INPUT

RESEARCH REPORT

Assessment of Intranet Managed Services, Europe

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Abstract

IT architectures have changed dramatically in recent years and the data center environment is no longer the focus of either corporate IT or of operational services. The principal challenge for operational services vendors is now the management of distributed systems environments based around the UNIX and NT operating systems.

However, while distributed systems management remains the principal challenge, the technology continues to move ahead at a rapid pace. The result is that users now expect operational services vendors to assist them in introducing, supporting and operating new Internet and Intranet based IT infrastructures.

Consequently, it is important that outsourcing vendors develop operational capabilities in these areas.

This report aims to assist vendors by:

- Identifying organizations' current and planned use of Intranets
- Identifying the level of usage of Intranet managed services and the likely future demand for Intranet operations and support services
- Identifying service levels and levels of expenditure on Intranet support and operations services
- Analyzing current levels of satisfaction with both in-house and external provision of Intranet services and the benefits sought from outsourcing Intranet support and operations services
- Identifying the perceived suitability of individual vendors to offer Intranet managed services.

The report considers the market opportunities in supplying individual Intranet operations and support services as well as the likelihood of organizations adopting full outsourcing of their Intranet operations and support.

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I

Introduction

A
Scope and Objectives

Initially outsourcing was primarily concerned with the management of datacenter environments. However, IT architectures have changed dramatically in recent years and the datacenter environment is no longer the focus of either corporate IT or of operational services. Datacenter operations services, while remaining a major component of the operational services market, are now secondary in nature and the principal challenge for operational services vendors is the management of distributed systems environments based around the UNIX and NT operating systems.

While distributed systems management remains the principal challenge, the technology continues to move ahead at a rapid pace. The result is that users now expect operational services vendors to assist them in introducing, supporting and operating new Internet and Intranet based IT infrastructures.

Consequently, it is important that outsourcing vendors develop operational capabilities in these areas.

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- Identifying organizations' current and planned use of Intranets
- Identifying the level of usage of Intranet managed services and the likely future demand for Intranet operations and support services
- Identifying service levels and levels of expenditure on Intranet support and operations services

- Analyzing current levels of satisfaction with both in-house and external provision of Intranet services and the benefits sought from outsourcing Intranet support and operations services

- Identifying the perceived suitability of individual vendors to offer Intranet managed services.

The report considers the market opportunities in supplying individual Intranet operations and support services as well as the likelihood of organizations adopting full outsourcing of their Intranet operations and support.

Outsourcing is defined by INPUT as follows.

Outsourcing is a long-term relationship (greater than one year) between a client and vendor in which the client delegates all, or a major portion, of an operation or function to the vendor. The operation or function may be solely Information Systems Outsourcing-based, or merely include Information Systems Outsourcing as a prominent component of the operation (at least 30% of the budget).

The critical components defining an outsourcing service are:

- Delegating an identifiable area of the operation to a vendor

- Single vendor responsibility for performing that delegated function

- Intended, long-term relationship between the client and vendor

- Contract term is at least one year

- Client's intent is not to perform this function with internal resources

- The contract may include non-Information Systems Outsourcing activities, but Information Systems Outsourcing must be an integral part of the contract

- Outsourcing is a collection of services integrated under a single, long-term contract with one vendor responsible for its operation and management.

Business Operations Outsourcing (also known as Business Outsourcing or Functional Outsourcing) is a relationship in which one vendor is responsible for performing an entire business/operations function including the Information Systems Outsourcing that support it. The Information Systems Outsourcing content of such a contract must be at least 30% of the total annual expenditure in order for INPUT to include it in the Business Operations Outsourcing market.

Information Systems (IS) Outsourcing can be viewed as a component of the Business Operations Outsourcing market (i.e., Information Systems Outsourcing is a business/operations function, see Exhibit I-1). However, in order to delineate between outsourcing contracts that are solely IS versus those that include IS as well as other functions, IS Outsourcing will be segregated from Business Operations Outsourcing. Information systems Outsourcing is divided into four service components as shown in Exhibit I-2.

- *Systems Operations* outsourcing describes a relationship in which a vendor is responsible for managing and operating a client's "computer system"/data center (*Platform Systems Operations*) or developing and/or maintaining a client's application as well as performing Platform Operations for those applications (Applications Systems Operations).

- *Desktop Services* is a relationship in which a vendor assumes responsibility for the deployment, maintenance and connectivity of personal computers, workstations, client/server and LAN systems in the client organization. To be considered as Desktop Services outsourcing, a contract must include a significant number of the individual services listed below.

    - Software Product Supply
    - Equipment Supply
    - Equipment/Software Installation
    - Equipment Maintenance
    - LAN Installation and Expansion
    - LAN Management
    - Network Interface Management
    - Client/Server Support
    - Logistics Management

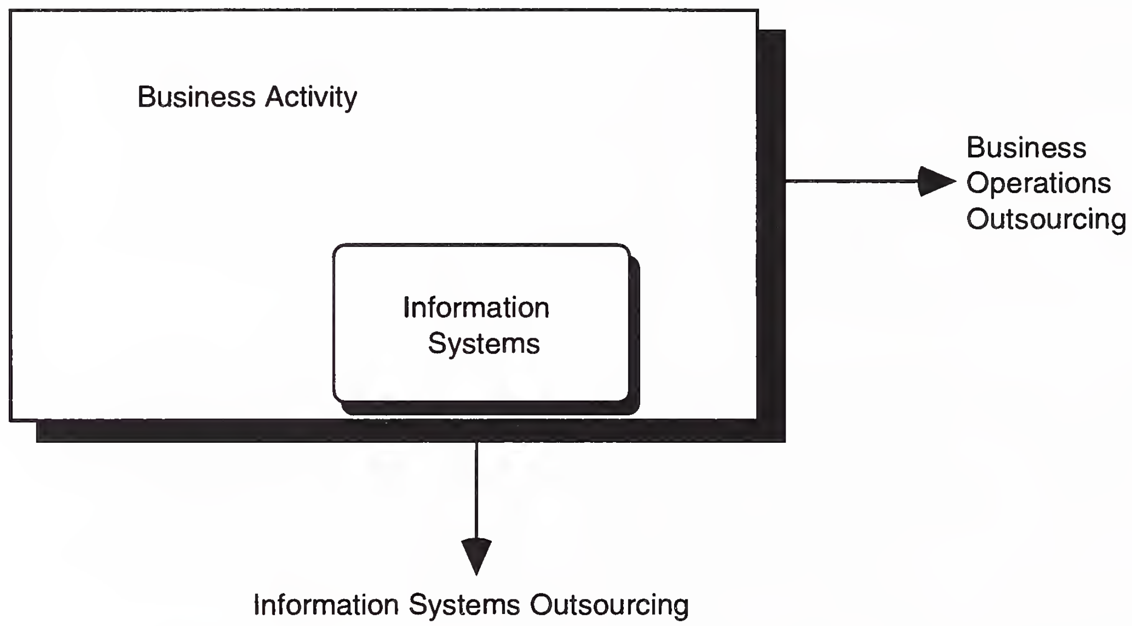
- User Support
- Help Desk Functions
- User Training and Education

- *Network Management* outsourcing is a relationship in which a vendor assumes full responsibility for operating and managing the client's data telecommunications systems. This may also include the voice, image and video telecommunications components.

- *Application Management* is a relationship in which the vendor has full responsibility for developing and maintaining all of the application or function.

Exhibit I-1

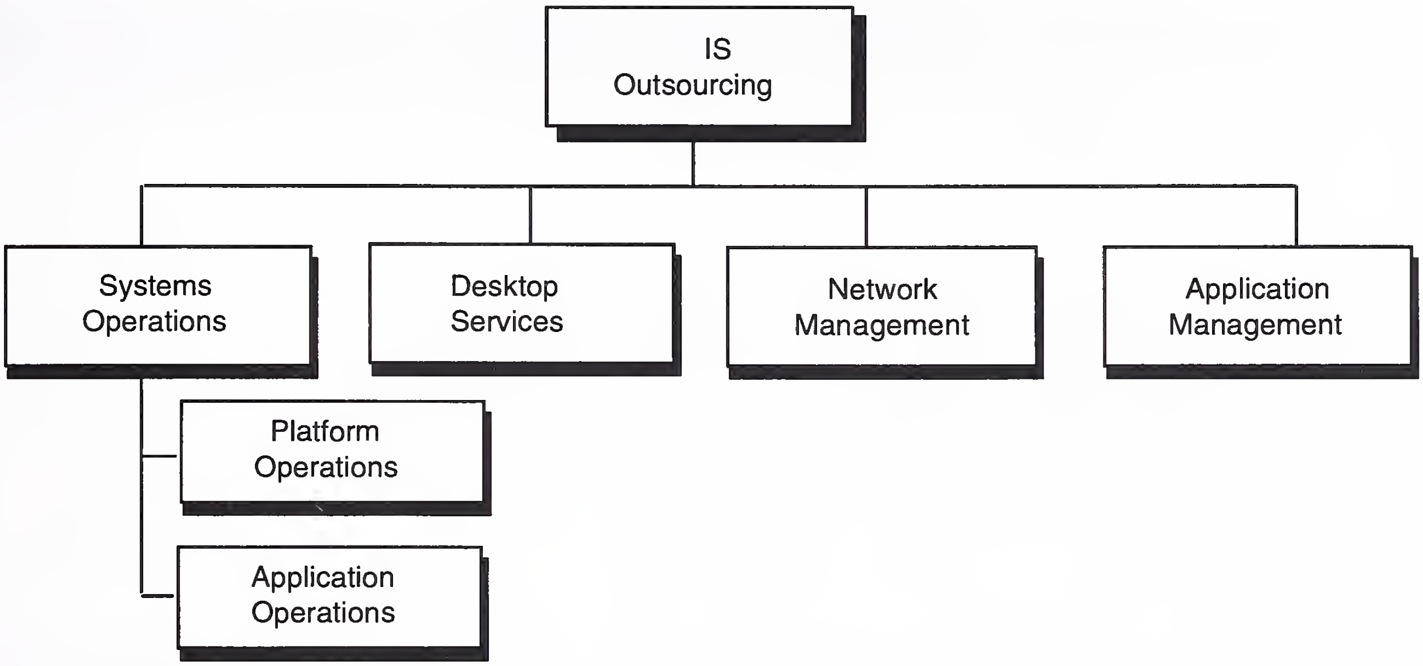
Business Operations Outsourcing



Source: INPUT

Exhibit I-2

Information Systems (IS) Outsourcing Service Categories



Source: INPUT

The above definitions focus on the services covered in the outsourcing contract. For example, an Application Operations contract can include all facets of Information Systems Outsourcing (platform operations, desktop services, network and application management). The key to INPUT's market definition is the service contract. If a customer only wants to outsource the network, it is Network Management outsourcing. If an airline, for example, wishes to outsource their reservation operation which includes not only the network, but also its infrastructure, applications and the people running the operation, this is a Business Operations Outsourcing contract. Exhibit I-3 shows the service components that may be included in each outsourcing service category.

Exhibit I-3

Outsourcing Service Components

Component	Platform Ops.	Appl. Ops.	Desktop Services	Network Mgt.	Appl. Mgt.	Business Ops.
Project/Contract Management	X	X	X	X	X	X
Data Center Management	X	X				X
Client\Server Operations	X	X	X			X
Equipment Maintenance	X	X	X			X
System Software Maintenance	X	X	X	X		X
Application Software Maintenance		X	X		X	X
Application Development		X			X	X
LAN Management		X	X	X		X
WAN/MAN Management		X		X		X
Transaction Processing Services		X				X
Other Professional Services		X	X		X	X
Business Process Operations						X

Source: INPUT

The largest, most visible contracts awarded in recent years have been typically Application Operation outsourcing contracts since they, at least, included management of the infrastructure (data centers and various computing platforms) and the support of some the legacy applications. In the past, most Application and Platform Operation outsourcing contracts included network management but recent contracts have also included desktop services.

What is not included in INPUT's world of outsourcing are the following:

- Project based services are not considered as part of outsourcing. Thus, Systems Integration and application development projects are not included

- Services that were never intended to be performed internally. Maintenance-only services do not constitute an outsourcing function by itself. However, responsibility for hardware and software maintenance is inherent in most outsourcing contracts

- Processing services contracts of less than one year

- Voice-only network management

- Business operations with minimal information systems content. The outsourcing of the marketing communication function to an outside agency is not covered by INPUT's analysis. A function or business operation must at least have 30% of its budget attributed to information technology to be included.

B Methodology

The report is based on telephone interviews with 202 IT managers in Europe. The breakdown of the interviews by country is shown in Exhibit I-4

Exhibit I-4

Sample by Country

Country	Number of Interviews
France	50
Germany	51
U.K.	101

Source: *INPUT*

The breakdown of the interviews by industry sector is shown in Exhibit I-5.

Exhibit I-5

Sample by Industry Sector

Industry Sector	Number of Interviews
Financial Services	78
Manufacturing	72
Retail	50

Source: *INPUT*

C
Report Structure

Chapter II consists of the Executive Summary, which is a summary of the key conclusions and recommendations of the research.

Chapter III contains an analysis of current and planned Intranet operations and support service usage, including:

- Current and planned Intranet use
- Current and planned use of Intranet operations and support services
- Intranet operations and support expenditure
- Future service requirements.

Chapter IV evaluates current levels of satisfaction with Intranet support and operations services, including:

- Satisfaction with in-house support and operations
- Satisfaction with third-party support and operations
- The nature of current service level agreements

Chapter V analyzes the current levels of awareness of potential Intranet operations and support service providers.

Appendix A provides an analysis of perceived capability by services vendor.

D
Related Reports

Network Outsourcing, - Europe, 1995

Competitive Analysis of the European Outsourcing Market, 1995

Outsourcing Pricing Mechanisms - Europe, 1995

Information Systems Outsourcing Market - Europe, 1996-2001

Outsourcing Enterprise Infrastructure Management - Europe, 1996

Information Systems Outsourcing Market – Europe, 1997-2002

Outsourcing Vendor Performance Analysis, - Europe, 1997

Call Center Operations, Requirements and Opportunities, Europe, 1997

II

Executive Summary

A
Vendors Need to Provide Higher Levels of Intranet Support and Availability

The initial development of Intranets has many parallels with the early use of personal computers within organizations. For example, the initial use of Intranets, like that of personal computers, represented a significant break from the IT tradition of the time. The first Intranets were often the result of ad hoc development within user organizations. Early Intranets were informal and unplanned, often built 'after hours' using freely available software, and did not rely on established user/vendor relationships.

Until 1995, many if not most, IT vendors were unaware of this new development taking place on some of their customers' sites. During that year, however, news of the Intranet phenomenon was spread quickly by an IT and business press eager to pick up on the latest hot story. By late-1996, any product vendor who had not made an Intranet-related announcement was beginning to look behind the times.

Now it is the turn of IT services vendors to catch up in the Intranet market.

The problem facing services vendors is that the legacy of 'guerrilla' Intranet development and support remains—Intranets are widely perceived as low-cost, low-effort developments, with minimal support needs which implies low need for external services. Use of services is in fact moderate, and shows few signs of increasing per Intranet in the short term.

Indeed Intranet operations and support services have much in common with desktop services for distributed systems operations and support. Vendors should learn from their experience in the desktop services market and recognize that organizations are unlikely to purchase Intranet managed services on the grounds of reduced support costs. Instead they will increasingly purchase Intranet operations and support services as Intranets come to play an important role in supporting mission critical applications and certainty of service levels becomes important.

To position themselves to take advantage of these opportunities, vendors should:

- Stress their ability to supply higher levels of user support and training than in-house support organizations
- Emphasize their ability to guarantee Intranet security
- Offer very high levels of network availability and service coverage
- Develop services based on remotely hosted applications

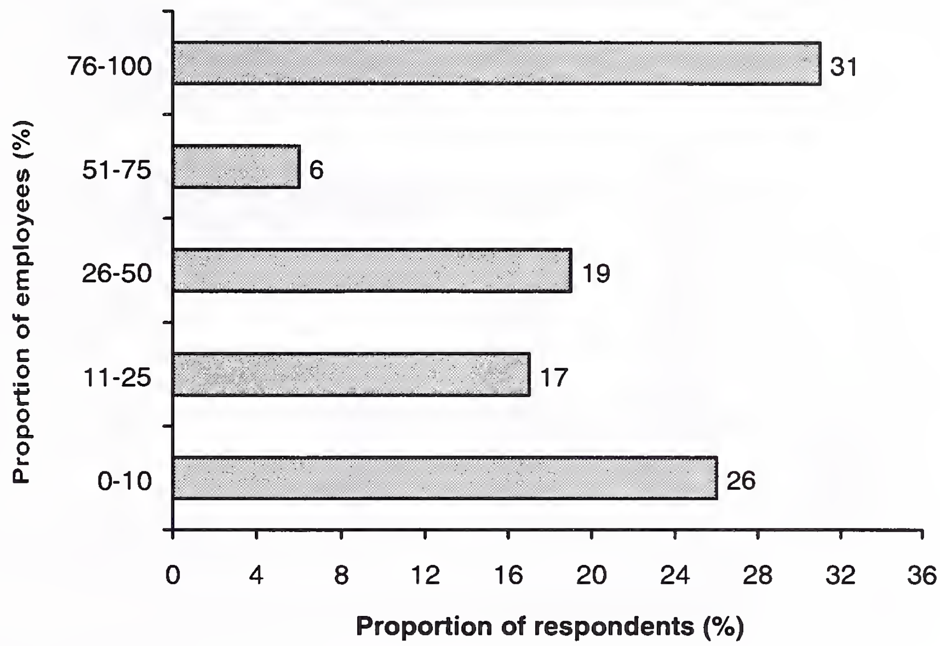
B

Vendors Provide High Level of User Support and Training

Exhibit II-1 shows the profile of Intranet access within organizations in Europe.

Exhibit II-1

Proportion of Employees with Intranet Access



Number of Respondents = 190

Source: *INPUT*

At present, access to Intranets is strongly polarized. At one extreme, a large number of organizations (nearly a third of all medium to large organizations) have already made their Intranets widely accessible. These organizations have made their Intranets accessible to more than three-quarters of their employees. At the other extreme, over 40% of organizations have yet to make their Intranets widely available.

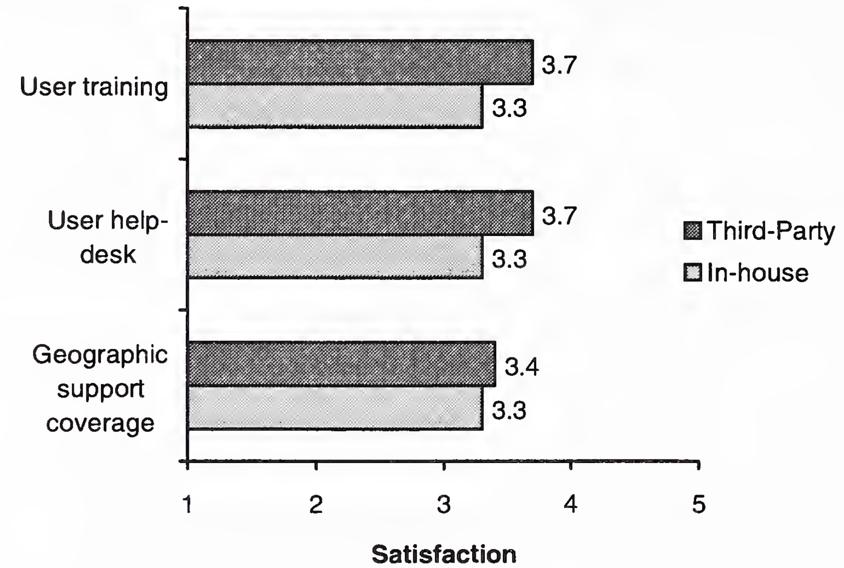
However, organizations are initially using their Intranets for administrative and human resources applications that depend on all employees having Intranet access. Although many Intranets currently show low levels of accessibility, this situation is likely to change rapidly as these Intranets mature and access becomes widespread throughout the organization.

Accordingly it is important that organizations have access to widespread Intranet training and support.

Exhibit II-2 compares current levels of satisfaction with Intranet-related user training and support supplied by in-house support organizations and by external vendors.

Exhibit II-2

Satisfaction with Intranet-Related User Training and Support



Number of Respondents = 189
Standard Error = 0.1

Source: *INPUT*

External vendors are perceived to have an advantage over in-house service providers in both these areas.

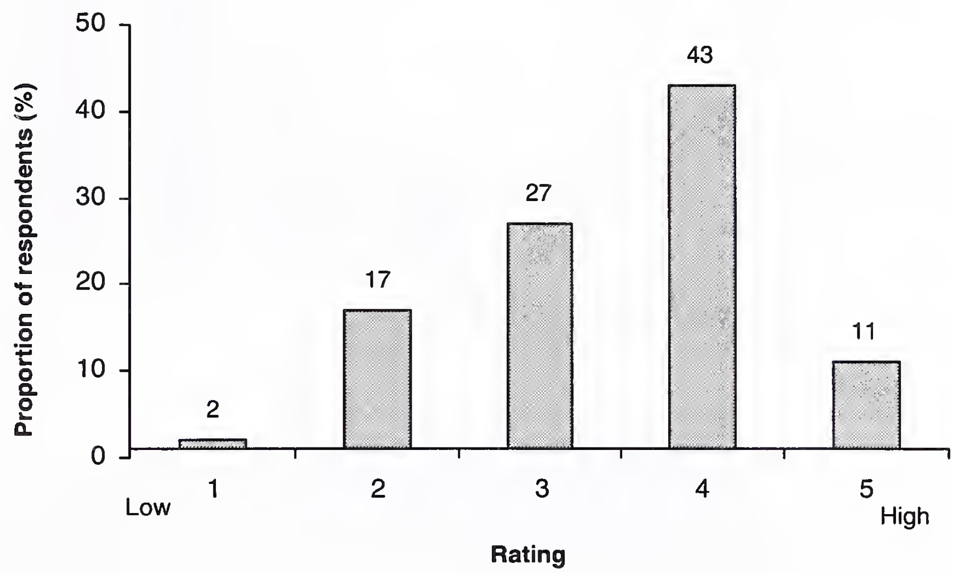
In particular, as with desktop services, it can be difficult for in-house service organizations to provide widespread geographic support coverage. Much of the early use of desktop services was in sectors such as the retail sector and financial services where organizations have considerable geographic spread. However, vendors also need to strengthen their geographic coverage to take advantage of this opportunity.

C
Security Will Continue To Be An Important Issue

Exhibit II-3 profiles the perceived suitability of in-house Intranet support and operations to meet future business needs.

Exhibit II-3

Suitability of In-house Intranet Support and Operations to Meet Future Business Needs



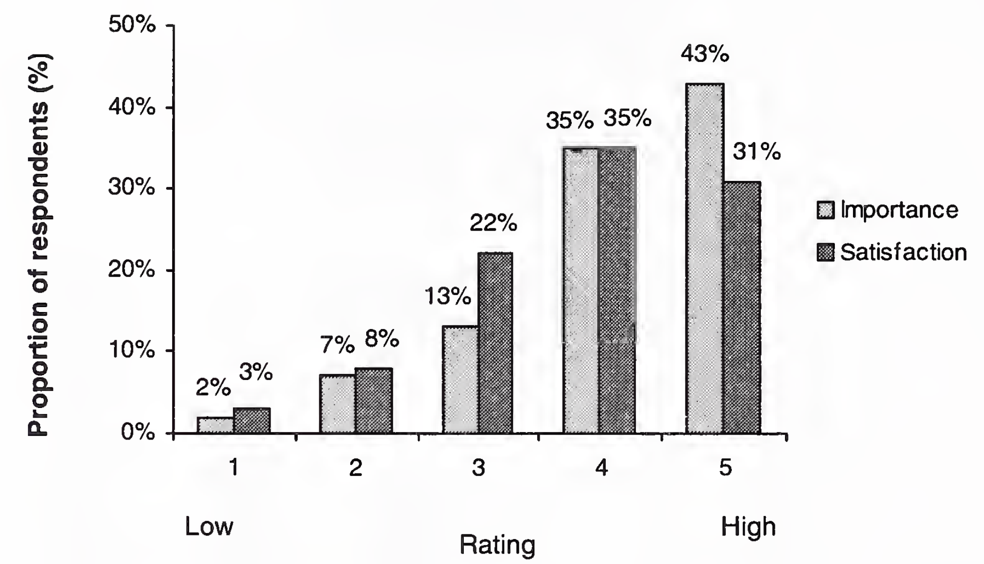
Source: *INPUT*

Many organizations perceive that their current in-house support will be inadequate to meet future needs, creating possibilities for vendors to close the gap.

