Outsourcing Desktop Services In Europe

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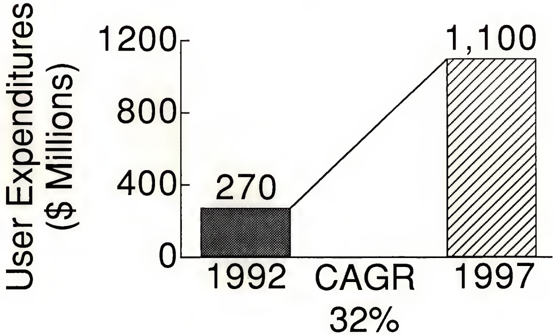
INPUT

Desktop Services Market
Europe



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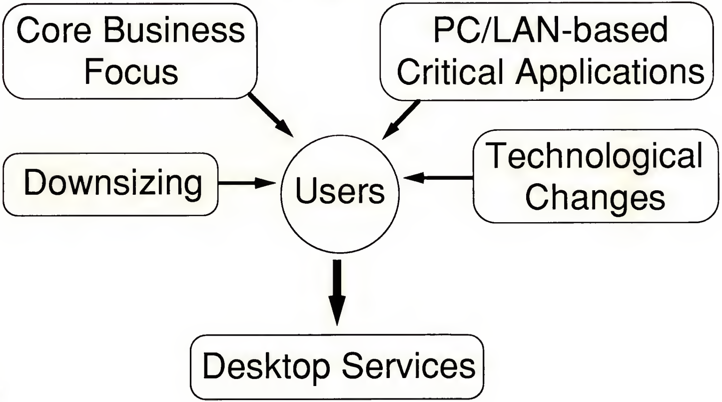
Desktop Services, Europe

Driving Forces



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Desktop Services, Europe

The Decision Process

Size of Organization	In-House Capability Level	Source of decision to outsource
Large organizations	High	Senior executives
Medium-sized organizations	Low	IS management

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Desktop Services, Europe

Major Country Markets, 1992

Country	1992 Revenues ($ Millions)
United Kingdom	120
Germany	40
France	30
Netherlands	25

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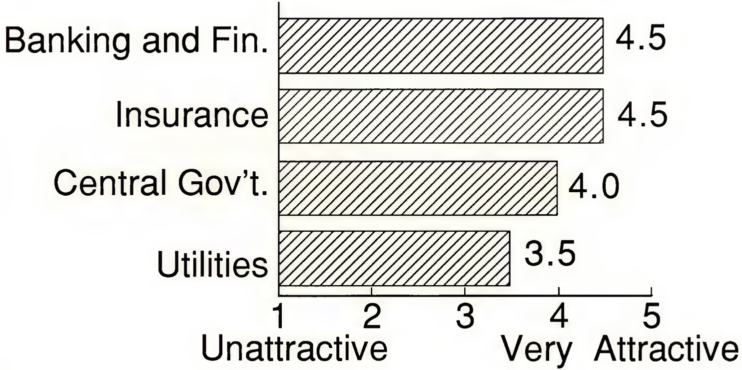
Desktop Services, Europe

Attractiveness of Industry Sectors



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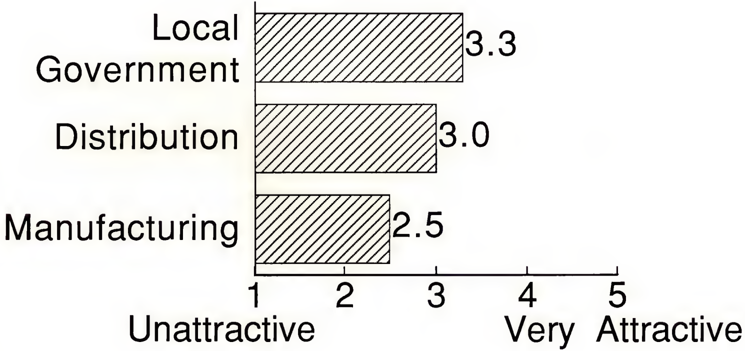
Desktop Services, Europe

Attractiveness of Industry Sectors



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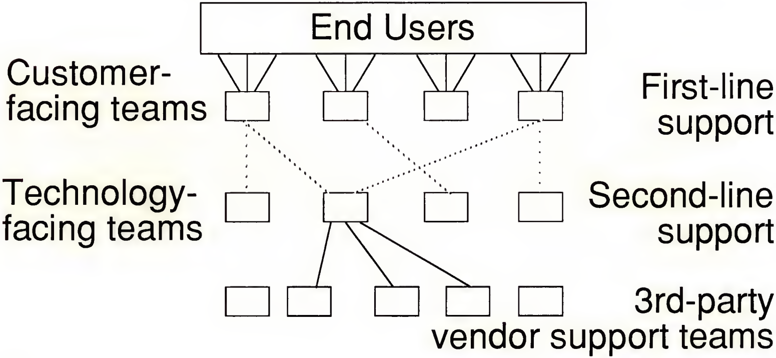
Desktop Services, Europe

Delivery of Help Desk Services



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Desktop Services, Europe

Pricing Mechanisms

- Cost of on-site support plus mark-up
- Monthly usage of remote help desk
- Volume discounts

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P&P: Service Offerings

- Contract managed support
- Dealer to Times Top 100
- Frequently take on user IS personnel
- Open relationship
- Tailored service

