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August 1993

Dear Colleague:

Attached is the *U.S. Information Services Market Analysis Program's* latest cross-industry sector forecast update for the *Sales and Marketing Cross-Industry Market*. It provides a current assessment of the events and issues driving this marketplace, and offers INPUT's forecast of the market size for information services for the period 1993-1998.

This report should be filed with INPUT's other *U.S. Information Services Market Analysis Program* reports, behind the tab marked *Sales and Marketing*. Your INPUT program binders, together with the delivery mode reports, provide a total assessment of the United States market for information services.

Market Analysis Program industry and cross-industry sector reports are prepared annually, and may be in one of two forms. The expanded report will contain a detailed industry analysis and supporting forecast data. It will typically be 40-50 pages in length. The forecast update will be a short report, providing a new forecast and summary data to support forecast assumptions. It will generally be 15-20 pages in length. Normally, for each industry and cross-industry market segment, full reports will be produced every other year, with summary reports prepared in the intervening years. The intent of this new format is to recognize the value of our clients' time, and provide concise statements of industry activity, supported by rigorous business, technical and competitive analysis, and a five-year industry forecast.

I am certain that you will find the cross-industry *Sales and Marketing* report to be both informative and useful, and welcome any comments that you have on this document, or any of INPUT's publications.

Sincerely,

Bob

Robert L. Goodwin
Manager, Information Services Market Analysis Program

Enc.

CROSS-INDUSTRY
MARKET ANALYSIS

SALES AND MARKETING

1993-1998

**U.S. Information Services
Market Analysis Program**

AUGUST 1993

SALES AND MARKETING

INFORMATION SERVICES OPPORTUNITIES IN CROSS-INDUSTRY MARKETS

1993-1998
FORECAST UPDATE

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Information Services Market Analysis Program
(MAP)

Sales and Marketing

Information Services Opportunities in Cross-Industry Markets, 1993-1998 Forecast Update

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MCX • 594 • 1993

Table of Contents

I Introduction I-1

- A. Purpose I-1
- B. Organization I-2
- C. Methodology I-3
- D. Related Reports I-4

II Trends, Events, and Issues II-1

- A. Background II-1
- B. Trends and Events II-2
  - 1. Sluggish Economy II-2
  - 2. Customer Satisfaction and Contact Management II-2
  - 3. Sales Force Automation (SFA) II-3
  - 4. Laptops II-3
  - 5. Telemarketing II-4
  - 6. Core Applications II-5
  - 7. Pricing II-5
- C. Issues II-7
  - 1. Are Sales Forces Necessary? II-7
  - 2. Sales Force Computer Literacy II-8
  - 3. Return to a Healthy Economy II-9
- D. Technology II-9

III Information Services Market Forecast III-1

- A. Overview III-1
- B. Information Services Market III-1
- C. Delivery Mode Analysis III-3
  - 1. Processing Services III-3
  - 2. Applications Software III-4
  - 3. Turnkey Systems III-6

Appendix

- A. Forecast Data Base A-1
- B. Forecast Reconciliation A-2

Exhibits

II

-1 Major Trends and Events II-6
-2 Significant Sales and Marketing Issues II-9

III

-1 Sales and Marketing Cross-Industry Sector Information Services Market, 1993-1998 III-2
-2 Sales and Marketing Cross-Industry Sector Information Services Market by Delivery Mode, 1993-1998 III-3
-3 Sales and Marketing Applications Software Expenditures, by Delivery Platform Size, 1993-1998 III-4

Appendix

A.

-1 Sales and MarketingSector—Market Size by Delivery Mode, 1992-1998 A-1
-2 Sales and Marketing Cross-Industry Sector, 1993 MAP Data Base Reconciliation A-2

I

Introduction

A

Purpose

The purpose of this forecast update is to identify key changes in the market for information services in the sales and marketing cross-industry market and to provide the 1993 INPUT forecast for this market sector.

Sector Definition - INPUT defines cross-industry information services as packaged functional applications solutions that are used by multiple industry sectors. For example, accounting and planning and analysis are functions that are similar enough across all industries to be considered markets in their own right for nonvertical applications solutions. The seven cross-industry sectors defined by INPUT are:

- Accounting
- Human Resources
- Education and Training
- Engineering and Scientific
- Office Systems
- Planning and Analysis
- Sales and Marketing

Sales and marketing information services include the following applications areas and activities:

- *Sales Productivity Aids* - These activities include list processing, creating form letters, contact management, tracking and forwarding leads, ranking prospects, monitoring lengthy sales cycles, and the creation and use of prompting scripts for telemarketing.