One feature of the Intranet environment that will remain important is the need for security. Exhibit II-4 compares the importance of security management with the current level of satisfaction with in-house security management.

Exhibit II-4

Satisfaction with In-house Intranet Security Management



Source: *INPUT*

At present the level of satisfaction with externally provided security management is similar to that for internally provided security management. However, there is already a need for improved levels of security management and vendors should strive to address this need.

The need for security management will increase in the future as the profile of Intranet usage changes from administrative and low-level human resources information sharing to sales and marketing applications, such as sales order processing.

Security management is very important in both the retail and financial services sectors, though it is perceived to be less critical within manufacturing companies. The retail sector is also expected to be in advance of the manufacturing sector in the use of Intranets for critical applications such as sales order processing, distribution and logistics.

D

High Levels of Availability Are Required

The substantial increase in number of users and the changing nature of applications will place increasing pressure on Intranet operations and support.

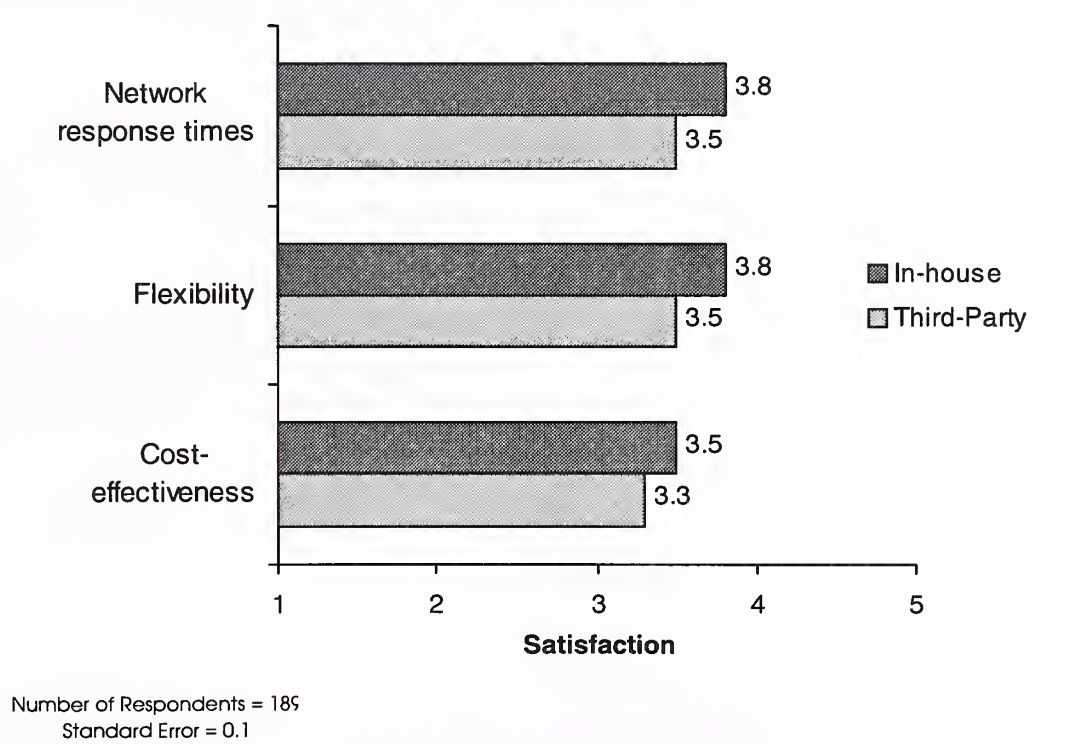
In addition to greater emphasis on security, they will lead to pressure on:

- Network response times
- Intranet availability
- Support coverage.

Exhibit II-5 shows the perceived areas of in-house Intranet support strengths compared to external service vendors.

Exhibit II-5

In-house Service Strengths



Source: *INPUT*

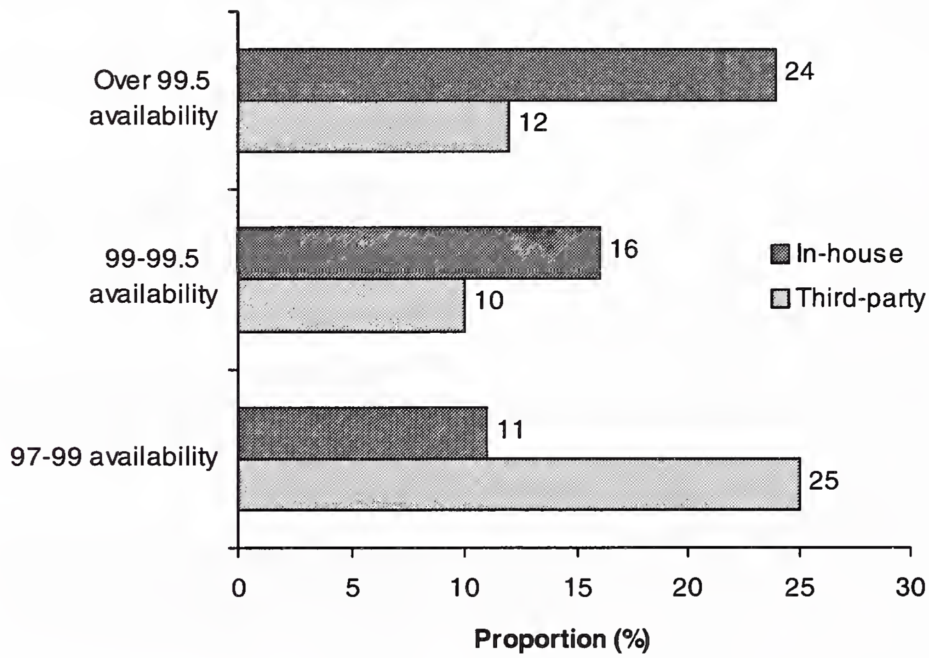
In-house service functions are currently seen to be more cost-effective and flexible than the service functions of external vendors. In addition, they are seen to offer superior network response times.

This is an area that vendors must address if they are to compete for Intranet support and operations contracts. Vendors must also make sure that they guarantee high levels of Intranet availability and service coverage. These features are arguably more critical for Intranets than for traditional distributed systems management since Intranets will be accessed out of hours for applications such as customer information and sales order processing and for self-service human resources purposes.

Exhibit II-6 compares the profile of Intranet availability guarantees supplied by in-house operations departments and by external vendors.

Exhibit II-6

Intranet Availability



Number of Respondents = 189

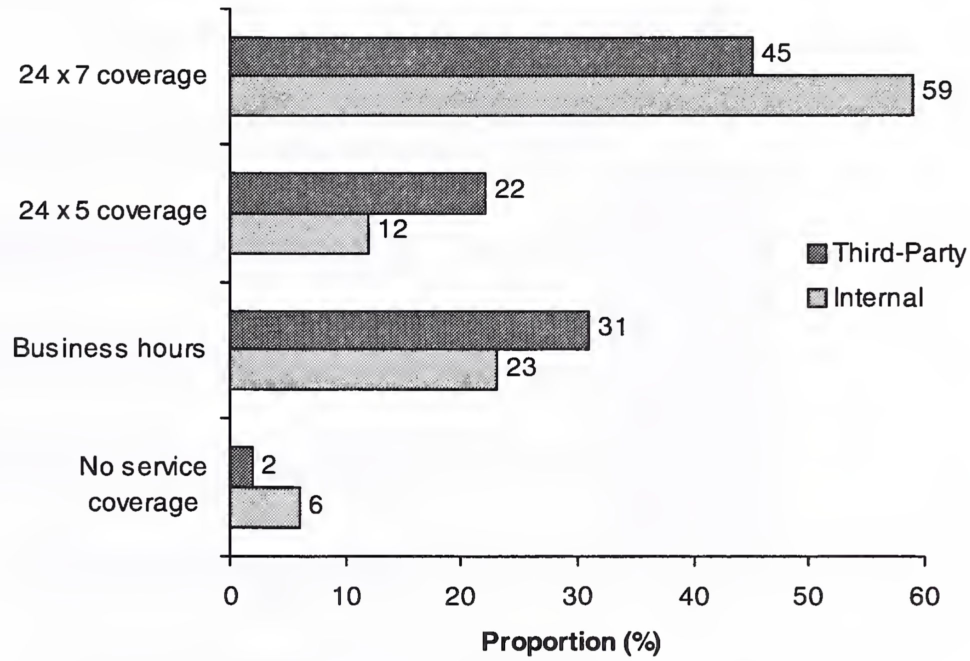
Source: *INPUT*

In-house service providers currently appear to offer higher Intranet availability guarantees than external vendors. This is an area of considerable importance for vendors wishing to target Intranet operations services and vendors will need to upgrade their present offerings considerably to make them more appropriate to the special requirements of the Intranet environment.

Exhibit II-7 compares the profiles of Intranet service coverage from in-house service providers with those from external service providers.

Exhibit II-7

Service Coverage



Number of Respondents = 189

Source: *INPUT*

Again, the highest guarantees of service coverage currently come from in-house service providers rather than external vendors and vendors will need to adjust their offerings accordingly.

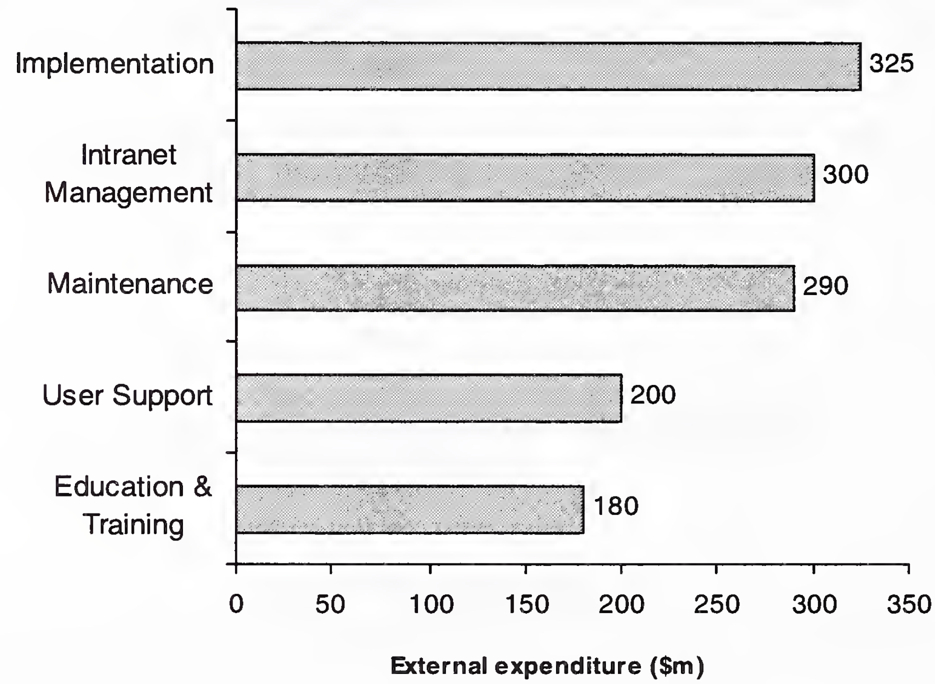
E

Vendors Should Develop Services Based On Remotely Hosted Applications

Exhibit II-8 provides a breakdown of external expenditure by service type for 1997.

Exhibit II-8

External Expenditure by Service Type: Europe, 1997



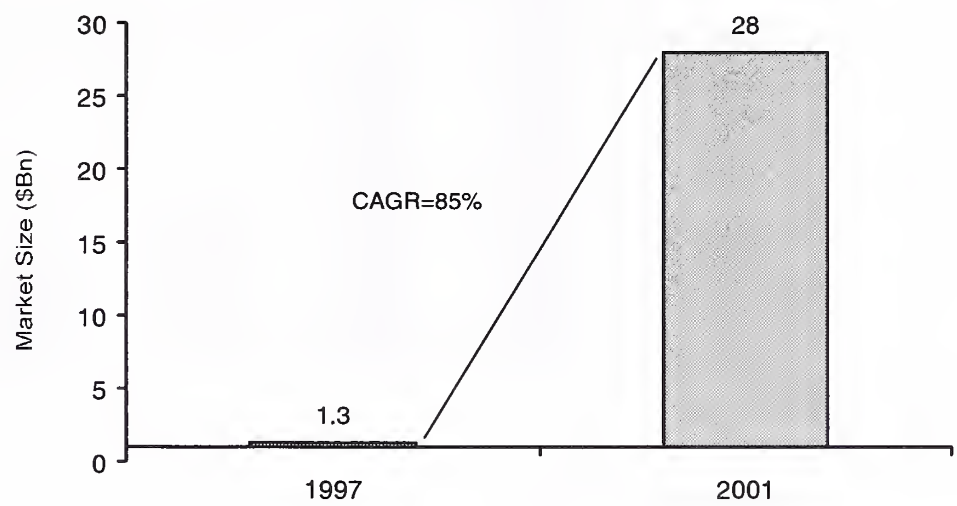
Source: *INPUT*

These figures exclude expenditure on products including software products.

Exhibit II-9 forecasts the growth in the Intranet support and operations market over the period 1997 to 2001. This forecast includes Intranet design and implementation services in addition to ongoing operations and support services.

Exhibit II-9

Market Forecast: Intranet Support and Operations



Source: *INPUT*

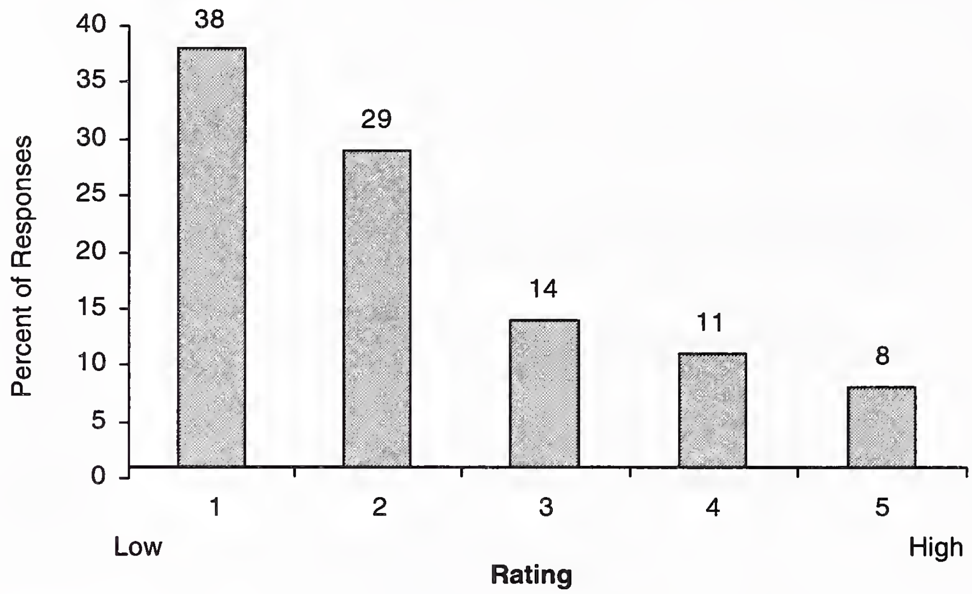
Most of the short-term market growth is forecast to come from increased usage of Intranets rather than from a greatly increased propensity to subcontract operations and support services to external vendors. On average, organizations expect 17% of their Intranet services activity to be handled externally in two years time compared to 13% at the end of 1997.

Similarly organizations do not expect widespread outsourcing of their entire Intranet operations and support. Only 10% of organizations expect to adopt this approach by end 1999.

However, a slightly higher proportion of organizations, approximately 20% as shown in Exhibit II-10, expect to purchase secure access to remotely hosted applications via the Internet or their Intranet.

Exhibit II-10

Likelihood of Purchasing Access to Remotely Hosted Applications



Sample size =202

Source: *INPUT*

The ERP vendors, in particular SAP, are examples of organizations that are seeking partners to assist them in offering these types of services, for example ERP utility services. These services are seen as being particularly attractive to small and medium sized organizations.

The types of applications that respondents mentioned that they would like to access in this manner are well suited to ERP solutions, covering:

- All applications
- Financial applications
- Purchasing/purchase order processing
- Sales/sales order processing
- Electronic commerce.

Exhibit II-11 lists the extent to which IT managers whose organizations had already implemented an Intranet are aware of a number of vendors as potential Intranet support and operations vendors. The exhibit contrasts the level of awareness with the perceived capability of each vendor in this area.

Exhibit II-11

Vendor Awareness and Capability

	High Awareness	Medium Awareness	Low Awareness
High Capability	IBM, HP, Sun,		France Télécom
Medium Capability	Digital, Bull,	AT&T Solutions, Cap Gemini, Sema Group, BT	Siemens Business Services, Compaq, debis, SAP
Low Capability	Unisys	Andersen Consulting, EDS, ICL, CSC, NCR	

Source: INPUT

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III

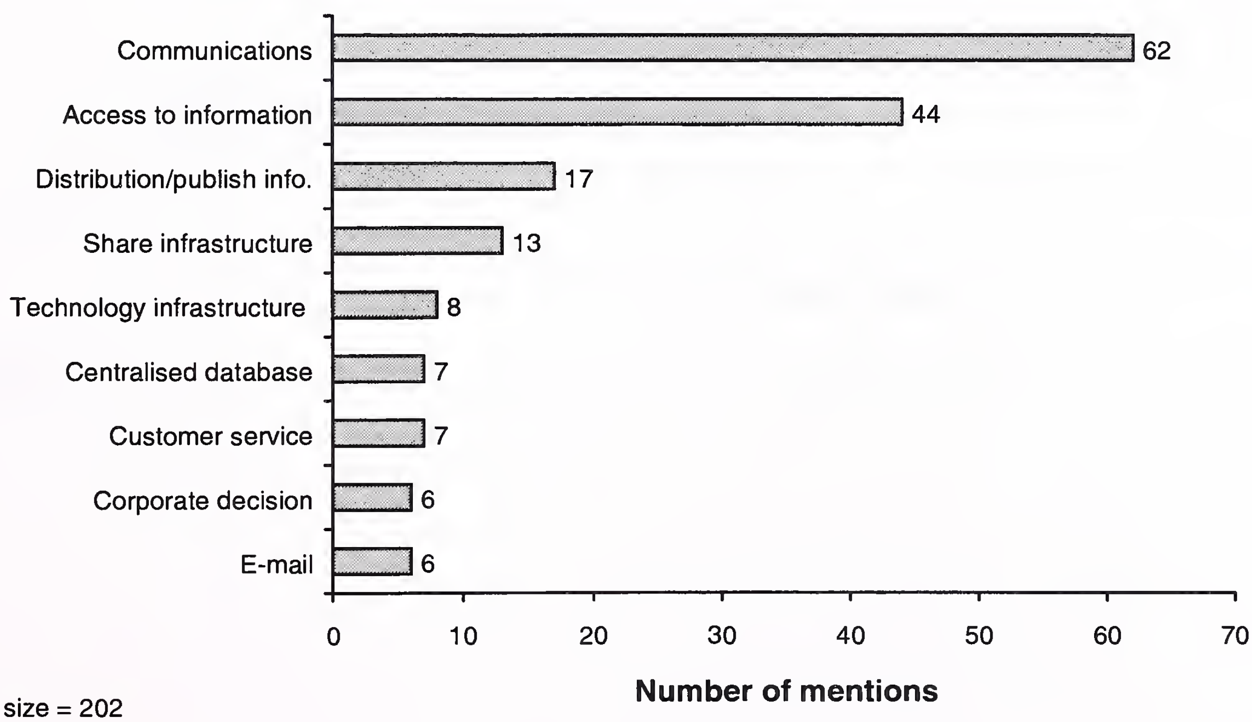
Use of Intranet Support Services

A
Current and Planned Intranet Usage

Exhibit III-1 lists the major reasons why organizations in Europe have implemented Intranets.

Exhibit III-1

Major Reasons for Implementing an Intranet



Sample size = 202

Source: *INPUT*

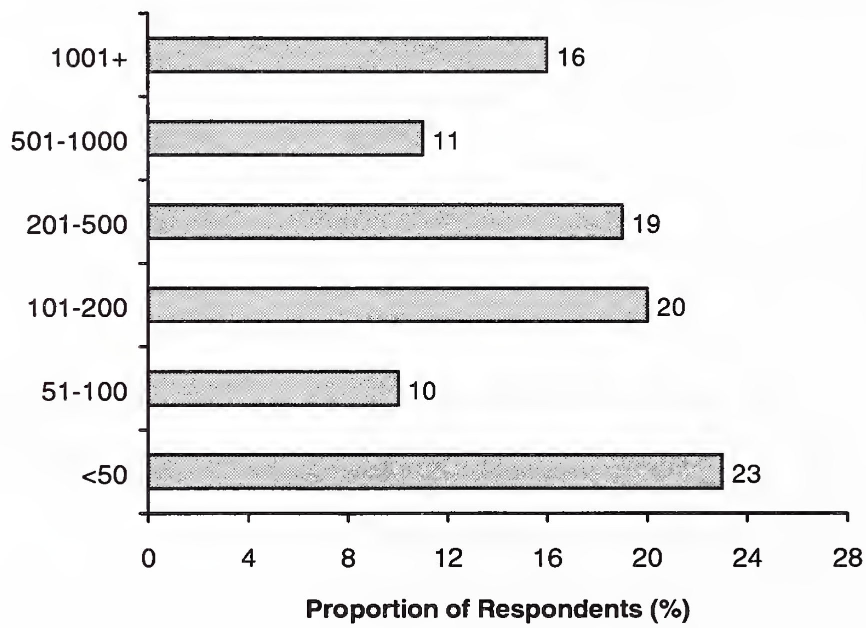
The main themes to emerge are improved communication within the organization and improved access to information. Historically most of the emphasis has been on improved access to internal information such as human resources and administrative information. Indeed a current focus of Intranet activity is the use of Intranet technology to deliver self-service capability for human resources information.

At present, usage of Intranets for more externally focused activity such as the development of electronic commerce capability is limited.

Exhibit III-2 shows the profile of number of users with access to Intranets and Exhibit III-3 shows this as a proportion of the total number of personnel.

