



**Gartner, Inc. & SoundView Technology Group
IT Spending & Demand Survey**

North America • October, 2002

Executive Summary Report

The data for this Executive Summary and the graphs and charts presented herein were developed from the ***IT Spending & Demand Survey*** conducted jointly by **SoundView Technology Group** and **Gartner, Inc.** at the **Gartner Symposium/ITxpo** held October 7-11, 2002.

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2002 & 2003 Total Spending, Full Year Outlook

Respondents	Total IT Budget \$ *			% Change
	2001A	2002E	2003E	YoY
2001/2002	\$23,696	\$23,781		0.36%
2002/2003		\$23,145	\$23,139	-0.02%

- The near term spending outlook remains challenging.
 - Spending for 2002 vs. 2001 revised from +1.52% to +0.36% with less seasonality in 4Q spending
 - Spending intention for 2003 vs. 2002 is -0.02%

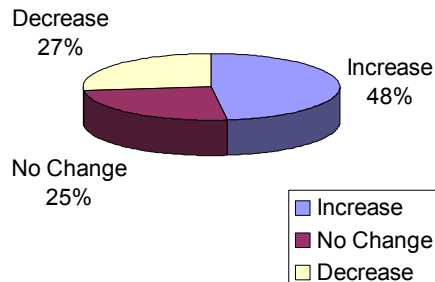
- While actual IT spending may not increase in 2003, the spending backlog is building noticeably
 - The “needs” of IT executives are becoming more visible even if their ability to allocate IT dollars in 2003 remains subdued

* **Notes:** 1. “Total IT Budget \$” reports only a subset of all survey respondents where they replied with data for pairs of contiguous years. Only respondents providing both 2001 & 2002, and/or both 2002 & 2003 budget data were included in this calculation. 2. Total budget dollars reported by all participants was \$33 billion 3. All dollars above reported in millions of US dollars.

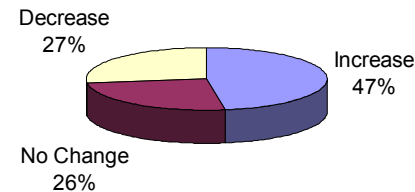
2002 & 2003 Total Spending, Full Year Outlook

- There will be a **very slight increase** in capital budgets (which represents approximately 30% of total IT spend).
- Any increase in capital expense budgets will be offset by **very slight decline** in operating expense (70% of total IT spend).
- Demand for IT products and services is increasing, yet budgets and planned expenses are lagging demand.
- Most 2003 spending will be for replacing, upgrading and extending core infrastructure systems.

