Magic Quadrant for U.S. Managed and Professional Network Service Providers, 1H06

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This Magic Quadrant examines 12 vendors of services for business networks and telecoms in the United States. Large and midsize companies should use it to find the right providers for their needs.

WHAT YOU NEED TO KNOW

Gartner's Magic Quadrant for U.S. managed and professional network service (MPNS) vendors is a guide for midsize and large companies, enabling them to identify and evaluate vendors that deliver IT services in support of network services (for example, frame relay and ATM) and network infrastructure (for example, hardware and software). All the vendors in this Magic Quadrant provide network IT services, but their competencies and offerings vary. Base your selection on a detailed evaluation of your communications requirements and sourcing goals against a vendor's capability to execute against those expectations.

STRATEGIC PLANNING ASSUMPTION(S)

By 2010, 60 percent of enterprises will outsource the management and operation of part, or all, of their corporate networks, up from 30 percent in 2006.

MAGIC QUADRANT

Market Overview

The market for discrete, or stand-alone, network IT services is very mature. However, adopting a managed service, or outsourcing, approach to network operations is not as mature. End users should carefully align business requirements, technological migration issues and operational/service-level objectives against a vendor's past performance. Vendor experience and execution capabilities vary based on the network environments to be managed: voice and data services (wireline and mobile) and voice and data network infrastructure (including wireless).

An important aspect of network IT service delivery in this market space is the use of remote capabilities to proactively identify problems and provision changes in the network, ranging from incident remediation to software updates and patching (for network operating systems, for example). All the providers in this Magic Quadrant are investing heavily in automated fault detection and performance management tools, with varying degrees of success and effectiveness. Additionally, these vendors are using the change management and software management tools in these platforms to create proactive alerting, automate remediation and reduce cost of their IT service delivery. These instrumented service delivery platforms are important, affecting the efficacy and cost competitiveness of the vendors reviewed in this Magic Quadrant.

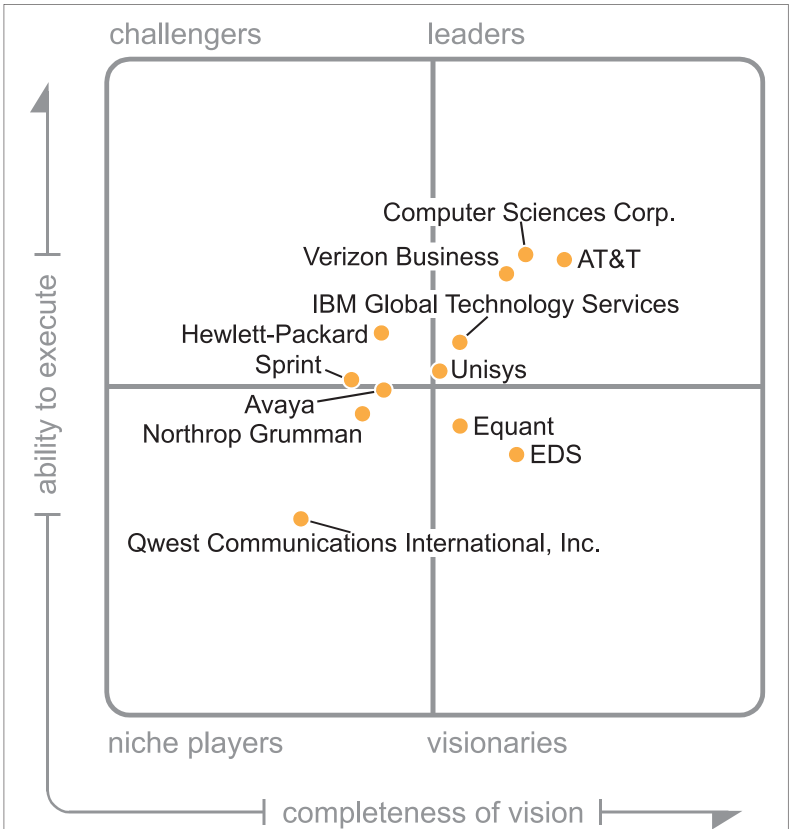
Market Definition/Description

MPNSs are multiyear, annuity-based offers that layer network IT services on top of carrier network services and/or premises-based voice and data network infrastructure. Simply put, MPNS is focused on the support, operation and management of a company's business network, inclusive of mobile service and wireless networks.

