

**Nortel in wireless hardware sale By Iain Thomson [24-11-2003] Networking vendor offloads fixed wireless hardware business to Airspan**

<http://crn.vnunet.com/News/1150006>

Nortel Networks has sold its fixed wireless hardware business to networking vendor Airspan in a £7.6m deal. Airspan said it will acquire Nortel's assets associated with the manufacture, development and support of the fixed wireless product line sold by Nortel Networks under the Proximity trade name. The deal is likely to close by the end of the year.

"This represents a major milestone in the growth of Airspan," said Eric Stonestrom, chief executive of Airspan Networks. "The acquisition of Nortel's fixed wireless access business will solidify Airspan's position as the leader in the fixed wireless market."

In a separate move, Nortel rival Avaya has sold its fibre optic cable division to Commscope for £156m. Avaya, which was spun off from Lucent three years ago, has been rejigging its channel strategy, and the sale not only raises funds but allows the firm to focus on IP telephony.

"It seems wise to dis-invest from optical - in the short term at least," said Keith Humphreys, managing consultant at analyst EuroLAN. "Suppliers are busy trying to give solid return on investment today rather than at some point in the future."

C2000 roars into voice with Azlan By Karl Flinders [17-11-2003] Distributors to launch dedicated voice and data division

<http://crn.vnunet.com/News/1148951>

Computer 2000 (C2000) is hoping to cash in on the convergence sector by launching a dedicated voice and data division early next year. The move follows the ongoing integration of networking distributor Azlan into C2000's business. The new division will take a similar shape to Azlan's networking and security units.

Simon Hill, director of the Azlan networking services group and previously commercial director at C2000, said it was too early to give more details, but said the firm hopes to set up the unit by February.

"We have to be ready to capitalise on the next big thing. This was in Azlan's plans before the C2000 takeover," he said.

The C2000 and Azlan businesses will continue to run separately, but all resellers will have access to a wider range of products and services, Hill added.

Partners will have access to Azlan's core networking vendor portfolio, which includes Cisco, 3Com and Hewlett Packard, as well as its volume products from companies such as D-Link, Linksys and NetGear.

Rob Coyne, UK general manager of 3Com, said he was not surprised by the decision. "All distributors are trying to move into growth markets, and voice and data is one of these. The market is right for UK firms to adopt IP telephony," he said.

Richard Chilver, managing director UK of distributor Westcon UK, which set up a voice and data convergence division three years ago, said: "There is room for another player, but it is difficult to add a division focused on this overnight."

Keith Humphreys, analyst at EuroLAN, agreed that the market is quite open. "There is plenty of space for Azlan to come into this market," he said.

However, he warned: "It is also important Azlan retains its name as a well-respected brand."

BroadSoft sums up total solutions By Karl Flinders [10-11-2003] Total Network Solutions to be exclusive UK reseller for convergence PBX system

<http://crn.vnunet.com/News/1147874>

BroadSoft has signed Total Network Solutions (TNS) as an exclusive UK reseller for its BroadWorks hosted voice and data convergence PBX system. The product, aimed at the service provider market, enables enterprises to manage their own dedicated switch which is hosted by a service provider via a web portal.

Colin Sinclair, technical director at TNS, said the BroadWorks product will enable service providers, with the right network infrastructure, to run telephony services over existing IP networks.

TNS will look at each potential service provider customer to establish which have the necessary kit to run the BroadSoft IP telephony enabler.

"We have about 200 active service provider customers. We believe 40 of these have a network that is suited to this product," he said. "It is multi-tenancy PBX allowing hundreds of different organisations to use it as if it were their own."

Sinclair added that traditionally service providers would have a PBX for every customer and the combination of Cisco infrastructure, and the BroadWorks product would offer good margins.

"We make our margin by putting together complex solutions," he said. "We will also manage the products for the service provider, if required."

Keith Humphreys, analyst at EuroLAN research, said the fact that the channel is being chosen to sell this type of product shows the channel is stepping back into the high end.

"It is a pretty big sell and I would usually expect it to be a direct sell," he added.

Scott Wharton, vice president marketing at BroadSoft, said the firm has always used resellers for logistical reasons. "We prefer to focus on support activities while the channel sells and integrates the products," he said.

<http://crn.vnunet.com/News/1147053>

Nokia touts mobile-only business telephony By Ian Lynch [03-11-2003] Cheaper to rip out landlines and use mobile networks instead, suggests operator

Experts have poured scorn on claims by Nokia that firms would find it cheaper to rip out their landlines and use mobile networks instead. At the Nokia Mobile Internet Conference 2003 in Nice last week, the company claimed that analysis of the hidden cost of 'free' PBX internal calls would show that these calls actually cost around €1 (69p) a minute.

By removing dual infrastructure of fixed and mobile, which can involve expensive internal calls, companies could make savings of up to 25 per cent, Nokia said.

"What we're saying to IT managers is analyse the cost of your PBX, stop thinking of it as part of the building," Mikko Seppäläinen, head of mobile business voice at Nokia Networks, told vnunet.com.

Seppäläinen said a study conducted with consulting and managed services firm Bearing Point found that when mobile penetration in a firm reaches 60 to 70 per cent it becomes cheaper for the company to rip out their landlines and equip their remaining staff with mobile handsets.

"In the most mature markets, mobile operators already have the required network capacity, voice quality and PBX-like features in their networks," he said, adding that 3G would increase capacity fivefold.

But Seppäläinen admitted that quality of service might not be good enough in London, and that no UK operators had yet bought Nokia's Mobile Business Voice product, designed to enable operators to offer this service.

A similar product from Ericsson, the MM10, has yet to grab the imagination of UK businesses and Voice over IP (VoIP) may offer better cost savings, experts said.

"I accept the dual infrastructure argument would make some savings, but carriers like BT are offering exceptional deals at the moment and I can't see how mobile to mobile could be cheaper than fixed to fixed," said Keith Humphreys, managing consultant at EuroLAN Research.

"Nobody in their right mind is looking at going to mobile-only, apart from maybe the last leg," said Brian Johnson, managing director at Now Distribution. "VoIP is where the services are."

Humphreys added that a better idea would be Wi-Fi-enabled mobile handsets that combined with VoIP networks.

Although no details have been publicly discussed, Nokia is to integrate Wi-Fi into its next generation of phones but will enable data only, sources said.

<http://crn.vnunet.com/News/1145816>

Home fires set to keep resellers cooking By Lisa Kelly [27-10-2003] Growing western European home networking market creates new channel opportunities

Home networking activity in western Europe is growing alongside broadband uptake and is creating new opportunities for resellers. In a report called The Western European Home Networking Market, research firm In-Stat/MDR predicts that by the end of this year, about 4.5 million home networks will be in place in western Europe, compared with 2.8 million at the end of 2002, a growth rate of almost 60 per cent.

The study has claimed there will be more than 15 million home networks by the end of 2007.

Keith Humphreys, EuroLAN managing consultant, said: "Resellers have a good play in the small-office/home-office (SoHo) space and the low end of the SME market.

"There have been a lot of redundancies in the UK with people setting up their own companies and demanding home networking.

"SoHos are less cautious than the corporates about adopting wireless technology where standards are emerging."

Paul Cunningham, services director at Cisco distributor Comstor, said Cisco's acquisition of wireless networking company LinkSys was evidence of rising interest from the SME and SoHo sectors.

"Resellers with a strong local presence in areas where there are a large number of knowledge or teleworkers could look at putting together a service in the home networking space," said Cunningham. "They can manage the whole thing from security to usage and billing."

Bal Phull, UK marcoms manager at vendor D-Link, said the increase in home wireless networks also helps corporate resellers.

"Home networking is not a market for resellers to rule off. Wireless installation for a home network or for a SoHo still costs good money and the premises are large, users will want it done properly," he said.

<http://crn.vnunet.com/News/1143043>

Avaya adds value-add to services By Sara Yirrell [18-08-2003] Networking vendor hopes to help its resellers increase margins

Networking vendor Avaya has launched an addition to its existing channel programme, which it has claimed will help its resellers increase margins through value-added services. The Services BusinessPartner Programme, which requires partners to undergo additional services accreditation, aims to provide businesses with extensive services offerings through resellers, Avaya has claimed.

The company will keep selected accounts direct but plans to offer its VARs greater flexibility and choice in the way they work with services, according to Adrian Hughes, services director Avaya UK, Ireland and southern Europe.

The new programme will operate alongside Avaya's existing channel programmes across EMEA.

Hughes said the programme means partners will now have the choice to become service-authorized as well as product-authorized.

Once accredited, they will have access to a range of benefits, including sales promotions, programme guides, return-on-investment tools and marketing funds, Hughes added.

"We have been focusing on changing the business to a global services model, but we realised that business partners needed the same focus from a services point of view," he said.

Hughes added that Avaya would not sell services directly or take customers away from partners but instead would use services to "strengthen partners' portfolios".

He said: "Partners can resell our direct services to customers until they feel ready to make the investment to become service-accredited themselves.

"We have been working closely with our distribution partners to work out the correct sales model for the services and the programme is already receiving positive feedback."

Keith Humphreys, consultant at analyst firm EuroLAN, said: "The services sector will be an area of significant growth. A well-managed, effective channel strategy is vital to any firm looking to participate in the sector.

Success will only come to a provider able to deliver comprehensive services, clear market propositions and a strong 'go to market' strategy.

<http://crn.vnunet.com/News/1142907>

Flynn flies from Damovo By Karl Flinders [11-08-2003] Chief executive in 'amicable' departure

Pan-European networking reseller Damovo has parted company with Pearse Flynn, its chief executive. Flynn has left "amicably" with immediate effect and will be replaced in the interim by chief financial officer John Samuel. A source said the company has a replacement who will start in September.

Sources have claimed Flynn had been trying to secure additional investment.

Last year Damovo outlined plans to grow by acquisition but put them on hold because of tough market conditions.

Keith Humphreys, analyst at EuroLAN Research, said Flynn is a "mergers and acquisitions type of director", and Damovo's decision to delay acquisition plans may have contributed to the change.

"Damovo probably needs someone to run day-to-day operations while business is slow," he said.

Damovo has had a rough ride since it was spun off from Ericsson Enterprise in September 2001.

It announced over 100 redundancies at the end of last year after the resignation of UK managing director Dave McKeige.

Damovo declined to comment, and Flynn could not be contacted.

<http://crn.vnunet.com/News/1142765>

Nortel signs NextiraOne By Karl Flinders [04-08-2003] Agrees pan-European reseller deal with former direct sales unit of Alcatel

Nortel Networks has agreed a pan-European reseller deal with NextiraOne, the former direct sales unit of Alcatel. The deal follows an agreement

with another industry spin-off, Ericsson Enterprise's former sales unit Damovo.

"This helps us to move into markets that were dominated by the competition," said Adrian Marsh, director of EMEA channels at Nortel Networks.

"It also strengthens our voice and data convergence reach into the global corporate sector."

Marsh added that, like Damovo, NextiraOne will be given the option to buy direct or through distribution.

"Since we signed Damovo it has chosen to use a mix of buying direct and through distribution," he said.

Distributor Azlan has mainly been the source for Damovo's Nortel equipment, according to Marsh.

The NextiraOne deal is an extension of an existing relationship in the US but will offer a single point of contact for customers in Europe.

"Our US operation is already a major reseller of Nortel but this was a natural move following customer requests," said Ian Ashby, vice president of sales and marketing for Europe at NextiraOne.

"Whether our customers are in the US looking at Europe, or vice versa, we can offer a solid standardised portfolio."

The systems integrator also has relationships with Alcatel, its former parent, and Cisco. "Nortel adds another major networking player," explained Ashby.

EuroLAN Research analyst Keith Humphreys described the deal as further evidence of the "resurgence of Nortel in the enterprise networking space as a major player".

"This has a lot to do with its channel strategy which it has refocused in recent years," he said.

Humphreys added that NextiraOne will put the vendor in front of the right customers and help it compete with Cisco and Alcatel globally.

<http://crn.vnunet.com/News/1142624>

HP and Avaya target SMEs By Ben Tudor and Robert Jaques [28-07-2003] Partnership designed to kick-start SME adoption of IP voice and data products

Avaya and Hewlett-Packard (HP) have collaborated to kick-start the adoption of IP voice and data products among SMEs. The companies will create a common channel, initially in the US, to distribute Avaya's IP Office applications on HP servers. They plan to replicate the offering in Europe later this year.

"The whole idea of the HP Centres of Excellence is to bring solutions to the SME market," said Shaune Parsons, managing director of HP Centre of Excellence ComputerWorld Wales.

"HP has not been too good at this. Centres that are switched on to the idea of convergence probably already have a route to market for this sort of thing. But it is excellent that HP and Avaya are addressing the SME market with a one-stop solution."

David Spiby, Avaya's product strategy and technology management director for SME business systems, said: "One of the key things in this market is that we need to bring together skill sets, both in channels and products.

"This is about HP and Avaya deploying applications, such as customer relationship management [CRM] and Contact Centre. We all sell to SMEs and hope to make a difference there."

HP will adopt Avaya IP Office applications, including Contact Centre software and Microsoft's SME CRM applications. Avaya has certified and recommended HP ProLiant ML310, ML330 and DL320 servers.

"It's an excellent relationship," said Keith Humphreys, analyst at EuroLAN Research. "I did ask whether this would fit into HP's ProCurve networking business, but I'm not sure that it will.

"The more you can demystify contact and call centres the better. Every firm should be a contact centre, especially if it is too small to have a receptionist."

John Toal, managing director of HP distributor OpenPSL, said: "This sounds remarkably sensible. I'm not sure it will take off immediately, but converged distribution channels are something we have been looking at for a while."

<http://crn.vnunet.com/News/1142295>

Kingston first to talk up its IP By Karl Flinders [15-07-2003] Local authority becomes first in the UK to be fully IP telephony-enabled

The Royal Borough of Kingston Upon Thames has opted for a £500,000 state of the art voice over IP system (VoIP) from Cisco. Gerry Sevenoaks, head of strategic services at the local authority, which has about 150,000 residents, said simply replacing the old PBX system would have been just as expensive, without offering the future-proofing potential.

"We had to change our old system and this gave us an opportunity to be forward-thinking. We moved the funds set to replace the PBX to fund the VoIP system," he said.

The authority wanted to pay over three years to help it stay in budget and Cisco agreed to this. Kingston expects to save £80,000 per year on rental and call costs. Tim Hearn, local government manager at Cisco, said the vendor is flexible about payment to fit local government preferences.

"When we work on projects there are various ways of paying. If they want to pay upfront capital or through revenue schemes we will match what they want," he explained. Kingston upon Thames has already made 80 per cent of its services available online.

"We did not do it for the [government's] 2005 targets but because there was an issue about public access and we wanted to make it easier for people to contact us," he said.

To this end the council is launching the next phase of its upgrade with the introduction of IP telephony kiosks throughout the borough. Residents will be able to contact the council from 10 kiosks, which will be fully integrated by October. Other services from the network include the introduction of voice helplines on CCTV cameras.

