

**Competitive Update:**

**Mobile World Congress: Alcatel-Lucent Positioning and Messaging**

Date: February 25, 2008

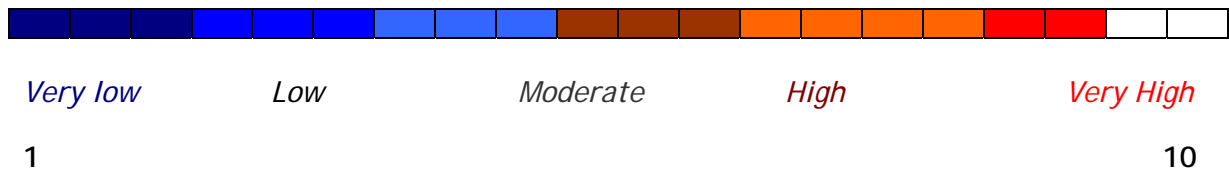
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**Basis for topic:**

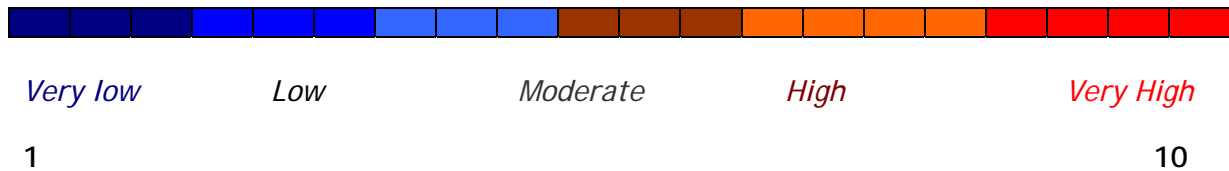
Alcatel-Lucent makes a splash at Mobile World Congress with positioning of its solutions capability and booth demonstrations. What was the Alcatel-Lucent positioning? How well does it match customer requirements and Alcatel-Lucent’s capabilities, and how effective was it?

**Ratings:**

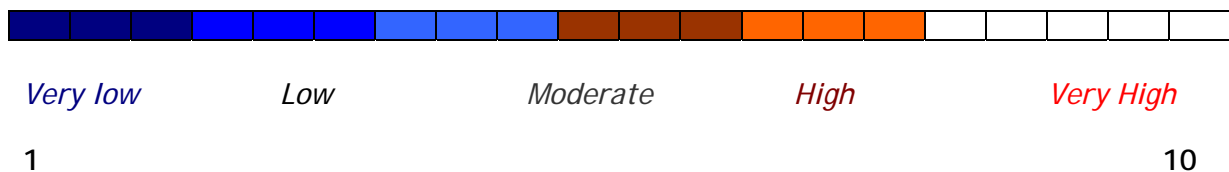
Potential market impact:



Potential importance to vendors involved:



Required competitive response:



## Analysis:

At the Mobile World Congress in Barcelona, some key messaging regarding its solutions value and core competencies at this event:

### Overall Messaging

Alcatel-Lucent conveyed itself as the preferred “**Full Service Provider’s Transformation Partner,**” and is representing to traditional telecom service operators that the market is rapidly evolving, and that they can help operators secure their place in the market as they are increasingly faced with competition from new players like a Skype or Google that has strong brand awareness, deliver personalized content and applications, and have the advantages of “agility” (building a Greenfield network).

The means to this: Alcatel-Lucent is prescribing that operators enhance profitability by **simplifying service delivery, controlling costs, and focusing on innovation.** This competitor is also positioning that operators need to leverage its comprehensive portfolio strategy, enabling them to be a “full service provider” and maximize profitability - something which Alcatel-Lucent is uniquely positioned to help them do this because of its **unique expertise in networking and IT,** and the ability to combine the two with its strong consulting capabilities.

In terms of specific key objectives, Alcatel-Lucent did mention its ambition to be the “**partner of choice**” for wireless IP transformation for three IP transformation domains including **Native IP in Wireless Access** (for WiMAX and LTE networks), **Broadband Wireline/Wireless Access Combos** (FTTX/WiMAX, Femtocells/DSL), and **IP Transformation for Backhaul and Backbone.**

### Characterization of Market Position

Alcatel-Lucent liberally communicated its market position, indicating that it had over 50 Triple Play Service Delivery Architecture (TPSDA) customers to date, and currently holds the number 1 market position in ATM, IP DSL, GPON, terrestrial and submarine optics and multimedia applications delivery, and a number 2 market position in service provider IP/MPLS routing.

### **Service Delivery Simplification, Cost Control, and Focus on Innovation**

For service delivery simplification, Alcatel-Lucent prescribes delivery of end-to-end applications, and achieving a tight integration between IT and telecom. For cost control, Alcatel-Lucent is recommending that operators should aggressively migrate to IP (which Alcatel-Lucent is terming "IP transformation," and recommending migration to new OSSs, and suggesting that tight OSS/BSS integration is also key to controlling costs.

In terms of innovation, the messaging here was that operators should consider outsourcing, streamlining network operations, network sharing and managed capacity - gaining operational efficiencies by innovating with new operations models.

