

Verivue's CDN Makeover Embraces Moore's Law with OneVantage Solution

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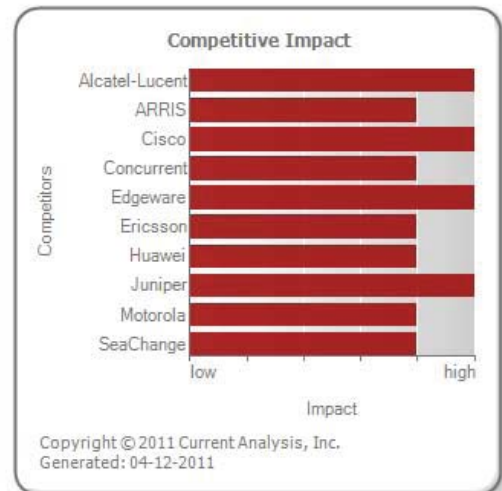


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Event Summary

April 5, 2011 – Verivue introduced its OneVantage Content Delivery Solution, an integrated suite of content delivery network (CDN) software elements including a high performance cache, a request router for dynamic cache selection, and a full management and analytics suite. The OneVantage solution builds upon Verivue's acquisition of CoBlitz in late 2010. OneVantage is available directly from Verivue and through certified Verivue Partner Network resellers. Verivue also announced that TP Group in Poland has deployed OneVantage to build a nationwide CDN.

Quick Take



Competitive Positives

- Few competitors have as broad and all-encompassing CDN portfolios
- Few competitors can deliver a unified architectural approach
- Expands Verivue's market positioning beyond managed network VoD delivery
- Gains flexibility unavailable to its proprietary MDX hardware approach
- Productizes technology gained via its 2010 CoBlitz acquisition
- TP Group deployment validates OneVantage for OTT content delivery

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Competitive Concerns

- OneVantage represents a pretty radical about-face for Verivue
- VoD back-office support less important to OTT/CDN traffic
- Competitors integrate CDN solutions with their own wireless routing
- Limited expertise/credibility in mobile data and cloud computing

Analytical Summary

- **Perspective:** Very positive on Verivue's OneVantage solution introduction, since it provides the company with a complete portfolio of components to fulfill operator retail and wholesale content delivery network (CDN) service requirements. By leveraging and integrating software elements gained in its 2010 CoBlitz acquisition, OneVantage expands Verivue's technical proposition from proprietary hardware to commodity servers; it also expands Verivue's market proposition from managed content delivery (to STBs) to include un-managed/OTT content delivery (to Internet enabled devices). This is a strategic inflection point in Verivue's market positioning, but it also presents an about-face in terms of messaging and technical focus.
- **Vendor Importance:** Very high to Verivue, because the introduction of its OneVantage solution is an admission that its MDX Switch product, initially introduced in 2009, was too inflexible to meet the dynamic market requirements defining OTT video delivery. OneVantage represents Verivue's incorporation and productization of CoBlitz's technology into a comprehensive suite of CDN software solutions. It is also the culmination of strategic changes in its go-to-market strategy, where it has established reseller agreements with Ericsson and NSN, replacing its initial partnership with ARRIS that targeted cable VoD. Despite having won an initial deployment with the TP Group (France Telecom's fixed and mobile operator in Poland), Verivue will need to reinforce the advantages that OneVantage has over the competition who either have operator incumbency or first-mover advantages in this space.
- **Market Impact:** Very high on the content delivery segment of the DMI market, as well as emerging cloud-based models for infrastructure as a service (IaaS) delivery, where solutions for optimization and acceleration are critical to enabling cost-effective scaling and high quality experiences. The growing adoption of software-based CDN solutions on commodity servers reflects their criticality for introducing architectural flexibility for emerging HTTP workloads, beyond basic processor-based performance gains. With OneVantage, Verivue has jumped into an increasingly crowded space as a new and virtually untested entrant. While Verivue lacks some of the complementary portfolio elements that rivals possess (i.e., fixed and wireless routing infrastructure, content management systems/video back-office platforms), the completeness of Verivue's OneVantage suite raises the technical bar amongst all competitors.