The network IT services considered in this Magic Quadrant include:

- Network and telecom expense management.

Figure 1. Magic Quadrant for U.S. Managed and Professional Network Service Providers, 1H06



Source: Gartner (June 2006)

Gartner

- Network maintenance.
- Network consulting.
- Network development and integration.
- Network management.

MPNS contracts include one or more of the above IT services for enterprise networks, and always include IT management services as the core of the relationship. IT management services include operational services, application management and help-desk management services. Asset and resource transfers (technology or employees) may be included in the subscription-based offers but is not a requirement. The retention of employees and assets by companies while using a third-party manager is a driving force in the market, as companies feel this gives them more control than traditional outsourcing contracts.

The value of MPNS to end-user organizations varies by business. However, there are core values that Gartner sees in the marketplace:

- The enhanced service levels of business networks brought about by sourcing the ongoing management and operation of public network services and related enterprise network equipment – irrespective of carrier or network manufacturer.
- The reduction of costs associated with developing, implementing and operating corporate network infrastructure and telecom services and contracts.
- Improved visibility into corporate network performance to better support business processes and operations.

Some vendors, namely network service providers (NSPs), bundle network services with IT services and network hardware in their offers. Such a bundling scenario was not required for a vendor to be included in the Magic Quadrant. In fact, many of the vendors in this Magic Quadrant partner regularly in network outsourcing opportunities (for example, carriers and outsourcers).

Methodology

For this study, each participating vendor delivered a formal presentation to Gartner and was asked to provide a list of five to 10 U.S. customer references. We then provided assessments of each participant.

The compilation of the results from the presentations and the reference checks led to the final placement of the vendors in the Magic Quadrant. The positioning reflects their completeness of vision and ability to execute.

Network IT Service Definitions

Network Hardware Maintenance and Support Services

Hardware maintenance and support services are preventive and remedial services that physically repair or optimize hardware, including contract maintenance and per-incident repair. Hardware support also includes online and telephone technical troubleshooting and assistance for setup, and all fee-based hardware warranty upgrades.

Sales of all parts are also included, exclusive of parts bundled into maintenance contracts. This segment includes only external customer spending on these services.

Network Software Maintenance and Support Services

Software maintenance and support services include revenue derived from long-term and pay-as-you-go (incident-based) support contracts. Software support contracts include remote troubleshooting and support done via telephone and online means, installation assistance, and basic usability assistance. In some cases, software support services may include new product installation services, installation of product updates, migrations for major releases of software and other types of proactive or reactive on-site services. Software products and technologies covered under this category include operating systems and infrastructure software. Software-support services do not include revenue derived from the purchase of subscriptions that provide entitlement and rights-to-use to future minor versions (point releases) or future major releases of software.

Gartner Dataquest does not include revenue associated with product license updates and upgrades in vendor revenue reports and forecasts. However, we do cover entitlements such as these in our research agenda and publications for software-support services.

Network Consulting Services

Network consulting services are advisory services that help clients assess different technology and methodology strategies and, in doing so, align their network strategies with their business or process strategies. These services support customers' IT initiatives by providing strategic, architectural, and operational and implementation planning related to their networks. Strategic planning includes advisory services that help clients assess their network requirements and formulate system-implementation plans. Architecture planning includes advisory services that combine strategic plans and knowledge of emerging technologies to create the logical design of the network environment and the supporting infrastructure to meet customer requirements. Operational assessment and benchmarking includes services that assess the operating efficiency and capacity of a client's network environment. Implementation planning includes services aimed at advising customers on the rollout and testing of new network deployments.

