

IBM

North Bay Trading Area  
Market Analysis

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August 9, 1991

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# IBM NORTH BAY TRADING AREA MARKET ANALYSIS

August 9, 1991

Prepared by INPUT  
Mountain View, California

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# OVERVIEW

- Introduction & Methodology
- Quantitative Analysis
  - Market Definitions - North Bay Trading
  - Market Sizes
  - Market Growth
  - Key Vertical Industries
  - Growth in Vertical Industries
- Observations
- IBM Practice Offerings
- High Potential Offerings - INPUT's View
- Conclusions/Discussion

# INTRODUCTION/METHODOLOGY

## ***STUDY OBJECTIVES:***

- Size product/service markets - North Bay
- Identify large/high-growth industry sectors
- Assess target product/service opportunities

## ***SCOPE:***

- Software and Professional Services markets
- Includes Systems Integration & Systems Operations
- San Francisco, Contra Costa, Alameda, Marin, Solano and San Mateo counties
- Excludes Federal Information Services markets

# METHODOLOGY

## ***MARKET SIZING:***

- Based on 1990 - 1995 INPUT market forecast
- Factored by county-level industry demographics
- Adjusted for local industry compute intensity

## ***MARKET FORECASTS:***

- Utilize INPUT 1990 - 1995 national growth rates
- Factored for local compute intensity by industry
- Include cross-industry as well as industry-specific product/service opportunities



