

ZIFF DAVIS
CIO INSIGHT

THE CIO INSIGHT RESEARCH STUDY | **VENDOR VALUE**

CIO Insight's 2006 Vendor Value Study

Those grumbling sounds from the CIO's office are starting to grow louder, as satisfaction with tech vendors declines. **By Allan Alter**



VALUE SCORES: DOWN. RELIABILITY scores: down. Customer loyalty: no surprise—these numbers are down, too. Increasingly, CIOs are disappointed and disgruntled with the performance of their most important vendors. In fact, the number of companies with lower scores in 2006 than in 2005 outpaces those with higher scores by a margin of two to one.

This bad news is the key finding of our Vendor Value Survey for 2006. Once a year, we poll IT executives on how well their most important vendors meet their expectations for providing business value, and on the reliability and quality of their service. This year, nearly 850 qualified respondents answered the bell. We stayed with our familiar format, but added eight new companies, and included wireless telecom service vendors, such as Cingular and T-Mobile, for the first time.

Two newcomers, CDW and Trend Micro, moved past last year's winner, Red Hat, to take first and second place. Research In Motion, Hewlett-Packard, Citrix and Motorola, also on our previous top-ten list, improved their scores. But the big story is the overall downward trend: The security sector didn't fare as well as last year; just over half of respondents gave telecom companies thumbs up for reliability; and the ratings for Indian outsourcing firms sank to the low levels of their U.S. counterparts.

Other researchers have picked up this wave of discontent: A recent study by the Customer Respect Group found IT vendors' Web sites are the worst of any industry at responding to customers' questions. Vendors need to regain the respect of their customers now, while the economy is strong. Otherwise, if times get hard, CIOs won't stick around when their budgets start getting cut.



The Big Picture

3 Red Hat

CIO INSIGHT VENDOR VALUE SURVEY

2006 RANK: 3

2005 RANK: 1

Overall Rating

	SCORE*	RANK
Combined value and reliability ratings	77%	3

Value

	SCORE*	RANK
Meets expectations for increasing revenues†	80%	1
Meets expectations for lowering costs	77	2
Solves the business problem paid to solve	79	9
Meets ROI expectations	76	3

Reliability

	SCORE*	RANK
Meets commitments on time and on budget	75%	8
Is flexible and responsive	65	12
Meets quality expectations	84	3

Loyalty

	% YES	RANK
If our company had a choice, we would continue to do business with this vendor	90%	4

Nature of Relationship

Respondents identified all the ways they work with this vendor.

Consultant	—%
Outsourcer	—
Telecom	—
Hardware	—
Software	95
Security	—

Our company has worked with this vendor during the past 12 months

20%

Number of respondents

154

*Percentage of IT executives rating vendor as excellent or good.

†Meets expectations for achieving mission (for not-for-profit organizations).

How the Survey Was Done

What does the survey measure? CIO Insight's 2006 Vendor Value Survey measures how U.S.-based IT executives generally perceive the value of their vendors' product and service offerings, and those executives' overall satisfaction with the support these vendors provide.

How were the vendors selected? The published results include vendors that received 45 or more qualified responses on all ratings, and were used by at least 70 respondents. To create our list of the most widely used computer hardware, software, telecommunications, IT consulting and outsourcing companies in the U.S., we relied on several sources for revenue and market-share data: *Baseline's* 50 Fastest Growing Software Companies; Gartner; Fortune 500 and Global 500 lists; Forbes Fastest Growing Technology Companies; CBR 50 IT Services Vendors; Hoover's Online; and annual and financial reports. One new entry, CDW, was suggested by many respondents to the 2005 survey.

How was the survey conducted? CIO Insight editors designed the 2006 Vendor Value and Satisfaction Survey together with Equation Research, LLC (www.equation-research.com), an Estes Park, Colo.-based supplier of custom research services. IT executives gathered from Ziff Davis Media publication lists were invited to participate in the study by e-mail. The questions were posted on a password-protected Web site, and 826 qualified respondents (350 from companies with between \$5 million and \$99 million in revenues, 248 from companies with between \$100 and \$999 million in revenues, and 228 from companies with over \$1 billion in revenues) replied from September 19 to October

8, 2006. Of the respondents, 51 percent were the top IT executives at their companies, and the rest held titles of IT director or higher. Respondents were considered qualified only if they described themselves as very knowledgeable or knowledgeable about the IT vendors and consultants their company uses, and the value it has received from them.