Competitive Positives and Concerns**Competitive Positives**

- Verivue's OneVantage CDN solution expands the company's previously limited MDX product family (i.e., one product/two form factors) to incorporate a complete offering incorporating multiple elements that integrate with operator HTTP-based CDNs. This includes caching technology to support a variety of HTTP workloads at scale, a request router service ideally positioned to support numerous HTTP adaptive streaming requests, Internet and VoD streamers, distributed transparent caches, an origin server, as well as management, reporting and analytics. From a technical standpoint, few competitors have as broad and all-encompassing CDN portfolios; most

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are limited to either RTMP or HTTP streaming, or rely on third parties for transparent caching and analytics.

- While most competitors speak to the vision of consolidating various operator CDNs for their disparate content services (i.e., managed vs. OTT) and networks (i.e., fixed vs. mobile), few are able to deliver a unified architectural approach. Verivue's OneVantage offers an integrated and flexible platform capable of supporting a wide range of content and services, such as live and VoD streaming, HTTP adaptive streaming, as well as whole site delivery to support applications such as e-commerce, as well as cloud acceleration for IaaS capabilities.

- OneVantage expands Verivue's market positioning, which was previously focused exclusively on scaling managed network VoD delivery to traditional cable and IP STBs. With the expected growth of Internet video, which is being forecast to dominate Web traffic and comprise a sizable portion of CDN traffic, OneVantage places Verivue in line with emerging operator requirements to scale Internet video delivery cost-effectively, provide high quality experiences, and implement innovative business models that monetize network traffic and content investments.

- By embracing a software-based approach based on COTS hardware, Verivue gains flexibility unavailable to the proprietary hardware approach of its MDX product. Beyond the processor-based performance gains that Verivue can now leverage, the intelligent distribution of CDN functionality is more easily attained via the clustering approaches of commodity servers. This includes fragmenting and distributing objects across clustered nodes of intelligent caches, as well as distributing transparent Internet caches across the network to scale adaptive bit-rate streaming, deal with flash crowds and optimize network delivery.

- Verivue's OneVantage solution is a productization of the technology gained via its 2010 CoBlitz acquisition, which enables Verivue to offer an elegant and differentiated approach to scaling CDNs in an environment where content is increasingly fragmented and distributed (resulting from HTTP adaptive streaming). Verivue claims that its starting approach to content delivery recognizes the increasingly fragmented nature of content and therefore the company has optimized its caches to deal with fragmented content, not complete objects. Verivue contrasts this approach from rivals that are incorporating distributed caching intelligence to their CDN solutions.

- TP Group deployment validates the Verivue OneVantage solution – at least for enabling OTT content delivery and for enabling a wholesale model. Given the limited market traction Verivue's MDX product attained, the TP Group win is critical to demonstrating OneVantage's commercial viability. TP may be a smaller operator than some of the top tier credentials some rivals can boast. However, as a unit of France Telecom, Verivue may have further penetration opportunities that it can leverage directly or with its partners, such as global reseller partners NSN and Ericsson.

Competitive Concerns

- OneVantage represents a pretty radical about-face for Verivue. The company spent the better part of the past two years evangelizing its networked-switch approach to video delivery, embodied in its proprietary hardware MDX product line, which the company touted as scale- and performance-optimized for operator CDN requirements. Competitors will be quick to point to the limited market traction the MDX gained and Verivue's product roadmap u-turn as evidence that the company is not well-tuned to market dynamics, driven more by technical elegance than operator requirements.

- Verivue's existing VoD back-office support, i.e., with Ericsson's OpenStream, SeaChange eventIS/Adrenalin, etc., while important for gaining VoD server traction, is less important than support for online video platforms (OVPs) and content management systems that are critical to OTT traffic. This is part of the rationale behind Cisco's acquisition of ExtendMedia, Concurrent's acquisition of Tellytopia, Motorola's Medios suite, etc. OneVantage does not reference relation-

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ships with OVPs such as thePlatform, Brightcove, Clearleap, etc.

- While Verivue targets mobile data acceleration as a service area for its OneVantage solution, the company's approach to that opportunity will be as a third party, likely offering software licenses to wireless infrastructure vendors. Meanwhile, Verivue faces competitors who can offer integrated solutions which leverage their own content delivery and wireless networking gear (i.e., Alcatel-Lucent, Cisco, Ericsson, Huawei, Juniper, etc.). Thus, while OneVantage can address this market requirement, Verivue has not yet established differentiation proof points as to why its approach is superior to rivals.

