The Register READER STUDY

The Good, the Bad and the Ugly

IT Supplier Impact and Performance Survey

January 2006

KEY FINDINGS

It's not just the big guys that matter

When we talk about the IT supplier community, it is easy to focus on the few big names that dominate the landscape – organisations such as Microsoft, IBM, Dell and so on. However, the size, richness and diversity of the supplier community comes into sharp focus from this study. When readers of The Register news and information site were asked to highlight suppliers that stood out in 2005, over 550 different organisations were named within almost 1,800 nominations.

The channel is the face of the IT industry to most buyers

Most of the names that appear are from the myriad of suppliers which make up what is affectionately known in the industry as "the channel" – resellers, retailers, etc. Indeed, some pretty big manufacturers, especially those who deal predominantly through the channel, like Cisco, get hardly any mention at all.

Sun stands out positively from the most frequently mentioned manufacturers

Of the larger manufacturers who actually do receive a significant number of mentions, the top 5 being Dell, HP, IBM, Microsoft and Sun in terms of frequency, the impression of Sun is the most consistently positive. 67% of those who mention Sun do so in a positive manner, compared to around 40% positive nominations for its closest Top 5 rival, IBM.

Senior people speak out much more for IBM and Microsoft

Perceptions vary dramatically by job function for some suppliers. If you are in a management position, for example, you are three times more likely to be impressed by IBM than if you are in operations and support. Those in management roles are also much more likely to favour Microsoft. We wouldn't like to comment on whether the senior guys see some additional strategic value with these vendors or have simply been influenced more by marketing and messaging targeted directly at executives and decision makers.

Differentiating between the larger retailers and resellers is hard

The top five resellers and retailers respondents mention are eBuyer, Dabs, Scan, Insight and Overclockers. None of these really stand out differently from the others in terms of performance, however, with relatively little variation in the proportion of positive and negative nominations within this group.

Service is the biggest driver of both positive and negative perceptions

Whilst things like price, quality of goods, features and functionality are important, these are not the factors that typically make suppliers stand out the most. Analysis of freeform responses from survey participants reveals the recurring themes of customer service quality and efficiency of order processing and delivery as the two strongest influencers of perceptions. Suppliers who consistently get these right tend to stand out positively, and those that do not are highlighted negatively. This is probably the most significant finding from this study for suppliers who want to improve their position with customers.

Study designed, analysed and reported by Freeform Dynamics Ltd (www.freeformdynamics.com) on behalf of Situation Publishing.

Introduction

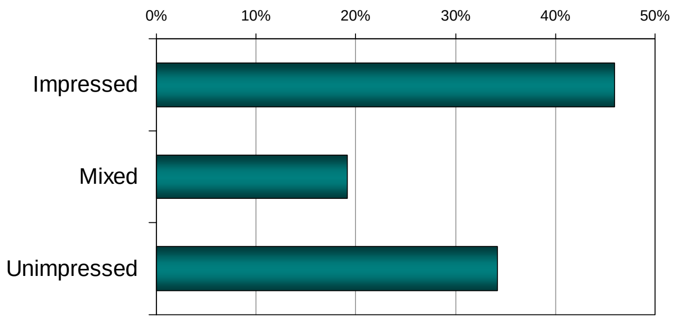
The results presented in this report are from an online survey of readers of The Register news and information site conducted in December 2005. Respondents were asked to rate up to three suppliers of their choice then provide freeform comments in relation to those ratings, highlighting factors that particularly impressed or failed to impress them.

Unlike many previous surveys, this study deliberately allowed open responses as we were keen to capture feedback across the broader base of suppliers, rather than just the big names that we often see presented in survey picked lists. We also did not want to “lead” respondents by prompting for specific positive and negative supplier performance factors, the aim being to obtain a genuinely accurate view of what differentiates one supplier from the next.

The approach worked very well. Almost 1800 supplier ratings were received with an extremely good spread as indicated by the fact that over 550 individual suppliers were mentioned as part of the survey. This included everyone from the big brand manufacturers, through major resellers and retailers, to relatively niche players at the other end of the spectrum.

Encouragingly, we received significantly more positive comments than we did negative ones.

