

A discussion of the Gartner Magic Quadrant for Campus LAN (Global) October 2006

Gartner's perception of Enterasys

On 16 October 2006, Gartner analyst Mark Fabbi published the Magic Quadrant for Campus LAN (Global), 2006. Enterasys is ranked as a niche vendor. It is positive that Gartner included Enterasys in the Magic Quadrant. This means Enterasys meets Gartner criteria for building next-generation networks by providing comprehensive, viable, well-supported LAN infrastructures for mainstream requirements through innovative solutions to address convergence, security and the data center. Gartner states a niche player has *"...a viable product offering and, in some cases, will be an appropriate choice for large infrastructure deals."*

The purpose of this document is to detail key points about the 2006 Gartner Magic Quadrant for Campus LANs:

- Gartner believes Enterasys has a solid technology portfolio, but has faced historical sales and marketing challenges
- Gartner acknowledges Enterasys as an innovator and the inventor of embedded security in networks
- Gartner advises enterprises to look beyond Cisco for competitive solutions that can lower costs and offer better manageability
- Gartner sees four key drivers behind LAN upgrades. Enterasys has solutions to address all four areas of need as well as Network Access Control (NAC)
- Enterasys customers or prospects with further questions about this Magic Quadrant's rating of Enterasys should schedule a 30-minute inquiry call with Gartner analyst Mark Fabbi

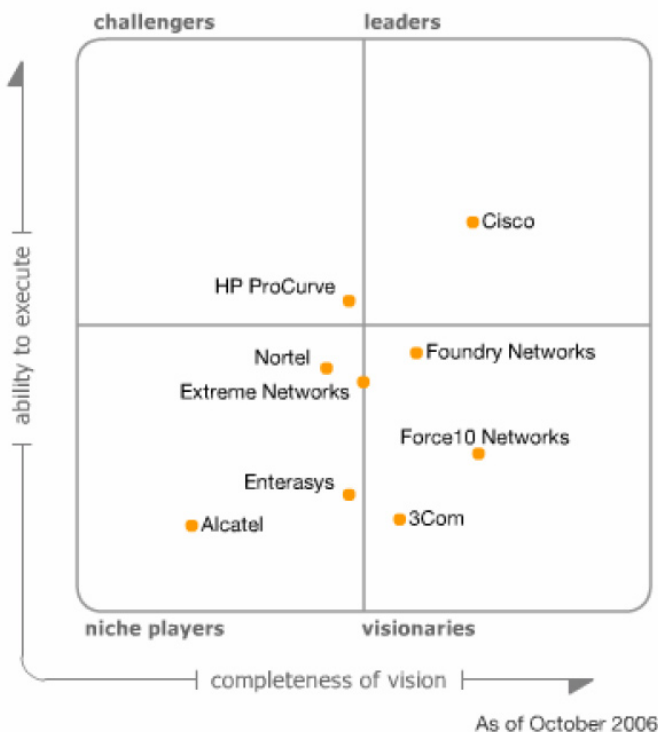
One should realize that Gartner Magic Quadrants look backwards in an industry to analyze what has already happened – they are not forward-looking statements about future market conditions. Said another way, **Magic Quadrants are always a reflection of the past and not a prediction for the future.** Gartner performs a complex evaluation of many criteria and information gained through vendor interviews, ongoing client inquiry, reference checks and Gartner knowledge of requirements in the market when placing vendors in the Magic Quadrant. While Enterasys responded to Gartner's request to provide them with three customer references, Gartner did not speak with any of those references in preparation for this Magic Quadrant.

Looking backwards (since 2004 when the last Campus LAN Magic Quadrant was published), Enterasys sales and marketing issues led to an overall loss of momentum and awareness. While acknowledging Enterasys has leading technology, Gartner feels Enterasys has been relatively invisible from a marketing perspective the past two years. Looking forward (since being acquired by private equity firms Gores & Tennenbaum), Enterasys has been growing revenues profitably and adding new customers while invigorating the loyalty of the installed base.

Gartner's advice on how to use the Magic Quadrant

Although the Magic Quadrant gives a picture of the vendor's ability to execute, as well as its vision, it should not be the only criteria for making a selection. Gartner clients often use the Magic Quadrant to formulate their shortlists and only look at vendors in the Leaders quadrant. Few enterprises will be successful finding the best vendor for them with this method. Enterprises should determine their functional and support requirements and use them to drive a selection. These requirements will be specific to the individual enterprise and will be key for vendor evaluation and eventual selection. For example, a vendor in the Niche Players quadrant could be ideally suited to an enterprise's needs. Similarly, the vendors in the Leaders quadrant may have executed well and outpaced the market in vision, but that does not necessarily mean that they have the functionality or meet the enterprise's specific requirements. The Magic Quadrant is not designed as a substitute for client inquiry — Gartner inquiry is the best way for enterprises to resolve specific questions.

