The Impact of Downsizing

INPUT Workshop
30 April 1992

The Impact of Downsizing on Software and Services

- Software re-engineering
- Outsourcing desktop services
- Customer services perspective

INPUT

Notes

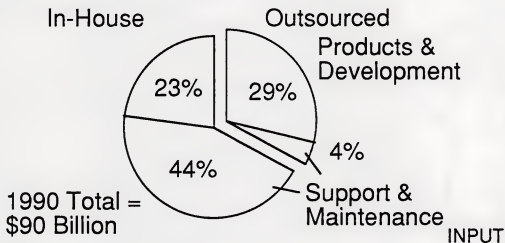**INPUT**

Software
Re-engineering

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European User Software Budgets

In-House — 23%

Outsourced
Products & Development — 29%

44%

4% — Support & Maintenance

1990 Total = $90 Billion

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Notes

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CASE Project Usage Plans
Europe

Number of Resp. (%)

Category	1 Year	3 Years
Some New Proj.	11	14
Most New Proj.	46	49
Some Maint.	16	16
Most Maint.	27	35

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The Software Life-cycle

Re-engineering

Forward Engineering

Reverse Engineering

- Concept
- Analysis
- Design
- Generation
- Installation
- Maintenance

New Applications

Old Applications
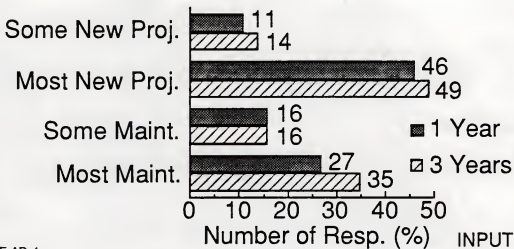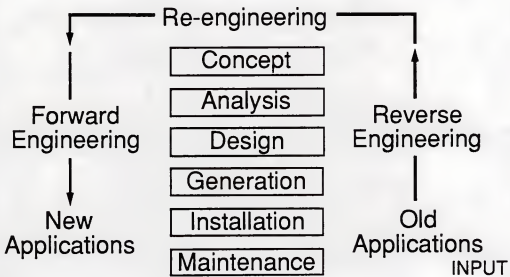
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Notes

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Software Re-engineering

- Drivers

  - Established business practices

  - Reverse engineering tools

  - Portable software platforms

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Software Re-engineering

- Inhibitors

  - Change and business re-engineering

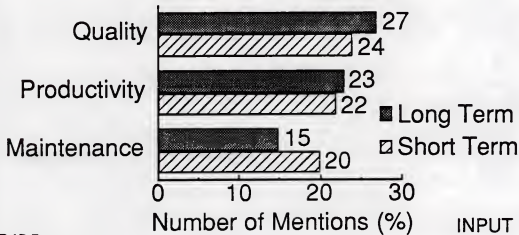 - Object-oriented design

  - Downsizing

Notes

Payback Expectations of CASE Users

	Long Term	Short Term
Quality	27	24
Productivity	23	22
Maintenance	15	20

Number of Mentions (%)

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Notes

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Payback Expectations of CASE Users

Number of Mentions (%)

Category	Long Term	Short Term
Speed	12	16
Control	15	14
Costs	8	6

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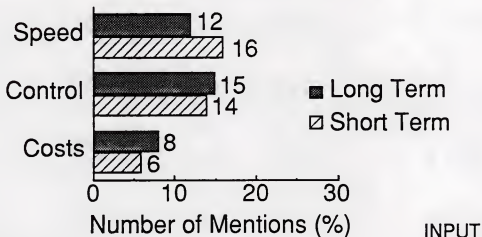
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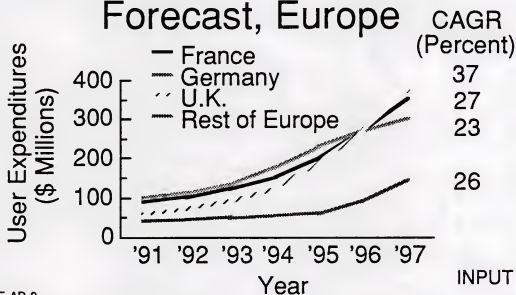
CASE Software Products Forecast, Europe