- Verivue has limited expertise and credibility in the mobile data and cloud computing markets. Operationalizing its approach to mobile data acceleration and cloud-edge optimization will require heavier reliance on partners for product integration (i.e., wireless routing, policy management solutions, data center infrastructure, etc.) as well as consulting/professional services.

Response & Recommendations

- Verivue needs to augment its OneVantage market positioning with a more grounded business case proposition that would demonstrate that the company is attuned to distinct operator requirements. This could include more formal business modeling to highlight the revenue and cost-savings opportunities enabled by implementing its OneVantage CDN solution, or by creating case studies of real-world deployments (i.e., with TP Group) to highlight concrete approaches to fulfilling operator requirements such as scaling OTT services and building a wholesale CDN business.

- Verivue should consider extending its back-office integrations to include Web content management systems and online video platforms, such as from BNI, thePlatform, Brightcove, NDS etc., which would enable it to facilitate convergence between digital TV and online content.

- Verivue should pursue partnerships that would enable it to differentiate its approach to mobile data acceleration from rivals that leverage their own portfolio assets, including wireless infrastructure and/or policy management products. Verivue could pursue mobile network intelligence partnerships with independent vendors such as Allot Communications, Openet or Tekelec. Similarly, Verivue should expand on its HP partnership to build a stronger presence in cloud edge optimization.

- Cisco can point out that Verivue's OneVantage CDN solution is much narrower in scope than its Videoscape and MOVE frameworks, which enable more consistent and unified content experiences by focusing on the interdependencies between cloud, network and client resources that Cisco is almost uniquely able to provide. For instance, by locating video caching and traffic optimization technology on distributed ASR platforms, Cisco has a strong claim towards scaling and optimizing Internet video delivery. Cisco can also point to its Tier 1 operator customer traction for its CDN and Videoscape solutions, with BT Wholesale in the UK and Telstra in Australia.

- Alcatel-Lucent should emphasize its CDN extensions for optimizing Internet delivery of content across IPTV, mobile, and cable networks. For instance, leveraging its proven Mediaroom expertise, Alcatel-Lucent can manage content routing between Mediaroom V servers and distributed Velocix caches located closer to consumers, enabling Mediaroom IPTV environments to incorporate Internet video while optimizing network delivery. Alcatel-Lucent can also highlight its CDN strategic alliance partners for managing, monetizing and publishing content. Finally, Alcatel-Lucent should point to its own CDN customer references, such as Talk Talk (UK) and Orcon (New Zealand).

- Juniper should differentiate its Media Flow content delivery solution by emphasizing its unique-

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ness and technical elegance in supporting both traditional STB (RTSP/RTMP) as well as OTT (HTTP) delivery from a single platform. This enables Juniper to support and blend catch-up and OTT content services more seamlessly. Juniper should contrast its approach from Verivue, which combines proprietary hardware for VoD streaming and COTS platforms for Internet streaming/caching. Juniper still needs to accelerate the transition of its Media Flow appliances into a software solution or card that can be implemented on its MX routing platforms, and would benefit by demonstrating customer traction for its Media Flow portfolio.

- ODVS vendors such as ARRIS, Concurrent, Edgware, Motorola, SeaChange and others need to sustain product development and marketing focus by ensuring that future platform density and processing power increases are focused as much on enabling growing stream throughput (i.e., for HD and 3D content) as on flexibility to support CDN capabilities. ARRIS can highlight its recently introduced XMS FLEX, which provides a single platform to support multiple services (e.g., on-demand, time shifted, linear and OTT) as well as multiple codecs, containers and transport protocols. Edgware can highlight its Distributed Video Delivery Network which includes a unified, purpose built server to deliver video across both managed and un-managed networks.

