



Company Assessment

Avaya Data Networking

Data Center Technology, Enterprise Networking

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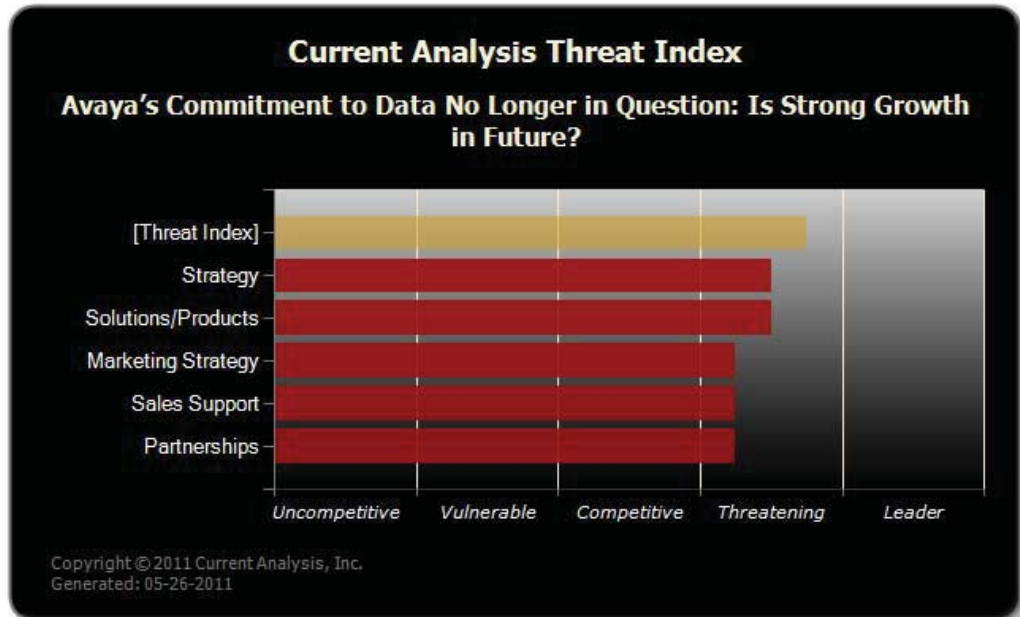
Avaya Data Networking

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Markets:
Data Center
Technology,
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■ Current Threat Index



Rating Update Summary

Avaya appears to understand and value the assets it possesses more clearly now than it has since the acquisition of Nortel's Enterprise business. With several notable product launches in 2010 and early 2011, Avaya has competitive technology, but lacks channel scale to outpace market.

Strategy: Threatening

Avaya Data Networking has gone back to its roots and is focusing on the technology that both differentiates and takes advantage of the long heritage in data networking. Avaya Data Networking is focused on competing against other networking companies through innovation, both with the early adoption and support of standards in addition to some strong technology in the intellectual property archives. At the same time, Avaya is aggressively attaching data solutions to the unified communication deals where there are no partner conflicts, which works to ensure a greater installation footprint and a stronger relationship with the customer.

Solutions/Products: Threatening

Avaya Data Networking provides a portfolio that encompasses campus and data center switching via the VSP and Ethernet Routing Switch (ERS) switching platforms. A solid wireless LAN portfolio and a capable branch office routing product set rounds out the hardware offering. This hardware suite is augmented with strong access control products and routers ranging in capabilities and scale from branch applications to enterprise backbone capacity. Avaya has also invested significantly in building a next generation network concept called Virtual Enterprise Network Architecture. Sold as both a concept and a suite of products, this is the marquee offering from Avaya for modern enterprises and provides a user optimized experience by means of policy and knowledge of both users and application behavior.



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Marketing Strategy: Threatening

Avaya positions itself as an architect of infrastructure to support the needs of IT customers of all sizes. Avaya produces a broad range of enterprise switching and LAN and WAN routing products, site-to-site VPN/router devices, IPsec and SSL remote access technologies, firewall, threat protection, intrusion detection/prevention systems and wireless LAN solutions. The central message for their offering is a “fit-for-purpose network”. With proven networking technologies, Avaya weaves together solutions messages for data centers, campus, branch and security solutions that are further refined with market vertical themes applicable to historically strong verticals in education, healthcare, hospitality and government.