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Delivery Capability: ICG

Service Element	Level of Capability
Purchasing consulting	High
Equipment purchase	High
Equipment maintenance	High
LAN/equipment installation	High
LAN management	High

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Delivery Capability: ICG

Service Element	Level of Capability
Help desk services	
- Systems software	High
- Applications SW products	High
Second-line technical support	High

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Strategies: Professional Services Vendors

- Only targeting desktop services as part of wider offering

- Concentrating on network implementation and management

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Desktop Services, Europe

Professional Services Vendors

Strengths	Weaknesses
• Networking capability	Lack of supply cap.
• Synergy with systems operations	Lack of depth and breadth of software product knowledge
• Access to large accts.	Lack of ambition

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Desktop Services, Europe

Dealer/Distributor Strategies

- Develop pan-European capability
- One-stop shopping
- Partnerships for proprietary capability
- Major opportunity to enter high-margin services business
- Targeting system development

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Desktop Services, Europe

Personal Computer Dealers

Strengths	Weaknesses
• Full desktop services capability	Lack of mainframe and midrange capability
• Breadth and depth of product knowledge	Pan-European capabilities still embryonic
• Vendor independence	

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Desktop Services, Europe

Key Trends

- Outsourcing ITTs increasingly request desktop services

- Desktop services also emerging as standalone service

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Desktop Services, Europe

Key Trends

- Downsizing producing substantial market growth

- Could become dominant form of infrastructure management

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Desktop Services, Europe

Vendor Challenges

- Independence of supply
- Full-service capability
- Breadth of software product support capability
- Up-to-date technical skills
- Pan-European coverage

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ICG Service Offerings

- Help Desk
- International account management
- Consulting services
- PC integration services

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ICG: Strengths and Weaknesses

Strengths	Weaknesses
Pan-European coverage	Lack industry-specific expertise
Equipment supply	Lack mainframe expertise
Breadth and depth of support capability	SO customer base

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Service Offering: Sema Group

- Based on LAN expertise
- Support limited application range
- Prefer remote help desk

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Desktop Services, Europe

Delivery Capability: Sema Group

Service Element	Level of Cap.
Purchasing consultancy	Medium
Equipment purchase	Medium*
Equipment maintenance	Medium-High*
LAN/equipment installation	High
LAN management	High

*Via partner

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Desktop Services, Europe

Delivery Capability: Sema Group

Service Element	Level of Cap.
Help desk services	
-Systems software	High
-Applications software products	Medium
Second-line technical support	High

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Strengths and Weaknesses: Sema Group

Strengths	Weaknesses
LAN skills Willingness to support ASPs	Lack breadth of PC application support capability

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Overview of Outsourcing Market in Europe

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Outsourcing, Europe

Identification of Prospects

Low

Level of In-house IS Capability

Changing Co. Struct. Changing Business Focus	Remote Subsid. New Acquisition
Stable Well-Focused Org.	Change of CEO

Quality of Relat. Between IS & Clients

High

Low

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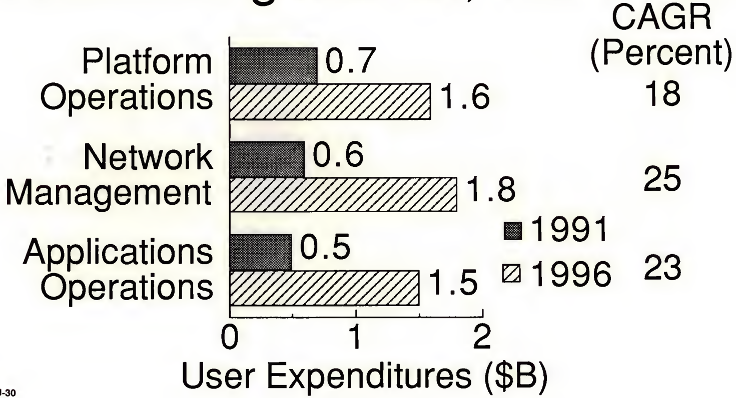
Europe

Outsourcing Market, 1991-1996



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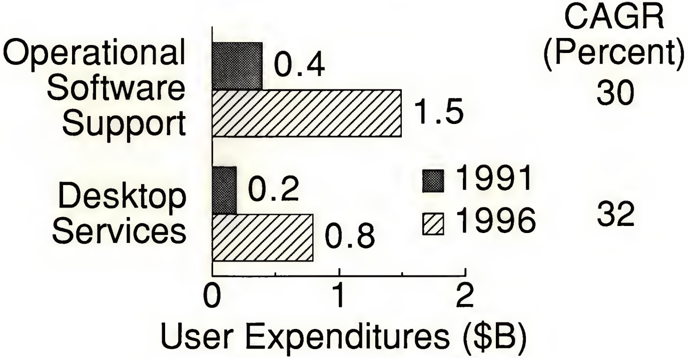
Europe

Outsourcing Market, 1991-1996



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Outsourcing, Europe

Principal Reasons for Platform Operations

Factor	Degree of Imp.
Easier planning of IS costs	High
Complexity of technology	High
Difficulty in recruiting staff	Medium
Change in technology used	Medium

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Outsourcing, Europe

Principal Reasons for Platform Operations

Factor	Degree of Imp.
Easier planning of IS costs	High
Complexity of technology	High
Difficulty in recruiting staff	Med.
Change in technology used	Med.