Exhibit III-2

Number of Users Accessing Intranet

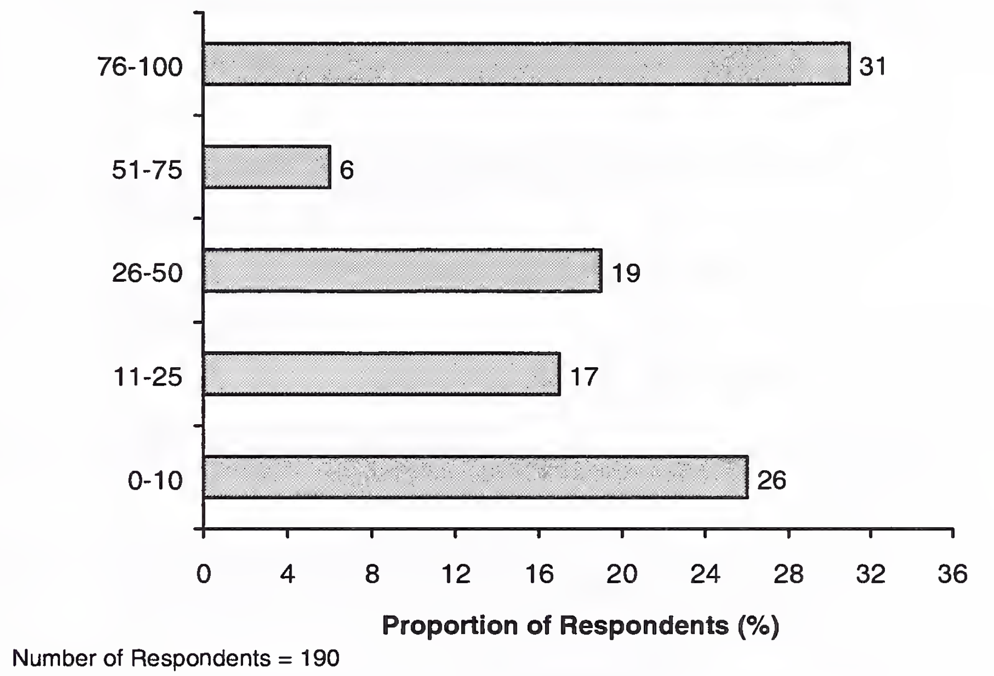


Number of Respondents = 194

Source: *INPUT*

Exhibit III-3

Proportion of Users with Access to Intranet



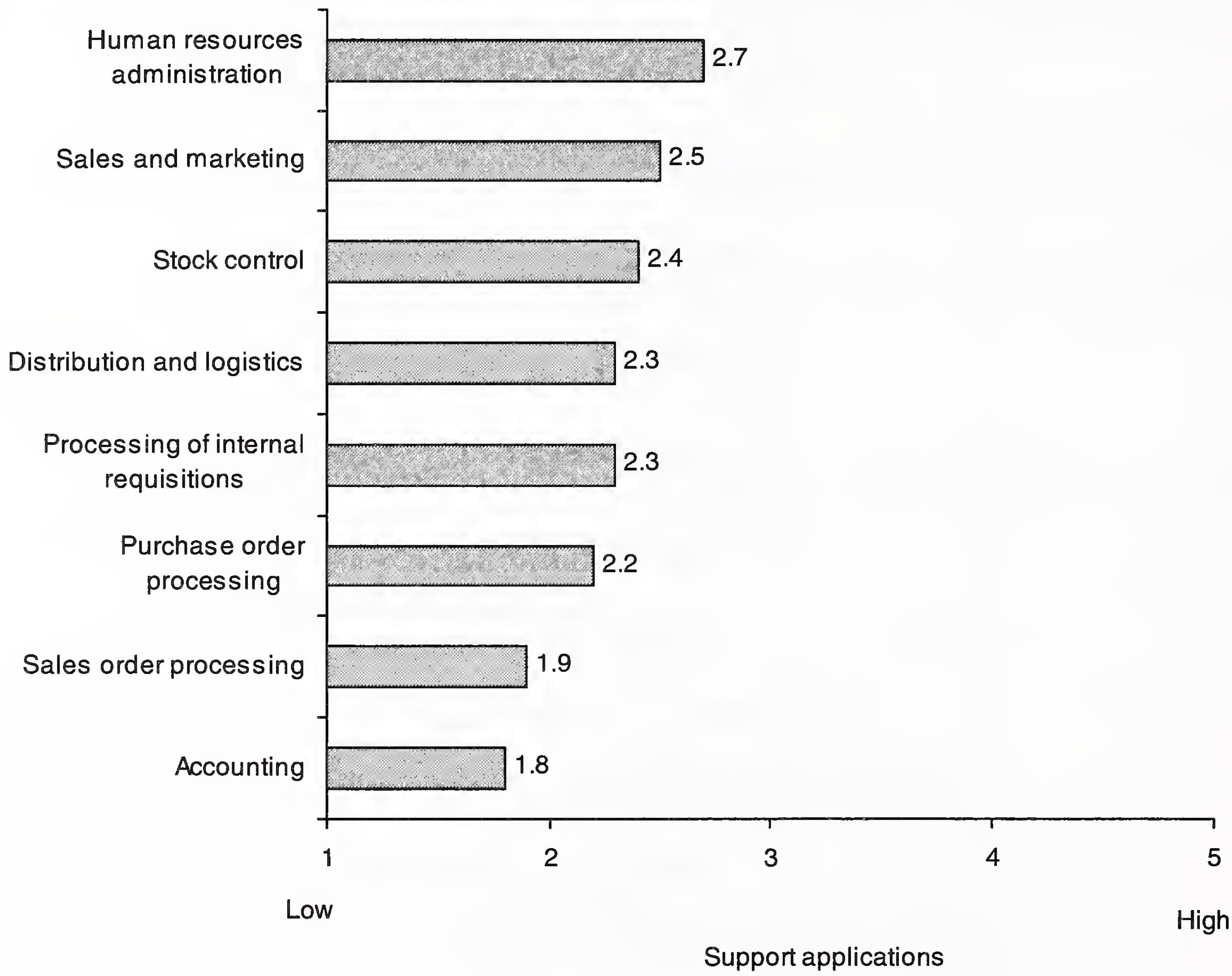
Source: *INPUT*

At present, there is considerable polarization in the use of Intranets, with approximately 30% of organizations where Intranet access is very high – accessible by over 75% of the workforce- and a quarter of organizations where Intranet access is very low – less than 10% of the workforce.

Exhibit III-4 shows the extent of Intranet support by application.

Exhibit III-4

Current Intranet Support for Applications



Sample size = 202. Standard error = 0.1

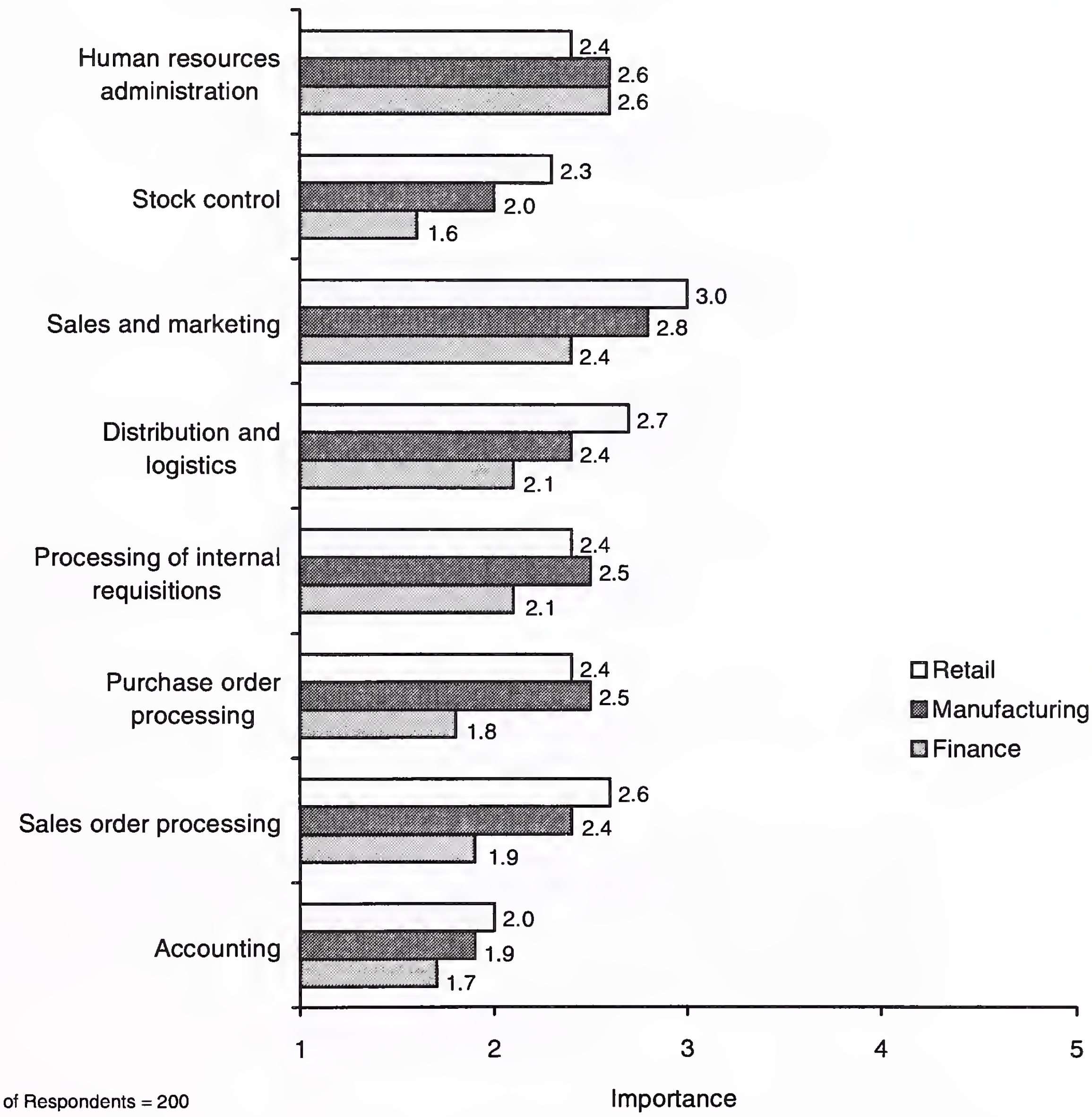
Source: *INPUT*

Historically, the focus has been highest for internally focused dissemination of information such as human resources administration. However, having experimented with low-risk applications such as human resources and the sharing of administrative information, organizations are now increasingly turning to the use of Intranets to strengthen their ties with external trading partners.

Exhibit III-5 shows the extent of Intranet support for each industry sector by application.

Exhibit III-5

Current Intranet Support for Applications by Industry Sector



Number of Respondents = 200
Standard Error = 0.2

Source: *INPUT*

The retail sector appears to be more externally focused in its use of Intranets than the manufacturing and financial services sectors, with greater relative emphasis on sales and marketing applications.

Exhibit III-6 shows the extent to which organizations are planning to Intranet-enable extensively each application by the end of 1998.

Exhibit III-6

Future Intranet-Enabling of Applications

Sample size = 202. Standard error = 0.˙

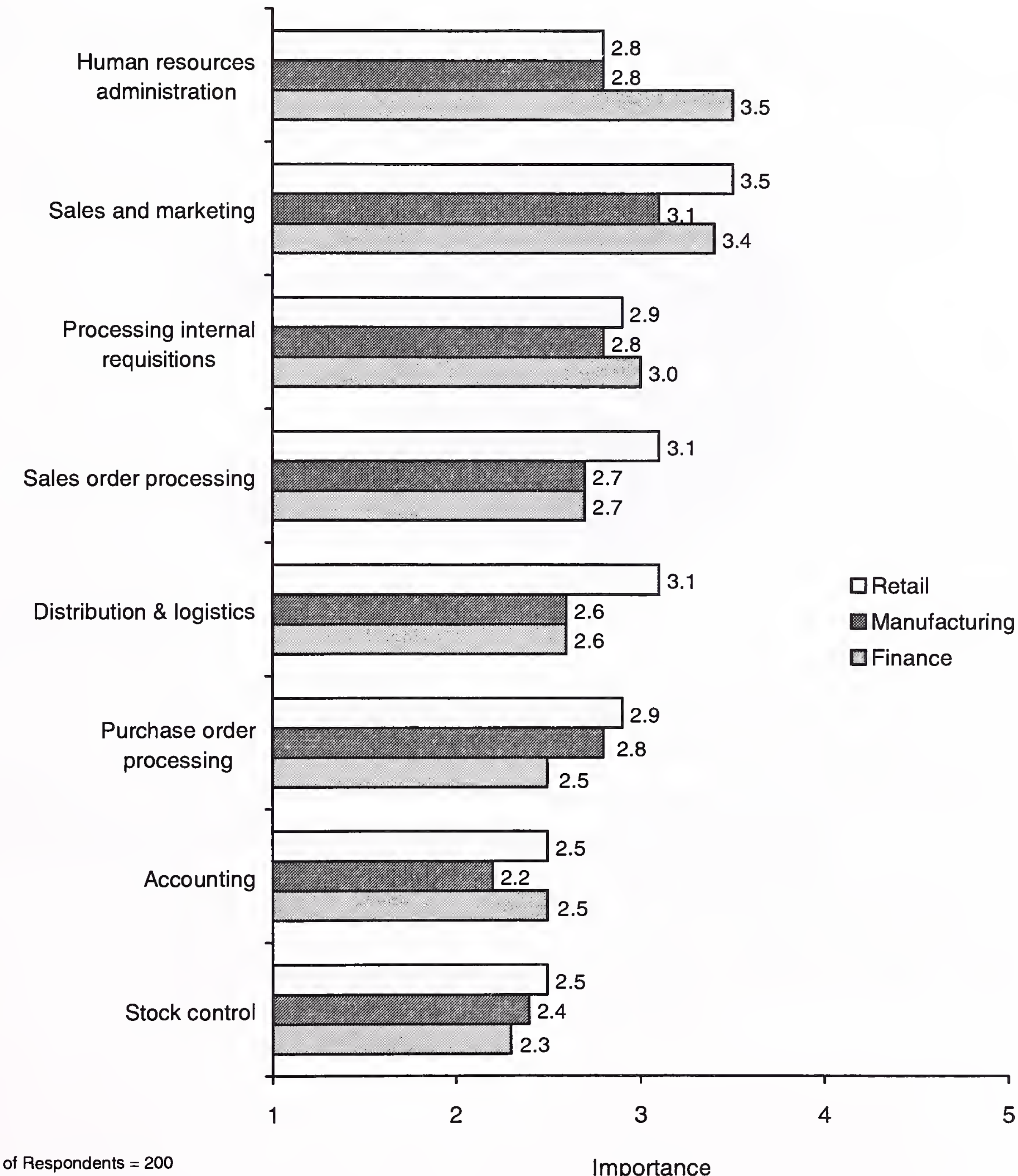
Source: *INPUT*

While there remains considerable activity in Intranet-enabling human resources administration, elsewhere the largest increases in activity are in Intranet-enabling sales and marketing applications including use of the Intranet for sales order processing.

Exhibit III-7 shows, by industry sector, the extent to which organizations are planning to Intranet-enable extensively each application by the end of 1998.

Exhibit III-7

Future Intranet-Enabling of Applications by Industry Sector



Number of Respondents = 200
Standard Error = 0.2

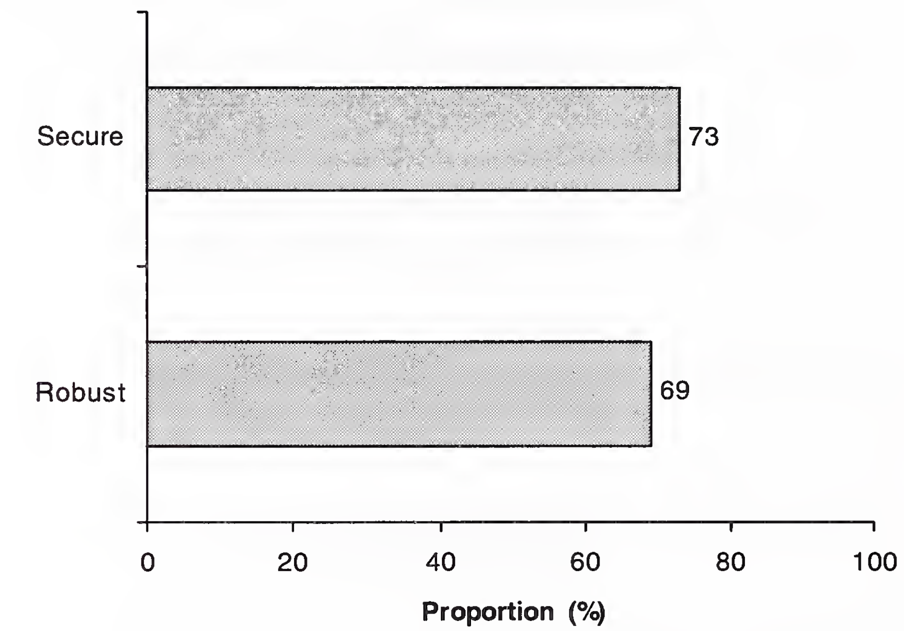
Source: *INPUT*

Since Intranets are increasingly being used for mission critical applications such as sales order processing, it is important that they have the level of performance, stability and maturity appropriate to such use. Exhibit III-8 shows the ratings that respondents gave to their Intranets in terms of their:

- Robustness to support critical applications
- Being sufficiently secure to support critical applications.

Exhibit III-8

Maturity of Intranet



Source: *INPUT*

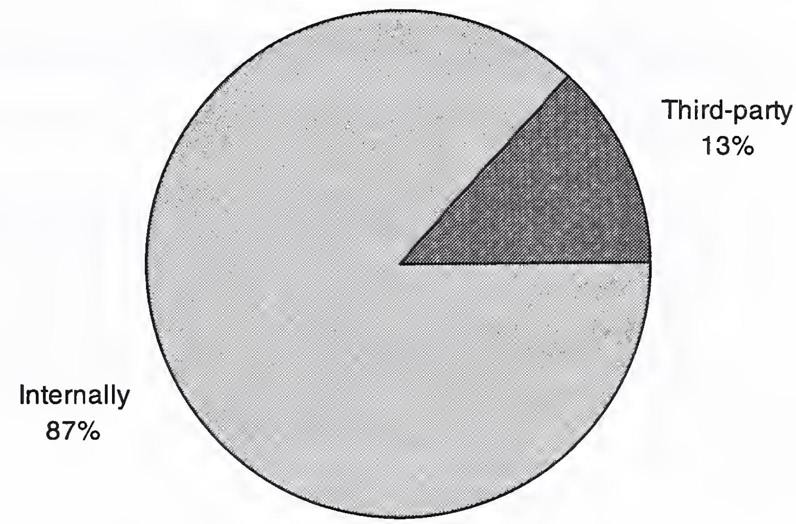
The majority of respondents clearly perceive that their Intranets have achieved this level of maturity.

B
Intranet Support and Management

Exhibit III-9 shows the current split between internal and external Intranet operations and support.

Exhibit III-9

Source of Intranet Operations and Support



Source: *INPUT*

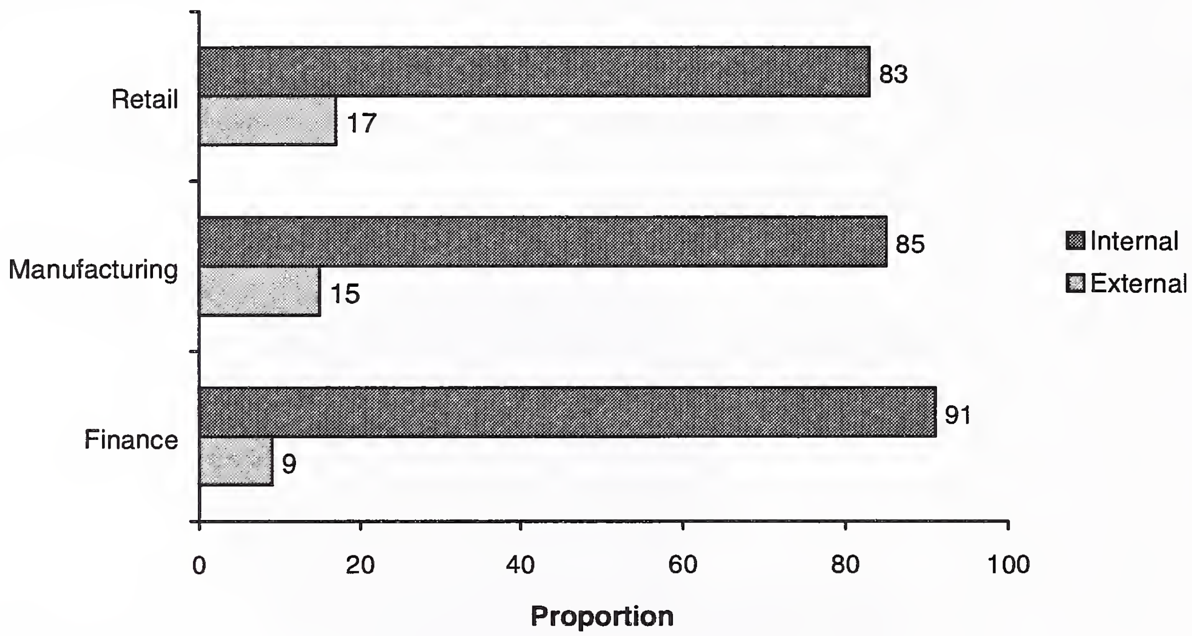
So far, organizations have tended to rely heavily on internal support. Intranets are typically viewed as relatively easy technology to support compared to traditional distributed systems technologies leading to greater emphasis on internal support and operations.

However, it is expected that the level of external involvement in Intranet operations and support will increase as use of Intranets becomes more extensive and Intranets become extensively used for mission critical applications such as sales order processing.

Exhibit III-10 shows, by industry sector, the current split between internal and external Intranet operations and support.

Exhibit III-10

Source of Intranet Operations and Support by Sector



Number of Respondents = 200

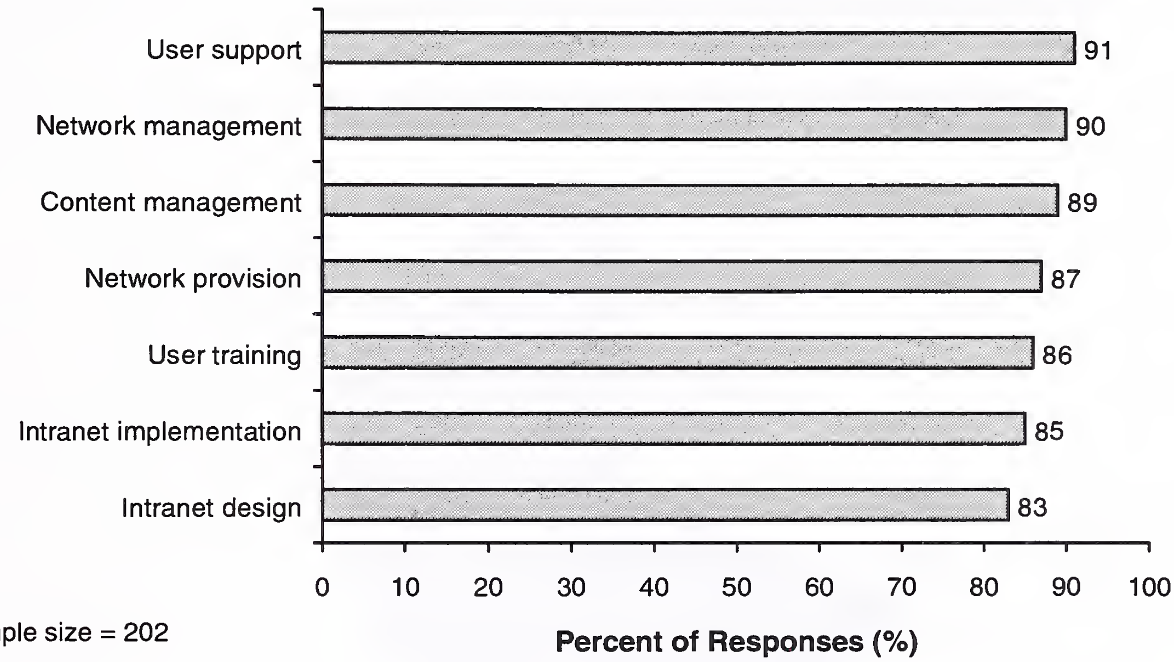
Source: *INPUT*

The retail sector, which has the greater use of Intranets for business critical applications, already shows the greatest propensity to subcontract Intranet operations and support.

Exhibit III-11 shows the proportions of each support activity that are currently performed in-house.

Exhibit III-11

Source of Operations & Support by Activity



Sample size = 202

Source: *INPUT*

As is usual, with new IT technologies, organizations are most reliant on external vendors for design and implementation. Content management is an activity that would naturally be expected to remain in-house and at present internal IT organizations appear to wish to maintain control of their internal client base through in-house retention of user support.

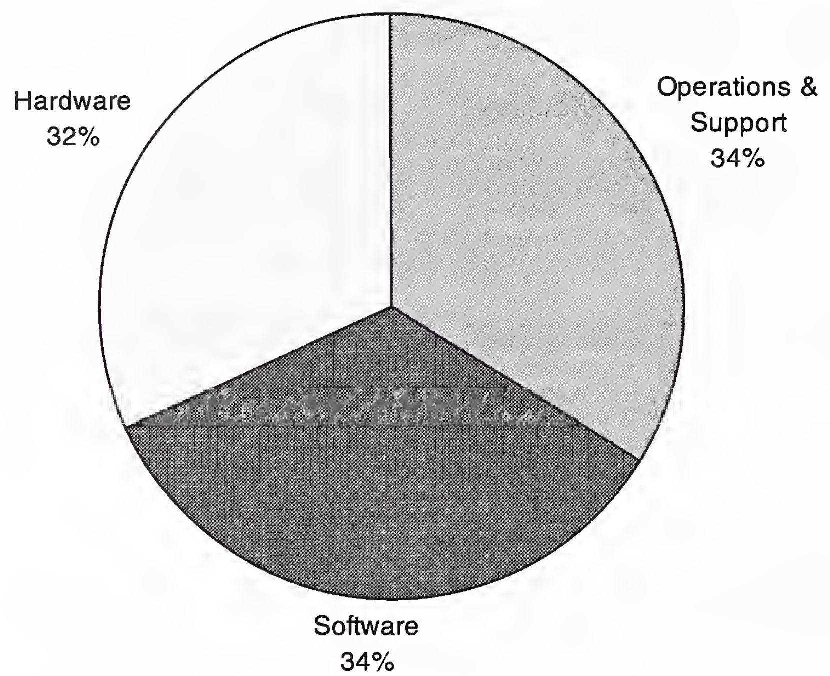
C

Intranet Support Expenditure

Organizations in Europe currently spend approximately $200 per employee per annum on Intranets and their support. Exhibit III-12 provides an estimate of the breakdown of Intranet budgets.