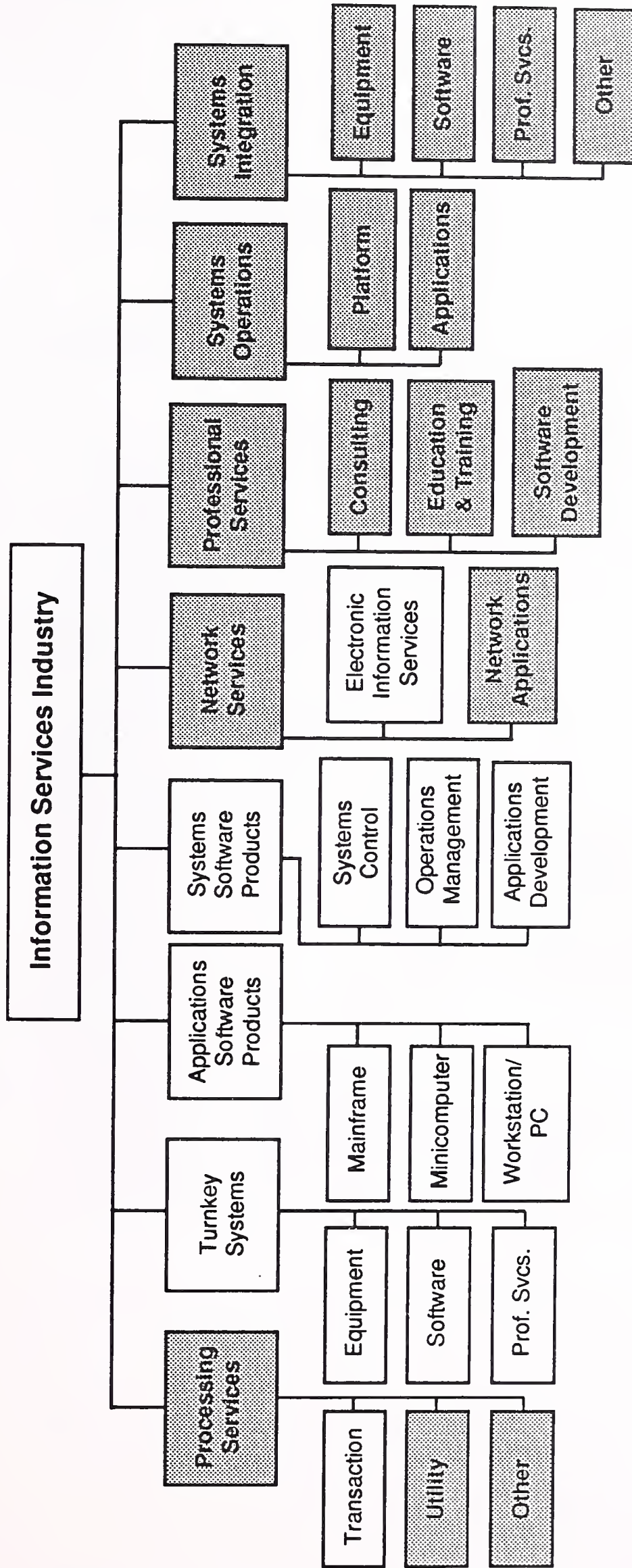
## GROUND RULES

- All market sizes should be considered plus or minus 15%.
- Percentage ranges for forecasts should be considered within (+/-) 2 %.
- Recommendations are based on this analysis of market sizes coupled with other Bay Area research not conducted as part of this study.

## MARKET SIZES/FORECASTS

- North Bay Trading Area definitions
- User expenditures
  - Total California market
  - North Bay
  - IBM North Bay
  - IBM North Bay - minus software products
  - Professional Services
- Growth rates - overall market
- Growth rates - product area
- Growth rates - major industry sectors

# Information Services Industry Structure—1991



 = Market segments covered in study.