Keith Humphreys, analyst at EuroLAN Research, said more benefits could be reaped from the network's call centre capabilities.

"The benefits come when it can use the system for call centres and as a service provider it can deal with all enquiries effectively."

Sevenoaks said Kingston had already developed five small contact centres.

<http://crn.vnunet.com/News/1141625>

BT to increase channel focus By Karl Flinders [16-06-2003] Reseller channel to be prioritised over direct salesforce

BT is to prioritise its networking reseller channel over its direct salesforce for the first time as the telco looks to push into new technology areas. Mark Hollister, director at BT Indirect Channels (BTIC), said BT intended to focus its channel on "new-wave technology" such as data and voice converged networking products.

But Hollister admitted: "BT has never really promoted its channel to customers but once we have the right channel in place we will promote it. When a customer needs a certain product we can direct them to a partner."

BTIC said it was actively seeking high-end networking integrators as well as SME LAN resellers. It added that it will offer education in technologies such as broadband and mobility to attract resellers.

Hollister is ambitious about BTIC's potential. "It may take four or five years, but the indirect channel will account for more new-wave sales than direct sales," he said.

"We want to grow our data-related sales by 13 per cent next year through direct and indirect sales."

But some resellers were not so optimistic, and said the telco will have its work cut out persuading resellers. Greg Carlow, managing director of networking reseller Repton, said his past experience with BT would put him off developing any relationship with the telco.

However, Keith Humphreys, analyst at EuroLAN Research, said despite reseller uncertainty the move by BT was positive.

"It is critical because the channel is not always the obvious place for customers to buy equipment, because BT often resells other vendor products itself," he said. "This will be good for resellers because they can get into deals early as a BT point of contact."

Humphreys added that networking resellers that partner BT will be able to add margin. "But it won't make them rich," he said.

<http://crn.vnunet.com/News/1141471>

3Com thinks VAR safety first By Karl Flinders [09-06-2003] Partner programme launched to boost reseller support in security sector

Networking vendor 3Com intends to harness the growing security market with the launch of a partner programme to boost reseller support in the sector. The Security Authorised Partner programme, the vendor's first security initiative of this type, will offer resellers discounts, training and certification on 3Com products.

The company is also offering 10 per cent discounts to Certified Partners.

Stanimira Koleva, international channel sales director at 3Com, said security is a priority for the firm's customers.

"We want to provide our networking customers with information about which resellers to work with for security," she said.

The vendor will look for 10 to 15 UK resellers that specialise in security as well as its traditional core networking business. "We want to attract our Focus partners as well as security-focused resellers," said Koleva.

All partners for this scheme must also be a member of the firm's Focus programme.

Keith Humphreys, analyst at EuroLAN Research, said it is important that networking vendors provide their resellers with security support.

"This is the way the market is going, with more and more networking resellers moving into security to meet customer needs," he said.

"Most of the big networking vendors, including Cisco and Nortel, are moving in this direction, and it is important that resellers are supported."

Des Lekerman, managing director of networking reseller Eurodata Systems, said any reseller selling networking today should be well versed in security.

"If you provide a network today it needs to be secure by definition," he said. Lekerman added that this was a good move for 3Com.

"It makes perfect sense for the customer to buy security and networking from the same source," he said.

3Com claimed the programme will attract resellers with different in-house skill sets. "The programme is flexible and will cater to the level of expertise of each partner," Koleva said.

<http://crn.vnunet.com/News/1141497>

Logical reshapes again to bolster sales By Karl Flinders [09-06-2003] Reseller admits it was too technology-led but now wants more customer-facing staff

Networking reseller Logical has admitted it needs to rebalance its resources as it restructures in an effort to increase sales generation. It is removing three senior executives from its pay roll, including business development director Martin Lockett, in addition to the 30 staff that it made redundant in March, as it works to become a sales led organisation.

Simon North, managing director at Logical, said the company did not have the right balance of skills within its staff. "We need more in the sales and marketing front end to fully utilise our technology resources," he said.

"We are making moves to go from being a technology-led organisation to a sales-led one. We are changing our staff profile but not dramatically."

The company is aiming to increase its number of customer-facing staff, to be able to introduce new technologies quicker and to streamline

internal processes.

In April, Jeremy Keefe joined the reseller from Computacenter as UK sales director, tasked with accelerating sales in technology areas other than Logical's core area of data network infrastructures and support.

The company is launching two new business units: Voice IPT and Service Assurance, and others are planned.

Sales have dropped from £43m in 1999 to £38m today, but this, according to analysts, is in line with results in most European markets.

Keith Humphries, senior analyst at EuroLAN, said Logical had been "caught out" by being too early into new technologies in the past. "It has flirted with new technologies but was often there before the market was established."

Managed services and e-commerce were two areas where Logical jumped the gun, the source added.

But Maurice Lee, managing director at reseller Premises Networks, said Logical's problems were more to do with its difficulties in adopting voice and data convergence.

"This is the third restructure this year and the company is struggling to move into convergence from its traditional data background," he said.

<http://crn.vnunet.com/News/1141460>

BT to promote channel to customers By Karl Flinders [09-06-2003] Focus on 'new-wave technology' will mean business for the channel

BT will begin promoting its reseller partners to end-users over the next six to nine months, as it prepares to push new technologies. BT Indirect Channels (BTIC) director, Mark Hollister, said BT's focus on "new-wave technology" such as data and voice converged networking products would mean business for the channel.

Hollister admitted: "BT has never really promoted its channel to customers." But he added: "Once we have the right channel in place we will promote it. When a customer needs a certain product we can point them in the direction of a partner."

BTIC is actively seeking high-end networking integrators as well as local area network resellers for the small and medium-sized enterprise sector, to ensure it has the right skills base to promote to customers.

Hollister is ambitious about BTIC's potential. "It may take four or five years but the indirect channel will account for more new-wave sales than direct sales," he said.

"We want to grow our data-related sales by 13 per cent next year through direct and indirect sales."

BT will coax resellers of networking equipment with the offer of a strong brand as well as education in emerging technologies such as broadband and mobility.

Keith Humphreys, analyst at EuroLAN Research, noted the importance of BT's move to promote the channel to customers.

"It is critical because the channel is not always the obvious place for customers to buy equipment, because BT often resells other vendor products itself," he said.

Humphreys added that networking value-add resellers (Vars) that partner BT will be able to add margin, even though "it won't make them rich".

He said when a company plans a networking roll-out, the first point of contact is its connectivity provider. "This will be good for resellers because they can get into deals early as a BT point of contact."

But BTIC may have its work cut out to persuade some data Vars of the merit of its plans. Greg Carlow, managing director at networking reseller Repton Computers, claimed that past experience with BT would put him off developing any relationship with the telco.

"In my opinion BT cannot be trusted because of past experience, when it backtracked on agreements," he said.

Extreme to ship Mariner By Ben Tudor [14-05-2203]

Extreme Networks has followed up Foundry's recent announcement of a new 10G switching platform with the low key launch of its own. The company's Mariner switch will be launched at the end of the third quarter or beginning of the fourth quarter. Demonstrated at the Networld +Interop show in Las Vegas earlier this month, the vendor's fourth generation networking silicon system (4GNSS) is aimed at core networks and relies heavily on programmable hardware, rather than software for switching. Dubbed T-Flex, the new switching hardware incorporates both Application Specific Integrated Circuit (ASIC) and Network Processors to accelerate handling and remove the need for hardware and software upgrades. "The first incarnation of 4GNSS is Mariner, and the entire N+I show's core network is running on it," said Martin Van Schooten, EMEA marketing manager for Extreme. "It supports IPV4, IPV6 and multi-protocol label switching (MPLS). In Europe, there's a lot of interest in customers with MPLS on campus. Unlike Foundry, our 10G switch also supports Gigabit Ethernet."

Van Schooten said that there was a market for 10 Gigabit Ethernet, especially in the backbone. While sales of Gigabit Ethernet have been low, compared to adoption of Fast Ethernet, Van Schooten said that applications that demanded 300Mbps were out there, and would be serviced by Gigabit Ethernet on the desktop. Keith Humphreys, senior analyst at EuroLan Research, said that the announcement would give Extreme's resellers something to talk to their customers about. "I remember one reseller telling me a while back that he talked to his customers about Gigabit Ethernet and sold them ATM," said Humphreys. "It may be the case now that people can talk to their customers about 10G and sell them Gigabit Ethernet instead." Despite this, Humphreys warned: "From Extreme's point of view, to make an announcement that you are going to ship something in two quarters' time does create a wait and see atmosphere," he said.

<http://crn.vnunet.com/News/1140499>

Cisco partners view an altered landscape By Paul Briggs in Las Vegas [28-04-2003]

Cisco chief John Chambers recently remarked that the IT industry was experiencing a "100-year flood". It appears that during the past few years of economic downturn the voice and data networking giant has been busy building an ark to ride out the current turbulent waters.

Packed into this ark, Cisco has placed some new partner incentive programmes, new products, a new partner portal and an enhanced strategy that emphasises market specialisation.

When the market resumes its upswing, Cisco hopes to emerge in a breakaway position from its competitors, and that its channel partners' margins will start coming in two by two as they make the transition from a volume-based business model to one based on value.

Speaking at Cisco's recent Partner Summit in Las Vegas, Paul Mountford, vice president of worldwide channels, said: "Partner profitability is still my biggest challenge."

Mountford told vnunet.com's sister title Computer Reseller News (CRN) that Cisco has been working on a number of programmes to help improve its partner profitability. One is Cisco's discount model, which is under review. Another is its Value Incentive Program, or VIP.

"At the moment, you make the same margin on IP telephony as on desktop switching, and that's not right," Mountford said.

But Cisco's enviable cash position and market share haven't come without a price to pay. Its stock, like that of many companies involved in the networking market, is still in the doldrums; its revenues are flat; and in 2001 it had to make some redundancies, much to the dismay of its chief executive.

Six-point plan for stability To stabilise the company, Chambers introduced a successful six-point plan. Many analysts have claimed this helped the company not simply to stabilise but propelled it into its current 'breakaway position'.

Perhaps the biggest change to Cisco's strategy in the past couple of years has been the quiet consolidation of its huge reseller channel and a renewed focus on the quality of its accreditation programme.

Executives at the company say this was done to attract a new breed of partner that offers not just the tin but the whole mix of product, consultancy and service.

From a high of 6,500 Gold, Silver and Premier partners last year, the number of partners considered a part of Cisco's certified community will be reduced to about 3,500. Chambers said this figure looks likely to shrink further in the future as "brutal consolidation" continues to sweep the industry.

"Twelve years ago the focus was on the internet revolution and creating unprecedented opportunities for customers, shareholders and partners," said Chambers. Today, the landscape is about partnering for success, profitability and survival, he added.

With growth in the IT industry slowing from 50 to 70 per cent a year to a virtual standstill, there had to be a consolidation of the company's partner base. "There were just too many partners going after fewer and fewer opportunities," he said.

Channel partners broadly approve of the company's strategy. Paul Cunningham, services director at Cisco distributor Comstor, told CRN that Cisco's consolidation in the UK channel was just another logical step in a process that has been going on for some time.

"In the past three years there has been a progressive reduction in the number of resellers in the field. This is not new but it is probably the public announcement [of this strategy]," he said.

According to Cunningham, the number of UK resellers that are actively managed by Cisco has fallen from about 250 to 50.

From volume to value Clive Hailstone, general manager of the networking and enterprise solutions division at Cisco distributor Computer 2000, said the move from volume to value was a step in the right direction.

"Cisco encourages its value-add resellers [Vars] to invest in technical knowledge so they have a differential from the guy down the road. If you

do invest you are going to be protected [by Cisco] from a competitor that comes in late and tries to steal the deal on price," Hailstone said.

Keith Humphreys, analyst at EuroLAN, believes that "partners are hurting". However, he added: "There is a conviction at Cisco to put profit back into the channel."

Cisco has announced that it will remain with the three distributors it deals with in the US, but it looks increasingly like there will be some incremental changes to the distribution strategy it started a year ago in Europe.

While emerging markets in eastern Europe are likely to deal with specialised local players, the rest of Europe looks likely to be sewn up by global firms such as Ingram, Tech Data and Comstor.

Martin Canning, vice president of European services research at analyst IDC, said: "Cisco is looking at overall distribution and is taking a bet on where it is going."

Humphreys, believes that such moves by Cisco will signal the "death of the regional distributor". Despite its cull of accredited partners, Cisco remains resolute in believing the channel represents its competitive advantage. In fact, Cisco executives claimed they have never been closer to channel issues.

Chambers told partners: "Trust is something Cisco has to earn every day."

Echoing these sentiments, Mountford added: "In tough times, it's all about sharing best practices. Good business is built on interaction, not isolation. Cisco is a listening company and wants to remain a listening company."

Both Mountford and Chambers urged partners at its conference to stand up and challenge Cisco if they felt the company was not getting it right.

"If we get off course, hit us on the side of the head," Chambers told them.

Cunningham gave another view of Cisco's listening-and-learning stance. He told CRN that although he welcomed initiatives such as VIP, he felt that Cisco has perhaps set the bar too high in the UK.

He believes the security VIP scheme will be attainable by only a handful of UK resellers. But he added: "The good news is that Cisco is listening and has taken our comments on board. This is often the problem of rolling out a global programme."

Hailstone also pointed out that sometimes Vars have not seen return on their investment when trying to raise their game to match Cisco's channel requirements.

In this scenario, Hailstone believes that the bar has either been set too high or that too many people have been trying to get in on the act, as in IP telephony, for example.

But he welcomed the news that Cisco was looking at changing margins on different products. He accepted that resellers will always find it hard to get the right balance when positioning themselves between existing business and new opportunities.

Cunningham is also concerned that a skills gap will emerge between those that Cisco singles out to become its specialised 'elite' forces and the unaccredited suppliers that make up Cisco's 40,000 channel partners worldwide.

Some analysts have said that this might create a conflict between Cisco's need to push volume and its desire to develop its accredited channel to add value.

Commenting on the occasional clash between Cisco's sales force and its resellers over the need to shift volume and the need to sell solutions, Cunningham said this will always be a difficult balancing act.

Promoting the solution sell He believes the message about promoting the solution sell is percolating down from the top echelons at Cisco to the rest of its sales force. However, Cunningham said, the reality is that at the end of the month or the quarter, numbers are numbers and deals get done.

"There is nothing sinister about this and Cisco is doing a better job than most [in promoting a solution sell]. It just lives in the real world," he said.

Commenting on the extra investment and resources needed to qualify for VIP and the specialist programmes Cisco is rolling out, Cunningham said it will be a lot harder for the smaller resellers that have not invested in their businesses to reach the new requirements. This situation will in turn drive further consolidation, he said.

