# PROFESSIONAL SERVICES INDUSTRY

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## AGENDA

1. Introduction
2. Environment
3. Professional Services
   - Forecasts and Trends
4. Conclusion

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Year on Year Quarterly Growth
25 PUBLIC PROFESSIONAL SERVICES COMPANIES
50%
45
40
35
30
25
20
15
10
5
0
Q1
Q2
Q3
Q4
1983
1984
22
27
31
33
32
29
26
13
15
20
16
14
16
12
13
5
45
42
26
43
0
Revenue
Income
Revenue (Excludes CSC/PRC)

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## PROFESSIONAL SERVICES SALES POINTS

- Top Management
- Operating Management
- End User Systems
- IS Management
- Technical Specialities

## CONCLUSION

- Phenomenal Opportunity
- Small Capital Investment
- Large People Investment
- Great Returns

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## ARTHUR ANDERSEN

- "Management Information Consulting"
- "Plans, Designs, Installs"
- Methodology Driven
- Product/Industry Marketing Orientation
- Strong Education/Training Orientation

## ARTHUR ANDERSEN

- $400 Million - MIC 1984
- $320 Million - U.S.
- 70% Design and Implementation

## FACILITIES MANAGEMENT
## - EMPHASIS SHIFT

**Hardware Management**

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## MANAGEMENT STRATEGIES

- Pursue Strategic Partnering
  - Includes Selectivity, Market Focus, Management Attention
  - Leverages Critical Capabilities of both Parties
- Specialize

## MANAGEMENT STRATEGIES

- Unbundle Professional Services
- Adopt New Roles
  - System Integrator
  - Information Center Services Provider
  - Expert Systems Facilitator

## AUXCO

- Processing Services
  - Cellular Processing
- Software Products
- Communications Industry

## AUXCO

- **Professional Services**
  - **Consulting**
  - **Systems Development**
  - **Education**
  - **Support**

## COMPUTER HORIZONS

- Communications
- Banks
- Brokerage

} 85% of Revenues

Insurance Utilities

Manufacturing

**COMPUTER HORIZONS**

**Management Consulting**

**Custom Software**

**Support (Education and Training)**

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## SCT

- **Facilities Management**
  - **Professional Services**
- **Software Products**
  - **Baseline**

## SCT

- **Education Market**
  - **Universities**
  - **School Districts**
- **Local Governments**

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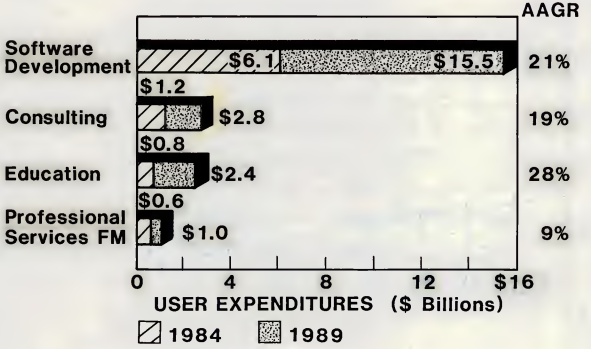
## STRENGTH IN PROFESSIONAL SERVICES

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## MARKET IMPACTS

- Establishing New Relationships
  - Professional Services Vendors
  - Software Product Vendors
  - Computer/Communication Vendors

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## MARKET IMPACTS

- Software Technology
  - Program Development Systems (PDS)
  - Authoring Systems
  - Expert Systems

## HOW TO INCREASE PROFIT MARGINS

| Method | Vendor Response |
|---|---|
| Leverage Skills across Services | 21% |
| Become More Cost Conscious | 43% |
| Slowly Raise Rates | 29% |
| Increase Training Services | 36% |

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## HOW TO INCREASE PROFIT MARGINS

| Method | Vendor Response |
|---|---|
| Offer Higher Skill Levels | 57% |
| Specialization | 36% |
| Unbundling | 29% |

## PERSONNEL SKILLS FOR PROFESSIONAL SERVICES

| Personnel Skills | Vendors Needing Skill |
|---|---|
| Computer-Based Instruction | 24% |
| DBMS | 53% |
| Knowledge-Based Systems | 18% |
| Business Applications | 76% |

## PERSONNEL SKILLS FOR PROFESSIONAL SERVICES

| Personnel Skills | Vendors Needing Skill |
|---|---|
| Communications | 71% |
| Program Development Systems | 36% |
| Other | 24% |

# U.S. CUSTOMER SERVICES SECTOR REVENUE FORECAST

| SERVICE SECTORS | TOTAL SERVICE REVENUE ($ Billions) 1984 | 1989 | AAGR (Percent) |
|---|---|---|---|
| Hardware Maintenance | $9.84 | $20.02 | 15% |
| Software Maintenance and Support | 0.77 | 3.47 | 35 |
| Professional Services | 0.32 | 1.36 | 34 |
| Educational Services | 0.26 | 1.17 | 36 |
| Totals | $11.20B | $26.00B | 18% |

