

# IBM Inspires Customer Delight by Consistently Meeting High Customer Expectations for Product and Service Integrity

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## Executive Summary

### IBM EXHIBITS AN UNCANNY ABILITY TO DEPENDABLY MEET HIGH CUSTOMER EXPECTATIONS

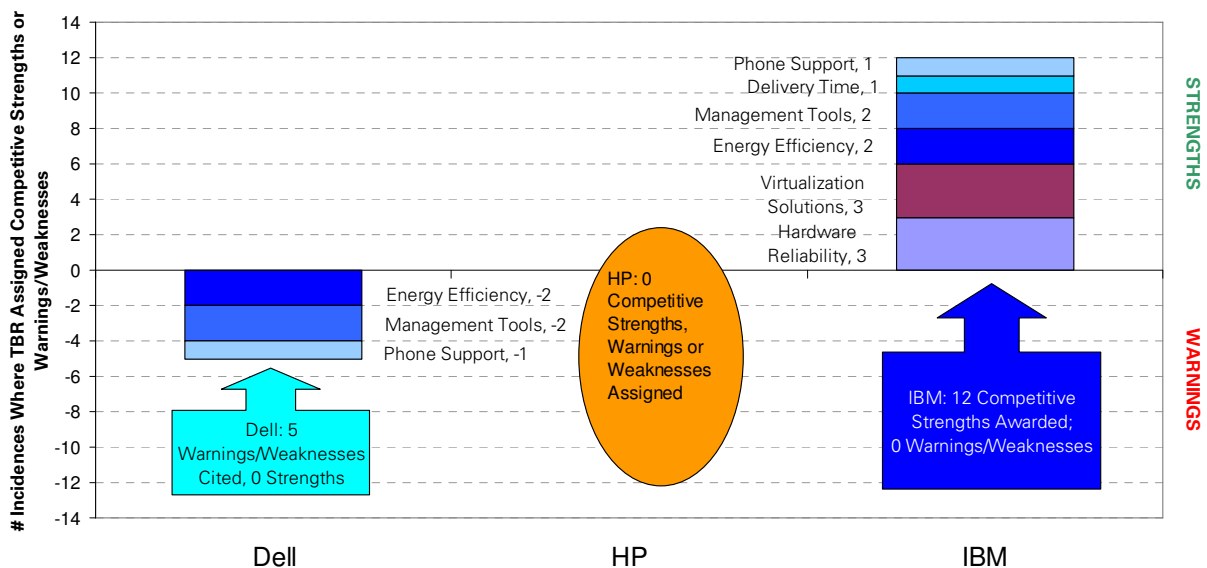
The IBM System x server brand has long been recognized for exceptional product and service quality. Customers expect consistency in these attributes, and the results of TBR's x86-based Customer Satisfaction Study confirm that this is precisely what IBM customers continue to experience with the brand. For the past five quarters, IBM has ranked No. 1 in TBR's study by differentiating itself in an increasingly dynamic marketplace. During this period of IBM domination in the study, the company has accumulated 12 incidences of competitive strength across six of the study's categories. TBR assigns competitive strengths when a player demonstrates brand differentiation by scoring substantially above industry averages and more effectively meeting (or exceeding) customer expectations. Meanwhile, competitors have not been awarded strengths of any kind during the period, and Dell was cited with five cases of competitive warnings or weaknesses.



### X86-BASED SERVER SATISFACTION PERFORMANCE DIFFERENTIATION,

Past 5 Reporting Periods (3Q09 through 3Q10)

Sources: TBR x86-based Servers: Corporate IT Buying Behavior & Customer Satisfaction Studies



