

Internet and Intranet Outsourcing Opportunities

Nets Create Outsourcing Demand

After an initial phase of do-it-yourself experimentation with Internet and Intranet applications, companies are becoming more open to the idea of outsourcing their growing "Net" needs.

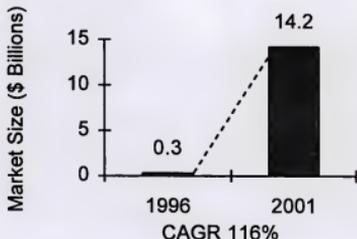
This bulletin covers projected market growth and demand drivers, the Internet and Intranet areas that users are willing to outsource, and recent related contracts.

Market Forecast

The market for Internet and Intranet outsourcing is forecast to grow at a CAGR of 116% from \$300 million in 1996 to \$14.2 billion in 2001. This outstanding growth will be driven by the increasing complexity of Internet and Intranet requirements and the emerging market for electronic commerce. See Exhibit 1.

Exhibit 1

U. S. Internet and Intranet Outsourcing Market, 1996-2001



Drivers of Demand

Drivers of Internet and Intranet outsourcing market growth include:

- Increasing complexity of Intranet and Internet requirements
- Scarcity of in-house skills
- Globalization

- Proliferation of Internet and Intranet based applications within the corporation
- Business pressures requiring speed, agility, cost containment, improved customer service and a sharper competitive edge

Internet Activities Most Likely to Be Outsourced

Of users surveyed, 43 percent indicate that they are highly likely to outsource creative site development on the Internet. Most users do not view this as an area of core competency and lack the in-house skills and experience needed. More than one-third of respondents also plan to outsource: interactive transactions on the Internet, content management and database mining. See Exhibit 2.

Exhibit 2

Internet Activity	Planning to Outsource (%)	Do Not Plan to Outsource (%)
Creative Site Development	43%	36%
Interactive Transactions	40%	36%
Content Management	39%	41%
DB Mining	36%	50%

Intranet Activities Most Likely to Be Outsourced

Users are more likely to outsource areas where new skills sets are needed. *More than half* two-thirds of users respond that they are highly likely to outsource *Intranet access to corporate data*. Half of users plan to outsource Intranet-enabled administrative tasks.

More than 40 percent of users say they also are likely to outsource the development of a browser front-end for applications and the migration of existing applications to the Intranet. See Exhibit 3.

Exhibit 3

Intranet Activity	Planning to Outsource (%)	Do Not Plan to Outsource (%)
Access Corporate Data	43%	39%
Administrative Tasks	52%	33%
Develop Browser	45%	42%
Migrate Applications to Intranet	44%	42%

Internet Outsourcing Contracts

While initial Internet-related outsourcing contracts have tended to emphasize creative site development, more recent contracts are oriented toward inter-company communications and secure transactions.

Extranets and Virtual Private Networks (VPNs) represent a means to overcome current user concerns regarding security and reliability.

IBM has recently announced three types of extended Intranets, or "extranets," that position the vendor for electronic commerce opportunities. Among them are:

- An Internet-based system for the purchase and sale of electrical capacity by utilities, such as PG&E. The system will be provided by IBM in partnership with Siemens Power Systems Control

- Insure-Commerce—Enables insurers to file auto-glass claims and receive payments via EDI applications over the Internet.
- Petro-Connect—Allows petroleum industry professionals to access industry data and work collaboratively with data.

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IBM	Property insurance co's	Enable filing of claims and payments over Internet	Insurance
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Source: INPUT

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- Virtual corporation trend
- Increasing use of networks and applications for critical business processes
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- Business pressures requiring speed, agility, cost containment, improved customer service and a sharper competitive edge

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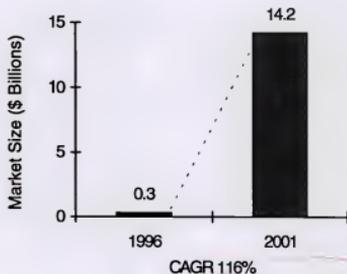
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Source: INPUT '97