- *Sales Analysis* - Activities include the creation and analysis of monthly history and sales summary files, analysis of invoice details, tracking of sales month-to-date or year-to-date, and the analysis of sales by branch, sales territory, customer and product.

- *Marketing Management* - The primary activity is the generation and analysis of reports tailored to specific management requirements. These reports address such areas as marketing, sales and product strategies; designing and managing sales territories; and analyzing marketing and sales programs by market, territory, product, customer type, price, and channel. Sales and marketing management software is often closely integrated with both financial planning and decision support functions.

- *Demographic Market Planning Models* - These models are used for selecting the (geographic) location of stores, outlets, and companies. The basic model cuts across multiple industries but may require customization for some business areas such as petroleum, banking, government services, restaurants, general merchandise, and supermarkets.

Unlike some of the other cross-industry sectors—such as human resources—from a functional standpoint, all marketing and sales systems are not alike. Except for the basic functions of storing data for mailings and list processing, additional functions and features vary widely. This diversity reflects the relative immaturity of marketing and sales application solutions. For instance, these activities are typically closely integrated with accounting, inventory control, purchasing and order-entry software. Products range from standalone personal productivity tools to LAN-based multiuser systems and to host-based systems.

A major portion of marketing and sales software is industry-specific and is, therefore, not considered in the user expenditure forecasts for this cross-industry sector. Vertical-industry sectors with emphasis on the selling and distribution functions—such as wholesale distribution, retail distribution, and manufacturing industries—are the most active users of marketing and sales software.

B

Organization

The balance of this report is organized as follows:

- Chapter II—*Trends, Events and Issues*—discusses changes, market issues and activities, and competitive factors in the sales and marketing sector that can have an impact on the current and future use of information services.

- Chapter III—*Information Services Market Forecast*—presents an analysis of the expenditures for information services, by delivery mode and submode, for the U.S. sales and marketing market.

- Appendix A—which contains the *Forecast Data Base*—presents a detailed forecast, by information services delivery mode and submode, for the sales and marketing vertical market. A reconciliation to the previous forecast is also provided.

C

Methodology

Ongoing Research - Much of the data on which this report is based has been gathered during 1992 and early 1993 as part of INPUT's ongoing market analysis program. Trends, market sizes, and growth rates are based upon INPUT research and in-depth interviews with users in the sales and marketing market sector and the IS vendors serving that sector. INPUT maintains ongoing relationships with, and a data base of, all users and vendors that it interviews. Interviewees for the research portion of this report were selected from this data base of contacts.

Resources - Extensive use was made of INPUT's corporate library located in Mountain View, California. The resources in this library include on-line periodical data bases, subscriptions to a broad range of computer and general business periodicals, continually updated files on over 3,000 information services vendors, and the most up-to-date U.S. Department of Commerce publications on industry statistics.

Forecast Estimates - Vendors, when responding to interviewers or questionnaires, may be unwilling to provide detailed revenue breakouts by delivery mode or industry. Also, vendors often use different categories of industries and industry segments or view their services as falling into different delivery modes from those used by INPUT. Thus, INPUT must estimate revenues for these categories on a best-effort basis. For this reason, the delivery mode and individual segment forecasts should be viewed as indicators of general patterns and trends rather than specific, detailed estimates for individual years.

Rounding - The values used in many of the exhibits contained in this report have been rounded for ease of reference. User expenditures for all information services categories are detailed, to the nearest $1 million, in Appendix A, the *Forecast Data Base*.

D

Related Reports

In addition to this market-specific report, the reader may also be interested in other, related INPUT reports that address other cross-industry markets, specific delivery mode markets, and the U.S. and worldwide markets for information services. Such reports would include the following INPUT publications:

- *Information Services Opportunities in Cross-Industry Markets, 1992-1997*
- *U.S. Processing Services Market, 1992-1997*
- *U.S. Professional Services Market, 1992-1997*
- *U.S. Network Services Market, 1992-1997*
- *U.S. Applications Software/Turnkey Systems Market, 1992-1997*
- *U.S. Systems Integration and Outsourcing Markets, 1992-1997*
- *Worldwide Information Services Forecast, 1992-1997*

II

Trends, Events, and Issues

A

Background

Marketing and sales applications are a natural complement to other cross-industry packages such as accounting and office systems. They are also a natural addition to vertical packages such as inventory control and purchasing, which are used predominantly in the manufacturing, retail and wholesale distribution, and packaged consumer goods industries.

Sales and marketing attributes and functions are often incorporated into other cross-industry applications software products as an add-on module. Thus, companies that sell sales and marketing cross-industry sector applications software products are likely to sell other products as well.