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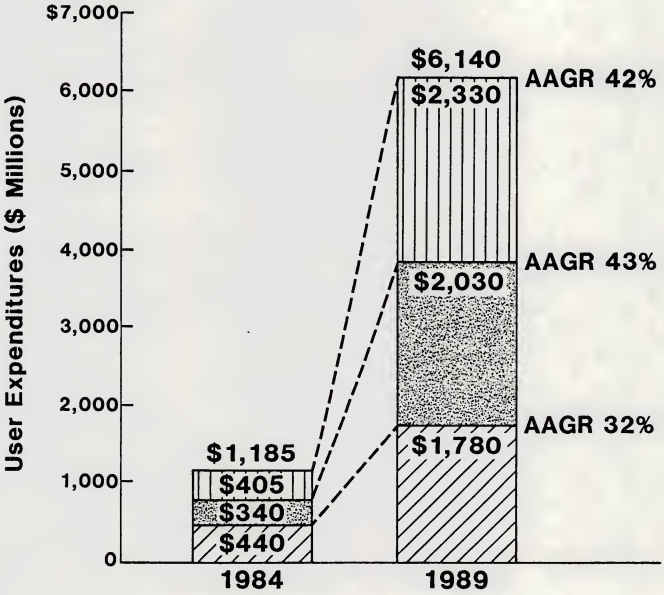
# MARKET PROJECTIONS: SOFTWARE-RELATED PROFESSIONAL SERVICES




Implementation Services
Education and Training Services
Other Services

| | |
|---|---|
| 1984 | Total $1,185 |
| 1989 | Total $6,140 |
| | AAGR 39% |

## SYSTEMS INTEGRATION

- **Custom Projects**
  - **Software**
  - **Hardware**
  - **Education and Training**
  - **Networks**
  - **Support**
  - **Management**

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## SOFTWARE-RELATED PROFESSIONAL SERVICES CHARACTERISTICS

- Implementation Services
  - Software Products
  - Support Users

## SOFTWARE-RELATED PROFESSIONAL SERVICES CHARACTERISTICS

- Education and Training Services
  - Corporate Executives
  - End Users
  - Middle Management
  - Microcomputers and Software

## SOFTWARE-RELATED PROFESSIONAL SERVICES CHARACTERISTICS

- **Expert Systems Services**
  - **Bridging the Gap between AI Products and End Users**

## SOFTWARE-RELATED PROFESSIONAL SERVICES CHARACTERISTICS

- Information Center Services
  - Corporate Information Centers
  - Business Information Centers
  - Shared-Tenant Information Centers

## SOFTWARE SUPPORT TRENDS

- Integration of Systems Design, Software Maintenance, and Consulting into Customer Support
- Increased Remote Software Support
- Development Software Data Bases for Remote Access by Users

## SOFTWARE SUPPORT TRENDS

- Greater Focus on Identification of Key Customer Size Contracts for Software Maintenance/Support
- Increasing Support for Applications Software
- Consolidation of Software Support into National Service Centers

## PROFESSIONAL SERVICES DRIVERS

- Importance of IS
  - Competitive Weapon
  - Top Management View
- Scarcity of Skilled People
- Reduced Internal Capacity
  - Freeze Impact
  - Lack of Training

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## ADVANTAGES OF NATIONAL FIRM

- Customer Base Leverage
- Multi-Size Project Implementation

## PROFESSIONAL SERVICES

- Software Conversion
- Software Maintenance
- IV and V (Independent Validation and Verification)
- Education and Training
- Implementation Services
- Support Services

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## PROFESSIONAL SERVICES

- Consulting
- Facilities Management (Client Owned)
- Systems Analysis and Design
- Systems Engineering and Integration
- Software Development

## TECHNICAL STRATEGIES

- Leverage Professional Services Resources through Program Development Systems

- Leverage Educational and Training Services through Authoring and Video Disk Systems

## TECHNICAL STRATEGIES

- **Leverage High-Level Skills to Increase Revenues and Profit Margins**

- **Partner and Cross-Train to Acquire AI Skills to Build Expert Systems**

## CHANGING MARKET STRUCTURE

- Solutions Orientation
- Buy versus Build Software
- Hardware versus Software in System Cost Equation
- Spectacular Growth in Number of Hands-On Users

## CHANGING MARKET STRUCTURE

- Shift from Hardware Power and Product Functionality to Vertical Markets Expertise and Distribution

- Hardware Vendors Going Outside for Market Resources

## FAST GROWING PUBLIC COMPANIES

| | Growth Rate* | Size ($ Millions) |
|---|---|---|
| AGS Computers | 63% | $220 |
| Analysts Intl. | 44 | 35 |
| AUXTON Comp. | 28 | 24 |
| CGA Comp. | 40 | 58 |

*9 Months 1984 versus 1983

## FAST GROWING PUBLIC COMPANIES

| | Growth Rate | Size ($ Million) |
|---|---|---|
| Computer Horizons | 45% | $42 |
| CTG | 53 | 80 |
| Keane | 67 | 34 |
| SCT | 32 | 62 |

9 Months 1984 versus 1983