Overall Supplier Ratings



Clearly, with a study of this nature, we cannot take the absolute percentages as a literal representation of overall satisfaction. Given the old adage that someone with a bad supplier experience will tell five times as many people about it as someone with a good one, we can probably assume that the “unimpressed” rating is over emphasised as disgruntled customers will be more likely to respond to a survey like this. Nevertheless, we can learn a lot by analysing differences between groups and suppliers, and in the meantime, bearing the likely natural bias in mind, we can probably conclude that the supplier community is not performing that badly overall.

Drivers of perceptions

In terms of understanding, the factors that sit behind the ratings are as important as the ratings themselves. When we analyse the comments provided in connection with positive ratings, for example, we find the top two differentiators are to do with quality of service.

Top 5 Factors influencing <u>Impressed</u> rating

(ranked in order of frequency of mention)

1. Quality of Service and Support
2. Efficiency of Ordering / Delivery
3. Price of Products and Services
4. Quality of Products and Services
5. Sales / Account Management

Of course price is in there as a significant factor too, but if we consider the first two items together, indications are that service is approximately twice as important as price on average. It is also important to note that the last two factors were mentioned significantly less than the first three.

One of the things we need to be careful of here is not to interpret these results as an indicator of what is important to customers *per se*. If we did this, we would get the false impression that the quality of the actual products and services that are being bought and sold does not matter as much as other factors, which obviously makes little sense. What this data is telling us is that quality of the deliverable in today's market has become more of a given, therefore in itself is usually not a primary differentiating factor. This is going to be particularly true for resellers and retailers, many of whom are selling identical goods, but it is also an indicator that there is often little to choose between equivalent offerings from alternative manufacturers.

Turning to the comments associated with negative ratings, the list is remarkably similar, though the last two items are switched around:

Top 5 Factors influencing <u>Unimpressed</u> rating

(ranked in order of frequency of mention)

1. Quality of Service and Support
2. Efficiency of Ordering / Delivery
3. Price of Products and Services
4. Sales / Account Management
5. Quality of Products and Services

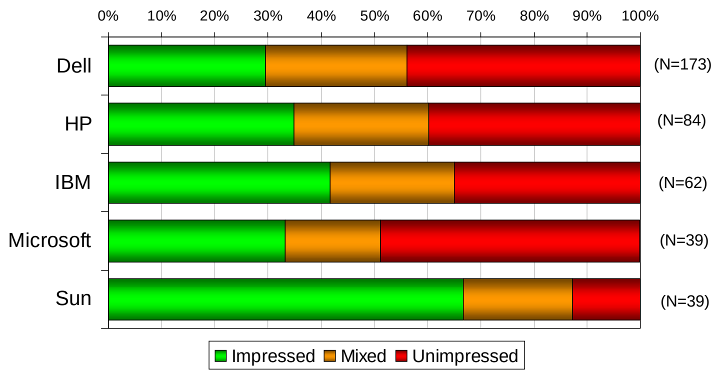
The message here is that suppliers who get the service element wrong risk upsetting their customers and sending them elsewhere. Interestingly, whilst the price of goods is still in third place, indications are that its influence as a negative factor is much lower (based on frequency of mention) than in the positive context. We can speculate here that when customers are shopping around, price is a significant consideration, but once they have settled on a supplier, it is relatively weak as a switching factor. Indeed, looking at many of the comments we received, it is clear that support horror stories and disastrous deliveries are the most likely prompts for customers to become disenchanted and move away. Feedback even suggests that product quality issues are often tolerated if the supplier provides the customer service necessary to fix things efficiently and courteously.

Specific Manufacturer Ratings

For analysis purposes, we selected the top five suppliers, based on the frequency with which they were mentioned, in each of the two main supplier groups – manufacturers and resellers/retailers.

In the manufacturer group, the top five are as follows:

Top 5 Manufacturers Mentioned



Whilst the generic issues mentioned above – customer service, price, quality and so on – largely lay behind these ratings, it is interesting to look at some of the specific good and bad points associated with individual suppliers, as these tend to vary.

Dell

Dell is top of the list, but does not fare too well in terms of feedback, with nearly 45% of respondents mentioning it providing an “unimpressed” rating and 25% indicating a “mixed” experience.

From the comments provided, there are indications that Dell is regarded as being reasonably well differentiated on delivering a good product for a good price. Typical examples of comments that illustrate this are:

> *Good spec systems for low low prices (no, really.)*

> *Cheap value-for-money systems.*

> *Willing to work with our medium sized company to meet our budget on all projects.*

Looking through the origin of many of the comments on price, there is a suggestion that Dell is especially perceived to provide good value for money by those who have been able to negotiate a corporate deal.