Following the big reduction in the number of Cisco's partners, Canning believes the remaining ones will be able to change their business model to fit into the new specialisation areas that Cisco is touting: IP telephony, storage and security.

"Resellers will have to look at what they are doing and where they are going. The areas they are currently strong in may not be in the near future," he said.

Chambers is encouraging Cisco's partners to engage with new areas of specialisation in the belief that the implementation of these new technology platforms will help drive end-user productivity.

At the Summit, Chambers said he was optimistic that technology will be the catalyst that will help businesses drive productivity and therefore profitability.

However, for companies to achieve not just three to five per cent increases in productivity, but percentages up in the 20s, Chambers said they must embrace a new business model which will enhance the use of new technology and maximise the returns.

Embracing a new business model To demonstrate this, Chambers admitted that Cisco is eating its own food to demonstrate to other companies the benefits of implementing new technology platforms. His vision includes the network virtual organisation (NVO), or a network of networks.

As long as there are common standards in place to manage voice, video and data, Chambers believes an NVO can be created which handles 'intelligent data' from a number of integrated home, wireless and corporate networks via waves of applications.

Provided the underlying business model is right, this will help companies respond more quickly, make faster decisions and increase productivity beyond the five per cent mark.

Chambers said that Cisco's own internal implementation of a new business model, combined with new technology, will help the company achieve a 20 per cent improvement in productivity.

In the future, companies' implementation of this sort of technology combined with a changed business model will be "as fundamental as the assembly line was to business", Chambers predicted.

Speaking about Cisco's plans for the NVO, Canning said: "Cisco has to take a few bets on the future. Sometimes these are right, sometimes they are wrong, but the company is definitely putting its stake in the ground.

"It is going to take time and money for resellers to be able to change. Resellers that talk to us [IDC] have business horizons that can be measured in months.

"For some Vars this business horizon is three months, for others it could be six months. What Cisco is looking at [with NVO] is several years out."

In a survey of all the 1,000-plus delegates at the conference, more than half of the respondents said that the specialised sector they want to see Cisco invest in is voice.

Canalys analyst Sandy Fitzpatrick believes Cisco has a two-fold strategy in the voice space: one for carriers, the other in the corporate space. Both are long-term strategies, but Fitzpatrick believes the carrier space will take longer to adopt.

However, she points out that there are signs of some significant deployments, citing as an example one by European carrier Telecom Italia. But it will take a few more Telecom Italias to really start the critical mass going, she said.

"A driver for the adoption of IP telephony is mobility," Fitzpatrick said. "Another catalyst is when branch offices use it through the central corporate network."

Commenting on how well-prepared the channel would be to roll out new technologies such as voice, Fitzpatrick said: "Few are ready today but most realise that it is something that would be beneficial to get into."

She also suggested that resellers should look at the different issues raised by the emerging opportunities, and that resellers should perhaps look for the "lower hanging fruit to their existing business".

However, Fitzpatrick believes that voice offers much better opportunities for resellers to sell into new sites rather than just upsell to existing customers.

She also believes that through the addition of voice products to resellers' portfolios, there could be "competitive warfare", in which a Var offering voice could go after another Var's installed base.

But Fitzpatrick added that the channel needs a lot more consultative skills and more understanding of tariffing if data Vars are going to succeed in the voice and data market.

The overall reaction to Cisco's announcements at its Partner Summit from both analysts and partners was positive. Canning summed up the general mood of optimism.

"Competitors should look closely at what Cisco is doing in the channel. It seems really well thought out, and competitors could do worse than look at how they can emulate it," he said.

Full of VIP and vigour Cisco recently launched its Value Incentive Program (VIP) as one initiative that has been designed to boost partner profitability. The company's revamped eAgent programme is another.

VIP pays partners a 10 per cent rebate on IP telephony and security deals, but only if partners achieve customer satisfaction targets.

Analyst Keith Humphreys, at EuroLAN, believes that the VIP scheme is the right way forward for the vendor because the reseller is not guaranteed to receive the rebate until it has earned it. "This is a clever move," Humphreys said.

Judging by the ripples of applause from resellers at the Summit when Paul Mountford, Cisco's vice president of worldwide channels, outlined the scheme, Humphreys concluded that it had been "warmly received".

Cisco announced some other initiatives to help boost partner profitability, including a 24-month lease programme to make it easier and cheaper for resellers to acquire demonstration lab equipment.

The launch of a 'channel-neutral' version of its eAgent programme to Europe has also been welcomed by partners.

Under the new eAgent programme, Cisco will remove its one per cent administration fee. Certified Cisco partners can place orders with Cisco and have Cisco handle the customer financing, billing and product delivery.

Cisco would then pay partners a fee for the order, essentially the difference between the price the partner negotiated with the customer and the partner's discount with Cisco.

Cisco's former UK channel chief, Nick Watson, has been promoted to become UK and Ireland marketing and commercial director. John Donovan will take over as channels and alliances manager, UK and Ireland. But its commitment to the channel is as strong as ever.

Partner profitability is a big issue for Cisco, to this end the vendor has launched a raft of initiatives such as its VIP programme to help boost partner profitability. Resellers encouraged to move into specialised areas such as voice and security, partners want Cisco to invest in voice. New partner portal rolled out to boost partner productivity. Network virtual organisation touted as the new weapon to drive end user productivity and profitability Portal with a view Cisco has introduced Partner View, a revamped portal that links resellers to a site containing tools, resources and applications.

The portal, which is fully customisable, provides access to 13 content modules, including channel announcements, certification and specialisation, e-learning, and customer and partner satisfaction.

By using PartnerView, resellers can keep track of their certification and specialisation status and see summaries concerning individual certified employees, including notification of certificate expiration dates.

Also included is a business planning tool that helps partners coordinate with Cisco channel account managers to target leads and close deals.

About 175 resellers are already using the pilot version of Partner View. Gold and Silver certified partners can begin accessing the portal in May. Premier certified partners will gain access in August.

Cisco also plans to implement a channel-neutral compensation policy which it hopes will increase overall services sales while minimising conflict

between partners and the company's own direct sales force.

Wim Elfrink, senior vice president of customer advocacy at Cisco, said that under the new model, which is scheduled to launch in August, Cisco's direct sales force will receive compensation based on 100 per cent of Cisco services sales, including SmartNet maintenance contracts. The rate applies whether products are sold direct or through a reseller.

Currently, Cisco's sales force receives compensation based on 85 per cent of channel services sales and 100 per cent of direct sales, he said.

<http://crn.vnunet.com/News/1140336>

Avaya plans Euro ECS launch By Ben Tudor and Jennifer Hagendorf-Follett [17-04-2003] European channel to see IP telephony bundle next month

Avaya has launched its Enterprise Connect Solutions (ECS) IP telephony bundle in the US, and plans to bring it to Europe. The offering will be launched to Avaya's European channel at a conference next month.

"Since the launch of IP Office, Avaya has always stressed there would be a link with its MultiVantage product and this seems to be what is now happening," said Tim Brooks, Avaya product director at distributor Crane.

"We are very excited about the opportunities the product offers for the installed base, especially for firms with branch offices."

Jeffrey Dean, global solutions director for Enterprise Connect at Avaya, said ECS is designed to provide a migration path for Avaya's legacy telephony customers to voice over IP (VoIP).

ECS, built on existing Avaya MultiVantage communications applications, will include IP-based call processing, contact centre, unified communication and messaging, as well as Avaya's virtual private network and wireless technology.

Avaya will rely on resellers to deliver the solution to SME customers, while using its direct salesforce to target large enterprises, Dean said.

Keith Humphreys, consultant at EuroLan Research, said: "ECS plays nicely into what Avaya is doing in small business.

"There seems to be some overlap, but I don't think people should worry about that. After all, Network Alchemy, SDX and IP Office have all sold in roughly the same market."

By replacing traditional key systems in branch offices with IP telephony via a converged network, businesses can implement centralised call processing, giving remote users access to the same features available to employees at a firm's headquarters, Dean said.

"You can provide best-in-class services to the branches, such as integration to a call centre, four-digit dialling and unified messaging. VoIP is making this type of solution feasible," he said.

<http://crn.vnunet.com/News/1140193>

On course for collusion By Simon Meredith [14-04-2003] Convergence is one of the hottest topics in the industry right now. But

as two channels with very different cultures combine, many questions remain unanswered.

At the recent CRN Voice and Data Foundation at Comms Channel Expo in Birmingham, Computer Reseller News brought together figures from both traditions to discuss the key issues.

Taking part in the debate were:

Bob Tarzey, alliances services director at Quocirca. Andrew Kelly, chief executive at Antiki (the telecoms server business of the Crane Group). Sandy Fitzpatrick, director and senior analyst at Canalys Converged Telephony. Adrian Marsh, director EMEA channel strategy at Nortel Networks. Manny Pinon, sales and marketing director at Norwood Adam. Keith Humphries, EuroLAN Research:

KH: Can the panel explain why voice resellers regard distributors as true partners while data resellers view distributors as a necessary evil?

Pinon: I wouldn't say that relationships in the voice channel were any better. I agree with your statement about data and, predominantly, that's down to the fact that the market is fast-moving. Data distributors, resellers and systems integrators have to move very quickly, so there is always going to be a transient kind of market with the data community. But to put it in those black and white terms is probably a bit unfair.

Kelly: I don't think it's about IP versus time-division multiplexing (TDM). The issue is fundamentally between open and proprietary systems. With voice, you tend to rely much more heavily on people who have knowledge of that particular product than in the data industry. I believe open-architecture communications are going to take over. Who wins the business? Whoever goes open.

Marsh: There has perhaps been more margin and value add from some of the voice distributors in the past. As we move more into voice over IP it is becoming a more standardised and open market, and we are trying to capture the best of both worlds.

CRN: Sandy Fitzpatrick, you said in your presentation that it might take 10 years to make the transition to a completely converged market. But if open architectures are going to win out, we will be forced to change much faster won't we?

Fitzpatrick: I think we underestimate the time it takes for markets to change. Even if there is a new technology, that doesn't mean the rest of the market is going to jump on the bandwagon and start selling converged solutions.

Culture takes a while to change and there are an awful lot of traditional voice resellers out there who have for years built expertise in systems and selling them.

They are still going to want to sell those products as long as they are available. The market is going to shift but it's not going to be a quick transition.

CRN: Bob Tarzey, in the research you've conducted, did you find any evidence of this difference in attitudes between voice and data resellers?

Tarzey: There may be some truth in what Keith says. One thing we did find is that distributors are starting to look at each others' reseller bases as a way to build up the skills base within their own channels.

CRN: Keith, you are convinced that at the moment there is this true partnership in voice channels that isn't there with data. What about in the converged space, where there are people who have both sets of skills?

Humphries: That's what they tell us. In the converged space, there are converged resellers who are still having to choose which distributor to buy from. And as far as we know, at the moment there is no converged distributor.

Fitzpatrick: Voice channels are a bit less mature than the data channels because traditionally the voice vendors were selling direct, and they have only started moving towards indirect channels in the past two years. It's going to take them a while to catch up.

<http://crn.vnunet.com/News/1140166>

Push-pull strategy gets results at Allied Telesyn By Karl Flinders [11-04-2003] Networking vendor says new 'push-pull' channel strategy is starting to reap rewards

Networking vendor Allied Telesyn admits that it previously could have been more active in the UK channel, but said its new 'push-pull' strategy is starting to pay off. The company has signed over 600 resellers to its UK partner programme since its launch in July 2002.

Adrian Hurel, UK head at Allied, said: "In the past we focused purely on distribution to push products into the channel without working directly with resellers or creating demand.

"But now we work with resellers and distributors, and do demand creation with our 'pull' model. We see the UK as the biggest possible market in EMEA and we are focusing more on pulling business through the market."

Allied works with a total of 4,500 resellers through its distributors Micro Peripherals, Open-PSL, Acal and Computer 2000. Last week it opened a new UK office in Reading to deal with additional support and sales.

Hurel said that UK sales for the first quarter of this year were 50 per cent higher than the same period in 2002.

But Keith Humphreys, an analyst at EuroLAN Research, insisted that the vendor still has work to do on improving its brand in the UK.

"Allied still ducks under the radar and I am sure its reseller partners would appreciate more direct marketing from it," he said.

But he added: "It has a focused channel strategy and its product offering is good, with a viable alternative to companies such as 3Com."

Allied is also actively pushing its chip and Pin technology that offers the retail sector a router and software for secure credit card transactions.

Retail chain Co-op has recently bought 1,000 of these products through reseller Interconnect.

<http://crn.vnunet.com/News/1139148>

Cisco to axe UK support centre By Karl Flinders [03-03-2003] Redundancy for 40 staff as work is transferred overseas

About 40 workers are to lose their jobs when Cisco closes its UK-based Technical Assistance Centre (TAC) this summer to transfer the workload overseas. Cisco outsources telephone support and remote fixes to Milton Keynes-based Getronics, where Cisco-accredited support engineers deal with technical issues for resellers and end-users.

Sources said Getronics engineers were told late in January that the unit would be closed in stages and shut down completely in July.

"Cisco is taking its services offshore and unfortunately Getronics engineers are involved in the redundancies," a spokeswoman at Getronics confirmed to vnunet.com.

Cisco would not say where the TAC will be relocated, but one possible location is Brussels.

However, others believe the work could be moved to Mexico and the Philippines, after Getronics was massively undercut by a competitor. "Getronics charges \$120 [£76] per case closure but Cisco has been offered \$20," said a source.

Cisco would not comment on the potential cost savings.

Keith Humphreys, analyst at EuroLAN Research, said a move to Brussels would be more logical. He questioned how Cisco would maintain its "follow the sun" support capacity if it moved the resources out of Europe.

With support centres in Europe and Australia Cisco does not suffer from time difference and is able to deal with calls 24 hours a day.

"When resellers or customers call the TAC they are dealt with straight away, so if it moves support out of Europe how will Cisco do it?" Humphreys said.

<http://crn.vnunet.com/News/1138826>

Tech Data: Azlan 'still rival' By Sara Yirrell Karl Flinders [17-02-2003] US distributor claims 'business as usual' until acquisition is finalised

Tech Data has claimed it will be "business as usual" until its acquisition of UK networking distributor Azlan is finalised. Last week the US distributor and its UK division, Computer 2000 (C2000), made an offer of £139.6m for Azlan, which is still subject to approval from its shareholders.

Graeme Watt, president of operations at Tech Data Europe, said the firms will still be classed as rivals until the deal is completed on 31 March.

"There are a number of things about Azlan that set it apart from its competitors, such as its product offering, training and technical support and its specialised salesforce," he said.

The Azlan brand will give Tech Data a competitive advantage, Watt claimed.

He added that Tech Data intends to "preserve and build on brand equity". This will also be C2000's first venture into the training side of business, he said.

Watt added that Tech Data values Azlan's engagement with its resellers and "wishes those relationships to continue from strength to strength".

He said: "We want to get into the high-end marketplace across Europe and we think this acquisition will help us achieve this."