Notes

CASE-Related Initiatives

- Methodologies
- Software standards
- Software quality
- Organisational changes
- Training
- Team management

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Notes

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Application Questions

- Drop
- Hold
- Re-engineer
- New development
- New package

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Impact of Downsizing

- Systems
- Projects
- Timescales
- Budgets
- Management

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Outsourcing Desktop Services In Europe

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Desktop Services Market Europe

E-OU-3

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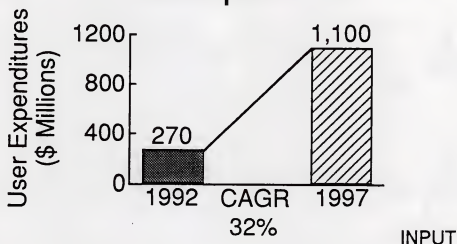
Desktop Services, Europe
Driving Forces

- Core Business Focus
- PC/LAN-based Critical Applications
- Downsizing
- Users
- Technological Changes
- Desktop Services

E-OU-4

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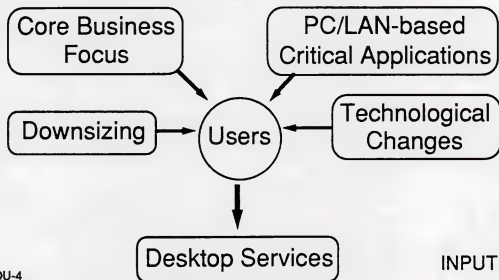
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Desktop Services, Europe

The Decision Process

Site of Organization	In-House Capability Level	Source of decision to outsource
Large organizations	High	Senior executives
Medium-sized organizations	Low	IS management

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Desktop Services, Europe

Major Country Markets, 1992

Country	1992 Revenues ($ Millions)
United Kingdom	120
Germany	40
France	30
Netherlands	25

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Notes

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Desktop Services, Europe
Attractiveness of Industry Sectors

Sector	Rating
Banking and Fin.	4.5
Insurance	4.5
Central Gov't.	4.0
Utilities	3.5

Scale: 1 Unattractive — 5 Very Attractive

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Desktop Services, Europe
Attractiveness of Industry Sectors

Sector	Rating
Local Government	3.3
Distribution	3.0
Manufacturing	2.5

Scale: 1 Unattractive — 5 Very Attractive
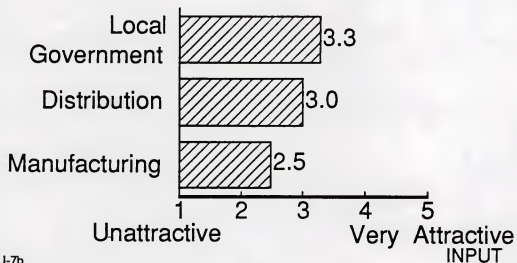
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Desktop Services, Europe
Delivery of Help Desk Services

End Users

Customer-facing teams

First-line support

Technology-facing teams

Second-line support

3rd-party vendor support teams
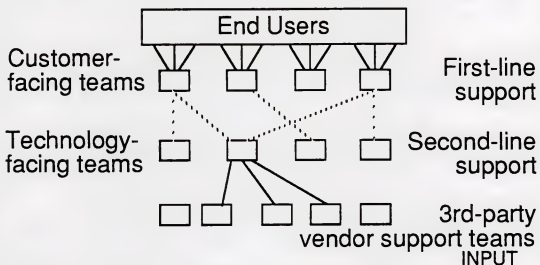
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Desktop Services, Europe

Pricing Mechanisms

- Cost of on-site support plus mark-up
- Monthly usage of remote help desk
- Volume discounts

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P&P: Service Offerings

- Contract managed support
- Dealer to Times Top 100
- Frequently take on user IS personnel
- Open relationship
- Tailored service