Source: Note# M-19-8839



“Enterasys was the initial innovator in embedded network security. Enterasys coined the ‘secure networks’ approach and delivered key aspects of embedded network security before the rest of the market. The current product line is a solid one...”

— Gartner

Source: Gartner (October 2006)

Gartner states the following about Enterasys in the vendor summary:

“Enterasys is in a transition from a publicly traded company to be part of a private equity arrangement. We see little downside risk to this change, especially for the LAN portfolio. However, the new management team will have to quickly prove they can get Enterasys back on track from an execution perspective. Although Enterasys still has a reasonably loyal customer base, most of those customers are nervous with the ongoing uncertainty surrounding the transition. The new management team is very focused on looking after its installed base and will attempt to provide a set of services and a migration path to solidify the revenue stream. Early indications are that the revenue stream is stabilizing and Enterasys is starting to win some new customer business.

At a product level, Enterasys was the initial innovator in embedded network security. Enterasys coined the ‘secure networks’ approach and delivered key aspects of embedded network security before the rest of the market. The current product line is a solid one, with a variety of options for most parts of the network so there is no product risk running a current Enterasys infrastructure. Enterasys must make network security top of mind for new network purchases to increase its market presence. Although the company was an early innovator in this regard, momentum needs to be re-established around its strong feature capabilities. Enterasys has not been able to gain any traction as an open convergence player, despite its multivendor discovery, classification and prioritization support for IP voice solutions.”

When to consider: Current Enterasys customers and those looking for a strategy to embed key network security functions.

When not to consider: When security is not the key driver for new network investments.

(Note that Gartner’s JAN 2006 CIO Survey that shows “Security” as the #2 Technology Priority and a Top 10 Business Priority)

To summarize, Gartner’s concerns about Enterasys center on sales execution and marketing awareness issues – not product capabilities or technology vision. **There are no concerns about Enterasys’ viability.** In fact, Gartner states, *“There is not a significant risk of vendors or key product lines exiting the market through at least 2011.”*

- Gartner sees little downside risk to Enterasys going private; and acknowledges the company is adding new customers and stabilizing revenue
- Gartner gives Enterasys credit for innovating embedded security in network infrastructure as well as coining the term “secure networks”
- Gartner acknowledges Enterasys’ open convergence capabilities to discover, classify and prioritize voice and video traffic
- Gartner encourages enterprises to consider Enterasys when embedded network security functions are a key driver for new network investments
- Enterasys’ challenge is to re-establish momentum by increasing market presence through awareness about the solid product line with strong feature capabilities

Gartner market overview

Gartner makes some very strong statements about the need for enterprises to evaluate alternative vendors competitively to drive cost-efficiency and better manageability. These points reinforce the idea that the market is looking for a credible alternative to Cisco. Enterasys' goal is to be that credible alternative by listening to our customers, delivering on our promises, and earning the right to their business every day.

- *“More than ever, enterprises must closely examine their true requirements and evaluate competitive vendors to ensure a LAN infrastructure that will last an anticipated five to seven years.”*
- *“Major LAN purchases should not take place without a full competitive review.”*
- *“A significant percentage of the market should be looking for more cost-effective, easier-to-manage solutions to their infrastructure.”*
- *“For all organizations making major upgrades to the LAN infrastructure, automatically sole-sourcing a Cisco solution is not an appropriate approach.”*

Enterasys rejects planned obsolescence by designing our products to have a 7+ year useful technology lifecycle; and ensuring backwards compatibility of our latest hardware and software developments. Enterasys was first to invest in multi-vendor network management software to drive down total cost of ownership by automating network operations. Gartner's new “Vendor Influence Curve” model is showing how enterprises are wasting \$35 Billion per year by following the pack and sole-sourcing to a single networking vendor - Cisco. Gartner states that, **“20-35% capital savings can result from competing the business between multiple vendors.”** In recent talks, Gartner has repeatedly cited an example of a financial services industry client that received 40% off Cisco gear when sole-sourcing and 60% off Cisco when dual-sourcing.