However, not all agree with Dell being low priced. A number of respondents say they are more impressed by the way Dell uses advertising to create the *impression* of good value for money amongst the masses but highlighting that there is often a difference between headline prices advertised and the bottom line price paid.

> *They have an amazing ability to brainwash the public*

> *Headline price v bottom line price - “Did you want a chip or disk with that PC/server and will you want it delivered”*

> *Adverts are misleading - must read small print*

In other areas, feedback on Dell’s delivery performance is mixed, with roughly an equal number of people highlighting good and bad experiences. The most common source of frustration with Dell, however, is customer service and support. Whilst some comments reflect positively on Dell’s capability in this space, there were many more tales of poor experiences suggesting service culture, skills and efficiency problems, along with indications that support may be more geared to consumers than to businesses. Here is some example feedback that sums up much of the sentiment expressed:

> *Their customer service is horrid even for businesses.*

> *I buy loads of equipment from them and I still get treated like an end user.*

> *Kit is good. You just cross your fingers and hope it stays working.*

Analysing specific tech support related complaints, the problem of an experienced technician on the customer side being forced to deal with inexperienced support staff working from simplistic scripts is particularly prominent.

Perhaps the following comment, however, provides the most insight into Dell’s overall performance as a supplier, when the respondent concerned highlights …

> *… their ability to go from being one of the best to one of the worst in short order.*

The conclusion we can draw is that Dell is a highly successful sales oriented company that is struggling to provide a consistent support and service experience to its business customers.

HP

HP fares a little better than Dell overall, though not by much. Looking at the comments behind the ratings, however, it is clear that are some quite marked differences between the two suppliers in terms of how they are perceived.

Respondents perceive a range of positives in association with HP, including product quality, the corporate friendly nature of its portfolio, the expertise of its technical staff and the ability to deliver effective on-site support. These perceptions are illustrated by the following representative comments in relation to factors that impress:

> *Their corporate product line is generally stable and is not a moving target*

Best technology, best mix of technology

They have rock solid servers.

Quality of their on site service. Quality of their server products

Expert knowledge of products

Good products, both hardware and software, good personnel and good technical capability

So far so good. This next comment, however, gives us a clue as to the “but” that often follows positive feedback on HP:

The technical support people at HP are their best asset. Those guys are experienced and know what we want. Sadly, they all too often have to battle with their own internal bureaucracy and meaningless processes.

There is a common perception that HP is poorly organised and has ineffective internal processes and communication mechanisms. Numerous comments recounting specific experiences reinforce this and the following comments indicate the nature of the problem at a more general level:

*Couldn't organise the proverbial *** in a brewery. Would send engineers to one site, more engineers to another, to fix machine in a third.*

It's hard to figure out who you should contact - they have too many phone numbers and contact points, and it seems that none of the published contact points know what the other groups do.

Sales people don’t seem to communicate with consultants or technical people within HP; they promise and even give away services that can’t be delivered.

Poor responsiveness, lack of ownership, poor communication

The extremely poor switchover from an internal to outsourced support model

Again, one of our respondents sums up HP very well with this slightly tongue in cheek comment:

HP is a good company, just too big I think. They should outsource more …… only joking lads!

The feedback we receive on HP clearly indicates that it takes more than just good technology and good people to perform effectively as a supplier – coherent management and business processes are important too.

IBM

The feedback on IBM is fascinating as it creates the impression that there are actually two distinct suppliers being referred to, that are both called IBM (and we are not talking about separate divisions here). The first is the highly efficient, customer centric IBM that makes great products, is easy to deal with and takes care of all of your needs, as illustrated by comments such as:

In the 30 years I have worked with IBM, I learned the 'B' in the middle meant 'business'. I have great respect for the fact that with the development in HW, OS and SW I have NEVER been let down by old programs not working in new systems. There has always been a method ensuring that old applications still worked. I like that they always adhere to standards. Support is second to none, maybe you have to pay, but the guy they send always knows his trade, and the problem is fixed. Not by reinstalling everything, but by finding the problem and repairing it, so it won't happen again. Their HW, OS' and DB's run for literally years with no problems and very little maintenance.

