U.S. Information Services Market Forecast and Analysis, 1993-1998

Robert Goodwin
Manager
Information Services
Market Analysis Program
INPUT

1993: The Worst of Times

- Slow recovery from global recession
- Intense competition
- Demise of proprietary systems
- Mainframe and mini shipment decline
- Systems software's lower growth

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Notes

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1993: The Worst of Times

- Profit squeeze
- Client/server paradigm creates risks
- Complex user-driven solutions
- Longer selling cycles
- Maturation of major markets
- 12% CAGR, 1993-1998

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1993: The Best of Times

- Recovery from recession (slow)
- Globalization of IS
- Client/server creates opportunities
- Open systems standards and acceptance
- Customizable software products

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1993: The Best of Times

- Business process change
- Multimedia
- Information super-highway
- PC/Workstation software products growth
- 12% CAGR, 1993-1998, $285 billion in aggregated new revenues

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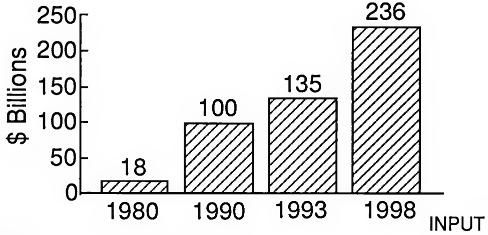
U.S. Information Services Industry 1970-1998



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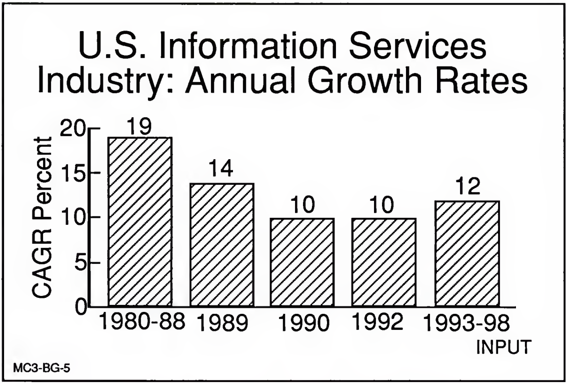

U.S. Information Services Industry: Annual Growth Rates
CAGR Percent
20
15
10
5
0
19
14
10
10
12
1980-88
1989
1990
1992
1993-98
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Notes

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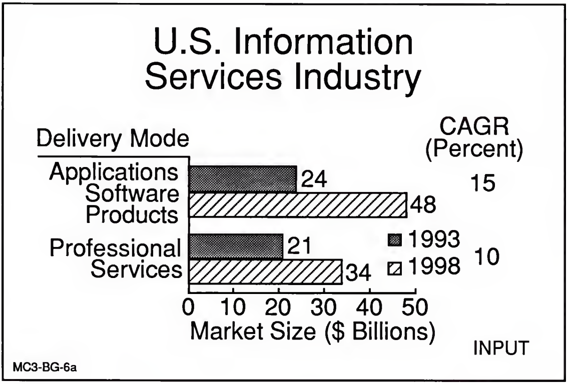
U.S. Information
Services Industry
Delivery Mode
CAGR
(Percent)
Applications
Software
Products
24
48
15
Professional
Services
21
34
1993
1998
10
0 10 20 30 40 50
Market Size ($ Billions)
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Notes

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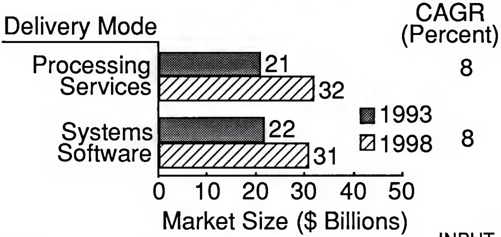
U.S. Information Services Industry



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Notes

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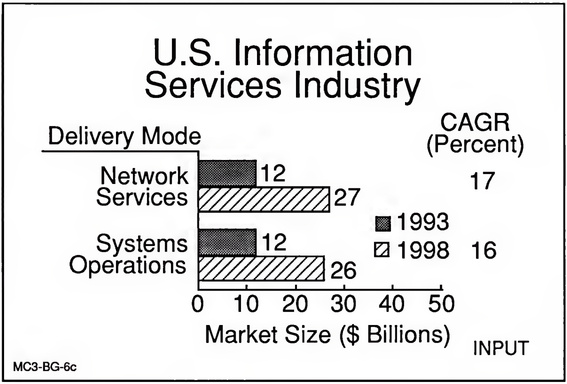
U.S. Information
Services Industry
Delivery Mode
CAGR
(Percent)
Network
Services
12
27
17
1993
1998
Systems
Operations
12
26
16
0
10
20
30
40
50
Market Size ($ Billions)
INPUT
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Notes

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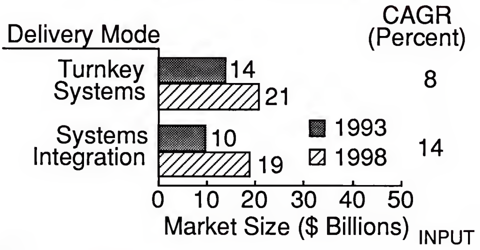
U.S. Information Services Industry



