Magic Quadrant for Mobile Service Providers, Western Europe, 2006

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The top 10 providers of mobile services for enterprises in Western Europe differ in their geographic reach and service portfolios. Corporate buyers can use this report to help them find the right supplier for their needs.

WHAT YOU NEED TO KNOW

This is Gartner's first Magic Quadrant to compare providers of mobile services for enterprises in Western Europe. It is intended as a tool for large companies and other big organizations to use when choosing mobile network operators in this region.

The Magic Quadrant includes operators with broad international coverage and those with narrower or merely national reach. Each is assessed at group level, where applicable – not as individual national subsidiaries – so you should not use this document to compare the national subsidiaries of multinational providers with companies that compete in only one country.

Various factors contribute to a provider's position on the Magic Quadrant, but geographic reach is particularly important. In our view, wide network coverage – and the subscriber numbers that come with it – influence other contributing factors, such as an operator's product strategy and customer support.

There are three providers in the Leaders quadrant: Orange, T-Mobile and Vodafone. But you should not automatically choose one of them. Smaller, more local operators may lack the broad geographic reach and wide service portfolios of the larger players, but they could be the right choice if you have specific needs in specific locations.

If your organization has international requirements and buys services on a centralized basis, only some of the 10 operators may be relevant. Equally, buyers pursuing a multi-supplier strategy may want to consider a wider range of providers.

To stand the best chance of finding the most suitable provider for you, don't rely on this document alone. Set up a "mobility center of excellence" (MCOE) responsible for ensuring that everyone in your enterprise receives the right mobile services at an acceptable cost.

MAGIC QUADRANT

Market Overview

For Western Europe's mobile service providers, 2006 was an intense year. Many undertook initiatives to improve their services for enterprises. These included network upgrade and enhancement projects, launches of new services and product bundles, and the introduction of more transparent pricing arrangements – often based on flat rates for domestic usage – and internal reorganizations. Furthermore, mobile penetration in this region reached 106% in September, and efforts got under way to persuade subscribers to increase their use of mobile voice and data services.

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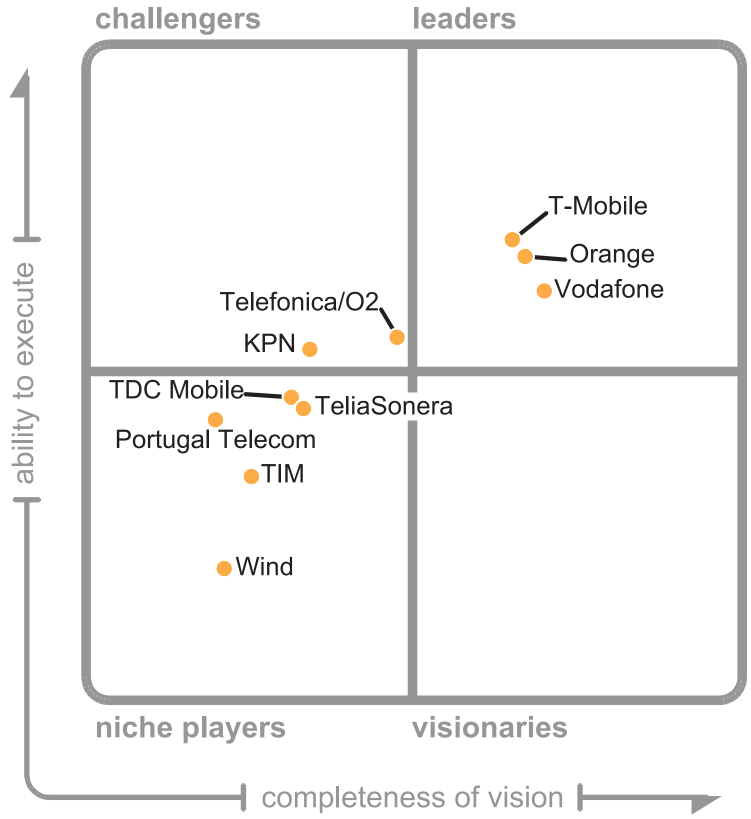
The enterprise market is attractive for mobile operators as it holds potential for increased voice usage, both for basic calls and more complex services like mobile Centrex solutions. So far, data usage has been limited mainly to messaging services, especially the Short Message Service (SMS), corporate use of which has risen in recent years. But 2006 brought several new services dedicated to the enterprise market (such as wireless office and managed device solutions), and a few providers enhanced their networks.

