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Cisco shows exactly how serious it is about video conferencing with the $3 billion acquisition of Tandberg that will change the video conferencing industry landscape forever.

The all-cash tender is 11% over Tandberg's closing price. Tandberg reported $809 million in revenue last year, and has close to $200 million in cash. Cisco's routers and switches produce 65% gross profit margins and one of the attractions of the acquisition (says Cisco) is Tandberg's gross margin of 66%.

Cisco is one of tech's most aggressive acquirers with almost 40 companies bought over the last five years, including Scientific Atlanta, WebEx, and Pure Digital (of Flip video fame.)

Cisco sells expensive, room-sized video conferencing systems to companies but has its eye on desktop video for all, consumers and businesses. A new world driven by video conferencing (home and business) would sell more Cisco infrastructure so with $35 billion in its pocket, Cisco can afford to buy Tandberg for its smaller, less expensive conferencing units for the mid-market (and for its know-how that might come in handy given Cisco's plans for bringing video conferencing to home desktops.)

In addition to a portfolio-building exercise, Tandberg adds specialized software for managing video conferencing systems and for creating connections between systems that rely on different underlying technologies. "Will this acquisition aid industry standardization?," is one of the burning questions that observers are raising. Most think it will...

Most experts also think Tandberg will probably be a Cisco preferred supplier for group endpoints while Cisco provides the desktop environment.

As Tandberg CEO Fredrik Halvorsen will lead the new TelePresence Technology Group, (reporting to Marthin DeBeer, Senior VP of Cisco's Emerging Technologies Group), Tandberg will supply Cisco with video conferencing knowledge and Network management systems (TMS). Cisco will certainly position Tandberg's Norway operations as a European center of video excellence alongside their Service Provider video team in Belgium (Diegem)..

The battle for consumers will come soon as Cisco is about to launch an IP videophone for the desktop (with a softphone product for PC). Rumours say Avaya and Polycom want to answer that launch with their own joint product very soon.

This acquisition may become the tipping point where home and business desktop video conferencing will become as common as…email, chat, or SMS.

Go and Watch Tandberg's Fredrik Halvorsen and Cisco John Chambers discuss the acquisition (the link seems to be a slow-loading file, but it is worth waiting for…)

Also there's a Cisco-made video explaining their buy-out of Tandberg-- using Cisco's TelePresence technology. Watch this one CAREFULLY http://www.tandberg.com/media/video/TAA_teaser.wmv