Exhibit III-12

Breakdown of Intranet Budget



Sample size = 81

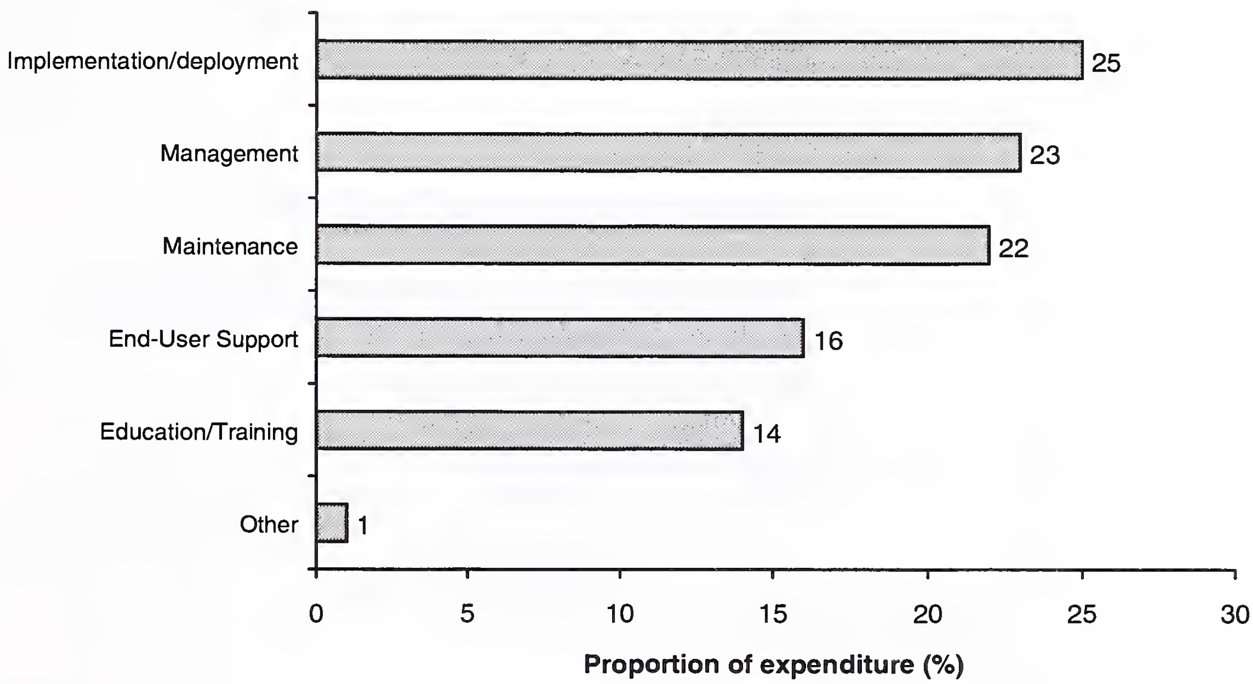
Source: *INPUT*

Spending is equally divided between hardware, software, and support and operations, suggesting that the overheads involved in supporting an Intranet are much lower than those incurred in supporting and operating a traditional desktop environment.

Intranet operations and support expenditure is further broken down by service type in Exhibit III-13.

Exhibit III-13

Breakdown of Intranet Operations and Support Expenditure

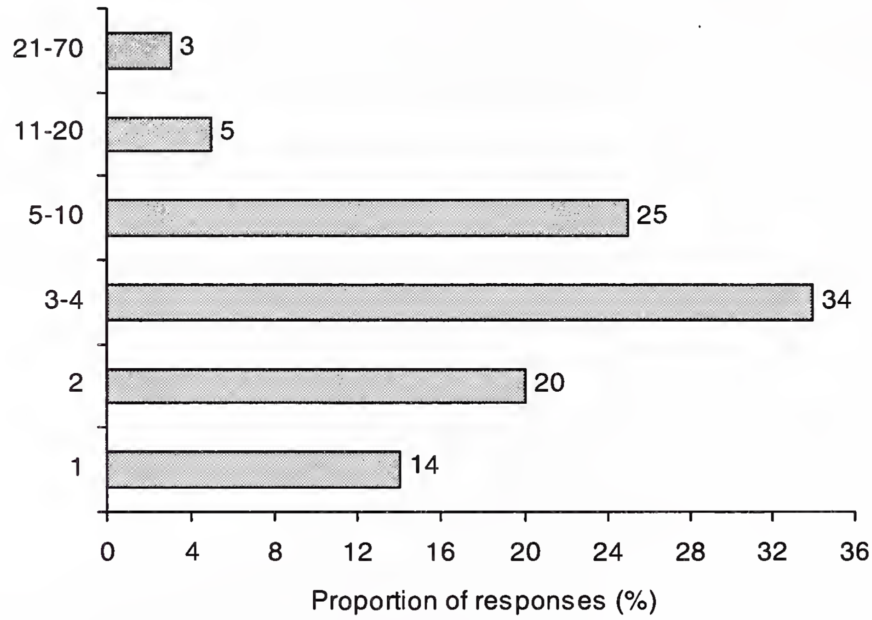


Source: *INPUT*

Exhibit III-14 shows the profile of number of full-time personnel engaged in Intranet management and operations.

Exhibit III-14

Number of Personnel Involved in Intranet Management and Operations



Number of Respondents = 71

Source: *INPUT*

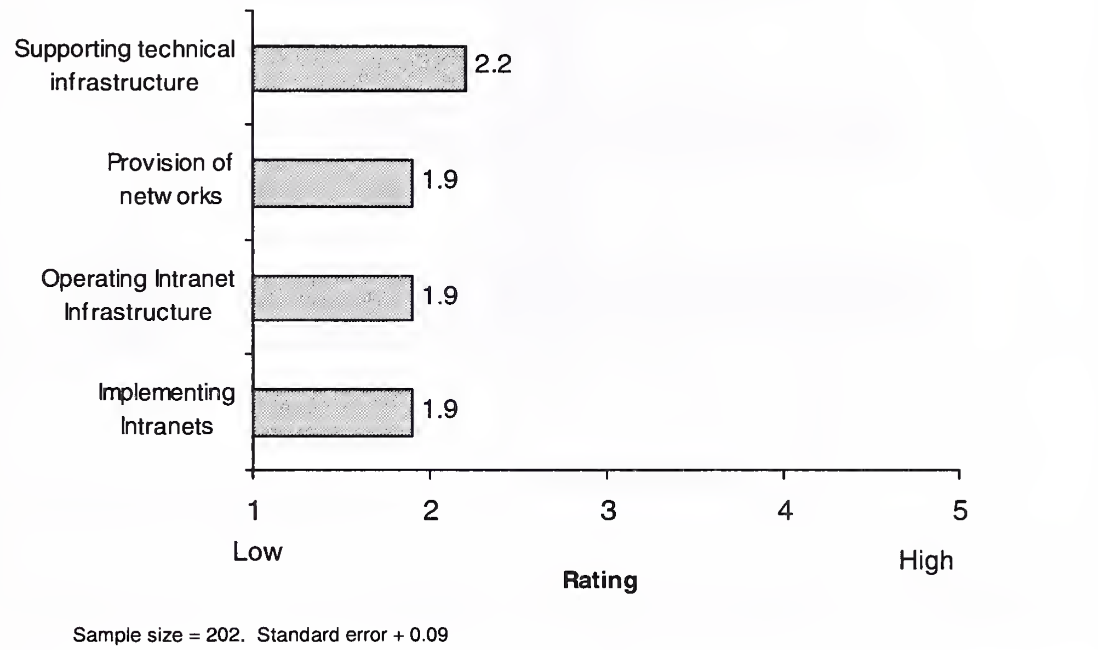
On average, organizations employ 5.2 full-time personnel in these activities. Only 7% of this manpower is currently estimated to be sourced from external service providers.

D
Future Service Requirements

Exhibit III-15 shows the extent to which organizations require support in each of a number of potential service areas.

Exhibit III-15

Future Service Requirements



Source: *INPUT*

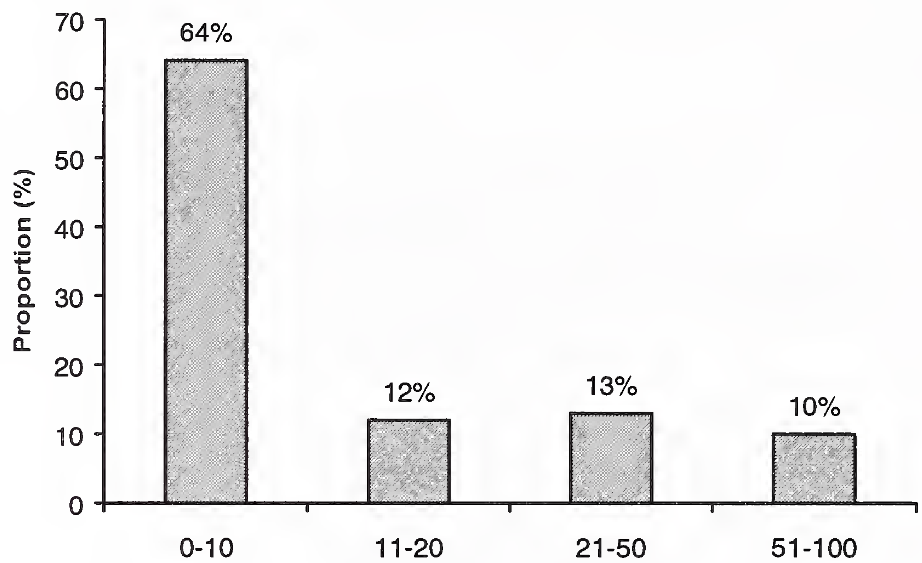
The highest level of declared demand is for assistance in supporting the technical Intranet infrastructure, where 18% of respondents declared a strong interest in external assistance.

For each of the other service areas, approximately 13% of organizations declared a high level of interest.

Exhibit III-16 shows the proportion of Intranet operations and support that organizations expect to be handled by third parties by year-end 1999.

Exhibit III-16

Planned Use of External Intranet Operations and Support



Number of Respondents = 202

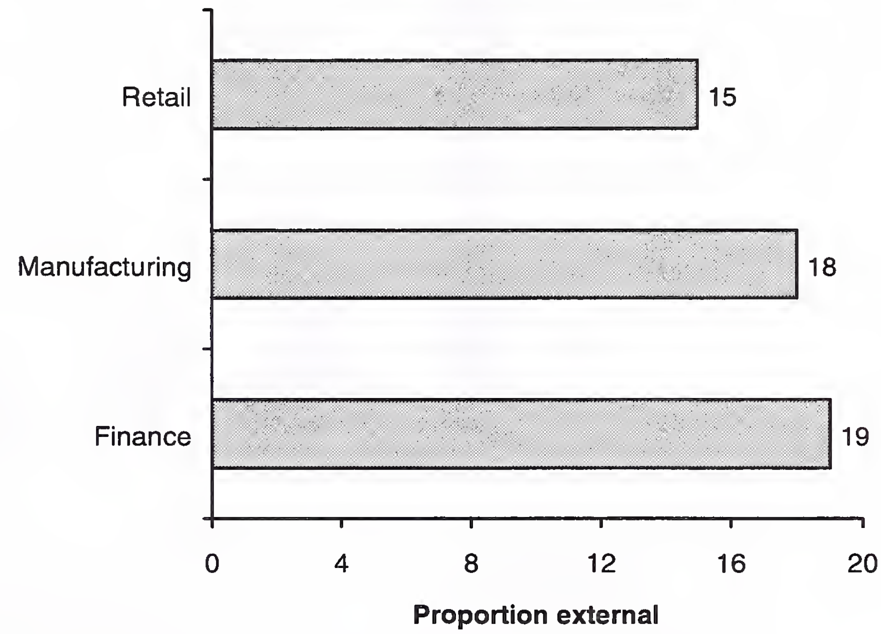
Source: *INPUT*

On average, organizations expect 17% of this activity to be handled externally in two years time, compared to 13% at the end of 1997. This represents an increase in external support activity of 14% per annum assuming that the total level of Intranet support remains static over this period. However with the proportion of medium to large organizations that are major Intranet users likely to treble from approximately 20% to 60% over this period, the overall growth in this market could reach 100% per annum in the short-term.

Exhibit III-17 shows, by industry sector, the proportion of Intranet operations and support that organizations expect to be handled by third parties by year-end 1999.

Exhibit III-17

Planned Use of External Intranet Operations and Support by Sector



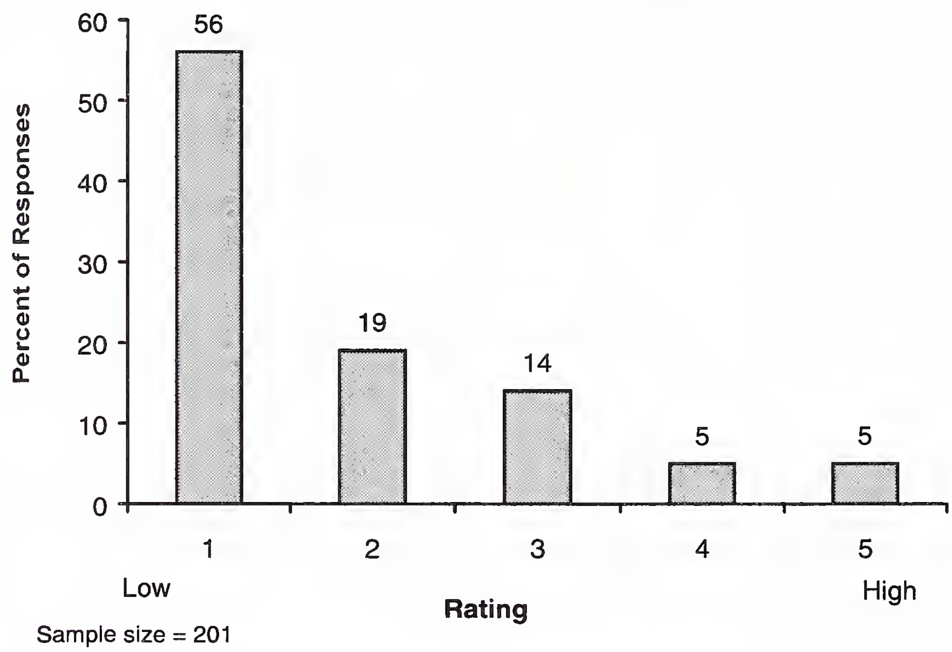
Number of Respondents = 200

Source: *INPUT*

Exhibit III-18 shows the likelihood of organizations outsourcing the entire operation and support of their Intranet by year-end 1999.

Exhibit III-18

Planned Intranet Outsourcing



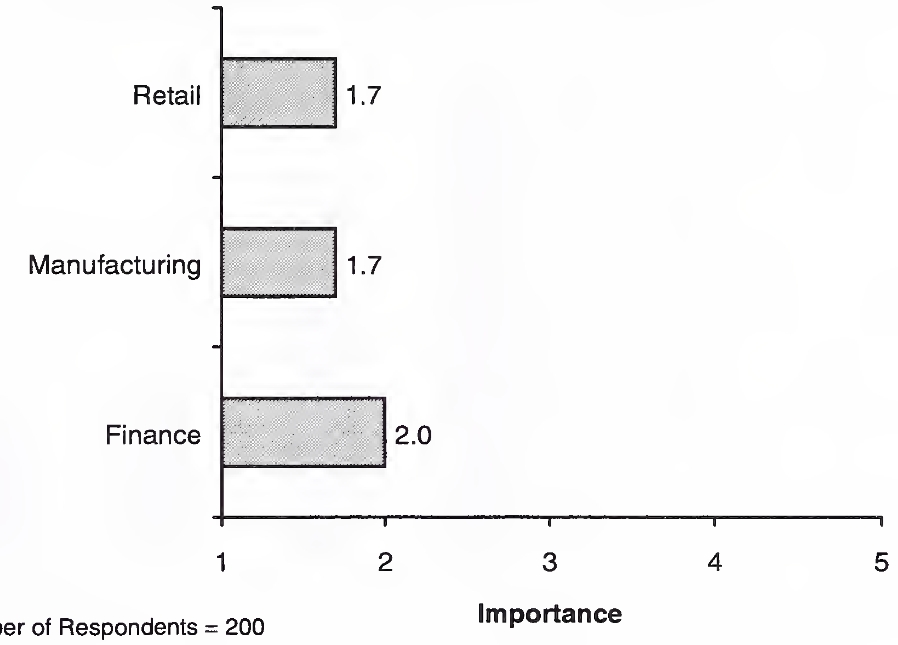
Source: *INPUT*

Approximately 10% of organizations are likely to take this approach to Intranet operations and support.

Exhibit III-19 shows, by industry sector, the likelihood of organizations outsourcing the entire operation and support of their Intranet by year-end 1999.

Exhibit III-19

Planned Intranet Outsourcing by Sector



Number of Respondents = 200
Standard Error = 0.16

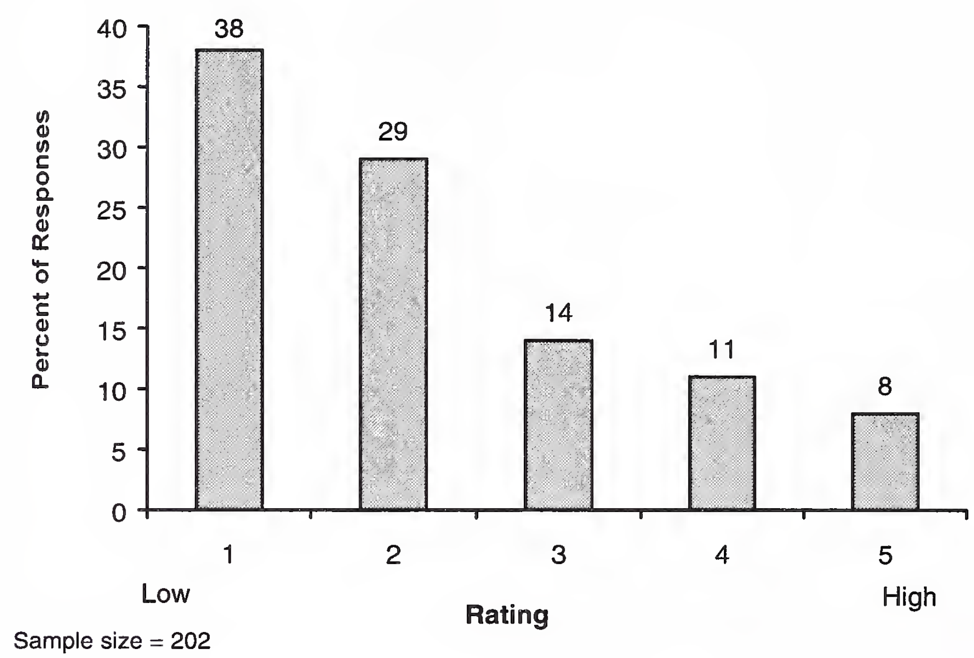
Source: *INPUT*

Organizations in the Financial Services sector anticipate the greatest increase in use of external vendors both for Intranet outsourcing and for more limited service usage.

Exhibit III-20 shows the extent to which organizations would like to purchase secure access to remotely hosted applications via the Internet or their Intranet.

Exhibit III-20

Likelihood of Purchasing Access to Remotely Hosted Applications



Source: *INPUT*

This approach is currently being considered by a number of vendors who perceive applications offered over the Internet as one way of targeting small and medium-sized organizations. In particular, ERP vendors such as SAP are considering this approach. SAP is believed to be currently searching for partners to offer SAP utility services on its behalf.

However, this survey suggests that there is also a market for this type of service among larger organizations.

The types of application that respondents mentioned that they would like to access in this way included:

- All applications (10 mentions)
- Financial applications (8 mentions)
- Purchasing/purchase order processing (3 mentions)
- Sales/sales order processing (3 mentions)

- Electronic commerce (2 mentions).

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IV

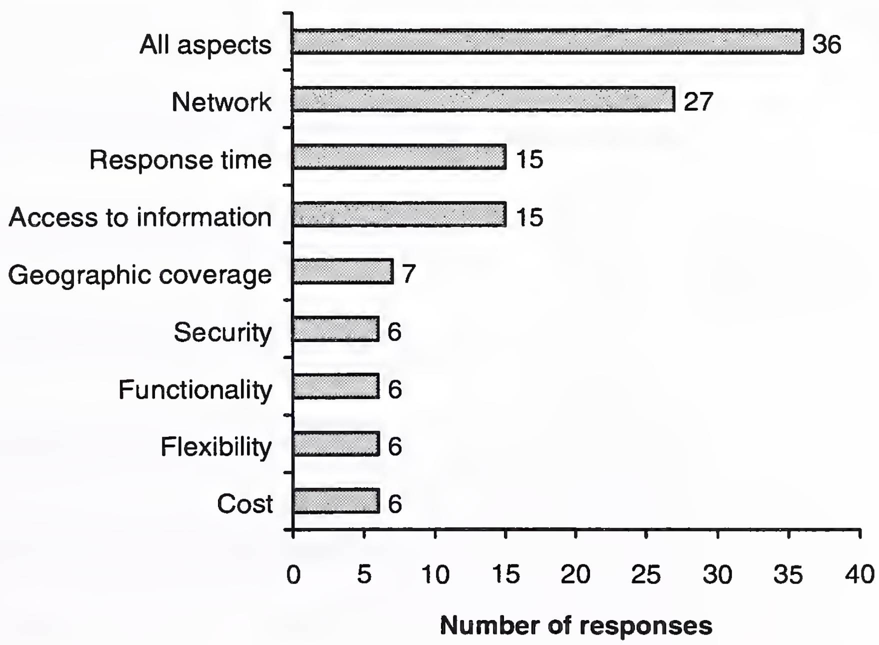
Satisfaction with Intranet Support and Management

A In-house Support and Management

Exhibit IV-1 lists those aspects of in-house Intranet support and operations where respondents expressed a high level of satisfaction.

Exhibit IV-1

Areas of High Satisfaction



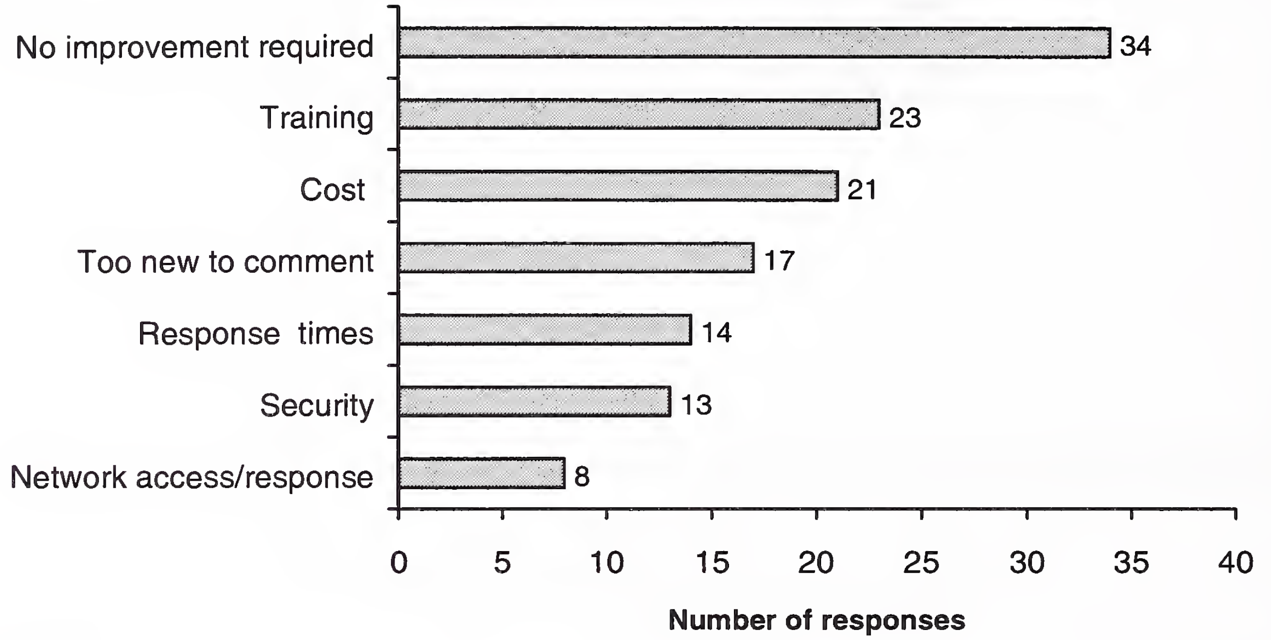
Sample size =180

Source: *INPUT*

Overall there is a high level of satisfaction with in-house provision of Intranet support and operations, though respondents expressed a need for improvement in the areas listed in Exhibit IV-2.