Trends likely to accelerate in the Western European market during the next 12 months include:

- **Growth in enterprise use of mobile e-mail.** Corporate use of mobile e-mail is increasing, but still rather limited to select types of user, mainly because of concerns about cost and security. We estimate that only 2% of corporate e-mail accounts worldwide include mobile access, but that this will grow to 20% by the end of 2010.
- **Introduction of varying price options for mobile data services.** These will range from flat-rate charges for calls within a customer's home country, to corporate pooling arrangements and subscriptions. Customers will have more choice of whether to be charged a flat-rate fee or according to the duration or volume of calls. Some third-generation (3G) mobile data services will also be charged for as part of broader remote access services, as exemplified by the partnership between Vodafone and Fiberlink (a specialist in secure mobile working) and Orange's Business Everywhere solutions.
- **Greater focus on customer service and sales operations.** All operators aim to improve their pre- and post-sales activities, enterprise portals, first- and second-level support services, enablement and disablement of devices, and "mobilization" of enterprise applications.
- **Sharper focus on roaming charges.** Roaming charges account for about 6% of mobile service revenue in Western Europe, although some providers attribute over 20% of their revenue to this one source. However, 90% of roaming revenue derives from less than 10% of subscribers, and these subscribers are increasingly wary of high charges and are taking steps to manage their costs. So far, reductions in roaming charges have been driven largely by regulatory initiatives. Services such as Vodafone Passport that are tailored to the needs of traveling subscribers have increased uptake and usage, and we expect to see more offerings aimed at improving cost management for travelers, with simpler tariffs as well as lower rates.
- **More mobile broadband services.** High-Speed Downlink Packet Access (HSDPA) networks have now been deployed in all Western European markets except Norway.

Figure 1.
Magic Quadrant for Mobile Service Providers, Western Europe, 2006



Source: Gartner

As of December 2006

Early initiatives regarding mobile usage in enterprise environments were frequently one-offs or uncoordinated efforts. Now, though, companies are increasingly recognizing the need for an enterprisewide mobile telecom strategy, to ensure cost-efficiency, predictability and appropriate usage levels – and that appropriate technology is chosen. A successful mobile telecom strategy must be based on a MCOE and take a balanced approach to three things:

- People and organization.
- Process and policy.
- Technology.

Market Definition/Description

The total market for mobile telecom services (for enterprises and consumers) in Western Europe is valued at $178.9 billion for 2006.

Inclusion and Exclusion Criteria

This Magic Quadrant includes the 10 largest mobile service providers in Western Europe, according to their total number of subscribers (enterprise and consumer). Operators are credited with a percentage of the subscribers held by their subsidiaries and affiliated companies according to the size of their shareholdings.

Evaluation Criteria

Ability to Execute

Product/Service: Nature and quality of mobile services.

Overall Viability (Business Unit, Financial, Strategy and Organization): The strength of the business.

Sales execution/pricing: Degree of focus on recruiting, training, providing incentives for and supporting an enterprise-focused sales force, as well as proper segmentation and industry-based knowledge.

Service execution/pricing: Whether the provider has rolled out services on time and as envisaged. Extent to which it supports these services with strong customer care, accurate and timely billing, and an accounts team.

Infrastructure execution: Extent to which back-end and network system deployments are upgraded and supported.

Management execution: Degree to which senior management is aware of issues and is driving the business forward. Frequency of turnover of senior managers.

Financial viability: Extent of provider's financial success. Whether it is investing, and in what. Whether it has formed or is forming partnerships, and with whom.

Marketing execution: Gains in "mind share" or market share in the enterprise sector, and level of support for enterprise-oriented events and conferences.

Customer experience: Level of churn. Average number of complaints per customer. Manner in which complaints are handled.

Operations: Extent to which back-end and network system deployments are upgraded and supported.

Completeness of Vision

Market understanding: How well the provider understands the enterprise market. Nature of its plans for execution. Degree of recognition and acceptance of operator's brand in this market.

Marketing strategy: Definition and distinctiveness of marketing message, clear segmentation and experience of vertical markets.