The news has come as no surprise to industry players.

Peter Harkin, group marketing director at distributor and training specialist Crane Telecommunications, said: "We have predicted this consolidation for some time.

"We have seen that the large distribution players struggle to maintain the entrepreneurial organic growth of their early years. Acquisition is their easiest route to growth and new technology skills."

However, EuroLAN analyst Keith Humphreys said the brands should be kept separate.

"If Tech Data keeps C2000 and Azlan autonomous but merges the networking aspects it will benefit both companies," he said. He added that the deal will benefit Cisco, a partner of both distributors.

Azlan also has a strong security business, supplying products from vendors such as RSA. Steve Wheeler, UK sales manager at RSA, said he hoped the Azlan value-add business would be kept separate from the C2000 broadline distribution.

<http://crn.vnunet.com/News/1138633>

Azlan given new life by Tech Data (UK) By Karl Flinders [10-02-2003] Acquisition will safeguard networking distributor's future

Tech Data (UK) is to buy networking distributor Azlan in a £139.6m deal which Azlan hopes will protect it in an uncertain market. The distributor said that its value-add networking business had been successful in the light of tough economic conditions, but that acquisition by Tech Data (UK) would safeguard its future.

Azlan chairman Barrie Morgans said that in an uncertain market the best place for Azlan would be as part of a bigger business.

"With the uncertainty of the timing of any upturn and the trend towards more globalised competition we believe Azlan and its employees will benefit from being part of a larger global IT business," he said in a statement. As a European value-add distributor, Azlan's portfolio is complementary to Tech Data's activity on the continent.

Steven A. Raymund, chairman and chief executive of Tech Data, said: "Azlan represents an ideal strategic match for our European operations. "Our respective business models are highly complementary yet distinct in terms of product focus areas, customer bases, distribution capabilities and overall service offerings."

EuroLAN analyst Keith Humphreys predicted that the move will create a strong Cisco business if it goes through, but warned that the brands should be kept separate.

"If Tech Data keeps C2000 and Azlan autonomous but merges the networking aspects it will benefit both companies," he said.

The deal will also be good for Cisco, which is a partner of both distributors, and will lower its costs further, Humphreys added.

"This can only help Cisco because the combination of two of its distribution partners will bring its costs down further."

<http://crn.vnunet.com/News/1138605>

3Com restructures global marketing By Karl Flinders [10-02-2003] Field marketing, products and solutions to come under a single umbrella

Networking giant 3Com is restructuring its marketing operations into a single global organisation. The move will see the field marketing department merged with the product and solutions marketing department.

Karen Oddey, vice president of field marketing, has been made redundant and is leaving the company after 11 years. Oddey joined as part of 3Com's acquisition of BICC Data Networks in 1992.

Dave Zwicker, formerly vice president of the products and solutions marketing division, will head the new global organisation.

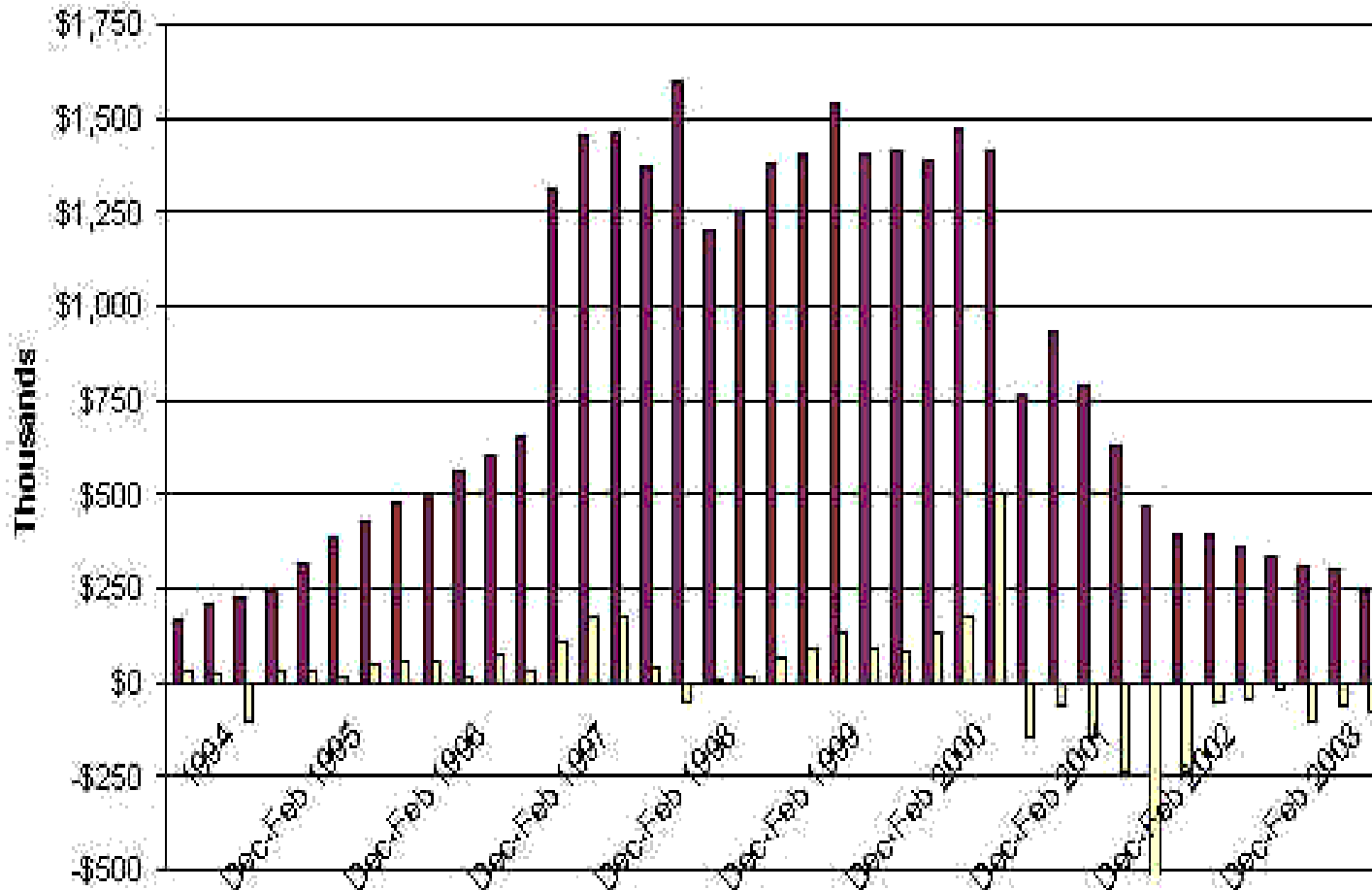
"We decided it would be better putting it all together to help us maintain a strong brand in the market," said Sandra van Vreedendaal, director of international communications at 3Com.

She stressed that the restructuring will have no effect on UK staffing levels, and said that the UK operation is hiring again.

"In the last six months we have hired 13 new people in the UK, and have openings for another four," said van Vreedendaal.

Since 2000 3Com has undergone major restructuring with over 6,000 redundancies including two UK country managers.

3Com Quarterly Results



Keith Humphreys, an analyst at EuroLAN Research, explained that 3Com has had a rollercoaster ride over the past 10 years.

"After its revenues peaked in 1997 the vendor is at the same level as when it acquired US Robotics," he said.

Adrian Hurel, 3Com's former UK country manager, and now head of Allied Telesyn's European sales operation, maintained that the current climate is forcing all companies to restructure.

"This is not a surprise because there is a lot of change in the marketplace and companies have to move with these changes," he said.

<http://crn.vnunet.com/News/1138281>

Cisco launches public-access specialisation By Karl Flinders [27-01-2003] Networking giant to offer resellers training, products and support

Cisco has introduced a new programme for resellers bidding to increase their sales in the wireless public-access market. The networking giant's Public Access Specialisation is for value-add resellers (VARs) focused on the planning, design and implementation of equipment for high-speed access in public areas. Cisco will offer training, products and support.

Paul Salmon, Cisco's director of technical operations, channels and alliances, said: "This will help partners differentiate themselves, pursue new markets and migrate to higher-margin sales."

Greg Carlow, managing director of VAR Repton Computers, said Cisco specialisations were expensive but that one big deal resulting from the investment would pay for it 10 times over.

"Cisco is always looking at new areas, and this is logical," he said. "We have not seen a stampede among our customers for public-access technology; this is about the future. Customers are still reducing their spending."

But Keith Humphreys, analyst at EuroLAN Research, suggested that wireless hotspots will take off in certain environments only if the method of charging customers is resolved.

"I think hotspots will be pervasive only in places where people spend time, such as hotels and airports," he said. "This will only work if it is on a pay-as-you-go model."

<http://crn.vnunet.com/News/1137816>

BT continues channel charm offensive By Karl Flinders [06-01-2003] 250 SME customers transferred to indirect sales arm in December

BT Indirect Channels (BTIC) transferred 250 small and medium size enterprise (SME) BT Direct customers to its indirect sales arm last month, as it continues to push the advantages of indirect sales and support. The move follows a similar decision just weeks earlier, when it migrated 44 corporate customers from BT direct to BTIC.

The 250 customers were previously supplied and managed directly by BT, but the company has emphasised the advantage of the indirect model going forward.

"We have found that partners are an extremely effective way of managing accounts because they offer local contacts and the solutions customers want," said Chris Jagusz, head of business development at BTIC.

Smart Connections and distributor Rocom are two of the companies set to receive the customers.

Keith Humphreys, analyst at EuroLAN Research, said this was a good move for BT, with positive repercussions for the channel.

"This is a good business decision for BT because customers get to see a reseller in person rather than just a name that you cannot always get through to. For resellers if they are the first person called by the customer they can get into deals early," he said.

<http://crn.vnunet.com/News/1137835>

BT Indirect Channels continues to push advantages of indirect sales and support

BT Indirect Channels (BTIC) has transferred 250 of its SME customers from its direct to its indirect sales division as it continues to push the advantages of indirect sales and support. This follows a similar move last year when it migrated 44 corporate customers from BT direct to BTIC.

The 250 customers were previously supplied and managed directly by BT, but the company spent the end of last year attempting to build bridges and advocating the benefits of the channel (CRN, 16 December).

"We have transferred these customers because we have found that partners are an extremely effective way of managing accounts. They offer the local contacts and the solutions that customers want," said Chris Jagucz, head of business development at BTIC.

Smart Connections and distributor Rocom are two of the companies set to receive business from the SME customers.

Keith Humphreys, an analyst at EuroLAN Research, said this is a good move for BT and it has positive repercussions for the channel.

"This is a good business decision for BT because customers get to see a reseller in person rather than just a name that you cannot always get through to," he said.

"For resellers, if they are the first contact the customer calls then they can get into deals early."

Clive Longbottom, service director at Quocirca, agreed. "SMEs are too expensive for BT to look after directly in this market and it does not understand them," he said.

Longbottom added that BT is better off going indirect and giving the relationship to the channel.

"This lets the channel deal with often angry customers while allowing BT to keep its ostrich act going," he said. "If I were in the channel I'd be knocking hard on BTIC's door trying to get a slice of the action."



<http://www.computerweekly.com/articles/article.asp?liArticleID=126460&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1>

Mitel hopes ROI 'calculator' will boost sales [17 November 2003]

Mitel is aiming to boost its market share with the launch of a tool to help customers work out potential ROI from VoIP investments

The vendor is in the process of briefing the channel about the tool and Terry Hughes, Mitel director of solutions marketing, said the idea was to enable users to justify the cost of IP-based products.

He pointed out that in many cases customers were taking proposals to their chief financial officers and were under pressure to justify new technology.

On the back of this, Mitel has decided to create a business exploration tool which the channel can take into customer environments.

"The tool helps users that are considering investment in VoIP to look at the requirements for the technology and create a cost and ROI projection, making it easier to justify," Hughes said.

EuroLAN managing consultant Keith Humphries said any tool which helped resellers gain a competitive advantage and made it easier for customers to reach a decision had to be positive.

But he warned users were unlikely to just consider one vendor and despite the Mitel tool would seek further quotes for VoIP installations.

Nokia touts mobile-only business telephony By Ian Lynch [03-11-2003] Cheaper to rip out landlines and use mobile networks instead, suggests operator

Experts have poured scorn on claims by Nokia that firms would find it cheaper to rip out their landlines and use mobile networks instead. At the Nokia Mobile Internet Conference 2003 in Nice last week, the company claimed that analysis of the hidden cost of 'free' PBX internal calls would show that these calls actually cost around €1 (69p) a minute.

By removing dual infrastructure of fixed and mobile, which can involve expensive internal calls, companies could make savings of up to 25 per cent, Nokia said.

"What we're saying to IT managers is analyse the cost of your PBX, stop thinking of it as part of the building," Mikko Seppäläinen, head of mobile business voice at Nokia Networks, told vnunet.com.

Seppäläinen said a study conducted with consulting and managed services firm Bearing Point found that when mobile penetration in a firm reaches 60 to 70 per cent it becomes cheaper for the company to rip out their landlines and equip their remaining staff with mobile handsets.

"In the most mature markets, mobile operators already have the required network capacity, voice quality and PBX-like features in their networks," he said, adding that 3G would increase capacity fivefold.

But Seppäläinen admitted that quality of service might not be good enough in London, and that no UK operators had yet bought Nokia's Mobile Business Voice product, designed to enable operators to offer this service.

A similar product from Ericsson, the MM10, has yet to grab the imagination of UK businesses and Voice over IP (VoIP) may offer better cost savings, experts said.

"I accept the dual infrastructure argument would make some savings, but carriers like BT are offering exceptional deals at the moment and I can't see how mobile to mobile could be cheaper than fixed to fixed," said Keith Humphreys, managing consultant at EuroLAN Research.

"Nobody in their right mind is looking at going to mobile-only, apart from maybe the last leg," said Brian Johnson, managing director at Now Distribution. "VoIP is where the services are."

Humphreys added that a better idea would be Wi-Fi-enabled mobile handsets that combined with VoIP networks.

Although no details have been publicly discussed, Nokia is to integrate Wi-Fi into its next generation of phones but will enable data only, sources said.

Sun blades await cutting edge Alan Stevens, IT Week [28-02-2003]

Billing it as its most significant product launch for years, Sun Microsystems last month released its long-awaited Sun Fire blade-server platform and N1 software - a server virtualisation tool. However, neither release quite merited the hype.

On the plus side, Sun opted to support both its own UltraSparc processors and Intel x86 chips on the new blades. As a result, Sun said it was the first to offer 64bit blade servers. Sun also hedged its bets with industry-standard x86 blades running a choice of either Solaris or Linux operating systems. The two blade types can be mixed together in the same Intelligent Shelf, a 6U rack-mount chassis capable of accommodating up to 16 blades.

