

Magic Quadrants and MarketScopes: How Gartner Evaluates Vendors Within a Market

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Magic Quadrants and MarketScopes offer visual snapshots of a market's direction, maturity and participants. Understanding our research methodology will help you use these models effectively when choosing a product or service, or managing a vendor relationship.

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Analysis

1.0 Magic Quadrants and MarketScopes

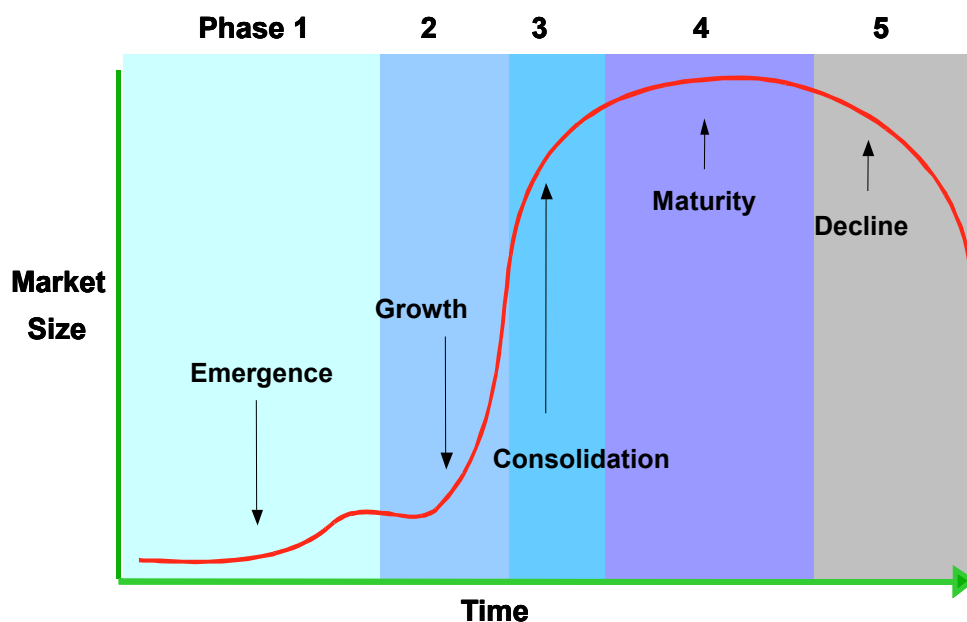
Assessing a market and its participants is a daunting task. Vendor differentiation caused by differing sizes, levels of complexity and strategies can inhibit comparisons of vendor offerings, and the market's overall direction is often murky. Gartner's Magic Quadrants and MarketScopes solve these problems by offering snapshots of markets and their participants, enabling you to map vendor strengths against your current and future needs.

Markets vary in many ways, but all follow a predictable life cycle with these phases: embryonic, emerging, high growth, consolidating, maturity and declining. A market's current phase helps determine which model we use to assess it:

- **Magic Quadrants** depict markets in the middle phases of their life cycle by using a two-dimensional matrix that evaluates vendors based on their completeness of vision and ability to execute. The Magic Quadrant has 15 weighted criteria that plot vendors based on their relative strengths in the market. This model is well suited for high-growth and consolidating markets where market and vendor differentiations are distinct.
- **MarketScopes** rate vendors based on criteria that focus on the important aspects of an emerging or mature market. In emerging markets, vendors and products are less well known or tested in the market, and it would be difficult to analyze all criteria typically used in a Magic Quadrant. In mature markets, vendors and products are typically well known, and demand for relative comparison shifts to a focus on differentiating criteria. By focusing on a limited set of criteria for these markets, MarketScopes will help you understand the dynamics of the market as well as the strengths of its vendors, even when the market is not well suited for Magic Quadrant analysis.

For example, we may analyze an emerging market with a MarketScope and use a Magic Quadrant when the market enters its high-growth phase. We then may return to a MarketScope as the market matures (see Figure 1).

Figure 1. Market Life Cycle



Source: Gartner (October 2005)

2.0 Qualitative Market Analysis

To evaluate vendors for Magic Quadrants and MarketScopes, Gartner uses a comprehensive process that defines the boundaries of the market, research focus and the steps taken to form the analysis.

2.1 Identify the Market

To be considered for a Magic Quadrant or MarketScope, a market must be distinct and viable. It is selected for analysis based on the impact of emerging trends and users' need to understand changing market dynamics. We focus on markets in which our insights can assist clients with planning, investment decision making and the ongoing support of vendor relationships.

