

New Paradigm for the IT Service Industry

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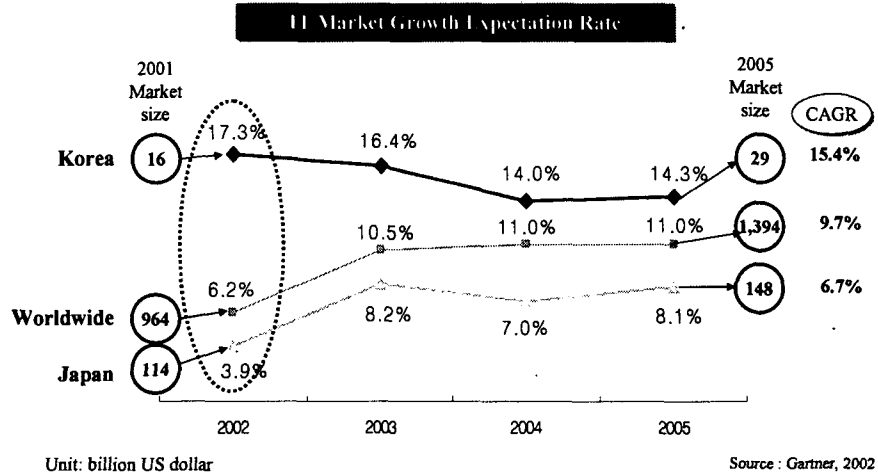


Contents

1. IT Service Market Trends in Korea
2. SI Business Paradigm Shift
3. IT Vision in Samsung

Korea vs. Worldwide IT Market

Korea IT Market shows 15.4% in CAGR which is greater than Worldwide IT Market...



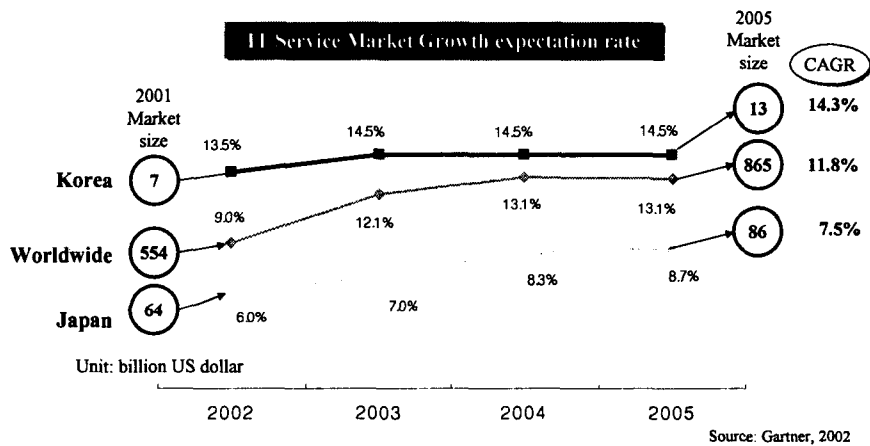
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Korea vs. Worldwide IT Service Market

Korea IT Service Market's CAGR is 14.3% which is higher than worldwide and Japan IT service market's...



➤ The increasing IT demand of government and continuous IT investment of industry appear to be an influential factor in higher growth rate in Korea IT service market

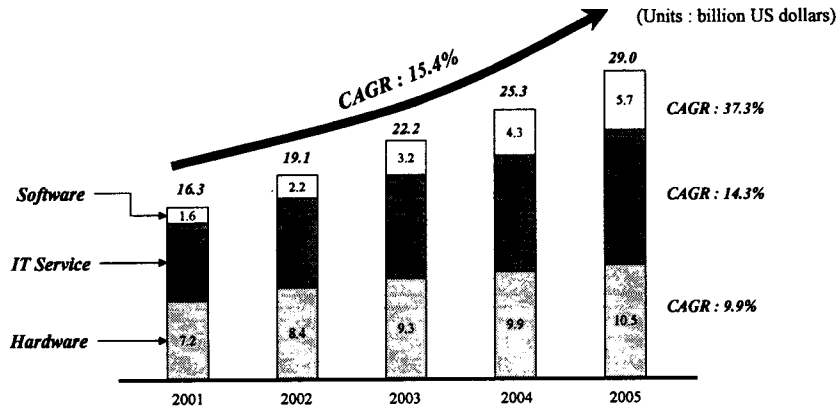
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Steady Growth of IT Market in Korea (2001-2005)

IT Service holds 45% of the whole IT market and shows attractive rate of growth...



Source : Gartner, 2002

(But, telecommunication sector is excepted in Korea IT Market)

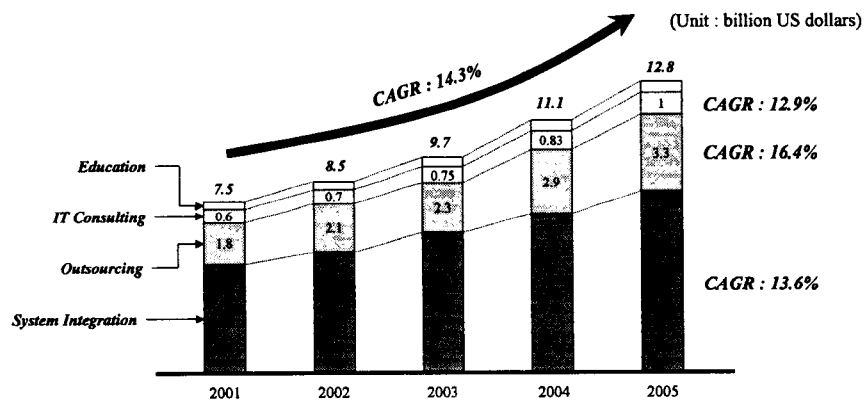
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Growth of IT Service Market in Korea

Korea SI Market holds more than 60% of the whole IT service market and leads the IT service market growth...



Source : Gartner, 2002

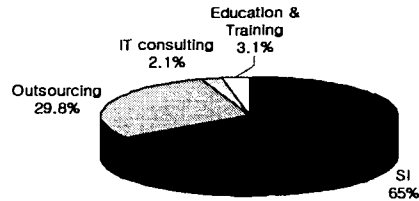
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Status of IT Service Market in Korea

In 2002, SI and Outsourcing field hold most of Korea IT Service Market share and will increase their share continuously...



