

## Frost & Sullivan Award for Business Development Strategy



### AWARD DESCRIPTION

The Frost & Sullivan Award for Business Development Strategy is presented each year to the company that has demonstrated excellence in business development within the industry. The award recognizes the company's ability to best perceive consumer needs, develop products and/or services that meet consumer needs, successfully introduce products or services to the industry, and identify new market segments to expand the existing customer base. Through a combination of vision, technology, and successful marketing, the award recipient has demonstrated superior market growth skills.

### RESEARCH METHODOLOGY

To select the recipient of this award, the analyst team tracks all of the major participants in the industry, paying close attention to their business development efforts. This process includes interviews with all of the market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' business development efforts are analyzed based on the number of new customers, new segments, and commitment to business expansion. Industry participants are then ranked based on predetermined measurement criteria. The award recipient is ranked number one in the industry.

### MEASUREMENT CRITERIA

In addition to the methodology described above, there are specific criteria used in determining the final ranking of industry competitors. The recipient of this award has excelled based on one or more of the following criteria:

- Market penetration and market share growth in existing market segments
- Development of new applications for existing products
- Market share position in new market segments
- Number of new customers
- Strategic promotional initiatives
- Establishment of programs which allow its customers to grow, thereby improving its own performance
- Increases in customer loyalty

### AWARD RECIPIENT: NORTEL NETWORKS

Frost & Sullivan is pleased to present Nortel Networks with the 2003 Business Development Strategy Award, recognizing the success that Nortel has achieved in terms of its business development strategy in the IP-PBX market. Frost & Sullivan believes that having well-engineered, market-ready products is not enough for success in the highly competitive IP-PBX global market. A clearly defined and properly executed business development strategy is critical for converting good technology into commercial deployments.

Nortel has demonstrated this in several different ways:

#### Renewed Emphasis on the Enterprise

Nortel's latest corporate restructuring, in October 2002, placed a greater focus on the enterprise sector, which was historically one of the steadiest revenue generators for the company. Hence, the company scrapped its previously combined Metro and Enterprise Networks division in favor of a separate enterprise entity - Enterprise Networks.

#### Introduction of Strategic Marketing Campaigns

The "IP Express" program, for instance, was a big catalyst behind the company's success in the IP-enabled segment. This initiative provides incentives to Nortel's PBX installed base of Meridian 1 customers to gradually start migrating towards convergence. The promotion offered free line side or trunk side ITG cards, as part of the Internet Telephony starter kit, for Meridian 1 customers upgrading the switch software to Release 25.30 or above.

#### Enhancements to its IP PBX Product Lines

Nortel has the "all-in-a-box" converged solution - Business Communications Manager (BCM) - geared towards SMB customers and the client/server design targeting MLEs - the Succession 1000.

The BCM's most recent version, introduced in October 2003, has built-in capabilities and represents an attractive value proposition for companies having multiple branches. Release 3.5 integrates features such as unified messaging, call routing, QoS management, enhanced routing, and secure network access.

The Succession 1000 Release 2, introduced in late 2002, had several enhancements including support for digital sets, greater capacity, better media gateway interfaces, and improved redundancy. Release 3.0, introduced in June 2003, supports features such as call server and gateway redundancy, a higher capacity - up to 10,000 IP clients per call server - and survivable branch office solutions. More importantly, it provides a seamless migration path for existing Meridian 1 customers to migrate to Succession.

#### Second Generation IP PBX Application Suite

Nortel Networks Multimedia Communication System (MCS) 5100 is based on a design from a carrier-grade product, the IMS, that was scaled down for the enterprise. The MCS 5100 is a true next-gen application server, supporting a number of IP telephony features and applications across a network of systems, such as video conferencing, IM, collaborative white-boarding, and dynamic call handling, among others. Nortel offers both a thick Windows client and a thin Web client for users to access the MCS 5100 services. Other features include a nice whiteboard application and a list of call handling options depending on the caller's identity.

#### Focus on Enhancing Channel Relationships

Nortel enhanced an already impressive distributor list, that included companies such as Nextira One and Verizon, by adding important channels such as Damovo and Norstan. In March 2003, the company announced a deal with Damovo - the spin-off of Ericsson Enterprise AB's marketing and direct sales teams, purchased by APAX partners - that should help it achieve better penetration in regions such as Europe (France, Germany, Italy, the UK and many other countries), Asia Pacific (Australia and Hong Kong), and Latin America (Argentina, Brazil, Colombia, Mexico and Venezuela). Minneapolis-based Norstan Communications was another important channel addition that will give Nortel another avenue in the highly competitive U.S. market.

Frost & Sullivan believes that Nortel is well positioned to capture a larger portion of the global IP-PBX market. Frost & Sullivan expects that the company's sound business strategy, based on a competitive product offering and a diversified distribution channel, will provide Nortel with a sustainable competitive advantage in the future.