2.2 Select the Vendors

A Magic Quadrant or MarketScope is not intended to be an exhaustive analysis of every vendor in a market, but rather a focused analysis. Inclusion criteria consist of market share, revenue, number of clients, types of products or services, target market, or other defining characteristics that help narrow the scope of the research to those vendors that we consider to be the most important or best suited to our clients' needs.

2.3 Define the Rating Criteria

Magic Quadrants use standard criteria in two categories: completeness of vision and ability to execute. MarketScopes may use up to seven of these criteria to focus on factors that differentiate a particular market. We then adapt the inclusion criteria to a market by prioritizing and weighting them based on a high, low or standard scale of importance. In some cases, a criterion may have a "no rating" weight because it has low relevance for the market.

2.3.1 Completeness of Vision

- **Market Understanding:** The ability of a vendor to understand buyers' needs and translate these needs into products and services. A vendor that shows the highest degree of vision listens and understands buyers' wants and needs, which it can shape or enhance with its vision.
- **Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and publicized through the Web site, advertising, customer programs and positioning statements.
- **Sales Strategy:** A strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates to extend the scope and depth of a vendor's market reach, skills, expertise, technologies, services and customer base.
- **Offering (Product) Strategy:** A vendor's approach to product development and delivery that emphasizes differentiation, functions, methodology and feature set in relation to current and future requirements.
- **Business Model:** The validity and logic of a vendor's underlying business proposition.
- **Vertical/Industry Strategy:** A vendor's strategy to direct resources, skills and offerings to meet the needs of market segments, including vertical industries.
- **Innovation:** Marshaling of resources, expertise or capital for competitive advantage, investment, consolidation or defense against acquisition.
- **Geographic Strategy:** A vendor's strategy to direct resources, skills and offerings to meet the needs of regions outside of the vendor's "home" or native area, directly or through partners, channels and subsidiaries, as appropriate for that region and market.

2.3.2 Ability to Execute

- **Product/Service:** Core goods and services offered by the vendor that compete in and serve the market. This category includes product and service capabilities, quality, feature sets and skills, offered natively or through original equipment manufacturers as defined in the market definition and detailed in subcriteria.
- **Overall Viability:** Includes an assessment of the vendor's overall financial health, the financial and practical success of the relevant business unit, and the likelihood of that business unit to continue to invest in and offer the product within the vendor's portfolio of products.

- **Sales Execution/Pricing:** The vendor's capabilities in pre-sales activities and the structure that supports them. This criterion 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 vendor's message to influence the market, promote its brand and business, increase awareness of its products, and establish a positive identification with the product, brand or vendor with buyers. This "mind share" can be driven by a combination of publicity, promotions, thought leadership, word of mouth and sales activities.
- **Customer Experience:** Relationships, products, and services and programs that enable clients to succeed with the products evaluated. This criterion includes the ways customers receive technical support or account support. It can also include ancillary tools, customer support programs (and their quality), availability of user groups and service-level agreements.
- **Operations:** The vendor's ability to meet its goals and commitments. Factors include the quality of the organizational structure, such as skills, experiences, programs, systems and other vehicles that enable the vendor to operate effectively and efficiently.

2.4 Research the Market

Research activities include but are not limited to:

- Vendor briefings
- Surveys
- Vendor-provided references
- Industry contacts
- Client interviews
- Public sources, such as U.S. Securities and Exchange Commission filings, articles, speeches and published papers
- Input from Gartner analysts

2.5 Evaluate the Vendors

Teams of analysts collaborate to evaluate and score each vendor using the weighted criteria. The resulting scores are used to generate a Magic Quadrant or MarketScope.