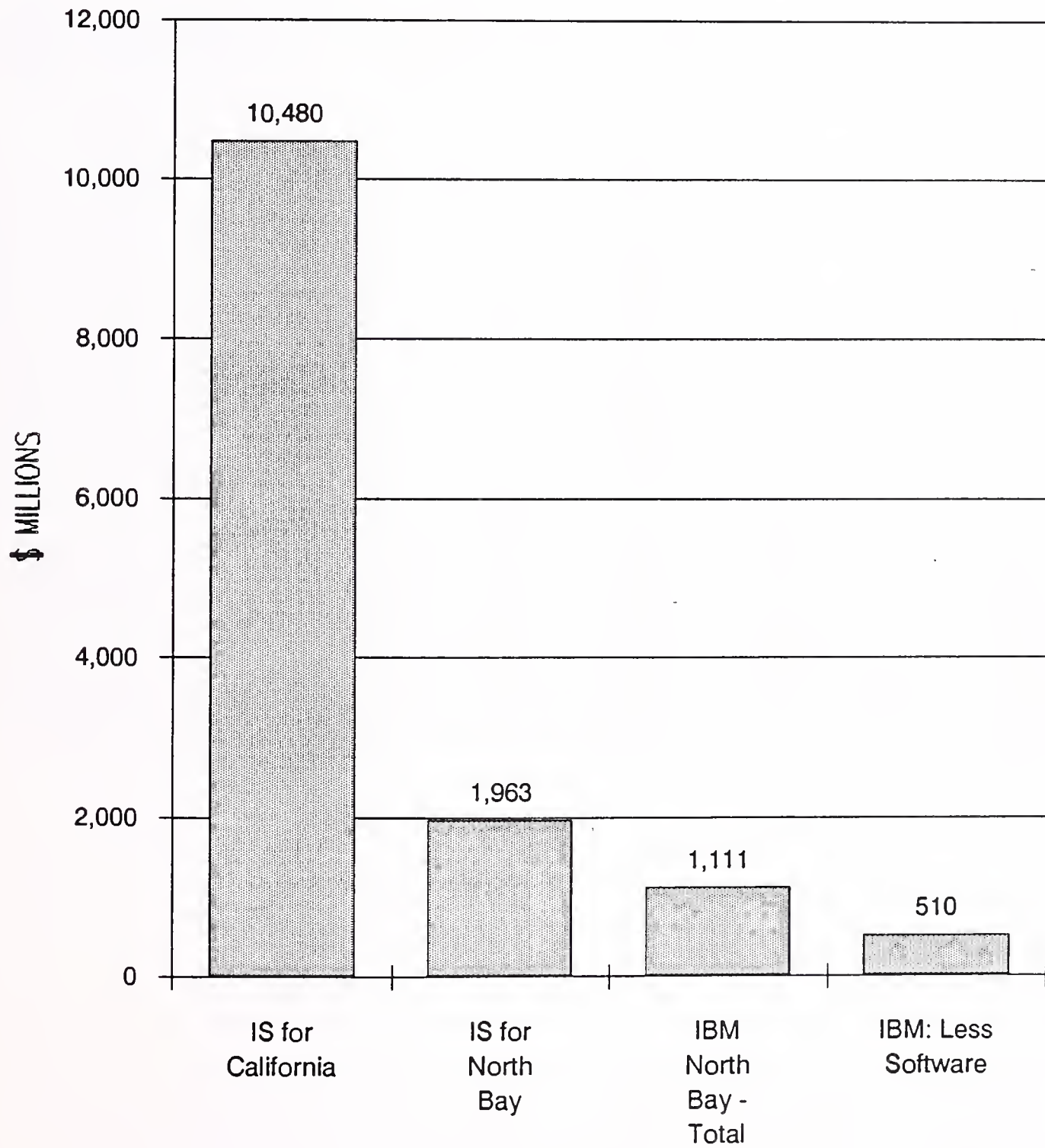
## SERVICE/PRODUCT MAP

INPUT Delivery Modes	IBM Product Categories
<p><b>Processing Services</b>  <i>Less:</i> Transaction Processing</p>	<p>Business Recovery Services                      IIN-Dedicated Processors</p>
<p><b>Professional Services</b>  <i>Plus:</i> Systems Integration</p>	<p>Management Consulting                      Education and Training                      Systems Development Services                      Systems Integration Services                      Design Consultation*                      SoftwareXell                      Software Installation Services</p>
<p><b>Systems Operations</b></p>	<p>Systems Operations</p>
<p><b>Network Services</b>  <i>Less:</i> Electronic Information</p>	<p>EDI                      Connectivity Offerings                      Value-Added Network Services</p>

\* Includes consulting but not hardware for installation planning.

