

ZIFF DAVIS

CIO INSIGHT

CIO Insight's 2006 Vendor Value Study

CIOs to Vendors: Get With the Program

By Allan E. Alter

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

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. Still, 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.



Methodology: How The Survey Was Done

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.

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Trend Micro

CIO INSIGHT VENDOR VALUE SURVEY

2006 RANK: 2

2005 RANK: N/A

Overall Rating

	SCORE*	RANK
Combined value and reliability ratings	80%	2

Value

	SCORE*	RANK
Meets expectations for increasing revenue†	75%	4
Meets expectations for lowering costs	77	2
Solves the business problem paid to solve	85	4
Meets ROI expectations	84	1

Reliability

	SCORE*	RANK
Meets commitments on time and on budget	76%	6
Is flexible and responsive	75	2
Meets quality expectations	88	1

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	70
Security	49

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

14%

Number of respondents

106

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

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

Methodology: How The Survey Was Done

What does the survey measure? CIO Insight's 2005 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 only vendors which 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 magazine's 50 Fastest Growing Software Companies, Gartner (which provided CIO Insight with lists of market share leaders), the Fortune 500 and Global 500 lists, the Forbes Fastest Growing Technology Companies list, the CBR 50 IT Services Vendors list, Hoover's Online, and annual and financial reports of individual companies. Most of the companies that were included in the 2005 Vendor Value survey were included this year's survey; usually deletions were due to insufficient or unqualified responses. One company, CDW, was included because it was suggested by many respondents of the 2005 survey. Our aim was to provide readers with information on 40 of the most widely used vendors in these categories, out of 56 that were included in our survey. We limited hardware companies to manufacturers of PCs and servers, storage equipment, and networking equipment; and software companies to producers that create and sell software intended primarily for business use across many industries. We included companies that provide consulting, systems integration, outsourcing and IT services (other than data processing services and business process outsourcing services) but do not derive most of their IT service revenues from the defense sector, information processing services or customers outside the U.S. This year's survey also includes telecommunications service vendors, including companies that solely provide wireless services.

Security

Trend Micro takes over as top security vendor. In past years, the strong performance of security vendors has been a bright light in the blighted world of IT security. That light has dimmed. Symantec, no longer solely a security vendor, continues to receive lower scores; customer loyalty has fallen from a stellar 92 to a respectable but no longer stratospheric 86. The overall score of McAfee has dropped by 9 points, although loyalty there remains stronger than to Symantec. The good news is Trend Micro's high scores, a vendor we added to the list this year. Trend Micro exceeds McAfee and Symantec for meeting quality expectations by 12 and 15 points, respectively, and it beats those two in another key category, "solving the business problem paid to solve," by 8 and 10 points.

RANK 2006	RANK 2005	RANK 2004	Vendor	Overall rating 2006	Value	Reliability	Would continue to do business (% yes)
1	•	•	Trend Micro	80%	80%	80%	90%
2	1	2	McAfee	70%	68%	72%	89%
2	2	•	VeriSign	70%	69%	72%	89%
4	3	1	Symantec	68%	67%	68%	86%
4	•	•	Check Point Software	68%	68%	68%	80%
average				71%	70%	72%	87%

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

How was the survey conducted? CIO Insight editors designed the 2006 Vendor Value and Satisfaction Survey together with Equation Research, LLC (www.equationresearch.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 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 company, and the rest held titles of director of IT or higher. Respondents were only considered qualified 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 the 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” and “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 focus on reliability: 5) how well they have met commitments to their company on time and budget 6) how flexible and responsive they have been to their company’s needs and 7) how well they have met their company’s quality expectations for their products and services. The “overall” rating is the mean of respondents answering “excellent” or “good” for these seven criteria. In addition, respondents were asked whether, if they had a choice, they would or would not continue to do business with each individual vendor. Unless otherwise noted, percentages given are the percentage of respondents who answered either “excellent” or “good.”



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Trend Micro Inc.
10101 N. De Anza Blvd. • Cupertino, CA 95014, USA
Toll Free: 1+800-228-5651 • Phone: 1+408-257-1500
Fax: 1+408-257-2003 • www.trendmicro.com

The Big Slide

Three to one: That’s the ratio of companies that saw their scores slide in 2006 to those that improved. Accenture plummeted by a shocking 20 points back to its 2004 score, suggesting that last year’s improvements were a blip. Siemens and, surprisingly, Apple also fell by at least 10 points. Palm, Research In Motion and Nortel Networks are the only companies in the survey that improved by 5 points or more. Simply put, that’s a disappointing showing.

Vendor	Overall rating 2006	Change from 2005	Overall rating 2005
▼ Accenture	43%	-20%	63%
▼ Apple Computer	73	-10	83
▲ AT&T	56	4	52
▼ Avaya	58	-3	61
▼ BellSouth	57	-5	62
▼ Business Objects	56	-8	64
▼ CA	51	-5	56
CDW	81	.	.
Check Point Software	68	.	.
Cingular Wireless	49	.	.
▼ Cisco Systems	77	-4	81
▲ Citrix Systems	74	1	73
▼ Cognos	52	-4	56
▼ Dell	74	-5	79
▼ EMC	69	-1	70
▲ Hewlett-Packard	75	3	72
▼ IBM	66	-5	71
▼ McAfee	70	-9	79
▼ Microsoft	59	-1	60
▲ Motorola	70	3	67
▲ Nortel Networks	65	5	60
▼ Novell	60	-3	63
▲ Oracle	56	1	55
▲ Palm	67	9	58
▼ Qwest Communications	49	-7	56
▼ Red Hat	77	-7	84
▲ Research In Motion	76	5	71
Salesforce.com	62	.	.
▼ SAP	57	-5	62
▼ Siemens	53	-11	64
▼ Sprint Nextel	57	-8	65
▼ Sun Microsystems	61	-6	67
SunGard	54	.	.
▼ Sybase	61	-2	63
▼ Symantec	68	-5	73
T-Mobile	57	.	.
Trend Micro	80	.	.
▼ VeriSign	70	-6	76
▼ Verizon Comm. (including MCI)	51	-3	54
Verizon Wireless	65	.	.
▼ average	63	-3	66