



Alcatel-Lucent Enterprise 2017

April 2017, Dave Michels

1. Overview

1. ALU-Enterprise, now known as ALE, was spun out from its struggling parent Alcatel-Lucent in October 2014. ALE is 85% held by Huaxin a Chinese state-owned investment company.
2. Jack Chen was named CEO of ALE in April 2016. He replaced acting CEO Jack Ma, who remains on the board. He is self-described as a “low profile guy.” Chen previously was head of the APAC and China Wireless units at Alcatel-Lucent and an EVP at Alcatel-Shanghai Bell. He is based in Singapore.
3. ALE’s go-to-market strategy prioritizes cloud communications and vertical specialization.
4. The key components to ALE’s verticals include the OpenTouch suite for UC, hosted services including telephony (OTEC -- OpenTouch Enterprise Cloud), ALE’s hardware capabilities including endpoints and networking gear, ALE’s global reach including support of 29 languages, and now ALE Rainbow - a UCaaS and CPaaS solution.
5. ALE’s revised vision is “to deliver the customized technology experiences our customers need to make everything connect.”

2. Rainbow

1. Rainbow is very strategic for ALE. It was initially announced in Spring 2016. ALE describes Rainbow as a Relationship Management Platform. It has UCaaS and CPaaS components. Its CPaaS suite includes tools and APIs for workstream messaging.
2. Rainbow is exclusively hosted by ALE and delivered as a service.
3. Rainbow will be offered under a freemium model: Essentials is free and offers basic UC services such as messaging. The Premium service can be integrated with ALE premises-based calling platforms and offers cloud-enhanced conferencing services and development APIs.
4. Rainbow as a CPaaS is similar to competitive services with the added bonus of deep integration into ALE telephony systems.
5. The Rainbow Development Framework includes pre-developed applications, bots, and communications and collaboration APIs and tools including functions such as speech recognition, messaging, and notification services.

3. Verticals

1. ALE is focusing on five verticals: Hospitality, Healthcare, Education, Transportation, and Government. These five verticals represented more than 70% of ALE’s 2016 revenue.
2. Government and Education are the largest verticals in terms of revenue, and Hospitality is the most comprehensive and illustrative of ALE’s approach to verticals.
3. Verticals are defining ALE’s portfolio, go-to-market, hiring, and partner recruitment strategies.
4. Rainbow is used within several verticals, particularly as a UC complement to the OXO Connect platform.



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5. ALE hospitality includes a room-automation angle. This includes phone-top controls for HVAC, lighting, and curtains. It has been successful with very high-end properties.
6. Success in hospitality requires a solution that integrates with popular property management systems, offers billing detail, voicemail for hospitality, and a solution that understands guests rather than rooms or devices.
7. ALE is building traction in hospitality with specialized applications such as e-concierge, Smart Guest Application Suite, Mobile Guest Softphone, and soon Rainbow powered in-app chat.
8. Hospitality and transportation both often include Wi-Fi bundles.
9. ALE has leading market share in the Chinese hospitality market.
10. The Transportation vertical has less reliance on integrations and more emphasis on durable hardware with reliable transmission and signaling across diverse conditions.
11. ALE reported “explosive growth” in the North America region in Education (K-12) and Transportation in 2016.

4. Opinion

1. When ALE was created, it was assumed that within two years it would have to change its name. However, former parent Alcatel-Lucent has since merged with Nokia and now lives under the Nokia brand. It may be possible for ALE to avoid a costly rebrand effort and leverage decades of goodwill associated with the Alcatel-Lucent brand.
2. Out from its struggling parent, ALE is a totally new and different company. ALE appears to be blossoming with its new found independence. Leaders and managers seem more confident and optimistic. Previously, ALU was forced to make very short term decisions, which has created a backlog of innovation. Huaxin appears to be playing a long game.
3. ALE’s focus on verticals is more legitimate than similar claims from many of its UC competitors.
4. ALE’s approach with Rainbow to existing equipment customers effectively replaces premises-based UC services with cloud-delivered services. It’s a nice migration path that leverages existing investments and helps customers realize many of the benefits associated with the cloud.
5. ALE is one of the few remaining UC companies with a strong networking capability. Avaya is selling its networking division. Unify sold its networking division, and NEC has an incomplete portfolio.
6. The fact that the ALE endpoints can control room devices in hotels suggests the company is positioned for broader IoT related opportunities.
7. ALE and NEC make a powerful SDN partnership. NEC SDN controllers with ALE switches, routers, and wireless gear.
8. Primary competitors in hospitality are the vendors with key hospitality components built-into the platforms. These vendors are: ALE, Mitel, NEC, and BroadSoft.
9. Rainbow is a ‘misty’ service that’s hard to describe. It is inherently a CPaaS solution. Rainbow can perform workstream messaging, but it’s more of a platform than an application. It can be used standalone or with premises-based UC. ‘Relationship as a service’ is not something that customers are asking for (even if they need it). This puts additional burdens on ALE to educate the market before it can sell Rainbow.