Change in Capital Expense for 2003



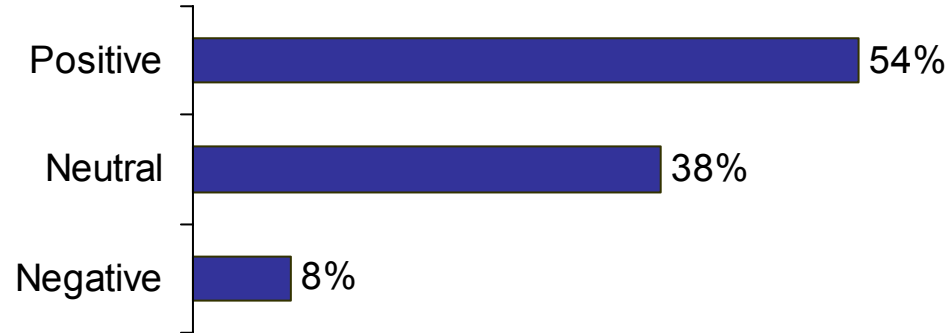
Change in Operating Expense for 2003



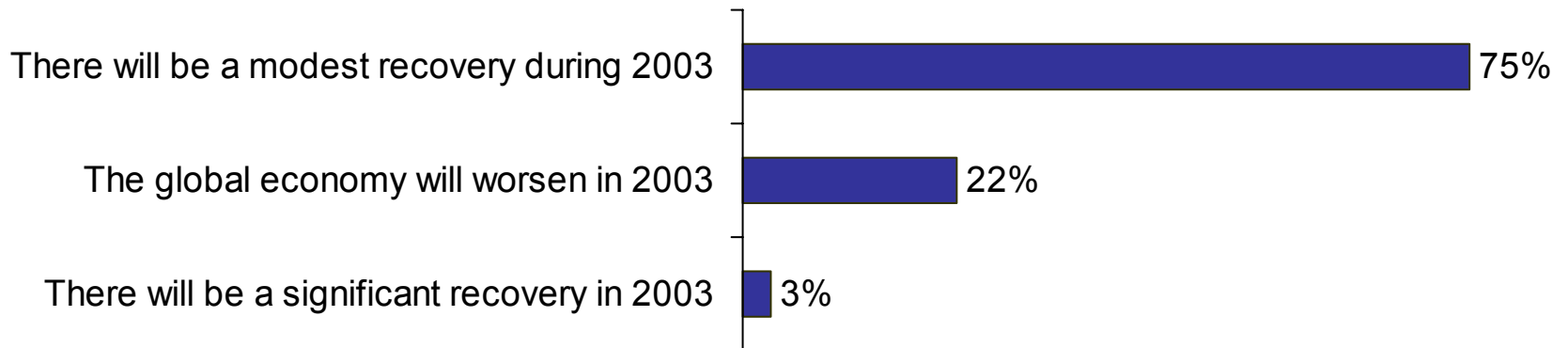
Key Findings

Modest Economic Expectations

What is your current outlook on your company's business prospects for the next 12 months?



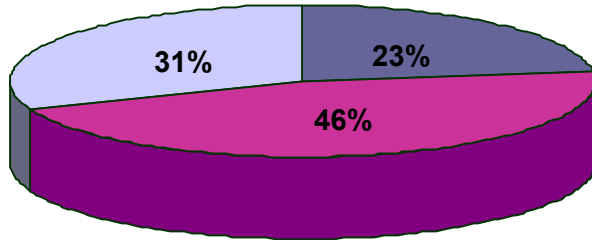
Which of the following best describes your view of the world economy in 2003?



Key Findings

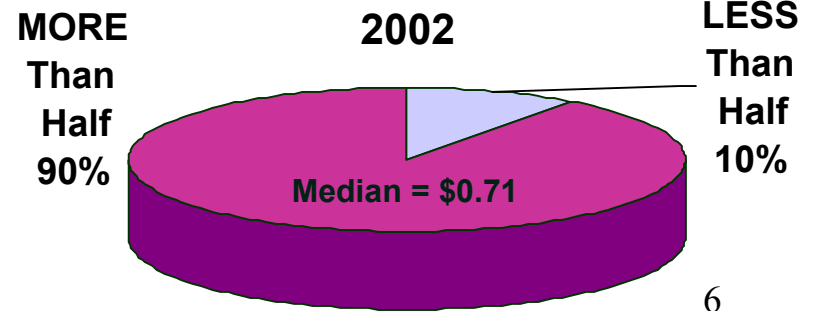
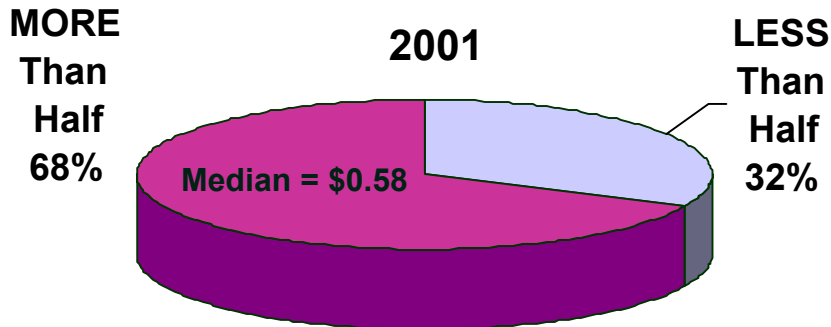
No 4th Quarter Spending Boom

Do you expect your organization to spend a smaller or larger percentage of its full year IT spending in the fourth quarter than it has in most years prior to 2002?



- Spend larger percentage in 4th quarter
- Spend same percentage in 4th quarter
- Spend smaller percentage in 4th quarter

What percentage of your IT Budgets Was Spent Through the First 3 Quarters?