Network Implementation Services

Implementation services support the implementation and rollout of new network infrastructure, including consolidation of established network infrastructure. Activities may include hardware or software procurement, configuration, tuning, staging, installation and interoperability testing.

Network Management Services

Management services transfer all or part of the day-to-day management responsibility for a customer's network environment (including LAN hardware and software, WAN – voice and data – and voice network hardware and software) and, in some cases, the transfer of ownership of the technology or personnel assets to an outside vendor. These services may include systems operation or support, capacity planning, asset management, availability management, performance management, administration, security, remote monitoring, technical diagnostics/troubleshooting, configuration management, system repair management and generation of management reports. Network remote monitoring and management and backup and recovery services also fall into this category when some degree of management is included in the service.

Inclusion and Exclusion Criteria

This Magic Quadrant relied heavily on the analysts' knowledge and familiarity with the enterprise network market and on checking vendor customer references. To be considered for the Magic Quadrant, vendors had to fulfill the following delivery criteria, based on how it serves the U.S. market:

- Must directly provide IT management services in support of customer WAN environments.
- Must develop and maintain its own remote management platform for the provisioning of a variety of remote IT services across WAN, LAN and premises-based voice infrastructure.
- Must provide, directly or through partners, IT services in support of WAN edge devices, and LAN and premises-based voice infrastructure.
- Must serve clients throughout the United States.

The following financial criteria were also considered:

- To reduce the field of potential candidates, only service providers with annual network IT service revenue of $200 million or more were considered.
- Additionally, Gartner requires that at least $50 million of the revenue comes from network management services (this includes on-site and remote management services, as well as staff augmentation used for operational purposes).

Gartner views the ability to create and maintain a centralized remote management platform as a key indicator of an organization's ability to provide superior quality network IT management services at reduced costs to end users. As the MPNS market matures, participants may not be required to maintain their own platform, but given the strategic nature of these assets, Gartner made this a requirement for inclusion.

This Magic Quadrant does not consider the resale of network hardware and software; nor does it consider revenue or products related to managed security services. For more information on these sectors.

Not all qualifying vendors provide the same breadth and depth of network IT services, and some are specialized in the services they provide. However, the vendors represent the range of managed network services available today and are evaluated in this larger context.

Added

Not Applicable

Dropped

Not Applicable

Evaluation Criteria

Ability to Execute

Gartner evaluates vendors on the quality and efficacy of the processes, methods or procedures that enable them to be competitive, efficient and effective, and to positively affect revenue, retention and reputation.

Each criterion is ranked high, standard or low in importance.

Completeness of Vision

Gartner evaluates technology and IT services providers 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 onto the Gartner position. Ultimately, technology and IT services providers are rated on their understanding of how market forces can be exploited to create an opportunity for the provider.

Each criterion is ranked high, standard or low in importance.

Leaders

Vendors in the Leaders quadrant are performing well today, have a clear vision of market direction and are building competencies to sustain their leadership positions in the market. From our analysis, the following vendors are Leaders:

- AT&T.
- Computer Sciences Corp.
- IBM Global Technology Services.
- Unisys.
- Verizon Business.

Vendor and customer experience weighs heavily in the Leaders quadrant. All of these vendors have demonstrated that they have significant network management and outsourcing experience and understand the dynamics needed to deliver network-centric IT services successfully.

Challengers

Vendors in the Challengers quadrant execute well today, but have a narrower view of market direction. The vendors that emerged as Challengers are:

- Hewlett-Packard.
- Sprint.

These vendors demonstrated that they have a base of satisfied network management and outsourcing clients. Overall, these companies need to address their strategic vision and broaden their service offerings (both in terms of capabilities and delivery) to meet clients' needs.