Gartner details four key drivers behind any network upgrade:

- *“Open support for convergence-based applications”*
- *“Ability to embed security into the LAN infrastructure”*
- *“Provide support for increasingly large, scalable data centers”*
- *“Drive innovation to support a long-lived, cost-effective infrastructure”*

Enterasys solutions can address all four of these needs. Enterasys hardware can uniquely discover, classify and prioritize voice traffic while interoperating with IP telephony solutions from Avaya, Cisco, Mitel, Nortel, Panasonic, ShoreTel, Siemens and others. Enterasys' integrated hardware and software embeds security to automatically sense and respond to security threats while securing any network from any vendor. Installed by more than 85 of the FORTUNE Global 500, Enterasys solutions assure the integrity and performance of IT services and the business users that rely on them in the largest networks in the world. Enterasys holds more than 500 patents and has invested over US\$1 Billion in research and development.

Gartner also speaks about Network Access Control technology in this Magic Quadrant. *“Although network access control will become an important capability, embedded security will expand to provide more complete protection and will include technologies such as post admission control, threat containment and content security.”* Enterasys Secure Networks proactively manage whether a guest, user, or any device can connect to a network and what they are authorized to do once connected – all based on policy or role criteria such as identity, time, and location. Enterasys believes any NAC architecture should include four basic functions:

- Pre-connect and post-connect assessment and authentication
- Automated isolation, quarantine, and remediation
- Policy-based authorization and compliance audit
- Continuous threat analysis, prevention, and containment

Gartner vendor comments

Gartner makes some insightful comments about market leader Cisco:

- *“Overall, Cisco is still the primary influencer in the market – however, significant cracks are showing in its position for the first time...Cisco has shown signs of not investing resources across the entire portfolio and missing key requirements at the edge and on its core 6500 platform.”*
- *“It is not appropriate for a LAN infrastructure supplier to limit the choice of applications that it supports on the network — but we are starting to see this in Cisco’s approach...We see evidence in the market that Cisco is losing interest in accounts where it has lost the IP voice business to a competitor.”*
- *“Enterprises that expect to have a choice of voice and collaborative applications should start exploring alternatives until Cisco has clearly demonstrated a return to its heritage of adding value for all converged applications and systems.”*
- *“Cisco provided no input into support for non-Cisco environments...the downside of Cisco’s innovations is that it is largely for Cisco-only implementations.”*

Gartner also commented on a number of other vendors, clearly stating when not to consider a particular player:

- **3Com — When not to consider:** *Large enterprises that need a strong and detailed level of support and that rely on the vendor or their channels. 3Com remains in transition.*
- **Alcatel — When not to consider:** *New, large-scale strategic infrastructure buyers should have other vendors on their shortlist, especially until Alcatel can demonstrate execution on its enterprise intentions. It has not demonstrated true innovation across key areas. In most areas, it has been a follower.*
- **Extreme — When not to consider:** *Architectures that are primary access in nature. Extreme tends to be strong in the core and for centralized control, but weaker at the edge.*
- **Force10 — When not to consider:** *Mainstream and smaller enterprises looking for a total LAN infrastructure solution. Force10 does not yet have a full portfolio to meet all enterprise switching requirements.*
- **Foundry — When not to consider:** *Where embedded network security is the primary criteria. The company’s approach for embedded network security is not as innovative.*
- **HP ProCurve — When not to consider:** *Enterprises looking for high-end data center requirements or very large campus solutions, or those needing a strong global channel as part of their vendor relationship.*
- **Nortel — When not to consider:** *High-end scalable data centers. Also, enterprises needing support for open convergence standards should ensure that Nortel has upgraded its software before considering it. Overall, the issue of market awareness still haunts Nortel.*

As stated earlier, Gartner inquiry is the best way for enterprises to resolve specific questions. Enterasys encourages customers or prospects who are Gartner clients to schedule a 30-minute phone call with analyst Mark Fabbri. By doing so, he can share with you his most up-to-date perceptions on all of the vendors in the campus LAN market – and more importantly, the relevance to your specific needs and evaluation criteria. Enterasys will continue to regularly update the Gartner analyst community on our progress, in terms of technology roadmap, new customer additions, and profitable revenue growth.

Keep in mind, few enterprises will be successful finding the best vendor to address their unique needs and requirements by only considering vendors in the Leaders quadrant.

Contact Us

For more information, call Enterasys Networks toll free at **1-877-801-7082**, or +1-978-684-1000 and visit us on the Web at enterasys.com



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