While IBM continues to outrank competitors, TBR has also observed solidly improving performances by the company's challengers in recent quarters. Overall improvement in the ratings has been driven by the exuberance of x86-based server decision-makers who are reacting to new solutions purchases in 2010 following an extended period of significant spending cuts. During 2009, many companies were forced to forgo new systems acquisition, resulting in continued reliance on aging equipment to handle increasingly demanding workloads. Satisfaction scores subsequently declined during 2009; however, IBM was more successful than competitors in keeping customer disappointment at a bare minimum. With 2010 representing perhaps the largest corporate refresh in history, all three competitors' satisfaction scores increased substantially, often achieving new historical highs. This increase was a function of customer disappointment having essentially dropped off the map, replaced by increasing customer delight – as exhibited by the growth in scores at the highest echelon of TBR's satisfaction scale. However, despite the high customer enthusiasm that enveloped all three vendors' scores in the 2010 studies, IBM's consistency throughout the previous year paid off. This enabled IBM to continue to differentiate itself by earning competitive strengths, while competitors have been unable to do so during the period. The performances of HP and Dell were largely overshadowed by IBM's more solid ratings.

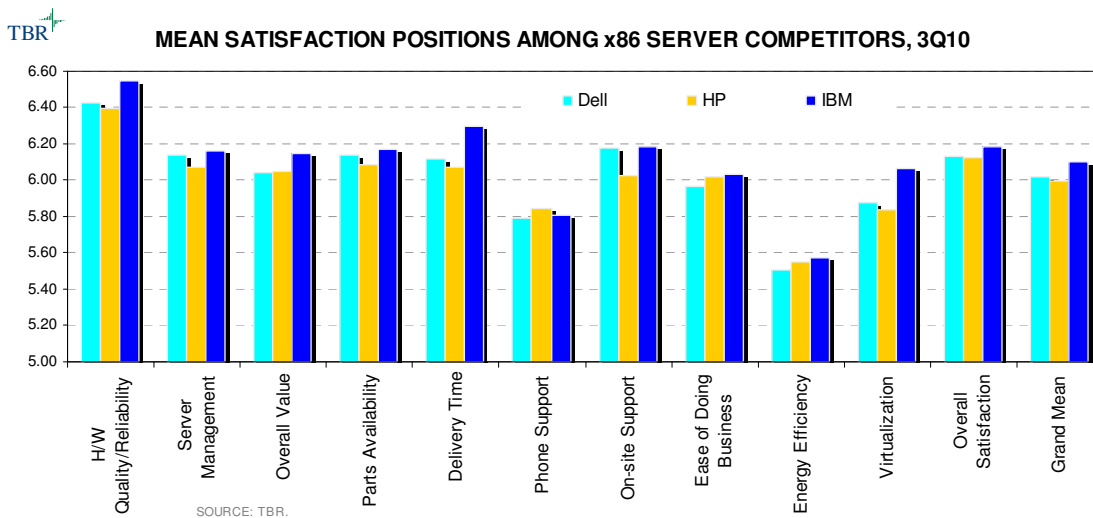
In preparing this summary, TBR analyzed IBM's competitive performances in the past six quarters within our Corporate IT Buying Behavior & Customer Satisfaction Studies in the x86-based server segment. This retrospective analysis focuses on the evidence supporting the premise that IBM has been successful in consistently delivering what customers expect relative to quality and integrity in the IBM System x server brand. Based on this analysis, TBR attributes IBM's strong performances in TBR's study to the interrelated effects of five underlying principles:

1. **Solid leadership across areas relating to product integrity and performance** – IBM has exhibited significantly higher customer satisfaction across the key areas of hardware quality/reliability, energy efficiency, virtualization and manageability. These are all high-priority areas with customers in the current server environment.
2. **Consistency and stability** – IBM has displayed steady leadership in key areas over the long term where competitors' ratings have exhibited volatility and, during 2009, considerable weakening. During the economic stress and tough environment of 2009, IBM's satisfaction ratings held up to the pressure while competitors' succumbed.
3. **Successfully meeting high customer expectations** – IBM customers express expectations for quality and service that exceed those of competitors' customers. One might expect IBM to have been hindered in having to meet high customer expectations; however, the company transformed this challenge into a distinct competitive advantage.
4. **Capitalizing on customer delight** – IBM customer delight continues to grow in our study, with IBM earning the greatest proportions of perfect ratings. This level of enthusiasm, the magnitude of which has been unattainable by competitors, has driven IBM to its past five No. 1 rankings in TBR's study.
5. **Enhancing customer loyalty** – By exploiting its longstanding reputation for reliability and support, IBM has seen a substantial increase in stated customer loyalty and advocacy for the brand during the past five quarters.