Source : IDC, 2003

IT Consulting

- Increasing solution consulting market (CRM in financial, SCM & CPC in manufacturing)
- Increasing total consulting which integrate all processes from developing to operating

System Integration (SI)

- Increasing solution based project to increase the profitability

Outsourcing

- High possibility of fast-growing from its present beginning stage
- Advanced foreign companies want to branch out in Korea

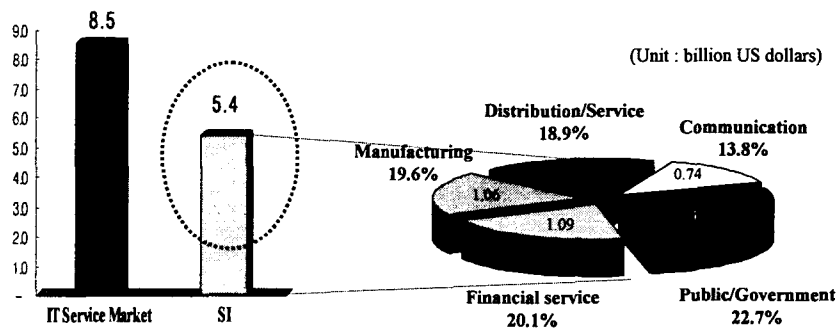
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SI Market Share by Sector in Korea

In 2002, Public/Government and financial services lead SI market in Korea...

SI Market Share by sector in 2002



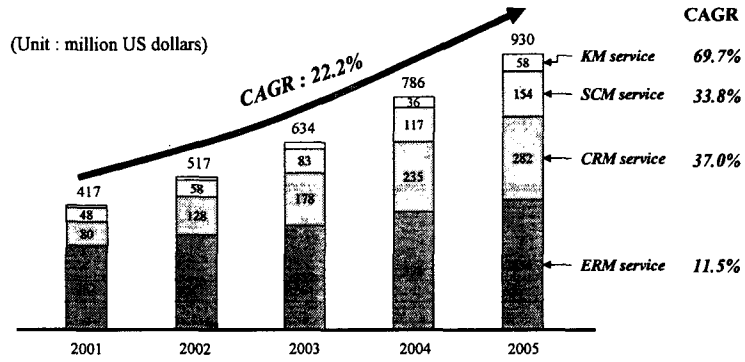
Source : Korea System Integration R&D Association, 2002

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Position of Solution Service Market in Korea

Solution Service Market shows higher growth rate in areas of ERM, SCM, KM and CRM solution service...



Source : IDC, 2002

- Solution integration service will lead the whole solution service market, because smoothly integrated-business process over the entire value-chain is key issue for competitiveness.

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Dynamics of Solution Service Market Korea

Dynamics	Descriptions
<i>Integration</i>	Growing needs of a solution that can integrate most business requirements with enterprise level
<i>Collaboration</i>	Collaborated implementation among customers, partner, suppliers and internal staffs
<i>Business value of IT investment</i>	Creating business value from IT investment and participation of CXO are important
<i>ROI</i>	Economic downturn demands Return on IT investment
<i>Vertical industry specialization</i>	Solution service providers try to get an edge with specific industry knowledge
<i>Partnering for best-of-breed capabilities</i>	Solution service providers are looking for a partnership with a best-of-breed having specialty in particular area

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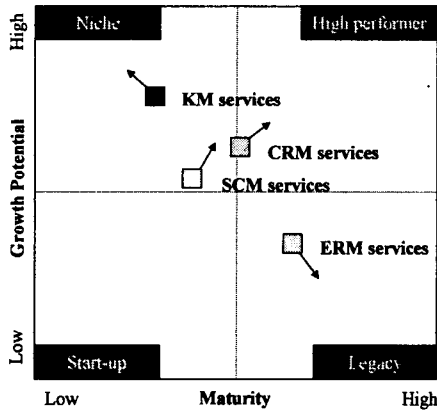
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Trends of Solution Service Market in Korea

Next 5 years, CRM and SCM services could be high performer...

IT Leadership Grid



Source : IDC, 2002

CRM

- Focus on **Business process**, not on technology
- Collaborative CRM

KM

- Embedded within other solutions
- Community development

ERM

- Slowdown of market growth
- Deeper integration

SCM

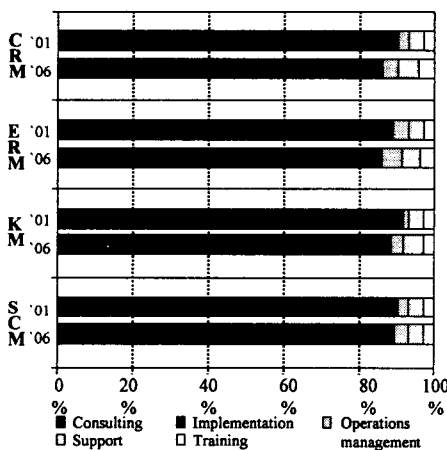
- Linked with CRM or ERM
- SRM(Supplier Relationship Management)

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Trends of activities in Solution Services Market

Implementation, currently the largest market, will be slowing down until 2006 but consulting is getting more important...



Source : IDC, 2002

Consulting

- Conducted with implementation in a single contract

Implementation

- More than 60~70% of solution service market
- Project lead-time is getting short

Operation management

- Higher growth rate in KM and ERM market

Support & Training

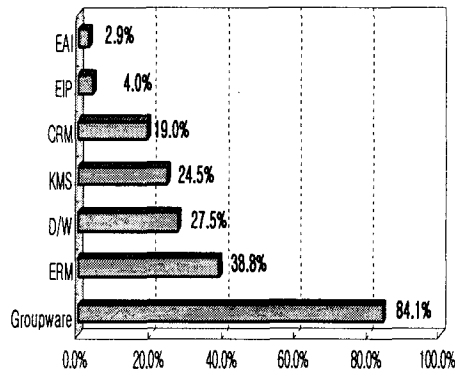
- Relatively lower to other activities (2%)

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Current Status of Solution Implementation in Korea

Groupware is the most adopted solution. ERM follows the next and expect the high growth rate.



Source: KRG, surveyed 314 Korean companies having over 7.5 billion revenue [27 public sectors, 42 financial firms, 57 distribution & service firms, 173 manufacturing firms, and 15 IT firms]

Groupware

- Already saturated but gets attention because of KMS solution

DW

- Despite of high adoption rate, 53% of surveyed companies unlikely adapt in future

CRM

- Low adoption because of economic depression

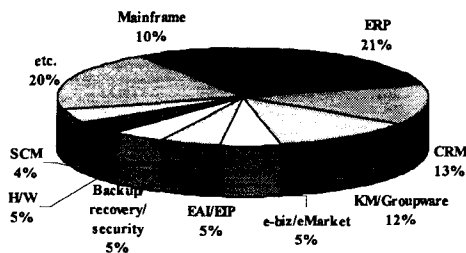
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Future Plan of Solution Implementation of Korean companies

Major demand will be in the areas of ERP, CRM and KM/Groupware...