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Equipment Forecast Scenarios, 1993-98

- PC/Workstation
  - Unit growth rate 25%
  - Annual price erosion 20%
  - Revenue growth 5%

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Equipment Forecast Scenarios, 1993-98

- Minicomputers
  - Unit growth rate 6%
  - Annual price erosion 8%
  - Revenue growth -2%

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Equipment Forecast Scenarios, 1993-98

- Mainframes
  - Unit growth rate -3%
  - Annual price erosion 8%
  - Revenue growth -11%

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Notes

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Systems Software Products Major Forecast Changes

	Market CAGR (%)	
	1992-97	1993-98
Mainframe	10	1
Mini	11	4
PC/Workstation	22	19
Total Market	14	8

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Notes

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Systems Software Product Forecasts

	1992-97 CAGR (%)	1993-98 CAGR (%)
Systems control products	10	1
Operations mgmt. tools	11	7
Application development tools	13	12

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Systems Software Products: Reduced Growth Rates

- Possible "implosion"
- Rapid decline in mainframe equipment shipments
- PC equipment: saturated market?

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Systems Software Products: Reduced Growth Rates

- Downward pricing pressures
  - Mainframe software price reductions
  - PC software price wars
  - User expectations
- Software products becoming commodities

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Systems Software Products: Reduced Growth Rates

- Phase-out of tiered pricing
- Enterprise software licensing trends
  - Long-term
  - User-based
  - Fixed price maintenance

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Notes

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Software Product Pricing

- Downward pull in rough proportion to equipment price decline, but with lower amplitude
  - Software is value-added component
  - Client/server pricing can minimize erosion
- Pricing flexibility in Middleware

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Software Market Positioning Issues

- Major battle: Windows NT and NetWare/UNIX for server markets
- Standardization of UNIX operating system
- Control of operating system market brings control of application solutions

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Professional Services Markets

Platform	1992 Revenues (%)	1998 Revenues (%)
Mainframe	52	15
Workstation/PC	25	60
Midrange	21	15
Standalone open systems	2	10
Total	100	100

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Notes

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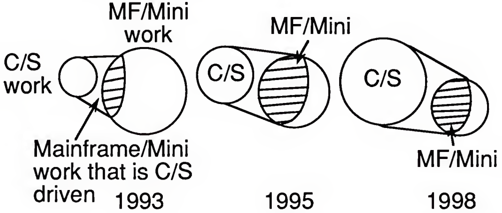
Client/Server Influence on Professional Services Work



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Business Process Change Leverage on Information Services

BPC drives new information services

- Restructuring organizations
- Quality programs
- Cost reduction/value
- C/S architecture
- Imaging

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Rising Cost of Sales: Drain on Vendor Profits

- Complex solutions require longer selling cycle
- Recessionary thinking causes buyer caution, slower decisions
- More frequent ROI analysis causes delays

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Rising Cost of Sales: Drain on Vendor Profits

- Multi-dept. user involvement complicates decision
- New training needed for sales forces:
  - Technical competence
  - Complex selling/buying cycle

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Notes

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Conclusions

The best of times *IS* here,
for vendors who can:

- Deliver client/server solutions
- Achieve global presence
- Deliver open systems solutions
- Sell/consult at strategic levels

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Notes

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Conclusions

The best of times *IS* here,
for vendors who can:

- Provide software solutions on multiple operating systems
- Form alliances to expand client/server product scope, skill sets, market coverage

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Notes

Conclusions

The best of times *IS* here,
for vendors who can:

- Build alternate delivery channels
- Provide customizable products
- Offer a continuum of services

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Notes

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Conclusions

The best of times *IS* here, for vendors who can:

- Invest in sales training
  - Sales staff
  - Support staff

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Notes

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Conclusions

The best of times *IS* here,
for vendors who can:

- Leverage their expertise
  - Vertical market
  - Technology/establish technology centers

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Robert L. Goodwin
Manager, Information Services
Market Analysis Program

PROFILE

CAPABILITIES

- Twenty-five years of successful sales, marketing, and general management in the computer equipment, remote processing services, and software industries.
- Expertise in business plan development, strategic partnering and acquisitions, industry marketing, VAR and reseller operations.

BACKGROUND

- Robert (Bob) Goodwin brings to INPUT and its clients comprehensive experience in executive management in large and mid-size corporations.
- Most recently, Senior Vice President–Marketing, Hotel Information Systems, leading vendor of global information systems to the hospitality industry.
- He has served as President of Command Data Systems, a public safety software and turnkey systems vendor. With Bob's leadership and marketing strategy, CDS became a highly visible and respected vertical market leader.
- Bob's qualifications include the role of Director of Marketing for Xerox Computer Services, in support of all field sales and customer services activities.
- At IBM, Bob served as Branch Manager and Assistant District Manager.
- Chairman, Electronic Forms Transfer Committee, ITAA

EDUCATION

- B.A., Psychology, Occidental College.
- Attended the MBA program, Golden Gate University.