

INPUT[®] Research Bulletin

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A Publication from INPUT's U.S. Information Services Market Analysis Program

Worldwide Information Services Industry Growth Slows to 9% in 1992

The market for information services and software products grew to \$265 billion in 1992, an increase of 9% over comparable 1991 figures, according to INPUT's study, *Worldwide Information Services Forecast, 1992-1997*. This report, in its fourth annual edition, examines all industry sectors and geographic regions, presenting a unique view of this dynamic set of markets.

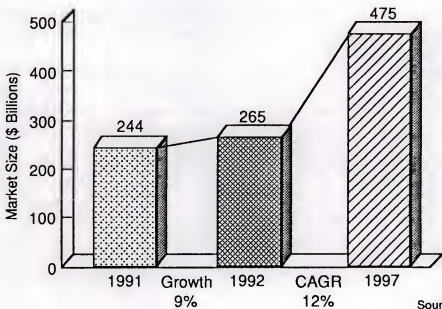
The 9% growth rate is significantly reduced from any earlier periods in the life of this dynamic industry. The major factor in this

lowered growth was the serious recessionary climate that affected nearly all industrialized countries in 1992. INPUT views this not as a trend, but as a temporary interruption in the healthy expansion that has long marked the information services and software industry. Looking past 1992, the forecast for the next 5 years is a more aggressive 12% compound annual growth rate (CAGR) (see Exhibit 1).

The United States market, which comprises about 46% of the worldwide total, also showed reduced growth during 1992, to a rate of 10%,

Exhibit 1

Worldwide IS Market Forecast, 1992-1997



Source: INPUT

reaching \$122 billion in that year. Europe, hindered by strong recessionary currents in The United Kingdom, France, and most recently in Germany, grew at 9% during 1992.

The Asia Pacific region was a study in contrasts, with the dominant information services market, Japan, virtually flat during 1992 at \$41 billion. Other parts of the region, especially Southeast Asia, experienced buoyant growth. Exhibit 2 shows comparable expenditures and forecast growth rates for the major regions covered in the worldwide study.

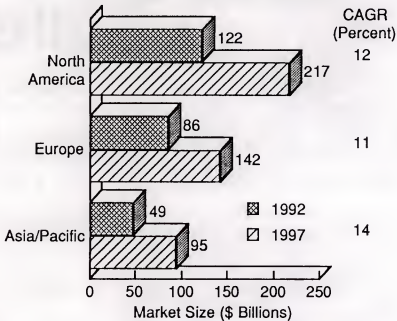
Major Forces Drive Continued Market Growth

Despite the shaky year just completed in the information services market, INPUT has identified several strong trends that will drive the worldwide market ahead during the five-year forecast horizon. These include the following:

- Dramatic shifts in information technology infrastructures, with downsizing to PC's and minicomputers in full force, in what can now be called the client/server revolution.
- Strong momentum will continue in outsourcing of information systems operations and applications.
- Fully integrated solutions will remain in strong demand.
- Industry-specific solutions will be required with increasing frequency.
- Networking remains a major force, especially in support of client/server architectures.
- International standards (i.e. open systems) will be more widely accepted.

Exhibit 2

Information Services Market Forecast for Major Regions, 1992-1997



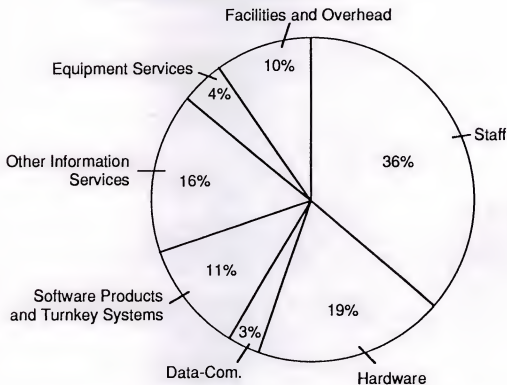
- Skilled information service vendors will deliver broader capabilities to end users to retain their competitive edge.
- An expanding role for general management in information systems planning will drive new systems implementations.

Labor Continues to be the Greatest Cost Component in IT Spending

When the overall market for information technology is measured, including staff and equipment costs, in-house labor is still the greatest single expense category for information systems and services buyers. Because labor costs are likely to continue to rise, this will open doors for information services and software vendors who can deliver solutions that will offset these costs (see Exhibit 3 for an expenditure category breakdown).

Exhibit 3

Worldwide Information Technology Expenditures, 1992



Note: Percents may not add due to rounding

Source: INPUT

Growth Rates Vary by Delivery Mode

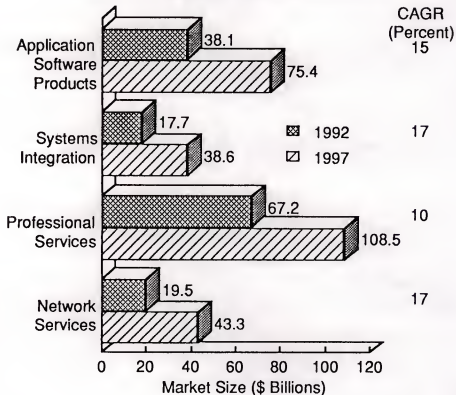
When the worldwide market forecast is analyzed by INPUT's delivery modes, the demands for systems integration, and systems operations (outsourcing) are growing much more rapidly than the information services market as a whole. Again, this reflects vendors' abilities to displace in-house expenditures and the buyers' willingness to engage vendors who can deliver quality services. Network services are also growing rapidly due to the strong trend to connectivity in all types of organizations, in which stand-alone PC's and terminals are linked electronically. Exhibit 4 shows anticipated growth rates and their sizes in several of the eight delivery modes tracked by INPUT.

Japan Faced Unusual Problems in 1992

Alone among the major industrialized countries, Japan experienced zero, nearly negative growth in information services spending last year. The compounding effects of a long-delayed recessionary climate, plus serious concern about the need for downsizing, delayed many expenditures. Though the Japanese market clearly recognizes the need to move away from large mainframe architectures, it seems that the client/server concept is being closely studied in Japan rather than enthusiastically adopted at this time. This has placed short-term restraints on spending.

Exhibit 4

Worldwide Markets Selected Delivery Mode Forecasts



Source: INPUT

U.K. Experiences Low Growth, 4%, in 1992 Spending

Another major market, the United Kingdom, also experienced low growth in information service markets last year. Although the U.K. has the largest systems integration market in all of Europe, and very strong networking services such as EDI, the U.K. was unable to escape the severe recession that reduced its overall growth rate in information services to 4%. During the next five years, INPUT forecasts that the U.K. will return to a healthier average growth of 9% per year.

Methodology Includes Survey of 30 Country Markets

To produce this report, INPUT relied on its proprietary research in Asia, Europe, and North and South America, analyzing thousands of information services (vendor and user) interviews to reach its conclusions and derive its forecasts. Thirty country markets are examined with five-year forecasts, trends, driving and inhibiting forces, and local conditions that are described and identified.

To learn more about this unique and comprehensive worldwide study, please contact your nearest INPUT office.

This Research Bulletin is issued as part of INPUT's Information Services Market Analysis Program. If you have questions or comments on this bulletin, please call your local INPUT organization or R. Dennis Wayson at INPUT, 1280 Villa Street, Mountain View, CA 94041-1194 (415) 961-3300