Cap Gemini Sogeti University

IT Markets and Competitors

Seminar May 12-14, 1992
Château de Béhoust

IT Market Information Importance

Tuesday, May 12

Presentation by
Sylvie Bénech
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IT Markets and Competitors

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Château de Béhoust

Overview of IT Services Markets and Trends

Wednesday, May 13

Presentation by
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Workshops:
Attendees Perception of Their Markets

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Questionnaire

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Key Issues to Consider

Thursday, May 14

Presentation by
Sylvie Bénech
and
Roger Fulton

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European Services Market Characteristics

Wednesday, May 13

Presentation by
Roger Fulton
Consultant
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Market Characteristics

- Country markets
- Vertical markets (industry sector)
- Product sectors (delivery modes)

E-MS-4

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Regional Heritage

- North Europe
  - Processing services
- Mid-Europe
  - Professional services
- South Europe
  - Software products

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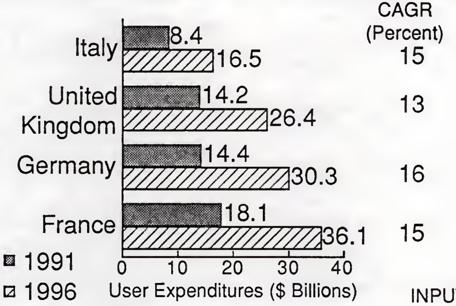
Relative Sizes of Country Markets



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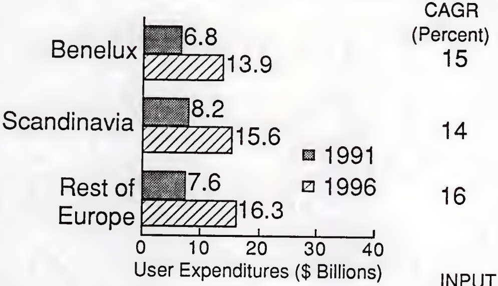
Relative Sizes of Country Markets



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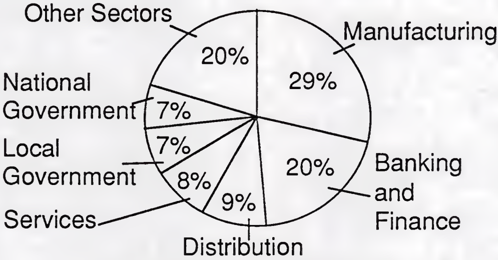
Industry Sectors—Europe, 1991



1991 Total market = $77.5 billion

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Industry Sector Variables

- Europe/global market
- Recession
- Eastern Europe
- Aging population
- Downsizing
- Outsourcing

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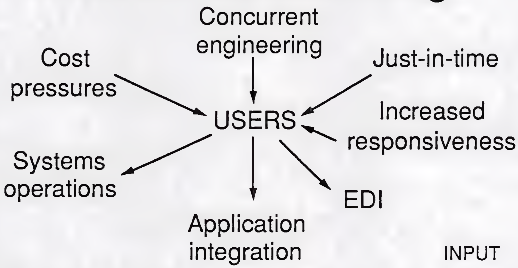
User Pressures, Europe

Discrete Manufacturing



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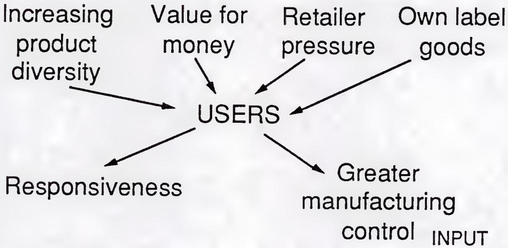
User Pressures, Europe

Process Manufacturing



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Key Distribution Industry Trends, Europe

- Electronic commerce favored
- Retailers bypass wholesalers
- Downsizing limits IS spending
- Equipment vendors lead market

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Key Banking Issues and Trends

- World banking crisis
- Retrench versus diversify
- IS spending pause
- Banking mergers
- IS vendor consolidation
- Outsourcing

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Insurance User Pressures, Europe

- Integrating acquired business
- Internal resistance to change
- Old products (insurance)
- Lack of trained staff

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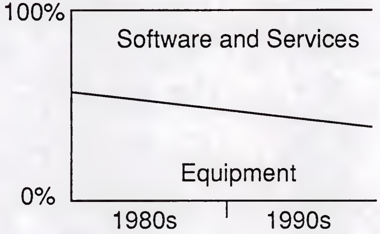
IT Spending Patterns



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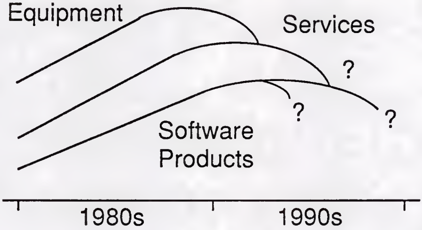
Waves of IT Spending



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Delivery Mode Trends

- Network services—Continuing explosive growth
- Systems operations—Long-term business partnerships
- Systems integration—Prime contractors seek account control