2.6 Publish the Research

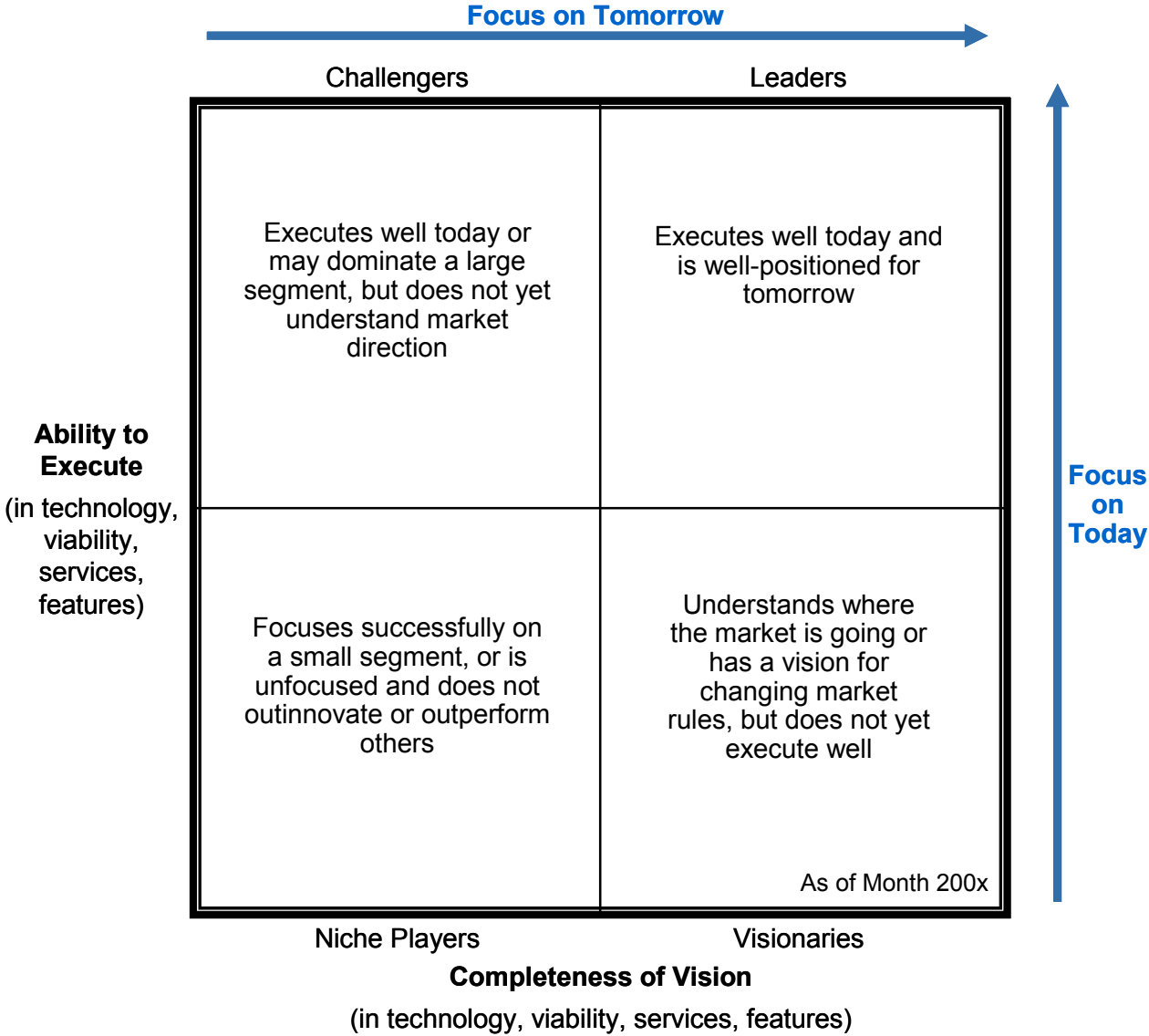
The Magic Quadrant or MarketScope is published as a research document that explains the vendor positions and ratings, as well as new developments in the market, and thus provides a context in which to use the models. During this step, the research undergoes rigorous internal peer review and validation, followed by a factual review by the vendors included on the Magic Quadrant or MarketScope.

3.0 Magic Quadrants

The Magic Quadrant figure (see Figure 2) is based on two axes:

- **Ability to Execute:** Summarizes factors such as the vendor's financial viability, market responsiveness, product development, sales channels and customer base.
- **Completeness of Vision:** Reflects the vendor's innovation, whether the vendor drives or follows the market, and if the vendor's view of how the market will develop matches Gartner's perspective.

Figure 2. The Magic Quadrant



Source: Gartner (October 2005)

Vendors positioned in the four quadrants — Leaders, Challengers, Visionaries and Niche Players — share certain characteristics.

3.1 Leaders

Leaders provide mature offerings that meet market demand as well as demonstrate the vision necessary to sustain their market position as requirements evolve. The hallmark of leaders is that they focus and invest in their offerings to the point that they lead the market and can affect its

overall direction. As a result, leaders can become the vendors to watch as you try to understand how new offerings might evolve.