All marketing and sales systems are not alike. Except for the basic functions of storing data for mailings and list processing, additional functions and features vary widely. This variety reflects not only the multifaceted nature of marketing and sales, but also the relative immaturity of this cross-industry sector.

For marketing and sales information services, ease of customization is particularly important to accommodate user variation in methods of managing and tracking data and company-specific forms and documents. Ease of integration with other applications and data bases will continue to be an important selling point for both application areas.

The balance of this chapter examines the forces driving this cross-industry market segment.

B

Trends and Events

This section notes the trends and events that are affecting the sales and marketing cross-industry information services marketplace.

1. Sluggish Economy

Although the economy is no longer drifting downwards, neither is it returning to prior rapid growth. The modest 3% growth in GDP anticipated for 1993 reflects the caution and conservatism of a business community battered by the economic uncertainties of recent years. Such conservatism is reflected in tighter budgets at all levels—enterprise, department, and information systems group. As a result of scarce budget dollars, there is an increased need to optimize the use of sales and marketing resources.

The slowed economy also limits sales opportunities, as both companies and individuals confine spending to immediate needs and defer many purchase decisions until economic growth is more sustained and new federal taxation regulations have been fully defined. Whatever the cause, other than consumer retail sales, there are limited sales available, and the best organized sales forces, with the best product quality, best marketing plans and territory/account management resources, will be most likely to prosper.

2. Customer Satisfaction and Contact Management

TQMP, customer service, quality, and customer satisfaction are some of the many terms now used to describe the U.S. industry's growing concern for the quality of its products and services, and its desire to satisfy customer requirements at all levels. Driven by the realities of a global marketplace (increased foreign competition), and the recognition that good service supporting good products is good business, most firms are now paying close attention to all aspects of customer relations.

The sales staff is the primary point of contact with both clients and prospects, and many new sales tools have been developed to record, track, and act upon such external interactions. In addition, some companies now track all external contacts, not just sales-related clients and prospects. The need to assure a high level of quality and service is the primary motivator for such close contact tracking. The intent is to be certain that clients, prospects, and others receive prompt and satisfactory responses to their needs. IS technology, especially sophisticated sales and marketing contact management programs, allows such data to be easily recorded and accessed by interested parties at all levels within the enterprise.

3. Sales Force Automation (SFA)

To quote the journal *Sales and Marketing Management*, "SFA is no linger a lunatic fringe concept, it is the new orthodoxy." The reason is obvious. Effective account and territory management (or management of a sales or marketing group) requires time, careful planning, and the optimum use of resources. A recent study by *Cahners Publishing*, a business magazine publisher, stated that as many as 41% of the surveyed salesperson's customers were not contacted in the study year 1991. In fact, only 16% of surveyed sales personnel actually carried out a plan to contact *all* their customers that year, while 37% noted that less than half of their clients were called on at least once.

Using SFA tools, such as laptop computers, applications software, and modems, contact and sales performance can be dramatically improved, and a steadily increasing population of salespersons and sales managers now recognize this and are embracing the SFA concept and using SFA resources.

However, implementing an effective SFA program is a complex process and requires careful planning, the support of top management, a clear definition of information needs, a concern for "people" issues, a thorough pilot or beta test to identify problem areas, and strong training and support programs. Sales groups are also finding that automating an existing, but flawed, system creates more problems than it solves. Regardless of these caveats, however, sales force automation is here to stay.

4. Laptops

- Portable, *truly* portable computing is a reality. The new generation of laptop or portfolio computers are:

- *Light* - Five pounds or less

- *Full-featured* - Most portables have all the capabilities of desktop machines

- *Low-cost* - Less than $2,000 for a fully-equipped monochrome machine

- *Easy to Use* - Most come preloaded with a sophisticated graphic user interfaces (GUI), such as Microsoft's *Windows*, which facilitate user interaction with many applications programs

- *Easy to View* - They have excellent monochrome, marginal passive matrix color, and superb active matrix color screens that rival the viewing quality of desktop units

- *Excellent "Road Warriors"* - As coined by a major personal computing journal, a *road warrior* is a portable computer with the ability to perform most office tasks in the field. These tasks include such technical functions as faxing and data transmission and can use specialized modem cards and integrated modular connections. Business activities for which these resources can be used include such standard sales and marketing functions as proposal preparation, pricing, word processing, and updates to forecast data bases.

As a result of this technology, the field sales force and sales management now have a powerful resource in hand (literally) to facilitate both the sales process and sales administration and accounting. A recent INPUT survey of the insurance industry noted that a growing percentage of insurance agents believe that their portable computers are powerful tools that can display prospect-specific data in both tabular and graphic form in the prospect's home. The respondents noted that where sales were closed during the sales call, the majority were facilitated by the use of a portable computer.