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Network Management Outsourcing Drivers

- Increasing reliance on the network—globalisation of business
- Increasing complexity of networking technology
- Increasing volatility of the public network infrastructure

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Operational Software Support Outsourcing Drivers

- Dependence on aging application systems
- Resource management difficulties
- Software staff discontent

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Operational Software Support Outsourcing Drivers

- New business demands on staff
- Holding action during transition
- User discontent with quality of service

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Operational Software Support Conclusions

- Untapped market opportunity
- Total user spend ~ $44 billion
- Less than 1% is outsourced
- Primary need—IS management skills

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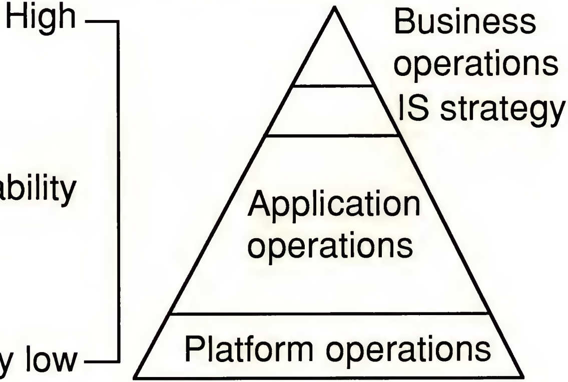
Outsourcing, Europe

Profitability



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Outsourcing, Europe

Leading Vendors, 1990

Rank	Company	Est. Rev. ($M)
1	CGS/Hoskyns	145
2	EDS	132
3	AT&T Istel	78
4	GSI	64
5	SD-Scicon	59

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Outsourcing Product Lines
Hoskyns

- Midrange
- Mainframe
- Application management
- Desktop services

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AT&T Istel

Breakdown by Service Type Outsourcing Customer Base

Service	(%) of Contracts
FM and efficiency mgmt.	55
Service management	35
Change management	5
Information systems mgmt.	5

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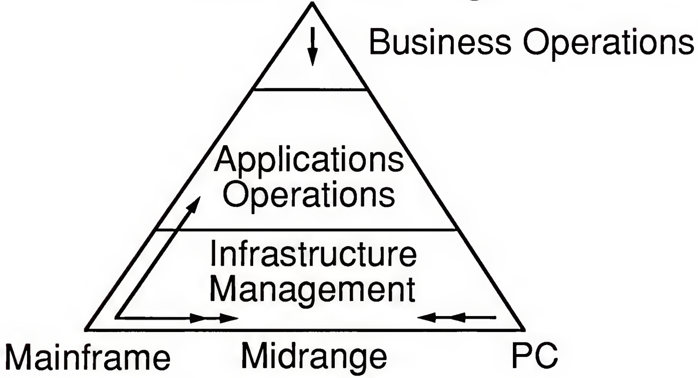
Evolution of European Outsourcing



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Downsizing
What Is Its Meaning?

- Something new
- Something old
- Downsizing = Upsizing
- Downsizing = Smartsizing = Upsizing
  Rightsizing

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Hoskyns—Application Management Contracts

Company	Contract Details
ICI Agrochemicals	Transfer of 57 personnel
PowerGen	Support for non-strategic systems
Prudential Holborn	Maintenance/enhancement

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Data Sciences: Strategy

- Develop existing client base
- Target applications development for medium-sized organisations
- Partner Computeraid for desktop services

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Data Sciences Outsourcing Contracts

Client	Contract Details
Sedgwick	Potentially 2,000 PCs
Sphere Drake	Downsizing to PC LAN
National Grid	UNIX-based network

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Andersen Consulting Outsourcing Strategy

- Low emphasis on platform operations
- Target application management
- Target business process services

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Andersen Consulting—Examples of Outsourcing Contracts

Company	Contract Details
Thames Water	Transition management
Stock Exchange	Platform operations
Yorkshire RHA	Transition management

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TeleCom Capita Outsourcing Activities

- Purchased Royal Institute of Public Administration
- Takeover of local government revenue collection
- Collects community charge for 23 councils

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Desktop Services, Europe

P&P: Strengths

- Targeting Times Top 100
- Vendor independence
- Breadth and depth of PC knowledge

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Desktop Services, Europe

P&P: Weaknesses

- Lack of proprietary systems operations capability
- European coverage
- Lack of industry expertise

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Digital U.K.
Outsourcing Revenues

Service Category	Annual Revenues (£M)
Systems operations	7
Network management	6
Desktop services	5
Total	18

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Digital—Outsourcing Target Markets

- Finance sector
- Utilities
- Retail sector

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Axone: Outsourcing Strategy

- High growth from transition management services
- Developing multivendor platform operations
- Application management on midrange platforms

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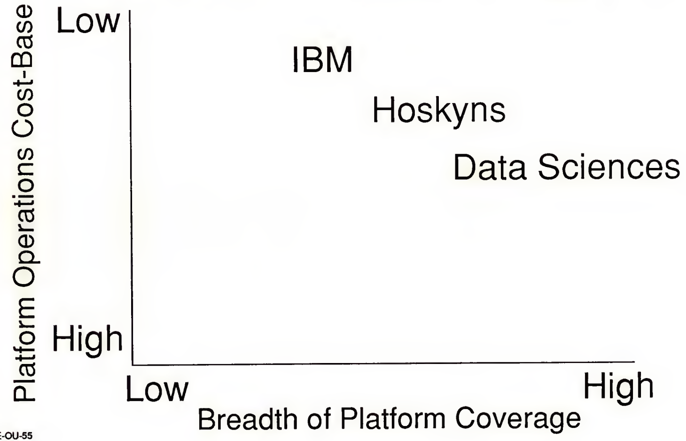
Vendor Positioning (1)