Source: KRG, surveyed 314 Korean companies having over 7.5 billion revenue [27 public sectors, 42 financial firms, 57 distribution & service firms, 173 manufacturing firms, and 15 IT firms]

ERM

- Expect wide level of adoption of ERP solution by **mid-size company**
- Expect increasing demand from **financial & public sector** as well as manufacturing sector

CRM

- CRM solution keeps growing to manage customer service especially in e-Biz industry
- Led by **telecommunication service and financial companies**

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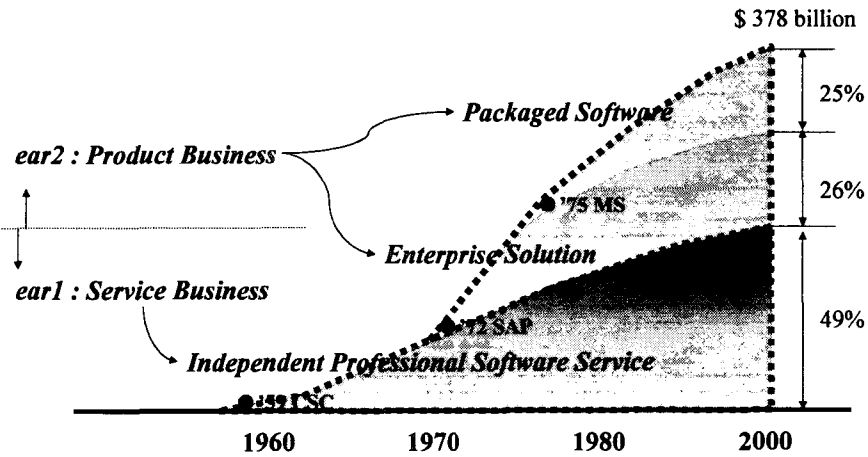
1. IT Service Market Trends in Korea
2. SI Business Paradigm Shift
3. IT Vision in Samsung

Customers' Wants...

- Predictable pricing and reliable business solutions***
 - ✓ To limit risk, increase speed, ensure reliability and ensure a cost-effective solution
- Competitive parity rather than competitive advantage***
 - ✓ High costs and risks in implementing customized IT solutions for competitive advantage, or packaged solutions with minimal customization for competitive parity
- Reducing the number of external providers***
 - ✓ CIOs think that the task of managing and integrating vendors is burdensome and complex
- Pre-integrated or pre-configured (with limited customization) business solution***
 - ✓ For the low cost and ready-to-use applications
- Business process and vertical specialization***
 - ✓ To reduce the need to customize horizontal applications

Software Business Evolution

Software industry has been developed in three large areas...



Source : Secrets of software success (Harvard Business school press)

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Product Business vs. Service Business

	Product Business	Service Business
Cost Structure	Fixed	Variable
Customization	Low	High
Interoperability	Very Important	Less Important
Intellectual Property	Very Important	Less Important
Market	Overseas	Domestic
Customer Relationship	1 : N	1 : 1 (Differ from project)
Key Performance Index	Market Share	Earning Rate (Efficiency of Development)
Critical Success Factor	<ol style="list-style-type: none"> 1. Strategy 2. Marketing & Sales 3. Human Resource 4. S/W Development 	<ol style="list-style-type: none"> 1. Human Resource 2. S/W Development 3. Marketing & Sales 4. Strategy

Source : MIT Sloan Management Review, Summer 2001, Global McKinsey Software Survey

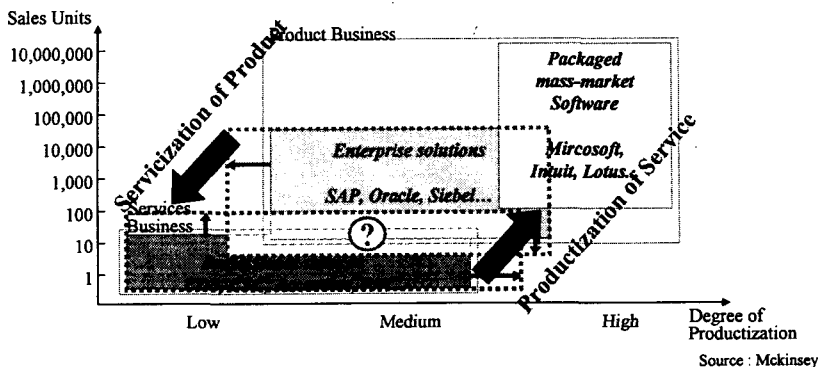
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Expansion of Two Kinds of Businesses

There is a demand for the new business approach...



1. Productionization of Service : Only 13% Service companies succeeded in productionization ('95 ~ '98) *
2. Servicization of Product : More than 63% of SAP Revenue was generated in service ('01)

* Survey of Prof. Nambisa in "Why Service Businesses Are Not Product Businesses, 1999"

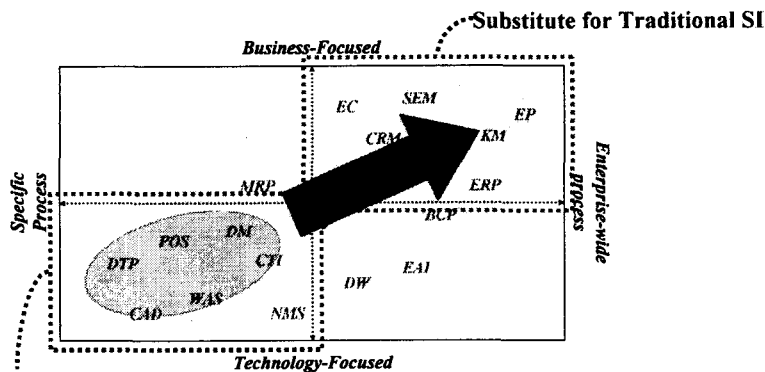
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Position and Evolution of Solutions

The role of solution is changing...