As color screens become cheaper, INPUT expects to see an increasing number of graphics-intensive sales application programs used by a growing population of computer-literate salesmen and sales management. As magazines and television have known for years—color sells. It can simplify and clarify complex concepts, and easily identify key points and issues. Laptops and portfolios with bright (active-matrix) color screens will become key sales tools.

5. Telemarketing

Telemarketing is generally recognized as the fastest-growing marketing channel and will probably be the channel receiving the most attention during the balance of this decade. Telemarketing offers the key attributes of cost-effectiveness and productivity and is generally most effectively used in conjunction with other sales programs.

As with other sales activities, telemarketing has benefited from the application of computer and telecommunications technology, and the concepts and principals of sales force automation are being effectively applied to this sales channel. A broad range of applications programs for such functions as contact management, lead tracking, and automated literature distribution, including fax-on-demand, are now aimed specifically at the telemarketing department.

In a slowed or slowly recovering economy, concerns for profitability drive increases in business efficiency, and reducing cost of sales is motivating businesses to consider alternative channels, such as direct sales, catalog sales, and telemarketing.

6. Core Applications

From the simple name and address list and paperwork automation programs of the 1970s and early 1980s, sales and marketing applications software now encompasses the total sales function and is linked to most other major corporate activities. In addition to sales implementations of word processing, spreadsheet, and electronic-mail programs, sales and marketing applications software now includes programs dealing with contact management, call history and reporting, territory management, sales forecasting, lead tracking, and proposal generation.

Other sales and marketing applications software supports marketing, scheduling and time management, pricing, sales presentations, sales and marketing analyses, and such ubiquitous housekeeping activities as inquiry and order entry and expense reporting. These applications are common to most sales force automation programs and, in addition, other corporate information systems activities, such as executive information systems (EIS), also have access to the sales and marketing data base and records.

From this cornucopia of sales and marketing applications, three-core applications typically form the foundation for a sales force automation program—data base management, account management and, in a growing number of firms, electronic commerce or electronic data interchange (EDI). EDI, especially, is an area of opportunity, as a growing number of firms recognize the benefits of a structured interchange of business data and either impose an EDI relationship on suppliers, or respond to EDI requirements from customers.

7. Pricing

The price of sales and marketing applications software has dropped significantly, just as the size of the platform on which it runs has become smaller and less costly, and this trend shows every indication of continuing. One estimate of the market for sales and marketing software notes that of approximately 600 multiuser applications software packages considered, one-quarter cost less than $1,500, about one-fifth cost more than $10,000, and the prices of the balance fell somewhere between $1,500 and $10,000. These prices are for standard applications and in a PC environment will typically run under DOS. Improved functionality or product versions for other operating environments, such as UNIX, will generally cost more. Single-user versions of many of these software products are generally less expensive, but have limited ability to function in a corporatewide sales force automation, information exchange environment.

Sales and marketing software can either be off-the-shelf (*shrink-wrapped*) or customized by the vendor to meet specific company needs. *Shrink-wrapped* software is generally going to be less expensive, but for a sales force with many users, the customer will pay for either a multiuser product version or multiple copies of a single-user version. Many vendor packages are now easily modified and scalable; that is, can be sized to run in different operating environments and on different platforms. In some cases, modifications are applied by the user as installation parameters; in others, the vendor modifies the software for the user.

In most cases, although low-price software packages are available, they generally lack what most larger users consider to be necessary capabilities—e.g., relational data bases. Prices for single-user sales and marketing packages can be less than $100, but although useful to a single salesperson or in a simple sales environment, such packages are not normally used in a corporate sales force automation program.

Finally, although price is important, function is critical, and buyers have typically placed their emphasis first on getting needed function and then on price. For most firms, a sales force automation program will be more expensive than manual methods (e.g., requires new hardware, software and telecommunications expenditures), but this increase will be more than offset by increased sales and productivity and better and more timely accountability.

The major sales and marketing trends and events are summarized in Exhibit II-1.

EXHIBIT II-1

Sales and Marketing
Major Trends and Events

- Sluggish U.S. economy
  - Customer satisfaction and contact management
  - Sales force automation (SFA)
  - Use of portable computing (laptops)
  - Telemarketing
  - Sophisticated core applications
  - Reduced software pricing

C

Issues

This section notes issues of concern to the sales and marketing cross-industry sector.