Recommended Buyer Actions

- Service providers should evaluate Verivue's OneVantage proposition, particularly since it offers all the components for an operator CDN in a single solution, which enables faster and simpler deployments of CDN capabilities.
- Service providers should contrast the complexity of vendor CDN approaches based on the number of disparate platforms which need to be supported. For instance, Juniper's Media Flow offers the most elegant, single platform solution. Meanwhile Verivue's OneVantage incorporates proprietary hardware for VoD streaming and commodity hardware running software for other CDN elements. Alcatel-Lucent's approach combines Velocix CDNs for Internet streaming with Microsoft Mediaroom VoD server solutions, or integrated VoD server software on Alcatel-Lucent's 5910 platform.
- Operators considering multi-tenant CDN business models, whereby they will provide wholesale CDN services to content providers, need to evaluate the business case carefully. In particular, they should evaluate where it makes sense to partner or compete with established global CDN service providers, such as Akamai. For instance, it might make more sense to pursue wholesale CDN opportunities within a defined region, where the global content acceleration capabilities of CDN providers are less optimal. They should be skeptical that global content providers would be willing to incur additional costs for last mile delivery over an operator CDN after having paid global CDN providers for accelerating and transporting their content traffic.

Analytical Perspective

We are very positive on Verivue's OneVantage solution introduction. Verivue executed a small transaction last year to acquire CoBlitz, from which it gained very significant technology, upon which it is now making a huge bet.

In fact, it has bet the company.

Verivue's market positioning and messaging have taken a 180 degree turn from emphasizing the centrality of its proprietary MDX network switch for scaling video CDNs to emphasizing the centrality of intelligent cache and distribution software running on commodity servers. The MDX has become a single component of the OneVantage solution, powering VoD streaming from its

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3 RU or 14 RU platforms. Verivue's corporate Web page has also been significantly transformed, as the company is now singularly focused on a CDN offering with its OneVantage solution that can support multiple services, such as bandwidth optimization via transparent Internet caching, multi-screen video by blending managed and un-managed network delivery, wholesale CDN services, mobile data acceleration and cloud-edge optimization for enabling Infrastructure as a Service (IaaS) capabilities.

Ordinarily a big bet of this type would garner healthy skepticism as to a company's ability to pull it off. In truth, Verivue is still a new company and does not have the track record to command such confidence. However, there are multiple positives that will create strong tailwinds for Verivue's OneVantage solution.

First, it is technically aligned with software-based COTS platforms which provide both the processor-based gains driven by Moore's Law as well as the deployment flexibility to implement architectures that can meet dynamic requirements in a constantly evolving landscape such as multi-screen video.

Second, the solution is comprehensive, incorporating all of the elements required for an operator CDN, facilitating the promise to accelerate deployments.

Third, Verivue is aligned with the right global distribution partners – Ericsson and NSN – both of whom have deep ties among global telecom operators with the largest Internet backbones, as well as mobile operators who are facing the largest growth curve for video traffic. This is in contrast to Verivue's prior partnership with ARRIS, a company almost exclusively focused on cable operators and with potential product conflicts given ARRIS' past portfolio, acquisitions (i.e. C-COR) and initiatives to develop its own XMS ConvergeMedia On Demand Distribution Platform (exemplified by the recent XMS FLEX announcement).

Fourth, Verivue already has a customer reference for its OneVantage solution. TP Group in Poland has deployed the solution for its national CDN, offering OTT delivery to consumers and wholesale delivery to content owners. The win is potentially significant given that TP's corporate parent is France Telecom (FT), an operator which has been slowly evolving its IPTV 1.0 platform from its early adopter days to incorporate more advanced capabilities. FT has been making incremental changes to its IPTV infrastructure, especially with the corporate changes at Technicolor (nee Thomson). Perhaps there is a broader opportunity for Verivue with FT, which would boost Verivue's customer deployment credentials.

Finally, Verivue is tapping into a growth market within operator infrastructure investment. By now, everyone in the industry can pretty much sing in unison: consumer demand for content is increasing, which is driving exponential traffic growth across Internet networks without the associated revenue to cover the costs. Regardless of whether operators are going to deploy converged or siloed CDN infrastructures, they will be deployed. It's a matter of which vendor solutions will be selected.

All this is not to say that Verivue will not face challenges. Verivue still has gaps to fill in order to translate some elements of its OneVantage proposition into deployable capabilities. Specifically, operationalizing Verivue's approach to mobile data acceleration and cloud-edge optimization will require heavier reliance on partners for product integration (i.e., wireless routing, policy management solutions, data center infrastructure, etc.) as well as consulting/professional services.

Verivue is a new entrant; a well-funded start-up competing with giants (Alcatel-Lucent, Cisco, Juniper etc.). But the opportunity is big enough, and Verivue is positioned well enough to be able to make a competitive impact on the market and earn its fair share (or potentially become acquisition fare).