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LAN Services Key to Customer Services Growth

Client/server systems architecture has undoubtedly become the user's most popular choice for new IT procurement and this shift accelerates the trend towards multi-vendor open services. However, many customer services vendors have yet to fully capitalise on this development.

Recent research conducted by INPUT amongst users moving to client/server architecture indicates that the provision of LAN related support services will be key to success in this sector.

This research bulletin discusses:

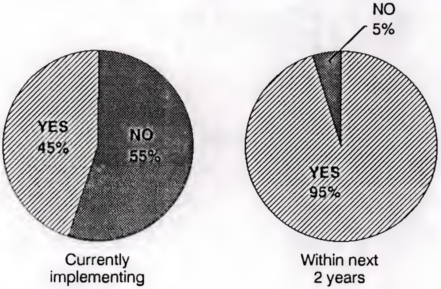
- The emergence of new buying points for client/server customer services support
- The importance of LAN services in exploiting new client/server related opportunities
- The attractiveness of equipment vendor's customer services organisations in the client/server environment.

Client/Server Architecture Creates New Buying Points for Customer Services

The idea of client/server systems seems to have caught the imagination of users since it promises inter-departmental and inter-functional communication from multiple standard components only possible in the past through extremely expensive custom developed systems. Exhibit 1 shows the force of this shift in user's IT development plans from a recent INPUT survey.

Exhibit 1

European Client/Server Implementation Plans



(Sample size 38)

Source: INPUT

IS departments identified the following as their two most frequently mentioned requirements:

- A need for a wider range of service offerings
- Increased need for networking support services.

Whilst in contrast, users most frequently mentioned requirements were:

- A reduced dependence on one individual vendor
- But at the same time the need to place greater reliance on vendor delivered services.

The key trend being signalled here to customer services vendors, is that whatever the reality of the take-up of client/server systems, service opportunities are increasingly going to be delivered in a multi-vendor *open* situation.

Customer services vendors will increasingly need to market to user departments and not to IT specialists in the IT function. A radical shift is taking place, away from the proprietary single user/vendor interface, identified at the top of an IS (information systems) organisational hierarchy, towards an atomised multiple-interface network of service users.

The shift to more *open* service market conditions signals the need to market to users and IS departments differently. For example, recent INPUT research has identified different attitudes to the need for new services from these two groups.

The latter clearly signposts the need for new approaches for marketing customer services. New marketing models must be developed to fully profit from the *open* service world of departmental users, whilst maintaining for as long as possible the still substantial revenue streams from legacy systems.

LAN Support Services Key to Client/Server Markets

An ever present danger in the targeting of new market opportunities is that of being too early into the market. Failure often results from this, whilst other vendors, learning from the pioneer's mistakes, go on to reap the future benefits.

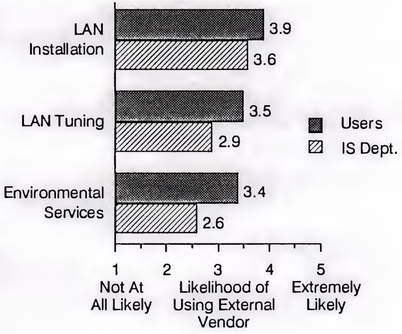
However, in the case of client/server support services there has emerged a clear opportunity for entering this market by meeting the need for LAN support services. In today's volatile market conditions success is most likely to be achieved from identifying *specific* needs and serving them with *specific* services. Success is unlikely to be achieved by attempting to define all embracing service offerings such as *client/server customer services* or *open services* which defy crisp, easily understood communication.

Exhibit 2 identifies the highest rated service needs for both users and IS department respondents in INPUT's recent client/server research. Environmental services provides a useful benchmark for this analysis. Environmental services has already been clearly signalled as an important opportunity for customer services vendors, yet it is generally rated below the need for LAN support. (The low rating for environmental services by IS departments supports the analysis that they still perceive this as a function that is *project managed* in-house by themselves).

LAN management (not shown in Exhibit 2) received relatively low ratings from both users and IS departments, 2.1 and 2.8 respectively. Clearly the challenge is perceived to be in the installation phase.

Exhibit 2

Principal Service Requirements



(Sample of 38, Standard error 0.3)

Source: INPUT

Equipment Vendors Well Placed to Exploit Client/Server Support Opportunities

Customer services vendors have made some significant efforts to target the multi-vendor service opportunity. However, the diffusion of client/server systems now makes it imperative that this opportunity be mastered.

INPUT estimates that *open* services will represent about 60% of the total market by 1998. It is a market estimated to be growing at very nearly 10% per annum compared to a negative growth rate (-4% per annum) for the *proprietary* services market.

INPUT has further estimated that client/server related information services in total (not just system support services) could account for about two thirds of the total market by 1998.

To date, few vendors have been able to fully grasp the multi-vendor open services opportunity. In particular, lack of in-depth skills in communications (particularly LAN support) have been a problem.

In Europe, Olivetti has been one of the most determined and most successful in attacking the *open* market. It is believed that as much as 50% of Olivetti's customer services revenues are generated from non-Olivetti equipment, see INPUT's Research Bulletin Vol. IV No. 7.

ICL is another company that has made the strategic move to address this market. It's 1991 joint venture with Bell Atlantic to form SORBUS Europe (in which ICL has a 51% stake) being the principal vehicle for this.

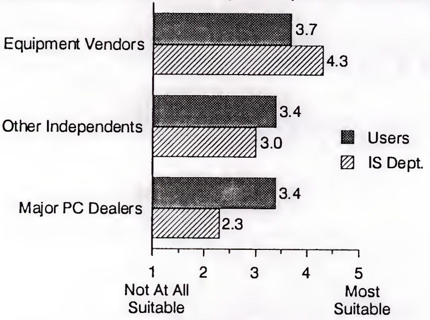
In contrast users perceive that IBM has adopted the more cautious policy of only seeking to support non-IBM systems when it is on an IBM site. Many other equipment vendors are perceived by users to have adopted similar policies and not specifically positioned themselves to attack the *open* market. However, the customer services operations of equipment vendors wishing to participate in the full system service business are well placed to succeed.

The *brand* image and wide geographic presence of the major companies places them as first choice for service amongst the majority of users, as can be seen from the recent survey statistics shown in Exhibit 3.

The market switch to communications dependent client/server systems is now very rapid. Unless customer services vendors can put together a relevant set of services to support these systems, they will suffer marginalisation in the market. Key to success in this market will be the capability to support LANs at both the implementation stage and for on-going support.

Exhibit 3

Suitability of Vendors For Supporting Client/Server Based Systems



(38 Respondents, Standard error 0.3)

Source: INPUT

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