1. Are Sales Forces Necessary?

The concept of the dwindling importance of a *feet on the street* sales force has triggered some interesting catch phrases such as *From Death of a Salesman* to *Death of a Sales Force* or *The Fall of the Mall.* The concern centers around the timely congruence of *Just in Time* (JIT) production techniques, focused advertising, telemarketing, timely and cheap overnight delivery services, direct sales by the manufacturer, growing catalog sales, and video sales (such as QVC). For both the business and individual users, these sales channels are typically supported by liberal vendor return, exchange and service policies, and strong product guarantees. Given the user acceptances of such sales and marketing techniques, is there really any longer a need for a face-to-face sales force?

The simplest counter to the *no sales force* position is the argument that consumer (and virtually all other) products aren't bought, they're sold! This viewpoint holds that all products of real value which satisfy real needs (and cost *real* money) will have competent competitors whose offerings will have slight variations in function, feature, and price. Such differences are not easily analyzed and evaluated by a user with limited access to counsel and guidance. A vendor that does not offer experienced and competent sales assistance, especially if competitive products offer such support (usually in the form of a sales staff which makes direct contact with the prospect), will be at a competitive disadvantage.

Countering the arguments for a large, structured sales force, however, is the success of such firms as Dell Computer Corporation or Wal-Mart. These two firms demonstrate the effectiveness of JIT retailing—a process that eliminates the need for a large sales force or costly middlemen. Another example of innovative retailing is the use of computer-based shopping services. On-line computer shopping services' sales grew to more than $750 million in 1992, and subscribers to such services have grown six times since 1987, from 600,000 to almost 3.5 million. This market will grow even more as a result of such facilitators as *Prodigy* and the increasing computer literacy of both businesses and individuals. Although almost all critics of the continued use of unnecessary sales middlemen agree that *some* outside sales force is necessary, many feel that it will eventually be limited to retail sales and sales support for complex and sophisticated business products.

When considering the death of sales forces, it should be noted that today there are 19 million employed in retail trade, up from 12 million in 1973. But retail sales jobs are vulnerable to JIT retailers, catalog sales, on-line computer shopping and video sales.

INPUT, in its report on the *Wholesale Distribution Market Sector*, notes a strong trend towards bypassing the traditional wholesale function and supports the hypothesis that the wholesale market is diminishing in size—a trend that will continue unless there is a dramatic change in the way products will be sold in the future. INPUT believes that there will always be some requirement for wholesale sales, but such needs will diminish in the highly efficient global marketplace of the future. Retail sales (and sales people) will certainly be impacted by alternative sales channels, but INPUT feels that there will always be some need for both businesses and individuals to deal directly with a knowledgeable sales person, especially for the sale of high-cost, complex or highly specialized equipment and services. Finally, there is the American buyer's traditional need to kick the tires and ask questions—activities best conducted in a face-to-face environment.

2. Sales Force Computer Literacy

Traditional sales forces have, in some cases, been reluctant to embrace computer technology. They either lack computer literacy or they feel that personal contact is the most important sales tool (see *Sales Force Automation* in section B of this chapter). The computer literacy issue can be addressed through proper motivation and training, and the demonstrated benefits of SFA are so significant that, once understood, they are generally used and supported by sales and marketing staff at all levels. SFA promotes and facilitates structured and managed personal contact, and INPUT believes that those who use SFA will inevitably do better (that is, meet or exceed quotas) than those who do not. The reluctance to embrace SFA is similar to many airlines' reluctance to use yield management techniques in the early 1980s. This reluctance quickly disappeared as those who used yield management clearly achieved better load factors than those who did not. The same will hold true for those who use SFA programs and techniques.

3. Return to a Healthy Economy

A belief accepted by all is that a return to a healthy economic climate will benefit marketing and sales revenues at all levels. If such a return to normalcy (if not prosperity) occurs in the near term, it may obscure, for a short time, some of the obvious benefits of SFA. But just as with yield management techniques, more effective management of sales and marketing resources inevitably will produce better revenues and profits, and the benefits of SFA will be measurable, quantifiable and obvious to all.

Significant issues are summarized in Exhibit II-2.

EXHIBIT II-2

Sales and Marketing

Significant Sales and Marketing Issues

- The necessity for a sales force
- Sales force computer literacy
- A healthy (better) economy

D
Technology

Although discussed in other sections of this chapter, technology, as a valuable sales and marketing resource, is worthy of a brief review and summation. For the technology-oriented sales force and marketing group, there is now a broad and rich selection of computer-oriented resources from which to draw. These resources include devices such as: pen-based computers; full-function, lightweight and portable computers such as laptops and portfolios; fax cards and modem cards to use on portable computers; platforms at all levels—mainframes, midsized (AS/400) and PCs; electronic books, manuals and catalogs; and personal digital assistants such as Apple's *Newton.*

Graphic user interfaces (GUIs) such as Microsoft's *Windows* facilitate the ease-of-use of such technology, and for the field sales force, these devices share the common and desirable characteristics of mobility, low cost, and simplicity. A rich and varied selection of applications software products is available for use with these devices, and for those with special needs, user, vendor, and contract programmer software modifications are possible.

