The Challenge of Network Service

Independent Maintenance Western Europe

INPUT Client Meeting

Wednesday, 19th September 1990

The American Hotel,
Amsterdam

INPUT®

Piccadilly House, 33/37 Regent Street, London SW1Y 4NF Telephone: 071-493 9335

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The Challenge of Network Service

INPUT Europe

CE-SIN-1

Notes

Network Services

- Confused/badly defined market
- At least one-third of users do not have formal service contract
- Major user need is for uptime and access

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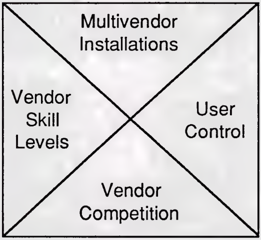
Notes

Network Service Environment



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CE-SIN-3

Notes

Network Service

Skill Profile

Service	Importance Rating: Computer Systems	Importance Rating: Networks
Consultancy	Medium	High
Environmental/ Installation Services	Medium	High
Project Management/ Implementation	Low	Medium

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Notes

Network Service

Skill Profile

Service	Importance Rating: Computer Systems	Importance Rating: Networks
Applications Support	Low	Medium
Systems Software Support	High	High
Equipment Maintenance	High	Low/ Medium

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Notes

Network Service

Market Drivers

- Increasing base
- New applications
- User service needs

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Notes

Network Service

Market Inhibitors

- >25% of users opt for self service
- User acceptance of service need
- Limited opportunities for traditional customer services

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Notes

Network Service

Market Growth, 1990-1995

Market	User Expenditure ($ Millions) 1990	User Expenditure ($ Millions) 1995	CAGR (Percent)
Western Europe	220	580	22
U.S.	420	960	18

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Notes

<u>Network Service</u>

The User View

Computer Centre
Communications
Terminals

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Notes

Network Service

Key User Service Needs

- Network access
- Improved dealer expertise
- Flexible service offerings
- Single point contact

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Notes

Network Service

Systems Operations

- 30% of users provide in-house service
- <20% of users require vendor service
- Users reluctant to relinquish responsibility

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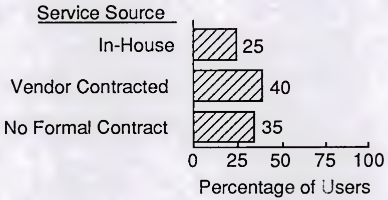
Notes

User Source of Network Service



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Notes

Key Vendor Issues

- Working in a multivendor environment
  - Equipment compatibility
  - Equipment connectivity
  - Definition of responsibilities

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Notes

Key Vendor Issues

- Compatibility of software
  - Revision levels
  - Old versus new
  - Multivendor software

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Notes

Key Vendor Issues

- Wider range of skills
  - Multivendor systems
  - Increased software orientation
  - Skill shortages

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Notes

Network Service

Wider Opportunities

Network Aspect	Customer Services Opportunity
Design	Consultancy
Project Management	Consultancy
Implementation	Project Management/Consultancy
Operations	Shared/Managed/Total

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Notes

Vendor Opportunity
Network Disaster Recovery

- Continuation of user business activities
- Radical changes in business procedures—no backup
- Need for insurance expertise
- Market not yet defined

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Notes

Computer Equipment Disaster Recovery Market

Market	User Expenditure ($ Millions) 1990	1995	CAGR (Percent)
Western Europe	180	550	25
U.S.	400	800	15

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Notes

Network Implementation Challenges

1. User methodology
2. Definitions
3. Responsibility
4. Specifications

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Notes

Network Implementation Opportunities

- Consultancy
- Project management
- Integration
- Environmental services

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Notes

Network Service

Recommendations for Customer Service Vendors

- New skills
- Develop flexibility

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Notes

Network Service

Recommendations for Customer Service Vendors

- Uptime and access
- Promote services with product sales

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Notes

Recommendations for Network Services

- Tactical development
  - Multivendor opportunities
  - Consultancy/shared management
  - Disaster recovery
  - Training and skill levels

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Notes

Independent Maintenance Western Europe 1990-1995

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Notes

- Key pan-European companies established
- Major acquisition activity declining
- 16% growth rate, 1990-1995

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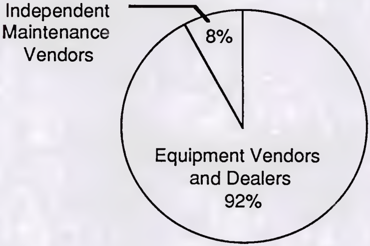
SEMKT-KH-6

Notes

Customer Service Market—Europe



1989 = $1,435 Million

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Notes

Independent Maintenance Market Drivers

- User need for cost reduction
- Provision of local support
- Quality and flexibility

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Notes

Independent Maintenance Market Inhibitors

- Limited price sensitivity
- Independents' software support credibility
- Fear of equipment vendor reaction