How are vendors rated? After identifying vendors they have had a business relationship with in the past 12 months, and whether they use the vendor as a hardware, software, telecommunications, consulting or outsourcing services provider, respondents were asked to rate vendors as "excellent," "good," "fair" or "poor" on seven key criteria. Four of the criteria concerned value: 1) how well they have met their company's expectations for increasing revenues (or achieving mission, if not-for-profit), and 2) for lowering business or IT costs; 3) how well they have solved the business problem their products or services were purchased or engaged to solve, and 4) have met their company's ROI (business value) expectations. The other three criteria focused on reliability: 5) how well they have met commitments on time and budget; 6) how flexible and responsive they have been to the company's needs; and 7) how well they have met the company's quality expectations for their products and services. The "overall" rating is the mean of respondents answering "excellent" or "good" for these criteria. Respondents were also asked if they would continue to do business with each individual vendor if they had a choice. Unless otherwise noted, percentages given are the percentage of respondents who answered either "excellent" or "good."

For more information about the CIO Insight Vendor Value survey, please go to our Web site: www.cioinsight.com.

The Details

Repeat Performers

Funny how those companies that are best at delivering value are also the most reliable: Nine companies are among the top ten in value and reliability—and 8 out of 10 made both lists last year. Computer reseller CDW is a newcomer at the head of both classes. On average, scores are lower this year, though H-P bucked the trend by improving in value and reliability.

Value: Average of ratings for increasing revenues and lowering costs as expected, solving the business problem paid to solve, and meeting ROI expectations.

Reliability: Average of ratings for meeting commitments on time and on budget, being flexible and responsive, and meeting respondents' quality expectations.

VALUE TOP TEN*			RELIABILITY TOP TEN*		
RANK		SCORE	RANK		SCORE
1	CDW †	80%	1	CDW †	82%
1	Trend Micro †	80	2	Cisco Systems	80
3	Red Hat	78	2	Trend Micro †	80
4	Research In Motion	77	4	Hewlett-Packard	77
5	Cisco Systems	75	5	Citrix Systems	75
5	Dell	75	5	Red Hat	75
7	Citrix Systems	74	7	Apple Computer	74
7	Hewlett-Packard	74	7	Research In Motion	74
9	Apple Computer	73	9	EMC	73
10	Motorola	70	10	Dell	72
			10	McAfee	72
			10	VeriSign	72

Apples and Worms

These charts don't merely list vendors with satisfied or dissatisfied customers; they reveal vendors with thrilled—or deeply disappointed—clients. And Apple didn't just win the trifecta, it set a record: It's the first company since our initial Vendor Value survey in 2001 to receive an excellent rating for both value and reliability from a third of respondents. Trend Micro, Red Hat, CDW and Cisco also broke the 30 percent barrier. On the flip side, many companies that received the most "poor" ratings didn't appear in this list last year. And 6 of the 10 vendors on the poor reliability list are telecom vendors.

	OVERALL		VALUE		RELIABILITY				
	RANK	SCORE	RANK	SCORE	RANK	SCORE			
COMPANIES WITH HIGHEST PERCENTAGE OF EXCELLENT RATINGS	1	Apple Computer	35%	1	Apple Computer	33%	1	Apple Computer	37%
	2	Trend Micro †	31	2	Trend Micro †	31	2	Trend Micro †	31
	3	Red Hat	29	2	Red Hat	31	3	CDW †	30
	4	Research In Motion	28	4	Research In Motion	29	3	Cisco Systems	30
	5	CDW †	27	5	Cisco Systems	26	5	Red Hat	28
	5	Cisco Systems	27	6	CDW †	25	5	Research In Motion	28
	7	Hewlett-Packard	24	7	Dell	24	7	Hewlett-Packard	26
	7	Dell	24	8	Citrix Systems	23	8	IBM	24
	9	IBM	22	8	Hewlett-Packard	23	8	Motorola	24
	10	Citrix	21	10	VeriSign	21	10	Dell	23
10	Motorola	21				10	EMC	23	
COMPANIES WITH HIGHEST PERCENTAGE OF POOR RATINGS	1	Accenture	21%	1	Siemens	22%	1	Accenture	21%
	2	Qwest Comm.	19	2	Accenture	21	1	Sprint Nextel	21
	2	Siemens	19	3	Qwest Comm.	18	3	Qwest Comm.	20
	4	Sprint Nextel	18	4	Sprint Nextel	16	3	Verizon Comm.**	20
	5	Verizon Comm.**	16	4	SunGard	16	5	AT&T	18
	6	CA	15	6	SAP	15	6	BellSouth	16
	6	SunGard	15	7	CA	14	6	CA	16
	8	AT&T	14	7	Nortel Networks	14	6	Siemens	16
	8	BellSouth	14	7	Oracle	14	9	Cingular Wireless †	15
	8	Cingular Wireless †	14	10	BellSouth	13	9	Nortel Networks	15
8	Nortel Networks	14							
8	Oracle	14							