They continually supply good products and good support to go along with the products

Consistent, dependable, predictable, complete coverage; excellent response times.

Superb telephone support service, excellent, knowledgeable, polite and friendly staff, quick and efficient service.

Professionalism of sales staff. Overall quality of products

You actually think they may actually care about their customers

The "other" IBM, however, is quite different:

They will eat their young. I have witnessed their proposal to obliterate a functional, primarily IBM Hardware infrastructure with yet another, more pricey infrastructure that makes little cost and functional sense.

Efforts to investigate mainframe alternatives have induced IBM to send teams dedicated to convincing us to remain on a mainframe, rather than satisfy our requests on learning about alternative offerings from IBM. Maddening and frustrating.

Aggressive sales tactics, bypassing of buyer's technical teams, 5 consultants with each solution, poor software products

Having lived through the rehabilitation of IBM in the nineties after their hubris-induced self-destruction of the late eighties, I thought they would be client-friendly for ever. Not so. They are more of a faceless bureaucracy than ever, with a sales force with such utter contempt for their customers it is a wonder they bother to get out of bed.

Ability to provide an appalling service at the highest price, yet still we keep employing them.

Our interpretation of this is that IBM is a supplier to some and a religion to others, and as with all religions, believers tend to be blind to any shortcomings and inconsistencies associated with their chosen path. Clearly, a supplier of this size cannot be all good or all bad, so let's consider some specifics.

The last of the above comments mentions price, and regardless of whether respondents are IBM advocates or not, the fact that IBM is generally perceived to be more expensive than other suppliers is a reasonably constant theme within comments. Some argue that this is justifiable because of better customer service, though views are inconsistent here, with a roughly equal number of good and bad experiences highlighted. Views of superior build quality are also often put forward as a justification for higher prices, though feedback again is mixed in this area.

On the topic of products and quality issues, however, it is interesting that a significant number of respondents refer to IBM products being over-engineered and over-complicated, with a number of references to poor software, e.g.

Far too complex solutions that never work!

Some products lack design integrity (they are bad because of how they are designed, not built).

The IBM BladeServers are a joke. Please. Power-hungry over-designed gadgetry, and [very] expensive on top of that.

The server isn't ready to use out of the box, it has to be put together first. There are new BIOS updates every other week. The server hardware is difficult to work on in situ."

Software is diabolical. Extremely poor in terms of user interface design. No command line tools, poor performance, abysmal quality and reliability.

We highlight this predominantly because we generally do not receive this kind of feedback in relation to other frequently mentioned infrastructure suppliers, i.e. Dell, HP and Sun.

Finding a comment that sums up IBM in a representative manner given its vast size and complexity and the diversity of views is difficult, so we thought we would finish on this one as being pretty safe and uncontroversial:

Their mainframe product seems to be pretty reliable.

Whatever the truth about IBM, we have to respect its level of influence with senior people in the corporate sector. This is underlined by the fact that those in IT strategy and management positions, typically the more senior respondents, are nearly three times as likely to rate IBM positively as those in operations and support positions.

Microsoft

The most noteworthy observation regarding Microsoft in this study is the extremely low number of mentions it receives – only around 5% of respondents, equivalent to 2% of all nominations.

Considering how pervasive Windows and other Microsoft solutions are in the market, this is very interesting. In an unprompted survey like this, with each respondent having space to nominate up to three suppliers of their choosing, there is plenty of opportunity for any strong Microsoft feeling to be aired, whether positive or negative in nature.

There are a couple of conclusions we can therefore draw from the results. The first is that claims in some circles of Microsoft being regarded as "public enemy number one" by its customers are clearly exaggerated – if people thought that way, they would be telling us about it. The second is that Microsoft is obviously not having a huge impact at the moment with its plans and developments – again, if it was, we would be receiving more feedback on what it is up to.

This does not necessarily mean that Microsoft is not important, however, it's more likely that people have just accepted Windows and some of the other more commonly deployed Microsoft components as just part of the furniture – necessary, but not something you spend too much time thinking about.