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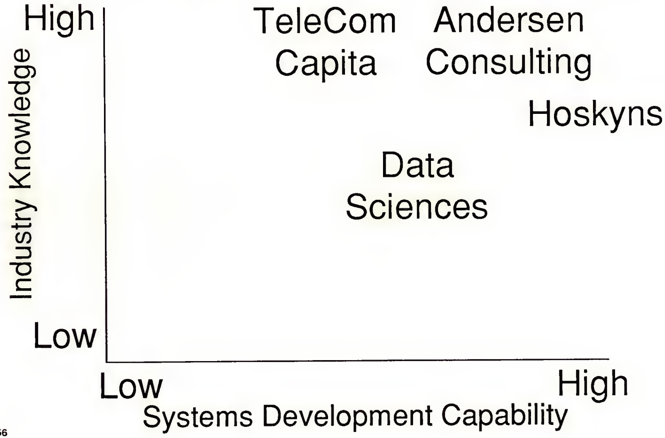
Vendor Positioning (2)



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Outsourcing Vendor Strategies

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Software and Services, Europe

Key User Demands

- Value for money
- Cost reduction
- Effectiveness

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Software and Services, Europe

Seeking Cost Reductions for IT

- Downsizing
- Outsourcing
- 80% solutions

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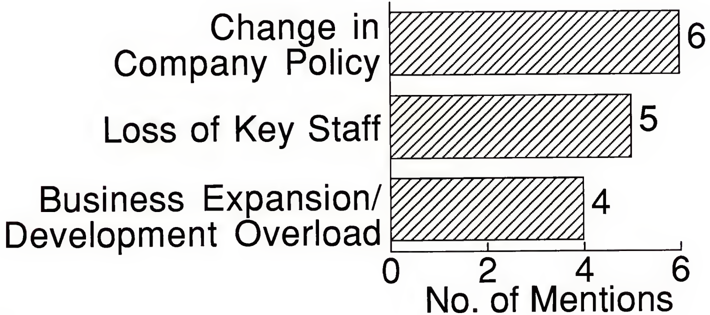
Circumstances for Adoption of Outsourcing IS Managers, Europe



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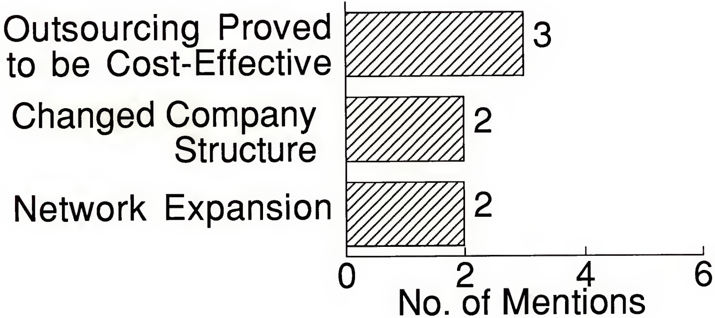
Circumstances for Adoption of Outsourcing IS Managers, Europe



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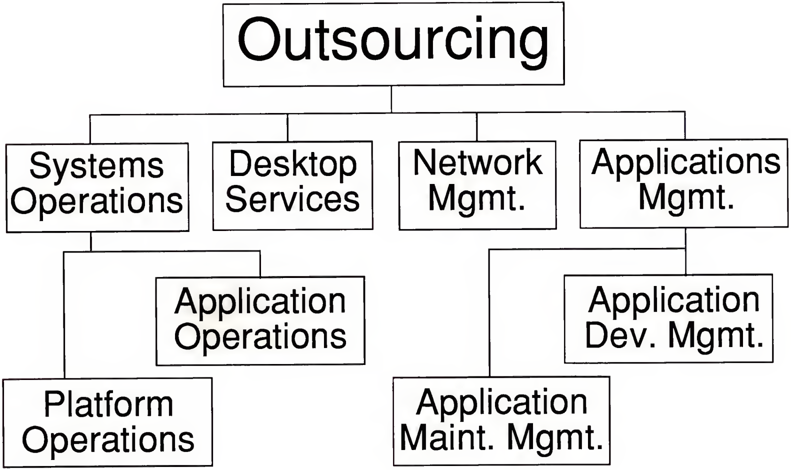

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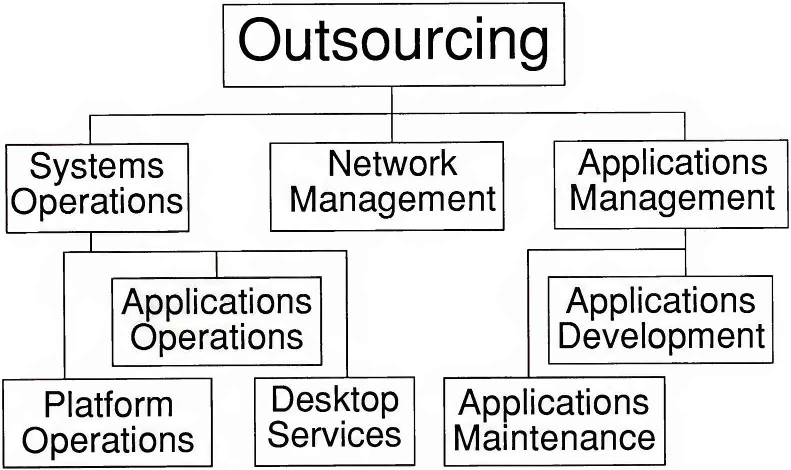

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User Propensity to Outsource

High

Transition Outsourcing

↓

Application Maint. Mgmt.

