Professional Services Markets

Robert L. Goodwin
Vice President
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Professional Services Markets 1988-1993

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MPRE89-162

Professional Services
Market Structure

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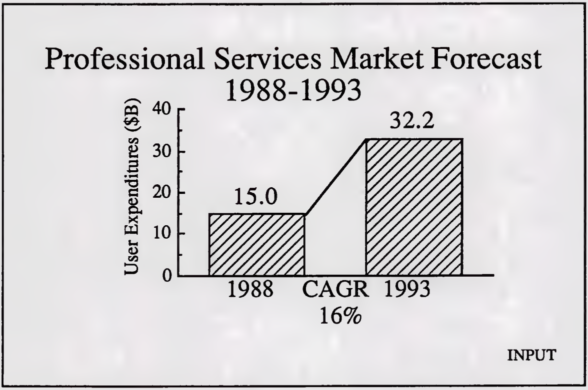
MPRE89-163



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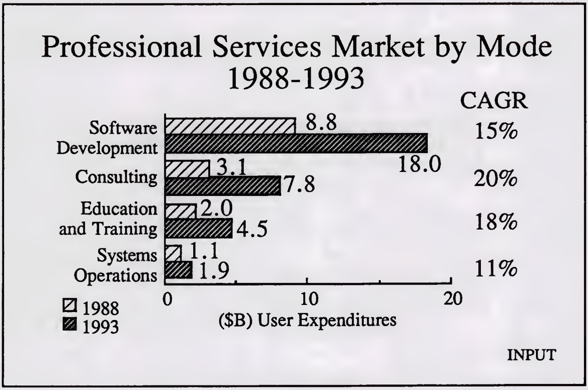
MPRE89-164



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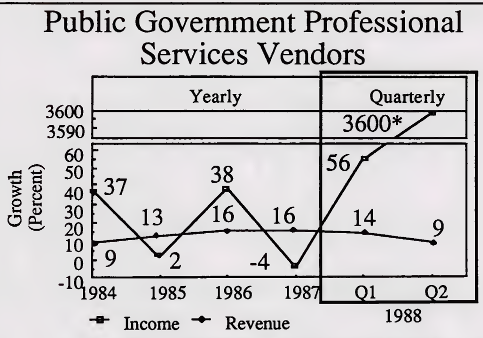
MPRE89-165



* Due to $18.3 million loss taken by BBN during second quarter calendar year 1987.

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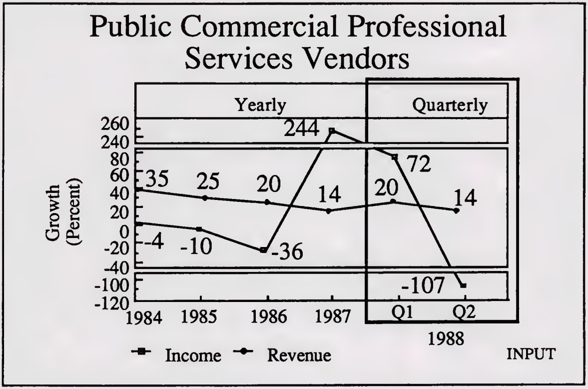
MPRE89-166



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MPRE89-167

Professional Services Market Driving Forces

- Changing U.S. Workforce
- New Hardware, Software, and Communications Products
- Growing Application Backlog

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MPRE89-303a

Professional Services Market Driving Forces

- Unpredictable Need for Specific Resources
- Specialists Needed to "Fine Tune" the System
- Low Cost Market Entry
- Systems Complexity

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MPRE89-303b

Professional Services Market Growth Inhibitors

- Lack of Qualified Personnel
- Investment Required for Internal Education/Training

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MPRE89-304a

Professional Services Market Growth Inhibitors

- More Capital-Intensive Business Means Higher Added-Value Services
- Competiton from:
  - Packaged Software Products
  - In-House Departments or Subsidiaries

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NOTES:

MPRE89-304b

Major Vendors' Shares of Total U.S. Professional Services Market—1988

Company Name	1988 US Revenue ($ M)*	Market Share (%)
IBM	1,180	8
GM/EDS	740	5
Arthur Andersen	500	3
Unisys Corporation	440	3
CSC Corporation	360	2