## In-Depth Analyses

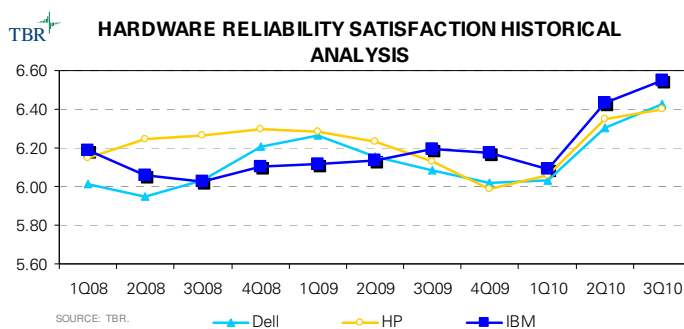
### 3Q10 WRAP-UP: IBM EARNS ITS FIFTH CONSECUTIVE NO. 1 RANKING IN TBR'S X86 SERVER CUSTOMER SATISFACTION STUDY

In TBR's 3Q10 x86-based Server Customer Satisfaction Study, based on the views of 481 IT decision-makers in North America, IBM earned its fifth straight No. 1 ranking and its fourth consecutive singular (unshared) top ranking. IBM's 3Q10 position was enhanced by exceptionally competitive performances across hardware reliability (IBM's third competitive strength in the past five quarters), virtualization solutions (its third in the past four quarters), and its first competitive strength for delivery time. IBM also scored higher than the industry average for its server value rating, but not by enough of a magnitude for TBR to award an additional competitive strength. IBM's solid performances in these areas contributed to a Weighted Satisfaction Index (WSI) position at a comfortable distance over competitors, leading to a continuing No. 1 placement in 3Q10.



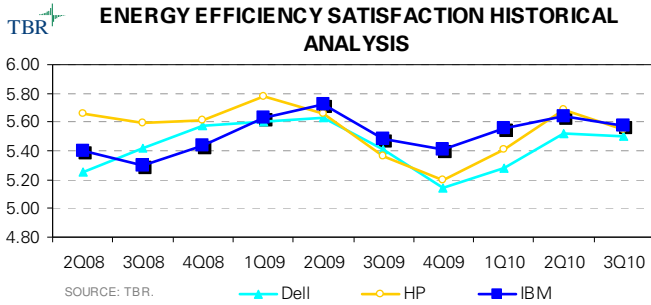
### IBM CONTINUES TO MAINTAIN LEADERSHIP ACROSS AREAS DEFINING PRODUCT INTEGRITY AND MANAGEMENT

Customer expectations for x86 server hardware reliability and quality have always topped the list of priorities within the customer experience. In today's environment, customers face significant



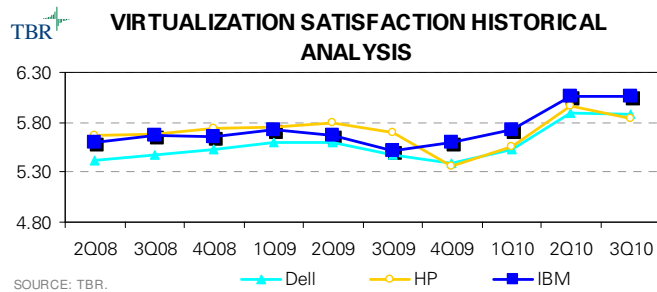
challenges driven by limited memory capacity and growing complexities where IT professionals are attempting to optimize performance for specific workloads. Overall, x86 server customers are looking for innovations that will greatly enhance their abilities to simplify these requirements. TBR's hardware quality and reliability metric is the cornerstone for this

perception of solutions innovation. IBM has outperformed competitors throughout the past five quarters, earning competitive strengths in three of those periods.