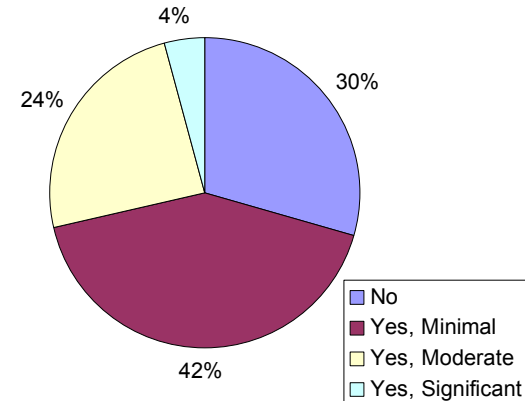


Key Findings

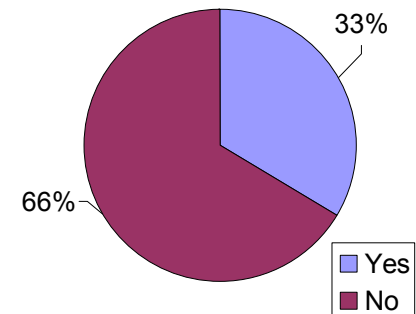
“Needs” & “Wants” Growing, Not Spending Expectations

- 70% of all respondents indicated that their organization has a backlog of projects that were deferred in 2002 and are approved for 2003 implementations
 - 24% had a moderate to significant amount of deferred projects - only 4% significant.
- Shelfware appeared to be a large concern for software vendors in 2002, yet 66% of all respondents indicate that they do not have more licenses than needed
 - Furthermore, 80% of all respondents DO NOT expect shelfware to have a negative effect on 2003 IT spending
- The past 2 surveys have been conducted in 2 of the most difficult IT spending environments that anyone can remember
- The following data clearly shows a return to normalcy in terms of overall *demand* for IT products and services in 2003
- As the economic environment recovers, we expect the IT industry to see some benefits from the evident need for upgrades and replenishments

Project Backlog Deferred from 2002?

