
Interactive Media Strategies
Research Report

**Market Forecast 2008 -
Business Online Multimedia**

Quantifying Growth in
Corporate Adoption of
Online Video and Audio

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Table of Contents

I. Introduction.....	3
II. Overall Online Multimedia Spending Trends.....	4
III. Shifts in Online Multimedia Spending Priorities	8
IV. Comparing Growth in SaaS and On-Premise Solutions.....	13
V. Conclusions and Recommendations.....	16

Exhibit 1: Increases in Online Multimedia Spending, 2008 vs. 2007

Exhibit 2: Annual Corporate Spending on Online Multimedia, 2006 to 2012

Exhibit 3: Growth Rates in Year-Over-Year Online Multimedia Spending, 2008 to 2012, Segmented by Company Size

Exhibit 4: Projected Spending Totals for Business Online Multimedia, 2006 to 2012, Segmented by Company Size

Exhibit 5: Online Multimedia Spending Growth Rate 2008 vs. 2007, Segmented by Industry Sector

Exhibit 6: Online Multimedia Spending by Vertical Sector, 2006, 2007 & 2008

Exhibit 7: Estimated 2008 Revenues, Segmented by Online Multimedia Technology Category - Content Creation, Content Management & Content Distribution

Exhibit 8: Annual Spending, Segmented by Online Multimedia Technology Category – Content Creation, Content Management & Content Distribution

Exhibit 9: Annual Spending Segmented by Online Multimedia Technology Format – SaaS vs. On-Premise

Exhibit 10: Annual Spending-Content Creation Technology - Segmented by Technology Format - SaaS vs. On-Premise

Exhibit 11: Annual Spending-Content Management Technology - Segmented by Technology Format - SaaS vs. On-Premise

* All survey results presented represent totals from the Interactive Media Strategies' Enterprise Web Communications Survey, conducted in the Second Quarter of 2008 and the First Quarter of 2007. In the surveys, 1,212 and 1,209 corporate executives, respectively, were asked to detail their use, deployment and perceptions of a wide range of Web Communications technologies, including online multimedia, rich media, Web Conferencing, instant messaging and podcasting.

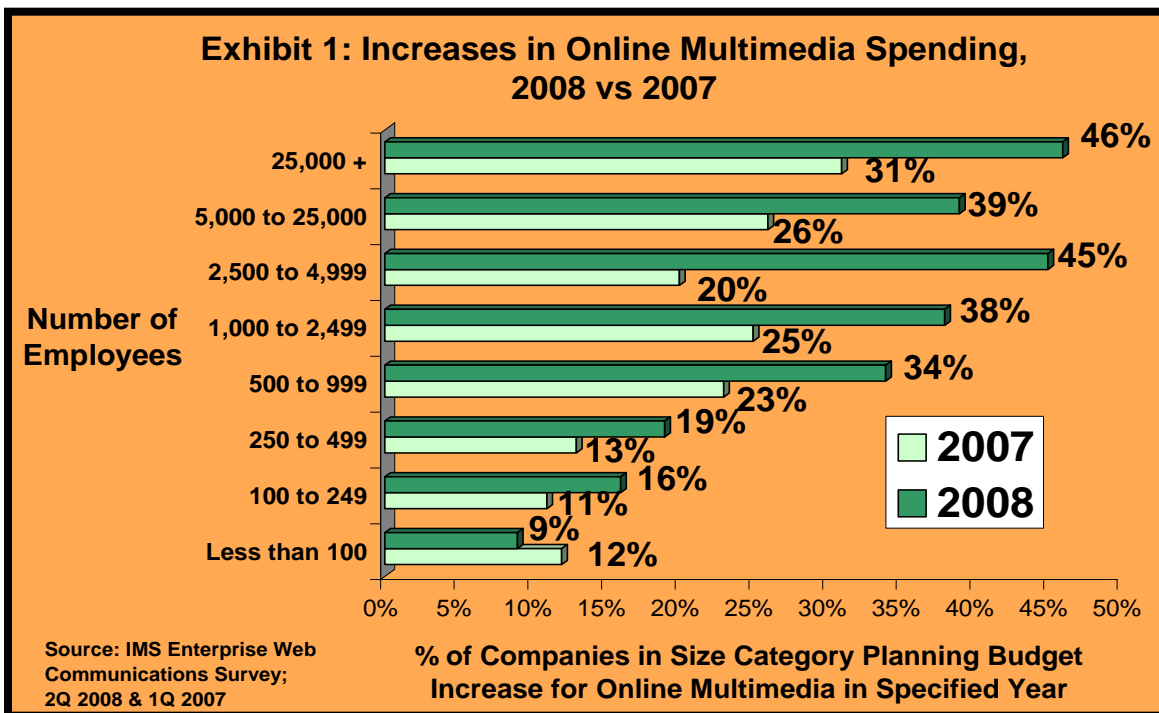
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I. Introduction