### **What Alcatel-Lucent Positioned As Its Unique Service Capabilities**

Alcatel-Lucent is representing that it offers a unique combination of network and IT expertise, and has the consulting capabilities to pull the two together. In terms of networking expertise, Alcatel-Lucent is conveying that it offers multi-vendor support for over 1600 products from 290 vendors, has experience in implementing large-scale integration projects, and offers over 30 solutions covering 90+ services. In addition, it is still raising the name of Bell Labs in conjunction with its technology, tools, and methodology. In terms of consulting expertise, Alcatel-Lucent represents that it offers over 800 PMP-certified project managers, has 100+ Certified Information Systems Professionals (CISPs), has over 1200 OSS/BSS experts globally, and can support multi-vendor, multi-technology integration with practice professionals averaging over 15 years of experience, and holding certifications from over 35 third parties. For references, Alcatel-Lucent indicates it can bring over 1000 references to the table.

### **What Alcatel-Lucent Discussed At the Booth at Mobile World Congress 2008**

It was a large and crowded booth, but the following represents a good sample, if not all, of what Alcatel-Lucent was communicating at the event:

#### **Universal Broadband**

Alcatel-Lucent was demonstrating as part of its solutions its Mobile WiMAX, WiMAX end-to-end service quality, a demonstration of "LTE Live," MIMO and beam-forming techniques, and combined GSM/EDGE + WiMAX service demonstration.

### **IP Network Transformation**

The META (Mobile Evolution Transport Architecture) for all-IP implementations was discussed, as was deployment of multi-standard radio base stations, CDMA ultra-compact and distributed BTS, and updates to the W-CDMA/HSPA portfolio.

### **Content and Applications Across Any Access**

Mobile operator monetization of subscriber intelligence, the “unlimited” Mobile TV model, Alcatel-Lucent’s vision for 4G services, and the use of femtocells in CDMA networks were among the messages positioned in this category.

### **The Network Integrator and Advanced Operational Models**

Monetizing the mobile Internet, and streamlining OSS/BSS for 4G, WiMAX, and IMS were key elements in this messaging.

### **Positioning of Differentiation**

Alcatel-Lucent has positioned that it is a clear leader in “IP Transformation” for the fixed operator, and in delivering differentiated QoS over IP. This competitor also represents itself as being the only legitimate industry player in terms of having both fixed and mobile expertise. It also lists its end-to-end integration capabilities on a global basis as being a key differentiator.

Alcatel-Lucent has positioned itself as the “Full Service Provider’s Transformation Provider,” which it defines as helping operators maximize subscriber usage through innovating in both broadband technologies and with its mobility portfolio. It also represents that it can optimize and secure usage by offering field proven and carrier grade IP transformation. This competitor represents that it is helping operators monetize usage by enabling new applications and business models. It portrays itself as helping operators manage the combination of IT and network complexity through its strong network integration capabilities. And Alcatel-Lucent highlights that it is optimizing the network cost structure for operators by implementing advanced operations models.

### **Key Growth Areas**

Alcatel-Lucent positions that it is offering end-to-end solutions in strategic growth areas that include Universal Broadband, IP Transformation, Applications, Multi-vendor maintenance contract, and Network Outsourcing.

### **Our Take: Positioning vs. Reality**

Every vendor puts its “best foot forward” in positioning, and Alcatel-Lucent has certainly done that. We think that in terms of key advantages that it really brings to the table today, the OSS/BSS integration capabilities are definitely high on the list. Alcatel-Lucent is not challenged in terms of its multi-vendor solutions integration capabilities, but it certainly faces some very strong competition in this respect from Ericsson and perhaps to a lesser degree from Nokia Siemens Networks.

Alcatel-Lucent is well positioned to become the IP Transformation vendor of choice, but recent indications from Ericsson indicate that this rival intends to leverage its Redback acquisition to give Alcatel-Lucent stronger competition in this area than it has in past. And Nokia Siemens Networks has been creating some strong positioning around its Multi Layer Optimization strategy, and definitely intends to compete for the IP transformation of mobile networks as well.

When it comes to portfolio breadth, Alcatel-Lucent strengths in broadband access and mobile broadband remain formidable. Its positioning of having unique experience in networking and IT is going to be increasingly challenged by large rivals, and its positioning of being the only vendor to compete fully in both mobile and fixed networks was probably a bit too ambitious for either Ericsson, Nokia Siemens Networks, Nortel, Cisco, NEC (in Japan) or even Fujitsu’s taste.

### **Conclusion**

So how well is Alcatel-Lucent positioning itself? It is doing a good job of positioning the challenges in the market, and its core competencies in helping address those challenges. As ex-Marketing people, we would have to say that Alcatel is doing pretty well - with the primary criticism perhaps being the complexity of the messaging in aggregate.

When you have a lot to bring to the table, it is important to concentrate on the main course. We think the biggest strengths Alcatel-Lucent should focus on at a high level are multi-vendor integration of end-to-end solutions with particular strength in OSS/BSS integration. Following that, wireline/wireless portfolio breadth and expertise are key, and its special focus on IP Transformation and holistic value add with respect to offering strong consulting regarding enabling QoS, resiliency, and security in IP networks deserves attention.

This is one of the real challenges of solutions marketing: how can you convey the overall value of the solution without creating so many trees as to obscure the forest? Conversely, the alternative risk is to portray such a broad forest as to underplay the trees, and some of the more critical branches on them.

Outside of the possible hyperbole involved in representing itself as the only vendor with strong mobile and fixed networking expertise, a lot of the positioning that Alcatel-Lucent used at this event were very well targeted in terms of identifying some of the market challenges being presented to operators, the Alcatel-Lucent response to those challenges, and the core competencies that allow Alcatel-Lucent to help operators meet those challenges effectively.

This is all subjective, and we respect Alcatel-Lucent's marketing capabilities. But to us, just a bit more tightening of the story, and a bit stronger focus on some key elements at the expense of supporting points would make what is basically sound