The Intelligent Shelf can also accommodate so-called speciality blades. These single-purpose servers can be optimised for applications such as load-balancing and SSL encryption acceleration. According to Keith Humphreys, senior consultant at analyst firm EuroLan Research, this is what really makes the Sun blade platform stand out.

"Sun is a late entrant into the blade marketplace," said Humphreys. "But that market has yet to mature and the ability to plug in specialist application blades will enable the company to position itself well against rivals such as HP and IBM."

This is just as well because although Sun previewed dual-processor blades at the launch, only single processor products were released. No date was given for the introduction of the multiprocessor blades. Sun explained itself by saying that blades are mainly aimed at the lower end of the server market where support for symmetrical multiprocessing (SMP) is not a major requirement. This is an unusual stance given that rivals Fujitsu-Siemens, HP and IBM all released two-way blades last year, and HP added four-way products to its portfolio last month.

Unusually, Sun made no mention of storage area network (SAN) connectivity, though it is being promoted by the likes of HP and IBM. However, Sun did release a new network-attached storage (NAS) server to provide its blades with external storage. Sun's N1 virtualisation solution also did not turn out to be quite as comprehensive as some expected.

The idea behind N1 is to create a browser-based platform from which to configure and manage multiple servers together as a single virtual system.

However, the only N1 product released so far is a package for operating system provisioning - the N1 Provisioning Server 3.0 Blades Edition. This appears very straightforward and easy to use, enabling Unix, Linux and Windows servers to be configured and brought quickly online using disk imaging techniques and a remote browser-based console. However, as Humphreys pointed out, it is a far from unique solution.

"Other server manufacturers offer similar provisioning packages already," he noted. "It's also far from clear how other Sun tools, such as server monitoring applications and, more importantly, its grid computing engine, will integrate into the N1 platform to support the virtualisation features being claimed."

Indeed the overall impression, after the launch, is of a company trying to catch up with its rivals when, according to Humphreys, what it really needs to do is "leapfrog the other vendors with a better offering". He argued that Sun has the technical ability to do this, with a number of powerful new processors and other hardware developments in the pipeline, but these were not included in February's launch.

However, Sun did say it intends to refresh and update its technology every quarter and it is continuing to pump cash into both hardware and software development. In which case it may be saving some bigger announcements for a later date.



Cisco set to change TAC By Karl Flinders [03-03-2003] Closure for UK Technical Assistance Centre will bring 40 redundancies

Cisco is closing its UK Technical Assistance Centre (TAC) and transferring the workload overseas, resulting in 40 redundancies. Cisco outsources telephone support to Milton Keynes-based Getronics, where Cisco-accredited support engineers deal with technical issues for resellers.

Getronics engineers were told in late January that the unit would be closed in July. "Cisco is taking its services offshore and Getronics engineers are involved in the redundancies," a representative of the firm said.

Cisco would not say where the TAC will be relocated to but Nick Watson, head of unified channels at Cisco UK, said it did not matter where the TACs are based. "It's the quality of service that counts," he said.

But Keith Humphreys, an analyst at EuroLAN Research, questioned Cisco's ability to maintain 24-hour support capacity if it moves the resources out of Europe.

He said: "When resellers call the TAC they are dealt with straight away. But if it moves support out of Europe, how will Cisco do it?"



<http://www.computerweekly.com/articles/article.asp?liArticleID=126741&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1>

3Com boasts full product offering [24 November 2003] by Simon Quicke

3Com has indicated that it hopes to attract dealers looking for an alternative to its rivals by offering an extended product range following its tie-up with Huawei

The vendor previously enjoyed an OEM relationship, with the availability of some products, but can now offer a range of enterprise switches and routers.

"3Com is now able to offer a complete product range and that is good for customers and the channel. Resellers now have an alternative to our rivals and 3Com is able to reward them with better margins," said a spokeswoman.

Keith Humphries, consultant at Eurolan Research, said the search would continue for an alternative to Cisco, but 3Com had strengthened its position with the Huawei joint relationship.

"The market is still waiting for a credible alternative to Cisco and I don't think 3Com, even with the joint venture, is providing it yet. It has got the opportunity but needs to execute it well," he said.

<http://www.computerweekly.com/articles/article.asp?liArticleID=126297&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1>

Pryor-Jones takes over as Bertram exits Azlan [10 November 2003] by Dominic Hall

Tech Data's European operation is to undergo further senior management changes after Azlan CEO Peter Bertram announced his retirement

Bertram, who has occupied the top spot at Azlan since 1998, had been driving the integration process with Tech Data since his company was acquired in February, and is to be replaced by Richard Pryor-Jones.

Pryor-Jones was previously European operations director at Azlan and has also held UK sales director and managing director positions at the distributor.

At the same time, Tech Data chairman and CEO Steve Raymund has said it might be a year before the distributor appoints a permanent replacement for European president Graeme Watt whose bombshell departure from the company was announced last month (see MicroScope, 13 October).

Raymund revealed the group's president of worldwide operations, Nestor Cano — who has established a base in Barcelona in order to oversee operations in Europe — would eventually move back to the US once a permanent replacement had been identified.

"Nestor is going to be based in Barcelona, but it is his intention to return to [Tech Data in] the US. Eventually, we will recruit from inside or outside [the company], but we're in no hurry to do so — it could take a year," he said.

Raymund added he did not expect Tech Data's European operations "to miss a beat" during the current management upheavals.

Eurolan analyst Keith Humphries said he believed Pryor-Jones was "the right man for the job".

<http://www.computerweekly.com/articles/article.asp?liArticleID=126309&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Datatec blames losses on tough markets

South African networking giant Datatec has blamed a \$6.2m (£3.7m) year-on-year widening of pre-tax losses on a decline in margins and tough trading conditions

The company, which owns distributors Westcon and Comstor, as well as the recently rebranded integrator Logicalis, reported the losses as part

of its interim results for the period to 31 August.

The group, which reported its results for the first time in US dollars rather than South African rands, also posted a ten per cent rise in revenues over the past 12 months to \$1.1bn and highlighted a 44 per cent year-on-year decline in operating profits from \$18m to \$10m.

Westcon and Comstor jointly generated an eight per cent increase in revenues to \$860m.

The company highlighted that both divisions were feeling the effects of margin erosion, particularly in terms of Cisco business, which made up 53 per cent of the Westcon group's total revenues.

Logicalis increased revenues by 14 per cent to \$187m, but was hit by the perennial services-related problem of staff under-utilisation.

Datatec CEO Jens Montanana said the group was suffering because of "lower margins in the industry as a consequence of difficult conditions in the sector".

"We're still managing the group in line with conditions by keeping costs in line with revenue, focusing on generating and maintaining cash, and disposing of loss-making or non-core operations," he said.

EuroLAN consultant Keith Humphries said the reduction in operating profits would have been caused by poor trading conditions and added the group needed to concentrate on integrating its European purchases.

"It's still having problems integrating Landis in places like France and Germany," he claimed.

[http://www.computerweekly.com/articles/article.asp?
liArticleID=126071&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1](http://www.computerweekly.com/articles/article.asp?liArticleID=126071&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1)

Enterasys cuts 116 jobs in pursuit of indirect model [3 November 2003] by Dominic Hall

Enterasys has made 116 staff redundant across EMEA, including regional vice-president for Northern Europe Paul Taylor and French general manager Pierre Goyeneix

The lay-offs come as the networking vendor looks to sell a greater proportion of its products through an indirect model and reduce direct sales to enterprise customers.

Speaking to MicroScope, Enterasys Northern European sales director Kevin Roberts said the redundancies were connected to cost-cutting, efficiency and shareholder value: "As we've moved to a more indirect model and look to manage revenue per head in line with our competitors, we have reduced headcount where appropriate."

He added the vendor was moving management down to a country-level basis which "negated the need" for a regional vice-president.

Roberts said the 116 EMEA job cuts had "little effect" in the UK and Ireland and Enterasys was recruiting direct touch sales staff. "These redundancies have come over a four-and-a-half-month period and we have no expectations to do anything similar in the fourth or first quarters," he added.

EuroLAN research consultant Keith Humphries said Enterasys was "struggling a little bit" but the vendor had "just as good a chance as anyone else" of presenting a strong challenge to Cisco.

The networking vendor's third quarter results for the three months to 27 September showed net revenues of \$98.4m (£58.2m), compared with \$108.4m for the second quarter of 2003. Net losses for the quarter were \$56.1m.

<http://www.computerweekly.com/articles/article.asp?liArticleID=125898&liArticleTypeID=1&liCategoryID=2&liChannelID=35&liFlavourID=2&sSearch=&nPage=1>

Avaya revises rewards [27 October 2003] by Dominic Hall

Avaya has re-examined its channel partner programme and claims to have come up with a way of rewarding both resellers investing in training and those delivering revenue growth

The company has also overhauled the way resellers are rewarded through marketing development funding — a process it has now centralised through a new channel offering called the Avaya Marketing Fund.

The programme is built around the use of a set of matrices which allows resellers to directly correlate training and revenue with marketing dollars and discounts.

Speaking to MicroScope from the company's partner conference in Barcelona last week, Avaya EMEA channel marketing and development managing director Dave Payette said the programme shake-up was designed to encourage all levels of partner to increase business.

Payette said partners investing in training would receive Avaya marketing funds connected to the level of certification achieved, but he insisted the company was not forcing partners to pay for training courses against their will. "There is no forcing partners to train — that is why we have introduced a business volume allowance, and to earn that, you don't even need to be certified," he said.

But Riordan Maynard, CEO of Avaya partner Touchbase, believed the inclusion of bene-fits for non-certified partners devalued the programme "a bit", but suggested Avaya customers were looking for more than product fulfilment.

"It's all to do with the drivers behind gaining accreditation — if you want to truly deliver better quality it's the way to go. If the only driver to accreditation is margin, you're on a sticky wicket," he said.

EuroLAN analyst Keith Humphries believed the new programme was "over-engineered" and needed "too much explaining to resellers".

<http://www.computerweekly.com/articles/article.asp?liArticleID=125409&liArticleTypeID=1&liCategoryID=2&liChannelID=39&liFlavourID=2&sSearch=&nPage=1>

VanguardMS seeks CCTV dealers in surveillance push [6 October 2003] by Paul Kunert

VanguardMS, traditionally a networking component manufacturer, is looking for 15 specialist CCTV resellers to push its IP surveillance product after a year of disappointing direct sales in the UK.

The vendor's history lies in producing modems and routers, but last year it launched the Remote-VU Guardian, a network CCTV product.

Mike Smith, VanguardMS pre-sales manager, said the product had "not gone as well" in the UK as the US, because the firm's expertise lay in networking and it had aimed the product at the wrong market: "We are looking for resellers with expertise in CCTV which understand where the business is going."

Keith Humphreys, managing consultant at EuroLAN Research, said resellers with CCTV skills could get involved in IP surveillance but would need to make contacts in different parts of organisations.

<http://www.computerweekly.com/articles/article.asp?liArticleID=124177&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Westcon promotes directors to European roles [19 August 03] by Dominic Hall

A top-level reorganisation at networking and convergence distributor Westcon has seen the company's UK managing director and financial director elevated to new European roles.

The reorganisation comes as Westcon places its European operations under the control of the Westcon Group European Operations (WCGO) unit — a new division designed to centralise European marketing, financial and logistics services for Westcon and Comstor.

As part of the reshuffle, Comstor UK managing director Simon Minett and UK financial director Steven Bowers will be promoted to vice-president of operations and financial director of WCGO respectively.

Comstor marketing manager Paul Cunningham told MicroScope the changes had been carried out to drive efficiency in Westcon's European operations.

He insisted the changes at the company would not have adverse affects on resellers and would not involve the centralisation of any logistics facilities.

"We still have warehouses in the UK and the same ones we have always had in places like Germany and Holland," Cunningham said.

EuroLAN analyst Keith Humphries argued Minett would have a tough job bringing the European operations of Westcon, Comstor and the recently acquired Landis business under a single umbrella.

"Westcon's model works in the US and the UK, but has problems in the rest of Europe — if you phone its operations in France, it still answers as Landis.

"Minett has done a good job on the operations side of Comstor and he needs to integrate the rest of Europe," he said.

<http://www.computerweekly.com/articles/article.asp?liArticleID=123499&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Juniper thanks broadband for rise in net profits [22 July 2003] by Dominic Hall

High-end switching specialist Juniper is continuing to gain market share and has surprised investors and analysts after reporting a year-on-year doubling of net profits.

The company, which still maintains a single tier direct to reseller channel model, posted net income for the second quarter of \$13.6m (£8.4m), compared with \$6.2m for the same period last year. Revenue at the company rose by 34 per cent to \$322m, compared with \$239m last year.

According to recent Gartner figures, the vendor has taken market share away from Cisco in the service provider and router market and boosted its edge segment product shipments by 12 per cent over the previous year.

In a statement, Juniper chairman and CEO Scott Kriens attributed the company's recent success to changes in the networking and telecoms markets. "We continue to be encouraged by the broadband momentum around the world [and] the sound financial footing of the company in the market," he said.

But Juniper seemed less confident about the future, delivering a flat forecast connected to ongoing market weakness in Europe, the Middle East and Africa.

EuroLAN consultant Keith Humphreys said Juniper's results were healthy. "The roll-out of broadband is helping Juniper in the network infrastructure [market]. A gross margin of over 62 per cent, while maintaining the industry's highest research and development spend as a percentage of sales, is also healthy," he claimed.

Juniper has refused to go down the two-tier distribution path, preferring to sell direct to large systems integrators and networking resellers, including Telindus, Ericsson and Di-Data.

<http://www.computerweekly.com/articles/article.asp?liArticleID=123401&liArticleTypeID=1&liCategoryID=2&liChannelID=133&liFlavourID=2&sSearch=&nPage=1>

Netgear beefs up switch portfolio [15/07/03] by Dominic Hall

Netgear is increasing its push into the SME market and exploiting small company reluctance to buy more expensive layer-one products through the launch of a layer-three gigabit switch.

The vendor, which held nine per cent of the worldwide Ethernet port market last year, according to recent Gartner research, has until now mainly targeted the home networking, SoHo and SME markets. But with a global push behind the GSM7324, the vendor claims to have "stepped up" the networking capabilities of its small and medium-sized business products.

David Soares, UK and Ireland general manager at Netgear, told MicroScope the company's target market was organisations with up to 250 PC users. He said the vendor's products were becoming more widely used in the corporate environment as cost issues moved higher up the agenda for users and resellers.

"I suspect corporates will invest in this switch as a cost-effective alternative to the incumbent products. I also suspect corporate VARs will use it as a way of making more margin on the layer-three solutions they provide," Soares commented.

Greg Walton, managing director of Netgear dealer Broadband Store, said 30 per cent of the company's revenues were made up from Netgear sales and small businesses were being forced to look at alternatives to layer-one products. "People avoid Cisco because of the price, Netgear is a

third cheaper," he added.

