

Mitel, Inter-Tel to Merge for SMB VOIP Supremacy

April 28 2007

Mitel Networks' acquisition of Inter-Tel will move Mitel to "No. 1 position among SMBs for IP telephony," according to the company.

Mitel Networks on April 26 has turned up the heat in the highly competitive VOIP market for small and midsize businesses by announcing its plans to acquire Inter-Tel.

The acquisition, valued at about \$723 million, comes on the heels of a big push into the VOIP SMB space by Cisco Systems, Nortel Networks and Microsoft. All are pursuing the fastest-growing segment of the voice-over-IP market.

The combination of Mitel and Inter-Tel will create a nearly \$1 billion company. "By coming together, we move to the No. 1 position among SMBs for IP telephony," said Don Smith, CEO of privately held Mitel Networks, in Ottawa, Canada.

The duo, with their respective strengths, will bring greater choice to SMB customers, Smith said. "We will continue to have two strong customer-facing brands from IP-enabled - hybrid IP PBX - to pure IP, standard to tailored apps, single-site to multisite and purchase to service. - Together - we bring leasing and managed services programs to the market, and we see expanding that into our channel on worldwide basis," Smith said.

"What Mitel/Inter-Tel is really about is trying to find a new way of

selling IP telephony equipment to that small market - not to sell a box for a one-time sale, but rather to sell a unique hosted offering that results in recurring annuity revenue," said Lawrence Surtees, vice president of communications research at IDC Canada.

Shrinking margins are driving the move to managed IP telephony services across the board, as more vendors pursue the price-sensitive but fast-growing SMB space and as commoditization of ITP equipment accelerates.

"The gear market is more commoditized and intensely competitive. If margins are less and less, it's more attractive to try to pursue other ways of finding revenue and growth," Surtees said.

Once the acquisition closes, which is expected to be in July, Mitel intends to extend Inter-Tel's "successful managed service offerings" to its worldwide resellers, Smith said.

Although the two companies compete today, Smith said there is very little overlap in the SMB space. "We have very little channel overlap. Inter-Tel has 57 offices across the United States. That complements the 12 we have, so we'll have more footprints to address the market," he said. The combined companies will address customers in 90 countries, helping Mitel compete more effectively against the larger players such as Avaya, Cisco and Nortel now moving into the SMB space.

"This gives us a chance to be more aggressive against others with more scale and net R&D. - Together - we have the ability to create more brand awareness. That's important to channel partners," Smith said.

Smith said there is some overlap in the companies' product portfolios, which, combined, encompass unified communications, networking, management and IPT applications such as messaging, contact centers,

mobility and collaboration.

Inter-Tel, based in Tempe, Ariz., will operate as a subsidiary of Mitel, with Inter-Tel CEO Norman Stout remaining at the helm of the subsidiary. Mitel said it intends to retain the Inter-Tel brand, and Stout will report to Smith. "I'm happy to say the Inter-Tel executive team is staying with us. They've done a good job running their business and they're a good fit with us," Smith said.

Copyright 2007 by Ziff Davis Media, Distributed by United Press International

Citation: Mitel, Inter-Tel to Merge for SMB VOIP Supremacy (2007, April 28) retrieved 27 April 2024 from <https://phys.org/news/2007-04-mitel-inter-tel-merge-smb-voip.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.