Leaders typically possess a large, satisfied customer base (relative to the size of the market) and enjoy high visibility within the market. Their size and financial strength enable them to remain viable in a challenging economy.

Leaders typically respond to a wide market audience by supporting broad market requirements. However, they may fail to meet the specific needs of vertical markets or other more-specialized segments.

3.2 Challengers

Challengers have a strong ability to execute but may not have a plan that will maintain a strong value proposition for new customers. Larger vendors in mature markets may often be positioned as challengers because they choose to minimize risk or avoid disrupting their customers or their own activities.

Although challengers typically have significant size and financial resources, they may lack a strong vision, innovation or overall understanding of market needs. In some cases, challengers may offer products nearing the end of their life that dominate a large but shrinking segment.

Challengers can become leaders if their vision develops. Large companies may fluctuate between the Challengers and Leaders quadrants as their product cycles and market needs shift.

3.3 Visionaries

Visionaries align with Gartner's view of how a market will evolve, but they have less-proven capabilities to deliver against that vision. In early markets, this status is normal. In more-mature markets, it may reflect a competitive strategy for a smaller vendor — such as selling an innovation ahead of mainstream demand — or a larger vendor trying to break out of a rut or differentiate.

For vendors and customers, visionaries fall in the higher-risk/higher-reward category. They often introduce new technology, services or business models, and they may need to build financial strength, service and support, and sales and distribution channels. Whether visionaries become challengers or leaders may depend on if companies accept the new technology or if the vendors can develop partnerships that complement their strengths. Visionaries sometimes are attractive acquisition targets for leaders or challengers.

3.4 Niche Players

Niche players do well in a segment of a market, or they have limited ability to innovate or outperform other vendors. This may be because they focus on a functionality or geographic region, or they are new entrants to the market. Alternatively, they may be struggling to remain relevant in a market that is moving away from them. Niche players may have reasonably broad functionality but with limited implementation and support capabilities, and relatively limited customer bases. They have not yet established a strong vision for their offerings.

Assessing niche players is more challenging than assessing vendors in other quadrants because some niche players could make progress, while others do not execute well and may not have the vision to keep pace with broader market demands.

A niche player may be a perfect fit for your requirements. However, if it goes against the direction of the market — even if you like what it offers — it may be a risky choice because its long-term viability will be threatened.

3.5 How to Use a Magic Quadrant

Your needs and circumstances should determine how you use the Magic Quadrant, not the other way around. To evaluate vendors in the Leaders quadrant only and ignore those in other quadrants is risky and thus discouraged. For example, a vendor in the Niche Players quadrant could offer functions that are ideally suited to your needs. Similarly, a leader may not offer functions that meet your requirements — for example, its offerings may cost more than competitors', or it may not support your region or industry. Use a Magic Quadrant to narrow your list of choices, but don't base your decision only on the model. Talk to the Gartner analyst who created the research for more details and insight.

Vendor positioning in Magic Quadrants illustrates useful information about vendors. For example, if you want to make a strategic investment in a technology, a vendor's viability will be critical. Therefore, weight a vendor's ability to execute more heavily than its completeness of vision, and evaluate challengers before visionaries. Conversely, if you can gain a competitive advantage by investing in an emerging technology, evaluate visionaries before challengers.

The overall positioning of vendors in a Magic Quadrant offers a high-level view of the market. In a highly mature market, a preponderance of vendors may cluster in the Leaders quadrant because most vendors will tend to offer a complete set of products and services, with very little differentiation. By contrast, in an emerging market, most vendors will cluster in the Niche Players quadrant, and most offerings will be incomplete yet distinctive.

4.0 MarketScopes

MarketScopes provide an overall market rating that indicates the strength and potential for the market in general. This is particularly important in emerging markets, when hype is high and it is difficult to assess the long-term viability or evolution of offerings. In mature markets, MarketScopes provide insight about the ongoing value of products and services.

In addition to the overall market rating, MarketScopes provide ratings for selected vendors based on market-critical criteria (see Figure 3).