Tool of Traditional SI

• BCP : Business Continuity Planning, CAD : Computer Aided Design, CMS, Contents Management System, CRM : Customer Relationship Management, CTI : Computer Telephony Integration, DM : Data Mining, DTP : Desktop Processing, DW : Data Warehouse, EAI : company Application Integration, EC : Electronic Commerce, EP : company Portal, ERP : company Resource Planning, KM : Knowledge Management, MIS : Management Information System, MRP : Manufacturing Resource Planning, NMS : Network Management System, POS : Point Of Sale, SCM : Supply Chain Management, SEM : Strategic company Management, WAS : Web Application Server

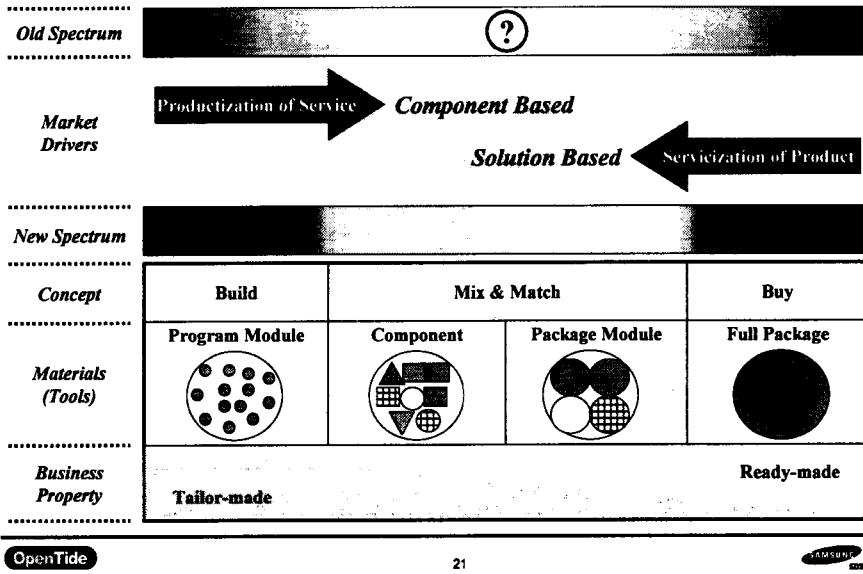
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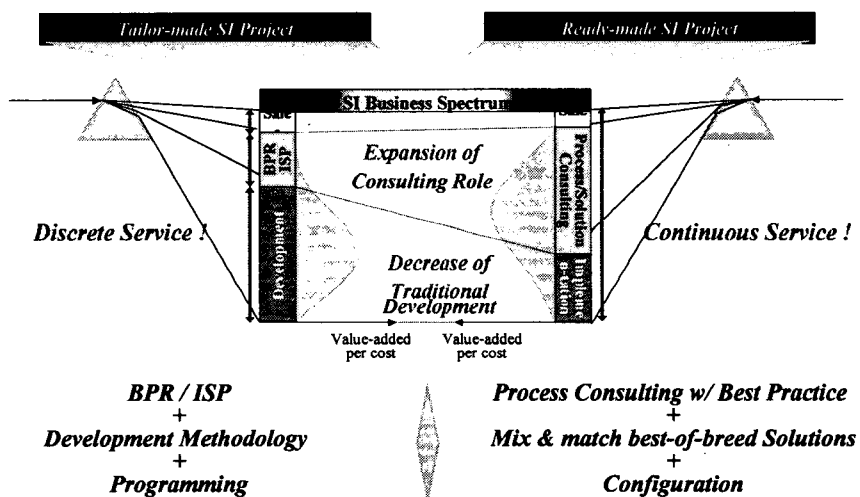
Changes of SI business spectrum

New spectrum is more colorful...



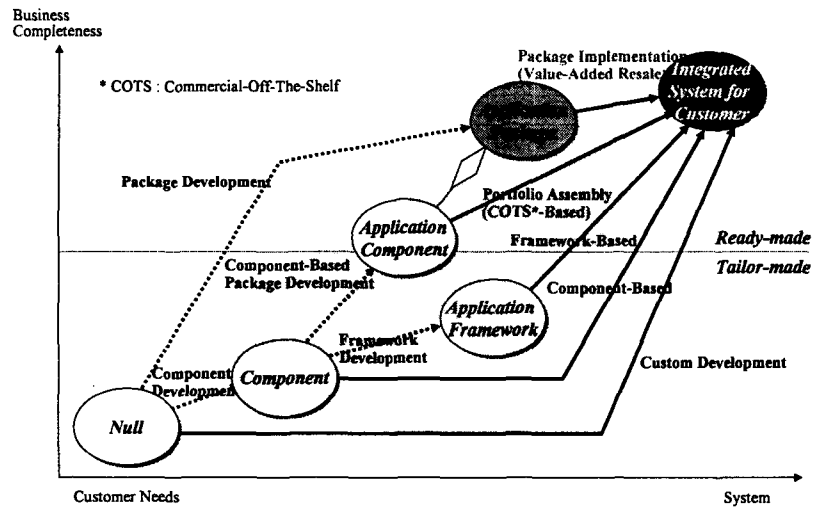
Tailor-made SI vs. Ready-made SI

Value and competence are changing over the whole SI business spectrum...



Several approaches to the SI delivery

A variety of strategies to accomplish SI project...



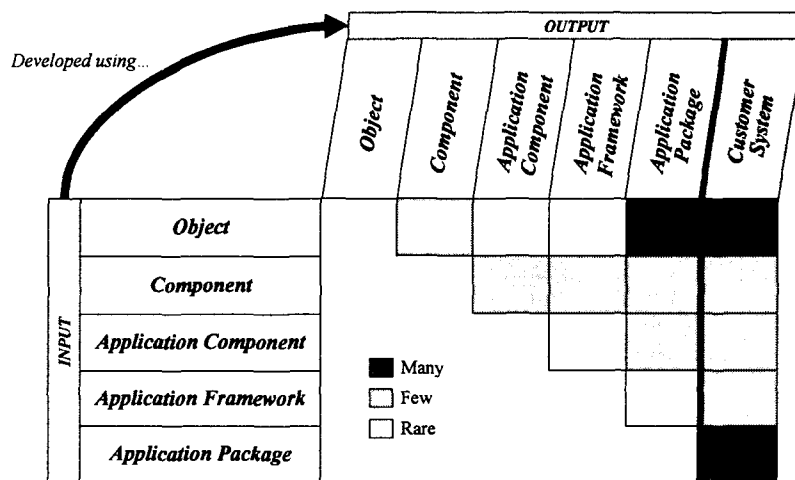
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Several approaches to the SI delivery

Each approach has in/out relationships...