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## USER EXPENDITURES FOR INFORMATION SERVICES



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## IBM BAY AREA MARKET INCLUDING SOFTWARE PRODUCTS

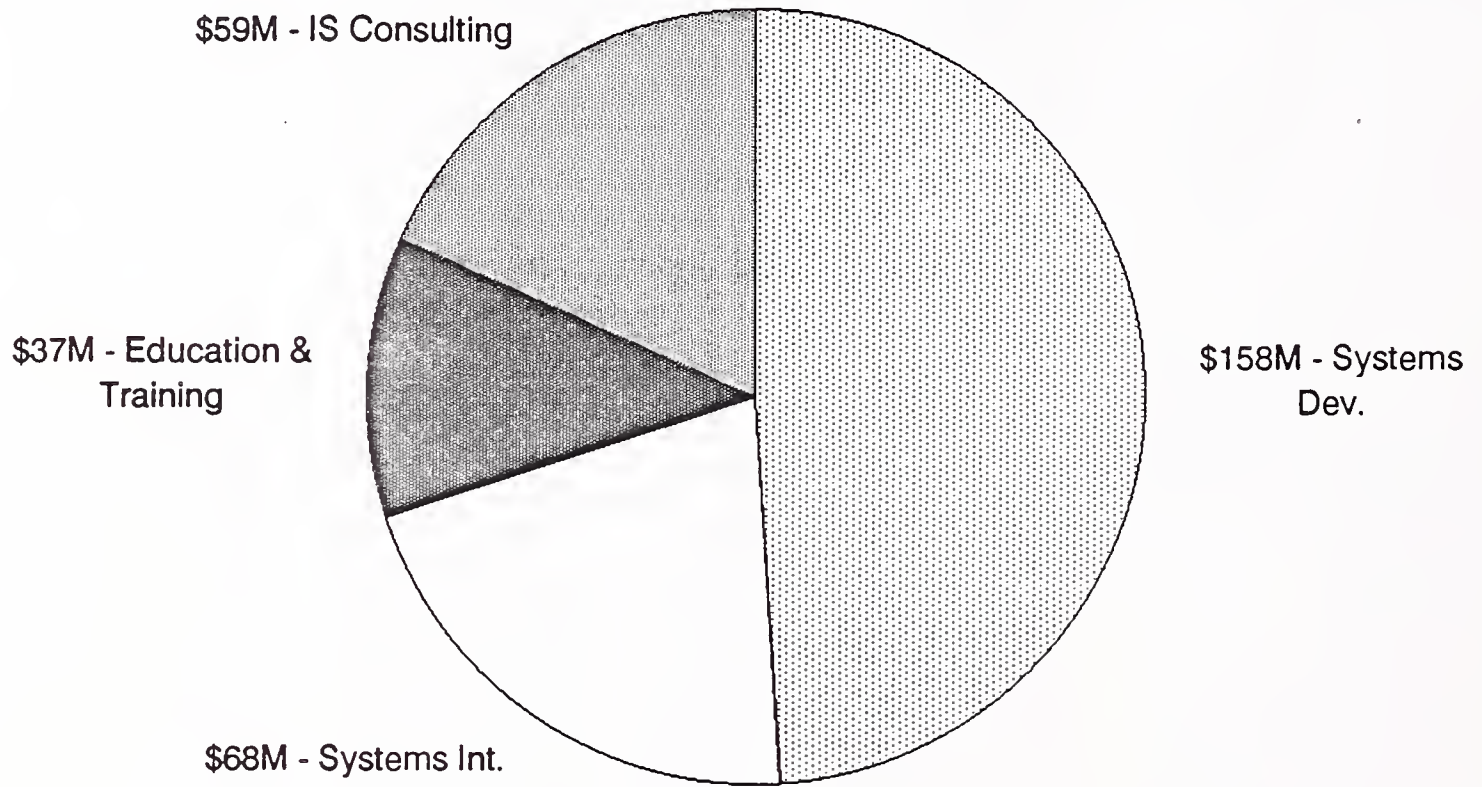
	Proc Svcs.	Prof Svcs.	Systems Oprs.	Network Svcs.	App. S/W Products	Sys. S/W Products	TOTAL IBM
<b>CATEGORY TOTALS</b>	<b>61</b>	<b>322</b>	<b>114</b>	<b>13</b>	<b>329</b>	<b>272</b>	<b>1111</b>
Discrete Manufacturing	3	69	6	0	44	36	158
Process Manufacturing	3	29	7	1	13	17	70
Transportation	4	9	1	1	17	12	44
Utilities	1	9	1	0	5	4	20
Telecommunications	4	26	2	0	14	17	63
Retail Distribution	1	10	2	1	9	9	32
Wholesale Distribution	1	7	1	3	13	8	33
Banking and Finance	23	63	50	2	100	74	312
Insurance	1	24	12	1	20	15	73
Medical	2	6	11	2	21	14	56
Education	1	3	2	1	23	7	37
Business Services	5	4	0	0	21	15	45
Consumer Services	10	5	1	0	11	14	41
State & Local Gov't.	1	54	18	1	4	21	99
Misc. Industries	1	4	0	0	14	9	28