Exhibit IV-2

Improvements Required



Sample size =169

Source: *INPUT*

There are a number of areas where the number of mentions of high satisfaction was exceeded by the number of respondents seeking further improvement. These were:

- Training
- Cost
- Security.

Clearly these represent service opportunities for vendors, though it may be difficult for vendors to demonstrate improved cost-effectiveness compared to in-house operations and support.

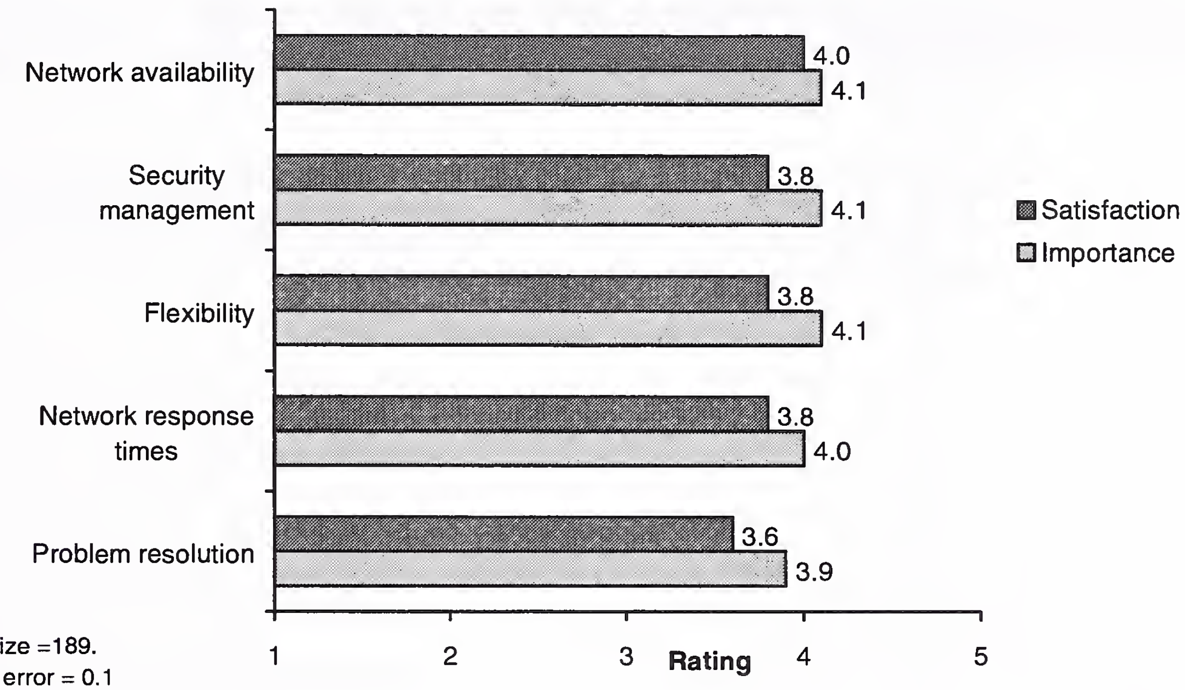
The best strategies for vendors will be to emphasize their:

- Ability to organize large-scale user training and support facilities
- Ability to provide secure networks, whose security features are regularly updated.

Exhibits IV-3 and IV-4 contrast importance and satisfaction with a number of features of in-house support and operations.

Exhibit IV-3

Areas of High Importance: In-house Support and Operations

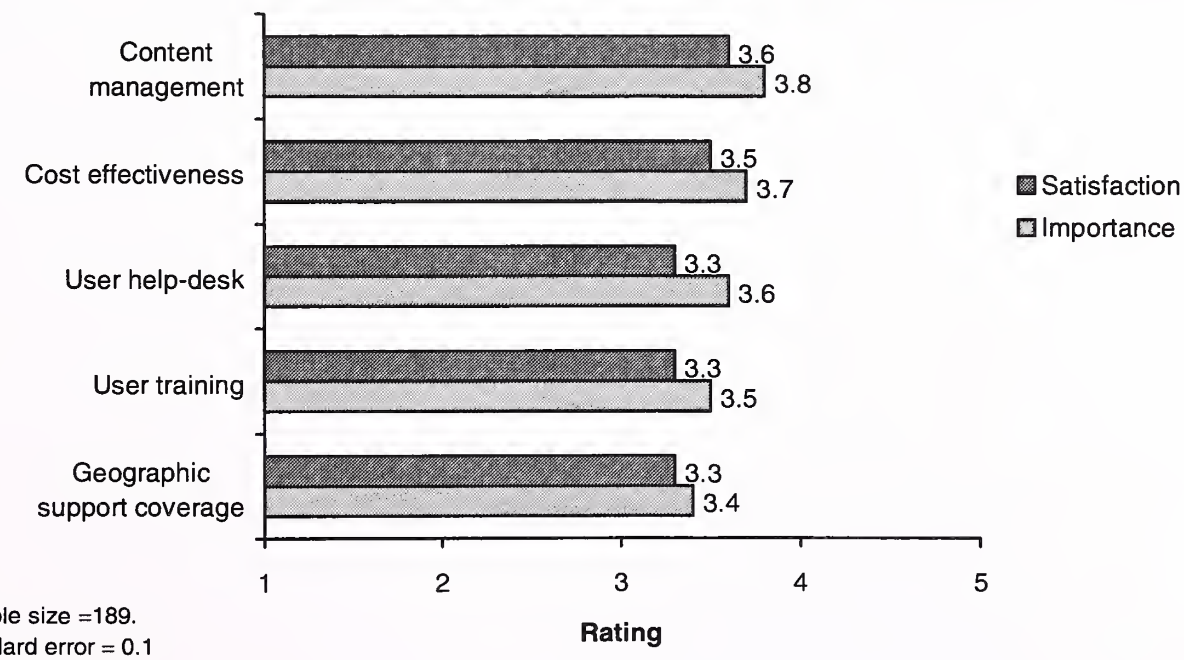


Sample size =189.
Standard error = 0.1

Source: *INPUT*

Exhibit IV-4

Areas of Lesser Importance: In-house Support and Operations



Sample size =189.
Standard error = 0.1

Source: *INPUT*

Again user support and training are rated as areas of low satisfaction, though they are also rated by IT managers as areas of relatively low importance. However, the users themselves may have a very different perspective.

Achieving a high level of geographic support coverage is another area where in-house IT managers experience difficulty. However, they again currently attach little importance to this attribute.

Exhibits IV-5 to IV-7 contrast importance and satisfaction with a number of features of in-house support and operations for the financial services, manufacturing and retail sectors respectively.

Exhibit IV-5

Satisfaction with In-house Support and Operations: Financial Services Sector

Feature	Importance	Satisfaction	Difference
Security management	4.2	3.7	0.5
Flexibility	4.0	3.8	0.3
Content management	3.9	3.7	0.3
Network availability	3.9	3.8	0.1
Problem resolution	3.9	3.7	0.3
Network response	3.9	3.7	0.2
Cost-effectiveness	3.7	3.5	0.1
User training	3.7	3.5	0.1
User help-desk	3.6	3.4	0.3
Geographic coverage	3.4	3.4	0.0

Source: INPUT

Exhibit IV-6

Satisfaction with In-house Support and Operations: Manufacturing Sector

Feature	Importance	Satisfaction	Difference
Network availability	3.8	3.7	0.2
Flexibility	3.7	3.5	0.3
Network response	3.7	3.5	0.2
Security management	3.6	3.4	0.2
Problem resolution	3.5	3.3	0.3
Cost-effectiveness	3.4	3.1	0.3
Content management	3.3	3.1	0.2
User help-desk	3.2	2.9	0.3
User training	3.1	2.9	0.2
Geographic coverage	3.0	2.9	0.1

Source: INPUT

Exhibit IV-7

Satisfaction with In-house Support and Operations: Retail Sector

Retail	Importance	Satisfaction	Difference
Network availability	3.8	3.6	0.2
Security management	3.8	3.8	0.0
Content management	3.5	3.3	0.2
Network response	3.5	3.5	0.1
Flexibility	3.5	3.4	0.1
Problem resolution	3.4	3.2	0.2
Cost-effectiveness	3.2	3.1	0.1
Geographic coverage	3.2	3.0	0.1
User training	3.1	2.9	0.2
User help-desk	3.1	3.0	0.1

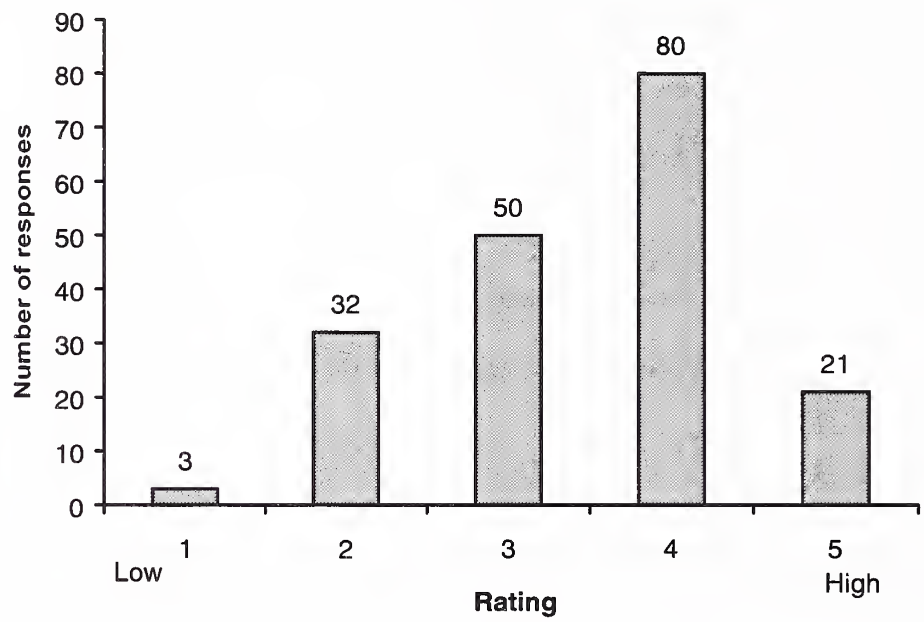
Source: INPUT

The shortfalls indicated reflect the natures of the differing industries with security management being the major concern in the financial services sector and network availability the major concern in the retail sector.

IT managers' perception of the overall adequacy of their in-house Intranet support and operations to support future business needs is shown in Exhibit IV-8.

Exhibit IV-8

Suitability of In-house Support and Operations for Future Business Needs



Sample size =186. Standard error 0.07

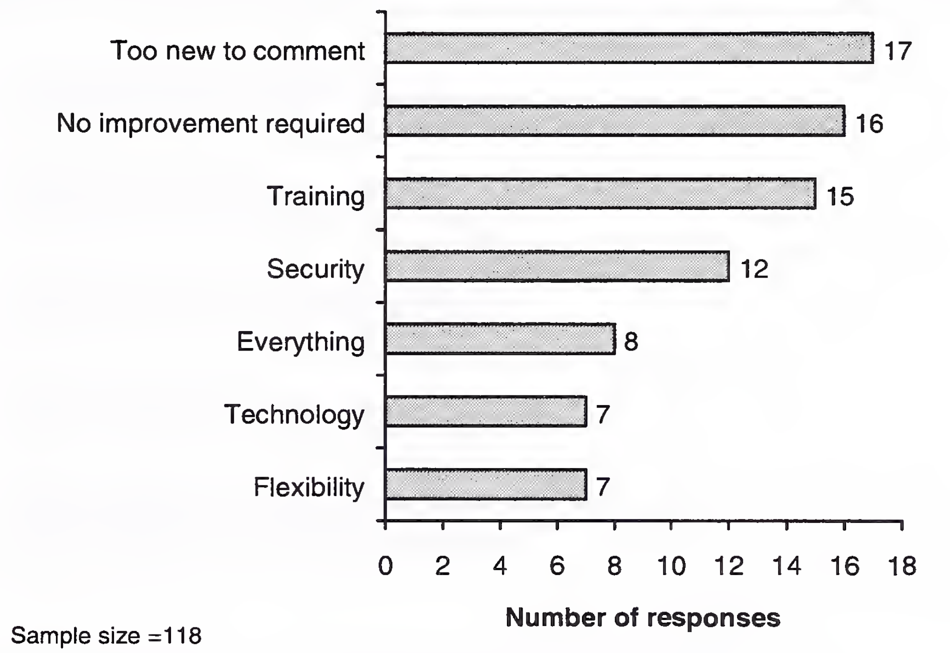
Source: *INPUT*

Overall, over half of IT managers perceive that in-house support and operations are highly adequate to support their organization's future business needs. The opportunity for vendors lies in the 19% who perceive that their in-house Intranet support and operations are inadequate to support future business needs. Of course, a proportion of these may take action to improve their in-house capabilities rather than turn to an external vendor for assistance.

Exhibit IV-9 lists the areas that IT managers identified as being in need of improvement in order to address future business needs.

Exhibit IV-9

Areas for Improvement: In-house Intranet Support and Operations



Source: *INPUT*

Training and security are the major themes and hence significant opportunities for external vendors.

B
Third-Party Support and Management

Respondents were asked with which aspects of their third-party provision of Intranet support and operations they were pleased. Their answers were as follows:

- Support/help-desk (5)
- Expertise (5)
- Everything (3)
- Problem management (3)
- Security (3)
- Network response times and availability (3)

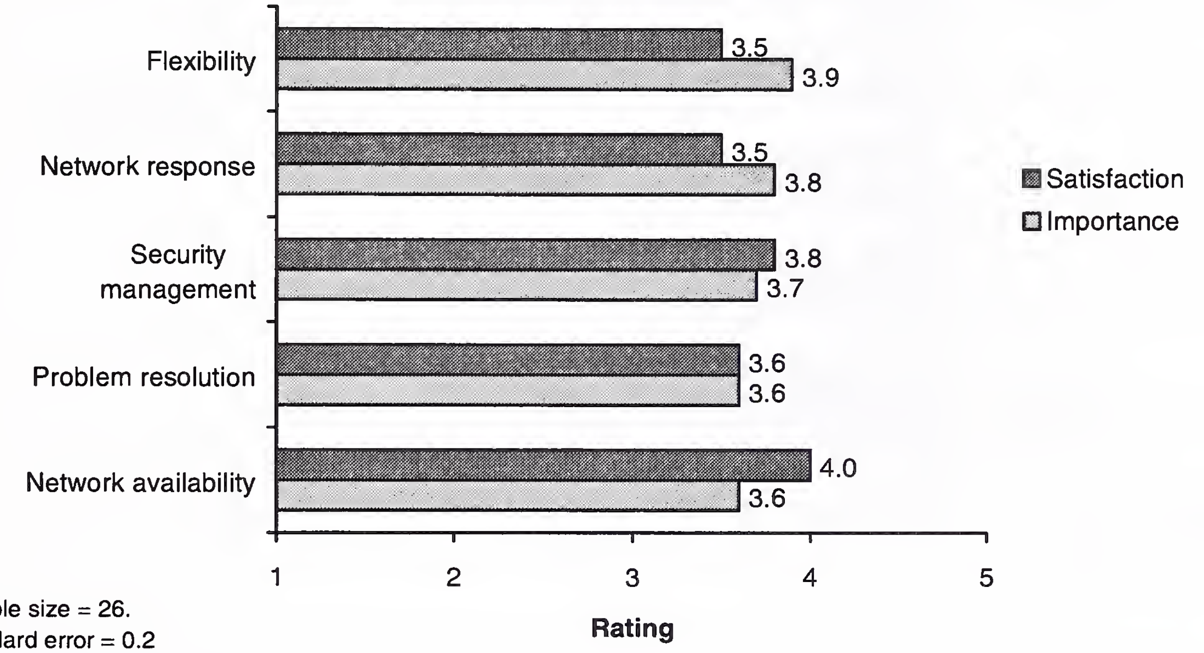
Areas that respondents perceived to require improvement included:

- None (5)
- Network response times (5)
- Cost (4)
- Training (2)

Exhibits IV-10 and IV-11 indicate the importance and satisfaction of IT managers with each of a number of features of third-party Intranet support and operations.

Exhibit IV-10

Areas of High Importance: Third-Party Support and Operations

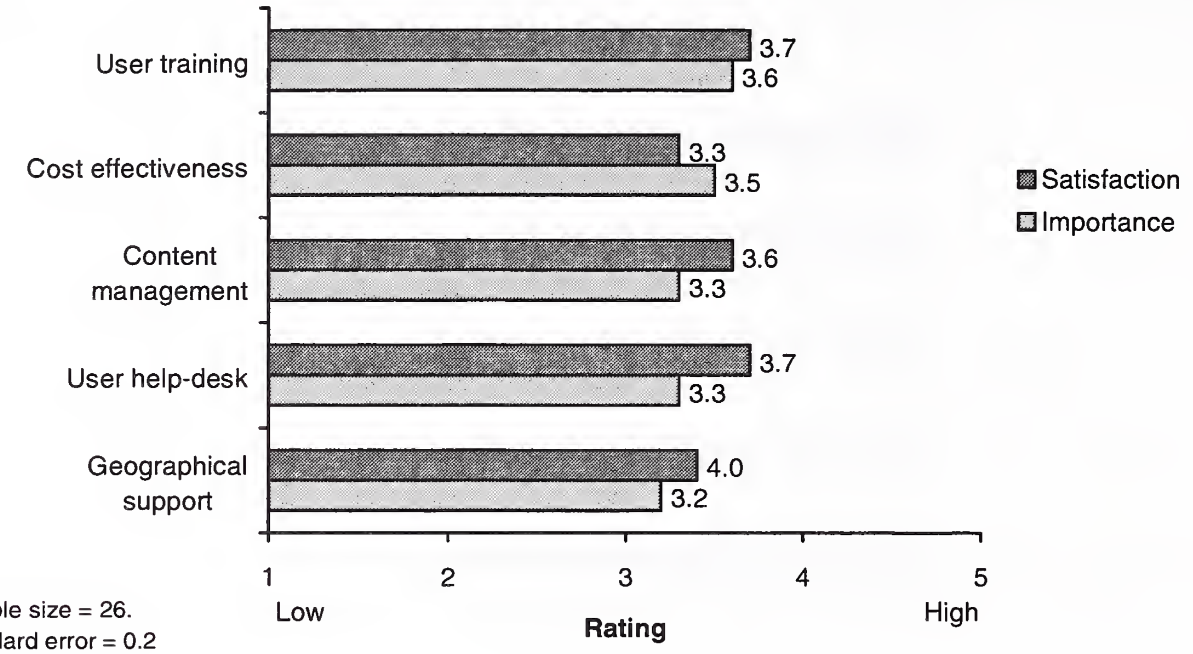


Sample size = 26.
Standard error = 0.2

Source: *INPUT*

Exhibit IV-11

Areas of Lesser Importance: Third-Party Support and Operations



Sample size = 26.
Standard error = 0.2

Source: *INPUT*

Overall, thirty party Intranet support and operations scored badly in terms of cost-effectiveness.

When satisfaction with in-house service provision is compared with satisfaction with third-party service provision, in-house services score more highly in terms of:

- Flexibility
- Network response times
- Cost-effectiveness.

Third-party services score more highly in terms of:

- User training
- User help-desk capability
- Geographical support.

Exhibit IV-12 lists the benefits sought from third-parties together with the extent to which these were perceived to be achieved.

Exhibit IV-12

Benefits Sought: Third-Party Support and Operations

Benefit	Number of mentions	Level of achievement
Expertise/experience	20	4.0
Fast response to problems	4	4.3
Cost effectiveness	3	3.0

As in the case of desktop services, it appears that vendors should emphasize their expertise and ability to support users rather than any increase in cost-effectiveness.

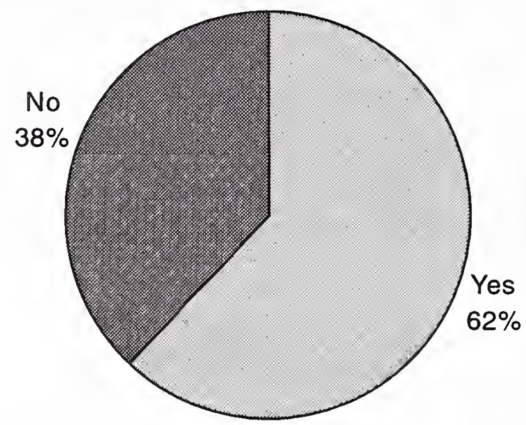
However, for the small number of vendors that provided estimates of cost savings through use of third-party support services, estimates of savings ranged from 20% to 50% with an average of 35%.

C
Service Level Agreements

Exhibit IV-13 shows the proportion of organizations that have a service level agreement in place for their Intranet.

Exhibit IV-13

Presence of Service Level Agreement



Source: *INPUT*

A surprisingly high proportion of organizations do not yet have service level agreements in place for their Intranet support and operations. Indeed, while all organizations with extensive external operations and support usage appear to have service level agreements in place, it appears that only approximately half of organizations primarily using internal Intranet support and operations have an existing service level agreement.

To some extent, this reflects the bimodal pattern of Intranet usage with many organizations having made their Intranets available to more than 75% of the organization's employees while others are still only piloting their Intranets to a relatively small proportion of users.

Exhibit IV-14 shows the profile of types of SLA in place.