↓

Network Mgmt. Desktop Servs.

↓

Platform Operations

↓

Application Operations

Low

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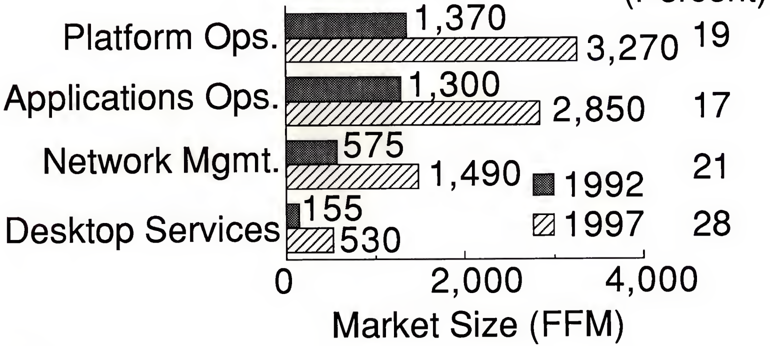
Outsourcing Market France



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INPUT

France, 1991

Outsourcing Revs. by Industry

Sector	Revs. (FFM)	Prop. (%)
Manufacturing	1,000	35
Distribution	500	18
Public	480	17
Financial Services	400	14
Other	470	16

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Europe, 1991

Leading Outsourcing Vendors

Vendor	Revs. ($M)	Share (%)
EDS	270	12
CGS	230	10
Sema	100	4
GSI	90	4
AT&T Istel	80	3

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France, 1991

Leading Outsourcing Vendors

Vendor	Revs. (FFM)	Share (%)
EDS-GFI	550	19
GSI	330	12
Télésystèmes	270	9
Axone	180	6
CISI	175	6

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The CSC Value Chain

Business Strategy → IS Strategy → Application Planning →

Systems Development → Systems Operations → Business Operations

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Applications Maintenance Management

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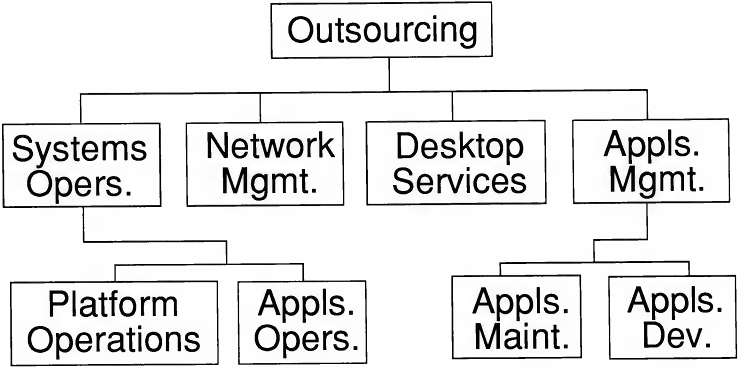
Scope of Outsourcing



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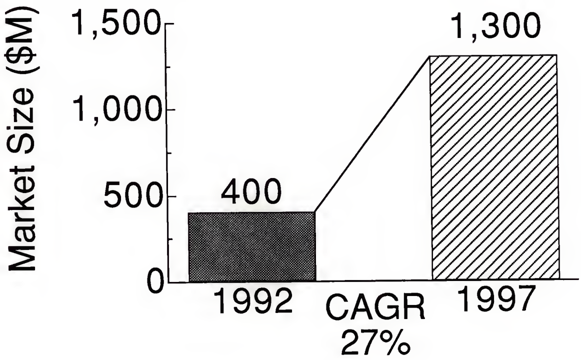
Applications Maintenance Management, Europe



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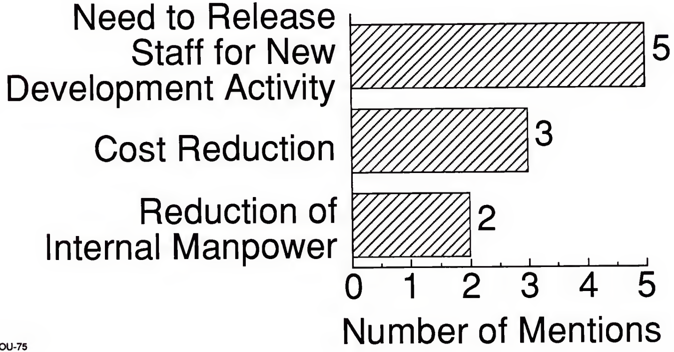
Reasons for Adopting Application Maintenance Mgmt.



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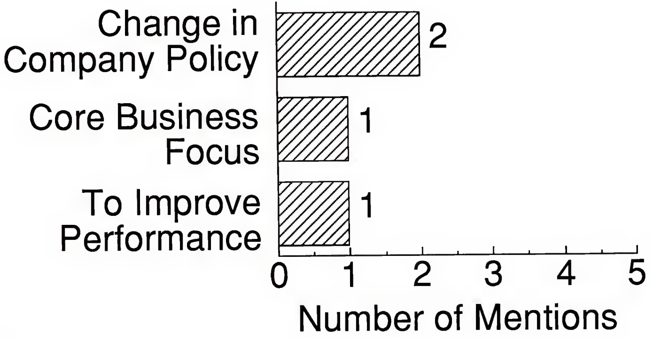
Reasons for Adopting Application Maintenance Mgmt.



