

GROWTH OPPORTUNITIES FOR THE CONFERENCING
SERVICES MARKET IN HONG KONG

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Asia Pacific Market Insights

Frost & Sullivan's commentary on the Asia Pacific ICT industry, addressing opportunities, best practices, and major events



“We accelerate growth”

In the late 1990s, conferencing services referred to multiple audio sites of communication. However, with the strong growth of broadband penetration in the region and with the popularity of the internet in the last 5 years, the definition of conferencing service has come to imply the convergence of audio, video and web conferencing. This market has witnessed a phenomenal growth in Greater China in terms of revenue and minutes of usage (MOU) in 2008, primarily driven by the robust market awareness and the emerging Software as a Service (SaaS) applications. Presently the integration with video and web features into an easy-to-use platform is critical for conferencing service providers (CSPs) in realizing the value of conferencing services.

Market Trends

With the continuous improvement in conferencing endpoints and services, the audio conferencing service market in Hong Kong is fairly well advanced and mature in its conferencing usage and adoption. Most global application service providers (ASPs), such as Intercall, Arkadin, Premiere Global Services, have been actively participating in the Hong Kong market for several years. Telcos such as AT & T, Verizon, PCCW, Wharf T&T, are also able to provide professional audio conferencing services with their competitive advantage in telecom bridges. According to a recent research conducted by Frost & Sullivan in 2008, audio conferencing leads in terms of usage volume in Hong Kong, compared to video and web conferencing. However, slower revenue growth was observed due to the declining price per MOU. On the other hand, with growing market awareness, web conferencing service is witnessing an impressive growth in the Hong Kong market, similar to the trend in most countries in Asia Pacific.

Geographically, it is estimated that mainland China accounts for 60% to 80% of MOU volume, and it is expected to show steady growth in the next five years. However, from a revenue perspective, Hong Kong contributes significantly to the total revenue in Greater China region as it clocks in a large amount of billing in mainland china, particularly for multinational service providers that do not have a presence in the mainland. Even though market regulations in mainland China make it difficult for companies to sell value added services without an appropriate license, multinational companies are trying to get around the issue by partnering with local providers.

In terms of adoption from industry verticals, manufacturing and high technology sectors remain the leading industries to adopt conferencing services in Hong Kong in 2008. Rapid implementation and ease of integration among audio, video and web solution gives CSPs the competitive advantage in this market.

Market Drivers	Market Challenges
<p>Fuelled by the economic downturn, companies focus on cost-cutting on internal communications as well as in training and marketing related activities.</p>	<p>Incumbent telcos focus more on their traditional businesses such as telephony, and less on collaboration & conferencing</p>
<p>Increasing demand for conferencing and collaboration from government & manufacturing industry.</p>	<p>Market awareness of the benefits of SaaS applications can be improved further</p>
<p>The integration of audio, video and web conferencing in an effective and flexible platform</p>	<p>Network infrastructure in some places are still poor</p>

Growth Opportunities of HK Conferencing Service Market

Conferencing service market in Hong Kong has recorded a strong growth in 2008, mainly contributed by MNCs with large volume of audio conferencing usage from mainland China, North America and Europe. Most vendors and service providers have seen impressive presence in this segment, especially in terms of MOU in Hong Kong. The three main growth areas are highlighted below:

- **Integration of existing Telco services with web conferencing:** While audio conferencing service has long been offered by operators and service providers, video and web features have been introduced only in recent years. Fuelled by a fiercely competitive business environment, many companies are favoring SaaS solutions for internal communication, occasional events, and training needs. These are simpler, faster, and lower-cost solutions compared to the higher cost & complexity associated with implementing on-premise applications.
- **Exploring business opportunity in Greater China region:** Conferencing services have found to be of great importance to companies in the manufacturing and education industries in mainland China, according to a recent research by Frost & Sullivan. However, the service capability of both local and global players have not fully taken advantage of this, due to factors such as restricted telecom regulations explained earlier. There is also scope for growth in the high-tech and manufacturing industries of Taiwan. With well-established conferencing bridges providing global connectivity and customized service, it would be a golden opportunity for service providers in Hong Kong to expand their conferencing business into mainland China & Taiwan.
- **Further penetration of local market:** Conferencing service providers should focus on penetrating those multi-national companies with Asia Pacific headquarters or offices in Hong Kong. It is seen that companies with high coordinating interactions between sales, R&D, after-sale services opt to deploy a real-time connection regionally and globally. Vertically, technology companies and banking & insurance sector will continue to be the leading industries in this area.

In summary, conferencing services have proven to be a practical solution to today's business demands and are generating a high and more tangible return on investment (ROI). However, as a regional hub of Asia-Pacific, the demand for conferencing services regionally and globally has been on the upswing during the last 5 years in Hong Kong. Apart from price competitiveness, easy-to-use solution for regional and global connection in Hong Kong has been regarded as the most important concern for most companies to adopt conferencing service.

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