In other words, technology does not limit the applicability of computers and computing resources to sales and marketing activities and functions. The technology is already in place. All that remains is to use it effectively.

III

Information Services Market Forecast

A

Overview

This chapter provides the U.S. forecast for the sales and marketing cross-industry information services market sector. Total market and delivery mode forecasts are offered.

INPUT defines cross-industry markets as being served by only the applications software, processing services and turnkey systems delivery modes, since other delivery modes are only meaningful in an industry-specific context.

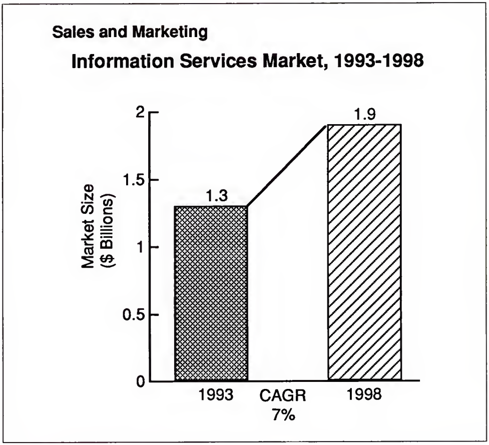
Note that values shown in the graphic exhibits in this chapter have been rounded for ease of reference. Actual values may be used in the text and are indicated in Appendix A, the *Forecast Data Base*.

B

Information Services Market

The size and compound annual growth rate (CAGR) of the sales and marketing cross-industry information services market from 1993 to 1998 is noted in Exhibit III-1.

EXHIBIT III-1



INPUT forecasts total 1993 sales and marketing revenues to be slightly more than $1.3 billion, growing at a compound rate of 7% to $1.85 billion in 1998.

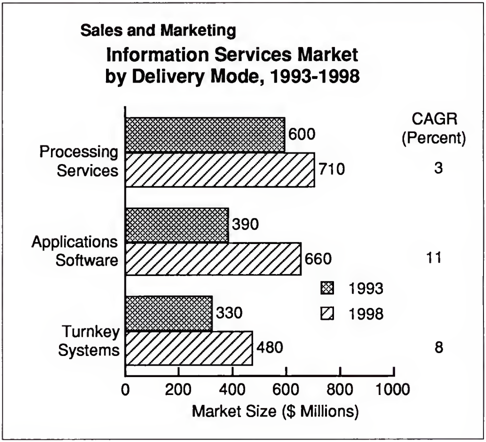
The 1993 market is slightly higher than forecast in INPUT's 1992 report, and the growth of 7% over 1992 expenditures is 1% greater than the growth (6%) experienced in 1992. The improved market growth reflects slightly higher than anticipated expenditures for all delivery modes, resulting from a moderate postpresidential-election upturn in economic growth and stronger retail sales in the latter half of 1992, both of which supported increased spending on sales and marketing information services.

The five-year compound growth rate has been reduced from 8% in the 1992 report to 7% for the period 1993-1998, reflecting INPUT's belief that information services growth will continue at a steady pace in this marketplace, but will be constrained in the sales and marketing activities related to a diminishing wholesale distribution market and a growing number of industry-specific sales distribution channel alternatives.

C
Delivery Mode Analysis

Exhibit III-2 offers the sales and marketing cross-industry sector market growth by delivery mode.

EXHIBIT III-2



1. Processing Services

User expenditures for sales and marketing processing services are primarily for list processing and customer or prospect demographic data. A number of large national firms and many smaller regional list-processing organizations serve this delivery mode. Such information bases and the software that implements selection criteria are typically delivered by third parties as a cost-effective alternative to taking such functions in-house. In addition, many of the data bases are proprietary—the product of comprehensive market research programs—and are not available for in-house use.

INPUT measured a modest 3% growth in 1992 expenditures for processing services and forecasts a 4% growth for 1993—to slightly more $600 million—as sales and marketing programs, previously constrained by a slowed economy, now satisfy deferred information needs. This growth will taper off over the five-year forecast period, however, yielding a 3% 1993-1998 CAGR and expenditures of $710 million in 1998. The 3% CAGR, although modest, reflects this industry's steady demand for processing services. This demand is notable in that many markets analyzed by INPUT are experiencing a leveling of the demand for processing services as this form of information services, so important in the 1970s and 1980s, sees market share migrating to other processing alternatives—for example, many of the tasks that used to be performed using general purpose timesharing networks are now being run on powerful workstations and PCs.