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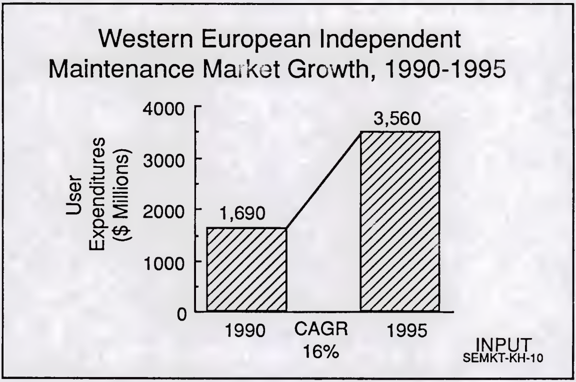
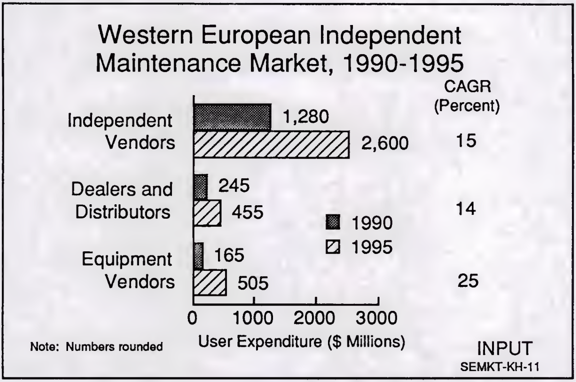
SEMKT-KH-9

Notes


Western European Independent
Maintenance Market Growth, 1990-1995
User Expenditures ($ Millions)
4000
3000
2000
1000
0
1,690
3,560
1990
CAGR 16%
1995
INPUT
SEMKT-KH-10

Notes


Western European Independent
Maintenance Market, 1990-1995
CAGR
(Percent)
Independent
Vendors
1,280
2,600
15
Dealers and
Distributors
245
455
14
1990
1995
Equipment
Vendors
165
505
25
0
1000
2000
3000
User Expenditure ($ Millions)
Note: Numbers rounded
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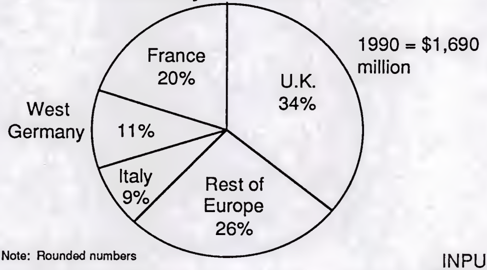
SEMKT-KH-11

Notes

Independent Maintenance Major Country Markets, 1990



Note: Rounded numbers

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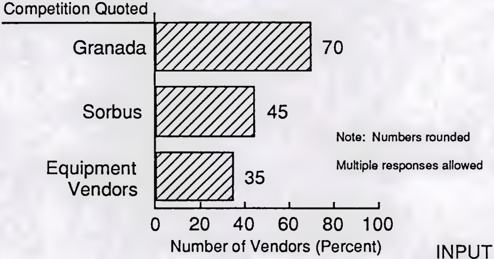
Notes

Independent Maintenance Primary Sources of Competition



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Notes

Equipment Vendor Business Recovery Opportunities

- Equipment replacement time
- Match independents' pricing
- True multivendor service
- Responsiveness

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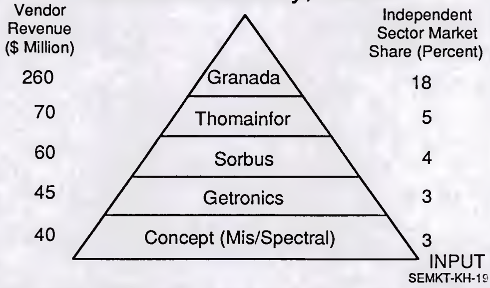
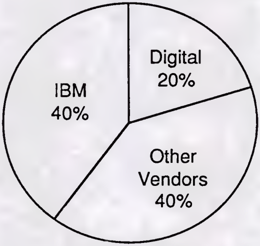
Notes

Independent Maintenance Market Hierarchy, 1989



Notes

Independent Vendor Revenue From Installed Base



Note: Rounded numbers

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Notes

Independent Vendor Sales Profile

- 6 1/2 % of headcount in sales
- $1.2 M revenue per sales head
- $74 K revenue per employee

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Notes

Equipment Vendor Reaction to Independents' Success

1. Competitive response
2. Cooperative partnerships
3. Restrictive practices

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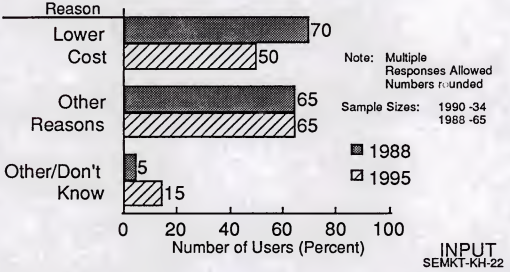
Notes

Why Users Chose Independent Maintenance



Notes

Independent Vendor Strengths

1. Responsiveness
2. Multivendor service
3. Independent/unbiased

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Notes

Independent Vendor Weaknesses

1. Software support credibility
2. Overexposure risk
3. Risk of losing user friendliness

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Notes

Independent Vendor Future Service Challenges

1. Total service orientation
2. Cooperatives and partnerships
3. Market measurable service

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Notes

Major Issues Facing Independent Vendors

1. Competition
2. New technology
3. Quality

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Notes

Independent Vendor Five-Year Strategies

- 40% concentrating on diversification
- 50% pursuing acquisition growth
- 70% pursuing market specialisation

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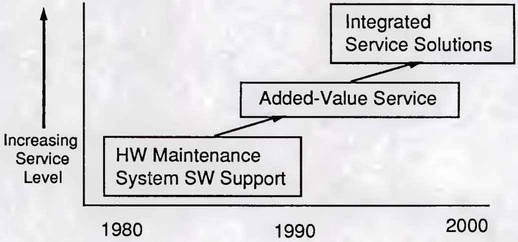
Notes

Long-Term Service Trends



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Notes

Potential Crisis for Independent Vendors

- Rapid decline in maintenance revenues
- Independent maintenance → Independent service
- Adaptation key to survival

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Notes

About INPUT

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

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