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Delivery Mode Trends

- Processing services—Specialized applications drive development
- Application solutions—Pan-European integration challenge
- Systems software products—Downsizing drives down growth

E-CT-3a

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Delivery Mode Trends

- Professional services—Competitive pressure increases
- Equipment services—Multivendor maintenance and environmental services grow

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E-CT-3b

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Competitor Trends

- Equipment manufacturers
- Management consultants
- Telecommunication companies
- Product distributors
- Software vendors

E-CT-4

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Trends

Equipment Vendors

- Systems integration
- Services products
- Environmental services
- Reducing costbase
- Alliances/acquisitions

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Trends

Management Consultants

- Full-service versus boutique
- IT skills dominant
- Management advice + implementation
- Competing on price

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Trends

Telecom Companies

- Deregulation and re-regulation
- Systems integration/alliances
- Pan-Europe network services
- Network-intensive applications

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Trends

Product Distributors

- Added-value desktop services
- Pan-European alliances
- Corporate/multinational sales
- Desktop applications support

E-CT-8

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Trends

Software Products Vendors

- Added-value software services
- Pan-European applications
- Corporate/multinational sales
- Direct aftermarket control

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Professional Services Markets

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Professional Services Markets

- Business cultures
- Consultancy and software development/maintenance
- Systems integration
- Systems operations

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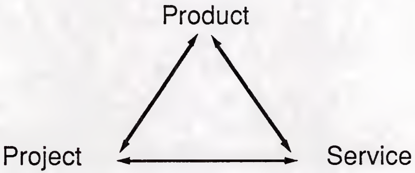
Conflicting Business Cultures



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IT Product Culture

- Amortized development costs
- Very controlled product changes
- High sales and marketing costs
- "Fast" delivery/revenue
- Embody knowledge and innovation in duplicated product

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IT Project Culture

- Custom costing per project
- Profit from change management
- Work-in-progress, phased payments, completion deadlines
- Supply knowledge and innovation in customers' system

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IT Services Culture

- "Fixed" price for level of service guarantee
- Customer perception of response time is critical
- Crisis and team management
- Profit in long-term cost reduction

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Professional Services Market Western Europe

Subsector	1991 ($ Billions)	'91-'96 CAGR (%)	1996 ($ Billions)
Consulting	3.3	17	7.1
Educ. and Training	2.6	14	5.1
Software Develop.	18.8	16	39.7

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Custom Software Projects Drivers

- Rising board-level awareness
- Growing project complexity
- New software technologies
- Client's staff shortages
- Improved quality and standards

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Custom Software Projects Inhibitors

- Recessionary budget cuts
- Growing popularity of packages
- Slow quality improvement
- High staff training costs

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SI Market—Europe

Subsector	1991	'91-'96 CAGR (%)	1996
	$ Billions		
Equipment	1.3	15	2.6
Applications SW	0.1	27	0.4
Sys. Software	0.1	21	0.2
Services	1.8	21	4.6

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Major Purchasing Influence SI, Europe 1991

Major Influence	Share of Market (Percent)
CEO or End User Director	60
IS Director or Manager	38
Consultants	2

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Vendor Selection Criteria—SI

- Strategic advice capability
- Industry knowledge
- Ability to offer applications software product approach
- Experience/suitability of consultants

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SI Success Factors

- User responsible for delivering business benefits
- IS department manages user/vendor interface
- Constant monitoring of prime contractor
- Interfaces at all levels

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SI Failure Factors

- Vendor has direct interface to end user
- High levels of commercial uncertainty
- Lack of adequate change management

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Systems Integration Market Trends

- Downsizing
  - Projects
  - Timescales
- Faster payback
- Risk management improving
- Embraced by equipment vendors

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Systems Operations Market
Europe

Subsector	1991	'91-'96 CAGR (%)	1996
	$ Billions		
Platform Oper.	0.8	19	2.0
Application Oper.	0.6	22	1.8

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Impact of Recession on SO

	Percent of Vendors
Negative	0
Neutral	57
Positive	43

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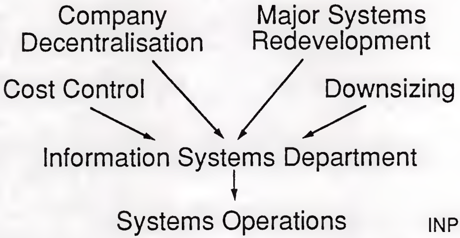
User Pressures/ Market Drivers



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Key Vendor Selection Criteria Systems Operations

- Industry knowledge
- Business consultancy skills
- Development capability
- Vendor independence

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SO User Reactions

- Likes
  - Improvements in service levels
  - Breadth of vendor expertise
- Dislikes
  - Minor operational service problems
  - Poor communication

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SO Market Trends

- Increasing market for transition management
- AS/400s become subject to systems operations
- Development of existing client base beyond renewal