David Ball, technical director at Devon-based network reseller EuroComp, claimed the firm's historical links with Bay Networks meant a trickle down of top-layer functionality. He said it could be hard to get SME and corporate users interested in alternatives to Cisco, but Netgear was very attractive because of price.

Keith Humphreys, consultant at EuroLAN Research, argued Netgear had built up strong presence with mail-order dealers such as Insight and PC World Business, but was less successful with small corporate resellers targeting SMEs: "You would have to be a brave IT manager to recommend a mix and match approach using Netgear."

But Humphreys added Cisco's recent acquisition of Linksys echoed Bay's purchase of Netgear five years ago.

<http://www.computerweekly.com/articles/article.asp?liArticleID=122182&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Channel 'will suffer' from Cisco and BT partnership [17/06/03] by Christopher Walton

The expansion of a long-standing relationship between BT and Cisco could leave resellers with less product to sell and have a severe impact on Nortel and Avaya.

Cisco and BT signed a letter of intent to commit to the development and delivery of converged IP services, including IP VPN, IP telephony and broadband teleworking, but the details behind the deal are yet to be finalised.

Phil Smith, UK and Ireland director of business development at Cisco, revealed the key to the announcement was a convergence of goals between the two parties.

"We are more closely aligned to the delivery of advanced technology. With the letter of intent we will provide mechanisms to cooperate in the way we go to market," he said.

As for where the deal leaves Cisco resellers, Smith stated: "Customers choose how they buy their technology."

Keith Humphreys, consultant at EuroLAN Research, believed Avaya, Nortel and Cisco channel partners would suffer under the deal, which would see the networking giant use BT as an alternative product channel.

"Because BT is becoming more of a channel for Cisco it will take some product away from Cisco resellers, [but] I think it is a great engagement and a great deal as far as Cisco is concerned," he argued.

Tony Bailey, general manager for the BT account at Nortel, insisted "the relationship between [BT and Nortel] is stronger than it has been" and BT had offered a very balanced view on the terms of their partnership.

Alan Scott, sales director at Avaya, stressed that BT was treating its convergence partners — Nortel, Cisco and Avaya — all equally.

<http://www.computerweekly.com/articles/article.asp?>

Datatec keeps networking watchers guessing moves [3/06/03] by Dominic Hall

Datatec, the South Africa-based owner of Westcon, Comstor and Logical, has certainly kept the rumour merchants busy over the past couple of weeks.

Firstly, the company issued a cautionary statement suggesting its share price could be affected by a forthcoming announcement, which analysts and company watchers expect to be a sale or acquisition (see MicroScope, 20 May).

Then, the day after it issued a disappointing set of year-end results, rumours circulated suggesting Datatec was about to sell off its Westcon crown jewels to a prowling broadliner such as Ingram Micro, Tech Data or Actebis.

Of course, all calls to Westcon and Datatec's offices about these subjects have remained unreturned, and probably with good reason. But what is going on at the global networking hybrid?

First off, the results for the year to 28 February were pretty dismal, with Datatec turning in its first ever pre-tax losses of R224m (£16.6m) on flat turnover of R20.2bn.

CEO Jens Montanana highlighted margin issues in its Cisco-focused businesses and said the group was starting to skill up for other technology offerings to act as an alternative to the vendor, which contributes a declining 52 per cent of its overall revenues.

"This is our first headline loss in the company's 17-year history. We are not expecting that to continue and we expect [it to] bounce back in the first half of this financial year. Actions have been taken in all divisions in response to the continuing downturn," he said.

Looking at the structure of the group's main channel-related activities, Westcon contributed 83 per cent of the group's revenues and recorded an operating profit of R206m, while Logical lost R64m on R3bn revenues. Considering this, it is hard to see where talk of selling Westcon, essentially the company's main money spinner, has come from.

The wrong conclusion? John Poluta, an IT analyst based at JP Morgan's offices in Johannesburg and a long-term watcher of the Datatec group, did not believe a disposal of Westcon made sense. "The wholesale business is half of what it does. Cisco has three distributors worldwide and doesn't want just two. There is slim potential for a sale of Westcon and Comstor," he said.

Poluta instead believed a more likely option would be a break-up of the group in the form of a disposal of loss-making Logical. "Logical operates in half of the business in North America, the UK and Australia, but has been a real burden on the group for the past four years.

"It is an immature operation with no value — the best way forwards in terms of unlocking value would be to sell Logical in portions, or all of it," he claimed.

Poluta added suitors for the Logical business would be few and far between, but suggested IBM Global Services would "snap it up" if the opportunity arose.

He also suggested the Datatec group's future may lay outside of South Africa. The country's ailing economy and Datatec's weak ties to a region where less than five per cent of its assets are based point to a future where Datatec lists on another stock exchange.

"Westcon is a US business and, whether or not it is listable at a reasonable price anywhere else, it should de-list from the Johannesburg Stock Exchange," Poluta said.

EuroLAN consultant Keith Humphries also dismissed any suggestion that Westcon could be sold to a broadliner, suggesting a more likely outcome could be a flotation of Logical on a European or UK stock exchange and a reversal of the Westcon business into that. Jens Montanana is so closely tied to Logical that I can't see him wanting to get rid of it," he said.

Either way, the cautionary statement issued by Datatec has yet to be explained. JP Morgan's Poluta says the company has around three weeks before it needs to issue a follow-up statement and suggests that, whatever the content, Datatec looks on the brink of change.

<http://www.computerweekly.com/articles/article.asp?liArticleID=121926&liArticleTypeID=1&liCategoryID=2&liChannelID=18&liFlavourID=2&sSearch=&nPage=1>

Datatec delivers cryptic share message [20/05/03] by Dominic Hall

The parent of distributors Comstor and Westcon and reseller Logical has raised speculation of a reshuffle following a "cautionary announcement" to the South African stock exchange.

The statement said Datatec had "entered into discussions that, if successfully concluded, may have an effect on the price [of] the company's shares".

The group issued a similar statement last year prior to its shock European Landis buy (see MicroScope, 29 January 2002). Keith Humphries, consultant at EuroLAN Research, said Datatec was in a position to make either an acquisition or carry out a sale.

"It is a diverse group with a systems integrator, a distributor and a call centre operation, so it could be split up," he added.

Datatec is due to issue results for the 11 months to 28 February 2002 on 21 May.

A Datatec spokesman declined to add anything to the company's official statement.

<http://www.computerweekly.com/articles/article.asp?liArticleID=121934&liArticleTypeID=1&liCategoryID=2&liChannelID=18&liFlavourID=2&sSearch=&nPage=1>

Di Data to focus efforts on returning to profit [20/05/03] by Dominic Hall

Global networking reseller and services group Dimension Data has slipped into the red after reporting interim losses of \$6.3m (£3.9m) before exceptional items.

The losses for the six months to 31 March are in contrast with profits of \$3.5m for the previous six months. Revenues fell from \$1.08bn to \$1.01bn over the period.

Di Data attributed the losses to weakness in the US and Asia, combined with continued weakness in corporate spending.

Speaking to MicroScope, Di Data executive chairman Jeremy Ord said the losses were “disappointing”, but claimed cost-cutting programmes were now complete so the company could focus on returning to profit.

He added that margins in the company’s product division had stabilised and the recent Value Incentive Programme initiatives from Cisco had improved business.

“Cisco makes up 37 per cent of our revenues and 18 per cent of gross margins, and they have stabilised. The company has been listening to the channel,” he said.

Ord added Di Data was finding there were fewer large contracts up for grabs and was looking at smaller contracts to fill the gap.

He expected consolidation to pick up in the reseller and integrator space over the coming year. “We will see [consolidation] hit smaller, regional players and vendors are saying they want to reduce their channels to market,” he said.

Keith Humphries, Eurolan Research consultant, said the overall results for Di Data were “good, given the conditions”.

“It has made good strides to reduce costs. Headcount is down in all geographies except the UK, which gained three per cent of worldwide share sequentially along with mainland Europe,” he added.

<http://www.computerweekly.com/articles/article.asp?liArticleID=121503&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Networking industry results described as ‘encouraging’ [6/05/03] by Dominic Hall

The great and the good of the networking industry gave an indication of the way things are going, following a glut of financial results from US heavyweights.

Kicking things off, Foundry Networks maintained its profitable run for the sixteenth quarter, turning in revenues of \$91.1m (£60.7m) for the first quarter of 2003, compared with \$86.7m in the previous quarter, and \$62.4m in the same period last year. Net income for the 12-week period was \$13.4m, compared with \$10.5m last year.

Lucent’s results for the second quarter were up 16 per cent on the previous quarter, but down 32 per cent year-on-year. The company recorded net losses of \$329m.

Nortel reported a 17 per cent year-on-year fall in revenues to \$2.4bn, with first quarter net earnings of \$54m, compared with net losses of \$841m for the same period last year.

Enterasys filed slightly less positive results, with a 14 per cent year-on-year dip in revenues to \$104.5m. Net losses narrowed from \$30.6m last year to \$14.5m. Enterasys CEO William O’Brien attributed the results to “challenging economic conditions, seasonality and the company’s current product transition”.

Eurolan consultant Keith Humphries said the overall feel of the results was “encouraging” for the wider networking industry.

"They show encouraging signs, but none of them have stuck their necks out and said the future looks good," he added.

<http://www.computerweekly.com/articles/article.asp?liArticleID=121366&liArticleTypeID=1&liCategoryID=2&liChannelID=28&liFlavourID=2&sSearch=&nPage=1>

Madge management step in to buy out UK [29/04/03] by Dominic Hall

Senior management at token ring vendor Madge Networks have bought the company's UK subsidiaries from administrative receivers, after the group's Netherlands-based parent went into the Dutch equivalent of Chapter 11.

Led by CEO and managing director Martin Malina, the MBO team has acquired UK-based Madge Networks and Madge Logistics, and will trade as Madge Limited.

But the new company has not assumed its parent's existing liabilities. A statement issued last week revealed other parts of the Madge group were also likely to seek bankruptcy protection.

A letter to customers posted on Madge's Web site said the new company would be pulling together operations in western Europe, the US, South Africa and Asia-Pacific.

The letter also promised customers and channel partners a "quick and seamless transition to the new company".

Keith Humphries, consultant at EuroLAN Research, said the token ring networking market in which Madge was principally involved had largely been superseded by Ethernet.

He added that the new Madge would find it difficult to succeed unless it shifted its focus to new areas of the market.

<http://www.computerweekly.com/articles/article.asp?liArticleID=121366&liArticleTypeID=1&liCategoryID=2&liChannelID=28&liFlavourID=2&sSearch=&nPage=1>

Microscope - [11/03/03] by Dominic Hall - 3Com and Huawei to challenge Cisco

3Com is poised to launch a fresh assault on the global enterprise networking market following its \$160m (£106.7m) joint venture deal with Chinese manufacturer Huawei.

The deal, which will see 3Com reselling the vendor's networking switches and routers outside of China and Japan, is also likely to have an impact on the UK channel.

In January, Cisco began worldwide legal action against Huawei and its UK-based distribution partner Spot, claiming the vendor had unlawfully copied its source code and infringed patents.

3Com EMEA sales director Buddie Ceronie said the legal situation was "outside the joint venture" and hoped it would be settled as "quickly and amicably as possible".

He was unable to say what would happen to Spot and Huawei's other UK distributor ANS once the partnership had been approved.

"In a country where we have different distributors, we will need to get together with Huawei and ask whether it makes sense to have additional distributors," Ceronie added.

But George Wellings, sales director at Spot, was confident her company would hang on to its Huawei franchise. "Huawei has a 51 per cent share in this joint venture and our agreement will stay in place," she said.

James White, regional marketing director at Allied Telesyn and a recent defector from 3Com, said the deal had raised a number of issues for customers. "They will have concerns: firstly about 3Com's track record with partnerships and technology, and secondly with the legal situation over Huawei products," he said.

EuroLAN analyst Keith Humphries was more positive about the tie-up, claiming it would finally give Cisco a credible challenger.

<http://www.computerweekly.com/articles/article.asp?liArticleID=119232&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=2&sSearch=&nPage=1>

Microscope - [11/03/03] by Dominic Hall - 3Com dumps 'ugly duckling' to refocus

3Com has moved to sharpen its focus on enterprise networking, after agreeing to offload its CommWorks carrier division to US-based wireless, wireline access and IP switching group UTStarcom for \$100m (£71.4m).

The deal, which has been ratified by the boards of both companies, will see UTStarcom, which currently does the majority of its business in China, pick up the assets, intellectual property and patents of the unit.

3Com president and chief executive Bruce Claflin said the disposal of CommWorks would leave the vendor as a "dedicated enterprise network company".

He revealed that 3Com planned to expand its higher end data and voice offerings to enable the company to compete more effectively in the enterprise space, and win over more medium to large-sized customers.

"The proceeds from this sale strengthen an already strong balance sheet, giving us an exceptional financial position with which to fund our ambitions," Claflin said.

From UTStarcom's perspective, the deal will be used to open doors in new markets and address the problems it has encountered with developing new business outside of China.

It will build on CommWork's customer base, which includes BT, Cable & Wireless, France Telecom and Alcatel.

"Acquiring the CommWorks assets will allow UTStarcom to add to its base of tier one customers and accelerate its geographic diversification outside of China," said president and CEO Hong Lu.

"CommWorks will give us access to blue chip customers around the world via its long-term relationships with 17 of the world's top 20 service providers," he added.

Keith Humphries, consultant at networks analyst group EuroLAN Research, said 3Com had been grooming the CommWorks business for a sell-off since merging its BCC and BNC units.

"It was the ugly duckling, so it's not surprising [3Com] has sold it off — it's a sensible thing to do," he claimed.

Microscope - [4-02-2003] by Dominic Hall - Aloha from Huawei: the orient express has crossed Cisco's tracks - Huawei's expansion programme into Germany, Spain, Brazil, Russia and across Asia, could be a spark for Cisco's concerns

If last week's challenge to Huawei from Cisco over alleged copied source code and infringed patents illustrates one thing, it is the perilous state of the networking industry.

For the last couple of years, the networking channel has been characterised by two things: the ruthless dominance of Cisco and the increasingly desperate scramble from its competitors to fill the mysteriously coveted number two spot.

So when Cisco boss John Chambers publicly revealed last year that he believed "the next generation of competitors" included the Chinese networking vendor named in last week's writ, people began to believe he was taking the threat seriously.

Those in the UK networking channel claimed they were not surprised by Cisco's writ, only the unambiguous nature of the allegations and the time it took the vendor to respond to Huawei's threat.

One networking vendor said Cisco was "definitely scared of Huawei and for (it) to worry about (competitors) is an unusual thing".

The manufacturer also noted Huawei's growing international expansion programme, which has seen it set up shop in Germany, Spain, Brazil, Russia and across Asia, as a possible spark for Cisco's concerns.

It is very easy to jump to conclusions about Cisco, especially in matters related to market dominance, but putting the company's legal challenge in context, it is simple to see why it has finally decided to act.

