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# CURRENT STATUS OF THE PROFESSIONAL SERVICES INDUSTRY

**Peter A. Cunningham**
**President**
**INPUT**



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- Environment
- Market
- Conclusions


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# ENVIRONMENT

5JJJJ PAC (2) S8 (s)

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# INDUSTRY SLOWDOWN

6 JJJJ PAC (2) S25 (s)

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# LAW 1

## Rate of Supply >

## Rate of Absorption

7JJJJ PAC (2) S27 (s)

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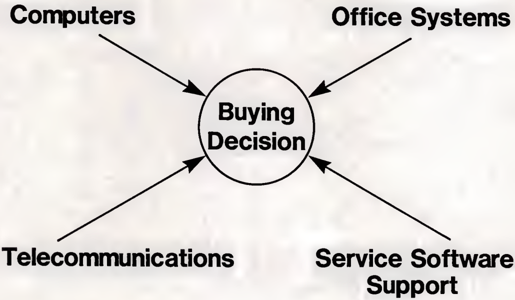
## COMPLEXITY





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# MARKET



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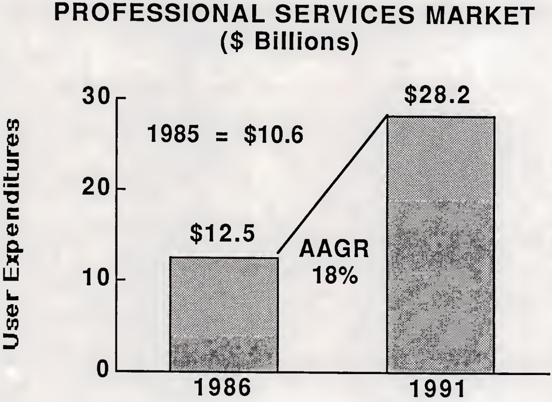


28JJJJBDJz(s)26

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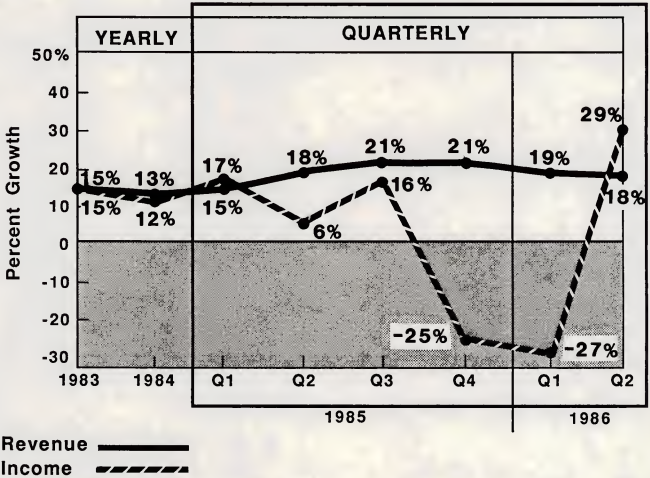
# PUBLIC PROFESSIONAL SERVICES VENDORS



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## PROFESSIONAL SERVICES: DRIVING FORCES

- \- More User Willingness to Compromise on Uniqueness
- \+ More Software Product Related
- \+ More Focus on Internal Productivity
- \+ Increased Industry Specialization
- \+ Federal Government Vendors Becoming Commercial Vendors



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# MARKET PRESSURES

- Reduced In-House Capability

- Pervasiveness of Information Systems

- Demands for Productivity



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# U.S. PROFESSIONAL SERVICES LEADERS 1985

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | IBM | $977 | 9% |
| 2 | Computer Sciences Corp. | 609 | 6% |
| 3 | Arthur Andersen | 400 | 4% |
| 4 | Peat, Marwick, Mitchell & Co. | 220 | 2% |
| 5 | Burroughs/Systems Development Corp. | 210 | 2% |



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# U.S. PROFESSIONAL SERVICES LEADERS 1985

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | General Motors/EDS | $200 | 2% |
| 7 | Martin Marietta Data Systems | 200 | 2% |
| 8 | Sperry Computer Corp. | 200 | 2% |
| 9 | Bolt, Beranek & Newman | 161 | 2% |
| 10 | Logicon | 150 | 1% |



