

Drafts

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Intranet Expenditure to Exceed \$95 Billion in 2000

Over the next 2-3 years, the biggest benefits from the use of Internet technology will be in the implementation of Intranets.

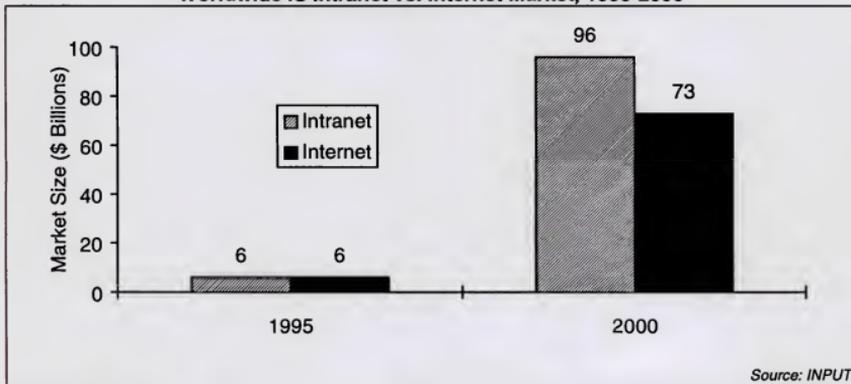
In the longer term, use of the public Internet, plus increased use of private Internets which serve multiple

companies within an electronic business community, will deliver revenue enhancing benefits. This change awaits further growth in electronic commerce over the Internet.

Many organizations still think of the Internet in terms of the external and public view — the World Wide Web.

Exhibit 1

Worldwide IS Intranet vs. Internet Market, 1995-2000





Vendors need to educate users so that the technology and associated benefits may be correctly positioned.

By 2000, the worldwide market for software and services related to the Intranet will be worth \$96 billion

The biggest Intranet sectors will be professional services and system software products

The Intranet will become the default network environment, superseding current LANs

Intranet Definition

For this forecast, INPUT defines an Intranet as a Web environment within an organization used primarily for information sharing and applications exclusive to that organization.

Intranet spending is therefore defined as spending on Internet technology, products, and services relating to internal use within an organization. For example, spending on Web servers for sharing information internally between company departments is included, but spending on Web browsers used only for accessing the public World Wide Web is not.

UK Leads Europe in Internet and Intranet Adoption

In 1996, approximately 65% of expenditure related to Internet technology is US based. In Europe, Internet adoption varies dramatically between countries.

The UK leads Europe in commercial use of the Internet. While it has approximately the same number of

Internet hosts as Germany, it follows more closely the US model of commercial connectivity. This is due largely to:

- A deregulated telecommunications environment
- An early blossoming of small, independent Internet access providers
- The lack of a language barrier

In terms of Intranet implementation, none of these geographically-related factors need be a major barrier.

INPUT recently surveyed UK, French and German companies and found that around 10% of medium-sized to large companies in the UK currently have an Intranet, at least twice the proportion of French or German companies. Well known examples of large-scale UK Intranet sites are Glaxo Wellcome and Rover.

Intranet Market Size — From \$6 B to \$96 B in 5 Years

According to INPUT's *Worldwide Internet Market, 1995-2000* report, the market for Internet-related products and services worldwide will grow in value from \$12 billion at the end of 1995 to \$210 billion by the end of 2000.

From 1995 to 2000, the Intranet-related market will increase at a CAGR of 77%.

The growth of a new and emerging market often tells less of a story than the size of the market itself. This is particularly true where the phenomenon of the Internet is concerned.

The Intranet market will be worth just \$6 billion by the end of 1996; by 2001, it

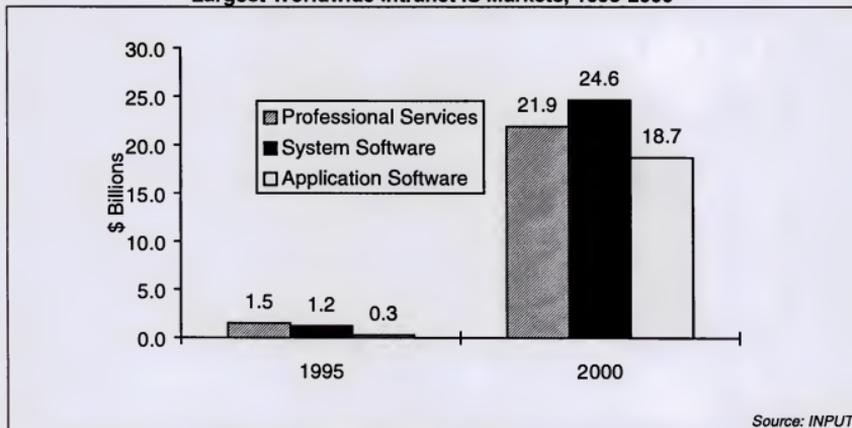
will have grown to \$96 billion.

