Magic Quadrant for Global Enterprise Notebook PCs, 2H06

Unlike the general notebook market, in which price is often the main purchase criterion, the global enterprise market also requires consistent hardware configurations, appropriate life cycle services, global support and fast turnaround on warranty repairs.

WHAT YOU NEED TO KNOW

This Magic Quadrant is designed to assist global enterprise customers with users spread across multiple regions in selecting notebook suppliers. Our analysis combines evaluations of the notebook vendor attributes that matter most to large-enterprise customers: product portfolio, geographical coverage, financial health, and service and support capabilities.

Each vendor's position in the Magic Quadrant accurately reflects our analysis of the factors considered. However, we encourage notebook buyers not to use these results as the sole criteria for selecting a vendor. Instead, customers should assess their own organization's priorities and consider these when performing due diligence as part of their vendor evaluation process. *It is not uncommon for customers with unique requirements to find that a lesser-known vendor is best-suited to meet their needs.*

The Magic Quadrant for global enterprise notebook PCs is updated each year to reflect changes in market dynamics. For the 2006 update, we have added two new evaluation processes to our quantitative assessment of vendors:

- Qualitative analysis of each vendor's capabilities and processes, based on interviews with the vendor and a range of submitted case studies

- Subjective evaluations of vendors against a range of criteria, based on feedback from Gartner clients to each of our user-facing client computing analysts

Our quantitative assessments are based on externally available financial and market data as well as information submitted to Gartner by vendors in response to a questionnaire.

MAGIC QUADRANT
Market Overview

Commoditization and saturation are major notebook market trends in most regions. In a commoditized market, price becomes the major purchase criterion, while market saturation increases the pressure for vendors to lower prices. But while these forces apply to the general market for notebooks, they are less visible in the global enterprise segment. For large-enterprise customers, price is not usually the primary purchase criterion. Instead, their purchase decisions consider various criteria, including each vendor's ability to provide appropriate levels of services and support globally. Working with vendors that can meet these requirements helps reduce the total cost of ownership for notebooks.

Gartner regards global presence as a significant criterion for evaluating potential notebook suppliers. The leaders in this Magic Quadrant are all international vendors that can provide consistent products and services across multiple regions. While smaller vendors can also play effectively in this market, a lack of global capabilities for delivery and/or support would put them into a Niche Players or Challengers position. Such smaller vendors are typically specialized in certain vertical markets.

Market Definition/Description
The global enterprise notebook market is defined as follows:

- The products in this market are notebook PCs, in various form factors and configurations. Mobile thin-client terminals and PDAs are not included in this Magic Quadrant.

- The main customers in this market fall into three private-sector segments:

Gartner

Figure 1. Magic Quadrant for Global Enterprise Notebook PCs

challengers leaders

ability to execute

Dell

HP

Lenovo

Acer

Fujitsu/
Fujitsu Siemens

MPC Gateway

Toshiba

niche players visionaries

completeness of vision

As of December 2005

Source: Gartner

- Enterprises that operate globally
- Enterprises with operations centered in one geographical region but that have some presence in other regions
- Midmarket or large enterprises that operate in one or more countries and have more than 1,000 employees

Large-government customers are not included in this Magic Quadrant.

Inclusion and Exclusion Criteria

This Magic Quadrant focuses on notebook PC suppliers that work directly or indirectly with enterprise buyers.

Added

No new vendors have been added.

Dropped

No vendor has been dropped.

Evaluation Criteria

Ability to Execute

This axis evaluates notebook vendors on the quality and efficiency of the processes, systems, methods or procedures that enable their performance to be competitive, efficient and effective, and to positively impact revenue, retention and reputation. Ultimately, global enterprise notebook providers are judged on their ability and success in capitalizing on their vision. Our evaluation of a vendor's ability to execute is based on the following criteria:

- Product, which includes the breadth and availability of the vendor's product portfolio
- Overall viability, which includes product quality and consistency as well as the vendor's financial strength
- Sales execution, which includes the availability of specialized sales teams
- Market execution, which includes the vendor's market share in the global enterprise market
- Customer experience, which includes the vendor's ability to provide support and services
- Operations