Business Continuity

No surprise here: 7 of the 10 companies with the highest customer-loyalty ratings also made the top-ten overall list. Red Hat has taken a hit, dropping from 97 percent in 2005 down to 90 percent in 2006, but it's still 1 of only 5 companies to earn a customer-loyalty score of 90 percent or more. On the other end, 4 out of 10 Accenture customers would like to disengage from that company's services. Telecommunications companies are also notable for their heavy representation on the "No" list.

	% YES		% NO			
	RANK	SCORE	RANK	SCORE		
WOULD CONTINUE TO DO BUSINESS IF HAD A CHOICE	1	CDW †	94%	1	Accenture	39%
	2	Cisco Systems	93	2	CA	37
	3	Hewlett-Packard	91	3	Novell	32
	4	Red Hat	90	3	Sprint Nextel	32
	4	Trend Micro †	90	3	T-Mobile †	32
	6	Apple Computer	89	3	Verizon Comm.**	32
	6	Citrix Systems	89	7	Cingular Wireless †	31
	6	EMC	89	8	Cognos	28
	6	McAfee	89	8	Sybase	28
	6	VeriSign	89	10	BellSouth	27
			10	Siemens	27	

*Percentage of IT executives rating vendor as excellent or good. †New to Vendor Value survey. Red: New to top-ten list **including MCI

Enterprise Software

Red Hat retains its lead; Salesforce.com debuts in third place. Not all these companies are direct competitors, but many of them are, or will be soon. Among the noteworthy comparisons: Red Hat has a 21-point lead over Oracle; Salesforce.com is ahead of the other enterprise application vendors; and Business Objects outpolls fellow business intelligence vendor Cognos. Citrix is the only software company to improve its overall score since last year.

RANK 2006	RANK 2005	RANK 2004	Vendor	Overall rating 2006	Value	Reliability	Would continue to do business (% yes)
1	1	1	Red Hat	77%	78%	75%	90%
2	2	2	Citrix Systems	74%	74%	75%	89%
3	.	.	Salesforce.com	62%	61%	63%	75%
4	4	.	Sybase	61%	63%	59%	72%
5	5	3	Novell	60%	60%	59%	68%
6	7	6	Microsoft	59%	59%	58%	80%
7	6	4	SAP	57%	57%	56%	82%
8	3	.	Business Objects	56%	57%	54%	84%
8	10	5	Oracle	56%	55%	57%	75%
10	8	.	Cognos	52%	49%	56%	72%
11	9	7	CA	51%	50%	52%	63%
AVERAGE				60%	60%	60%	77%

The List: The Top 40 Vendors by Ranking

CIO Insight's annual Vendor Value study had some surprising results this year. A newcomer to the list—CDW—takes first place, unseating Red Hat, which fell to third place. Yet while companies like Research In Motion, Hewlett-Packard, Citrix and Motorola improved their scores, the overall results indicate that CIO satisfaction with their vendors has waned significantly since last year.

Rank	Company Name	Score %	Rank	Company Name	Score %
1	CDW	81	21	Sun Microsystems	61
2	Trend Micro	80	21	Sybase	61
3	Cisco Systems	77	23	Novell	60
3	Red Hat	77	24	Microsoft	59
5	Research In Motion	76	25	Avaya	58
6	Hewlett-Packard	75	26	BellSouth	57
7	Citrix Systems	74	26	SAP	57
7	Dell	74	26	Sprint Nextel	57
9	Apple Computer	73	26	T-Mobile	57
10	McAfee	70	30	AT&T	56
10	Motorola	70	30	Business Objects	56
10	VeriSign	70	32	Oracle	56
13	EMC	69	33	SunGard	54
14	Check Point Software	68	34	Siemens	53
14	Symantec	68	35	Cognos	52
15	Palm	67	36	CA (formerly Computer Associates)	51
16	IBM	66	36	Verizon Communications (including MCI)	51
18	Nortel Networks	65	38	Cingular Wireless	49
18	Verizon Wireless	65	38	Qwest Communications	49
20	Salesforce.com	62	40	Accenture	43