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# INPUT<sup>®</sup> Research Bulletin

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A Publication from INPUT's Information Services Programme Europe

## Acquisition of Dataid Confirms AT&T Istel's Commitment to Outsourcing Leadership Position in Europe

AT&T Istel has very ambitious plans in Europe. The company plans to be one of the top three software and services vendors in Europe by 1996, and has set a target of increasing its European software and services revenues from \$275 million in 1991 to \$2.2 billion by 1996.

The company is aiming to develop as one of the market leaders in outsourcing with outsourcing revenues targeted to reach \$500 million by 1996. Based on INPUT's forecasts for Europe this would give AT&T Istel a 13% share of the outsourcing market.

AT&T Istel is aiming to achieve this goal by:

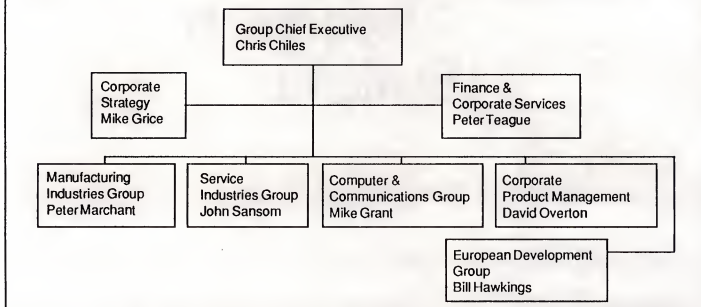
- Extensive use of acquisitions
- Developing the outsourcing market for distributed open systems
- Increasing its presence in the finance and retail sectors.

Each of these approaches is discussed in the remainder of this Research Bulletin.

AT&T Istel is seeking to develop a major presence in each of the principal countries of Western Europe and claims to have the financial backing from its parent to achieve this by acquisition. Evidence for this is seen in the company's recent acquisition of Dataid for \$95 million, valuing the company at 70% of revenues. Further acquisitions are likely on a regular basis over the next five years. As shown in Exhibit 1, the company has a team based in Brussels - the European Development Group - specifically targeted with acquiring complementary software and services organisations to build up a pan-European capability in AT&T Istel's chosen markets. Outsourcing is definitely included as one of these target markets.

Exhibit 1

## AT&amp;T Istel Organisational Structure



Dataid employs 1,500 employees and achieved revenues in 1991 of \$135 million. INPUT estimates that Dataid achieved outsourcing revenues of \$20 million in France in 1990, giving the company a 5% share of the French outsourcing market and 9th place therein. AT&T Istel will wish to improve upon this ranking.

Secondly Istel is seeking to change the profile of its services to clients with increased emphasis on the outsourcing of distributed open systems. Exhibit 2 identifies the profile of services used by AT&T Istel's current outsourcing clients. The company currently has 30 outsourcing contracts.

Exhibit 2

### Breakdown by Service Type Outsourcing Customer Base, AT&T Istel

- SO and efficiency management
- Service management
- Change management
- Information systems management

AT&T Istel estimates that approximately 60% of its current outsourcing revenues are derived from platform operations. At present, only a minor element of the company's outsourcing revenues come from change management, the bulk of the remainder coming from application operations contracts.

However the company recognises that many multinational companies are intending to downsize, and believes that this offers a major opportunity for AT&T Istel to offer change management services. However whereas much change management activity to date in Europe has involved the outsourcing vendor in managing the "old" systems while the user develops the new systems, AT&T Istel believes that such transitions present an opportunity for vendors to become involved in the redevelopment of systems to run on open systems.

AT&T Istel also has a major strength in networking and expects to become increasingly involved in network management utilising its fast developing pan-European networking capability. The company's pan-European network is seen as giving the company a significant competitive edge in addressing the outsourcing of wide area distributed systems on behalf of multinational corporations.

Thirdly the company is seeking to expand its presence in the finance and retail sectors, to build on its presence in the manufacturing and health sectors. A breakdown of the company's current client base by industry is shown in Exhibit 3.