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Profile of Typical Application Maintenance Mgmt. Contract

- Value $2 million over three years
- Covers all commercial applications
- Cobol predominant language used
- Users highly satisfied

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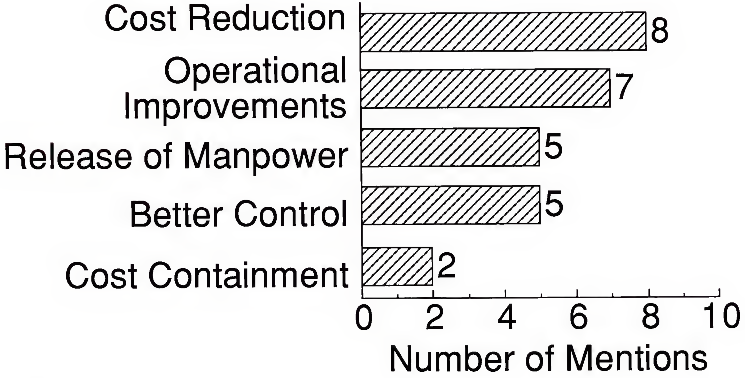
Benefits Achieved



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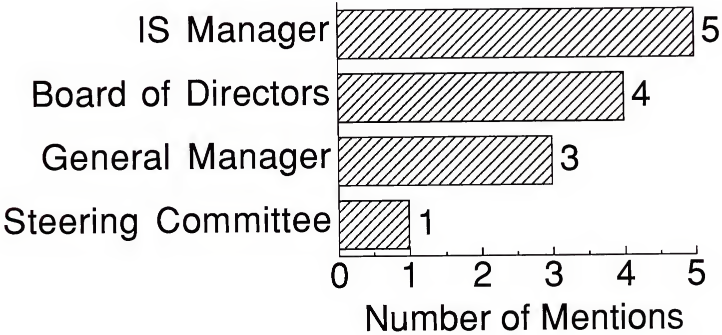
Key Decision Makers



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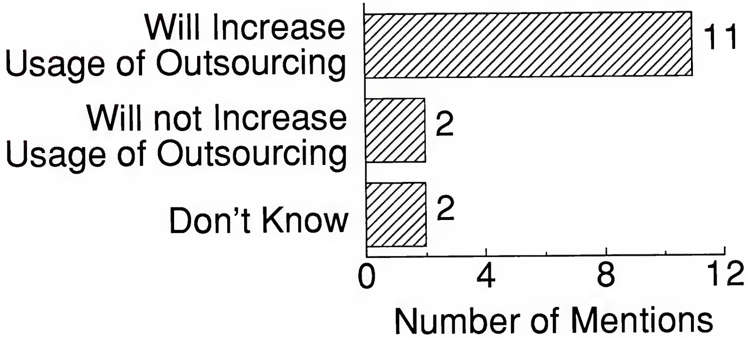
Future Outsourcing Intentions



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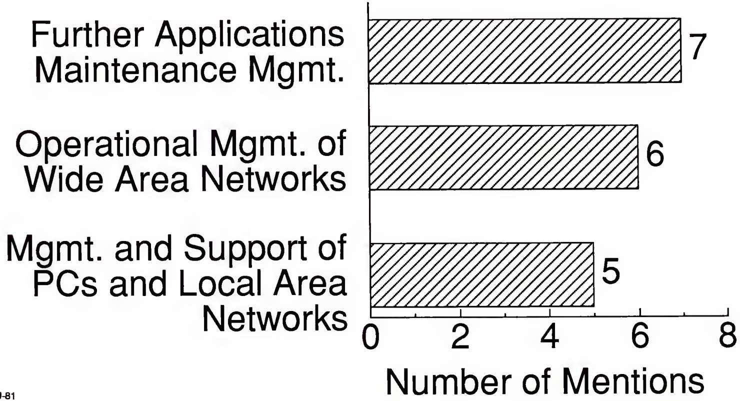
Future Outsourcing Intentions



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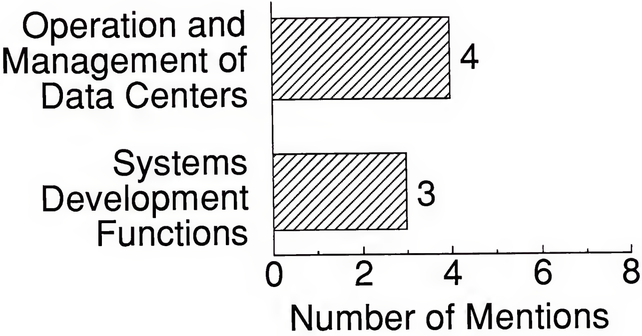
Future Outsourcing Intentions



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Outsourcing Growth Opportunities

