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Avaya finally puts up for Nortel

Lilia Guan | Jul 21, 2009 3:28 PM

Nortel has officially announced the sale of its Enterprise Solutions Business to Avaya for US\$475 million.

According to analysts the deal will be advantageous for Avaya.

Gary Tsang, enterprise communications analyst at Telsyte said, the acquisition will provide Avaya with an opportunity to become the market leader for the Australian Enterprise Telephony market, subject to Avaya ability to sustain Nortel's and its own shipment and sales level.

"In 2008, Cisco had close to a quarter of the market," he said. "If Avaya is able to integrate the Nortel business efficiently and retain channels of distribution, in combination with its recent change in channel strategy and product offerings, Avaya can credibly become the market leader with close to 30 percent market share by the end of next year."

Additionally, Telsyte identified Nortel's routing and switching portfolio as key to Avaya's future success.

"Avaya has struggled in the past two years to remain competitive in the market, losing close to 2 percent market share, Tsang said.

"The acquisition will provide Avaya a strong and energy-efficient routing and switching product suite to complement its strength in telephony and in providing a unified communication's solution that Australian business decision makers are currently seeking."

Telsyte predicted that the end is near for the Canadian giant, with only the Metro Ethernet division, the Carrier VoIP business and the LG-Nortel joint venture remaining.

"Nortel has sold off its most profitable and high growth businesses, the Wireless CDMA and LTE division and the Enterprise Solutions business," said Tsang.

"However, we predict Nortel to re-emerge in the market as a pure services organisation in the future, providing consulting and integration service, following the IBM business model and leveraging off its brand equity."

Claudio Castelli, senior analyst at Ovum told *CRN* that Nortel has a consistent and comprehensive enterprise product portfolio in voice and data but its main strength is in its market penetration.

"The breadth of its customer base, which extends across all enterprise sizes and verticals, and its channel depth outside of North America, might represent an attractive opportunity for many players, including Avaya," he said.

"It will put the company in a position to seriously challenge Cisco."

Castelli said Avaya is well committed to the enterprise market and is more likely to develop a proper strategy and long term migration path for Nortel's portfolio, giving customers more assurances.

"However, this wouldn't be the best outcome for Nortel Enterprise's employees," he said.

"Avaya is a direct competitor in this market and wouldn't require a large portion of Nortel's research and development team to continue with its portfolio," he said.

The announcement followed Nortel's sale of its LTE and CDMA assets to Nokia Siemens Network last month.

The company has also indicated that it will look to exit the LG-Nortel venture, which currently services the SME market.

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