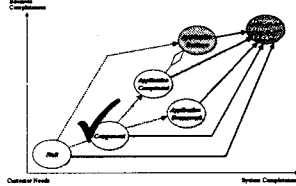
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Several approaches to the SI delivery

Component...



- Development led by small and midsize software companies
- Traded in Component Marketplace (ComponentSource, Flashline, e-Interop, OpenAvenue, CBOP.gr.jp, etc)
- Major area : E-Business, Financial Business





<i>Company</i>	<i>Product</i>	<i>Description</i>
EDS via ComponentSource 	Financial Group (\$89 ~ \$7,999)	<ul style="list-style-type: none"> - Adding Machine - Calculation Component Suite - Currency Control - Deposit Calculators - Interest Rate Calculations - Investment Calculations - Loan Calculations - Simple Encryption / Decryption - EDS Trace Services

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Several approaches to the SI delivery

<i>Company</i>	<i>Product</i>	<i>Description</i>
IBM 	Websphere Business component studio	San Francisco Project -Utility : 300 items -Common Business Object : 267 items -Financial Management : 110 items -Order Management : 298items -Accounting Management : 108 items -Inventory Management : 216 items
SUN 	Java 3D API, Java advanced imaging API, Java Card, JavaPhone, Java TV	User Access Management, Database Access Control, Network Management, etc.
abaXX 	abaXX Suite	Address, Auction, Mail, Campaign, Payment, Search, Shopping, Workflow
Diamelle 	Enterprise Beans	User, Product, Cart, Order, Inventory, Invoice, Shopping, eMail, Relationship

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Status of Registered Components

(unit: item)

<i>Technology</i>	<i>Java</i>			<i>ActiveX / COM</i>
	<i>EJB</i>	<i>JavaBean</i>	<i>Java Foundation Class</i>	
<i>Distributors</i>				
SUN Microsystems	232	665	373	0
	1,270			
FlashLine	150			77
ComponentSource	90			523

Classification in SUN

- Application server field
- EJB component
- Electronic Commerce field
- Report Generation field
- Transaction servers field
- Workflow field.....

In FlashLine

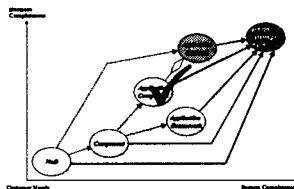
- eCommerce field
- Applets field
- Network Connectivity field
- Editors field
- Application Servers field
- Image Processing field.....

In ComponentSource



- 3D Modeling field
- Artificial Intelligence field
- User Interface field
- Web site field
- XML Tool field
- Financial service field.....

Several approaches to the SI delivery






Application Framework...



- Growing based on WAS(Web Application Server)
- Major area : Financial Service Framework (Banking, Insurance)

<i>Company</i>	<i>Product</i>	<i>Description</i>
 IBM	Information Framework(IFW)	A set of models, templates, detailed designs, application building blocks and code
 BEA	JumpStart Foundation	Financial Service Telecommunications Internet Retail

Several approaches to the SI delivery

<i>Company</i>	<i>Product</i>	<i>Description</i>
Financial Fusion 	Financial Fusion Server	Online/Internet Banking Online/Internet Brokerage Wealth Management, etc
eontec 	BankFrame	Java banking for banks
CrossWorlds 	Collaboration modules Generic business objects Application connectors	Enterprise Application Integration
TIBCO 	TIBCO ActiveEnterprise	Enterprise Application Integration
Hummingbird 	Hummingbird EIP Enterprise Portal Suite	Enterprise Information Portal

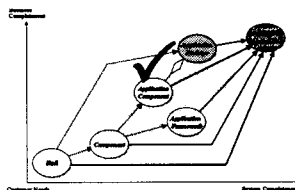
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Several approaches to the SI delivery

Application Component...



- Solution vendors re-develop their packages as component based for Cross-Industry Solution
- Can be updated by component

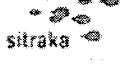


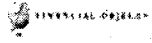
<i>Company</i>	<i>Product</i>	<i>Description</i>
Unisys 	Systems Integration Component	<ul style="list-style-type: none"> - Integrated Retail Delivery, - Life & Pensions Insurance, - Mortgage, Savings and Loans, - Commercial Banking, - Direct Payment, - Direct Broking, - Client Relationship Management, - Customer Loyalty

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Several approaches to the SI delivery

<i>Company</i>	<i>Product</i>	<i>Description</i>
 Sitraka	Sitraka JClass	JClass ServerViews (ServerChart, ServerReport) JClass DesktopViews (JClass Chart, JCalss Live Table)
 SAP	mySAP.com	10Modules (Marketplace, SCM, CRM, etc.)
 Raft International	Raft Component Inventory	Financial Services
 Financial Objects	Active BankFront and back office Banking.	A new generation of banking software based on reusable application component

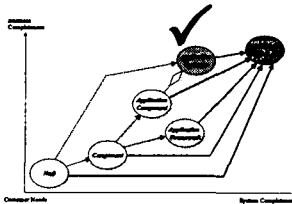
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Several approaches to the SI delivery

Application Package...



- Most of them are Industry Solutions
- Critical factor is Business Process
- Can't be updated by component




<i>Company</i>	<i>Product</i>	<i>Description</i>
 ORACLE	OFSA	Financial industry <ul style="list-style-type: none"> - OFDM(Oracle Financial Data Mart) - RM(Risk Management) - TP(Transfer Pricing) - PA(Performance Analysis) - BP(Budget and Planning) - MM(Market Manager)
 Kamakura corporation	KRM (Kamakura Risk Manager)	Financial industry <ul style="list-style-type: none"> - Credit risk - Market risk - Asset and liability management - Performance measurement

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Several approaches to the SI delivery

<i>Company</i>	<i>Product</i>	<i>Description</i>
 SAP	SAP R/3	ERP package (12Modules)
 SIEBEL	Siebel 7	eCRM product including eSales, eMarketing, and eChannel
 VIGNETTE	Vignette V6 content Suite	managing the entire contents lifecycle, from collection and production to delivery and analysis

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Fruits of New approaches



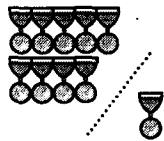
Internet-based Electronic Patient Care System of Ottawa Heart Institute, Canada

➤ Shorten project lead-time of development by 66%

Boeing People Service System caused by Merger of McDonnell Douglas and Rockwell, USA

➤ Took just 4 months by componentization of Legacy system

Just 4 months!