Completeness of Vision

This axis evaluates notebook vendors on their ability to convincingly articulate logical statements about current and future market direction, innovation, customer needs, and competitive forces and how well they map to the Gartner position. Ultimately, global enterprise notebook providers are rated on their understanding of how market forces can be

exploited to create opportunity for the provider. Our evaluation of a vendor's completeness of vision is based on the following criteria:

- Market understanding, which includes mechanisms for customer feedback
- Marketing strategy, which includes the vendor's ability to provide various professional services
- Sales strategy, which includes the vendor's ability to work with customers through its sales force and sales tools
- Product strategy, which includes the vendor's strength of R&D, capability in product design and its ability to offer image stability
- Vertical/industry strategy, which includes the vendor's ability to provide vertical-specific product and service
- Innovation, which includes the vendor's ability to have investment resources, expertise or capital for consolidation, defensive or pre-emptive purposes
- Geographic strategy, which includes the vendor's ability to provide products and services globally

Leaders

Notebook PC vendors in the Leaders quadrant register the highest scores on Ability to Execute and Completeness of Vision. These vendors have wider geographic coverage, comprehensive sales organization, financial stability, comprehensive customer support, broader product portfolio, longer product availability, and larger market presence.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product/Service	high
Overall Viability (Business Unit, Financial, Strategy, Organization)	high
Sales Execution/Pricing	high
Market Responsiveness and Track Record	standard
Marketing Execution	standard
Customer Experience	high
Operations	standard

Source: Gartner

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	high
Marketing Strategy	standard
Sales Strategy	standard
Offering (Product) Strategy	high
Business Model	no rating
Vertical/Industry Strategy	standard
Innovation	high
Geographic Strategy	standard

Source: Gartner

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Challengers

Challengers have high scores in Ability to Execute, but their Completeness of Vision scores are not as high as the leaders. Challengers often have a good market presence and financial stability, but they may have less geographic coverage or they lack an innovative view of the products.

Visionaries

Visionaries have high scores in Completeness of Vision; however, their Ability to Execute scores are not as high as vendors in the Leaders quadrant. Their market presence may be less than the leaders, and their financial stability may not be as solid. Also, their sales organization and customer support mechanism my not be as comprehensive as the leaders.

Niche Players

Vendors in the Niche Players quadrant do not have high scores in both axes. They have a low market presence, and market coverage is limited. Meanwhile, they may specialize in particular areas in a vertical-market segment or have product portfolios in which leaders may not have much focus.

Vendor Comments

Acer

Acer is in the Challengers quadrant, but on the border of the Niche Players quadrant. Acer has global product offerings, with a highly efficient supply chain and a strong market presence across many regions. However, its core business targets transactional customers (small business and retail), and its business model is not focused on the higher-volume requirements of large-enterprise customers. Global service and support capabilities, as well as account management, are far below those offered by the market leaders. Acer's lack of investment in these enterprise capabilities limits our evaluation of its ability to execute and completeness of vision as a potential enterprise notebook supplier.

Recommendation: Acer is recommended as a potential supplier for global enterprise notebook requirements only if standardization and global account management are not required.

Dell

Dell's scores for Ability to Execute are the highest among all notebook vendors. Dell has an excellent supply chain for notebook products and strong marketing execution capabilities. Dell achieved the highest overall viability score and remains the leader in service and support for the largest global enterprises. However, for smaller enterprises that do not achieve "global account status" with Dell, the level of service is often less. For such customers, service and support may be inconsistent across different regions, ranging from excellent in some mature markets to barely adequate in others.

Recommendation: Global enterprises and large organizations (irrespective of location) should consider Dell as a prospective supplier for all business notebook requirements. Midsize organizations, especially those operating in multiple geographic locations, should expect Dell's level of service and support to be less consistent.

Fujitsu/Fujitsu Siemens

Fujitsu and Fujitsu Siemens offer a common range of global PC products, although they are two separate entities. Thus, this Magic Quadrant evaluates these two companies as a single aggregate vendor.

Fujitsu/Fujitsu Siemens is positioned in the Leaders quadrant although its position is close to the border of the visionaries quadrant. Fujitsu/Fujitsu Siemens offers a range of quality enterprise notebooks. Its ability to understand customer needs matches that of leading competitors. Customer feedback mechanisms and appropriate service offerings are integrated into its operation. A challenge for Fujitsu/Fujitsu Siemens is its inconsistent global presence, which results in inconsistent levels of services between regions. In particular, its capabilities in North America lag those in other regions, particularly Europe, the Middle East and Africa (EMEA).

