



Alcatel, Microsoft alliance reshapes IP video ecosystem

By Vince Vittore
Feb 28, 2005

Alcatel's and Microsoft's announcement formalizing their collaboration on IP video not only confirmed what many in the market had suspected for some time, it also has the potential to reshape alliances that have been forged by others and create new vendor pacts.

Under terms of the non-exclusive deal, Alcatel will use the Microsoft TV platform as its preferred middleware, while Microsoft will optimize its software to operate over Alcatel's IP access and aggregation equipment. Also, the firms will develop applications based on customer needs.

"We have a very specific list of objectives," said Alan Mottram, president of Alcatel's fixed solutions division. "One of the key parts of this deal is Alcatel is going to develop particular applications for customers and make local changes for particular customers."

The deal is a significant shift for Alcatel's own middleware development program. The vendor acquired both iMagicTV and Thirdspace and formally rolled out its Open Media Client software to carriers last month. According to Mottram, the company will continue to support the two dozen customers that have OMC in trial or deployment but also will push the Microsoft TV platform.

"We've got a number of customers that have signed on to Alcatel OMC, some of whom will be on Alcatel OMC forever, but some of whom will probably see value in a migration path toward a joint solution," Mottram said. "That solution is going to have a lot of Alcatel-written software, TV software, on top of the MSTV."

For Microsoft, the alliance gives it a significant partner with primary IP video supply contracts at both BellSouth and SBC Communications. Microsoft has signed deals to provide middleware to both of those carriers, as well as Verizon and a handful of early European telco entrants in the IP video market.

"Alan and I first met two and a half years ago, and we've had ongoing discussions since then," said Moshe Lichtman, corporate vice president of Microsoft's TV Division. "The fact that we have started working very closely in the context of SBC has really let us get to know each other."

Microsoft's tight alliance with Alcatel also could accelerate other pacts. Chris Coles, president and CEO of middleware vendor Myrio, which has partnerships with more than a dozen access players such as AFC, Calix, Ciena and Motorola, said the Microsoft/Alcatel deal leaves much out of the equation, but also may reshuffle the roles of large vendors.

"Because the Microsoft/Alcatel deal is a little tough to read between the lines, I think it would cause some of these guys to sit back and figure out where their place is at the table," he said.

The Microsoft/Alcatel alliance also validates the efforts of middleware companies like Myrio, Minerva and Orca, Coles said.

"What they're doing is, in large part, acknowledging the work we've done over the past five years," he said. "We've spent quite a while figuring out and delivering services over a wide variety of architectures."

Carl Russo, president and CEO of Calix, which has both Myrio and Minerva in its partnership program, as well as a resale agreement with Nortel, said before the Alcatel announcement that, as a middleware supplier, Microsoft would have to be dealt with by most access vendors.

"My theory is to never moon the aggressive giant," he said.

For its part, Alcatel said it would continue to add other vendors to the partnership program created by the Microsoft deal. Already, the companies have enough elements as part of the partnerships to offer an end-to-end package (see figure).

"We have a very strong commitment to developing an ecosystem of partners," Lichtman said. "We're going to change the rules of the game in terms of the economics of deploying this type of solution."