Visionaries

Vendors in the Visionaries quadrant have a clear vision of market direction and are focused on preparing for future customer requirements, though there is room for improvement in terms of service delivery and execution. Two companies were placed in the Visionaries quadrant:

- EDS.
- Equant.

Niche Players

Companies in the Niche Players quadrant focus on a particular segment of market requirements, as defined by characteristics such as size, vertical focus or selective network technology management offerings. Vendors that were categorized in this quadrant include:

- Avaya.
- Northrop Grumman.
- Qwest.

Table 1. Ability to Execute Evaluation Criteria

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

Source: Gartner

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	standard
Marketing Strategy	standard
Sales Strategy	standard
Offering (Product) Strategy	high
Business Model	standard
Vertical/Industry Strategy	low
Innovation	high
Geographic Strategy	low

Source: Gartner

Vendors that appear in the Niche Players quadrant are viable options for organizations to consider for MPNSs. In this Magic Quadrant, vendors identified as Niche Players may have limited experience in the general or commercial U.S. markets, or they may only provide specific service offerings focused on specific network platforms (for example, PBXs, mobile and wireless, narrow vertical markets or business segments served).

Vendor Comments

AT&T

During the course of this Magic Quadrant study, the merging of SBC and AT&T was finalized. Although SBC has a strong track record of successful integration of its acquisitions, Gartner expects it will take at least a full year, or two, before the impact of this acquisition is felt by customers. While SBC puts the "old" AT&T in a stronger financial position, it does call into question which strategic vision will predominate for MPNSs. Gartner prefers old AT&T's vision, and execution, of MPNSs over SBC's. That said, AT&T, new and old, has a strong portfolio of products, and an industry leading management platform and portal (iGEMS and BusinessDirect, respectively). Additionally, AT&T has robust capabilities, direct and through partnerships, for voice and data network consulting, integration and maintenance. And Gartner believes that its pricing is very competitive. Existing and potential customers should be on guard for potential degradation in service levels associated with the merger.

To ensure success, customers should try and pressure AT&T to create a centralized IT services organization, preferably an IT services organization that reports directly to the CEO. Clients should use AT&T when they are considering large, stand-alone national network outsourcing initiatives focused on cost reduction and resource utilization.

Avaya

Avaya was the lone manufacturer participant because Gartner views its capabilities and experience in the U.S. market as the most mature and credible among its peers. IT services represent over 40 percent of Avaya's corporate revenue. A growing portion of the IT services revenue is gained from managed and professional services of multivendor voice and data networks. The new EVP of Avaya Global Services has done much to stabilize a historically unstable organization. Recent investments include an improved remote management platform, a strategic program evaluation and retooling, as well as a refreshment of key executives experienced in IT services delivery beyond voice and contact center infrastructure. Customer satisfaction with Avaya is good.

Gartner has two main concerns for Avaya as a vendor of MPNS. The first is high pricing because of a lack of competitors for IT service delivery in the market (especially for large customers). The second is that its portfolio, and customer base, for data networks, multivendor voice and the WAN must grow for it to be considered as a credible manager of large corporate networks. Clients should use Avaya when they are considering managed services for multivendor voice infrastructure, especially when there is a large installed base of Avaya hardware and software.

Computer Sciences Corp.

Many large vendors share the view that MPNSs are not core competencies, as they generally view data centers, enterprise applications and business processes as more strategic to their business. Computer Sciences Corp. (CSC) embraces the corporate network as a catalyst in the customer environment that will drive the next wave of change in its customers' IT strategy (and business enabled by IT). Typically, networks were rolled into larger, wholesale IT outsourcing deals. CSC is now providing stand-alone, or single tower, network managed service offers. Additionally, CSC announced a stand-alone telecom expense management service to source, provision and audit expenses related to network and telecom assets. This service essentially outsources the business processes related to the management of the telecom life cycle. CSC has experienced some hiccups delivering against some newer, larger network outsourcing deals, but customer feedback is very positive.