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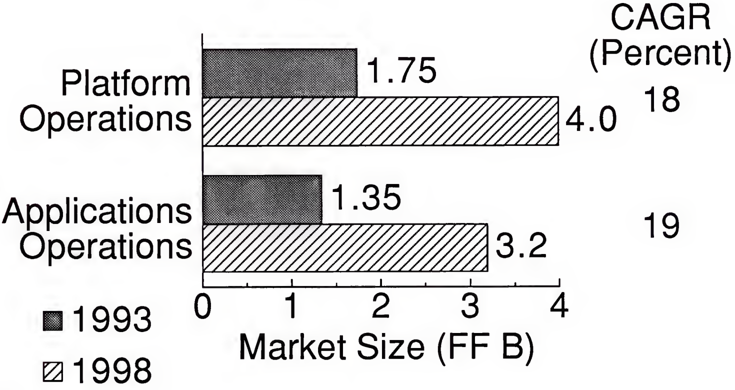
Outsourcing Market, France



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Major Outsourcing Contracts, 1992-1993

Client	Vendor	Contract Value ($M)	Number of Years
East Midlands Electricity	Perot Systems	600	12
Europcar	Perot Systems	400	10

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Major Outsourcing Contracts, 1992-1993

Client	Vendor	Contract Value ($M)	Number of Years
BHS	CSC	200	11
Kooperativa Forbundet	EDS	≈1,000	10

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Systems Operations, Europe

Contract Length by Contract Type

Contract Type	Avg. Contract Length (Years)
Platform Operations	3.5
- Transition Outsourcing	2.5
- Other Platform Operations	4.5
Applications Operations	5

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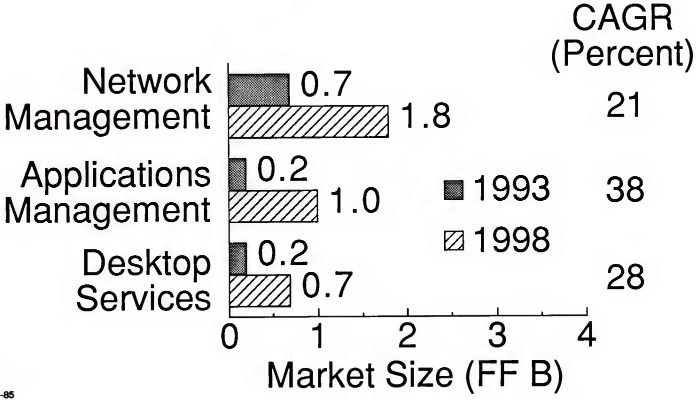
Outsourcing Market, France



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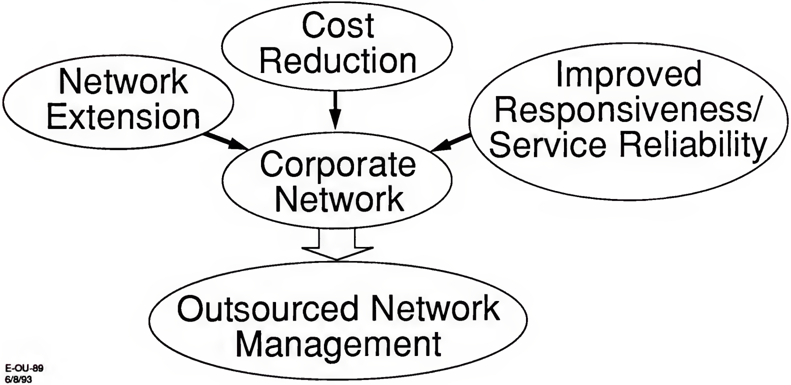
Network Management Outsourcing Drivers



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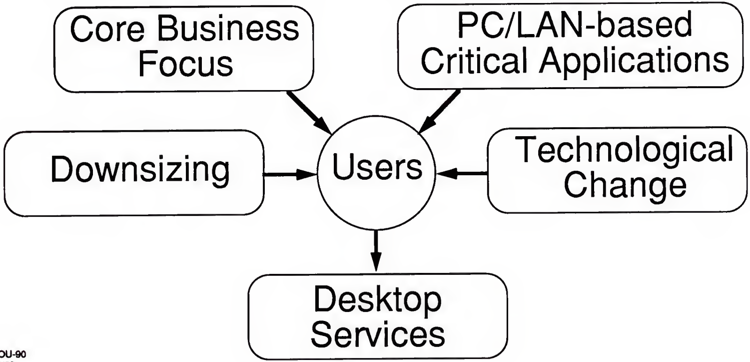
Driving Forces Desktop Services, Europe



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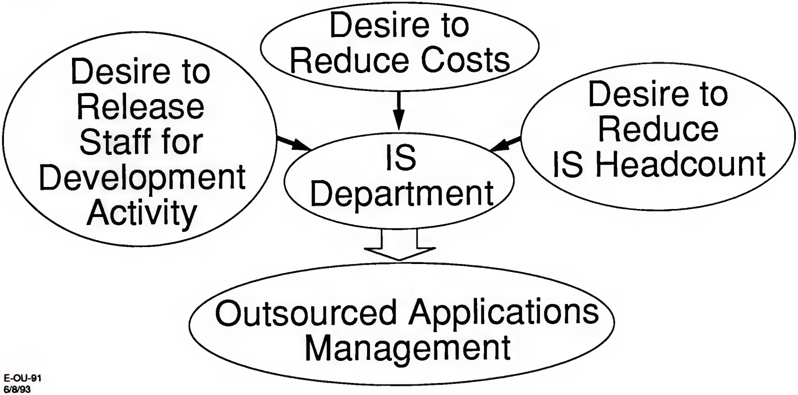
Driving Forces
Applications Management, Europe