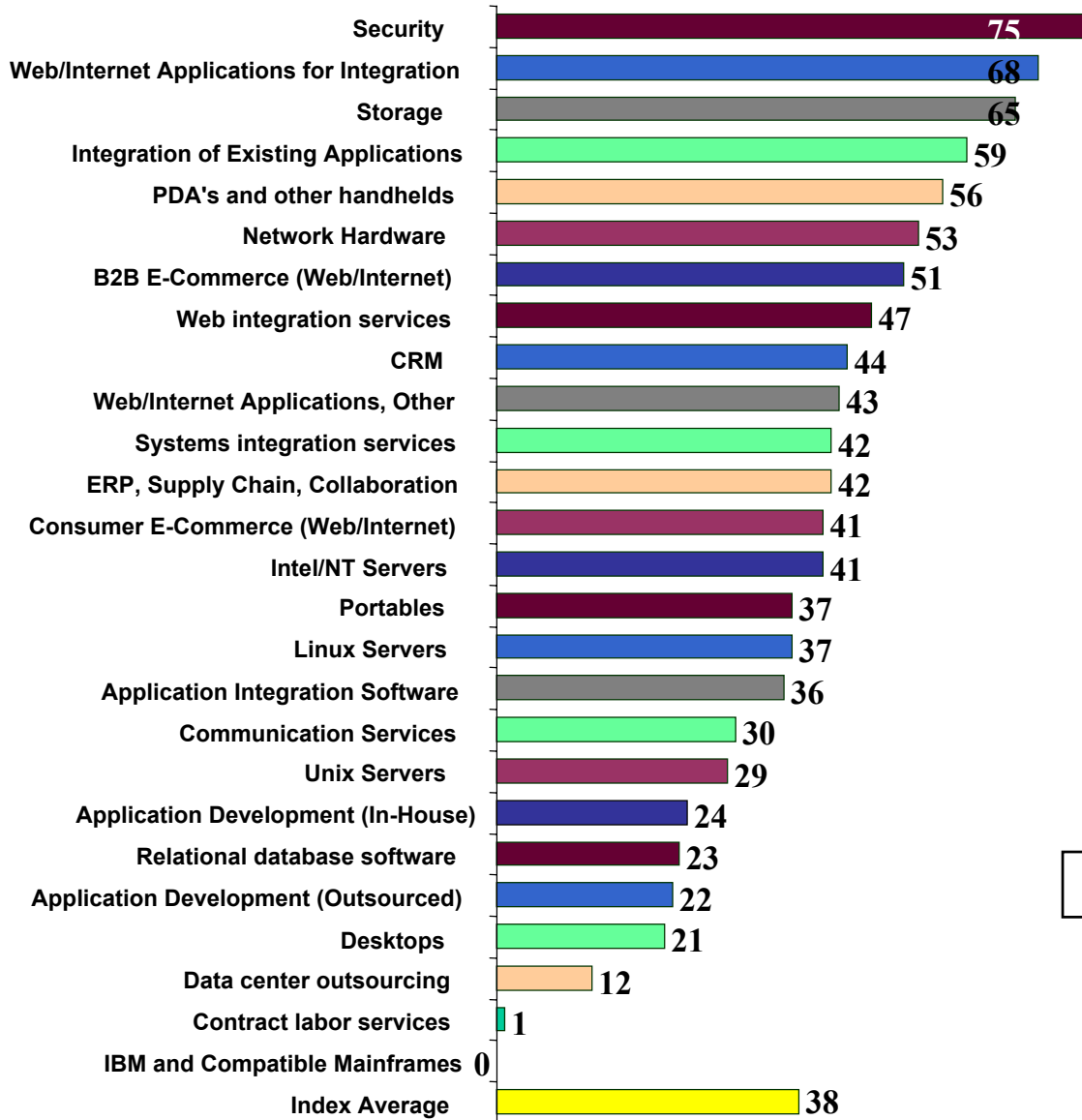


Do You Have Shelfware / Excess Licenses



Spending Index by Category

2002 Spending Index Results by Category



Increases vs 2001 Spending Index

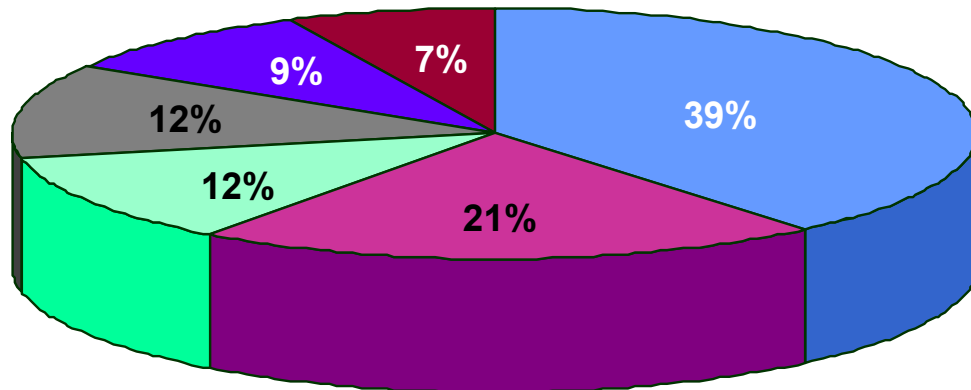
Desktops	+18
App Dev (In-House)	+15
Portables	+14
Network Hardware	+14
Index Average	+9
IBM & Compatible Mainframes	+7
Intel/NT Servers	+7
Storage	+7
PDA's/Handhelds	+6
CRM	+6
Relational database software	+6
Systems integration services	+5
Contract labor services	+2
Web Integration Services	+2

Decreases vs 2001 Spending Index

Data Center Outsourcing	-1
Security	-6
	8

Key Findings

Top Spending Priorities for 2003



Applications (39%)
#1 CRM #2 ERP #3 Portals

Networking (12%)
#1 Infrastructure Upgrades #2 Wireless

Systems (21%)
#1 Microsoft (XP migration) #2 Hardware (Servers & PCs)