2. Applications Software

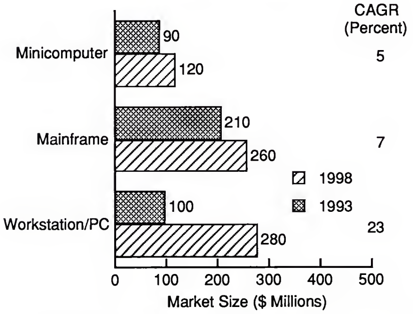
INPUT forecasts the sales and marketing cross-industry applications software market to grow 8%, to $390 million, in 1993. The five-year compound annual growth rate will be 11%, resulting in total user expenditures of almost $660 million in 1998.

Exhibit III-3 indicates how the user expenditures will be distributed among the three platform groupings—mainframes, minicomputers, and workstation/PCs.

EXHIBIT III-3

Sales and Marketing

Applications Software Products Market by Platform, 1993-1998



Workstations/PC - Although five-year applications software growth, overall, is projected by INPUT at a very respectable 11%, the most significant market increase will occur in products for the workstation/PC platform. User expenditures in this market are growing at 23% over the forecast period, reflecting the strong and growing impact of the new generation of powerful, light, inexpensive, and easy-to-use desktop and portable computers and related SFA products and devices. By 1998, expenditures for applications software products will be greater for workstation/PCs than for either mainframes or minicomputers.

It is interesting to speculate on the resources available to the sales staff of the 1990s. Such resources will almost certainly include: portable digital catalogs using CD-ROMs and color screens to display product lines and options; sales presentations with both text and imbedded, modifiable graphics; cellular telephone access to such on-line data bases as industry demographics or business credit ratings, with digital output to a laptop or portfolio computer; digital access (via fax or modem) using standard telephone linkages (e.g. a modular connection) or cellular access to a salesperson's company resources for order placement, inquiries, E-mail, etc.; personal digital assistants to monitor schedules; and pen-based units to digitally record contract signatures and enter orders. Ironically, in the future, a salesperson's major asset may be an adequate battery supply.

Mainframe - Enterprise SFA programs that are interwoven with other corporate programs, such as accounting or inventory systems, will continue to best function in a mainframe environment, and INPUT projects a level growth of 5% in expenditures for mainframe applications software products, from 1993 to 1998. Although business acquisitions and consolidations tend to ultimately reduce the number of large platforms, and thus reduce hardware dependent sales revenues and licensing fees, healthy business growth will provide new expenditures for such resources as smaller businesses grow large enough to justify them.

Although more than half the sales and marketing applications software expenditures are currently for mainframe platforms, this dominance will slowly diminish over the forecast period and be matched by workstation/PC expenditures by 1998.

Minicomputer - Minicomputer (e.g. IBM's AS/400) expenditures for sales and marketing cross-industry applications software will grow 6% from 1992 to 1993 to $85 million. Over the five-year period, 1993-1998, the growth is expected to accelerate slightly to a 7% CAGR and yield a $120 market in 1998.

Many vendors in this platform category believe that there is a very low penetration of minicomputer sites for sales and marketing applications. In fact, one observation notes that of an estimated 70,000 AS/400 sites in the United States, only 1,000 have installed sales and marketing applications

software. Such a low penetration of the most popular minicomputer platform during a period in which sales of such applications software were adversely affected by very conservative business practices is regarded by INPUT as a logical result of business conditions and not an indictment of either the platform or the application. As business conditions improve, products sales for this platform will also improve.

3. Turnkey Systems

Turnkey systems expenditures for the sales and marketing cross-industry sector are forecast to grow at 10% in 1993, an increase over the 8% growth from 1991 to 1992. The improved 1993 performance is the result of slowly improving economy and strengthening retail market. The depressed economy of the early 1990s resulted in fiscal conservatism at all levels, and one consequence was reduced capital expenditures that, in turn, reduced the purchases of turnkey systems. The gradual return to economic growth, which started in 1992 and is expected to continue at a modest 3% GDP in 1993 and beyond, is driving a resurgence of emphasis on effective sales and marketing programs to provide necessary competitive advantage. One result of this emphasis is a willingness to commit capital to marketing and sales turnkey systems.

Over the five-year period, 1993-1998, the sales and marketing turnkey system expenditure compound annual growth rate of 8% parallels the 8% growth forecast for all turnkey systems, as a group, for the same period.