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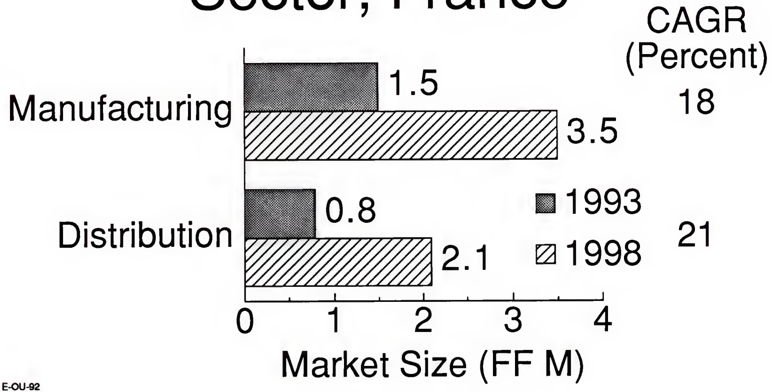
Outsourcing by Industry Sector, France



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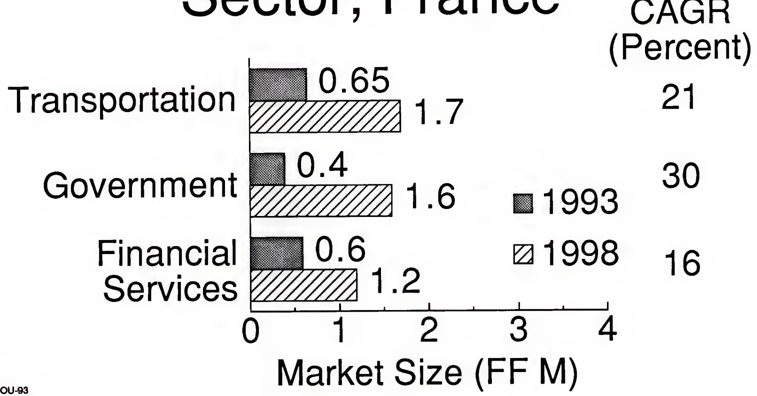
Outsourcing by Industry Sector, France



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Systems Operations, Europe

Breakdown by Client Turnover, 1992

Turnover of Client Organization	Proportion of Contracts (%)
>$200 M	70
$40 - $200 M	25
<$40 M	5

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6/8/93

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Leading Outsourcing Vendors France, 1992

Company	Est. Rev. (FF M)
EDS-GFI	750
GSI	350
Télésystèmes	280
IBM/Axone	240
CISI	200

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Outsourcing Opportunities for Equipment Vendors

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Characteristics of Platform Operations Market

- Services are mainframe-based
- Low cost service provision essential
- Transition outsourcing a major component
- HP could target via partnership?

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Desktop Services, Europe

Degree of Outsourcing

Service Element	Relative Level of Outsourcing by Users
Purchasing Consultancy	Medium
Equipment Purchase	Medium
Equipment Maintenance	High

E-OU-98
6/8/93

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Desktop Services, Europe

Degree of Outsourcing

Service Element	Relative Level of Outsourcing by Users
LAN/Equipment Installation	High
LAN Management	High

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6/8/93

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Desktop Services, Europe

Degree of Outsourcing

Service Element	Relative Level of Outsourcing by Users
Help Desk Services	
- Systems Software	Medium-High
- Applications Software	Medium
Second-line Tech. Support	High

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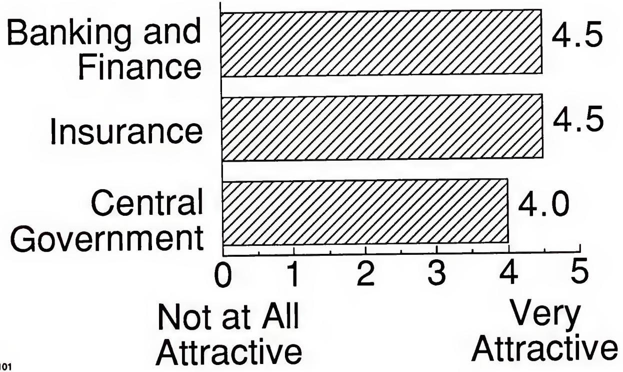
Desktop Services, Europe

Attractiveness of Industry Sectors



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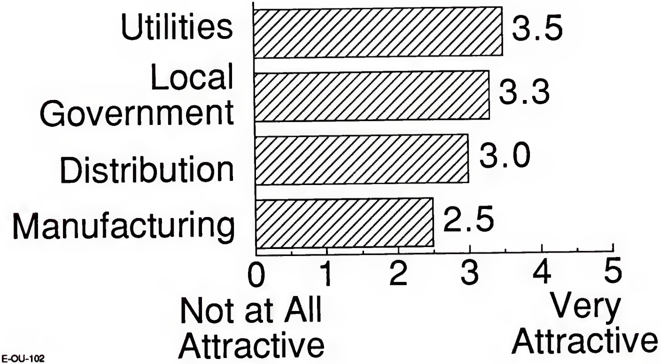
Desktop Services, Europe

Attractiveness of Industry Sectors



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Desktop Services, Europe

Vendor Challenges

- Independence of supply
- Full service capability
- Breadth of software product support capability
- Up-to-date technical skills
- Pan-European coverage

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Conclusions

Segment	Comments
Platform Operations	Partnership may be desirable
Desktop Services (LAN Management)	A good prospect
Network Management	Partnership?

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Conclusions

Segment	Comments
Applications Management	No
Applications Operations	Target selected industries Partnership for mainframe operations

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