Sales Support: Threatening

Avaya’s sales programs and strategy are competitive in the data networking markets. Avaya employs a hybrid sales model that results in 76 percent of sales being indirect since its acquisition of Nortel. Such a heavy reliance on the channel minimizes expenses associated with supporting a direct sales force, cost-effectively broadens the reach of sales operations and helps avoid channel conflict issues. However, this comes at the risk of Avaya not having complete control over when and how Avaya products are positioned. Additionally, the growing percentage of indirect channel sales is new to Avaya, which in late 2009 had a 32/68 percent ratio of direct/indirect sales. Avaya resellers range from regionally focused smaller firms to large organizations (including major telcos selling Nortel gear) with national and international operations. Avaya historically had either a strong Ethernet partner or compensated and had a vendor’s data product on its own price list. Now, with the in-house solution, Avaya’s direct and indirect channels have a broader portfolio to sell from a common discount model and this in turn ensures a more consistent sales experience for the end-user.

Partnerships: Threatening

Avaya’s technology partnerships are competitive in the data center market. The strategic alliance with HP, launched in 2009, involves product integration activities and incentivizing mutual channel partners along with HP’s own consulting and integration services to sell joint solutions. However, maintaining this relationship could be tricky, since Avaya now competes with HP in the area of data networking and security. Likewise, Avaya is now competing with Juniper and Extreme, companies with which it previously went to market, to deliver comprehensive voice/data solutions. Avaya sales with Enterasys were disrupted by Siemens Enterprise’s acquisition by the same private equity firm that acquired Enterasys. Avaya is in an enviable position by some in that it possesses most of the data networking offerings any enterprise would require. System integrator relationships are perhaps where Avaya could benefit the most, though coverage is improving.

Perspective

Current Perspective



We are taking a positive stance on Avaya Data Networking in the enterprise and data center networking markets. Avaya has effectively restructured messaging, channel enablement and sales support since the acquisition of Nortel’s assets, and the resulting business is healthy from a technology and go to market architecture perspective. Avaya has great synergy when selling solutions enabling next generation communications and collaboration, and with Avaya Data Networking’s complete embrace of the fully virtualized enterprise environment, it is clear Avaya is looking at networking through a different lens than some other industry players. One clear benefit that Avaya received is that Nortel’s installed base was fiercely loyal and, as a result, the defection rate was not as high as historically it has been with other technology restructures. Avaya has in turn capitalized on this by demonstrating its commitment to those customers, but also aggressively

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introducing new technology which meshes well with the existing portfolio, thus providing investment protection while inspiring loyalty.

Avaya is one of few vendors with an enterprise portfolio that reaches nearly all corners of the enterprise LAN, including switching, WAN routing, wireless and remote access, not to mention the complete unified communications and collaboration suite.

Avaya Data Networking's future is brighter than it has been in years with the successful launch of the VENA solution, which is positioned as the logical conclusion to the virtualization that is occurring in the data center. Here, Avaya has taken the concept of virtualized computing and applied it across all aspects of enterprise networking, enabling users to connect from anywhere to the content they need, securely and with consistent policy application. Though Avaya is not alone with this concept, several large networking vendors have not yet reached this point, and market share could be regained if Avaya can get the messaging out. This will require consistent campaigning as partners and customers alike are being inundated by all things virtual and Avaya must be diligent to be heard above the noise.