Exhibit IV-14

Type of SLA

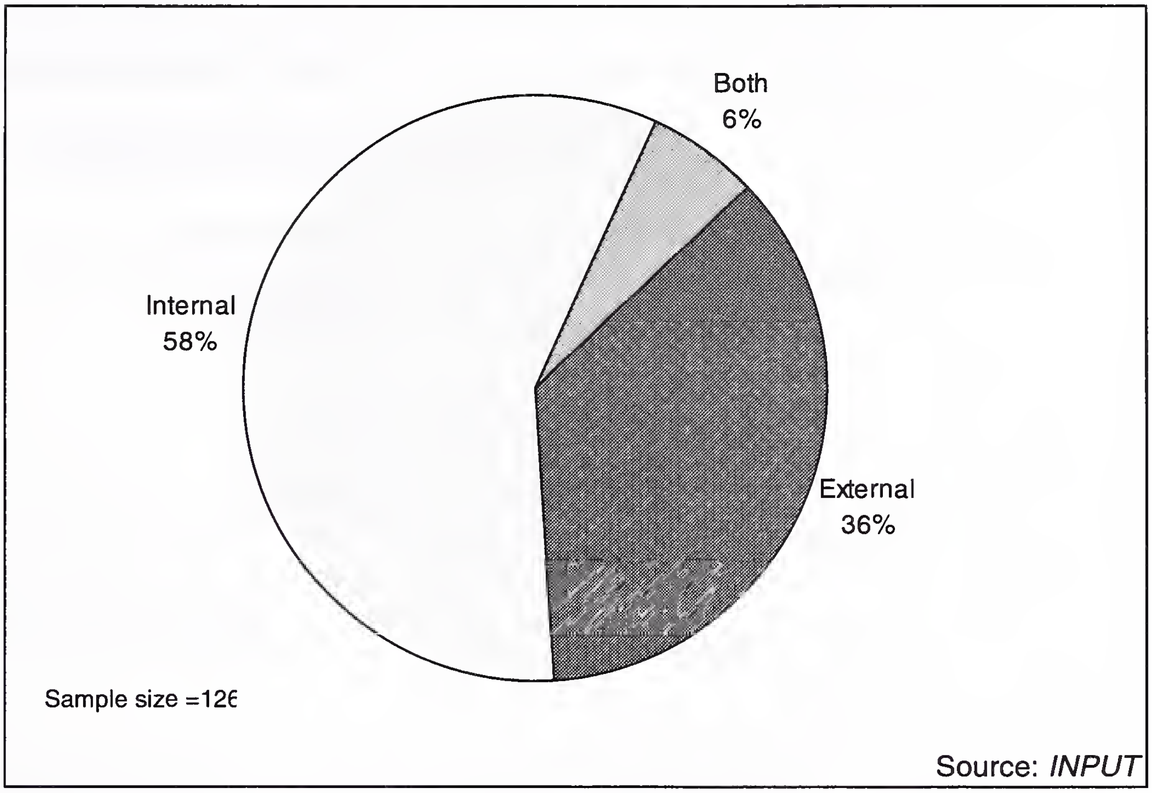
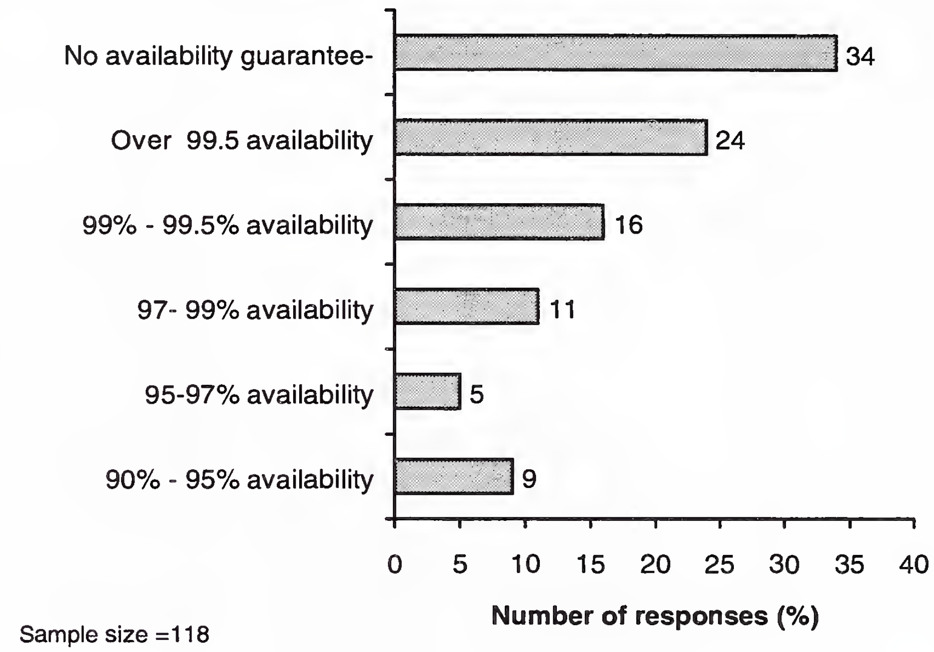


Exhibit IV-15 shows the profile of network availability guarantees within internal Intranet support and operations agreements.

Exhibit IV-15

Network Availability: External SLAs

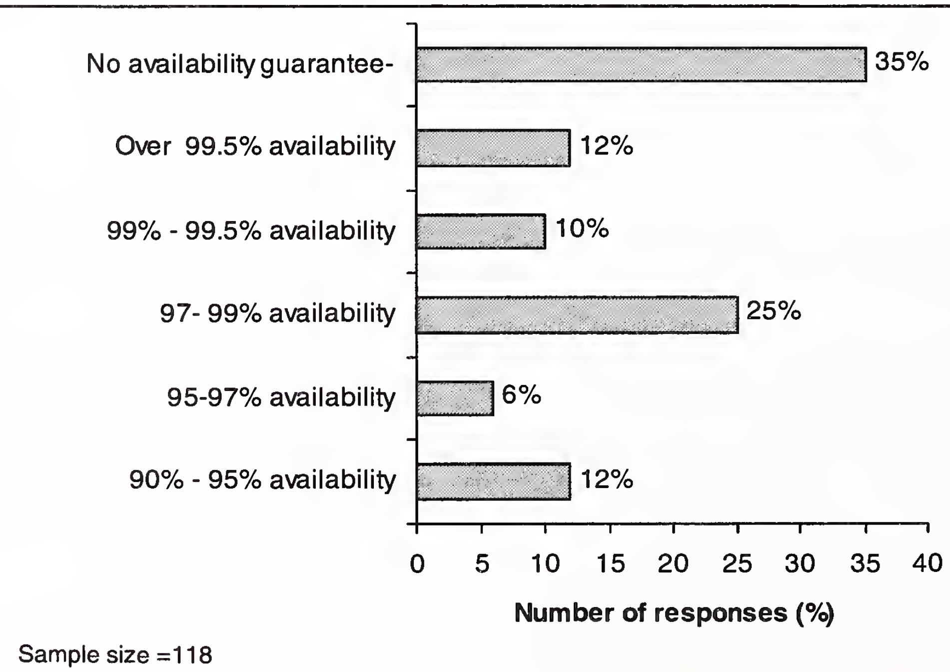


Source: *INPUT*

Exhibit IV-16 shows the profile of network availability guarantees within external Intranet support and operations agreements.

Exhibit IV-16

Network Availability: External SLAs



Source: *INPUT*

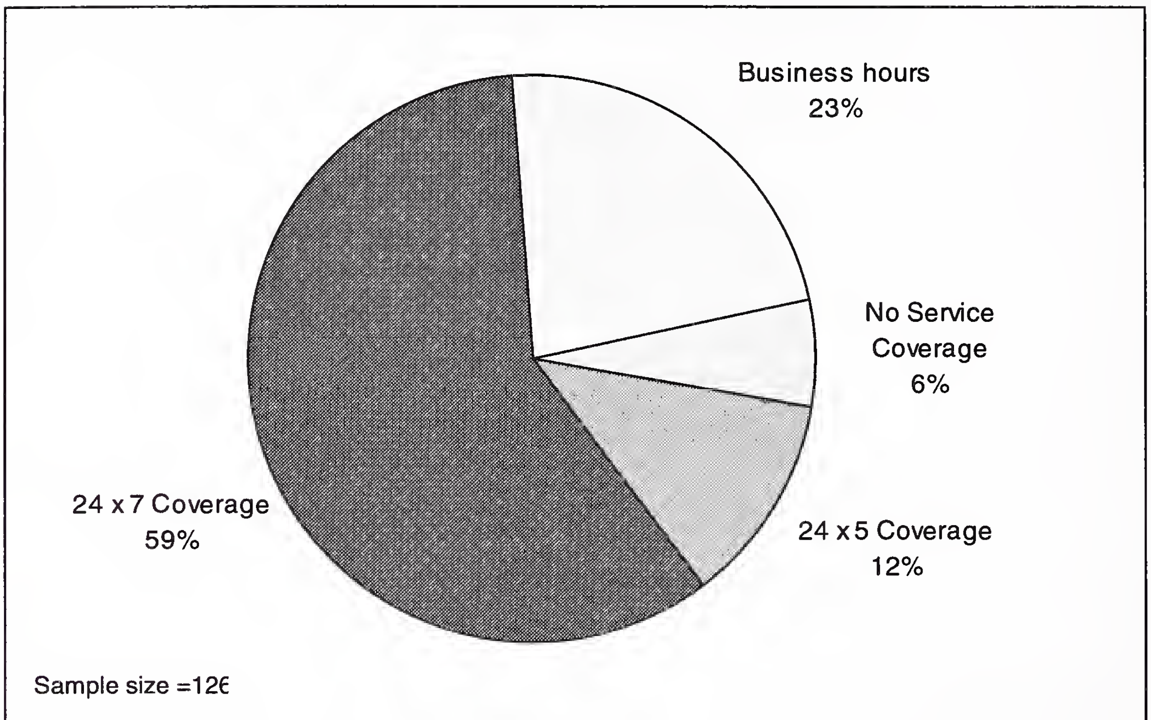
Surprisingly, network availability guarantees are typically higher for internal service level agreements than for external service level agreements. Forty per cent of internal SLAs guarantee network availability in excess of 99% compared to only 22% of external service level agreements.

Similarly a greater proportion of internal service level agreements than external service level agreements provide 24 by 7 coverage.

Exhibits IV-17 and IV-18 show the profile of service coverage for internal and external service level agreements.

Exhibit IV-17

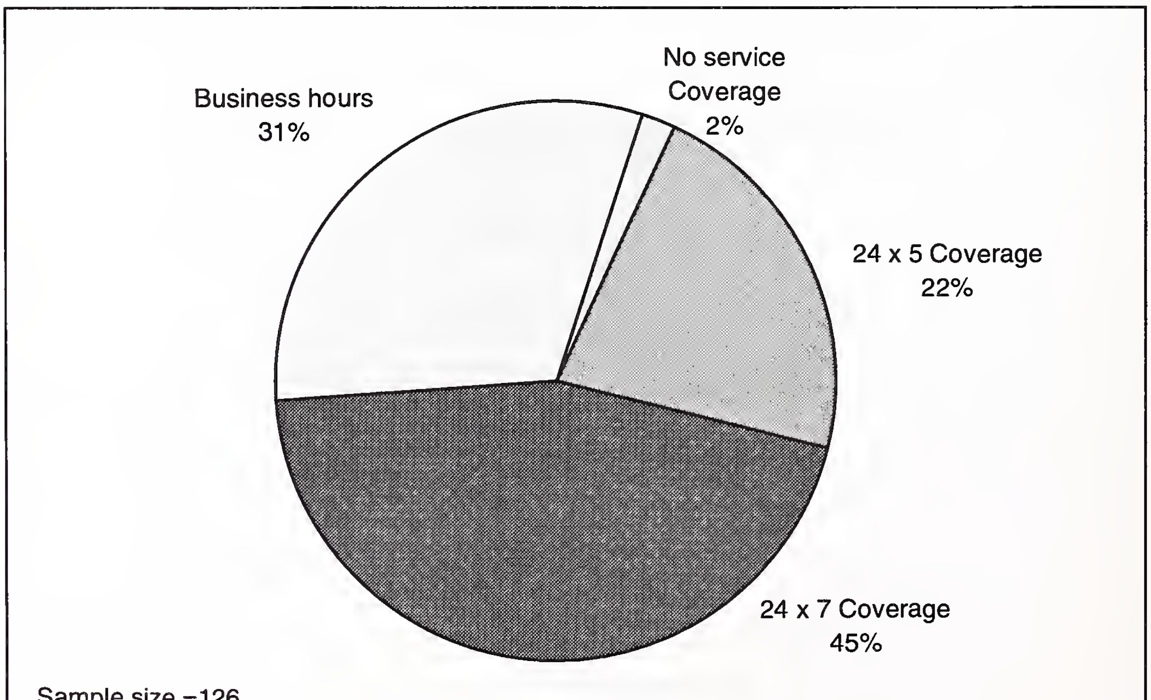
Service Coverage: Internal SLAs



Source: *INPUT*

Exhibit IV-18

Service Coverage: External SLAs



Source: *INPUT*

V

Vendor Positioning

A
Awareness of Vendors

Exhibit V-1 lists the number of organizations in the sample that use, or have used, each of the vendors mentioned for Intranet support or operations.

Exhibit V-1

Vendors Used

Vendor	Use or have used (number of mentions)
IBM	34
HP	25
BT	24
France Télécom	15
Sun	11
Digital	10
Bull	7
ICL	7
Microsoft	7
Andersen Consulting	5
DeTeSystem (DBP Telekom)	5
AT&T Solutions	4
Compaq	4
Unisys	4
Cap Gemini	3
CSC	3
EDS	3

Source: INPUT

At present, organizations tend to favor the major equipment and telco vendors, such as IBM, HP, BT and France Télécom, rather than the major services vendors such as EDS, CSC and Andersen Consulting.

Exhibit V-2 indicates the relative awareness for each of a range of potential Intranet services vendors.

Exhibit V-2

Vendor Awareness

Vendor	Awareness (Number of mentions)
IBM	189
HP	173
Sun	142
Digital	137
Bull	123
Unisys	111
Andersen Consulting	100
EDS	100
ICL	98
AT&T Solutions	93
Cap Gemini	90
BT	83
NCR	77
Sema Group	67
CSC	57
France Télécom	45
SBS	38
Compaq	37
DeTeSystem (DBP Telekom)	36
debis	34
Alcatel Télécom	33
FI Group	32
Olivetti	31
SAP	30
Syseca	30
MatraNet	25
Cegetel	24
Euriware	23
Computer Associates	23
Other	21
Athesa	19
Origin	19
Atos	18
Computer Vision	16
Software Union	16
Alldata	13
tds	11
Autinform	10
Microsoft	8
Novell	3

Source: INPUT

In terms of overall awareness as vendors of Intranet services, the European telcos BT and France Télécom, that featured strongly in the top ten in terms of current Intranet services usage, are overtaken in the top ten by:

- The equipment vendors Sun, Digital, Bull, Unisys and ICL
- The services vendors Andersen Consulting and EDS.

Exhibit V-3 lists the number of respondents that were able to provide a rating of the Intranet operations and management services for each vendor together with the rating received.

Exhibit V-3

Awareness of Capability

Supplier	Number of mentions	Average
IBM	106	3.9
HP	88	3.9
Sun	61	3.9
Digital	54	3.6
BT	47	3.6
Andersen Consulting	37	3.3
AT&T Solutions	33	3.5
Cap Gemini	29	3.4
EDS	28	3.1
Bull	26	3.5
France Télécom	24	3.9
Siemens Business Services	21	3.4
CSC	21	3.2
Unisys	21	3.1
Debis	19	3.8
ICL	19	3.3
Sema Group	18	3.5
DBP Telekom	18	2.8
NCR	17	2.6
SAP	16	3.8
Compaq	13	3.5

Source: INPUT

Exhibit V-4 provides the same information sorted by capability rating.

Exhibit V-4

Perceived Capability Rating

Supplier	Average	Number of mentions
IBM	3.9	106
Sun	3.9	61
France Télécom	3.9	24
HP	3.9	88
Debis	3.8	19
SAP	3.8	16
BT	3.6	47
Digital	3.6	54
AT&T Solutions	3.5	33
Sema Group	3.5	18
Bull	3.5	26
Compaq	3.5	13
Cap Gemini	3.4	29
Siemens Business Services	3.4	21
Andersen Consulting	3.3	37
ICL	3.3	19
CSC	3.2	21
Unisys	3.1	21
EDS	3.1	28
DBP Telekom	2.8	18
NCR	2.6	17

Source: INPUT

IBM, Sun, France Télécom and HP are among the leading vendors both in terms of current usage and level of perceived capability.

BT is amongst the leaders in terms of current service usage and awareness, but receives only a moderate capability rating from respondents

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A

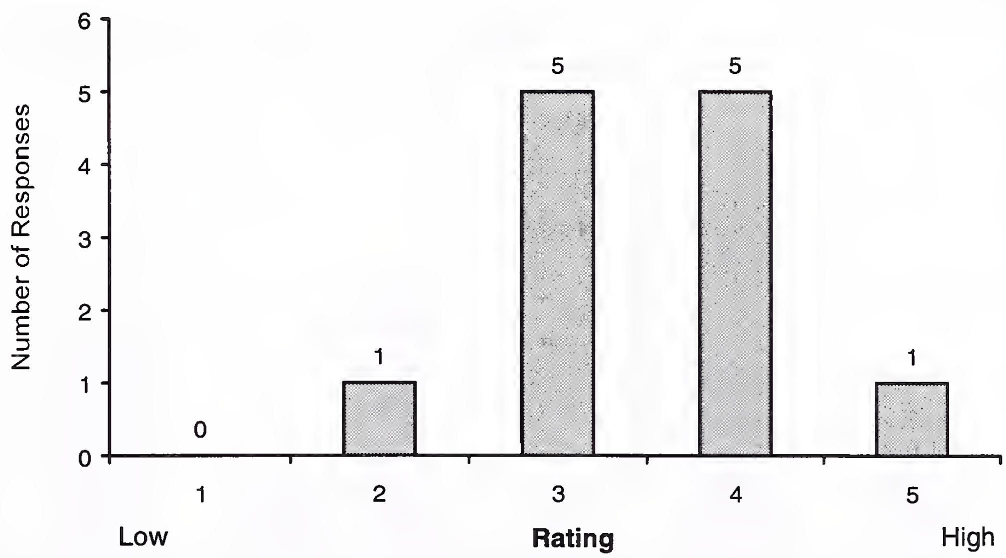
Appendix

Perceived Intranet Services Capability Profiles by vendor

Exhibits A-1 to A-24 show the perceived Intranet services capability profiles by vendor.