**IBM BAY AREA MARKET  
EXCLUDING SOFTWARE PRODUCTS**

	Proc Svcs.	Prof Svcs.	Systems Ops.	Network Svcs.	<b>TOTAL IBM</b>
<b>CATEGORY TOTALS</b>	<b>61</b>	<b>322</b>	<b>114</b>	<b>13</b>	<b>510</b>
Discrete Manufacturing	3	69	6	0	78
Process Manufacturing	3	29	7	1	40
Transportation	4	9	1	1	15
Utilities	1	9	1	0	11
Telecommunications	4	26	2	0	32
Retail Distribution	1	10	2	1	14
Wholesale Distribution	1	7	1	3	12
Banking and Finance	23	63	50	2	138
Insurance	1	24	12	1	38
Medical	2	6	11	2	21
Education	1	3	2	1	7
Business Services	5	4	0	0	9
Consumer Services	10	5	1	0	16
State & Local Gov't.	1	54	18	1	74
Misc. Industries	1	4	0	0	5

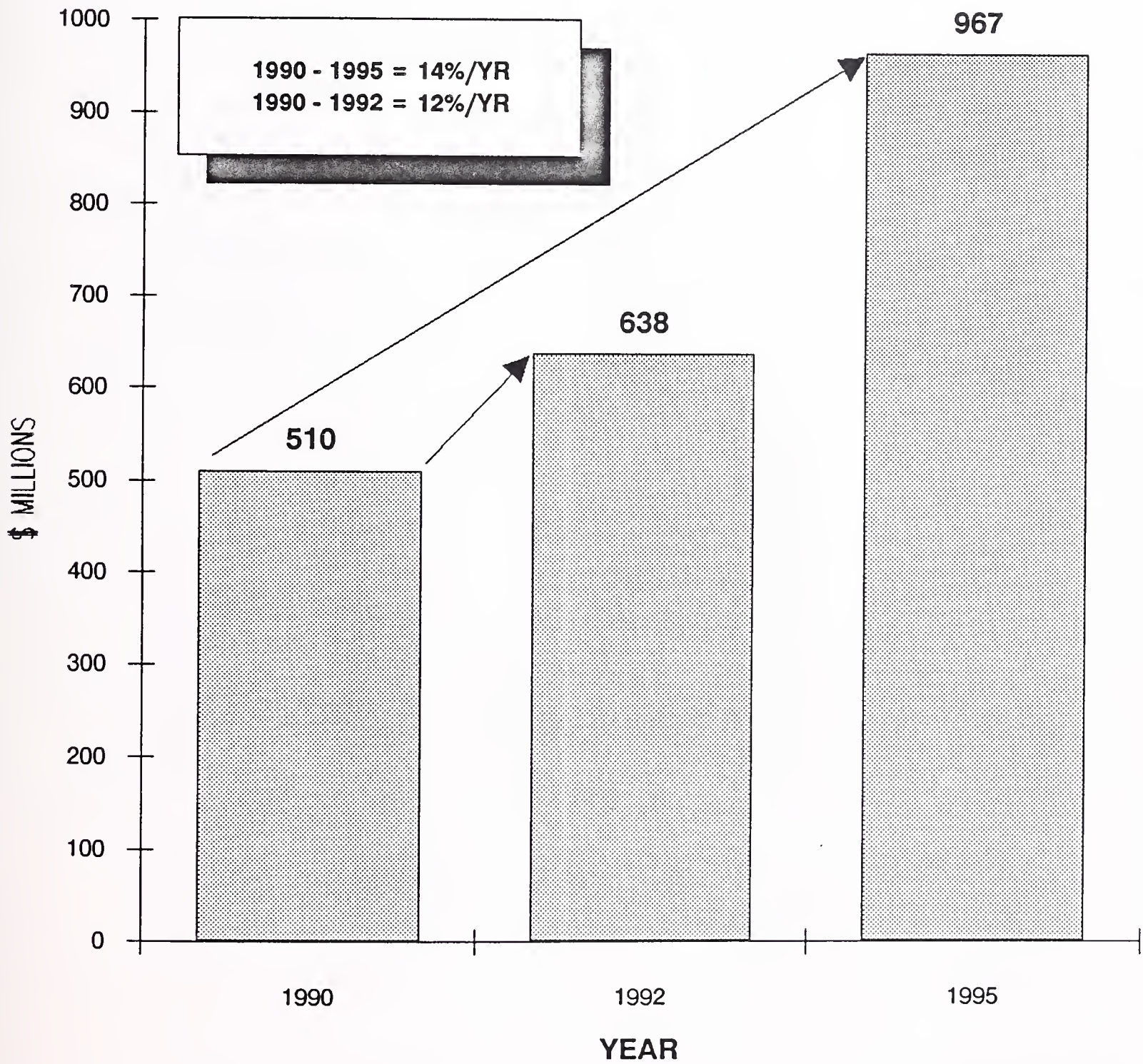
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## NORTH BAY PROFESSIONAL SERVICES - \$322 MILLION