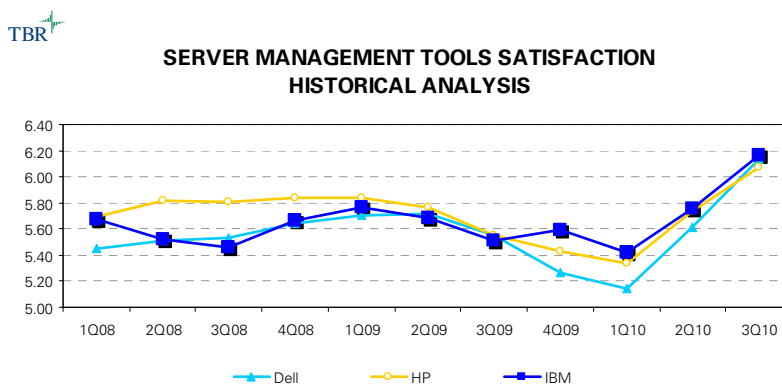


In covering customer satisfaction with energy efficiency and virtualization solutions, TBR has observed a steady rise in the stated importance of these capabilities. Today, energy efficiency and virtualization are critical components of a customer's perceptions of product integrity and value. The movement of more mission-critical applications to the

x86 platform has created an increased emphasis on reliability. The ability to simplify installations through virtualization, while improving power consumption and management, are all part of the overall value proposition in the datacenter. Within both categories, IBM has exhibited greater resistance to downward trends experienced by its competitors during 2H09, and improving performances during 2010. IBM subsequently earned TBR's competitive strength standings in two quarters for energy efficiency and in a total of three quarters for virtualization solution satisfaction during the past five quarters. IBM is the only competitor to have ever been awarded strengths within these two categories.



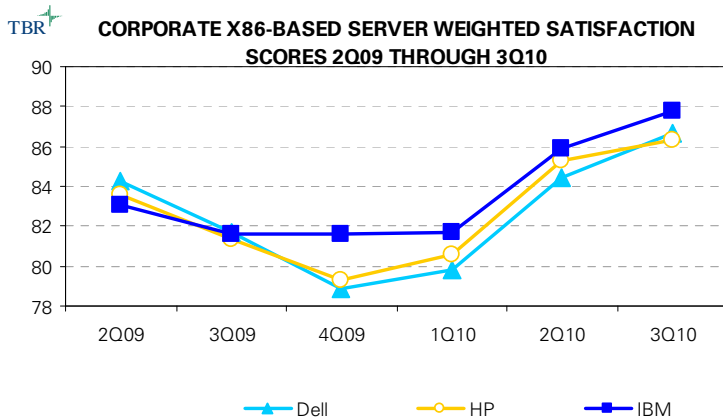
Systems management became a source of increasing dissatisfaction for x86 server customers during 2009. The effects of these frustrations have been exemplified by ratings declines throughout 2009; however, IBM's satisfaction scores were again comparatively more resistant to



the trends, where competitors' scores incurred substantial value losses. While competitors' scores rebounded in 2010, IBM's score improvement kept pace with the industry, enjoying two consecutive quarters of substantially improved ratings.

## THE ABILITY TO MAINTAIN CONSISTENCY AND STABILITY OF THE SATISFACTION EXPERIENCE DEFINES IBM'S LEADERSHIP STATUS

IBM's continuing domination of the competitive field for the past five reporting periods has been driven by its greater resistance to downward pressures experienced by the competition during 2009, when the Great Recession forced spending cutbacks and customer satisfaction levels suffered. However, during these challenging times, IBM's satisfaction ratings held steady, which