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After like? NO - sorry

1997



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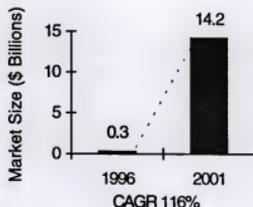
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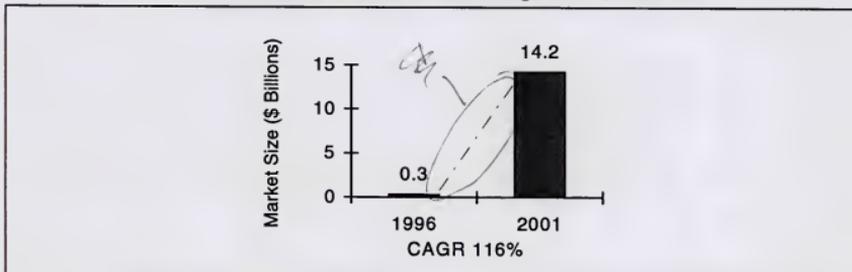
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? I think this is #12 - ask Erika.

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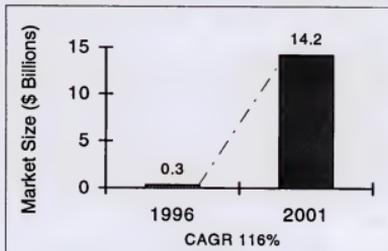
This bulletin covers projected market growth and demand drivers, the Internet and Intranet areas that users are willing to outsource, and recent related contracts.

Market Forecast

The market for Internet and Intranet outsourcing is forecast to grow at a CAGR of 116% from \$300 million in 1996 to \$14.2 billion in 2001. This outstanding growth will be driven by the increasing complexity of Internet and Intranet requirements and the emerging market for electronic commerce. See Exhibit 1.

Exhibit 1

U. S. Internet and Intranet Outsourcing Market, 1996-2001



Source: INPUT



Drivers of Demand

Drivers of Internet and Intranet outsourcing market growth include:

- Increasing complexity of Intranet and Internet requirements
- Scarcity of in-house skills
- Globalization
- Virtual corporation trend
- Increasing use of networks and applications for critical business processes
- Proliferation of Internet and Intranet based applications within the corporation
- Business pressures requiring speed, agility, cost containment, improved customer service and a sharper competitive edge

Internet Activities Most Likely to Be Outsourced

Of users surveyed, 43 percent indicate that they are highly likely to outsource creative site development on the Internet. Most users do not view this as an area of core competency and lack the in-house skills and experience needed. More than one-third of respondents also plan to outsource: interactive transactions on the Internet, content management and database mining. See Exhibit 2.

Exhibit 2

Internet Activity	Planning to Outsource (%)	Do Not Plan to Outsource (%)
Creative Site Development	43%	36%
Interactive Transactions	40%	36%
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Users are more likely to outsource areas where new skills sets are needed. Two-thirds of users respond that they are highly likely to outsource Intranet access to corporate data. Half of users plan to outsource Intranet-enabled administrative tasks.

More than 40 percent of users say they also are likely to outsource the development of a browser front-end for applications and the migration of existing applications to the Intranet. See Exhibit 3.

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Intranet Activity	Planning to Outsource (%)	Do Not Plan to Outsource (%)
Access Corporate Data	67%	39%
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Develop Browser	45%	42%
Migrate Applications to Intranet	44%	42%

Internet Outsourcing Contracts

While initial Internet-related outsourcing contracts have tended to emphasize creative site development, more recent contracts are oriented toward inter-company