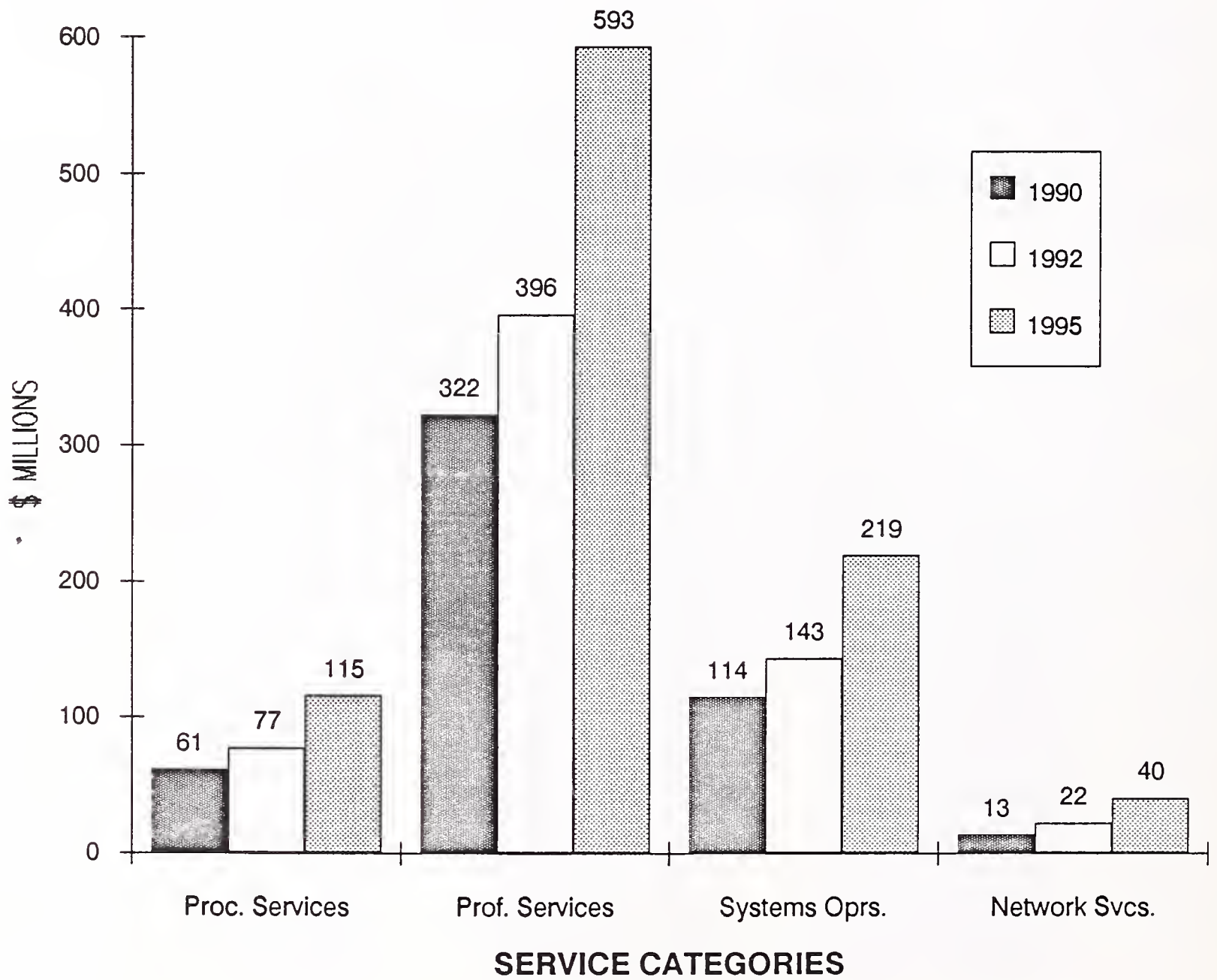


# IBM MARKET GROWTH 1990 - 1995

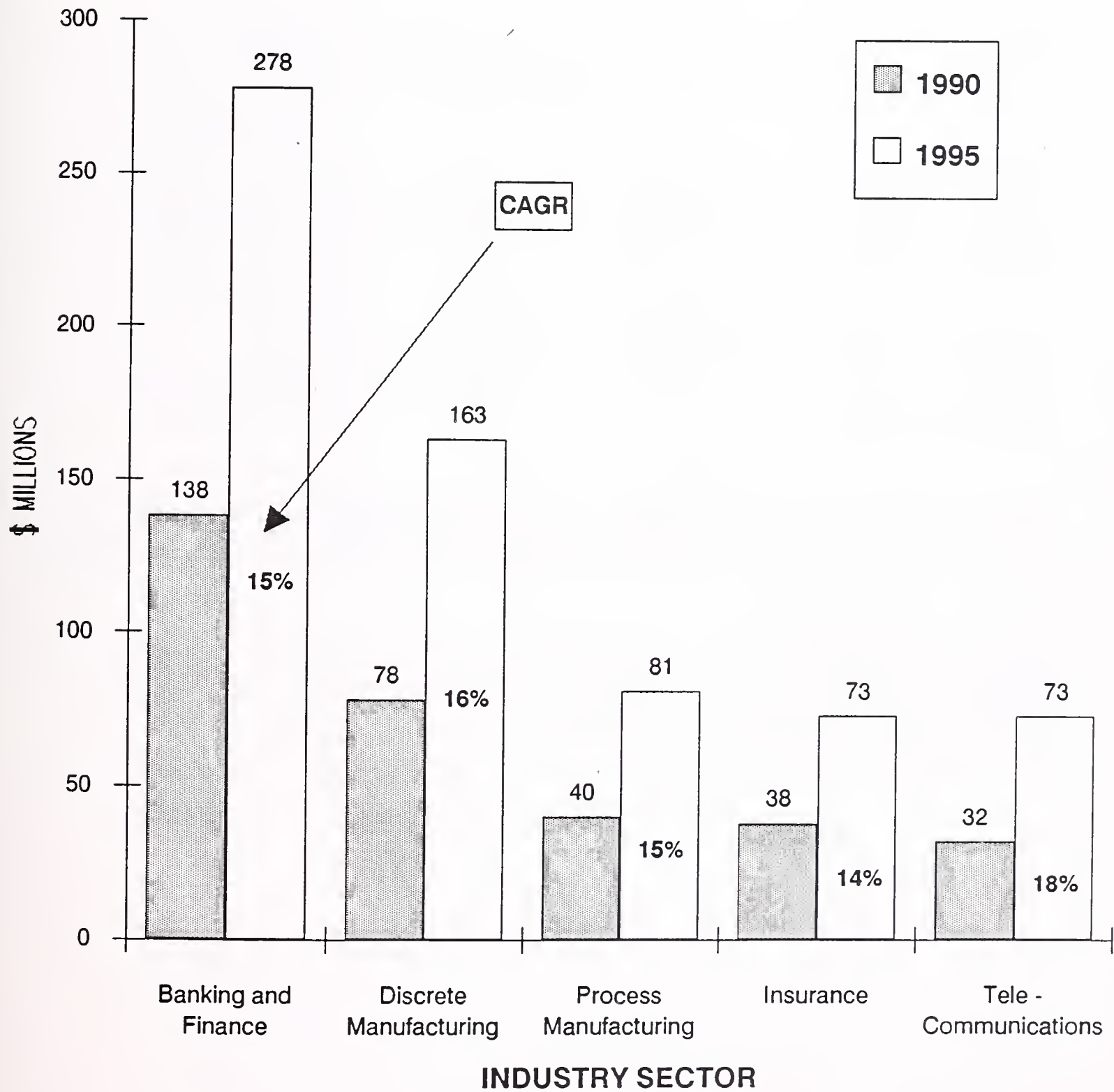


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## GROWTH FOR IBM SECTORS



## IBM NORTH BAY MAJOR INDUSTRY SECTOR GROWTH



## OBSERVATIONS

- Key markets are value-added professional services, SI, SO, and related products
- Key vertical markets all have local growth rates above 14%
- Local government may present significant opportunity
- Software products presents a significant revenue drag opportunity
- Network services shows healthy growth rate, but emphasis is for non-proprietary architectures

# IBM CONSULTING PRACTICE OFFERINGS

## ***IS STRATEGY & PLANNING:***

- Good market - requires vertical-industry expertise
- Dominated by traditional consulting firms:  
*(Booz, Index, Nolan & Norton, McKinsey)*
- Targeted by "Big 6"

## ***BUSINESS PROCESS RE-ENGINEERING:***

- Good market - facilitated by vertical specialists
- Competitive group larger than IS Strategy & Planning - Includes Bain & others
- Requires marketing beyond the internal IS function

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# IBM CONSULTING PRACTICE OFFERINGS