Having said this, some clearly have strong views on Microsoft in some areas, e,g, with regard to its behaviour in the marketplace:

> *The products ship at very high prices, unless some competitor becomes dangerous, at which point the product is bundled with Windows*

> *High prices. Complete disrespect for customer investment. Complete disrespect for standards. Complete disrespect for competitors. Complete disrespect for any law that stands in their way. Lack of any ethics.*

> *They are the energizer bunny of competitive threats - I love how they're trying to kill everybody and missing the big picture.*

and its licencing:

> *Abiguity around licensing options.*

> *Their licensing sucks. Really. Truly. Honestly sucks.*

> *Heavy-handed, jack-booted, door-kicking attempts to find out if we're using illegal software, masquerading as 'licensing surveys'. And getting third parties to do it for them.*

> *Their approach to licensing - we are in the SME category - continues to be unhelpful and in many cases downright obstructive. They trade off my continuing forced reliance on them to extort the maximum dollar value out of my tiny company.*

Other negative comments relate to high prices, lack of support for standards, security challenges, software quality and the funding of questionable research to further the Microsoft marketing agenda.

On the positive side, comments mostly relate to consistency of interfaces across products and improvements in security, particularly Windows Server 2003 and Windows XP. Other than this, feedback is very inconsistent.

As with IBM, a difference between IT management and technical staff is observed with the Microsoft ratings, with the former more likely to rate this supplier favourably.

Regardless of your position on Microsoft, the factor that one respondent said he was impressed by is one that few would dispute:

> *Their profits!*

Sun Microsystems

The supplier that comes out the best from the top five most mentioned manufacturers is Sun Microsystems. Two thirds of those who provide feedback on Sun say they are impressed. This is also one of the few suppliers for which product capability and quality of products are highlighted broadly, with frequent positive mentions of recent developments in the server product line within the “impressed by” comments, e.g.

> *Good products (have already run the new Niagara T2000 and it runs like a cut cat).*
>
> *Stunning performance of new products.*
>
> *Just reinvented my world with Niagara - I'm having to wipe the drool from my keyboard as I type this.*
>
> *Give not up. Try the best. Have some nice CPUs (i.e. Niagara)*
>
> *New hardware - the Galaxy boxes and the Niagara SPARC chip*
>
> *New Opteron and SPARC servers*
>
> *The Sun-Opteron kit is nice.*
>
> *They made a bold move aggressively implementing hardware with the Opteron processor*
>
> *The current Sun Opteron servers and the roadmap to introduce further enterprise class servers based on the same architecture is predicted to save us a great deal of money*
>
> *Their galaxy servers are great to work with*

Feedback on support is also generally very positive, e.g.

> *On-site engineers are very good.*
>
> *Support: quick and they know what they are doing*
>
> *Good solid support*

On the negative side, a few complain of high prices, e.g.

> *Prices so high that it's a hard buy unless you're trying to spend your whole budget before the end of the financial year.*
>
> *Their computers […] cost half the defence budget of a small country each. And you can't even make them go “bang” in any spectacular way.*

Perhaps the most significant negative, however, is the confusion and doubt Sun has created around its business strategy and direction, which is clearly a factor that influences more strategic customer commitments:

> *How many processor strategies? How many OS strategies?*
>
> *Mass purchase of any old company that may have the smallest bit of software/hardware they wanted*

Such comments, whilst relatively low frequency, obviously highlight some of the issues behind Sun’s financial performance over recent years. This brings us to our final “summing up” quote for this supplier:

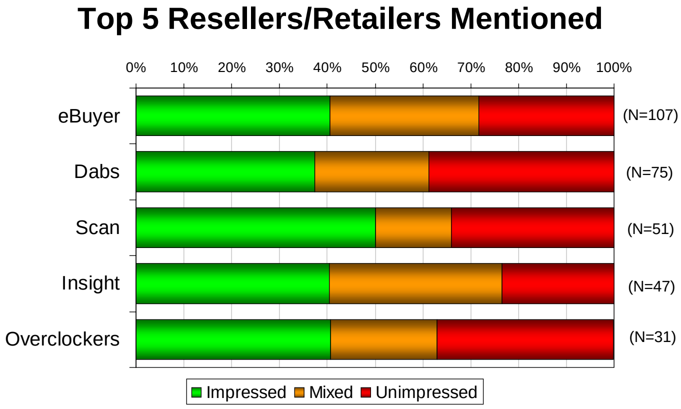
> *Seem better at engineering than at business*

The question is whether the latest strategy and round of initiatives will help Sun capitalise on the positive response some of its new products are receiving so it can rebuild its overall position in the market.