Exhibit A-1

Alcatel Telecom

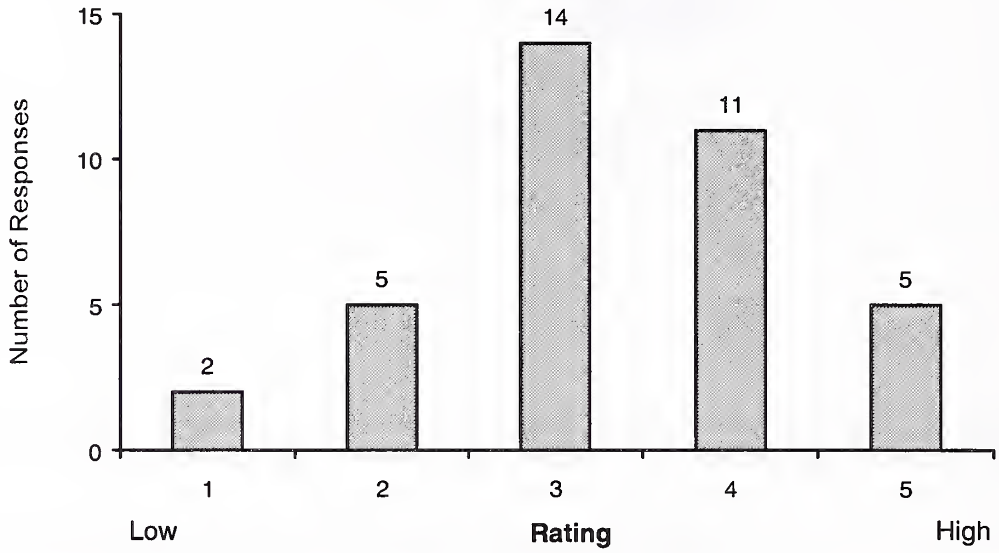


Number of Respondents = 12

Source: INPUT

Exhibit A-2

Andersen Consulting

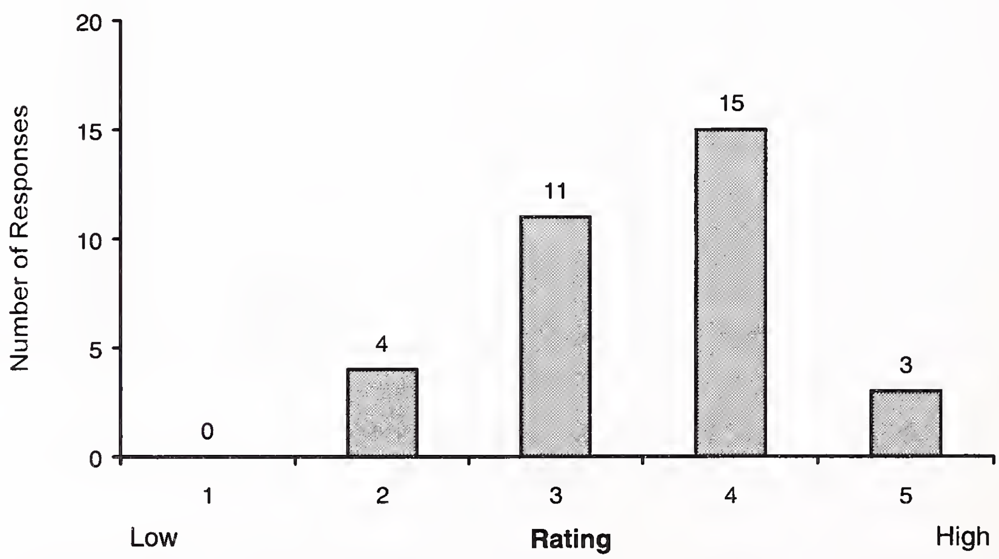


Number of Respondents = 37

Source: INPUT

Exhibit A-3

AT & T Solutions

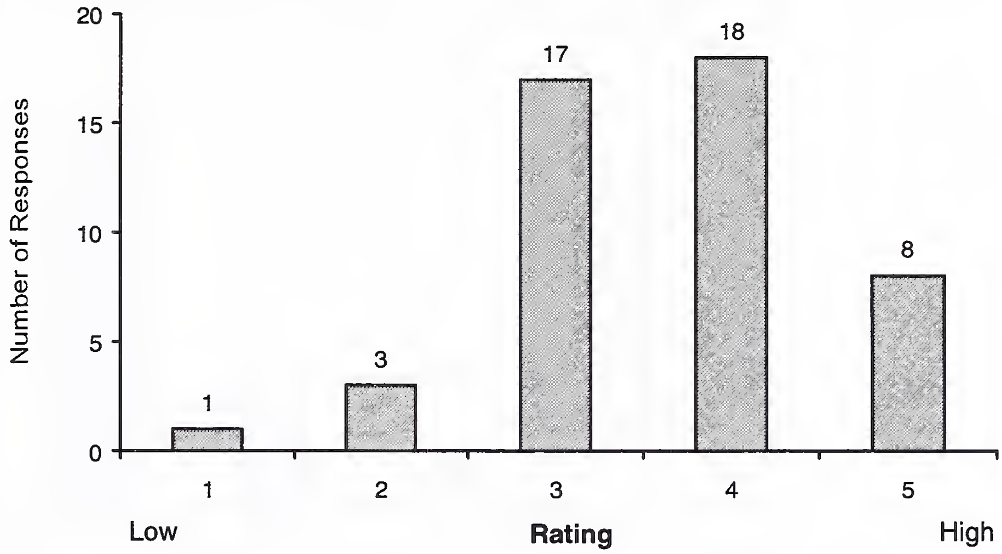


Number of Respondents = 33

Source: INPUT

Exhibit A-4

BT

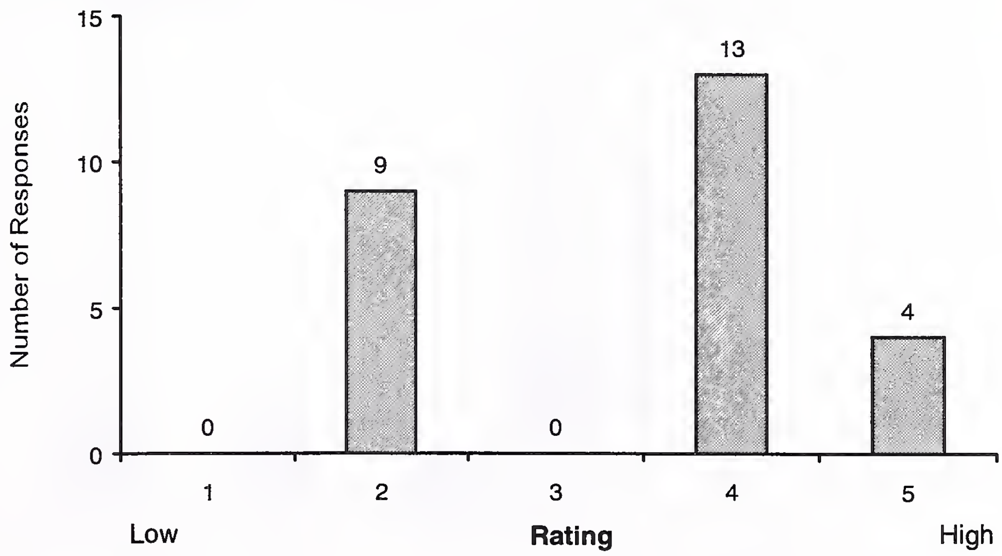


Number of Respondents = 47

Source: INPUT

Exhibit A-5

Bull

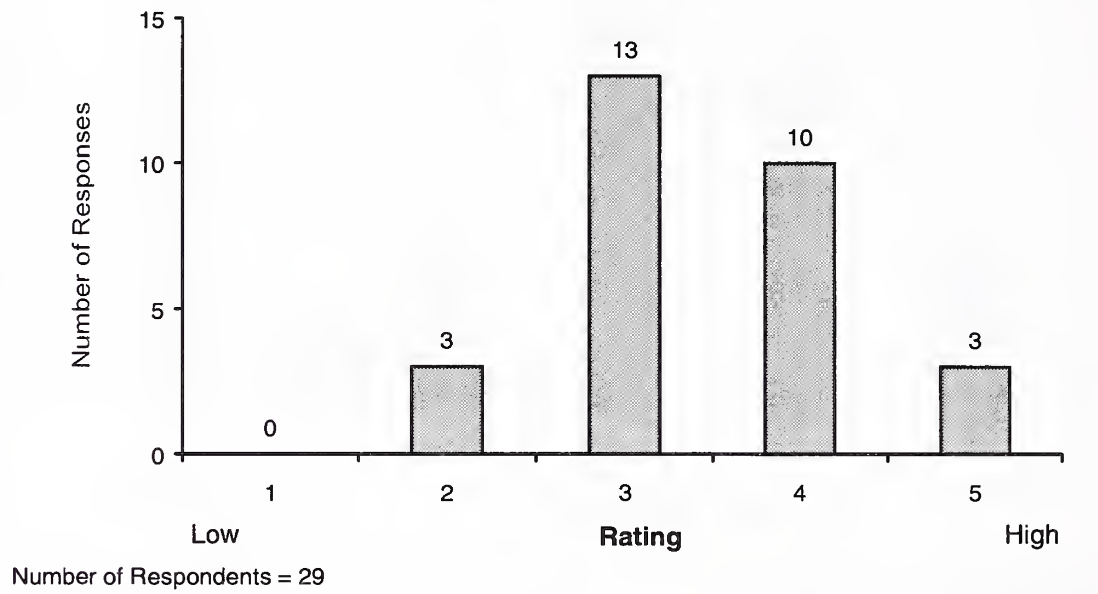


Number of Respondents = 26

Source: INPUT

Exhibit A-6

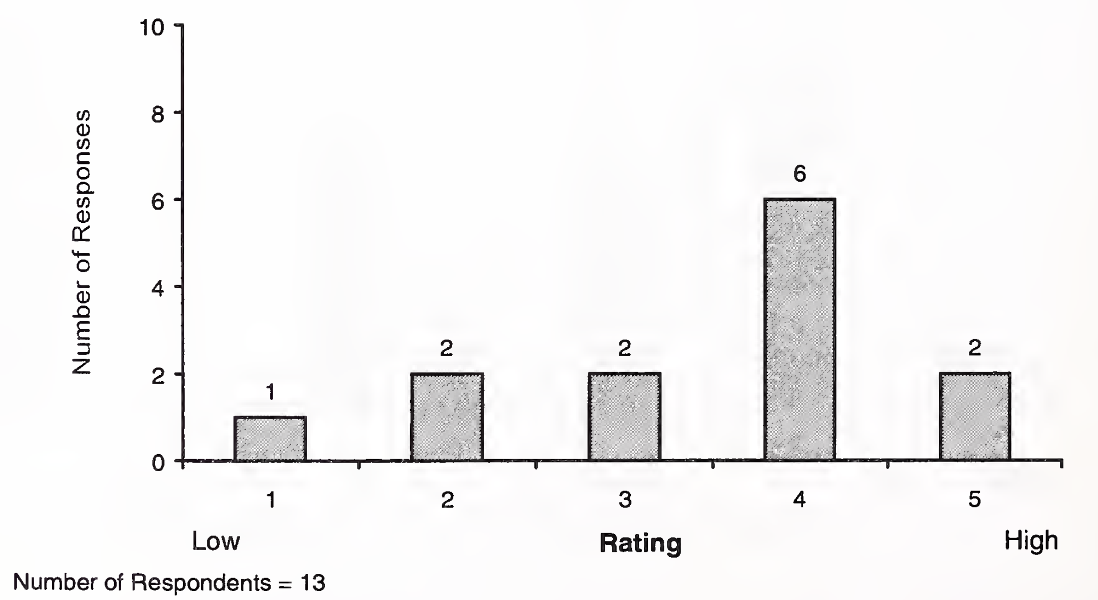
Cap Gemini



Source: INPUT

Exhibit A-7

Compaq



Source: INPUT

Exhibit A-8

CSC

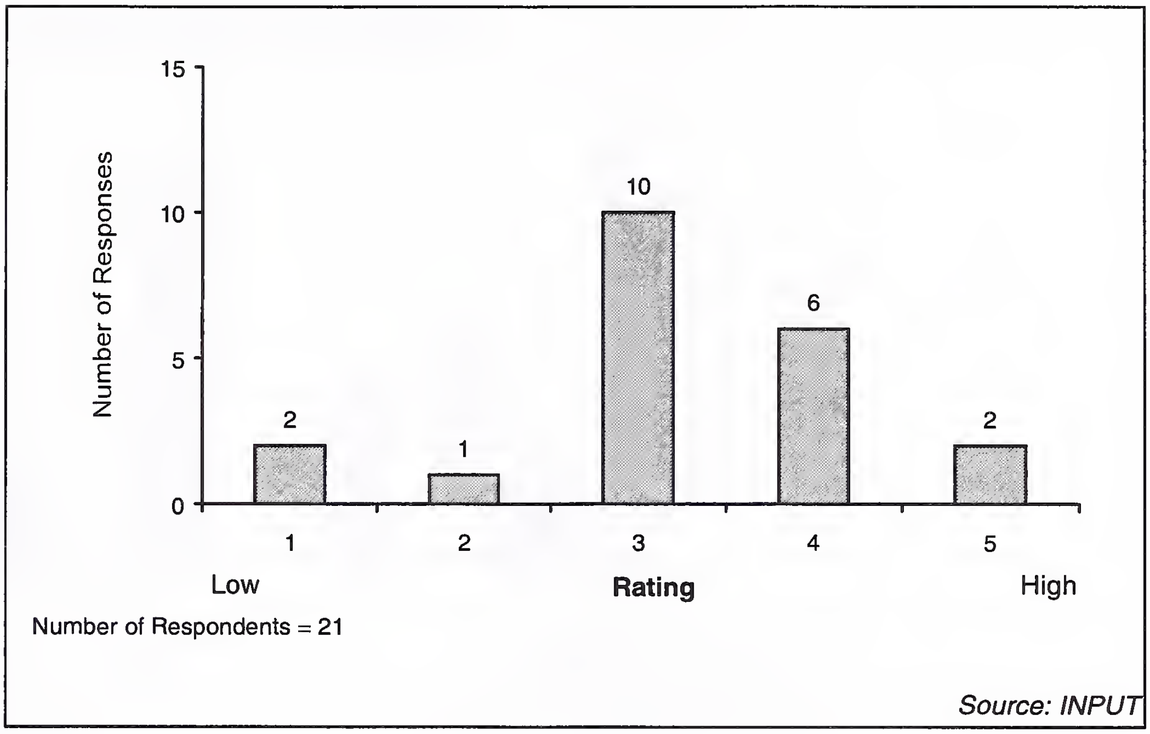


Exhibit A-9

Debis

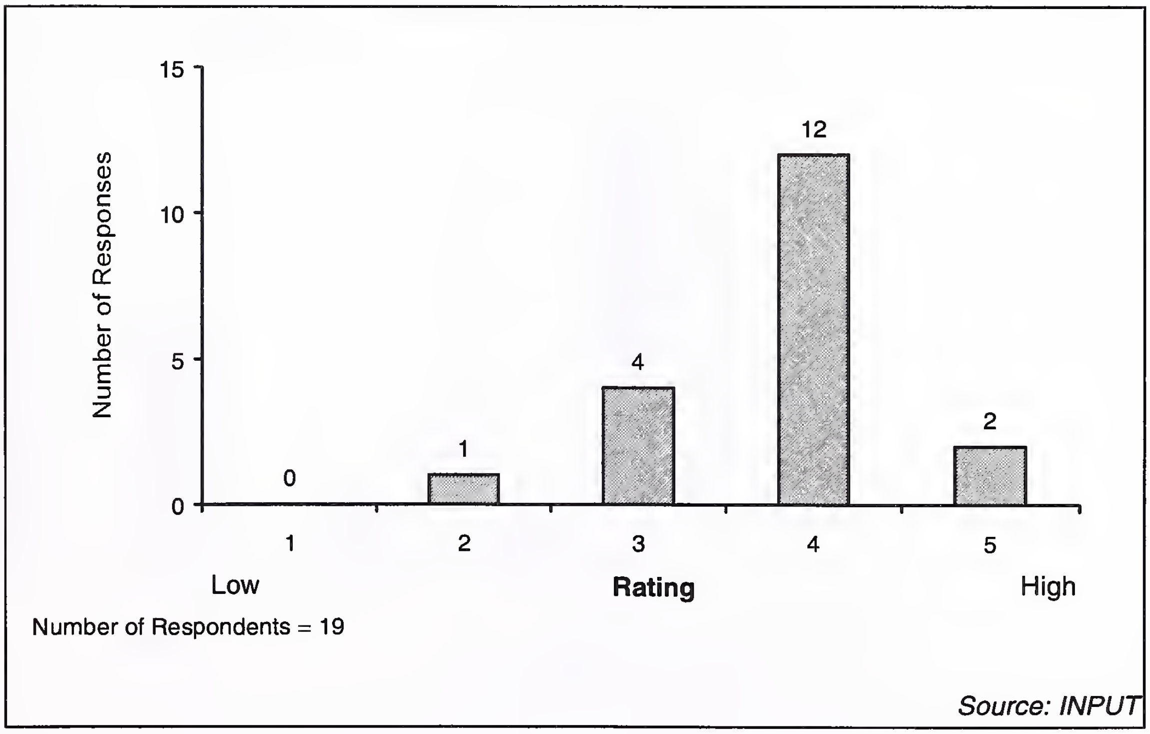
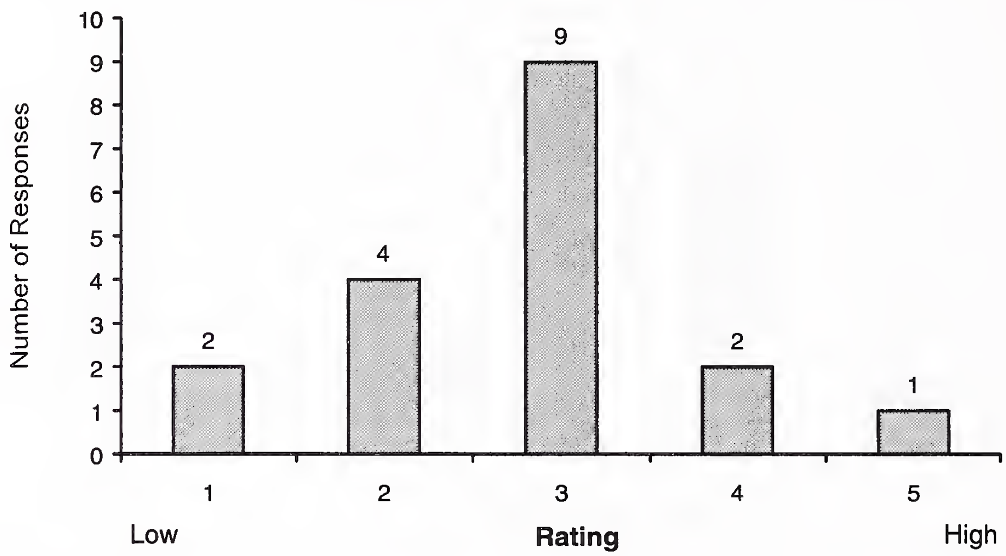


Exhibit A-10

DeTeSystem (DBP Telekom)

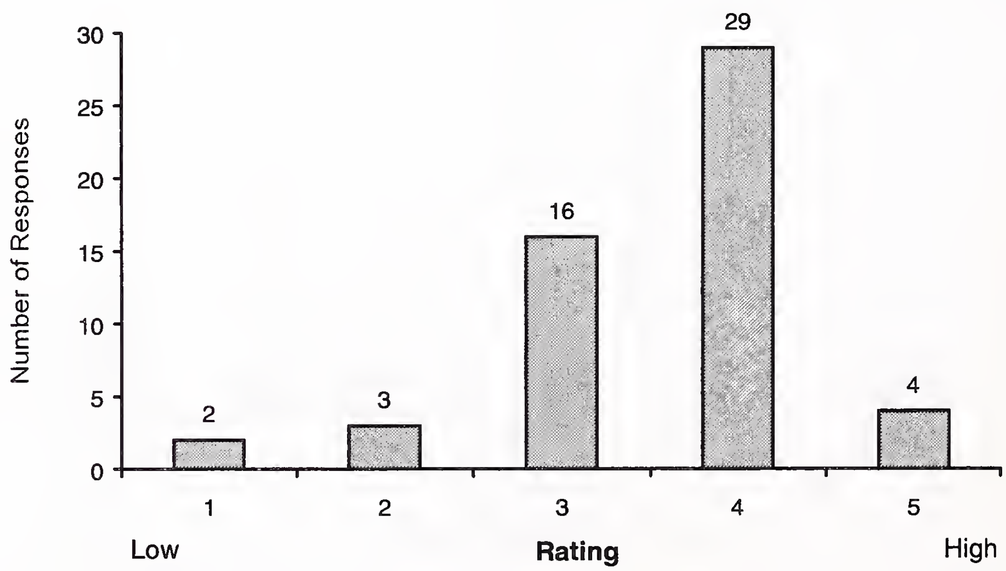


Number of Respondents = 18

Source: INPUT

Exhibit A-11

Digital



Number of Respondents = 54

Source: INPUT

Exhibit A-12

EDS

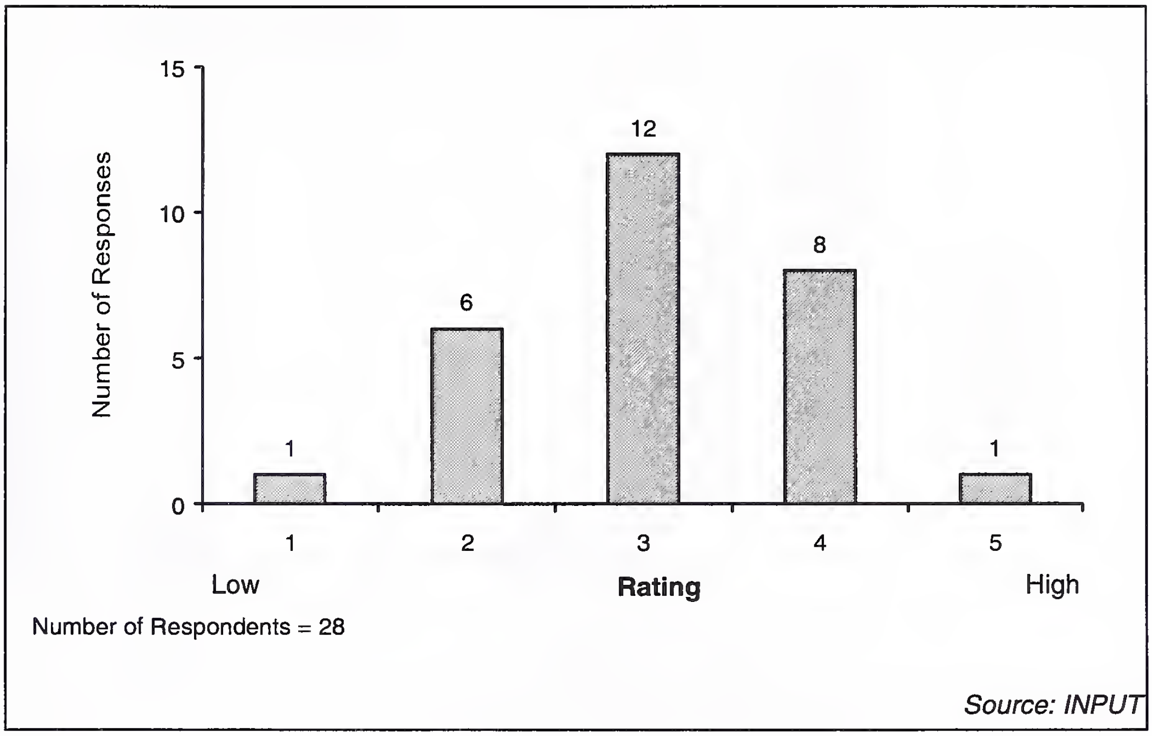


Exhibit A-13

Euriware

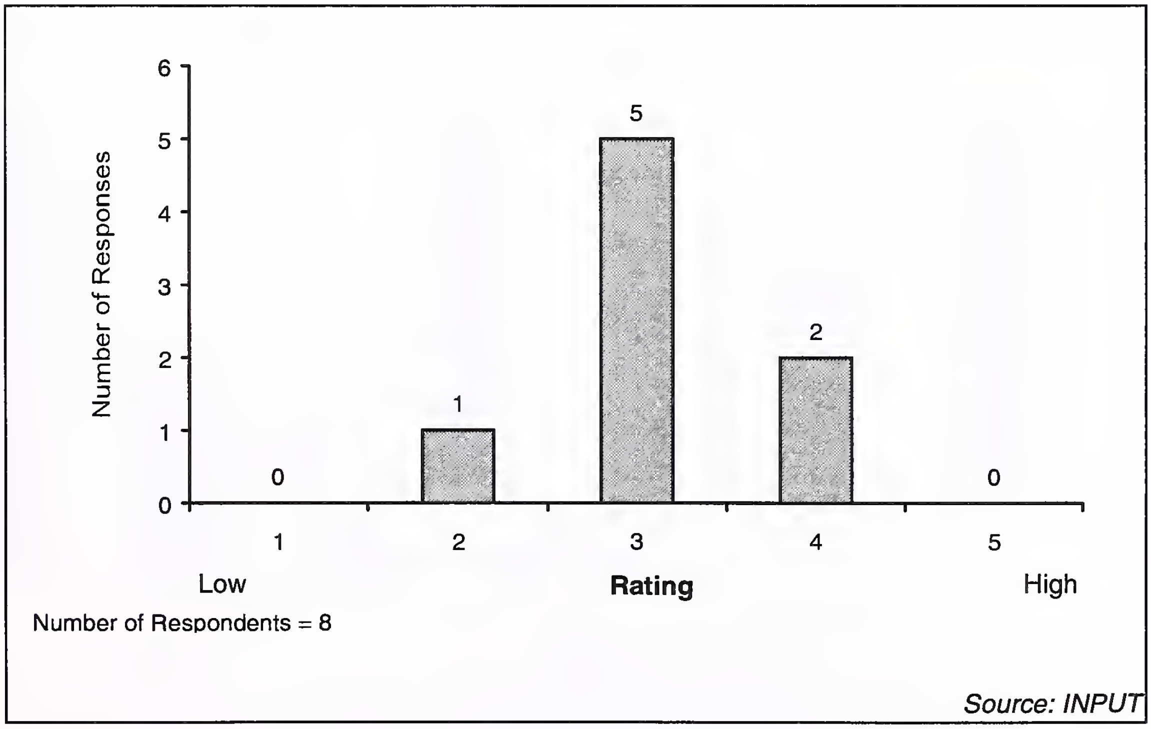
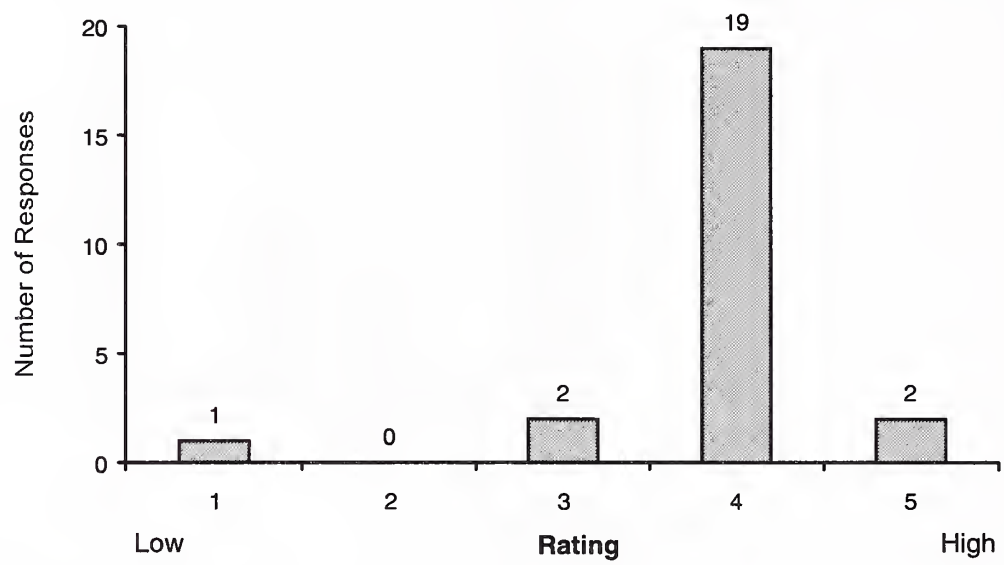