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Delivery Capability
P&P Corporate

Service Element	Level of Capability
Purchasing consulting	High
Equipment purchase	High
Equipment maintenance	High
LAN/equipment installation	High
LAN management	High

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Delivery Capability
P&P Corporate

Service Element	Level of Capability
Help desk services	
- Systems software	High
- Applications SW products	High
Second-line technical support	High

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Notes

P&P: Strengths and Weaknesses

Strengths	Weaknesses
• Targeting major corporations	Lack of mainframe and proprietary systems operations capability

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P&P: Strengths and Weaknesses

Strengths	Weaknesses
• Knowledge of 9,000 PC products	Lack of industry expertise
• Vendor independence	European coverage still embryonic

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Desktop Services, Europe

Service Offering: iTNet

- Led by LAN implementation
- Targeting IS management
- Mainly second-line support
- Local service only

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Desktop Services, Europe

Delivery Capability: iTNet

Service Element	Level of Capability
Purchasing consulting	Low
Equipment purchase	Low
Equipment maintenance	Medium*
LAN/equipment installation	High
LAN management	High

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* = via partner

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Desktop Services, Europe

Delivery Capability: iTNet

Service Element	Level of Capability
Help desk services - Systems software - Applications SW products	Medium-High Low
Second-line technical support	Medium

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Desktop Services, Europe

Strengths and Weaknesses: iTNet

Strengths	Weaknesses
• LAN implementation expertise	Lack of support of standard applications software packages
• Systems operations customer base	Feel constrained by geographic coverage

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Desktop Services, Europe

Strategies: Professional Services Vendors

- Only targeting desktop services as part of wider offering

- Concentrating on network implementation and management

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Desktop Services, Europe
Professional Services Vendors

Strengths	Weaknesses
• Networking capability	Lack of supply cap.
• Synergy with systems operations	Lack of depth and breadth of software product knowledge
• Access to large accts.	Lack of ambition

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Desktop Services, Europe

Dealer/Distributor Strategies

- Develop pan-European capability
- One-stop shopping
- Partnerships for proprietary capability
- Major opportunity to enter high-margin services business
- Targeting system development

E-OU-18

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Desktop Services, Europe

Personal Computer Dealers

Strengths	Weaknesses
• Full desktop services capability	Lack of mainframe and midrange capability
• Breadth and depth of product knowledge	Pan-European capabilities still embryonic
• Vendor independence	

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Desktop Services, Europe

Key Trends

- Outsourcing ITTs increasingly request desktop services

- Desktop services also emerging as standalone service

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Notes

Desktop Services, Europe
Key Trends

- Downsizing producing substantial market growth

- Could become dominant form of infrastructure management

E-OU-20b

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Desktop Services, Europe

Vendor Challenges

- Independence of supply
- Full-service capability
- Breadth of software product support capability
- Up-to-date technical skills
- Pan-European coverage

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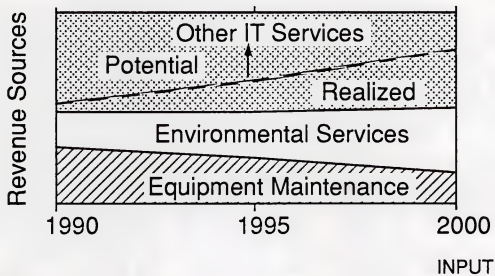
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Customer Services Perspective

E-CS-96

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Notes

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IT Customer Services

Revenue Sources

Other IT Services
Potential
Realized
Environmental Services
Equipment Maintenance

1990   1995   2000

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Notes

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Impact of Downsizing

- Maintenance squeezed
- Focus on SME/PME
- Desktop services

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Notes

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Repositioning

- SI
- Business continuity
- Networks
- Human resources
- Cross-industry assimilation

