

I INTRODUCTION

- This report series is produced by INPUT as part of the 1986 Market Analysis and Planning Service (MAPS). The report is provided to assist executives and management of information services companies in analyzing trends and market directions.

A. PURPOSE AND SCOPE

- The purpose of this report series is to examine the requirements for information services in the vertical segments of the industry. This includes sizing the market, analyzing user requirements, identifying technology trends, and other issues related to business and market planning.
- The scope of the market forecasts covers the U.S. noncaptive expenditures for information services.
- Forecasts are presented in detail for the following vendor delivery modes:
 - Processing/network services.
 - Turnkey systems.
 - Applications software products.
 - Professional services.



- The objective of these reports is to assist vendors active in these markets in:
 - Identifying market opportunities.
 - Isolating high-growth areas.
 - Allocating marketing and operational resources.
 - Maximizing profitability.
- The binder is organized as follows:
 - Section I is the introduction.
 - Section II is an executive overview of the market size and direction of the vertical markets analyzed in 1986.
 - Section III covers the market size, growth, and analysis of industry-specific market sectors such as Insurance and Federal Government.
 - Section IV covers the market size, growth, and analysis of cross-industry market segments such as Accounting and Engineering.
 - Section V is the appendices containing definitions of the terms used in this report.
 - Section VI is a discussion of INPUT's programs, services, and overall capabilities.
- Exhibit I-1 provides the basic outline for the vertical market sections. These sections, industry-specific and cross-industry, will be mailed to INPUT clients as they are completed periodically throughout the year.



EXHIBIT I-1

SECTION FORMAT INDUSTRY SPECIFIC/CROSS INDUSTRY

- I. ISSUES, TRENDS AND EVENTS**
 - Discussion of the specific vertical segment being analyzed relative to business, technology and market factors affecting the segment.
- II. MARKET FORECASTS**
 - Presentation of the size and growth of the specific vertical segment being analyzed.
- III. COMPETITIVE DEVELOPMENTS**
 - Discussion of specific competitive issues affecting the vertical segment.
 - Presentation of profiles of major vendors participating in the vertical segment.
- IV. INFORMATION SYSTEMS DEPARTMENT OUTLOOK**
 - Discussion of the vertical segment in terms of the users' perspective.
- V. OPPORTUNITIES**
 - Identification of special niches or other opportunities within the vertical segment.
- VI. CONCLUSIONS AND RECOMMENDATIONS**
 - Presentation of the major findings and INPUT's recommendations for client action within the vertical segment.



- Exhibit I-2 provides the classification system used by INPUT to structure the forecasts.

B. METHODOLOGY

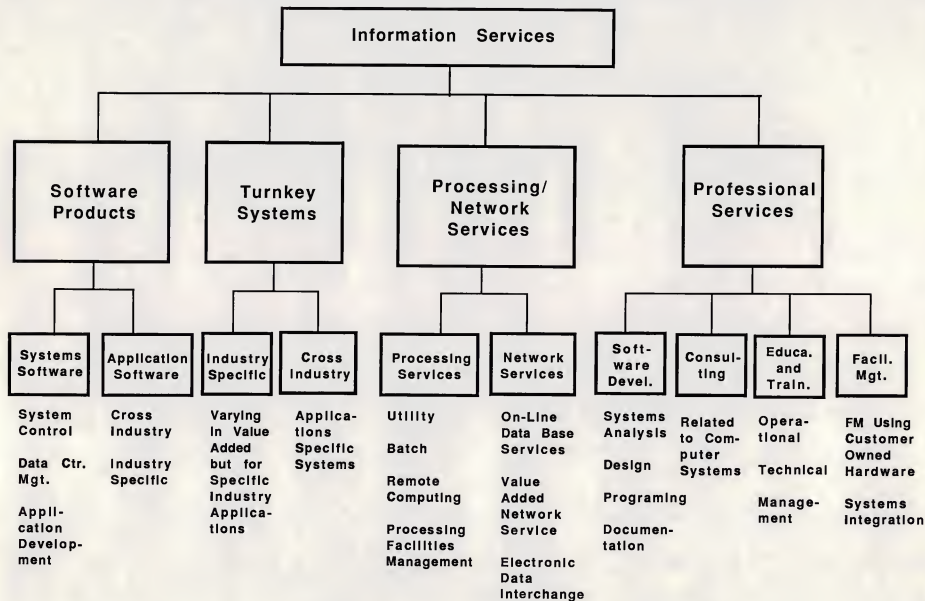
- The information for these reports was obtained from a variety of sources:
 - User and vendor interviews.
 - Recent articles in trade and industry publications maintained in INPUT's library and reviewed for these reports.
 - Consideration of the opinions of INPUT specialists and outside consultants.
 - Vendor and subject files maintained by INPUT's library.

C. FORECAST PARAMETERS

- The base year for the forecast is 1986.
- Forecasts are presented for the years 1986 through 1991.
- All figures are in current dollars; i.e., the dollars for that year. Inflation assumptions are as follows:
 - 1986 - 4%.
 - 1987 - 5%.



INFORMATION SERVICES INDUSTRY MARKET STRUCTURE





- 1988 - 6%.
 - 1989 - 6%.
 - 1990 - 6%.
 - 1991 - 6%.
- Each mode of service has a different factor as a proportion of the annual inflation rate dependent on labor content:
 - Processing services - 70%.
 - Professional services - 100%.
 - Software products - 80%.
 - Turnkey systems - 40%.
 - The forecasts are based on a steady annual growth rate in the GNP of 3%-4%. No allowance is made for recessions or periods of rapid expansion. INPUT believes that the economy is becoming more volatile and that dramatic swings in quarter-to-quarter GNP performance will occur. These will impact short- and long-term growth rates--the more volatile the actual GNP performance, the lower the overall growth rate will be because of the problems inherent in this industry in adjusting to changes. These problems relate to the high labor content of the industry.
 - The forecasts are for user expenditures (not vendor revenue). Thus, "double counting" is excluded. User expenditure forecasts are noncaptive services only; i.e., they exclude expenditures by a company with its captive service organization--Boeing Aircraft with Boeing Computer Services, for example.



- We welcome comments or questions on the forecasts and are happy to address any issues clients wish to discuss.



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INDUSTRY-SPECIFIC AND
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