Sales strategy: Support for an enterprise-oriented sales group.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product/Service	standard
Overall Viability (Business Unit, Financial, Strategy, Organization)	standard
Sales Execution/Pricing	high
Market Responsiveness and Track Record	standard
Marketing Execution	high
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	high
Offering (Product) Strategy	high
Business Model	standard
Vertical/Industry Strategy	no rating
Innovation	standard
Geographic Strategy	high

Source: Gartner

Offering (product) strategy: Understanding of which products, services, technologies and marketing are needed to succeed in this market.

Business model: Balance of voice and data revenue, consumer vs. enterprise, prepaid vs. postpaid.

Innovation: Nature of upgrade path. Whether the provider is first to market or lagging behind.

Geographic strategy: Support for international roaming for voice and data services – pricing, coverage and devices.

Leaders

Leaders are mobile service providers whose viability is not in doubt. They have a proven track record in mobile voice and data services for enterprises, and offer wide geographic coverage. They have also shown strong vision and a commitment to invest in this business, which indicates that they are well placed for future success. Their products and services are relatively low-risk, but not necessarily the best ones for every project.

Challengers

Challengers execute well but their vision and commitment to innovation in mobile voice and data services for enterprises are weaker than those of the leaders.

Visionaries

Visionary providers are highly innovative, but lack the leaders' record of execution in mobile voice and data services for enterprises. Customers can expect state-of-the-art technology from visionaries, but must monitor their commitment and strategy to assess the long-term viability of their products and services. In our view, there are no visionaries among the top 10 mobile operators in Western Europe.

Niche Players

Niche players' vision is relatively narrow. But customers whose needs correspond to the focus of niche players often find their offerings the most suitable.

Vendor Comments

KPN

KPN, the incumbent operator in the Netherlands, would have fulfilled the criteria for inclusion in this Magic Quadrant with its domestic business alone. But it also has subsidiaries in Belgium (BASE) and Germany (E-Plus), whose combined subscribers outnumber those of KPN in Holland. Furthermore, KPN has launched Sympac, a subsidiary and brand for pan-European multinational clients. Sympac draws on KPN's assets in Benelux and Germany, and elsewhere complements its offerings predominantly with others from Telefonica/O2. The most attractive parts of Sympac's offering are a simplified tariff structure and customized reporting capabilities.

KPN has a very structured approach to meeting the needs of enterprises. But it is arguable whether having two separate brands is helpful or confusing to customers. In any case, customers with mobile telecom requirements in Benelux should always consider KPN. Equally, those whose coverage requirements are answered by Sympac should evaluate its offerings. But they must take great care in countries where Sympac's partners are Tier 2 carriers, as network quality might then be a problem. The same warning does not apply to customer service, however, as Sympac can provide it directly – customers don't have to deal with its Tier 2 partners.

Orange

Orange merits a position in the Leaders quadrant by virtue of its long and structured work to improve its coverage and capabilities for multinational enterprises. It is among the strongest partners in the FreeMove Alliance, and one of the members most often seen "fronting" the alliance's agreements.

This provider is second only to Vodafone in Western Europe and well ahead of the third-placed operator in terms of subscriber numbers and coverage. Orange's reach is even wider when combined with that of the FreeMove Alliance.

The Orange portfolio of enterprise products and services is very strong. Furthermore, the recent restructuring of Orange's parent company, France Telecom, around the Orange brand and the drawing together of its other subsidiaries gives Orange the chance to capitalize on many of the remote access and enterprise mobility assets formerly held by Equant.

Enterprises needing pan-European mobile services should always consider using Orange, either on its own – where Orange's own coverage is sufficient – or as part of the FreeMove Alliance.

Portugal Telecom

Portugal Telecom has a domestic subscriber base of 5.3 million. It is the smallest provider to qualify for this Magic Quadrant.

The company's strengths include a High-Speed Downlink Packet Access (HSDPA) network, launched in April 2006, and a portfolio of mobile services that, by including management tools and "push" e-mail, meets most enterprise users' basic needs.

However, Portugal Telecom's lack of an international strategy is a striking weakness – the company does not belong to any alliance and has no close partnerships with leading international operators. We therefore recommend Portugal Telecom only to enterprises whose mobile service needs lie within Portugal.

T-Mobile

T-Mobile is the leader in terms of its ability to execute, thanks to massive investment in mobile broadband (HSDPA) and customer management.