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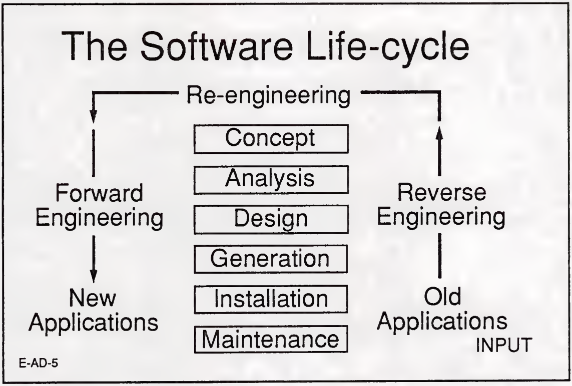

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Competitive Analysis

Thursday, May 14

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Competitive Factors

- Heritage and reputation
- Financial and management strength
- Market focus and customer base
- Products and services
- Strategic direction

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Europe

Leading Vendors
Software and Services

	1991 ($B)	1991 Ranking	1990 Ranking
IBM	5.3	1	1
Digital	1.7	2	5
Siemens-Nixdorf	1.7	3	2

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Europe

Leading Vendors Software and Services

	1991 ($B)	1991 Ranking	1990 Ranking
CAP Gemini Sogeti	1.7	4	3
Andersen Consulting	0.9	7	8
Groupe Bull	0.8	8	6

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Europe

Leading Independent Vendors Software and Services

	1991 ($B)	1991 Ranking	1990 Ranking
CAP Gemini Sogeti	1.7	1	1
Andersen Consulting	0.9	4	3
EDS	0.7	5	21

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E-MF-20a

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Europe

Leading Independent Vendors Software and Services

	1991 ($B)	1991 Ranking	1990 Ranking
Sema Group	0.7	6	5
Finsiel	0.7	8	6
Sligos	0.8	9	8

E-MF-20b

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Information Services, Europe

Market Shares by Vendor Type

Vendor Type	1980 (%)	1991 (%)
Telecom	-	1
Software Products	9	13
Professional Services	18	38
Processing Services	31	3
Network Services	-	1

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Information Services, Europe

Market Shares by Vendor Type

Vendor Type	1980 (%)	1991 (%)
Equipment Vendor	39	35
Independent Maint.	-	2
Product Distribution	-	1
Mgmt. Consultancy	3	7

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Andersen Consulting

Heritage	Professional services
	Large body of IT skill
	Strong graduate development culture
Focus	Business integration
	Full service capability

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Andersen Consulting

Strength	Major projects ability Proven methodologies Business—IT skill spread Board-level contacts
Direction	Systems management Multinationals and public sector Organic growth

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EDS

Heritage	GM subsidiary
	Systems operations
	Acquired SD-Scicon/GFI
Focus	Systems management (SO + SI)
	UK, France, Benelux
	Key industry accounts

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EDS

Strength	Networks and network management
	Huge data centres
	Management and technical skills
Direction	Large, long-term contracts
	Vertical app's management (e.g., auto and banking)

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IBM

Heritage	Largest vendor worldwide
	Seeking margin from software and services
	Overmanned, loss-making
Focus	Customer solutions via SI
	Consultancy marketing
	Vendor partnerships

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IBM

Strength

- Reputation as “safe” buy
- Management controls
- Mainframe client base
- Product distribution channels

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IBM

Direction	S/W, services and prime contract for 'enterprise' customers Minority shares in key partners Pan-Europe vertical focus

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CGS

Heritage	$2B European leader Professional IT services Autonomous consulting group
Focus	Acquisition of strong players Industry sector strategies Gemini Consultancy synergy Quality and CASE investment

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CGS

Strength | Acquisition management
Highly distributed business
Europe-wide coverage
Long experience of fixed price

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CGS

Direction | Global player
Professional business services
"Responsibility" contracts
Assessing small businesses

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Competitor Profile

Heritage	
Focus	
Strength	
Direction	

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Professional Services, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
Cap Gemini Sogeti	France	985
IBM	U.S.	950
Sema Group	France	420
Digital	U.S.	370
Andersen Consulting	U.S.	360

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Professional Services, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
Volmac	Nether.	340
Finsiel	Italy	290
Olivetti Info. Sys.	Italy	250
Unisys	U.S.	210
Bull	France	205

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Professional Services, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
AB Programator	Sweden	195
BSO	Nether.	175
Axime	France	165
ICL	U.K.	155
Price Waterhouse	U.S.	150

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Systems Integration, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
Cap Gemini	France	330
IBM	U.S.	320
Andersen Consulting	U.S.	300
Siemens-Nixdorf	Germany	110
Logica	U.K.	90

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Systems Integration, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
SD-Scicon	U.K.	90
Sema Group	France	85
ICL	U.K.	65
Unisys	U.S.	60
Bull	France	50

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Systems Operations, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
Cap Gemini Sogeti	France	160
EDS	U.S.	120
SD-Scicon	U.K.	75
Finsiel	Italy	60
GSI	France	45

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Systems Operations, Europe, 1990

Leading Vendors

Vendor	Origin	Sector ($M)
Sema Group	France	45
Data Sciences	U.K.	40
CSC	U.S.	35
AT&T Istel	U.S.	30
CISI	France	30

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SERVICES

MARKETS

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COMPETITIVE ANALYSIS

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