Application management system for maintenance of Samsung SDS, Korea

➤ S/W Quality improved by 9 times
(0.15 error/fp*, Average: 1.35 error/fp)

* fp : Function Points

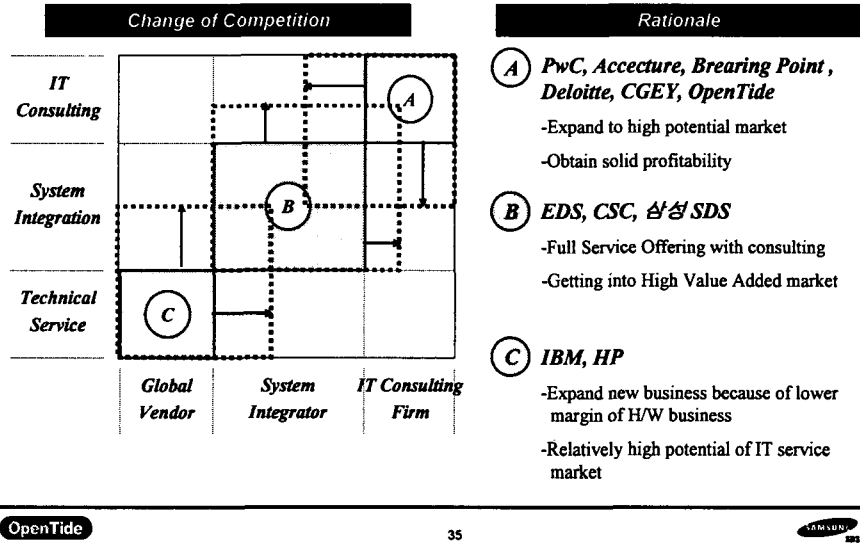
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New Players of SI Market

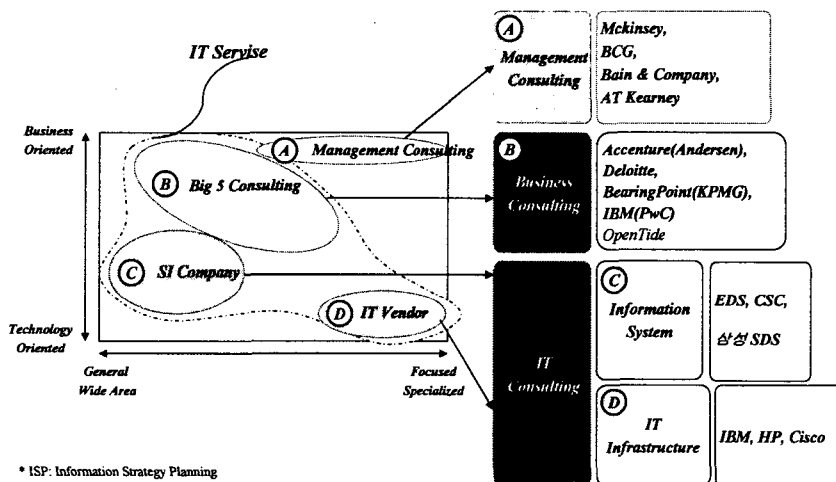
A competition for the IT initiative of SI market is getting strong...



