 million in sales (not including the many sites manufacturers installed for their own use), according to IDC, a market research firm. But IDC expects sales to reach $1 billion by 2011.

A Cisco TelePresence suite is so natural it feels downright unnatural at first. It's like you're sitting on a particularly earth-toned Star Trek set rather than in a small conference room in a Chicago office building. The CTS-3000 system with three plasma screens can put up to a dozen people around the virtual conference table, while the CTS-1000 offers just a single screen per site and a cheaper price. The spatial audio system is designed to mimic real-life acoustics; a voice from the left sounds as if it's coming from the left. The partial conference table is made virtually whole when it meets the other site, or sites, on screen. The soft, warm lighting is intentionally flattering. "As you get older, that makes a bigger and bigger difference," says Charles Stucki, vice president and general manager of Cisco TelePresence Systems.

Cisco competes with HP, Polycom, Teliris, and other entries in the telepresence market. The larger companies all make similar systems at slightly varying prices, says Howard Lichtman, who runs both a research consultancy, the Human Productivity Lab, and a publishing arm called Telepresence Options in Ashburn, Va.

Little guy. If paying about half a million dollars for a couple of systems sounds like a lot for a luxury, consider that businesses have been investing in videoconferencing systems for about four decades and employees still resist using them. Utilization rates of traditional videoconferencing systems are low--about five to 15 hours of use a month per site, according to Lichtman. The problems are many: Scheduling the conference rooms can be complicated, the technology can be unreliable, and the experience of seeing a stamp-sized person on a TV screen in a corner of the room is off-putting. The human brain innately expects to speak with someone who is life-size, Lichtman says, and tends to wonder: "Why is this guy 6 inches tall?"

AT&T, which itself stands to gain as companies buy the bandwidth needed to run telepresence systems, is installing more sites this year. Users quickly feel as if they're meeting face to face, says Rick Felts, AT&T's senior vice president of information-technology operations. Ideally, a better system means companies can cut travel costs (and carbon emissions) and save employees time. The increased "face to face" communication can improve business relationships, and decisions can be made more quickly.

Lichtman estimates more than 1,000 telepresence sites are in use or being installed worldwide and thinks the number could double by the end of 2008. Cisco alone is on track to have 250 internal sites by July. The company counted its 100th corporate customer in December, a little more than a year after launching the technology.

Small businesses and individuals will most likely get their shot at telepresence through conference-room rentals. The Regus Group, which rents out offices and meeting rooms throughout the world, plans to add Cisco systems at 50 locations. The monthly cost of operating a system, including IP network connectivity and on-site maintenance, can exceed $20,000. But the investment pays for itself within the first year or two at most major corporations, Lichtman says. He also expects the cost of nearly all system components, particularly bandwidth, to keep dropping. Telepresence becomes more attractive as users are able to conference with people outside their companies. Even as good old globalization is on the rise, companies like AT&T are looking to slash travel budgets. Lichtman says telepresence should be a "global networking grand slam home run."

No sale. Those bright prospects could have some buyers on hold for now. New technology advances rapidly, and plunking down hundreds of thousands of dollars on a system that might be out of date by spring sounds unwise. AT&T, for example, started looking at videoconferencing options in late 2006, Felts says. And while the company chose Cisco's system, it's leasing, not buying. "If the technology does change, because it's a new product and service for Cisco and they're going to enhance and grow it," Felts says, "this way we have the opportunity to evaluate it at the end of the lease, whether we need to change out or not."

Cisco's Stucki says its system is unlikely to become outdated anytime soon: "I wouldn't say there's a lot of headroom to improve, compared to what's commercially feasible." Yet there may be some room for change. Cisco's largest system uses three connected screens, but at least one company has developed a single wall-size screen.

3-D images have also been making a move from Quantum Leap to reality. When inventor Ray Kurzweil delivers a speech to the University of Arizona's College of Science this month, he'll be there in a 3-D-like version courtesy of Dallas-based Teleportec Inc. True 3-D imaging is still at the research university level, says Corbin Ball, a Bellingham, Wash.-based meetings technology consultant. But there's no question that technology has popped out of our favorite TV fantasies and is fast becoming a real-world reality.

PHOTO (COLOR): AT&T execs meet at a telepresence site. The shaded participants are on high-definition video screens.

PHOTO (COLOR)

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By Liz Wolgemuth

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