This operator competes in four Western European countries: Germany, the U.K., the Netherlands and Austria. It also operates in several Eastern European countries and in the United States. It runs an HSDPA network and is committed to becoming Europe's leading provider of mobile broadband services. In Germany, its home country, T-Mobile's 3G HSDPA network is better than Vodafone's in terms of coverage and capacity, and in Austria – Europe's most advanced mobile broadband market – T-Mobile is the leading provider of HSDPA services.

T-Mobile places great emphasis on service quality and often runs customer focus groups to measure and improve interactions with them. T-Mobile's call center agents are divided into groups, which are trained to serve different types of enterprise customer. Furthermore, T-Mobile offers advanced enterprises standard service-level agreements (SLAs), which include key performance indicators and penalties for T-Mobile, should its performance fall short. This shows the company's commitment to keeping its promises for mobile voice and data service delivery.

T-Mobile is a founding member of the FreeMove Alliance, which helps it provide services to multinational companies. The operator's enterprise portfolio consists of traditional mobile voice services and data offerings such as wireless e-mail and laptop PCs with built-in 3G capabilities.

With or without FreeMove, T-Mobile should be considered by enterprises needing Pan-European mobile services. They will find T-Mobile's offerings attractive and its management of SLAs reassuring. However, in the U.K. T-Mobile concentrates on consumers, so enterprises there might struggle to get the same quality of service as in Germany, where this provider commands more than half the market for mobile business services.

TDC Mobile

TDC Mobile met the inclusion criteria for size largely on the basis of its Talkline and Telmore businesses in the U.K., the Netherlands and Germany, which it divested while this report was being developed. The operator's remaining activities are concentrated in the Nordic countries and Switzerland. TDC is the leading mobile operator in Denmark, where it has its own network, and it competes as a mobile virtual network operator in Norway. TDC also has a presence in Sweden and Finland through partnerships with other operators, including its sister company, TDC Song. In Switzerland, TDC operates under the Sunrise and Yallo brands (using a Telmore concept). Interestingly, Sunrise is a member of the Starmap Mobile Alliance, while in Denmark TDC Mobile (formerly Tele Danmark) is a Vodafone partner network. Buyers of mobile data and voice services should not expect any synergies between TDC's Nordic and Swiss operations.

Enterprises looking for a Pan-Nordic mobile solution should consider TDC. As a good Vodafone partner, TDC can also access and resell Vodafone products such as data cards and BlackBerry handsets in its local market and use the wider Vodafone network for international roaming. TDC has a strong focus on the needs of enterprise users, particularly those in Nordic countries.

Telefonica/O2

Telefonica, Spain's incumbent telecoms provider, acquired mobile operator O2 at the end of 2005. The combined entity has 47.3 million subscribers in Spain, Germany, the U.K. and Ireland. In Spain, Telefonica/O2 dominates the large-enterprise sector, with a market share in excess of 75%.

The purchase of O2 has brought enterprise users few concrete benefits so far. Prior to the acquisition, Telefonica belonged to the FreeMove Alliance, along with TIM, T-Mobile and Orange (TeliaSonera joined more recently). But as part of the acquisition, Telefonica had to leave FreeMove. To tackle the significant issue of international-roaming provision, Telefonica has put together an initiative with O2 called "My Europe."

In July 2006 Telefonica became the third of Spain's national providers to launch HSDPA services, with 450 nodes. Additional corporate services include BlackBerry (from July 2006) and other mobile e-mail solutions. Telefonica's strength lies in the quality of its services, but the slow pace of integration with O2's portfolio – which is significantly better – is disappointing. Telefonica's now patchy international coverage is being filled in with that of O2, but it may need further strengthening to include, for example, the Nordic countries. At present, Telefonica and O2 are best viewed as separate organizations, albeit with some shared roaming benefits. Therefore, enterprises looking for a comprehensive international solution from this group must consider the merits of Telefonica's and O2's coverage separately.

TeliaSonera

TeliaSonera has 9.7 million subscribers in Western Europe. TeliaSonera's geographical focus is the Nordic region, extending to the Baltics. TeliaSonera offers good network coverage in this area, and TeliaSonera's ability to offer services to multinational enterprises has recently been strengthened by its entry into the FreeMove Alliance.

TeliaSonera's service portfolio is comprehensive, with several solutions for enterprises, including a portfolio of wireless office solutions, mobile Centrex and push e-mail, as well as offerings such as Web-based administrator interfaces.