Exhibit A-14

France Telecom

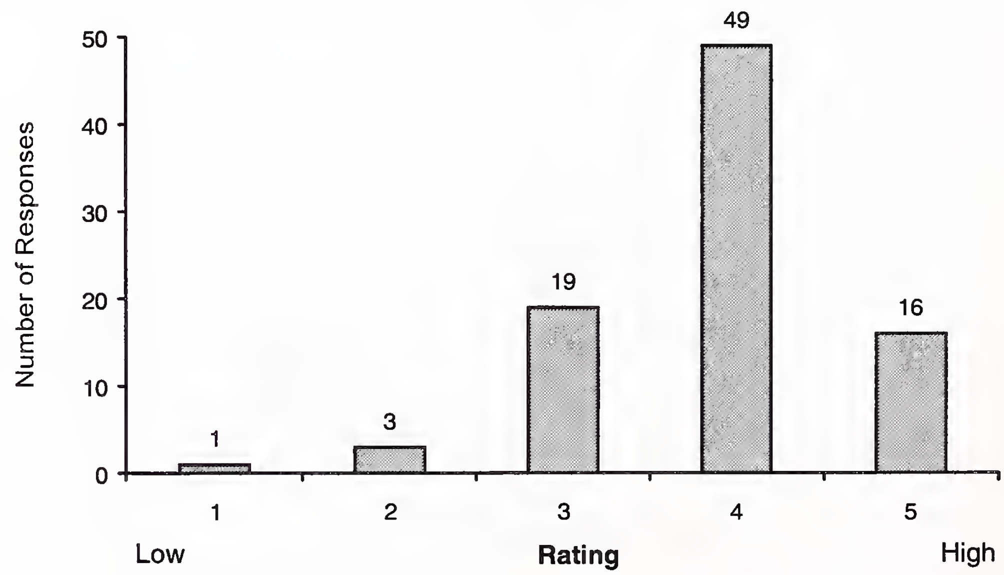


Number of Respondents = 24

Source: INPUT

Exhibit A-15

HP

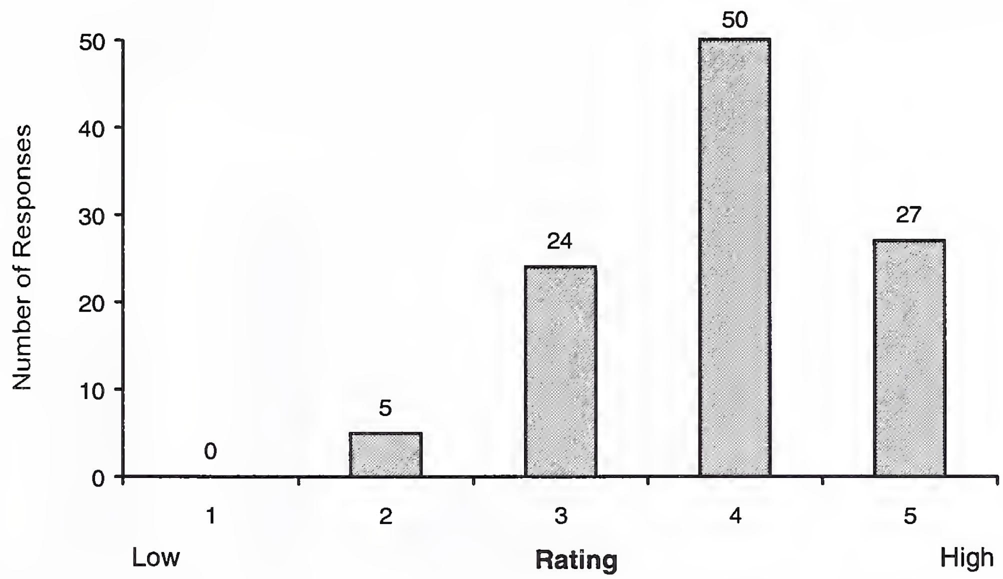


Number of Respondents = 50

Source: INPUT

Exhibit A-16

IBM

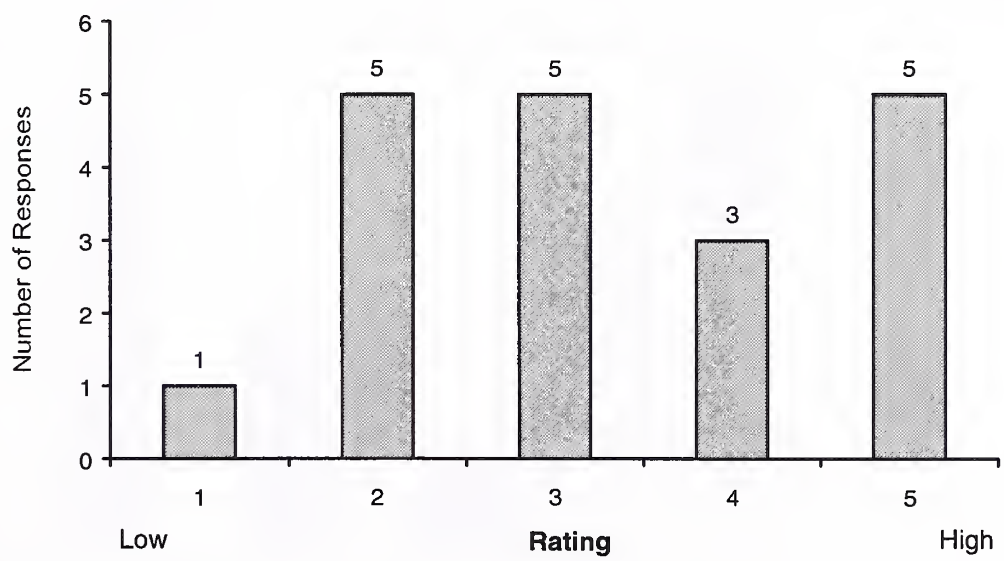


Number of Respondents = 106

Source: INPUT

Exhibit A-17

ICL

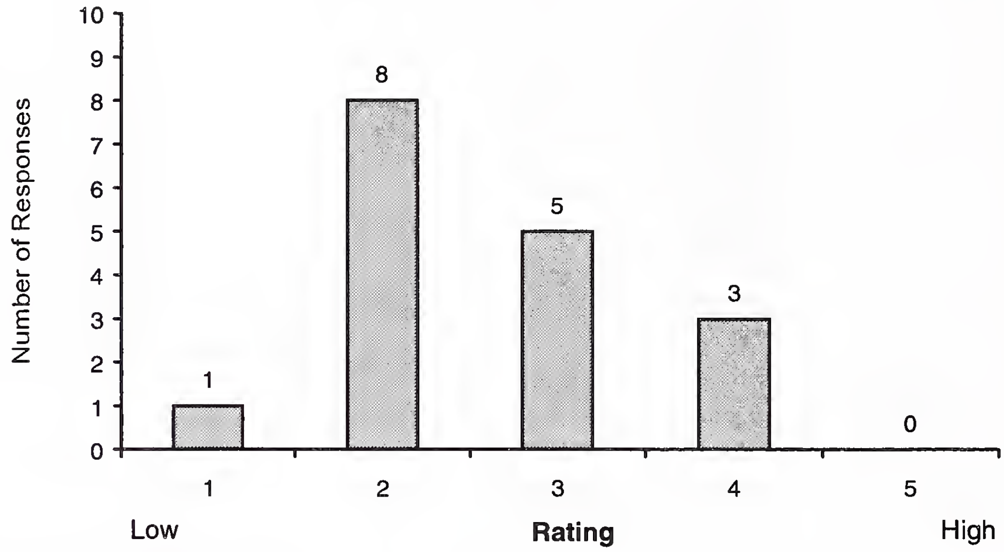


Number of Respondents = 19

Source: INPUT

Exhibit A-18

NCR

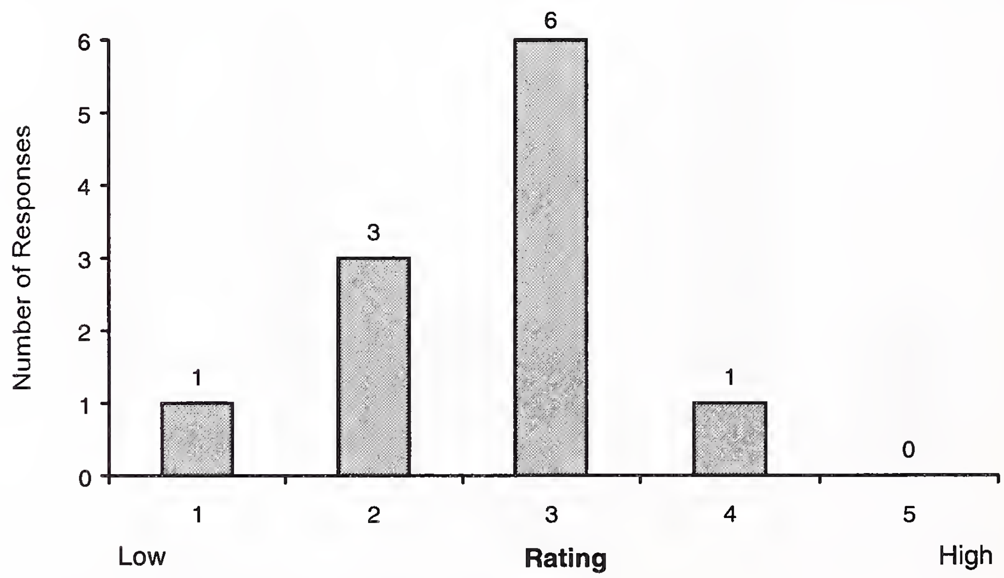


Number of Respondents = 17

Source: INPUT

Exhibit A-19

Origin



Number of Respondents = 11

Source: INPUT

Exhibit A-20

SAP

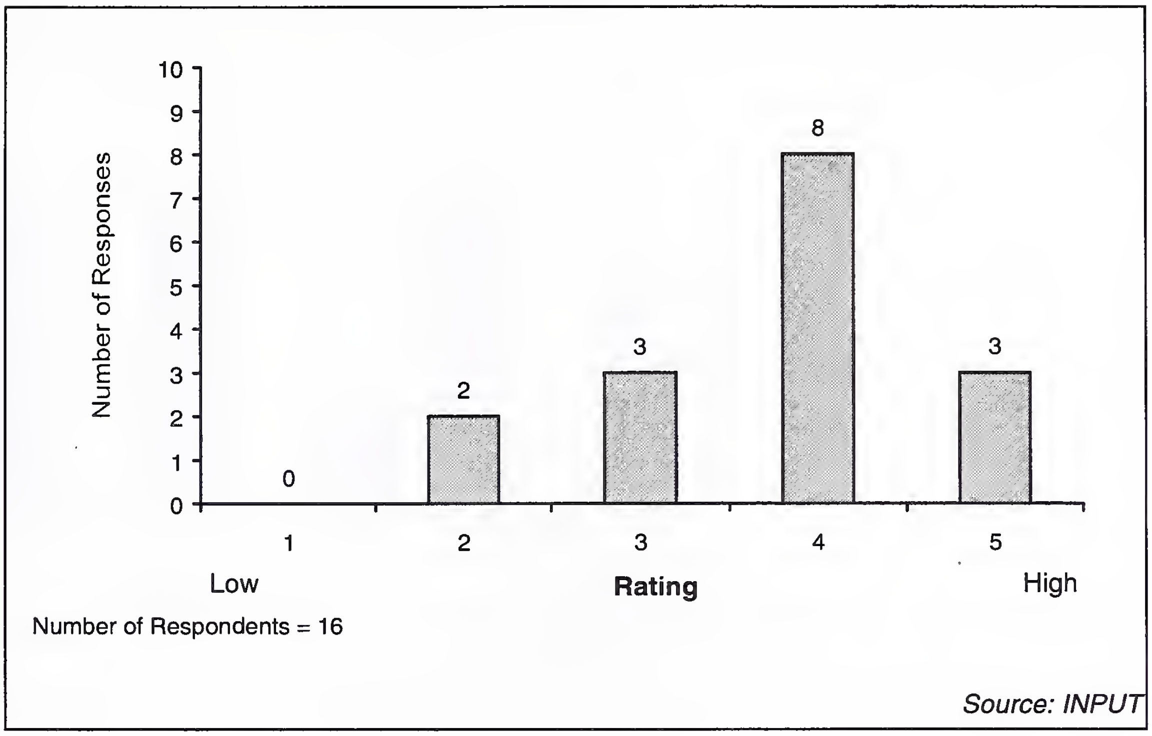


Exhibit A-21

SBS

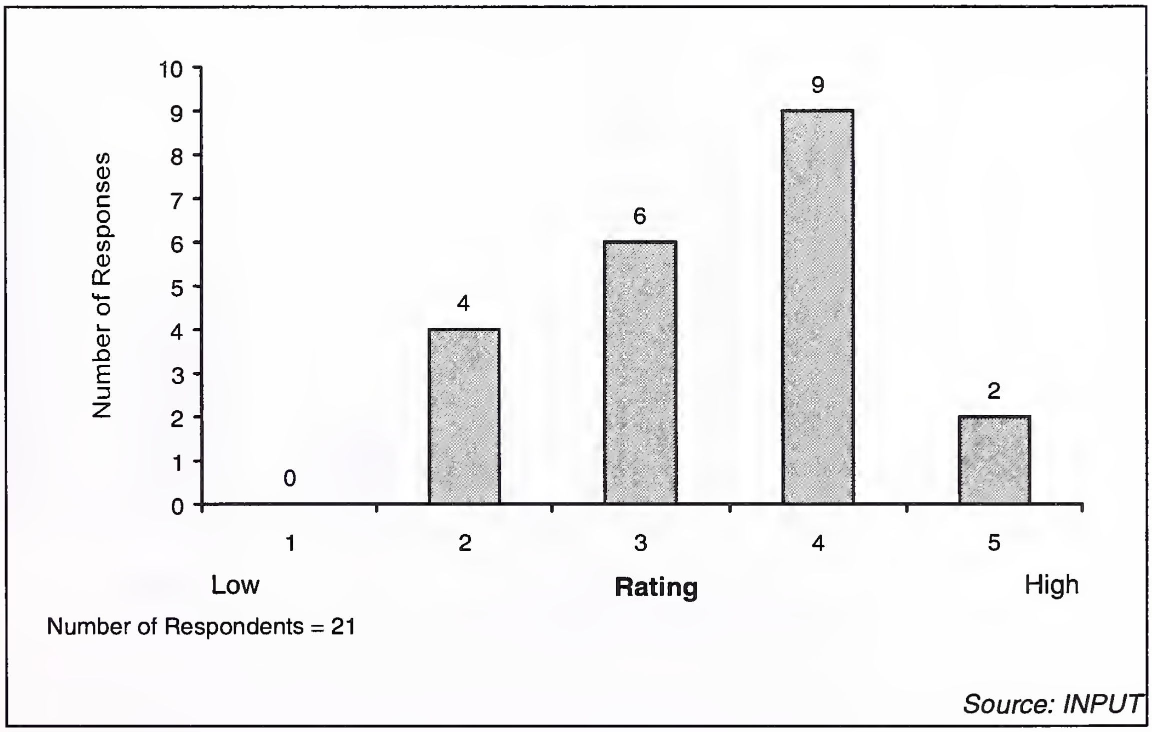
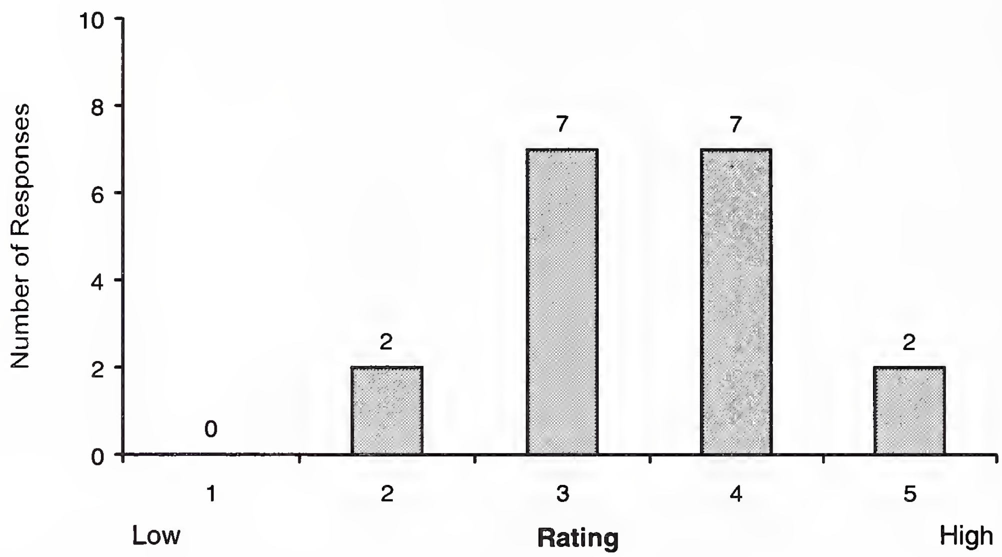


Exhibit A-22

Sema Group

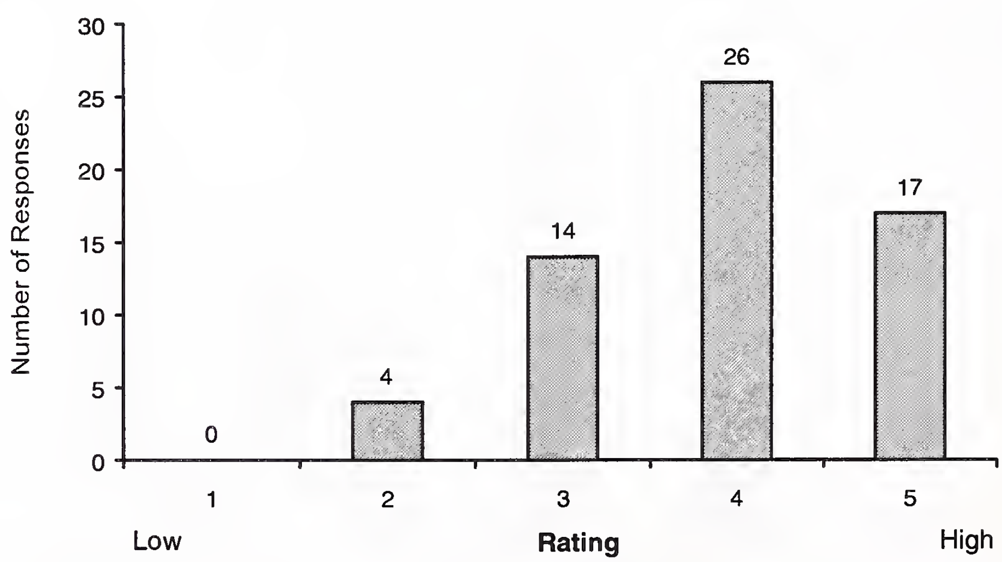


Number of Respondents = 18

Source: INPUT

Exhibit A-23

Sun

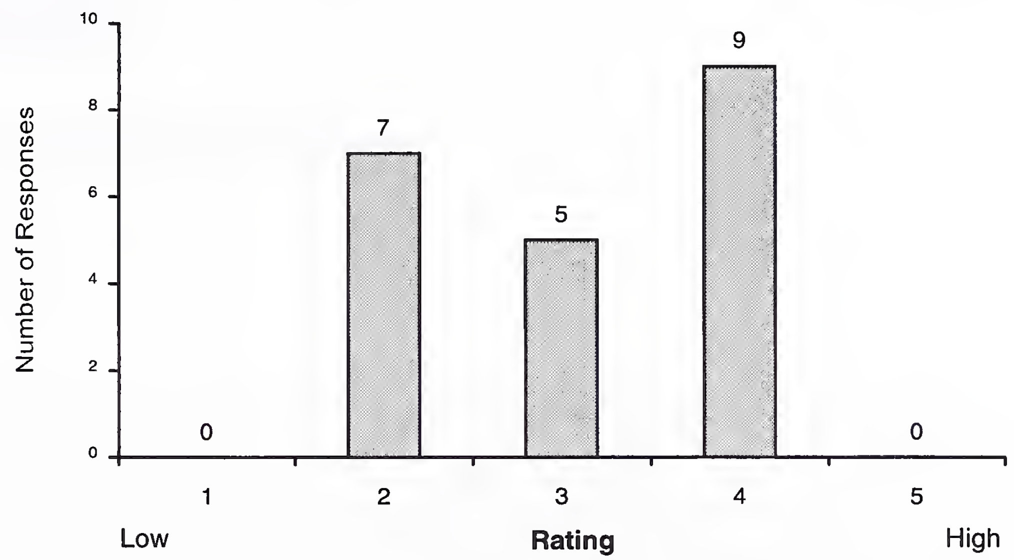


Number of Respondents = 61

Source: INPUT

Exhibit A-24

Unisys



Number of Respondents = 21

Source: INPUT

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B

Questionnaire

A The areas covered by this questionnaire relate to Assessment of Intranet Managed Services. The questionnaire is to be completed by or on behalf of Chief Information Officers, Financial & Administrative Directors, and Chief Executive Officers who are directly implicated in Intranet Managed Services Operations. A report will be produced from the analysis of the completed questionnaires.

All interviewees will receive the executive overview of the survey and a Buyers' Guide presenting the Intranet Managed Services offering of all vendors sponsoring INPUT market research.

SECTION A - Current Intranet Usage

1. Has your organization already implemented an Intranet?*(please circle)*

   Yes No

   Interviewer - If the Answer is Yes - GO TO Question 2
   If the Answer is No - Stop the interview

2. What were your major reasons for implementing an Intranet?

   ____
   ____
   ____

3. How important were each of the following reasons? (Please rate on a scale of 1-5 where 1=not at all important and 5=very important)

   ___ Ease of access to internal information

   ___ Integration of key applications

   ___ Ease of communication with customers and/or suppliers

   ___ To prepare for development of electronic commerce

   ___ Platform standardization

   ___ Business cost savings Level of savings achieved ___%

   ___ IT cost savings Level of savings achieved ___%

4. What are the main applications supported by your Intranet?

   ____
   ____
   ____

   To what extent does your Intranet currently support each of the following applications? (Please rate on a scale of 1-5 where 1=not at all and 5=extensively)

   ___ Accounting

   ___ Sales order processing

   ___ Purchase order processing

___ Processing of internal requisitions

___ Distribution and logistics

___ Sales and marketing

___ Stock control

___ Human resources administration

___ Other (please specify:______________________________)

6. How likely are you to extensively Intranet-enable each of the following applications within 12 months? (Please rate on a scale of 1-5 where 1=not at all likely and 5=very likely)

___ Accounting

___ Sales order processing

___ Purchase order processing

___ Processing of internal requisitions

___ Distribution and logistics

___ Sales and marketing

___ Stock control

___ Human resources administration

___ Other (please specify:______________________________)

7. Is your Intranet?

___ Sufficiently robust to support critical applications?

___ Sufficiently secure to support critical applications?

Comments:____

____

SECTION B - Intranet Support and Management

8. What proportion of your Intranet operations and support are handled internally and what proportion handled by a third-party?

   ____% Internal

   ____% External

9. What proportion of each of the following activities are performed in-house?

   ___% Intranet design

   ___% Intranet implementation

   ___% User training

   ___% User support

   ___% Network provision

   ___% Network management

   ___% Content management

Note to interviewer: If external spending in question 8 is more than 50% skip Section C and ask Section D. Otherwise omit Section D.

SECTION C - In-house Intranet Support and Management

10. Which aspects of your in-house provision of Intranet support and operations are you pleased with?

____

____

____

11. Which aspects of your in-house provision of Intranet support and operations show room for improvement?

____

____

12. How important are and how satisfied are you with each of the following aspects of in-house Intranet support and operations? (Please rate on a scale of 1-5 where 1=not at all important/satisfied and 5=very important/satisfied)

	Importance	Satisfaction
Network response times	___	___
Network availability	___	___
Geographic support coverage	___	___
Cost-effectiveness	___	___
User training	___	___
User help-desk	___	___
Problem resolution	___	___
Security management	___	___
Content management	___	___
Flexibility	___	___

13a How adequate is your in-house Intranet support and operations to support future business needs? (Please rate on a scale of 1-5 where 1=not at all adequate and 5=very adequate)

___

If scores 4 or more, go to Q14.

13b Which aspects of your in-house Intranet support and operations need to be improved to address future needs?

____

____

SECTION D - Third-Party Intranet Support and Management

14. Which aspects of your third-party provision of Intranet support and operations are you pleased with?

____

____

____

15. Which aspects of your third-party provision of Intranet support and operations show room for improvement?

____

____

16. How important are and how satisfied are you with each of the following aspects of third-party Intranet support and operations? (Please rate on a scale of 1-5 where 1=not at all important/satisfied and 5=very important/satisfied)

	Importance	Satisfaction
Network response times	___	___
Network availability	___	___
Geographic support coverage	___	___
Cost-effectiveness	___	___
User training	___	___
User help-desk	___	___

Problem resolution	___	___
Security management	___	___
Content management	___	___
Flexibility	___	___

17a What benefits did you expect to achieve by using a third party for Intranet support? To what extent have each of these benefits been achieved? (Please rate on a scale of 1-5 where 1=not at all and 5=very well)

Benefit	*Level of achievement*
________________________________	__________
________________________________	__________
________________________________	__________

17b If you expected to achieve cost savings, what proportion cost savings have you achieved in practice? ___%

SECTION E - SLAs

18a. Do you have a Service Level Agreement (SLA) in place for your Intranet?

Y/N

18b. If yes, is the SLA an external or internal agreement?

Internal/External

18c. If external, please name the supplier with whom it was agreed.

Supplier ______________

19. What network availability guarantees does your Intranet support/management SLA include?

___ 90%-95% availability

___ 95%-97% availability

___ 97%-99% availability

___ 99% - 99.5% availability

___ Over 99.5% availability

___ No availability guarantee

20. What service coverage does your SLA guarantee?

___ 24x7 Coverage

___ 24x5 Coverage

___ Business hours

___ No service coverage

___ Other (please specify)_________________

SECTION F - Attitudes to Outsourcing

21. To what extent do you require external assistance in: (Please rate on a scale of 1-5 where 1=very little and 5=very considerable)

___ Implementing Intranets

___ Provision of networks

___ Supporting your technical Intranet infrastructure

___ Operating your Intranet infrastructure

22a To what extent would you like to purchase secure access to remotely hosted applications via the Internet or your Intranet? (Please rate on a scale of 1-5 where 1=not at all and 5=very important)___

Why/why not?

___

___

___

If score 2 or less, go to Q23

22b Which applications would you like to access in this way?

___

___

23a What proportion of your Intranet operations and support do you expect to be handled externally in two years? ___%

23b How likely are you to outsource the entire operation and support of your Intranet within the next two years? (Please rate on a scale of 1-5 where 1=not at all likely and 5=very likely)

___

23c What do you perceive to be the major benefits of outsourcing the operation and support of your Intranet?

___

___

SECTION G - Buying Process

24. Which Intranet managed services and operations providers do you already use? Which Intranet managed services and operations providers are you most likely to evaluate?

ALREADY USE: --

MOST LIKELY TO EVALUATE: --

25. Which vendors do you believe are best positioned to manage and operate your Intranet or provide Intranet based-services? *(please indicate if you use or know them and rate their capabilities on a scale of 1 to 5, where 1 = poor, to 5 = extremely capable)*

Interviewer PLEASE ROTATE when needing to read out list

	Use or have used Y/N	Only know Y/N	Unknown Y/N	Capabilities (1-5)
Vendor 1 etc				
Other *(please define)*				

SECTION H - Background and Costs

26a How many users currently have access to your Intranet? ____

26b What proportion of your organization's employees currently have access to your Intranet?___%

27a Could you estimate your annual Intranet expenditure? ____£m

27b What proportion of this expenditure is spent with third party vendors? ___%

28 Could you estimate the proportion of your Intranet budget dedicated to:

. Hardware equipment: ______%

. Software products: ______%

. Operations and support: ______%

Total ***100%***

Regarding your Intranet operations and support, could you estimate the proportion dedicated to:

. Implementation/Deployment: ______%

. Maintenance: ______%

. Management: ______%

. Education/Training: ______%

. End-User Support: ______%

. Other (please define): ______%

Total ***100%***

29. How many people (full-time equivalent) are involved in your Intranet management and operations? _______ people of which _______ % external

Thank you very much for your time and assistance with this questionnaire