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# INDUSTRY PROFESSIONAL SERVICES MARKETS

| INDUSTRY SECTOR | 1986-1991 AAGR (Percent) | USER EXPENDITURES ($ Billions) | |
|---|---|---|---|
| | | 1986 | 1991 |
| Discrete Manufacturing | 21% | $2.0 | $5.3 |
| Process Manufacturing | 22% | $1.1 | $3.0 |
| Transportation | 21% | $0.2 | $0.4 |
| Utilities | 9% | $0.1 | $0.1 |
| Telecommunications | 25% | $0.5 | $1.5 |

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# INDUSTRY PROFESSIONAL SERVICES MARKETS

| INDUSTRY SECTOR | 1986-1991 AAGR (Percent) | USER EXPENDITURES ($ Billions) | |
|---|---|---|---|
| | | 1986 | 1991 |
| Distribution | 18% | $0.6 | $1.5 |
| Banking and Finance | 19% | $1.5 | $3.6 |
| Insurance | 15% | $0.9 | $1.9 |
| Medical | 22% | $0.3 | $0.7 |
| Education | 9% | $0.1 | $0.1 |

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# INDUSTRY PROFESSIONAL SERVICES MARKETS

| INDUSTRY SECTOR | 1986-1991 AAGR (Percent) | USER EXPENDITURES ($ Billions) | |
|---|---|---|---|
| | | 1986 | 1991 |
| Services | 19% | $0.2 | $0.4 |
| Federal Government | 11% | $3.2 | $5.5 |
| State and Local Government | 17% | $1.6 | $3.5 |
| Other | 20% | $0.3 | $0.7 |

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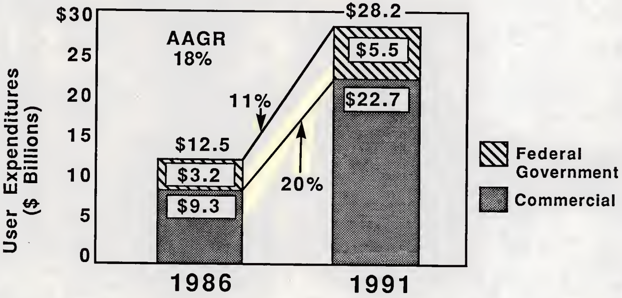
# FEDERAL GOVERNMENT/COMMERCIAL PROFESSIONAL SERVICES MARKETS



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# U.S. PROFESSIONAL SERVICE LEADERS 1985, COMMERCIAL SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | IBM | $684 | 6% |
| 2 | Arthur Andersen | 296 | 4% |
| 3 | Computer Sciences Corp. | 250 | 3% |
| 4 | Peat, Marwick, Mitchell & Co. | 174 | 2% |
| 5 | McGraw-Hill | 135 | 2% |

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, COMMERCIAL SEGMENT

| RANK | VENDOR | USER EXPENDI-TURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | AGS | $117 | 2% |
| 7 | Computer Task Group | 110 | 1% |
| 8 | Sterling Software | 107 | 1% |
| 9 | Price Waterhouse | 97 | 1% |
| 10 | DBA Systems | 91 | 1% |

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, FEDERAL GOVERNMENT SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | Computer Sciences Corp. | $359 | 13% |
| 2 | IBM | 293 | 11% |
| 3 | Burroughs/Systems Devl. Corp. | 147 | 5% |
| 4 | General Motors/EDS | 140 | 5% |
| 5 | MITRE | 140 | 5% |

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, FEDERAL GOVERNMENT SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | Sperry Computer Corp. | $140 | 5% |
| 7 | Martin Marietta Data Systems | 130 | 5% |
| 8 | Logicon | 120 | 4% |
| 9 | Arthur Andersen | 104 | 4% |
| 10 | Planning Research Corp. | 85 | 3% |