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E-CS-99

Notes

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New Offerings

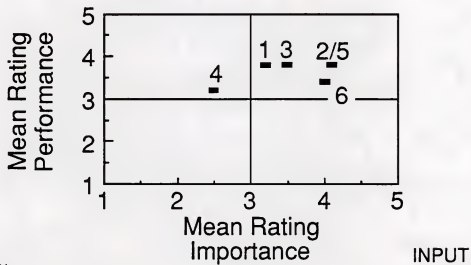| Percent of Business	Percent of Vendor Sample
≤10	50
11 - 20	25
21 - 25	8
26 - 40	17

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Notes

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Performance vs. Importance

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Notes

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Legend

1 = Planning & Design

2 = Network Services

3 = Software Services

4 = Human Resources

5 = Disaster Recovery

6 = Security Services

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Notes

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Desktop Services

- One solution
- Open window
- Range of approaches

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Traditional Desktop

- PC supply
- Network/server
- PC/printer maintenance
- Installation
- Training

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New Services

- ASP supply/support
- Help desk selection/supply
- Problems management
- Planning/administration
- Network upgrades
- Application development

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Approaches
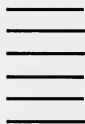
Standalone   Outsourcing

⟶ Solution ⟵

1.   3.   2.

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Notes

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Selection Criteria

- Network expertise
- Single supplier
- Up-to-date
- Independence
- Pan-European

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Notes

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Digital's Service Offering

- Part of Bespoke Services
- 4 service lines
- Mix and Match
- Sales - Force
        - DECdirect

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Notes

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Digital

Strengths	Weaknesses
• Name	- Hardware image
• Catalogue	- Confusing offerings
• Networking	- Impartial?
• I-stop	- Not highlighted
• Multivendor	

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Notes

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Hewlett-Packard's
Service Offering

- Standard contracts
- Multivendor—includes 3rd-party software
- Consultancy/customisation
- Specialist groups

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Hewlett-Packard

Strengths	Weaknesses
• Premier on support	- Differentiated
• Tailored contracts	- Technical orientation
• Strong networking	- Weak SO
• Support for Oracle, Ingres, etc.	
• Own & multivendor	

E-CS-111   INPUT

Notes

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PrimeService's Service Offering

- Network planning/design
- Single-source 'Desktop'
- Standard supply/maintenance
- Multivendor 'One-Call'

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Notes

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PrimeService

Strengths	Weaknesses
• Software skills	- Specialist
• Integration skills	- Technical
• Networking	- Commercial
• Multivendor	- Marketing clout
	- Weak SO

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Notes

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Computeraid
Service Offering

- Blank paper
- Selective large contracts
- Learn on the job

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Computeraid

Strengths	Weaknesses
• PC hardware maintenance	- ASP skills
• Help desk skills	- Maintenance culture
• Financial	- Selling to end users
• Clear strategy	

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Data Logic
Service Offering

- Branded product/service
- Mix and match
- Installed base
- Pan-European intention

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Notes

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Data Logic

Strengths	Weaknesses
• International	- Uneven
• Skills mix	- ASP skills
• Focussed service line	- Pan-European(?)
• Independent	

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Notes

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Desktop (+Maintenance) in Europe

User Expenditures ($ Millions)

- 400 (1992)
- 1,400 (1997)

CAGR 28%

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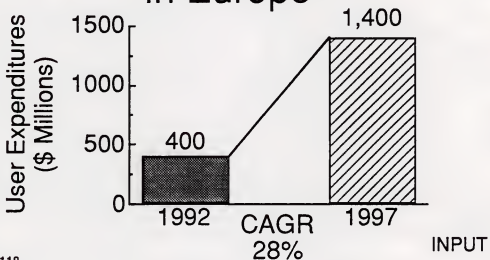
Equipment Suppliers

Strengths	Weaknesses
• Expertise	- Product oriented
• Large IBs	- Resources
• Financial	- Channel contention
• CS organisation	- Slow to change
	- Not impartial

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Notes

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IMOs

Strengths	Weaknesses
• PC expertise	- Financial
• Incentive	- Software skills
• Independent	- Maintenance cultures

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Recommendations

- Strategic repositioning
- Acquire key skills
- Position migration

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