Gartner believes that CSC has to work harder than most vendors to counter its government-centric image. Customers looking to find a vendor that balances network expertise, business acumen and strong sourcing experience are encouraged to consider CSC for large, stand-alone national network outsourcing initiatives that focus on network technology management and resource optimization.

EDS

Among its peers, including IT service vendors and NSPs, EDS has long had the most enlightened vision regarding the future of MPNSs. Its strategic blueprint for bundling infrastructure with IT services and next-generation network services is impressive. However, not enough of this vision has been executed in the market. A prime example is the lack of execution for a fully automated operation and billing support system that provides industry leading elements, and enterprise, service and business management capabilities.

EDS has proven that it can win the big MPNS deals – such as NMCI, Dow Chemical's DowNet, Bank of America and the recently announced network deal with General

Motors. However, customer satisfaction has severely lagged behind its ability to win large deals. EDS is a vendor that can provide network expertise, business acumen and strong sourcing experience for large network outsourcing initiatives. However, end users are advised to conduct exhaustive due diligence and enumerate clear non-performance penalties and termination conditions.

Equant

Before France Telecom's recent agreement to purchase the remaining portion of Equant's assets, many wondered about Equant's long-term commitment to the U.S. market. It is less than a year into the final acquisition, and significant improvements have been made to its U.S. IT service operations. Some of the initiatives include investment in R&D for remote management capabilities. Equant has also brought in experienced executives and staff from proven IT service companies such as IBM.

Gartner views Equant's service and support levels as competitive, which is a significant improvement on our perception over the past 18 months. Customers should question Equant to ensure it is continuing to reinvest in its U.S. capabilities in terms of IT services head count and R&D for remote management. Equant's pricing is viewed as prohibitive for a company that is perceived to have a lack of deep experience and value. Midsize and large companies should consider Equant for the management (remote and on-site delivery) of their multivendor infrastructure and multicarrier environments.

Hewlett-Packard

Hewlett-Packard (HP) controls a large part of the MPNS market from a revenue perspective, but there seems to be little market perception that HP is a major player. While IT outsourcing is a major business for HP, MPNSs are not viewed as a core competency but rather as a complementary offering embedded within its larger IT outsourcing business. HP is the publisher of one of market-leading business service management platforms. However, the company was relatively late to market with a remote monitoring and management platform. HP is now focused on its remote management platform and may opportunistically partner with smaller third-party providers for additional functionality.

Customers should look for significant investments and improvements in HP's remote management capabilities over the next 12 months. HP's strategy and offerings for wireless managed and professional services are encouraging. However, Gartner needs to see more execution before making recommendations for those offers. Customer satisfaction is good, although pricing is viewed as higher than average. Companies considering HP for IT outsourcing opportunities can look to HP to responsibly assume management of the network as part the engagement.

IBM Global Technology Services

IBM Global Technology Services (IBM GTS) is the largest provider of IT services for enterprise networks in the United States. To date, it assumes management of corporate networks as an opportunistic function of its larger outsourcing business, rather than a focused pursuit of network deals. IBM GTS's portfolio is predicated on network element management, while leaving much of the value surrounding telecoms to its carrier partners. This does not put IBM in a good position, as more network-only mega-deals are expected to come to market during the next few years.

IBM GTS's forward-looking statements surrounding network applications and network-enabled business processes place the company in a market-leading position for vision, but the impact of IBM's market-leading thinking has been minimal because the market needs to catch up to the future vision. As corporate network managers learn to take advantage of the new capabilities enabled by IP and Web-service technologies, IBM GTS will certainly be a key innovator. However, customers must force IBM GTS to take a more pragmatic and hands-on approach to network management now for migration to new architectures.

IBM GTS provides strong program management and its logistical capabilities are excellent. Its offerings are viewed as being more expensive than the market average, but customer satisfaction is good. Gartner advises clients to use IBM GTS when considering IT outsourcing initiatives that include operations and management services for network services and infrastructure.