Figure 3. The MarketScope

	Strong Negative	Caution	Promising	Positive	Strong Positive
Vendor Product/Service A			X		
Vendor Product/Service B				X	
Vendor Product/Service C		X			
Vendor Product/Service D			X		
Vendor Product/Service E					X
Vendor Product/Service F	X				

Source: Gartner (October 2005)

4.1 MarketScope Ratings

MarketScope ratings and evaluations are limited to a select set of criteria identified in the research and are not meant to be exhaustive vendor evaluations. The ratings follow Gartner's standard rating format (see Table 1).

Table 1. MarketScope Rating Framework

Rating	Definition
Strong Positive	Solid provider of strategic products, services or solutions. <ul style="list-style-type: none"> ■ <i>Customers:</i> Continue investments. ■ <i>Potential customers:</i> Consider this vendor a strong strategic choice.
Positive	Demonstrates strength in specific areas, but is largely opportunistic. <ul style="list-style-type: none"> ■ <i>Customers:</i> Continue incremental investments. ■ <i>Potential customers:</i> Put this vendor on a shortlist of tactical alternatives.
Promising	Shows potential in specific areas; however, initiative or vendor has not fully evolved or matured. <ul style="list-style-type: none"> ■ <i>Customers:</i> Watch for a change in status and consider scenarios for short- and long-term impact. ■ <i>Potential customers:</i> Plan for and be aware of issues and opportunities related to the evolution and maturity of this initiative or vendor.
Caution	Faces challenges in one or more areas. <ul style="list-style-type: none"> ■ <i>Customers:</i> Understand challenges in relevant areas; assess short- and long-term benefit/risk to determine if contingency plans are needed. ■ <i>Potential customers:</i> Note the vendor's challenges as part of due diligence.
Strong Negative	Difficulty responding to problems in multiple areas. <ul style="list-style-type: none"> ■ <i>Customers:</i> Exit immediately. ■ <i>Potential customers:</i> Consider this vendor only if there are no alternatives.

Source: Gartner (October 2005)

4.2 How to Use a MarketScope

Use a MarketScope to understand — at a high level — the strength and potential of a market, and to review vendors in the space. A MarketScope can provide a solid definition of a market, illustrate important trends and dynamics that will affect overall market strength, and identify critical criteria that distinguish vendors in the market.

Consider how the criteria used to build the MarketScope map to your priorities. (Remember that a MarketScope uses fewer criteria than a Magic Quadrant.) To illustrate market differentiation, we may have excluded criteria that are critical to you. For example, in an emerging market, a MarketScope may focus on innovation and market strategy, while your priorities may be financial viability and product functions. In a mature market, a MarketScope might focus on customer experience and track record, while you need to consider pricing and architectural alignment.

Keep in mind that the list of vendors is representative, not exhaustive. Excluding a vendor from the research does not imply that it is not viable or competitive.

5.0 Frequently Asked Questions

Can Magic Quadrants and MarketScopes be used as vendor selection tools? Magic Quadrants and MarketScopes analyze a market and can help you to focus your search on important criteria. However, they will not provide the details needed during the vendor selection process to align your requirements to a vendor.

Why aren't all vendors from a market included in a Magic Quadrant or MarketScope? In most cases, it is not possible to cover every vendor in a market — there are too many, or some are irrelevant based on the criteria. Therefore, we focus our research in a way that will provide the greatest value to Gartner clients. Sales contracts, vendor requests and client engagements do not initiate or drive inclusion in Magic Quadrant or MarketScope research.

What does it mean if a vendor isn't included in a Magic Quadrant or MarketScope? It means that they did not meet the inclusion criteria defined for that Magic Quadrant or MarketScope. It does not imply that the vendor is not viable or competitive. It might indicate that the vendor has a slightly different strategy or functional match, or that it addresses a different target market. We publish the inclusion criteria with the Magic Quadrant or MarketScope to help you understand why a vendor might not have been included.

Is a market always analyzed the same way? No. As a market matures, it changes and so does the analysis. Year to year, the inclusion criteria, weightings and our opinion about what it takes to maintain market strength may change.

Is there a calendar for when Magic Quadrants and MarketScopes will be published? A calendar of planned Magic Quadrant and MarketScope research is posted on gartner.com.

How often are Magic Quadrants and MarketScopes updated? Magic Quadrants and MarketScopes are updated at least annually and may be updated sooner to respond to market changes.

How can I compare current Magic Quadrants to previous versions? Previous versions are available online as archived files. When performing direct comparisons, understand that the market definition and criteria may have changed, thus affecting vendors' positions or ratings.

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