Market Ratings

Market	Perspective	Market Perception	Momentum	Vision	Innovation
Enterprise Networking	Positive	Positive	Moderate	Positive	Positive
- WLAN	Positive	Moderate	Moderate	Positive	Positive
- Enterprise routing	Moderate	Moderate	Moderate	Moderate	Moderate
- Enterprise switching	Positive	Moderate	Moderate	Positive	Positive
Data Center Technology	Positive	Moderate	Moderate	Positive	Positive

Strengths & Weaknesses

Strengths

- Nortel was a pioneer in developing the active/active protocols that allow multiple switches to be combined to provide greater performance, resiliency and very fast failover, while still being managed as a single entity. Avaya scales that technology up and down its switching line to provide consistency across the portfolio, which competitors have not been able to match. This allows Avaya customers to achieve greater resiliency and lower costs by eliminating more equipment required by the spanning tree protocol.
- Avaya brings together the key technology, resources and management necessary to deliver an end-to-end converged networking solution. Avaya has all the technical assets required to address the convergence market. Avaya's broad line of products enables it to sell to a wide range of businesses, from SMB through large enterprise, and its enterprise product breadth and depth outclasses nearly all of its competitors.
- With the launch of the VSP platform, Avaya also launched a mandatory services bundle for the management solution. This is a first in the industry, and ensures that any customer who pursues the VENA / VSP architecture will be able to manage it as Avaya Data Networking intended. This in turn will yield the greatest economic benefit and additionally increase goodwill and customer satisfaction. While this may be the first such services deployment requirement for an infrastructure vendor in the virtualization space, it is almost certainly not the last.
- Avaya's enterprise switching portfolio is technologically current and reasonably priced in

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comparison to its competitors. Avaya has kept its technology up to date, and with the VSP 7000 and 9000, offers a compelling data center solution with notable competitive differentiation (e.g., Terabit stacking).

- Avaya has effectively responded to many of the enterprise market trends, either through internal product development, or through partnerships. Evidence of this is apparent in Avaya's WLAN, voice over WLAN, IDS, branch office VPN, SSL VPN solutions and extended lifetime warranty offerings.
- Although Avaya is late to market with its first 802.11n wireless offering, the new 8100 uses a unique new architecture that splits up the control and forwarding functions, allowing the controller function to be virtualized and the forwarding function to be embedded in existing Avaya Ethernet switches, rather than the Access Point (AP). That enables a more scalable and cost-effective WLAN architecture based on thin (not thick) APs.

Weaknesses

- Despite business focus and strong messaging, Avaya's data business has not regained the market position / stature it once enjoyed. This in turn affects partner perception as well as customer pipeline and RFPs.
- Some Avaya partners had two networking suppliers prior to the Nortel Data acquisition and convincing these partners to carry a third line or drop an existing supplier poses a significant challenge.
- Avaya has consecutively launched significant products every few months for the last year and put to rest the concern of whether it can keep up with switching development, however it has not addressed any former Nortel security products – the other part of the portfolio to which Avaya needs to demonstrate its commitment.
- Avaya's strategic partnership with HP is particularly challenging. While HP's networking organization depends on Avaya's voice solutions for the premier UC solution, (which is jointly marketed) HP Networking is increasingly competing with Avaya Data Networking. As Avaya Data gains momentum, it is possible to see this relationship dissolving.

Recommended Actions**Recommended Vendor Actions**

- Avaya will have to craft its messages in a way that will make prospects want to dig deeper to see the difference and understand Avaya's unique value proposition, relative to competitors, but at the same time not make that a daunting task. With all rivals claiming to lower cost and complexity in the virtualized data center, Avaya's messaging will have to rise above the noise. Differentiation messages should focus on the business value of VENA.
- Avaya needs to gain greater trust and visibility with the WLAN offering both within Avaya UC&C and in the market. With Avaya's innovations guide still listing Motorola Solutions and Aruba as technology partners, there is no reason why Avaya data's offering shouldn't be the principal choice for VoWLAN and any wireless UC&C recommendation.
- Avaya must convert any older Nortel equipment still installed with customers to current platforms in order to reduce the risk of account loss and to demonstrate the material investments that have been made in the portfolio over the last few years. If done through discounts or some other conversion economics, Avaya could generate both goodwill and strengthen key relationships, which was one thing that made Nortel customers so loyal.