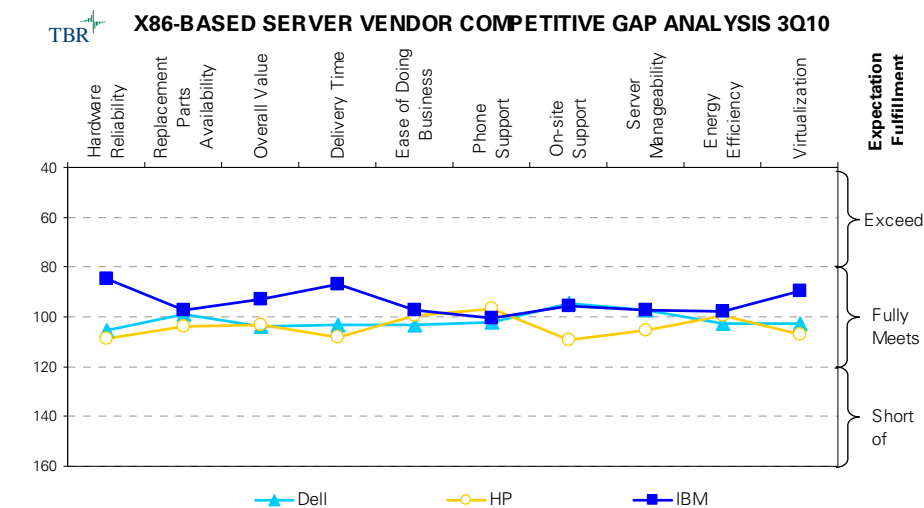


SOURCE: TBR.

positioned IBM to build upon this solid foundation, as customer exuberance began to build with the easing of economic hardships within corporate America. While competitors' scores improved in 2010, IBM started from a higher position, enabling the company to continue to place in the No. 1 ranking from 3Q09 to 3Q10.

## IBM TURNS A POTENTIAL CHALLENGE INTO AN ADVANTAGE BY CONSISTENTLY MEETING SOME OF THE HIGHEST CUSTOMER EXPECTATIONS IN THE INDUSTRY

IBM customers have typically expressed above-average expectations for x86-based server quality and service; they have been conditioned to do so through their positive experiences with the brand. In the 3Q10 study, IBM customers registered particularly high demands on server reliability, delivery time, technical support, management tools and virtualization solutions. With the way TBR tallies its WSI rating, high expectations that have not been effectively met (low or moderate satisfaction) can have negative implications for the score calculation. Alternatively, a high-expectation category with high satisfaction translates into an advantage. IBM capitalized on high expectation/high satisfaction conditions across the three areas where competitive strengths were awarded in 3Q10 – hardware reliability, delivery time and virtualization solutions.

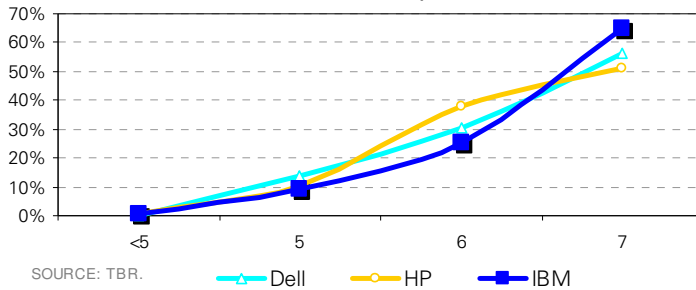


SOURCE: TBR.

## IBM HAS BEEN THE MOST SUCCESSFUL AT ENGENDERING CUSTOMER DELIGHT

Achieving customer delight in the scoring (earning as many Perfect 7 ratings as possible) should be the goal of any vendor in any industry. TBR knows that several factors can drive customer enthusiasm, including customers' need to become periodically energized by the advent of next-generation solutions. While all three competitors introduced new x86 server series in early 2010,

**TBR SATISFACTION WITH HARDWARE QUALITY/RELIABILITY BY CATEGORY, 3Q10**

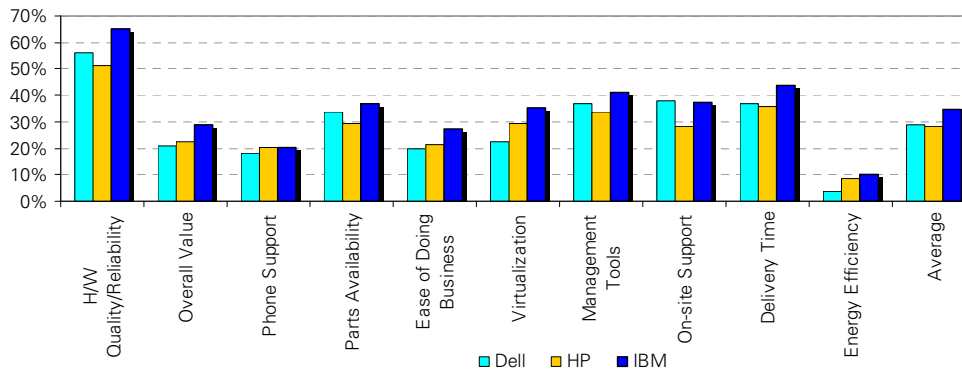


SOURCE: TBR.