More details of how the ratings for the top five manufacturers vary by job function are presented in Appendix A.

Specific Reseller / Retailer Ratings

Moving on to the reseller and retailer group, the five most frequently mentioned are as follows:



Positive factors highlighted for all of these are remarkably similar - competitive pricing, broad product range, generally quick delivery and informative, easy to use Web sites. The only exception is possibly Overclockers, whose Website does not receive as many compliments as the others.

The big general negative, though, is poor customer service, with many tales of difficulties reaching supplier help lines and slowness to respond to queries and issues. The skills and experience of support staff are also called into question on many occasions.

The other common negative is order processing and delivery, which is interesting given that quick delivery has already been highlighted as a strength. The issue seems to be that delivery with this type of supplier is a binary thing – when it works, as it mostly does, it is great, but when things go wrong, they go *really* wrong. Poor customer service then means that getting things back on track is then a major challenge.

We have not provided separate breakouts by job function for the reseller and retailer group as the bulk of those who commented were IT operations and support staff – i.e. those who are routinely placing orders for equipment and software with suppliers of this kind. For most of the resellers and retailers, there were not enough senior people providing opinions to allow sensible analysis, which in itself raises an interesting question. If operations and project staff are responsible for most of the routine buying of hardware and software, why are larger manufacturers so obsessed with marketing purely to IT executives?

Other Suppliers Worthy of Attention

The analysis presented so far relates to the suppliers that were mentioned the most, partially because these are clearly the most active in the market, but also because the responses were high enough in number to provide a reasonably representative view.

There were a number of suppliers with fewer (between 10 and 30) mentions who are worthy of our attention, however, because despite the relatively small number of respondents highlighting them, the feedback we received was consistently positive. These are as follows:

Supplier	*%Impressed*
NewEgg	90%
Aria Technology	68%
Amazon	69%
CCL Computers	100%
Komplett	89%
Crucial (memory)	100%

Conclusion

We all want value for money when we are in the market for IT goods and services and it is easy to equate this to obtaining the right product for the best price. When we are asked to provide feedback on supplier performance, however, most of us put the emphasis on service, regardless of whether we are praising or criticising.

The degree to which service matters in reality, however, is obviously dependent on what we are buying and under what circumstances. For more complex products where there is a likely need for support down the line, we will naturally be thinking more about this element and it is on these occasions that we are likely to steer clear of suppliers and manufacturers who have let us down in the past. Similarly, if we need a quick and reliable delivery, then we are not going to buy from someone who has previously failed us in this area.

But in many situations, e.g. non-urgent purchase of commodity equipment, we might not have service and delivery that much on our minds, so may not pay that much attention to them when selecting and ordering. This doesn't, however, stop us getting upset when things go wrong and we cannot reach the supplier, encounter ill-qualified staff with the wrong attitude, or simply have to wait, and wait, and wait for an issue to be resolved. Regardless of how critical or otherwise the purchase was to us, there is still a big chance that we will avoid that supplier next time around.

The most important advice for all of the suppliers out there is therefore to understand the impact of poor service on customer perceptions and loyalty. Everyone expects things to go wrong occasionally, but how it is handled by the supplier directly impacts where the customer will go for their next purchase.

Acknowledgements

We would like to extend our sincere thanks to all of those who participated in this study from The Register readership, especially those who took the trouble to give us in depth descriptions of their experiences, views and opinions. Such feedback really helped us get under the skin of what actually matters in terms of supplier performance and relationships, as well as providing some great insights into how the larger manufacturers we have drilled down on are delivering beyond all of the marketing and PR positioning. We hope this report has done justice to your input.

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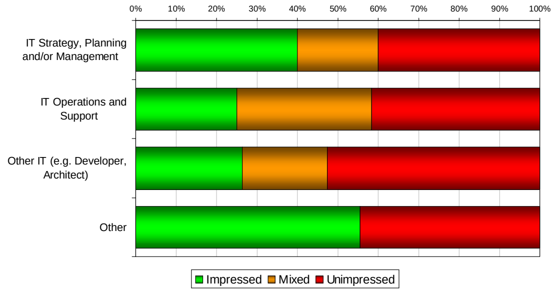
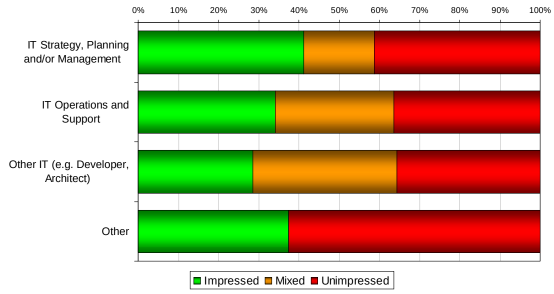
Appendix A