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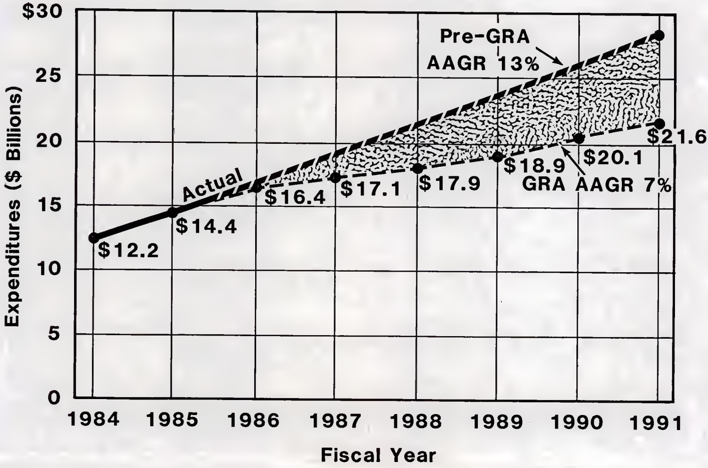
## GRAMM-RUDMAN IMPACT ON FORECAST



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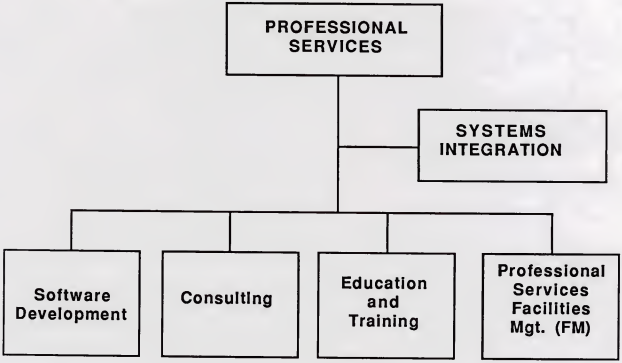
# PROFESSIONAL SERVICES MARKET STRUCTURE

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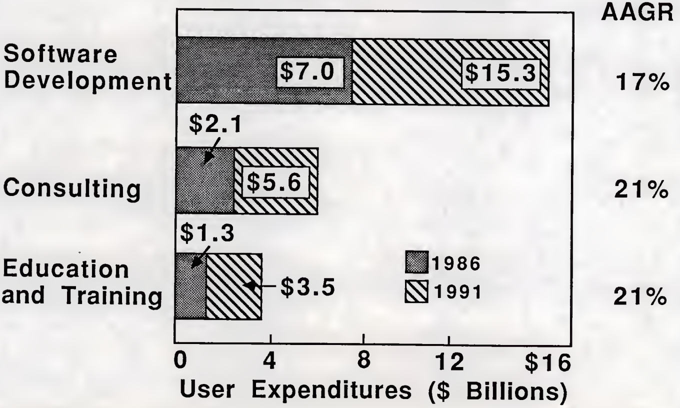
## PROFESSIONAL SERVICES MARKET BY MODE




32JJJJ BD S (s) 35

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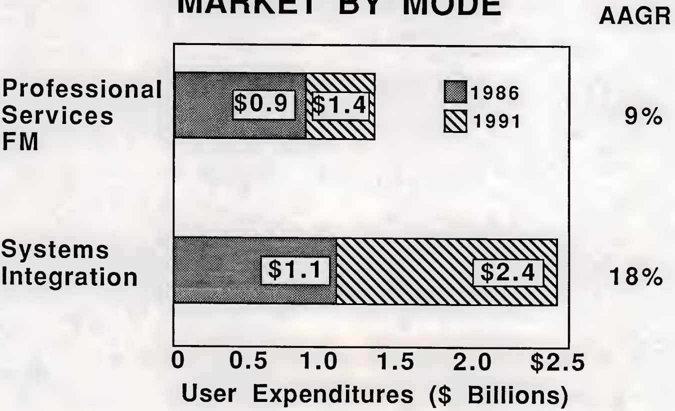
# PROFESSIONAL SERVICES MARKET BY MODE




33JJJJ BD S (s) 34

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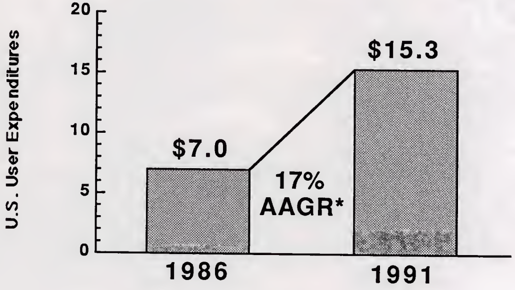
# SOFTWARE DEVELOPMENT MARKET, 1986-1991
## ($ Billions)