Software Infrastructure (9%)
#1 Security #2 Web Services

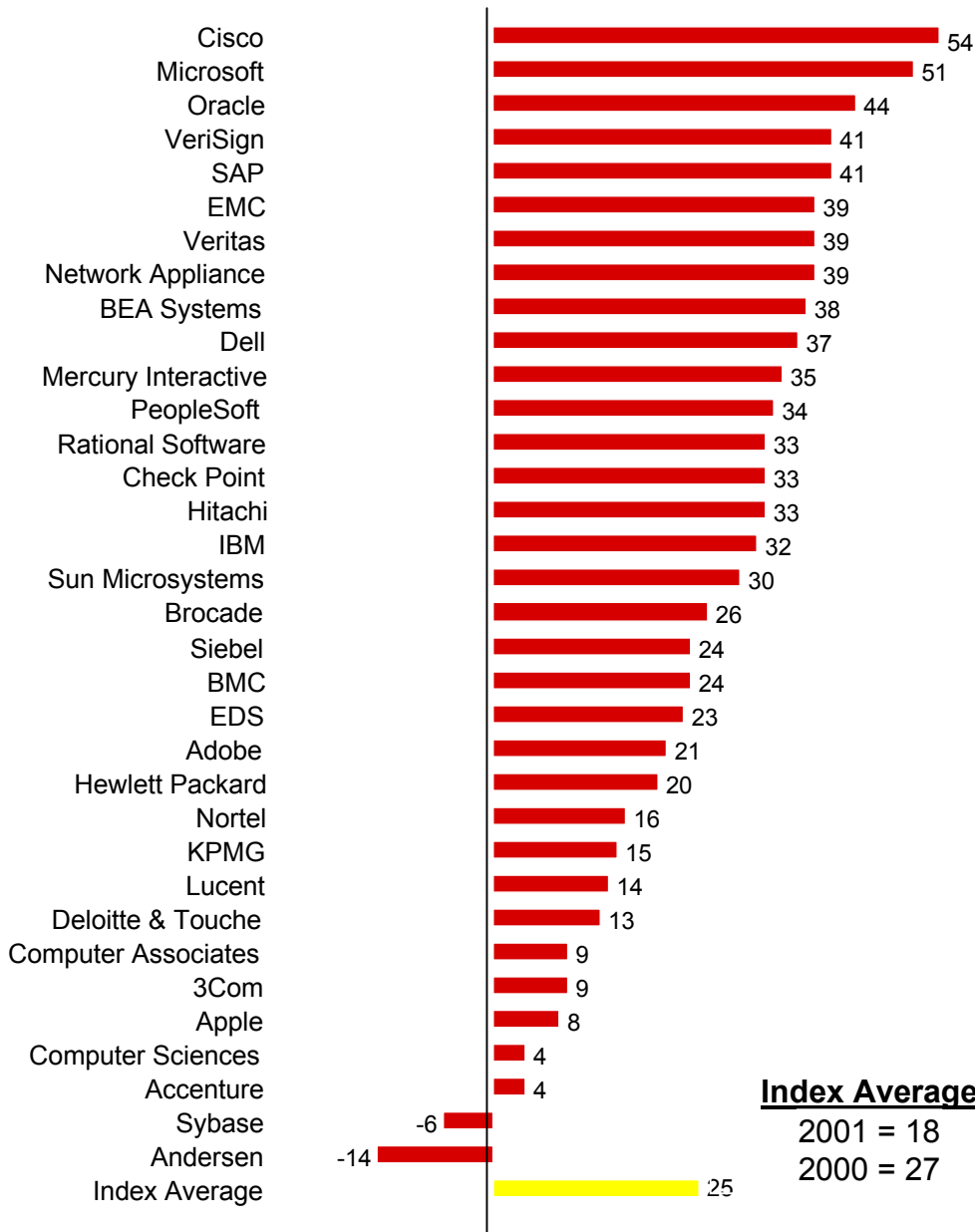
Storage (12%)
#1 Data Center #2 Storage (SAN/NAS/etc.) #3 Disaster Recovery

Other (7%)
#1 Infrastructure #2 Operations #3 Outsourcing

- Consistent with findings across the survey, more respondents are indicating a priority to spend \$ on “nuts” and “bolts” (i.e.. Systems and Equipment Upgrades)
- Similar to last year’s results, Application continues to be a top priority driven by CRM, ERP, and Portals

Spending Index by Vendor

2002 Spending Index by Vendor



Index Average
 2001 = 18
 2000 = 27

Increases vs 2001 Spending Index

AAPL	+23	RATL	+7
HIT	+22	CSCO	+7
NTAP	+20	COMS	+7
BEAS	+17	SEBL	+6
MERQ	+16	ACN	+4
EDS	+16	ORCL	+2
HPQ	+15	CHKP	+2
BMC	+14	ADBE	+1
DELL	+14	VRSN	+1
BRC D	+13	LU	+1
SAP	+13	VRTS	0
PSFT	+12		
CSC	+12		
IBM	+12		
KPMG	+12		
EMC	+11		
CA	+11		
SUNW	+10		
NT	+10		