EuroLAN networking analyst Keith Humphreys said Cisco "has to protect its intellectual property" because networking is one of the few areas left in the IT industry where it is vitally important.

But he also identified what has so far been an overlooked aspect of the Cisco versus Huawei story - that the router element of the Chinese vendor's business makes up less than three per cent of overall revenues.

Add to that the recently signed technology partnerships with Intel, Sun Microsystems, Microsoft and BT Exact, and it would seem the Huawei train may be a difficult one to stop as it rolls through Europe and the rest of the world.

<http://www.cw360.com/articles/article.asp?liArticleID=119232&liArticleTypeID=1&liCategoryID=1&liChannelID=7&liFlavourID=1&sSearch=&nPage=1>

Cisco bucks market trend with positive results - [11-02-2003] by Dominic Hall

Despite continuing tough trading conditions, Cisco has released results showing its resilience to the downturn and continued profitability.

The networking giant posted second-quarter results to reveal a 50 per cent year-on-year increase in net income for the quarter to \$991m (£660.6m) on net sales, down two per cent to \$4.7bn.

The vendor retained a strong gross margin position of 70.4 per cent.

"In what is probably the most challenging environment the IT industry has ever faced, we are very pleased with our results," CEO John Chambers said in a statement accompanying the results.

Keith Humphries, networks analyst at Eurolan, said Cisco's ability to control costs in the future might be a "major strength" for the company.

"Chambers stated that he was more optimistic now than in the previous quarter, but cautious due to the geo-political climate, conservative spending attitude of customers, SP budget cuts and weakness of order growth in the US," he added.

Update: Tech Data tables offer for Azlan - [11-02-2003] by Dominic Hall

Networking distributor recommends shareholders approve £140m acquisition bid from global broadband rival.

"I'd imagine Cisco would be pleased about this - it is one less distributor for it to deal with."

Keith Humphries, networks analyst, Eurolan



IP Telephony Out of the Café and Into the Streets

Chair: Jerry Caron

Senior Analyst, Enterprise Telephony - Europe, Current Analysis

Panellists:

Phil Tilley

VP, EMAI Regional Marketing, Alcatel

Thomas Veit

General Manager, Compu-Shack

Paul Rowe

Marketing Manager, Succession IP Telephony Solutions EMEA, Nortel

Thomas van de Velde

Convergence Systems Director, Avaya

Keith Humphreys

Consultant, EuroLAN Research

IP Telephony

Jerry Caron

Hello everybody I'm Jerry Caron with Current Analysis. The topic as Manek alluded to is about IP Telephony. Interestingly unlike a technology that, here we are in 2003, that many technologies that are growing – I think I see the market growing in the 3% range, 2%, maybe 4% range. The reality is that IP Telephony is growing at a much faster pace, probably this year in the 100% range. So we are talking about one of the most lively technology markets going right now.

British Telecom, BT Retail told me that they sold more IP Telephony end points or the phones, before June 2003 than they sold in 2001 and 2002 together. So we are looking at least 100% growth rate from BT. What I have been hearing about my vendor partners, that's relatively true. So it's a pretty real market right now.

Also I want to clarify, we're going to be talking about IP Telephony. We are going to be talking about the end user experience, we're going to be talking about real IP Telephony – not to be confused with voice-over IP in the carrier-core. Not to be confused with voice-over IP even as a trunking mechanism to save toll costs between sites, although we will touch on those issues. We are talking about real IP Telephony as an end user application.

With that I'd like the panel members to introduce themselves, starting left to right and then we'll go from there.

Phil Tilley

Hi, yes I'm Phil Tilley, Vice President for Marketing for region Europe and South for basically Alcatel's fixed networks provisions. So looking at really the whole remit of products and solutions that fit into the fixed market place.

Thomas Veit

Hello. I'm Thomas Veit, I am the Managing Director within Compu-Shack. We have 20 years in the German market, as you may hear from my accent. So I am not a native UK or US speaker. We are since ten years part of the [Incom Micro Group] and I hope I can bring something from a different angle into the discussion here, because we are looking into the reseller space, not the end customer and not from a vendor perspective.

Paul Rowe

Hello, good morning. My name is Paul Rowe, I am working with Nortel Networks, which is a vendor in the IP Telephony stakes. Personally I am responsible for the IP Telephony marketing strategy and solutions for Europe and East Africa.

Thomas van de Velde

Good morning, I'm Thomas van de Velde from Avaya. I am a consultant for IP telephony solutions, developing and evangelising around all of Europe for all kinds of customers.

Keith Humphreys

Good morning, my name is Keith Humphreys, I am a managing consultant with EuroLAN Research. We are a consulting company that helps networking vendors, telecommunication equipment manufacturers optimise their routes to market in Europe.

Jerry Caron

Okay, so lots of different perspectives. Let me start off very quickly before we get some discussions from the panel members by putting up a frame around the discussion. I believe we have another slide? Who is running the slide presentation here?

First off, the European Enterprise Telephony market is finally – and really I do say finally because it has been going on for many, many years. It is in a topic of discussion for much longer than it has been a reality. But now it is at the very beginning of this radical shift from packet to circuit switching.

It still only represents only less than 10% of the overall lines sold in Europe. This is growing very rapidly. One of the reasons is customer concern about IP is waning. There are a lot of Enterprise Network managers felt burned about IP real time communications technologies. They did some investigations and testing and really felt let down, but now the technology has matured in terms of quality and service and what we can actually do with real time voice, video, communications. So we have a situation where applications, the actual benefit is driving demand, not the technology coolness itself which is a good thing. Mathew warned about being too passionate about technology and that lack of passion about the IPness of IP Telephony is actually a very healthy aspect of the market right now.

Effective implementation, however, of this technology is still a problem. We are seeing a lot of cases where companies have experimented with IP Telephony and didn't like the way it worked out. This is not a failing of the technology. The technology works fine. This is a failing of the way it is managed and implemented, and we are going to touch on that, the market's readiness to support the technology.

Finally, there is an inevitability factor. Really pretty soon you will not be able to buy a TDM based digital from any vendors. You might be able to buy a moth-balled system, but all the predominant resources systems are going to packet switching technology, so if nothing else, this is going to drive demand for the technology.

What are some of the market drivers? As I said, systems suppliers are relying on IP Telephony to deliver revenue growth. This itself creates a dynamic. Service providers in Europe – every single one that I have spoken with are developing and looking to deploy, if they haven't deployed already, manager hosted package Telephony services as a way of getting a return on their IP infrastructure investments.

Both data networking resellers and voice oriented resellers and innovators are scrambling for margins and they see IP Telephony services and solutions as a way to get better margins than they are currently getting, so they are all driving this.

The integration of communications with business applications – in other words taking your SAP or whatever customer relationships' system you are using and integrating it with your communications system brings real benefits. So that is driving demand.

Then a general recognition of quality issues such as productivity gains bring ROI faster than just positiveness of converging data and voice networks.

Quickly, the market makers in Europe right now – all the European giants that we all know, Alcatel, Siemens, Ericsson – they are all completely devoted to this technology now. Established competitors in Europe such as Mitel, EADS, Philips (which is in the process of being acquired), Tenovus etc. They are all on board. The North American giants, Avaya and Nortel are coming back and are really emphasising this market as a growth area, so they are mixing it up. Cisco, with its data networking position is obviously looking to leverage that for the Telephony opportunity and as I mentioned, the solutions providers and the service providers.

The key thing here that I want to walk away with, is that IP migration is opening previously closed markets. We used to have fiefdoms in Europe of strength – Siemens, Alcatel, Ericsson etc – they owned their own world. They were locked into customers. IP breaks that down and there is not dominant presence in the European enterprise Telephony market, which is fascinating. It makes for a very dynamic market where everyone has an opportunity to innovate and make a lot of money.

Finally, the philosophy discussion about IP is over and it is being replaced by demand.

So, with that, let me turn it to the panellists and ask a general question. I am going to ask each of them to address this question.

What is the business model? What is the business driver from the customer's perspective for deploying IP Telephony? TDM circuit switch, digital systems work well. They are inexpensive to operate and the end-points are less expensive. So what is the business driver? I will just start left to right.

Phil Tilley

Thanks Jerry. I guess starting and again I am going to take the view of starting again for the service provider's perspective of the business case from the service provider's perspective of going down the IP Telephony route.

I think that really there are four areas that are key to them.

One is, and I think Mathew talked about it earlier in his talk about the convergence issue and again multiple platforms, multiple systems. You have got TDM platforms, you have got the switch data platforms, possibly two or three flavours. I think the desire to come our way with some OPEX savings to reduce that down to one single platform is a key driver there. So that I think that is one driver there.

The other one is very much new services. I think we have seen a huge push now for the push out for broadband services and the roll out of broadband is great, but what is broadband being used for? I think that there is big drive and big push to say having invested heavily in broadband infrastructure, how do put new application services on top of that. I think clearly IP Telephony is one of those that can be incorporated to take advantage of broadband services. So we need to look and see how does that broadband service aspect link in with IP Telephony services and the integration side of it. So I think I will come back to that point in a second.

Obsolescence is obviously the other one, again. We are seeing, and really what we are seeing is a phased approach, a phased roll out of IP Telephony services across Europe is that every network has a different age of network and therefore has a different driver and a different starting point, much like enterprises have different drivers and different ages of equipment. So obsolescence is a driving point, but it is at which point do you start, and when do you stop.

Then obviously I think the other interesting thing is using alternate carriers – actually using this as an opportunity to break down the traditional telco dominance. I think some of the new and innovative IP Telephony services are actually being rolled out from people who have got more data experience than traditional telco experience. So it is potentially like Equant and people like that actually are in a position to do more innovative things, because they have that data experience.

So I think, coming back to the major one then that I see is that really we are going to see the linkage and the fascinating thing is the linkage of IP Telephony systems with modern contact centre call centre systems and broadband services. I think that one of the key things is enabling call centre agents to be able to operate from home in a seamless way. I think that is really one of the examples of something we can see of bringing these things together.

Jerry Caron

The hosted services idea again is something that all service providers are getting on this. We will talk of this a little bit later, because it is interesting versus the private exchange.

Thomas Veit, from the distributor perspective, what is the business case for IP Telephony that you are seeing?

Thomas Veit

It is a completely different view, because we need to see that our resellers have a very good business model for the future. So if we expect and this is very clear to see from all the analysers that routing switchings or the technologies which most of our resellers are working on today, are flat or maybe 1% to 2% growth in the next year, just looking from a German perspective. We need to find ways to make them profitable for at least the next two or three years as we have known that IP Telephony will grow of a balance of 16% to 18%. It is a major market where we need them to bring closer to and what we have seen it as specifically the data resellers today – these are the ones that are accepting that. There is no doubt anymore that IP Telephony will be the technology for the future where we do place our phone calls, so that is not the question anymore.

It is more about the financial factors that we see challenging us today to be more aggressive in this market, because we find that the old technologies are all bundled together with financial models. We don't have that with the IP Telephony today. So it is not on the technology base, that's what we see. I think the technology is working fine. Everyone has accepted it. There has been a lot of marketing around from the vendors, so actually everyone is ready. The only reason why we don't get the accelerator here is that finance models from the old world are completely different to what we expect the end customer and resellers will do with the new world.

That is actually what I see so far.

Jerry Caron

The next two gentlemen both represent vendors who are very strong in the TDM based digital PBX world and are now very aggressively pushing IP Telephony solutions, so I am curious to hear what is it about IP Telephony that customers should be interested in. What is the business associated with Paul, from Nortel?

Paul Rowe

Thank you. Most customers have a telephone system and a telephone set on the desk. What we are finding is that if customers replace that telephone set with an IP phone, that won't change their work habits, that won't change the way that they work, then they are just going to get disappointment. They are not going to get ROI.

We relate it back to when computers came in and if the typist in the company replaced their typewriter with a computer, but just used the computer as a typewriter, then all you have got is an expensive typewriter. You are just going to get a headache and you are going to get dissatisfaction.

So what we find is the strongest and most compelling business case driver for IP is for mobility applications within the enterprise. Not only for the existing mobile workforce but also to encourage more people to become more mobile in their work habits.

The first application is office anywhere, basically being able to add a telephone on your computing device, whether that is a PC or a PDA and being able to work over broadband from homes, from hotels, from airports, from shopping malls is going to cut the cost of your monthly communication cost.

We have actually found we can cut monthly costs in half by deploying software phones for our sales force. So the ROI is extremely strong for every dollar spent on soft phones and IP Telephony. We are saving \$4 in the first year and \$4 for every subsequent year. So we have got an ROI saving in three months.

Now if you have got a dispersed workforce, you have got to make sure that you can keep collaboration and productivity alive. That's why new applications like Presence, if you need a quick answer to a question that a customer has, you can virtually see, at a glance which of your colleagues are on line and available to collaborate with disbursed across the entire network is a really strong application. It gives you back almost that virtual knowing who is in the office, who is not in office. We believe then that that is going to drive video as more people become dispersed and work from the comfort of their homes or closer to their customers and partners. Video is going to bring back some of the natural face to face communication.

Jerry Caron

Thanks Paul. Thomas from Avaya, I would like to hear your take on this issue and why customers are doing this, particularly because Avaya recently, I am sure you all saw in the

press that Merrill Lynch was a poster child customer of Cisco's and were going with IP Telephony. Recently they kicked out, pulled the plug on their Cisco implementation and adopted Avaya's. It could have been Nortel's, it didn't matter, but they adopted Avaya's solution which is a mix of TDM and IP end-points. So what is the driver? Why would people even be interested in IP Telephony? What's the point?

Thomas van de Velde

For us, it is not only IP Telephony, it is convergence of both. It means that if you have both and it is customer choice, depending on the specific situation to go for one, or to the other or to the two together, depending on the location and site and the existing equipment.

When getting back to the enablers, the reason to move to convergence solution, from my point of view it is really because first it enables some savings at the infrastructure level. This is a telecom cost saving using one single cable to connect both phone and PC. On a second level it allows labour saving to the IT management team. Move, add and changes will be simplified. You can centralise, consolidate your servers across multiple locations, serve remote users just in the same way that you are serving central users, with the same efficiency and the same even with an always smaller team.

On the third level, convergence allows greater security, let's say disaster recovery scenarios, which is very much in the heart of any American company.

When getting in the fourth level, you can touch user productivity. This has been touched for really mobile people, but you can do it also for home workers, remote workers. Moving into the WiFi space – we have talked a little bit about WiFi today. This is using WiFi phones to place calls over a single convergent structure. At the latest and highest reach, you can also use convergence to better serve the customer of your enterprise, and that is of course of great impact on the revenue, on the cost savings.

Let's provide a few examples. We have to talk a little bit about call centres. Let's imagine that a company would like to provide a native language switchboard across Europe. This can be quite easy for English speaking, French, German, but what about Finnish, Greek, if you have to provide this in very far countries. Building a single digital call centre is of course a very simple and effective solution for that.