Corporate spending on online multimedia technologies continues to grow at a brisk pace. In 2007, businesses spent \$358 million on the deployment of the tools and services that enable Web video and audio. That is slightly ahead of the \$350 million that Interactive Media Strategies had projected for the year in prior forecasts.

The 2007 results represent a 27% increase over the \$282 million spent by businesses on the implementation of Web video and audio technology in 2006. And spending plans for 2008 appear to set the stage for continued growth in the market this year.

As illustrated in Exhibit 1, a higher percentage of companies from virtually every corporate size category are planning to boost their spending on online multimedia in 2008 than was the case in 2007. For instance, 46% of companies with more than 25,000 employees are planning online multimedia budget increases in 2008 compared with 31% of this corporate category that had planned to boost online multimedia budgets in 2007.



And this intention for expanded online multimedia spending appears to span the corporate spectrum. The only set of companies where executives demonstrate a decreased likelihood for boosting online multimedia budgets in 2008 are the firms employing less than 100 people – a sector of the market that typically accounts for only a tiny fraction of all online multimedia spending.

With continued strong support for online multimedia spending reflected in Interactive Media Strategies' annual survey of corporate executives, sustained growth for the business online multimedia market appears likely for 2008.

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Interactive Media Strategies estimates that revenues for this market will grow 28% this year from 2007 levels, reaching a total of \$460 million in 2008. In this report, Interactive Media Strategies will discuss the factors likely to influence spending patterns both this year and over the long term. By 2012, Interactive Media Strategies projects that the total market for business online multimedia tools and services will grow to \$1.14 billion.

As spending on business online multimedia expands, distinct technology segments will become increasingly apparent. The single most important trend to watch will be the growth in “software-as-a-service” solutions that are beginning to emerge as an alternative to the long-favored “on-premise” tools that companies have traditionally used in the deployment of online multimedia capabilities. Last year, corporate spending on “on-premise” tools outstripped spending on “software-as-a-service” by a four-to-one margin. As will be discussed in this report, the bulk of the future growth in the market will come from software-as-a-service options, with annual spending on these “SaaS” alternatives topping \$600 million a year by 2012.

The market also will witness a shift in the types of technology solutions that create the greatest value for corporate users - and the most revenue for online multimedia technology vendors. Products that enable enhanced content management capabilities will draw the largest share of expanding corporate budgets for online multimedia over time. While the demand for tools and services that enable the creation of rich media content will continue to grow, content management is emerging as the future cornerstone for market expansion. Between 2008 and 2012, revenues attributed to the content management sector are expected to quadruple to more than \$500 million while the content creation side of the business sees cumulative revenue climb from \$244 million in 2008 to \$349 million by 2012.

In this report, Interactive Media Strategies will provide detailed forecasts on overall market spending trends and discuss assumptions used in compiling these overall estimates. Specific year-by-year forecasts for the SaaS and On-Premise markets will be presented along with a breakdown on spending patterns between content creation and content management solutions.