and all three simultaneously benefitted from resumed server spending, IBM appears to have tapped additional methods for driving enthusiasm with its brand. Within the critical category of hardware reliability, IBM earned two-thirds of its scores at the Perfect 7 level of the scale, while competitors were not nearly as effective at encouraging such exuberance.

Across all the satisfaction categories in 3Q10, IBM earned an average 35% Perfect 7 ratings versus competitors' average of 28%. In addition to hardware reliability, IBM instilled a greater sense of customer delight versus competitors across the areas of server value, parts availability, ease of doing business, virtualization, management tools and delivery time.

**TBR PROPORTIONS OF DELIGHTED CUSTOMERS BY CATEGORY, 3Q10**

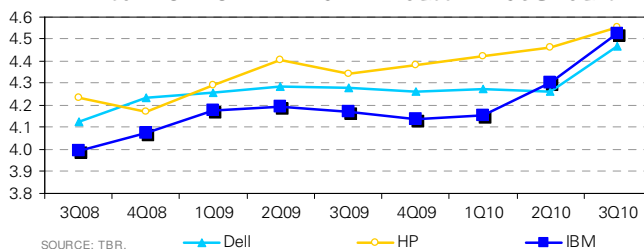


SOURCE: TBR.

## IBM'S CONSISTENCY IN MEETING CUSTOMER EXPECTATIONS DRIVES STRONGER CUSTOMER LOYALTY

The customer loyalty rating tends to serve as a lagging indicator in TBR's studies. A competitor that builds a story of customer satisfaction success can expect to see further rewards in its

**TBR X86-BASED SERVER LOYALTY 3Q08 THROUGH 3Q10**



SOURCE: TBR.

customer loyalty rating. The customer loyalty rating is a measure of a customer's likelihood to continue to purchase the brand and advocate for that brand at their organization. While this pattern tends to reflect strengthening of the loyalty rating, TBR observes that solid loyalty can also be an

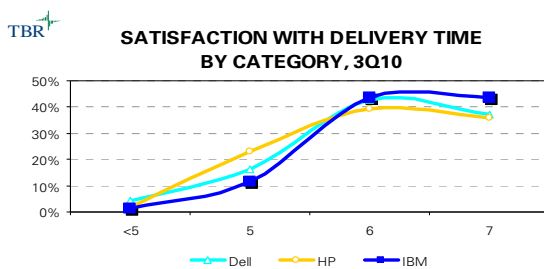
indication of market share leadership. In HP's case, its loyalty ratings have typically dominated the competition, including many times when HP was not a top-ranked contender in the satisfaction competition. IBM's loyalty success has been more recent, with its strengthening ratings finally reaching parity with HP by 3Q10. TBR believes IBM's recent success in the loyalty competition resulted from consistently meeting high expectations, even during the difficult year of the recession (2009).

## Summary

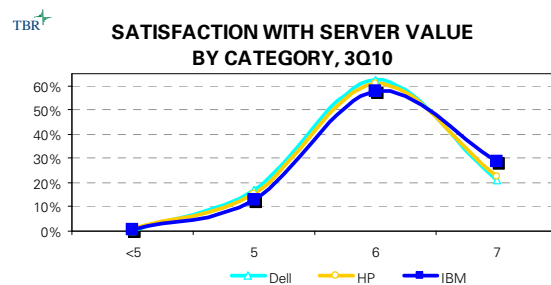
### TBR'S ASSESSMENT OF IBM'S CUSTOMER SATISFACTION SUCCESS POINTS TO CURRENT STABILITY AND LEADERSHIP AT JUST THE RIGHT TIME