So various levels of savings, of enabling. I think these are the reasons some of our customers do embrace this convergence technology.

Jerry Caron

Okay. Thanks Thomas. Keith?

Keith Humphreys

I think you have got to look at the various markets and say has IP Telephony proven any cost benefits there and if you look at the corporate market, the enterprise market, I think that the question is no, they haven't. Everybody has got to wait until the PBX has run its life cycle of five to seven years. Then when they are considering 'do I buy a new PBX or do I look at IP Telephony?' yes, at that point, IP Telephony can win. But in terms of getting rid of any IP Telephony unless it is a call centre solution or a home worker type solution, I don't think that the networking vendors have done a very good job of selling it as a solution to the enterprise.

I think that the reasons are that the Nortels and Avayas have got a strong installed base which they want to protect as well. The Ciscos and the Mitels have just done a bad job of trying to get into that stuff, that new world moving into the old world. If you look at Cisco's latest advert for its IP Telephony phone, it talks about being added to text or email – sorry email to voice. You would simply be able to listen to your emails. I don't want to listen to my emails. I get 150 emails talking about Viagra. It is quick enough to go through them. Maybe I should have said re-mortgaging.

From the top end of the SMB market there is definitely a play where you are just trying to displace an e-system from Panasonic IP Telephony in a business solution and the low end SMB's I don't think they understand why they need IP Telephony. They think of call centres as a big shed in the field and they don't think it is applicable to them, which is totally

wrong. They are the guys that really need it because they are the one's without the receptionists. So I think there is a good play there and I think people like FastWeb in Milan really get that. They are selling SMB solutions for €150 a month which has got an [exocentric] soft switch at the core and they can do all their data. They get 10 megs, they get their datavoice and storage based on that, which is a fabulous solution.

Phil Tilley

I think that comes back to the point that I was making at the beginning. I think that the key to IP Telephony is enabled with a broadband access. I mean we talked about convergence. We talked about basically interconnecting or making seamless interconnection between multiple sites. We know with the traditional TBM PBX solutions that has always been quite a challenge. Certainly if you want to make the feature and functionality capability of the PBX that you have in the office available at home, then that's always been quite a challenge, because you have got to have a data point potentially and a voice point. Clearly if you had IP Telephony you have got one connection. You speed that up with a broadband connection and something to facilitate it.

I think that the two go hand in hand and hence I think like the FastWeb the integrated, the hosted element. We talked about application service providers probably three or four years ago whilst they were popular. We are back to a situation now where almost the hosted application could enable IP Telephony or IP Telephony.

Jerry Caron

I think that the hosted model is not a new concept. It is something that has been around and not too successful for various reasons. Maybe it was network problems, maybe it was re-marketing problems. Who knows? But it is back. The idea is back. Every service provider is out there talking about it. But won't there be a problem in that model at this enterprise sales level in that in terms of controlling the private voice service centres that the companies are used to dealing with, like automatic call distribution things and all of that? How will service providers deal offer that kind of service at that level? It is not a problem that I see being solved at the moment.

Phil Tilley

If you look at for example the Genesys contact centres stuff that we have ourselves at Alcatel, then clearly that is going to be built and developed in the enterprise environment very successfully in enterprise. Now they are actually taking a lot of those constructs and actually having a service router server in the call that actually be picked up amongst multiple enterprise customers. So if you have got a model and something that works for a single enterprise, to actually take that and effectively partition it up for multiple enterprises is possible.

Jerry Caron

Back to you Keith actually. One of the things that you mentioned is that Cisco and Mitel have done an awful job of penetrating the traditional digital PBX market and could have done better and will have to do better. That is a point well taken. You mentioned that you are looking at one of the reseller dynamics in this area and from my perspective I see that as a big bottleneck right now. It is the lack of truly converged voice data expertise at the channel level. It is leading to bad implementations etc. Do you agree with that? What are your thoughts and what needs to be done to change that, and make the channel more effective at dealing with this?

Keith Humphreys

I think that it was about four years ago that I sat on top of a mountain at a NetEvents conference and said that I thought the voice resellers were the guys who were actively going to be selling IP Telephony and I was wrong. I think the voice resellers had the opportunity to do it. They wanted to move to the new world. They wanted to learn about IP whereas the data resellers had to take a step backwards in the voice world, and were reluctant to do that. So that hasn't turned out to be the case.

I think that we have seen the voice resellers not like the data world, because the margins aren't there, whereas they were used to getting 40 points on selling PBX equipment and making the bulk of their profit out of hardware. That doesn't exist in the data world and they have had to step up to the mark to the other consulting services to go around IP Telephony and they just haven't been used to that. They have been used to implementation services, moves and changes, a very low end type of service. So they haven't moved into

the data world.

Whereas I think the networking integrator and some of the specialists who are doing convergence are very capable now of selling IP Telephony, but I agree with Jerry that there are just not enough of them out there to pursue the message and their messaging isn't good enough. The messaging coming from the Ciscos and Mitels just isn't good enough to help them sell it.

Jerry Caron

It is good thinking about companies that aren't here to defend themselves.

When we talk about the technology side of it and companies' decision making or customers' decision making process on how and when to deploy IP Telephony and believe me, they are all thinking about it, if not doing it. There is an issue about deployment approaches. What is the way to go? Do you do it on a purely departmental level, on a segregated basis, or do you change out of your centralised environment?

Paul, from Nortel, if you don't mind talking about your views on what is the best or what is a good way of looking at that?

Paul Rowe

Yes, sure. Especially for enterprises who are running a multi-branch, multi-site network. Really the only solution you had in the 1990s was to put in a telephone system into every branch, into every office and then network systems together.

That costs money. That meant maintenance teams and management teams around the network and if you had a complex application, if you wanted to offer contacts centre services then you also had to buy an application for every branch and network those applications together. Now with IP Telephony there is a great opportunity to start centralising services at one main site and extending the reach of those services out to users at remote sites.

So the data world have been doing that for years with email and file servers. Now voice can be treated as an application on that data network and with the right quality of service and resilience, you can now extend the reach of voice services and contact centre services as we heard earlier, out to remote sites, including agents working from home, perhaps on a part-time basis.

We have a global software company, ASG, basically using intelligent cool routing out of their head office in Naples, Florida but basically routing customer calls to the next available call centre agent with the right skills, anywhere in the world in their offices in St. Albans in the UK, in Germany and in France. They have saved 70% on international long distance. So two-thirds of their phone bill has gone. That's annual. They have also saved €15,000 per site on centralising the systems. So there is a really strong business case for centralising.

It is only one step beyond that to then outsource to a service provider. But I think the question boils down to does the company, does the enterprise treat voice as a strategic asset or are they willing to outsource it and almost treat voice as a commodity?

Choice is important. There are going to be plenty of enterprises that want to do both but I think that the decision boils down to how much of a strategic competitive weapon do they treat their contact centre services and their voice. Plus you have got all the integration into their data, into the customer data bases, into applications, so now there is an opportunity.

Jerry Caron

We are into a financial discussion, a business discussion. Thomas, we tend as an industry to talk about the technology aspects of IP versus digital but is it really a technology decision, or is it a financial decision? I think the emphasis is now more towards the business side, isn't it?

Thomas van de Velde

Yes, it is. While you probably all know about these famous three letters, ROI, (return on investment); we see it everywhere.

I would just like to share some of my experience with you regarding ROI. It is not the final score. This is not the final decision maker in enterprises.

ROI is just fine to measure cash flow in and out of money, savings on one side and costs on the other. That's perfect. But there are three major lacks in these ROI and that is that you can run.

The first one regards assets. Existing equipment that you have must have the PBX in enterprise truly modernised over the year 2000 so this means that they are not completely depreciated right now. Replacing them with another thing is a big, big issue when facing the financial management.

The second aspect is all about risk. IP Telephony can be on the good side from this point of view, providing a very clean answer to disaster recovery scenarios. But it can be also seen as a new risk being put on the communication systems of enterprises. What is the vulnerability to viruses? How many bridges can you do through the system with that new equipment you connected? The network and so on.

ROI cannot measure that risk and there is no good way to insert numbers.

The third point ROI is just trying to compare an existing solution with a proposed new solution but it is by no way a means to compare different offers from different tenders. So you cannot make a choice amongst the front offers and competitions based just on ROI.

Now on the good side. What I have found is that an ROI analysis provides good and sanity checks for any technological projects. That's very good. The second point is that it allows everyone to know the business better. When I say everyone, of course as well as solution providers, but also the IT team within enterprises. I have discovered that in many cases, they don't know enough about what is the business enterprise. What actually are their user needs? In terms of mobility it can be very great.

At the end, what is really interesting is that it also enables internal justification of projects. In those days where economics were really tough, every project is competing for any dollars available within the enterprise and this is a perfect solution to make sure new solutions are coming out and brought to the attention of the executive team.

Jerry Caron

Really quickly, before we go to the q and a. Thomas, your thoughts on the financial versus technology with IP Telephony.

Thomas Veit

For me it is very important today to see that we are not talking any more about is technology the right vehicle, or features functions.

This has been the case when we started late in the eighties with routing. So it was all about technology. Technology was the driver and was also the driver for the hype during this phase. So today I think and I heard it also from the discussions that we hear and even the discussions we had before, we are still talking about a lot of technology. We still think we know what customers need. Why not ask the customers, like in all the other industries? Go more in depth and get more understanding because I believe the customers, specifically when it is going to telephony, they have definitely a clue about financials, about what they need and about what they want to have. All the implications, they are nice and they are welcome, that's for sure. But today, what is the need of the customers? They have a budget and the budget is limited.

So it means that they need to work with a limited budget. They want to go into the new world and they need financial vehicles to go there and they are not there today, because the selling point is different. We are talking about a selling point and want to force the customer to go for buying a telephone. Do you know someone from the big companies? Siemens,

Alcatel, whatever? Where we talk about buying, we talk about rental and we talk about leasing? We have no models at the moment, no real models where we can go to the customer and can say 'Mr Customer, we have a new technology here for you. You will be ready for the future. Your budget will not be affected and you will have the same models that you had before and for the start, you will have the same technology available that you had today, but ready for the new world. Ready for all the fancy things, ready for the new fixed data that you can do with that.'

This is, I think, the major point where we are struggling in this industry because we don't change our minds and should be looking more towards what customer needs are.

Jerry Caron

Okay. Thank you. Struggling is an interesting sort of downbeat note to the end of this, given all the growth expectations expected by BT and others.

Thomas Veit

It probably means we have more growth possibilities.

Jerry Caron

Exactly. Any time for q and a? Does anybody have any questions before we wrap it up?

Q&A Session

From the floor

IT Week and Newswise.net. We touched on mobility, but you didn't actually focus much on the growth of WiFi phones and similar growth of voice over the wireless network and I wondered if that changes things, because that's something that wasn't in the prospectus, even a year ago.

Jerry Caron

There are very good wireless systems already in place in a lot of European operations based on a standard called [DECT]. In wireless LAN is it looked at as a replacement for [DECT] only at this point. Any thoughts on that from anybody?

Paul Rowe

The mobile workforce today, they need access to voice, to a telephone, but more and more now they also need access to information residing on web servers, the intranet and also business applications, with Oracle or [Cybol]. So more and more now, I think convergence devices like PDAs, like the HPI pack, like the Dell Accent, becoming more and more popular in enterprises, because not only can it be used as a phone, it can also be used to access information from anywhere.

Nevertheless there is a market just for wireless phones, and as you say, that market has been fulfilled in the nineties with CT2 first and then on to [DECT] and yes, there will be a market requirement for a WiFi phone. You will see also phones that integrate WiFi with 3G, GSM combined as a single device.

Thomas van de Velde

Just to mention that point some offers, some from the market right now, to mixed-mode GSM WiFi phones that simulate switch from one to the other when you get into the enterprise.

WiFi is just fine I think from the convergence point of view, because you have maintain this idea of one single convergence network even in the wireless base. The features and functions available on the WiFi phone are just equal to those available on [DECTs] traditional solution. The only real point and it links to the conversation you had previously, is that it is about quality of service on the WiFi network. That is a typical issue that needs to be addressed and unfortunately we have no time to discuss it.

Phil Tilley

I was just going to pick up on that point. WiFi is great and wonderful although as a previous session has discussed, there are many questions left unanswered I think on the WiFi side. So, great, if we can have an IP Telephony system that's fine and we will have that working and the fix will be great, but we also need to get full agreement on the standardisation and what is going on with the WiFi with the hot spots and everything else. That still needs to be worked on.

Jerry Caron

I think that the real trend is going to be how do we integrate public mobile services with your enterprise private telephony services. That is a really fascinating area. There are handsets being developed that are not on the market yet. It is something that is a bit further on and that is going to be fascinating to watch. So that is a real cost saving to enterprises if they can somehow figure out a way to do that.

Phil Tilley

I think that when you talk about the services that need to be enabled, actually having a common application that can sit both across mobile and fixed and certainly having an open services platform, there is possibly actually something developed. If you look at the applications that have developed in the mobile market, they are possibly more advanced than what have developed in the fixed market. So I think that bringing that open applications platform from the mobile into fixed will enable that convergence across the two.

Jerry Caron

Are there any other questions? Or do we have time, or shall we wrap up?

Gijs Zantvoort, Hewlett Packard

I have got a question for the panel and I don't know who wants to answer it. But if I look at the whole convergence or maybe the Voice over IP discussion, haven't we just been killing our audience or potential customers with so many opportunities, so many acronyms, so many possible cost savings, that at the end of the day the customers are probably lost in benefits, but then saying 'let's pan it out'. Wouldn't it be just a simple feature in IP Telephony that I can just call out of Outlook, instead of entering the number into my phone, be a simple marketing message that I would finally be able to crack this world?

Phil Tilley

I was just thinking that actually just now whilst I was sitting down. If I am here I have my PDA with all my directory of numbers to call. If I am on my mobile, I have got my directory there. If I am sitting in the office I have got X500. Absolutely. I think one directory is what we would all want. If you have one directory, you dial from there. I think IP Telephony gives us that option.

Jerry Caron

Have the companies, the Nortels, the Avayas the Ciscos of the world been doing a bad job of marketing that simplicity?

Paul Rowe

I was going to say that one form of communication that ties across PDAs, mobile phones, [DECT] and whatever is Voice and I think Voice Activated Directories are a brilliant productivity saver, again for the mobile workforce being able to just speak the person's name you want to dial, like 'Paul Rowe' on the mobile. Then it will ring my mobile phone. That is a very simple but a very powerful productivity tool. Then being able to dial by name from your Outlook contacts or from your corporate directory, whatever device you are using. With new standards like SIP you are going to see different devices that can be used – even a Sony Playstation connected to your TV can be used, as a device because now it is not device specific. You can access central communication services, regardless of what appliance you happen to be using at any particular time.

Jerry Caron

I think the trick is going to be getting the customers to see that and demand it and I think it is happening but I guess the point is that it is probably going to be happening faster. I think we're done.

Thank you very much.