

Vendor Tiering: Uses, Abuses and an Update

When used correctly, vendor tiering is an effective tool that helps enterprises select a desktop and laptop hardware supplier. However, users must take the time to understand the model and how it is used in order to reap its benefits.

Core Topics

Hardware & Operating Systems: End-User Computing Systems — Vendor Evaluations
IT Management: PC/Laptop — Procurement, Maintenance and Obsolescence Strategies

Key Issue

How can organizations select the appropriate vendor for end-user computing systems given the rapid evolution of end-user and organizational requirements and the corresponding emergence of new criteria for vendor selection?

Note 1

Old Tiers Do Not Map

Tiers 1, 2 and 3 do not map to the Enterprise, Middle (now Regional-Business, Education and Government) and Specialty- or Segment-Focused tiers, respectively. Since the definitions of the tiers have changed, there is no correlation between the old and the new designations. We have also limited the tiering model to PC vendors. While we do recognize Apple Computer as an enterprise tier vendor, the decision process in selecting an Apple or PC platform should remain separate. The Apple or PC decision should be made before the tiering model is used.

Note 2

Specialty- or Segment-Focused Tier

Examples of Specialty- or Segment-Focused Tier classifications include, but are not limited to:

- Ruggedized notebooks
- Vertical-market focus (e.g., retail)
- Government and education at the county, state or city level

Gartner's Tier 1, 2 and 3 designations are dead. Although some enterprises continue to use them in their bid processes, this is a misuse of tiering that can result in inappropriate vendor selection, invalid procurement processes and, in some cases, legal exposures. Tiers 1 and 2 are no longer supported or endorsed by Gartner and have not been since 1998. At that time, Gartner significantly modified the desktop and laptop tiering models. Instead of referring to Tier 1, 2 and 3 vendors, we disaggregated the model into Enterprise, Middle and Specialty- or Segment-Focused tiers. Organizations not currently using the new tier designations should immediately modify existing processes to include them and eliminate all references to Tiers 1, 2 and 3.

Despite the temptation to map the old tier structure to the new, there is no relationship (see Note 1). The purpose of the model is the same as it always was: to provide a framework for assessing risk levels in selecting desktop and notebook hardware vendors. Historically, a vendor classified as Tier 1 or Tier 2 represented acceptable levels of risk, while a Tier 3 vendor generally represented unacceptable levels of risk. We now avoid such a rigid numerical classification, recognizing that today the biggest and most powerful, influential or newsworthy vendors in the market are not necessarily the most acceptable in all situations.

A key goal of the new designations is to better match vendor capabilities with organizational requirements. All vendors are not equal, nor are any two organizations' requirements the same. For this reason, we strongly discourage the use of the tiering model as a means of simply limiting the number of bids received. This is a blatant misuse of the model that will likely result in a suboptimal vendor selection. Each tier is represented by a name that captures the general set of capabilities possessed by its vendors. To further this point, we are changing the name of the Middle Tier to the Regional-Business, Education and Government Tier,

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Note 3

Tiering Model Use

The desktop and notebook vendor tiering models are for the exclusive use of Gartner clients. Nonclient use of this model is unsupported by Gartner and likely to result in an invalid procurement process. Gartner is committed to updating the tiering model whenever changes dictate. The latest versions of the desktop and laptop models include several changes to both models. For a more detailed analysis and explanation of tiering, organizations should consult *Strategic Analysis Reports* R-04-8641, "Desktop Vendor Tiering: The Next Generation" and R-06-1699, "Notebook Vendor Tiering: The Next Generation."

**Figure 1
Desktop Vendor Tiering**

Enterprise Tier
Compaq Dell Hewlett-Packard IBM
Regional-Business, Education and Government Tier
Acer [AP] [LA] [NA] [WE] Fujitsu Siemens [AP] [WE] Gateway [NA] NEC [AP] [NA] [WE] Micron [NA]
Specialty- or Segment-Focused Tier

Geographic Key:
[AP] = Asia Pacific
[LA] = Latin America
[NA] = North America
[WE] = Western Europe

* Gartner does not track the vendors within this tier but does have criteria available for self-evaluation.

Source: Gartner

**Figure 2
Notebook Vendor Tiering**

Enterprise Tier
Compaq Dell Toshiba IBM
Regional-Business, Education and Government Tier
Acer [AP] [LA] [NA] [WE] Fujitsu Siemens [AP] [WE] Gateway [NA] Hewlett-Packard [NA] [WE] NEC [AP] [NA] [WE]
Specialty- or Segment-Focused Tier

Geographic Key:
[AP] = Asia Pacific
[LA] = Latin America
[NA] = North America
[WE] = Western Europe

* Gartner does not track the vendors within this tier but does have criteria available for self-evaluation.

Source: Gartner

which better describes the true capabilities of these vendors.

Enterprise Tier: Enterprise Tier vendors are the largest and generally the strongest vendors in the market. They all have the well-developed infrastructure and programs required to serve a variety of customer constituencies. Enterprise Tier vendors are suitable for most types of desktop and laptop hardware procurements, and they are particularly well-suited for large-volume, multinational or global purchases, enterprisewide deployments, centralized procurement initiatives, and situations where high-end services are required. However, Enterprise Tier vendors are not always able or motivated to match the capabilities and offerings of the vendors within the other tiers.

Regional-Business, Education and Government Tier: Regional-Business, Education and Government Tier vendors possess many of the same capabilities and characteristics of the Enterprise Tier vendors, but only for a particular geographic or major market segment. Annual shipment volumes are lower, and thus vendor reach and capability are more constrained. Regional-Business, Education and Government Tier vendors are suitable for region-specific deployments, departmental or location/function-specific initiatives, state and local municipalities, educational institutions and most federal government requirements. Regional-Business, Education and Government Tier vendors are only qualified for the geographies where they have demonstrated the ability to meet the needs of that region.

Specialty- or Segment-Focused Tier: Specialty- or Segment-Focused Tier vendors are smaller than the Regional-Business, Education and Government Tier and Enterprise Tier vendors and generally represent greater overall risk in a market that increasingly rewards economic scale. Those in the Specialty- or Segment-Focused tier, however, are defined by a differentiated value proposition resulting from a focus on a particular market segment or customer type, technology solution, service, or vertical-market orientation (see Note 2). In these cases, the additional risk in dealing with Specialty- or Segment-Focused Tier vendors may be justified by the differentiation delivered.

Bottom Line: We encourage the use of tiering as a decision framework in vendor selection, but at the same time we caution clients to avoid using it as a substitute for a detailed requirements definition exercise or as a way simply to restrict the number of responses (see Note 3). The updates in Figure 1 and Figure 2 should immediately replace any other versions of the model, especially those still using the old tier designations. As always, we urge enterprises to conduct a comprehensive vendor suitability exercise and consult Gartner analysts when evaluating commercial desktop and notebook vendors.