Exhibit 4

Examples of Internet and Intranet Outsourcing Contracts

Vendor	Client	Objective	Industry
Andersen Consult. and BBN	Airlines	Passenger Revenue Accounting System - airline transactions	Transp.
Applied Graphics Technology	N.Y. Daily News	Web site development	D. Mfg.
AT&T	First Albany	Notes-based access to research info; server maintenance support	Financial
AT&T/CompuServe	Great Plains Software	Database storage, troubleshooting, email, support	Services
BBN Planet	L.L. Bean	Online shopping catalog	Retail
Digital	Newcourt Credit Group	Customized VPN enabling Internet-based communications with customers across North America	Financial
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- An Internet-based system for the purchase and sale of electrical capacity by utilities, such as PG&E. The system will be provided by IBM in partnership with Siemens Power Systems Control.
- Insure-Commerce—enables insurers to file auto-glass claims and receive payments via EDI applications over the Internet.
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- Competitive positioning
- Acquisition targets

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- Outsourcing options
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- Peer position

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Research Bulletin

A Publication from INPUT's Internet Opportunities Program

Vol. VII, No. 9

December 1996

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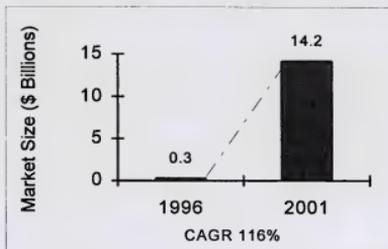
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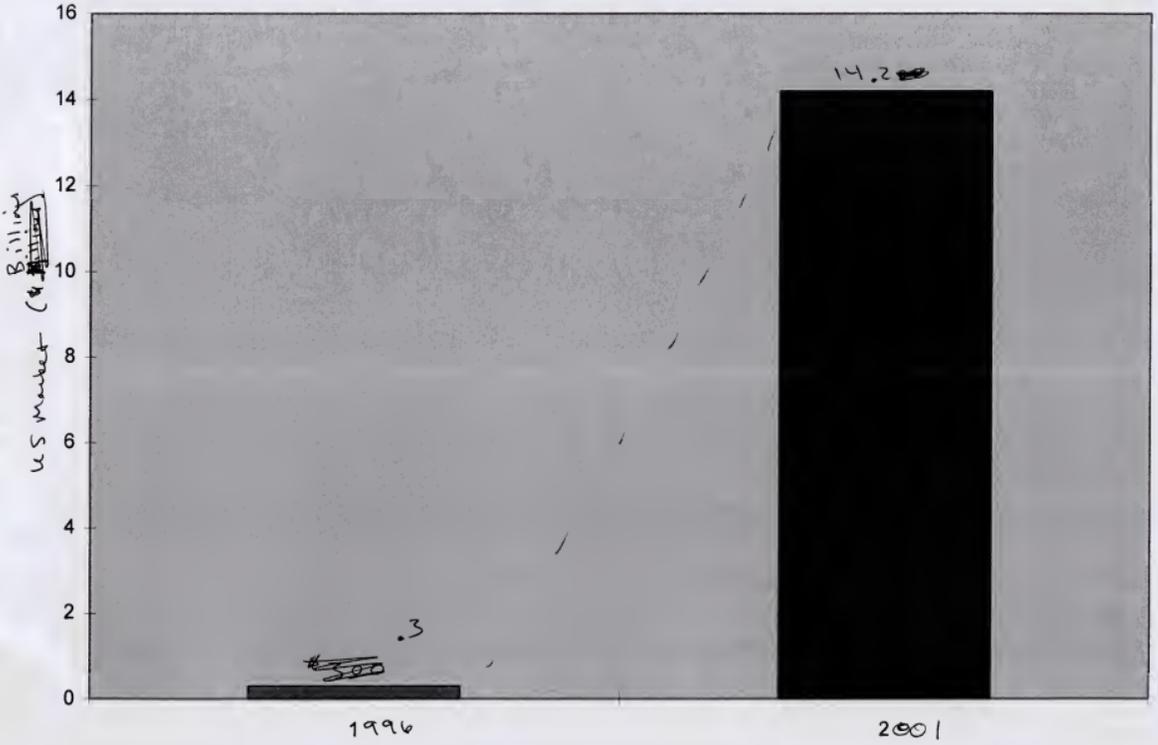
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(insert chart from sherry/mmh6/osd6exov.xls/IntMktForcUS&WW; please make changes noted on attached sheet)

IntMktForc US&VWV sep Chart 1



CAGR = 116.20

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