*Average Annual Growth Rate

MAPS1186capgem26

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, SOFTWARE DEVELOPMENT SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | IBM | $399 | 7% |
| 2 | Arthur Andersen | 240 | 4% |
| 3 | Computer Sciences Corp. | 158 | 3% |
| 4 | Burroughs/Systems Devl. Corp. | 127 | 2% |
| 5 | Price Waterhouse | 111 | 2% |



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# U.S. PROFESSIONAL SERVICE LEADERS 1985, SOFTWARE DEVELOPMENT SEGMENT

| RANK | VENDOR | USER EXPENDI-TURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | Peat, Marwick, Mitchell & Co. | $110 | 2% |
| 7 | MITRE | 91 | 2% |
| 8 | Computer Task Group | 89 | 1% |
| 9 | AGS | 82 | 1% |
| 10 | Sterling Software | 75 | 1% |

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# KEY ISSUES
# SOFTWARE DEVELOPMENT

- Lack of Skilled In-House Resources
- (Embedded) Software Tools
- More Powerful and Flexible Software Packages
- "Buy and Try" Approach
- Extensive Competition



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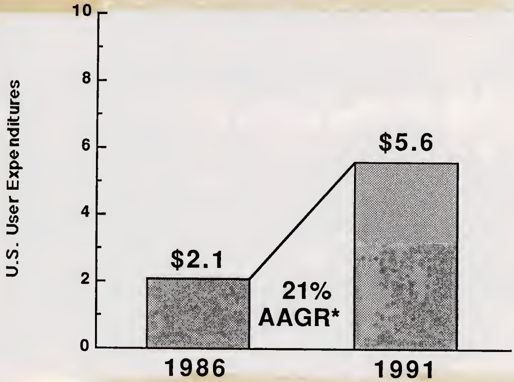
# CONSULTING MARKET, 1986-1991
## ($ Billions)




*Average Annual Growth Rate

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, CONSULTING SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | IBM | $342 | 19% |
| 2 | Arthur Andersen | 100 | 6% |
| 3 | Computer Sciences Corp. | 97 | 5% |
| 4 | Peat, Marwick, Mitchell & Co. | 88 | 5% |
| 5 | McGraw-Hill | 74 | 4% |

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, CONSULTING SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | Burroughs/Systems Devl. Corp. | $63 | 4% |
| 7 | Digital Equipment Corp. | 62 | 3% |
| 8 | Bolt, Beranek & Newman | 60 | 3% |
| 9 | Sperry Computer Corp. | 50 | 3% |
| 10 | MITRE | 49 | 3% |

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# KEY ISSUES CONSULTING

- Corporate Visibility of DP
- Plethora of "Solutions"
- Competition from Non-DP-Oriented Vendors



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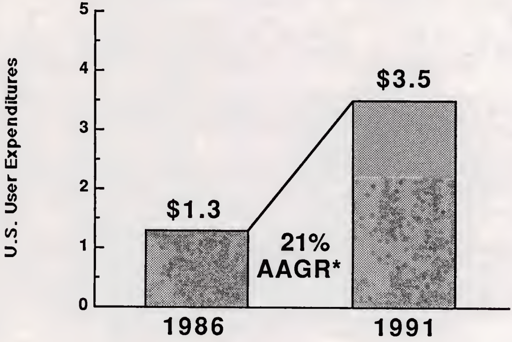
# EDUCATION AND TRAINING, 1986-1991
## ($ Billions)




*Average Annual Growth Rate

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, EDUCATION AND TRAINING SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | IBM | $147 | 13% |
| 2 | McGraw-Hill | 61 | 5% |
| 3 | Arthur Andersen | 60 | 5% |
| 4 | Deltak | 60 | 5% |
| 5 | Logicon | 37 | 3% |



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# U.S. PROFESSIONAL SERVICE LEADERS 1985, EDUCATION AND TRAINING SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | Computer Sciences Corp. | $30 | 3% |
| 7 | ASI | 30 | 3% |
| 8 | Computer Horizons | 26 | 2% |
| 9 | Sperry Computer Corp. | 25 | 2% |
| 10 | Peat, Marwick, Mitchell & Co. | 22 | 2% |

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# KEY ISSUES
# EDUCATION AND TRAINING

