

Operational Reports

Sales and Marketing Report

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Ralph Hunt
Acting General Manager, Sales and Marketing

This has been an exciting and extremely successful year for the Sales and Marketing team and CITEC, achieving a year on year increase in sales of almost 100 per cent. In 2003/04 CITEC re-focussed its sales force to face the market on a national basis through four industry verticals and three business lines. During 2004/05 we have built on CITEC's ability to offer our clients services that enable them to compete in their own markets and, while the year has not been without its disappointments, we have increased sales for the year to over \$146 million.

Growing sales from \$45 million to \$146 million in two years is an excellent result and reflects the level of trust our clients place in us and our ability to meet and exceed their expectations. It is also a tribute to all parts of CITEC and their commitment to excellence.

Recognising this performance, in 2004/05 global ICT research analyst company IDC named CITEC the seventh largest ICT outsourcing services company in Australia, up from eighth last year.

CITEC's predictions for the market during 2004/05 have proved to be accurate. The top end of the market remains congested with many vendors vying for the small number of large contracts coming up for renewal. CITEC continues to target "second-tier" organisations that are now either re-evaluating their existing suppliers or looking to outsource for the first time.

These organisations demand not only a full range of services, a competitive price and a reliable supplier, but are also looking for a more agile, responsive and flexible approach to service provision. CITEC's service-driven culture based on the internationally recognised IT Infrastructure Library (ITIL) approach, along with our commitment to quality and security standards, ideally position us to provide this type of service.

The ICT market can be categorised into three distinctive broad

macro-market segments: consulting, outsourcing and support/training. Spending on the outsourcing market represented 47.5 per cent of the total IT services market in 2004, 17.9 per cent coming from support and training and the remaining 34.6 per cent from consulting and systems integration. Outsourcing is the dominant segment, representing an important growth market which is expected to continue to represent around half of the IT services market in the next five years.

The shift to selective outsourcing has had a major effect on market activity, resulting in smaller contracts for shorter durations. While there is still a strong organisational focus around outsourcing efficiency and effectiveness, the manner in which these arrangements are structured and monitored will continue to change.

While sales activities were focussed across all markets, this year CITEC chose two main areas, the Queensland Government and the New South Wales marketplaces. Both proved to be successful, with significant new business, contract extensions and renewals in both these areas signed during the year.



Our responsive and flexible approach to service provision enables us to develop strong relationships with our clients

Taking an innovative approach to solutions for our clients helps differentiate CITEC from our competitors



Some of our major successes include:

- the sale to Education Queensland of managed network services, enabling them to effectively provide communication services to more than 1,300 state schools throughout Queensland;
- the Queensland Government's acceptance of CITEC's unique utility model for the provision of communications, processor, storage, backup and recovery and professional services;
- the Australian Broadcasting Corporation's selection of CITEC to manage its SAP environment;
- the selection of CITEC by Collex Pty Ltd to manage its IT infrastructure;
- the extension for a further 18 months of a managed services agreement with Queensland Alumina Limited; and
- the decision by EDS Australia to select CITEC to provide mainframe application hosting for the Bank of Queensland.

In addition to this, CITEC has seen many clients demonstrate their confidence in CITEC's ability to provide service by renewing and expanding their contracts.

The sales teams have been well supported by the marketing group who, among their day to day achievements, were awarded a silver award in the prestigious Australasian Report Awards for last year's business report.

The Infrastructure Management and Professional Services and Applications Outsourcing teams have continued to assist sales executives to face the market with products and services tailored to meet the requirements of our clients.

The CITEC Confirm group was initially impacted by the slowdown in the national housing market but expansion into other information searches and enabling electronic lodgement of court documents in the Queensland and Victorian court systems provided a positive result at year end.

CITEC in the Marketplace

CITEC will continue looking at the "second-tier" for more opportunities, as analysts suggest signs of saturation in a number of areas including outsourcing at the high end of market segments.

Analysts predict that service roles across three critical dimensions will create a "service led" approach where IT services "enabling the solution" will be a central factor for success in the future of the industry. These three vendor challenges emerge from organisational structure, service portfolio and go-to-market models. Forecasts recognise that client demand has always been the driving force behind the development of specific offerings. CITEC has responded to this by concentrating on its security and service integration capability as a market differentiator to its clients.

Looking Forward

The coming year will bring with it new challenges. Large-sized competitor organisations are moving more into the "second-tier". In addition, CITEC's clients and prospects are becoming more focussed on services being provided with service level agreements and performance targets that reflect their own performance requirements, not merely the traditional "availability" measurement.

ICT research analysts IDC and Gartner both warn of the impact of global suppliers providing services from offshore. Further, the upturn in the ICT market over the last 18 months has seen a significant reduction in available resources. As a consequence, hiring and retaining good staff will continue to be a challenge.

CITEC is well positioned to continue to meet these challenges. While continued growth at the same levels is unlikely, opportunities are available. Ongoing demonstration to our clients that we are able to offer a cost-effective flexible solution, tailored to their requirements and enabling them to remain competitive in their markets, will enable CITEC to continue to be successful.

CITEC is committed to developing innovative service solutions specific to our clients' business and ICT needs. We will also continue to reinforce and position our core service capabilities in the ICT market, differentiating our identity and originality in the marketplace.

CITEC's service-driven culture based on the internationally recognised IT Infrastructure Library (ITIL) approach, along with our commitment to quality and security standards, ideally position us to provide excellent service to our targeted "second-tier" organisations.