Exhibit 3

**Breakdown by Industry  
Outsourcing Customer Base,  
AT&T Istel**

Sector	Proportion of Contracts (Percent)
Manufacturing	40
Health	40
Financial Services	10
Retail	10

AT&T Istel estimates that 70% of its outsourcing revenues come from the manufacturing and health sectors. However, the bulk of the company's outsourcing revenues from the manufacturing sector appear to come from companies which are, or have been, part of BAe/Rover Group. The company's penetration of the wider manufacturing sector has been comparatively limited to date. However outsourcing revenues from the Rover Group alone are sufficient to make AT&T Istel one of the leading outsourcing suppliers to the manufacturing sector in the UK.

The company estimates that it holds a 25% market share of the UK manufacturing sector outsourcing market.

AT&T Istel is no doubt hoping to develop its outsourcing presence within BAe - the new parent of the Rover Group - to similar effect. One outsourcing contract with the company has recently been signed.

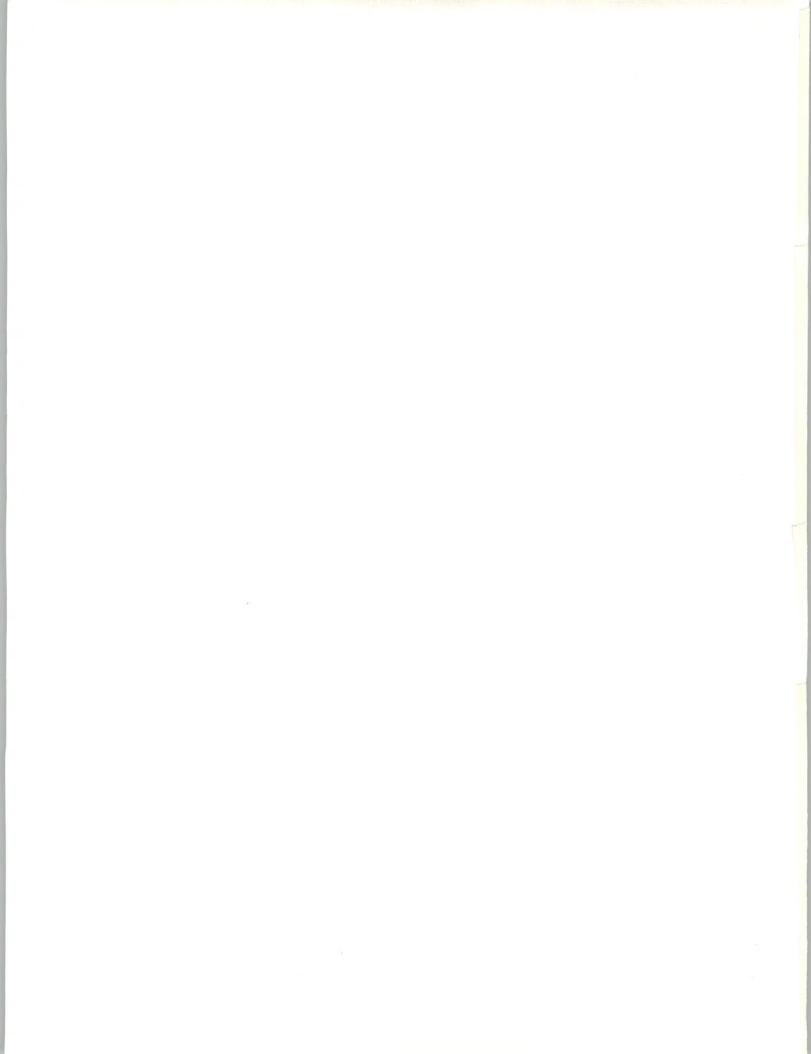
AT&T Istel estimates that it holds 55% of the available outsourcing market in the UK health sector. The company has major contracts with Trent RHA, Northern RHA, and West Midlands RHA as well as with a wide range of District Health Authorities.

In terms of future direction, AT&T Istel is likely to endeavour to increase its outsourcing market penetration in its other target sectors particularly the financial and retail sectors.

In these areas, AT&T Istel's developing collaboration with NCR could be a significant factor in building up the required industry knowledge and application capability.

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This Research Bulletin is an excerpt from a full research report issued as part of INPUT's Information Services Programme - Europe. If you have any questions or comments on this bulletin or wish to purchase the report, please contact Peter Lines at INPUT, Piccadilly House, 33/37 Regent Street, London SW1Y 4NF, U.K.  
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