Consulting in IT Service Industry

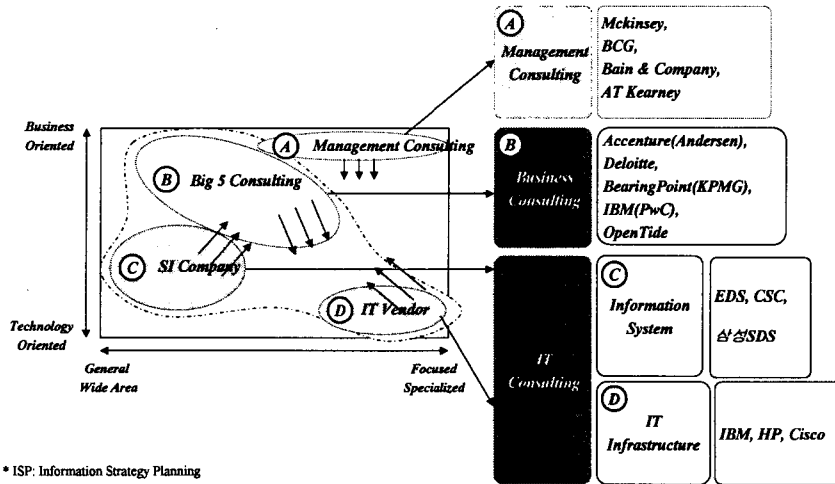
I. IT서비스 산업

Strategic Thought, Domain Knowledge, Methodology, Tools & Methods

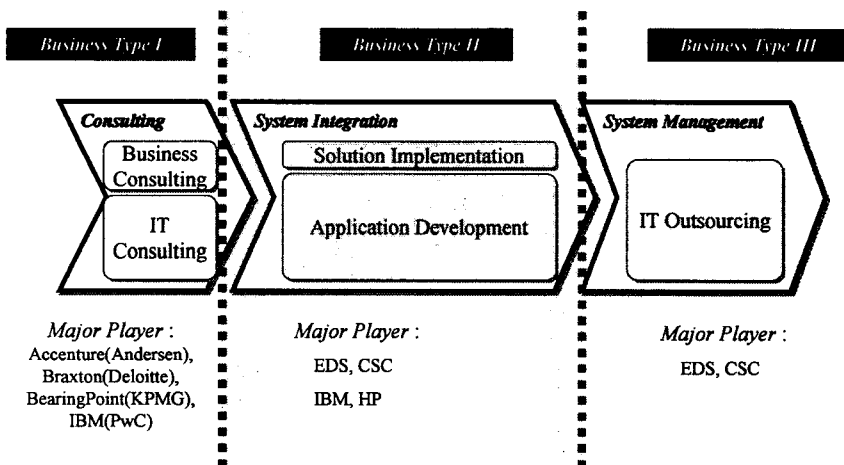


Directions of Movement

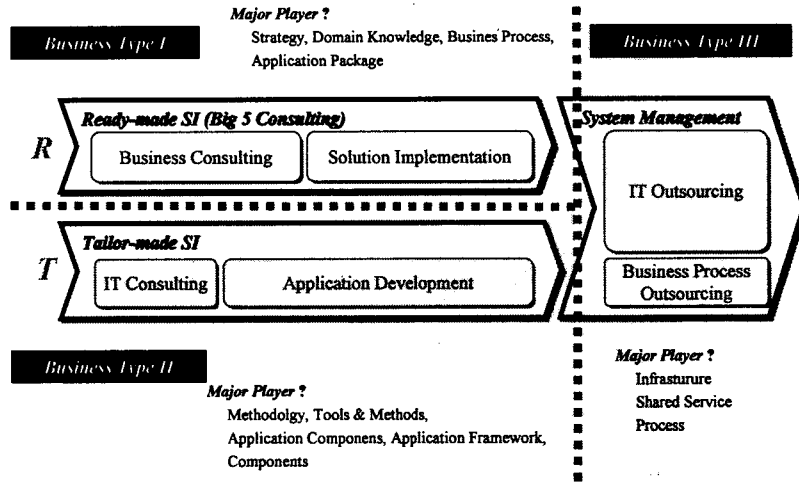
Competition Between Four Players to Win The Fertile Middle Land.



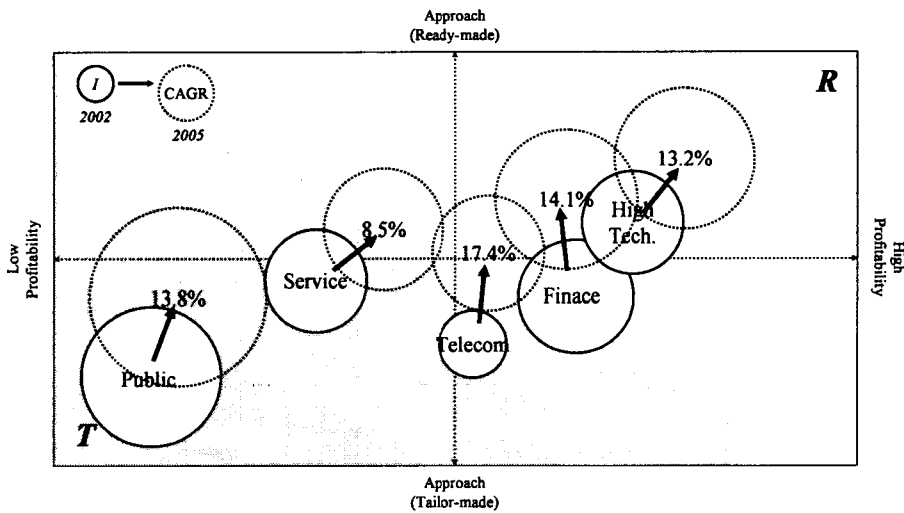
Role Separation Of IT Service



Reposition Of Roles In IT Service



Industry Trend In Korean Market



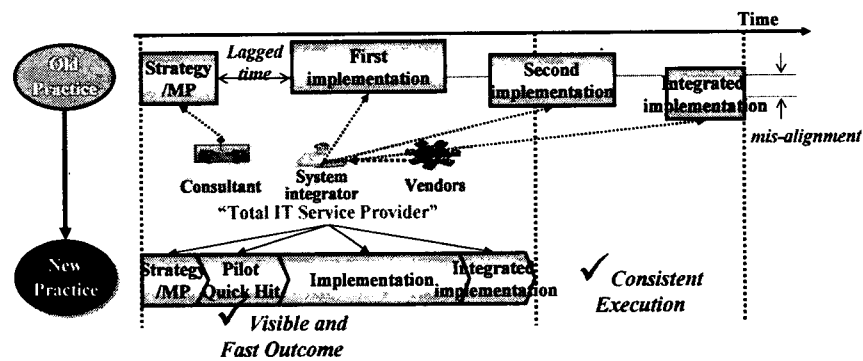
New Business Practice of SI Business

■ *Speed to Market*

Customers, Valuing speed to market, then no patience for longer implementation!!
And clients are more cost sensitive and demand business justification for IT investment

■ *End-to-End Service*

Customers want a project done by single one, not broken into multiple ones



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1. IT Service Market Trends in Korea
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Environmental Change – Major IT Trend

As Internet proliferate, new IT standards, which enhance interoperability and connectivity in & outside enterprise has emerged

※ Source : Meta Group, 2002

Trend	Definition	Key-Point
Web Services	<ul style="list-style-type: none"> Standard systems which enable enterprise to integrate in & outside information and services of the firm under the Internet open architecture 	<ul style="list-style-type: none"> Integrate the information systems dispersed within enterprise Establish the interoperability of information systems between customers and partners
Portal Technology	<ul style="list-style-type: none"> Information management systems to provide high-frequently used information through the single integrated screen 	<ul style="list-style-type: none"> Improve business efficiency as an integrated portal for enterprise information sharing Provide customers with one-stop service
Business Intelligence	<ul style="list-style-type: none"> Advanced knowledge management systems to strengthen information capability of enterprise, extracting useful information from the flood of information 	<ul style="list-style-type: none"> Improve the management efficiency by providing analytical information Differentiate strategies by utilizing the knowledge management system
Information Security	<ul style="list-style-type: none"> Integrated security policies and structure for enterprise security 	<ul style="list-style-type: none"> Secure the transaction information by preventing leakage of customer/corporate information Improve reliability of online transaction and business efficiency by establishing Electronic Signature /Authentication system

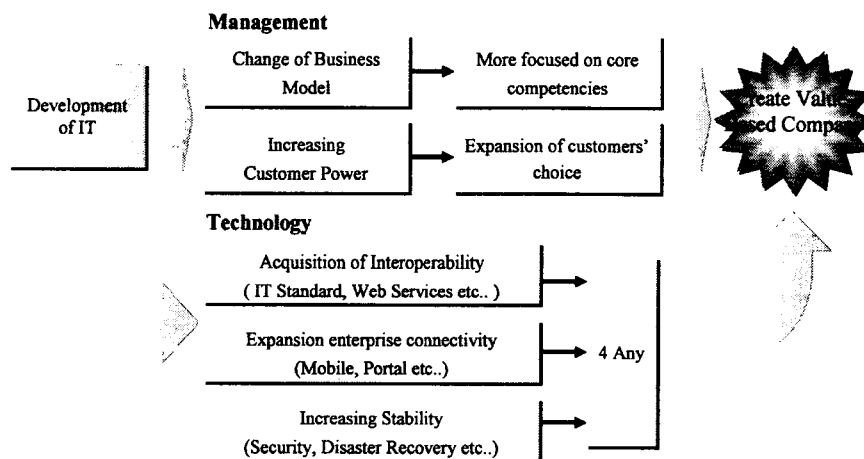
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Environmental Change – Management and Technology