In addition, TeliaSonera receives the highest scores for technical quality in customer satisfaction surveys. However, its marketing still focuses on network coverage and basic data services like SMS, which indicates a strong focus on the traditional elements of mobile services that ought, by now, to be taken for granted.

TeliaSonera's weaknesses include a lack of investment in new technology. It has, for example, no concrete plans to launch HSDPA services in Sweden (we expect a launch in Finland first). As a strong pan-Nordic operator, we recommend TeliaSonera to enterprises with a majority of users in Nordic countries. To cover the rest of Western Europe, TeliaSonera can capitalize on its membership of the FreeMove Alliance.

TIM

TIM (Telecom Italia Mobile) appears in this Magic Quadrant because of its leading position in Italy and involvement in the FreeMove Alliance, of which it is a founding member.

This operator offers strong coverage of its home market and supports mobile solutions for industries such as finance, healthcare and the public sector. For large enterprises, TIM offers customized services with documented SLAs, supported by key account managers and solution managers. TIM does not have an international expansion strategy for mobile telecoms, but relies on its participation in the FreeMove Alliance. TIM's mobile broadband rollout is less sophisticated than those of other leading mobile service providers.

Enterprises looking for a tailor-made mobile business solution in Italy should consider TIM, but its enterprise offerings are more expensive than those of Vodafone Italy and Wind. International enterprises should only consider TIM in combination with the FreeMove Alliance. They should also evaluate operators with higher positions on the Magic Quadrant.

Vodafone

Vodafone is the most visionary mobile service provider in this Magic Quadrant. Its ability to execute is also high, thanks to its leading coverage of Europe, technical capabilities and offerings for large multinational customers. In addition to 10 networks of its own in Western Europe, Vodafone has several partner networks that help it provide international roaming, wireless e-mail and other mobile services. Part of Vodafone's strategy is to consolidate its European business, which is why the U.K.-based company has sold off equity shares in Belgium and Switzerland and operations in Sweden.

Vodafone operates a mobile broadband network based on wideband code division multiple access (WCDMA) technology boosted by HSDPA, to deliver downstream transmission rates of up to 7.2 Mbps (theoretical peak) across Europe.

The company's enterprise offerings include standard mobile voice and data offerings, and more unusual ones such as managed wireless LANs (in the U.K.) and laptop PCs with built-in 3G capabilities. Vodafone has signed an agreement with Fiberlink, a specialist in mobile security, to provide remote-access solutions, including 3G connectivity for "nomadic" users.

One reason why Vodafone is perceived as a visionary provider is that its smartphone platform strategy – based on Microsoft Windows Mobile, Symbian S60 and Linux – aims to simplify deployment of mobile enterprise applications. Furthermore, Vodafone is the only operator to offer very large multinational companies single contracts that include customized reporting and billing.

Customers in Germany will be less pleased to learn that Vodafone has introduced a surcharge of $5 per month for German business users if they have a 3G phone from Vodafone – whether or not they use 3G services. We think this unacceptable, given that most of Vodafone's handsets are now 3G devices.

Enterprises looking for Pan-European mobile services and contracts and for wireless broadband solutions should consider using Vodafone. The company's tendering process, solutions management and service fulfillment are of high quality. Vodafone also has a unit dedicated to serving multinational customers, with staff assigned to accounts, services and solutions. However, this unit only serves an exclusive group of international companies that buy mobile services centrally. Other enterprises may find Vodafone slow with its initial responses to RFPs or in further negotiations. Also, enterprises in general will find that Vodafone's SLAs fall short of the best.

Wind

Wind offers services in Italy and has 13.7 million subscribers. It is primarily a low-cost provider of basic voice services and standard mobile e-mail solutions. The company's overall service portfolio is smaller than average, and it lacks services such as mobile device management and remote access.

Wind's main focus is smaller companies, to which it offers post-paid services. But the operator does also serve large organizations, particularly those in the field of public administration.

This provider's strengths include its clear-cut approach – with enterprises on contracts and consumers generally on pay-as-you-go subscriptions – and recognition of its role in the value chain. But these could also prove to be weaknesses for enterprise customers needing advanced services and international coverage. Such buyers are likely to strain Wind's capabilities, even though it is filling in gaps in its 3G network and its international strategy is aided by participation in the Starmap Mobile Alliance.

We recommend Wind to enterprises looking for a no-frills, low-cost provider of mobile services – especially voice telephony and e-mail – for use within Italy alone.

Vendors Added or Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

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 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, 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 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.