SYSTEMS MANAGEMENT

APPLICATIONS DEVELOPMENT

NETWORKING SERVICES

- IBM is credible in the marketplace
- Maximizes potential product/services drag
- Requires "open systems" attitude
- Good market for large and medium sized firms

# HIGH POTENTIAL OFFERINGS INPUT's VIEW

- Mid-scale systems integration
- Applications operations
- Systems management

*Focused on Specific Vertical Markets*

## MID-SCALE SYSTEMS INTEGRATION

Subject	Description
Offering	Assumption of full management responsibility for the design and implementation of total solutions to client applications requirements Project orientation
Platforms	AS/400, AIX, ES Environments, DEC, Relational DB
Requirements	Consultive sell, vertical/process knowledge, methodology
Markets	Banking & Finance, Manufacturing, Insurance, Telecommunications



# APPLICATIONS OPERATIONS

<b>Subject</b>	<b>Description</b>
Offering	Long-term management of significant applications suites, including migration services to new platforms, etc.
Platforms	Primary focus on IBM platforms to leverage expertise, product drag
Requirements	Re-engineering capabilities, methodology, applications knowledge
Markets	All growing verticals; cross-industry such as accounting, office systems

# SYSTEMS MANAGEMENT

Subject	Description
Offering	Medium to long-term management of user processing facilities and/or applications systems
Platforms	Targeted for IBM or situations where IBM migration has potential
Requirements	Capital and/or in-house processing center, networking capability, or alliances with these capabilities
Markets	Existing customers; industries prone to merger and downsizing, such as banking

## CONCLUSIONS/DISCUSSION

- Key opportunities exist in value-added professional services - "body shop" services not tenable for IBM
- SI/SO offer good opportunities for IBM product drag
- High end consulting a crowded market and will likely require local alliances
- Downsizing trend creates "solution sales" opportunities: AS/400 as server
- Focused offerings critical in environment of limited resources

# About INPUT

INPUT provides planning information, analysis, and recommendations for the information technology industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

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