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- Avaya should ensure that it fosters partnerships with established third-party vendors or start-ups to create presence in markets where it lacks visibility or had exited. For instance, F5 & Riverbed would be complementary now that Radware possesses what were once the Alteon assets.
- Without a server relationship, Avaya is at a bit of a disadvantage in the data center as some customers look to a provider who can offer servers, storage and networking infrastructure. Avaya does not necessarily need to fill the technology gap, however the standards-based story of working better with any environment's equipment must be proven through use cases and references. VENA can offer this, but white papers and solution briefs aren't case studies and marquee references.
- Avaya should work with an independent organization to benchmark the cost reductions possible with its approach compared to those of its rivals. Such benchmarking should be based on a couple of different real-world scenarios – especially the most appealing cloud computing scenarios. Or for that matter, benchmarks could be based on the three deployment scenarios that Avaya is targeting for the new VSP 7000: top of rack, fiber aggregation and small network core.

Recommended Competitor Actions

- HP, Cisco, Juniper and Brocade can all highlight their years of experience and customer base in the data center. In addition, each possesses a more complete portfolio from a technology perspective, which in accounts where customers prefer single-supplier models is a value that Avaya cannot address today.
- Cisco and Alcatel-Lucent can point to the years of effort they have put behind their voice and data integration efforts and characterize Avaya's initial integration as shallow and untested.
- Avaya's deployment service bundling with the management application for VENA is not new in technology, but it is new in infrastructure, and all vendors should consider offering something comparable. Manageability is one of the most challenging technologies to optimally deploy, yet it yields one of the greatest returns of any technology. If done properly, customers may realize ROI in days or weeks instead of months to years.
- Aruba and Motorola can each highlight a proven track record of WLAN success with the Avaya UC&C solutions and cite customer success stories. While Avaya has the technology, it will take time to grow, and today they don't have the traction that the other providers have enjoyed for years.

Recommended End User/Customer Actions

- Enterprise customers should leverage Avaya's presence and broad product portfolio through the use of competitive bids. These customers should not be afraid to commit to Avaya from a technological standpoint, as the Avaya portfolio has every bit as much maturity and stability as other Tier 1 solutions.
- Any non-Avaya (Nortel) shop looking to build a next generation data center network that is open to best of breed network suppliers should put Avaya on their short list. Avaya continues to build on the long history of technical innovation that Nortel brought to the table, and has demonstrated its commitment and real consistency in advancing its VENA vision.
- Avaya's VENA architecture holds promise in its simplicity and scale. As an end to end offering across wired and WLAN, not restricted to just data center but campus as well, Avaya promises to simplify networks while providing scale. Customers are rarely at a point to refresh both data center and campus networks concurrently, however with the ability to deploy each element and integrate quickly and seamlessly in the future, Avaya's solution warrants careful consideration.
- Modern data center fabrics are evolving at a pace that is incredibly difficult to keep up with, as are industry standards that will enable a fully converged infrastructure. Careful evaluation of

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the business needs and growth for both the data center and services running within it should be conducted. And the result of that evaluation should include a checklist for networking vendor evaluations for next generation data center fabrics. Fabric selection considerations should include where virtualization fits, which applications will reside on premise vs. off, whether VDI or other server client technology is on the IT plan of record internally, along with the legacy compute and storage needs that will remain even in the most virtualization-enabled data center. Avaya's offer and vision is compelling and worth investigation, but clearly with the elements involved, diligence is required as well as a solid proof of concept (POC) before any purchase commitment.

Overview

Company Description

Company Name	Avaya Data Networking
Locations	Worldwide
Primary Markets	Enterprise, SMB, contact center
Revenues	Private (wholly owned subsidiary of Sierra Holdings Corp., which is made up of two equity firms: Silver Lake Partners and TPG Capital). Annual revenues of \$5.06 billion for fiscal 2010, which ended September 30, 2010.
Employees	Approximately 19,000
Founded	2000 as spinoff of Lucent Technologies
Management	Kevin Kennedy, President & CEO; Alan Baratz, SVP & President, Global Communications Solutions
Key Partners	Technology: HP, IBM, Polycom, Juniper; Channel: BT, Verizon, Qwest, AT&T, Sprint, Shared Technologies, Black Box, Orange Business Services, Westcon
Product Lines	Enterprise and SMB communications systems; unified communications; contact center; audio, video, and Web conferencing applications; desktop devices; mobility; data networking systems (LAN, WAN, wireless); enterprise security; professional and managed services