This growth is being fueled by:

- User interest in Internet-like environments within their organizations, based on the potential cost savings and lower management overheads involved.
- Vendors of Internet and non-Internet products who have re-branded their products to target the Intranet market.
- Media coverage; undoubtedly the subject of Intranets is surrounded by considerable hype. This may mask the significance of the platform shift taking place.

Exhibit 2

Largest Worldwide Intranet IS Markets, 1995-2000



Who Will Be The Biggest Winners?

By 2000, Intranet spending on professional services, system software products and application software products will account for over 50% of all Intranet expenditure.

Professional Services

Bold?

As the Intranet environment assumes the status of an enterprise-wide network,

so the do-it-yourself (DIY) approach to building Intranets will become obsolete.

A \$22 billion opportunity exists for professional services to bring together existing networks and back-end legacy systems under the Intranet umbrella.

The first major vendors to brand themselves Intranet integrators will realize that opportunity.

*Application and System Software
Products*

Sold?

The Web will be a mainstream medium for deployment, execution and support of software applications. First network-centric, then database, then personal productivity applications will shift from hardware/operating system platform to the Web platform. The first category of application is currently undergoing this shift: witness the move of groupware onto the Web.

By the end of the century, half the applications available today will be available in Web form. Organizations typically create enterprise-wide Intranets first for document sharing, then for internal applications. The growth in the Intranet systems integration market will drive the Intranet application market, and ISVs must position themselves to address this market.

*Intranet Will Grow at Expense of
Traditional Network Offerings*

Most of the growing Intranet market will be based on replacement business: that is, replacement of existing non-Internet infrastructure, applications, and services. INPUT estimates that between 30% and 40% of Intranet business will be additive.

A major platform shift is underway, and it is clear that if the majority of a \$95 billion market will be represented by replacement business, suppliers of those products and services to be replaced are in danger of losing considerable ground.

INPUT urges vendors of non-Internet networking and communications products, applications, and services to address this platform shift immediately. Those that still believe the Internet and Intranet to be fads may not have much longer to think about it.

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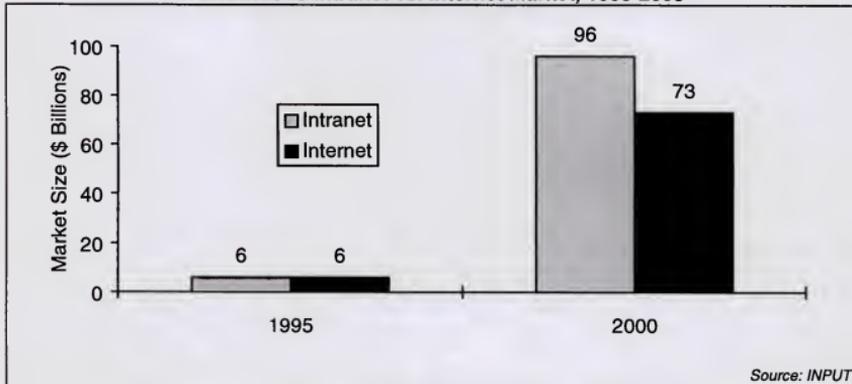
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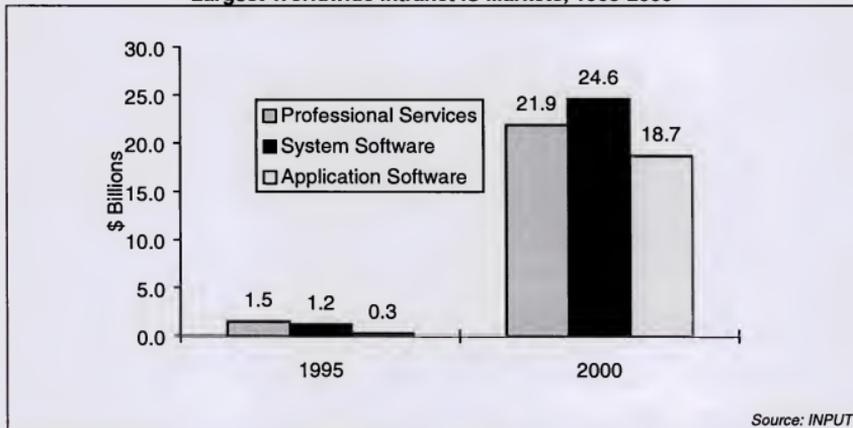
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