Recommendation: Fujitsu/Fujitsu Siemens should be considered for global notebook PC contracts only by organizations for which the majority of users are not U.S.-based. Organizations with high numbers of U.S.-based users should consider it as a potential supplier only if they have some other compelling

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reasons to do so (such as a broader portfolio purchase with leveraged discounts). For pen-tablet-based vertical solutions, Fujitsu/Fujitsu Siemens should be considered as a supplier, regardless of customer location.

Gateway
Gateway is in the Niche Players quadrant. Since acquiring eMachines, Gateway has expanded its operation to Western Europe, Latin America and Japan; however, it remains primarily focused on retail and has shown no signs of building the capabilities needed to be a global enterprise notebook supplier. Gateway's enterprise product portfolio is good, and its direct sales capabilities within the U.S. are adequate, although limited. The lack of a strong track record with large-enterprise customers is a barrier to Gateway strengthening its position with this customer group.

Recommendation: Gateway is not recommended for new global notebook PC contracts, but it should be considered as a prospective supplier for small-to-midsize quantities in the U.S. market. Outside North America, customers should expect limited supply capability.

HP
HP has well-balanced scores for Ability to Execute and Completeness of Vision. HP achieves one of the highest scores for its service and support capabilities. HP maintains excellent account management for its largest global enterprise customers, but the complexity of contracts when channel partners are used can create confusion for some customers. While coordination challenges may still exist for smaller-enterprise customers, the patchy account management seen through 2004 has disappeared, showing that the underlying organizational issues are resolved. HP has a broad product offering with a variety of form factors and is regarded as best in class for its ongoing efforts to understand user needs and customer satisfaction.

Recommendation: HP should be considered a prospective supplier for global enterprise customers regardless of size of the business. Customers with multilocational requirements that involve use of third parties should expect detailed contracts.

Lenovo
Lenovo has the highest score for Completeness of Vision; however, its Ability to Execute score is below that of its leading competitors. Lenovo's high score for Completeness of Vision is because of its product design/development capabilities and the level of meaningful innovation it delivers with its enterprise notebook products. Lenovo's ThinkPad brand, together with its ThinkVantage technology, is well-regarded for IT deployments. Lenovo's main weakness is its high dependency on IBM for direct sales, although the use of IBM's global services organization means customers usually have access to high-quality services. With IBM as its primary distribution channel to global customers, Lenovo now has less-direct access to and feedback from all but its largest enterprise customers.

Recommendation: Consider Lenovo as a prospective supplier for all business notebook requirements. Organizations should also investigate the potential advantages and licensing costs of extending use of ThinkVantage utilities to their PC installed base. Customers that had originally purchased notebooks from IBM should monitor performance against associated service commitments to ensure service levels and qualities continue to be maintained by Lenovo.

MPC
MPC is positioned in the Niche Players quadrant. MPC offers good products, and its support capability is well-regarded by customers. It has well-organized mechanisms for customer feedback and is "high touch" for its limited customer base. However, MPC's focus is the United States only, and the company plans no global expansion.

Recommendation: MPC should not be considered for global notebook contracts or for high-volume deployments over short intervals. MPC's capabilities and customer approach mean it should be considered as a prospective supplier for U.S.-only, midvolume notebook contracts, or as a second source.

Toshiba
Toshiba is positioned in the Visionaries quadrant. Toshiba's engineering gives it excellent product design and development capabilities, which boosts its Completeness of Vision score. However, Toshiba's

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execution for global customers lags that of leading competitors. Toshiba has invested heavily in CRM systems and has good customer support and service capabilities, but it is yet to fully exploit these. The result continues to be inconsistent sales execution and customer support.

Recommendation: Toshiba should be considered as a potential global supplier of notebook PCs, especially if product quality and innovation is a high buying priority. However, customers requiring high levels of service and support with their notebooks can experience inconsistent execution, especially if operating in multiple locations.

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Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets, skills, etc., whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability (Business Unit, Financial, Strategy, Organization): Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

Market Responsiveness and Track Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements, etc.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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