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Customer Services Vendors Find Growth in New Areas

Customer services businesses have continued to develop new revenue streams to compensate for the continuing erosion of the traditional hardware maintenance service business.

The non-hardware maintenance business is predicted to represent nearly 60% of total customer services delivered in 1998 compared to just over 45% today. The analysis of the overall forecast for customer services user expenditure by service sector is shown in Exhibit 1. Expected growth by sector is in inverse proportion to sector size with the exception of the education and training sector.

In Europe users report an expectation that their overall spending on IT will remain static in real terms. In many cases traditional (i.e., mainframe data centre related) expenditure is being cut back and replaced by new developments based on client/server architecture. It is these new systems that are creating opportunities for new types of support services.

In 1993 the mainframe and midrange sector of the customer services market is estimated to account for only 40% of the total, the remainder being generated by workstations and services (20%) and PCs and LANs (40%).

Despite a predicted static position on overall IT spending (i.e., including equipment and internal IS departments) INPUT forecasts a continuing growth in the supply of external information services. This growth (forecast at 8% per year for the period 1993 to 1998) is being fueled by a switch from internal expenditure to external service. Within the customer service sector it is estimated that in excess of $8 billion in potential external expenditure in Europe will be accounted for by bundled system software support and user 'self-service' customer services.

Competitive Environment

Exhibit 2 lists the leading vendors in the European customer services market and indicates revenue analysis by business sector. Typically, as indicated in Exhibit 2, competition is met from equipment vendors and independent maintenance organisations. The more that customer services organisations extend into general IT support activities, the more that competition will be faced from independent software and service vendors.

A further category of competition is encountered in the environmental services sector. Here non-IT firms account for a

Exhibit 1

European Customer Services Market, 1993-1998

Service Sector	($ Billions)		CAGR 1993-1998 (Percent)
	1993	1998	
Hardware Service	14.9	14.1	-1
Environmental Services	7.6	9.9	5
Systems Software Support	1.8	2.7	8
Education & Training	2.6	3.4	6
Professional Services	1.0	1.7	11
Business Continuity Services	0.4	1.0	20
Total	28.3	32.8	3
All Other Services	54.2	84.5	9

substantial part of the market (just over 80%) today, although it is predicted that their market share will be marginally eroded over the next five years. This category of competition comprises:

- Building and construction companies providing environmental facilities dedicated to computer installation as part of major construction projects.

- Specialist building services companies, for example, air conditioning suppliers that also provide installation services.

Country Market Analysis

Exhibit 3 shows the customer services market analysis by country including an overall estimate for European countries formerly part of the Soviet bloc. Nearly 70% of the total market is accounted for by the four largest economies of France, Germany, Italy and the United Kingdom. The highest growth over the next five years is anticipated in Eastern Europe, but even by 1998 this geographic area is only expected to account for about 2% of the total market.

Exhibit 2

Top 20 Leading Service Vendors by European Customer Services Revenues, 1992

Vendor	Revenues ($ Millions)							
	Hardware Service	Environ-mental Services	System Software Support	Education and Training	Profess-ional Services	Business Continuity Services	Total Customer Services	All Other Services
IBM	2,850	320	0	225	70	85	3,550	2,260
Digital	1,205	225	415	125	85	10	2,065	1,030
Siemens-Nixdorf	1,300	95	10	80	40	10	1,535	1,160
Bull	870	105	70	65	20	0	1,130	375
ICL (Fujitsu)	790	75	85	35	20	5	1,010	461
Unisys	555	130	60	65	45	30	835	190
Olivetti	735	50	20	25	50	0	880	672
HP	553	61	51	37	49	15	766	52
AT&T/NCR	504	32	14	19	20	0	589	426
Wang	195	35	35	20	30	0	315	3
ComputerVision	175	30	55	20	30	5	315	65
Getronics	120	40	25	10	70	10	275	100
Thomainfor	225	5	5	0	15	0	250	30
Granada	205	5	0	0	0	20	230	0
Sun Microsystems	150	13	34	13	8	0	217	0
Rank Xerox	180	23	0	0	0	0	203	91
ICG	200	1	0	0	0	0	201	0
Amdahl	132	3	5	6	15	2	162	0
Oracle	0	0	105	45	0	0	150	0
Memorex	150	0	0	0	0	0	150	40

Exhibit 3

Country Market Growth
European Customer Services, 1993-1998

	Market Size ($ Millions)				
Country Market	1992	Growth 1992-1993 (Percent)	1993	1998	CAGR 1993-1998 (Percent)
France	5,030	3	5,190	5,700	2
Germany	5,840	3	6,040	6,250	1
United Kingdom	4,800	4	4,970	5,840	3
Italy	2,970	3	3,040	3,430	2
Sweden	1,080	7	1,160	1,430	4
Denmark	600	5	630	715	3
Norway	570	4	595	715	4
Finland	405	1	410	400	0
Netherlands	1,780	5	1,875	2,440	5
Belgium/Luxembourg	775	5	810	985	4
Spain	1,155	7	1,235	1,690	6
Switzerland	1,165	3	1,200	1,455	4
Austria	510	4	530	595	2
Greece	80	7	85	125	8
Ireland	180	5	185	240	5
Portugal	130	10	145	230	10
Eastern Europe	260	13	290	630	17
Total (Rounded)	27,300	4	28,300	32,800	3

Note: Totals may not add due to rounding; also, some growth rates may appear incorrect due to rounding.

This Research Bulletin is issued as part of INPUT's Customer Services Programme for the information services industry. If you have questions or comments on this bulletin, please call your local INPUT organization or Peter Lines at INPUT, 17 Hill Street, Mayfair, London W1X 7FB England. (071) 493 9335, Fax (071) 629 0179.