The Development of IT influences business model to lead value-based company



※ 4 Any : Any time, Any place, Any device, Any one

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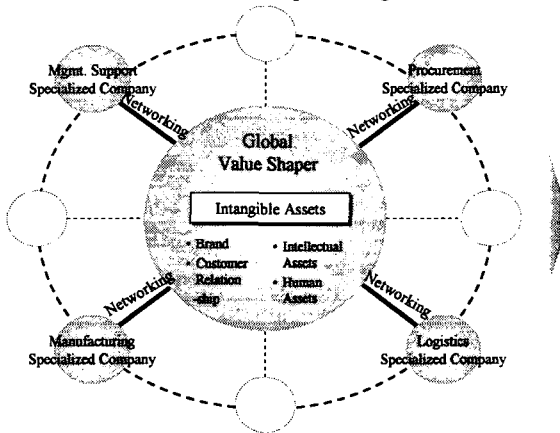
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IT Vision – Global Value Shaper through IT

Global Value Shaper is a governing / leading player by creating new value with core competence based on intangible assets and global networking

Global Value Shaper through IT



Creation new value \Rightarrow Value

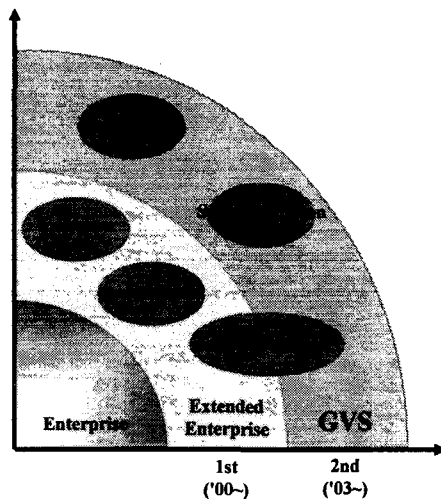
- Create values by collaboration with multiple specialized- companies

Reform value chain \Rightarrow Shaper

- Governing/Reforming the value chain through core competency without owning other companies

IT Vision – Keyword

3 Keyword such as Collaboration, Integration and Synchronization are defined to realize Global Value Shaper vision



Collaboration

- Create new corporate values by collaboration with customers and partners

Integration

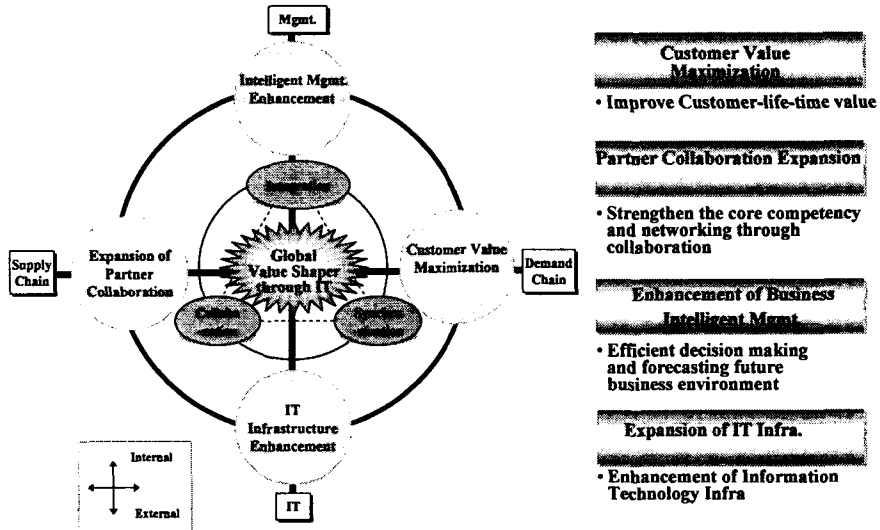
- Maximize the business efficiency by integrating information and processes enterprise wide

Synchronization

- Strengthen the global networking by sharing real-time information and connecting business process

IT Vision – IT Drive Direction

4 IT driving directions has been set to be Global Value Shaper



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Tasks - Electronics/Manufacturing Group

Samsung E/M group will strengthen its core competency on product development & customer solution division and collaboration with partners

Customer Solution Mgmt (CSM)

- Strengthen CRM and Solution Business

Collaborative R&D (CRD)

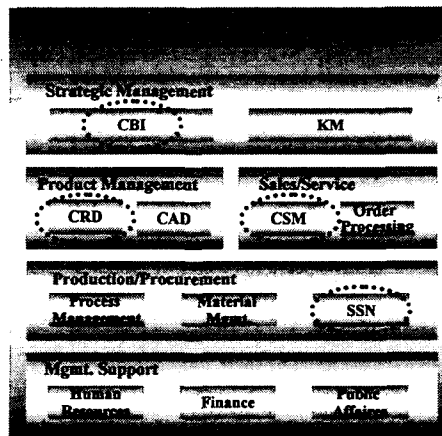
- Realization of collaborative R&D with related departments/outside partners

Synchronized Supply Network (SSN)

- Synchronization of supply chain between suppliers and partners

Collaborative Business Intelligence (CBI)

- Establish an advanced analytical information system for strategic management



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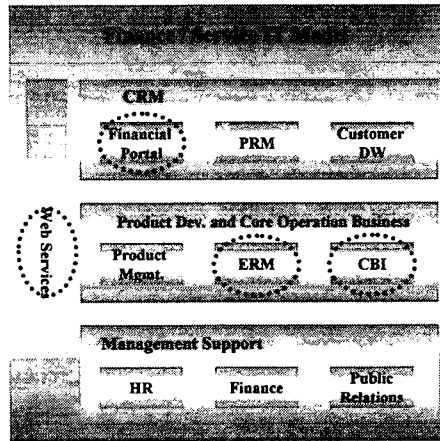
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Tasks - Finance/Service Group

Samsung F/S group will concentrate on the core competency through the enhancement of each business domain and the networking with partners

- Finance Portal**
- IT Infrastructure for integrated CRM operation
- Web Services**
- Standard Systems to interoperate information and services with inside/outside of stake holders
- Enterprise Risk Mgmt (ERM)**
- Guarantee for Financial health through Advanced risk management system and
- Collaborative Business Intelligence (CBI)**
- Establishment for advanced analytical information system for strategic management



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