Northrop Grumman

Northrop Grumman is considered a Leader in terms of revenue generated by network-centric deals in the U.S. federal and state/local government vertical markets, and it continues to grow its commercial base of customers. Northrop Grumman's merits inclusion in this Magic Quadrant given its ability to execute in public sector markets and its growing base of commercial accounts.

Gartner will look for Northrop Grumman to increase its commercial base even more aggressively in 2006. Customers should look to the company to go beyond network IT management and provide network-related business process management. It recently launched a suite of IP telephony services, including network and telecom expense management, to bridge its customers' network and financial management requirements. Northrop Grumman has good levels of customer satisfaction and its pricing is considered to be competitive. Midsize and large companies should consider Northrop Grumman for large, national network outsourcing initiatives that require converged network technology, complex integration, focus on security and financial management capabilities.

Qwest Communications International, Inc.
The continued consolidation of the U.S. carrier landscape has made Qwest a unique player in the MPNS market given its regional focus. Although its MPNS capabilities allow it to expand beyond its traditional carrier coverage, most MPNS business comes from its home territory. Viability is Gartner's main concern. Potential customer must press Qwest to identify its network services strategy and determine what role MPNS plays within that strategy.

Qwest's customer satisfaction numbers are inconsistent, and its MPNS offerings are less expensive that those of its peers. Gartner recommends Qwest MPNS for customers of all sizes within the service area of its networks. Customers with locations outside this coverage area should consider Qwest MPNS on a case-by-case basis.

Sprint
Gartner is encouraged by Sprint's ongoing investments, and partnerships, to provide MPNS to its customers. Sprint is heavily focused on bridging the chasm between wireline and wireless communications by offering integrated services. While Sprint enjoys good customer satisfaction levels within its core IT services business, such as PBX management and maintenance, many of its offers and value propositions are ahead of the market, as most companies have not settled on their converged wireline and wireless communications strategy.

Customers should look to more wins in the market across all network platforms to validate their market offers. Sprint's pricing is aggressive and customer satisfaction is very positive across all business sizes. Companies of all sizes looking for managed services to address wireline and mobility assets and services should look toward Sprint.

Unisys
Unisys has long maintained the discrete capabilities to provide MPNSs. In fact, Unisys can boast of one of the most mature remote network management platforms in the industry, having unveiled its Networks platform in 1995. Unisys also maintains a sizeable maintenance and logistics organization dedicated to multivendor network support. The company is often the resource for first- and second-call resolution for many network manufacturers. Unisys provides solid IT services in support of the network environment.

Customers must press Unisys to develop deeper capabilities to manage telecom environments to complement network infrastructure capabilities. Customer satisfaction surveys and end-user conversations rate its execution and pricing as slightly above average. Clients should use Unisys when they are considering using a vendor to provide network technology assessment and migrations planning. Gartner also recommends that Unisys be considered for IT outsourcing programs where the network is a component.

Verizon Business
Verizon Business, through the integration of MCI, has spent the last 24 months investing significant resources to become a leader in MPNSs. Those resources included product managers with experience beyond telecoms, R&D toward building an improved management platform and creating a centralized IT services organization to create a "services" culture to compete with external service providers (ESPs). Verizon's rating in the Leadership quadrant is directly related to its acquisition of MCI. Customers should warn Verizon management against making any wholesale changes to the development of MPNS, as envisioned by the legacy MCI managed services organization.

A review of Verizon's customer references shows strong end-user satisfaction, but Gartner has noted a slight increase in calls from end users regarding their satisfaction with IT service delivery. Gartner sees Verizon Business pricing as highly competitive for managed and professional network services. Clients should consider Verizon Business when they are considering large, stand-alone national network outsourcing initiatives.

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor that compete in and serve the defined market. This includes current product/service capabilities, quality, feature sets and skills, 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, offering the product and advancing the state of the art of the organization's 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 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 activity, 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 and service-level agreements.

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.