TBR believes IBM has benefited in our study by continuing to keep its pipeline of new solutions announcements full and ongoing, despite reduced IT spending patterns in 2009, when the company kept customer interest piqued through continual messaging regarding its fifth generation of enterprise X-Architecture. By the time spending resumed within U.S. corporations, IBM was in an ideal position to move the bar further toward customer delight, as there were no significant customer disappointments with which to grapple. This was not the case with IBM's competitors, for whom customer dissatisfaction had increased during 2009, forcing these companies to work harder to restore customer confidence. By 2010, IBM enjoyed significantly higher numbers of truly delighted customers (i.e., those assigning Perfect 7 ratings to IBM across several categories in the study).

TBR also recognizes a few additional successes for IBM in the study results that appear to have been rightly timed against market conditions. One has to do with delivery time, which became increasingly relevant in 2010 due to renewed purchasing of current generation x86-based server solutions. IBM remained on top of this challenge by successfully meeting extremely high customer expectations, as these customers anticipated the arrival of new solutions after an extended purchasing drought. IBM's other noteworthy success in 3Q10 involves the perception of server value. At a time of renewed purchasing, companies are looking at both the price tag and the professed cost-of-ownership calculations, as customers cautiously resume new acquisitions. In spite of the ostensible optimism of 2010, decision-makers remain wary of committing capital expenditures. In the cases of both delivery time and server value, IBM earned significantly higher numbers of perfect satisfaction ratings versus the competition.



SOURCE: TBR.



SOURCE: TBR.

TBR believes the manner in which IBM is handling memory expansion, the use of solid state disk drives and systems flexibility play into a simple message of ROI that customers can easily recognize. IBM has spread its focus across every avenue of the value proposition in this market space, hitting upon requirements around power consumption, memory, I/O, networking and essentially the datacenter's entire fabric. Through all of this, IBM has been successful in

articulating its ROI messaging, and has even been perceived as a company with reasonable pricing, a development in TBR's studies that clearly breaks with the past. As part of its goal to keep customer enthusiasm optimized, IBM continued to broaden its x86 server line in August, by introducing AMD Opteron-based four-socket servers with unique space-saving designs in a 2U form factor. IBM also announced a two-socket Intel Xeon 5600-based server with the lowest cost-per-terabyte in the IBM portfolio.

## About the Studies

In early 1997, Technology Business Research, Inc. decided to take on the responsibility of filling a relatively vacant industry niche by developing and implementing what would ultimately become an industry-standard measurement for PC customer satisfaction. TBR's goal was to originate a repeatable methodology for tracking end-user customer satisfaction at medium and large North American enterprises on a quarterly basis. The project quickly rose to its current status as a reliable, consistent and timely measurement of customer satisfaction among IT managers.

TBR's Corporate IT Buying Behavior & Customer Satisfaction Studies (published in four separate volumes each quarter covering Desktops, Notebooks, x86-based Servers and Service & Support) have been conducted since the first quarter of 1997. For vendors, distributors, large end-users and the investment community, this program has become the preeminent tactical tool for monitoring customer satisfaction from quarter to quarter. These studies have been designed to "grow" with the industry without sacrificing their basic integrity as dependable, objective tracking tools.

TBR's x86-based Server Customer Satisfaction studies have been published quarterly since their inception in 1Q97. The 3Q10 study, published in November 2010, was based on the views of 481 x86 server decision-makers at midsized and large corporations in the United States and Canada, representing a total installed base of nearly 650,000 x86-based servers and a purchase intent of over 200,000 units during the next 12 months.

## About TBR

TBR specializes in providing in-depth and timely insights within the computer, software, telecom, mobility and professional services industries. These critical insights can provide value to all levels of your organization: executive, sales, marketing, product and business development, finance, procurement, and others. We deliver this intelligence in a format that is uniquely responsive and tailored to your needs, and we do so as an objective source, which allows you to look at the market from a fresh, impartial perspective.

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