- Ubiquity of Automated Information Systems
- Rapid Technical Changes
- Lack of a Critical Mass
- Low Perceived Value


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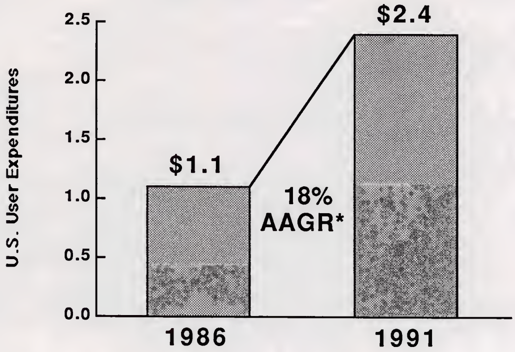
# SYSTEMS INTEGRATION MARKET, 1986-1991
## ($ Billions)




*Average Annual Growth Rate

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, SYSTEMS INTEGRATION SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | Computer Sciences Corp. | $100 | 11% |
| 2 | IBM | 90 | 10% |
| 3 | General Motors/Electronic Data Systems | 75 | 8% |
| 4 | Sperry Computer Corp. | 75 | 8% |



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# U.S. PROFESSIONAL SERVICE LEADERS 1985, SYSTEMS INTEGRATION SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 5 | Bolt, Beranek & Newman | $ 60 | 7% |
| 6 | Science Applications International | 60 | 7% |
| 7 | Martin Marietta Data Systems | 50 | 5% |
| 8 | Planning Research Corp. | 35 | 4% |

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# KEY ISSUES
# SYSTEMS INTEGRATION

- Consolidation of Applications
- Myriad of Alternatives
- Multi-Vendor Environment
- Account Control
- Lack of Adversarial Mentality
- Political Factors



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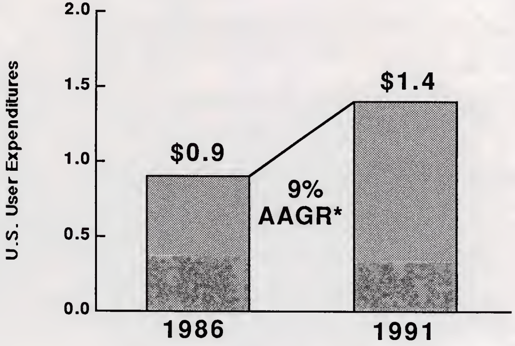
## FACILITIES MANAGEMENT, 1986-1991
## ($ Billions)




*Average Annual Growth Rate



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# U.S. PROFESSIONAL SERVICE LEADERS 1985, FACILITIES MANAGEMENT SEGMENT

| RANK | VENDOR | USER EXPENDITURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 1 | Computer Sciences Corp. | $ 224 | 31% |
| 2 | Martin Marietta Data Systems | 85 | 12% |
| 3 | General Motors/EDS | 50 | 7% |
| 4 | Dynamics Research | 45 | 6% |
| 5 | Lockheed/LEMSCO | 43 | 6% |

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# U.S. PROFESSIONAL SERVICE LEADERS 1985, FACILITIES MANAGEMENT SEGMENT

| RANK | VENDOR | USER EXPENDI-TURES ($ Millions) | MARKET SHARE (Percent) |
|---|---|---|---|
| 6 | Bendix | $ 41 | 6% |
| 7 | Systems & Computer Technology | 31 | 4% |
| 8 | Dynalectron | 29 | 4% |
| 9 | Telos Corp. | 29 | 4% |
| 10 | Planning Research Corp. | 26 | 4% |



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# KEY ISSUES
# FACILITIES MANAGEMENT

- Sophisticated Systems
- Lack of Skilled In-House Staff
- More to Vendor-Owned/Vendor-Operated FM



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# CONCLUSIONS


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# MARKET OPPORTUNITIES

## APPLICATIONS

- Information Systems Upgrades
- Data Management
- Office Automation
- Human Resources
- Supercomputers



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# MARKET OPPORTUNITIES

## INDUSTRIES

- Banking and Finance
- Manufacturing
- Federal Government


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# RECOMMENDATIONS

- Emphasize Support
- Firm Up Project Management
- Gather Prospect Intelligence
- Know the Risks
- Understand the Client
- Develop Capabilities



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