* INPUT Estimates

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MPRE89-171

Major Vendors' Shares of Total U.S. Professional Services Market—1988

Company Name	1988 US Revenue ($ M)*	Market Share (%)
Emhart/Planning Research	320	2
Ford Aerospace/BDM Int'l	300	2
TRW, Inc.	290	2

* INPUT Estimates

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MPRE89-172

Major Vendors' Shares of Total U.S. Professional Services Market—1988

Company Name	1988 US Revenue ($ M)*	Market Share (%)
Boeing Computer Services	240	1
Peat Marwick	190	1

* INPUT Estimates

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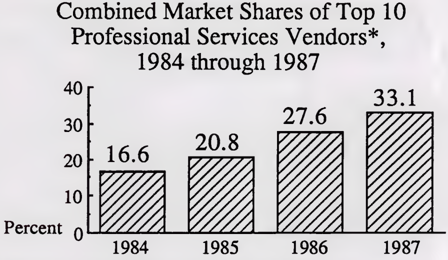
MPRE89-173



*Based on combined commercial/federal professional services revenues

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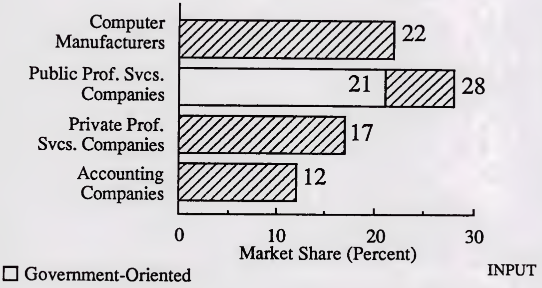
MPRE89-307

Professional Services Market Share by Vendor Type, 1987



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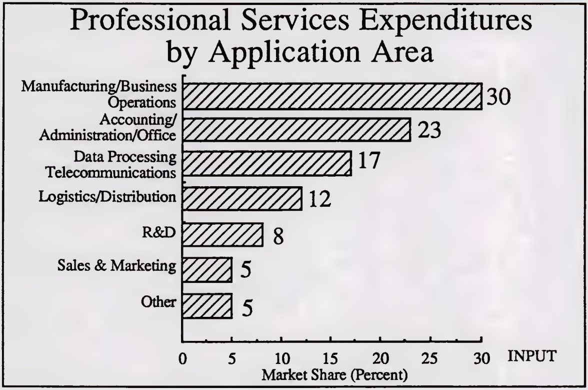

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MPRE89-320a,b

Professional Services Firms as Acquisition Targets

- "Buy versus Build" for Key Capabilities
- Wall Street Cycles
  - Previously: Hardware and Software In
  - Now: Hardware and Software Out, Services In
- Professional Services Firms Are Undervalued

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Growing Role of Temporary Personnel Agencies

- Driving Force: Shortages of Qualified IS Personnel
- Temporary Firms Offer Short-Term Solutions
- Economics of Temporary Personnel Agencies
  - Low Cost of Entry
  - Limited Added-Value Services

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MPRE89-306

Big-Eight Accounting Professional Services

- Predominately Accounting/Audit
- Professional Services Growing Faster
- Andersen Consulting Reorganization
- Entering Software Markets
  - Andersen's *Foundation*
  - Peat Marwick's *Catalyst*
- Mergers/Acquisitions/Strategic Alliances

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MPRE89-174a,b

Significant Mergers/Acquisitions in Professional Services (1988)

- EDS/M&SD
- Emhart (Planning Research)/ Advanced Technology
- NYNEX/AGS
- Ford Aerospace/BDM Intl
- Logica (U.K.)/Data Architects

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MPRE89-175a

Significant Mergers/Acquisitions in Professional Services (1988)

- AEG (FRG)/DYNCORP
- Oracle/Falcon
- CSC/Index Group
- Cincinnati Bell/Vanguard
- Adia/Computer Dynamics
- Knoll Capital/C3

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Opportunities and Recommendations

- Specialize
- Develop Alliances within Other Delivery Modes
- Enhance Education and Training Offerings
- Follow Standards and Regulatory Processes
- Monitor New Technologies

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MPRE89-177a,b

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-163
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-166
-167
-303A
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304A
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320 AB
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174 AB
175 AB
177 AB