MANUFACTURER RATINGS BY JOB FUNCTION

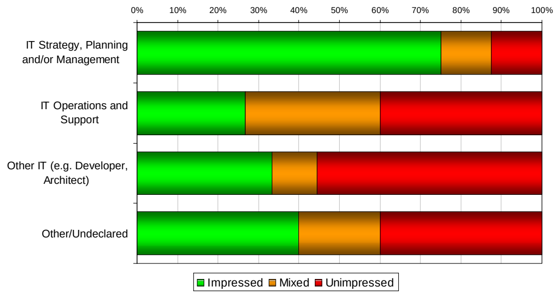
Supplier Rating – Dell (n=173)



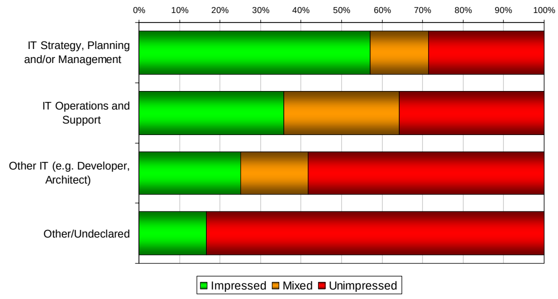
Supplier Rating – HP (n=84)



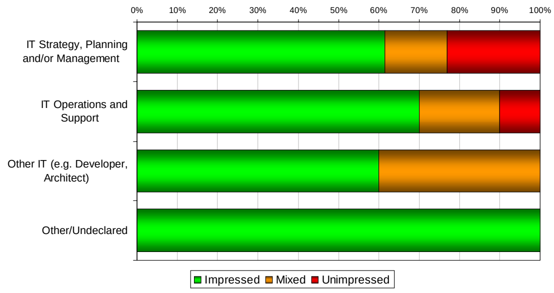
Supplier Rating – IBM (n=62)



Supplier Rating – Microsoft (n=39)



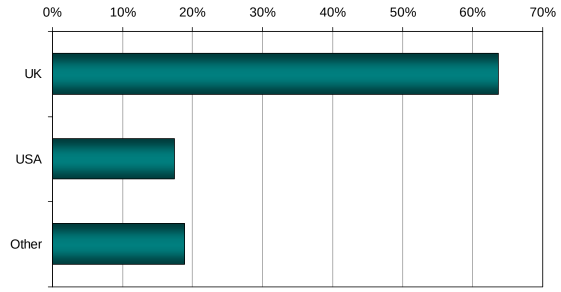
Supplier Rating – Sun (n=39)



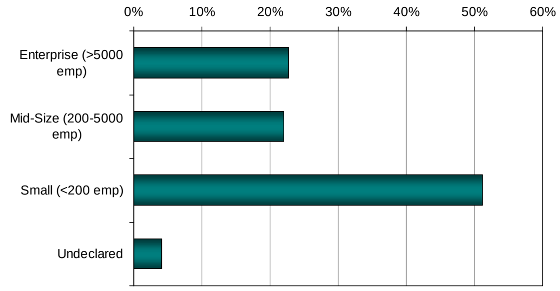
Appendix B

RESPONDENT DISTRIBUTION

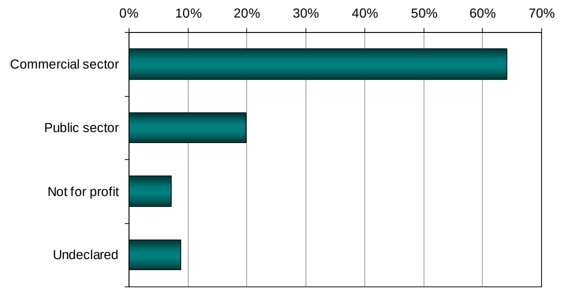
Respondents by Geographic Region



Respondents by Organisation Size



Respondents by Type of Organisation



Respondents by Job Function