EXECUTIVE SUMMARY

The link between market share and mindshare – the recognition among buyers of a seller's brand and its reputation as a leader in its market sector – is indisputable. Put simply, companies that are widely seen as leaders in their field get the most business. Advertisers around the world now spend close to $350 billion each year (according to Zenith OptiMedia) to convince customers that they are in fact market leaders.

The 2005 Wireline Telecom Equipment Market Perception Study offers a unique and detailed look at how makers of telecommunications equipment are faring in their efforts to capture the attention (and thus the capital spending) of their service provider customers. For this study, Heavy Reading invited service provider employees from around the world to identify which vendors they perceive as the market leaders in 17 different wireline product categories. The survey drew responses from 160 carrier professionals representing more than 100 different operators worldwide.

Responses provide a clear and compelling view into how prospective buyers of wireline telecom gear perceive the vendors in each product sector. The 17 categories cover 140 different equipment manufacturers worldwide, including 61 public companies and 79 private companies.

This report builds on Heavy Reading's inaugural telecom equipment market perception study, published in September 2003. Together, the two reports show which equipment suppliers are succeeding in the struggle for customer mindshare, and which ones are in danger of losing their grip on their clients – and their revenues.

Key Findings

Key findings of the report include the following:

**Cisco stands as the clear mindshare leader in the wireline telecom equipment market.** Repeating the results from the Fall 2003 market perception study, Cisco stands as the industry leader in the eyes of service providers. Cisco's most important edge over the competition is its brand recognition: In the edge router and core router sectors, Cisco achieved name recognition scores of more than 98 percent among respondents worldwide – *de facto* universal recognition.

**Juniper is Cisco's closest competitor for customer mindshare.** Service provider router buyers view Juniper as almost equal to Cisco in terms of product performance and quality, and Juniper even has a slight edge over Cisco in the quality ratings for B-RASs. Juniper is also the second-most-recognized equipment brand name, behind Cisco.

**Huawei has already surpassed several incumbent vendors in perceived market leadership.** Huawei’s huge jump in market perception ratings from the Fall 2003 survey is the most remark-
able and probably most important development in the wireline telecom equipment industry. What makes Huawei's ascendancy even more astounding is the fact that the company still has a minimal presence in the North American market. Compared with its Fall 2003 results, Huawei's name recognition jumped by more than 50 percent, mainly on the strength of its growing visibility in the European market.

**It is becoming even more difficult for startups to get noticed by prospective buyers.** Despite some thinning of the vendor ranks, many product sectors still have a surplus of incumbent and startup suppliers, with smaller companies struggling to achieve even a 10 percent recognition rating among prospective buyers. For these companies, the key to success may well lie in forging partnerships with larger, better-known vendors, rather than trying to go it alone.

**Even among incumbents, name recognition is far from universal.** Only five incumbent vendors with products in four or more categories covered by the survey – Cisco, Juniper, Lucent, Nortel, and Alcatel – had average brand recognition scores of over 50 percent across all product categories. Only Cisco, Juniper, and Alcatel received name recognition scores of over 80 percent in any one product category – a clear indication that vendors can do a better job of getting their message across to prospective buyers.

**Many product sectors still have no clear, dominant leader.** Categories in which no single vendor dominates customer mindshare include broadband remote access servers, optical switches, ROADM equipment, metro and long-haul DWDM, and CWDM. Competitors in these sectors still have a chance to establish themselves as clear leaders.

**Incumbents can't rely on existing relationships to fuel business.** Huawei's ascendancy in Europe shows that service providers are willing to consider new sources for strategic equipment purchases. Without aggressive efforts to establish market leadership credentials, incumbent suppliers run a strong risk of seeing their customers break ranks.

**Report Scope and Structure**

The 2005 Wireline Telecom Equipment Market Perception Study measures buyer awareness of and attitudes toward equipment suppliers in 17 different product categories. To ensure the most accurate reading possible on buyer perceptions, respondents were asked questions only about those market sectors in which they claimed to be familiar with vendors or have direct responsibility for buying, reviewing, or recommending equipment purchases for their company. The study was also limited solely to service provider employees.

**Excerpt 1: Survey Respondents by Geographic Region**

![Graph showing survey respondents by geographic region]

- **Europe:** 31.9%
- **Asia/Pacific:** 17.5%
- **Central/South America:** 6.8%
- **U.S.:** 34.4%
- **Canada:** 2.5%
- **Middle East:** 4.4%
- **Africa:** 2.5%
Excerpt 2: Survey Respondents by Service Provider Type

- Incumbent National Telecom Operator (ex-PTT) 37.5%
- Long-Distance Operator (IXC) 28.8%
- Bell Company (RBOC) 12.5%
- Other Incumbent Local Exchange Carrier (ILEC) 15.6%
- Rural Local Exchange Carrier (RLEC) 11.3%
- Competitive Local Exchange Carrier (CLEC) 25.0%
- Internet Service Provider (ISP) 41.3%
- Cable/MSO Network Operator 8.1%
- International Service Provider 21.3%
- Wholesale Service Provider 20.6%
- Wireless Service Provider 29.4%

Excerpt 3: Multiservice Switch Leaders by Name Recognition

- Cisco
- Lucent
- Juniper
- Nortel
- Alcatel
- Huawei

Excerpt 4: SDH MSPP Leaders by Quality/Reliability

- Alcatel
- Cisco
- Lucent
- Marconi
- Siemens
- ECI
- Huawei
- Nortel
Respondents were asked to rate vendors on these five key criteria:

- Name recognition
- Price leadership
- Product performance
- Product quality and reliability
- Service and support

The report includes access to a searchable online database of results from the entire survey. The database enables users to view survey results by a variety of demographic breakouts, including the following:

- Service provider type
- Company size
- Geographic region
- Respondent job function

Survey results are presented in separate sections for each of the 17 product categories covered. Each section begins with a brief overview of the product sector, including the relative position of each product type in the Heavy Reading equipment taxonomy. In addition, the report includes cross-category tabulations for 31 different equipment vendors to determine their relative overall market perception rankings. These were chosen based on the breadth of their product lines: All vendors with products in four or more of the 17 categories were included in the cross-category tabulations.

The report is essential reading for a wide range of industry participants, including the following:

- **Equipment manufacturers:** How do you rate in the eyes of your prospective customers? What do buyers see as your core strengths? What are your perceived weaknesses? How do you compare with your key competitors in terms of perceived market leadership? What are the opportunities to improve your standing as a perceived market leader? Is your reputation with buyers getting better or worse?

- **Service providers:** How do your colleagues perceive equipment suppliers in the product sectors that matter most to you? Are your suppliers considered leaders in their field? Which vendors merit another look based on their reputation for leadership in the market?

- **Investors:** Which telecom equipment vendors are in the strongest position to capture market share, based on their reputation for excellence and leadership among actual buyers in the service provider sector? Which are in danger of falling off the short lists of suppliers because of fading reputations? Which startups are succeeding in capturing mind-share among carriers?

The **2005 Wireline Telecom Equipment Market Perception Study** is published in PDF format. Report subscribers also gain access to a searchable database of all survey results.