It should be noted that although a substantial number of VARs provide integrated marketing and sales systems to specific industries, such as wholesale and retail distribution, far fewer provide cross-industry integrated marketing and sales systems. In general, the VARs supplying cross-industry products deliver them on a variety of platforms and can provide customization and integration services. Although just-in-time (JIT) manufacturing techniques limit inventory requirements, a VAR still must stock a minimum number of platforms—a significant cost item.

A

Forcast Data Base

This appendix contains the forecast data base for the period 1993-1998 and the 1993 MAP data base reconciliation.

A
Forecast Data Base

Exhibit A-1 presents the detailed 1992 actual and 1993-1998 forecast for the sales and marketing cross-industry market sector.

EXHIBIT A-1

Sales and Marketing Sector
Market Size by Delivery Mode, 1992-1998

Delivery Modes	1992 ($M)	Growth 92-93 (%)	1993 ($M)	1994 ($M)	1995 ($M)	1996 ($M)	1997 ($M)	1998 ($M)	CAGR 93-98 (%)
Sector Total	1,242	7	1,327	1,423	1,522	1,627	1,735	1,851	7
Processing Services	580	4	605	630	650	670	690	710	3
- Transaction Processing	580	4	605	630	650	670	690	710	3
Turnkey Systems	302	10	332	362	392	424	454	483	8
- Equipment	135	7	144	153	163	174	184	193	6
- Software Products	115	11	128	141	153	166	178	190	8
- Applications Software	100	12	112	124	135	146	156	166	8
- Systems Software	15	7	16	17	18	20	22	24	8
- Professional Services	52	15	60	68	76	84	92	100	11
Applications Software	360	8	390	431	480	533	591	658	11
- Mainframe	198	5	208	220	233	244	254	263	5
- Minicomputer	80	6	85	91	97	104	112	120	7
- Workstation/PC	82	18	97	120	150	185	225	275	23

B

Forecast Reconciliation

Exhibit A-2 offers a reconciliation of the 1992 and 1993 forecasts for the sales and marketing cross-industry sector.

EXHIBIT A-2

Sales and Marketing Sector
1993 MAP Data Base Reconciliation

Delivery Modes	1992 Market				1997 Market				92-97 CAGR per data 92 Rpt (%)	92-97 CAGR per data 93 Rpt (%)
	1992 Report (Fcst) ($M)	1993 Report (Actual) ($M)	Variance from 1992 Report ($M)	Variance from 1992 Report (%)	1992 Report (Fcst) ($M)	1993 Report (Fcst) ($M)	Variance from 1992 Report ($M)	Variance from 1992 Report (%)		
Total	1,232	1,242	10	1	1,778	1,735	-43	-2	8	7
Processing Services	575	580	5	1	700	690	-10	-1	4	4
Turnkey Systems	297	302	5	2	457	454	-3	-1	9	8
Applications Software	360	360	0	0	621	591	-30	-5	12	10

There were only minor differences between the 1992 projection for 1992 expenditures and the actual amounts noted in the 1993 report. The maximum variance was a 2% 1992 understatement of 1992 turnkey systems revenues, an amount that is relatively insignificant ($5 million), given the small size ($297 million) of the base revenue. Applications software estimates were accurate, and processing services and total sales and marketing cross-industry expenditures varied by only 1%.

Variances in the market projections for 1997 ran from -1% to -5% and reflect the slight 1% reduction in the five-year growth rate for this total market sector—a result of the slower than anticipated recovery of the U.S. economy. Applications software was forecast to have an ambitious 12% growth rate for the period 1992-1997. This has been reduced slightly to a more conservative 11% growth, resulting in a modest 5% reduction in 1997 expenditures.

The 1992-1997 compound annual growth rates (CAGR) show a minor -1% or -2% variation, as a result of the slight constraints on the performance of this market noted in the paragraphs above.

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Since 1974, information technology (IT) users and vendors throughout the world have relied on INPUT for data, objective analysis, and insightful opinions to support their plans, market assessments and technology directions particularly in computer software and services. Clients make informed decisions more quickly and save on the cost of internal research by using INPUT's services.

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Many vendors leverage INPUT's proprietary data and industry knowledge by contracting for custom consulting projects to address questions about their specific market strategies, new product/service ideas, customer satisfaction levels, competitive positions and merger/acquisition options.

INPUT advises users on a variety of IT planning and implementation issues. Clients retain INPUT to assess the effectiveness of outsourcing their IT operations, assist in the vendor selection process and in contract negotiation/implementation. INPUT has also evaluated users' plans for systems and applications downsizing.

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M&S 459/01 7/93