Decreases vs 2001 Spending Index

MSFT	-9
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Index Average +7

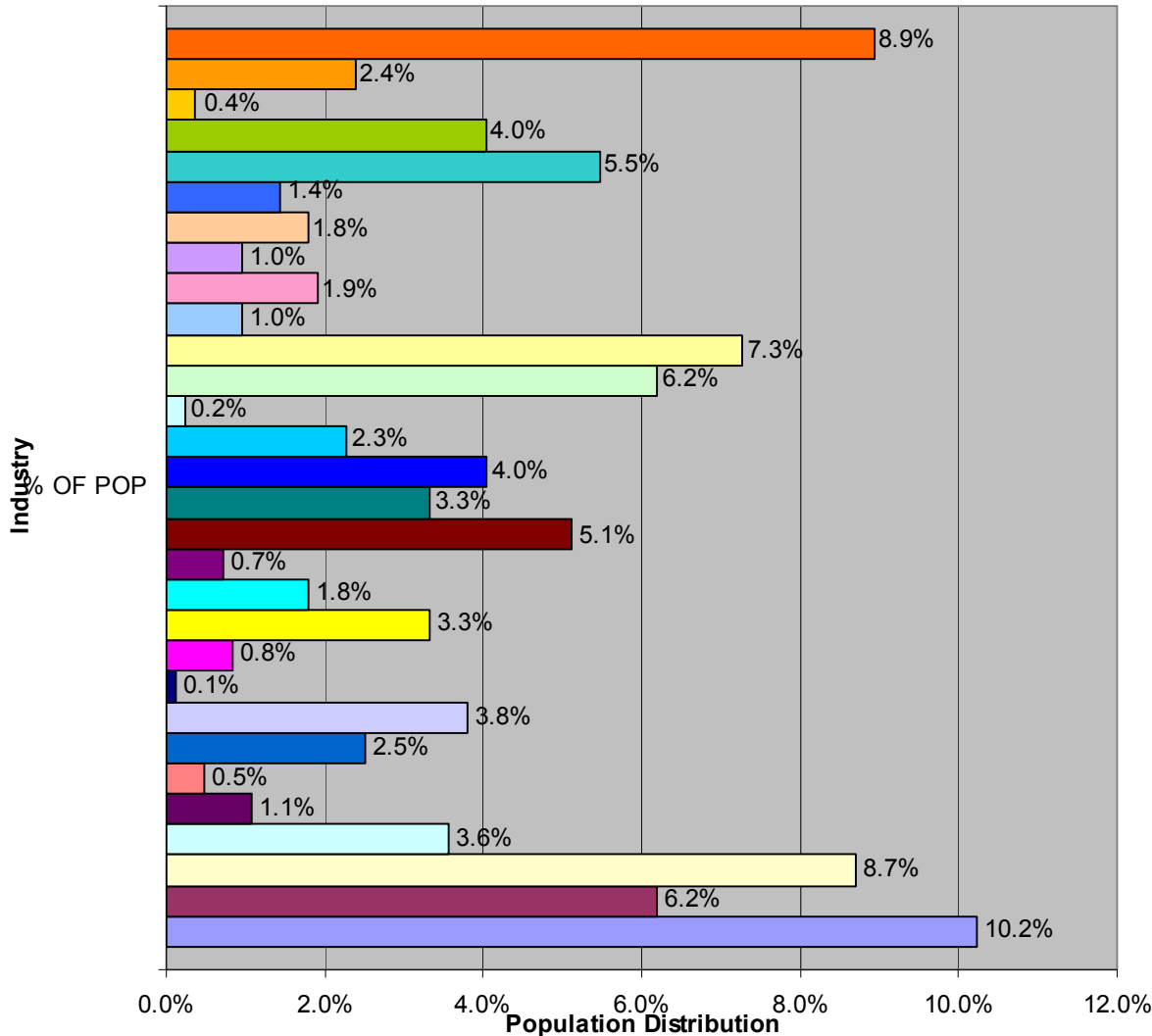
Change in Index Average
 2001 vs 2000 = -9
 2000 vs 1999 = -9

Demographics

Demographic Summary

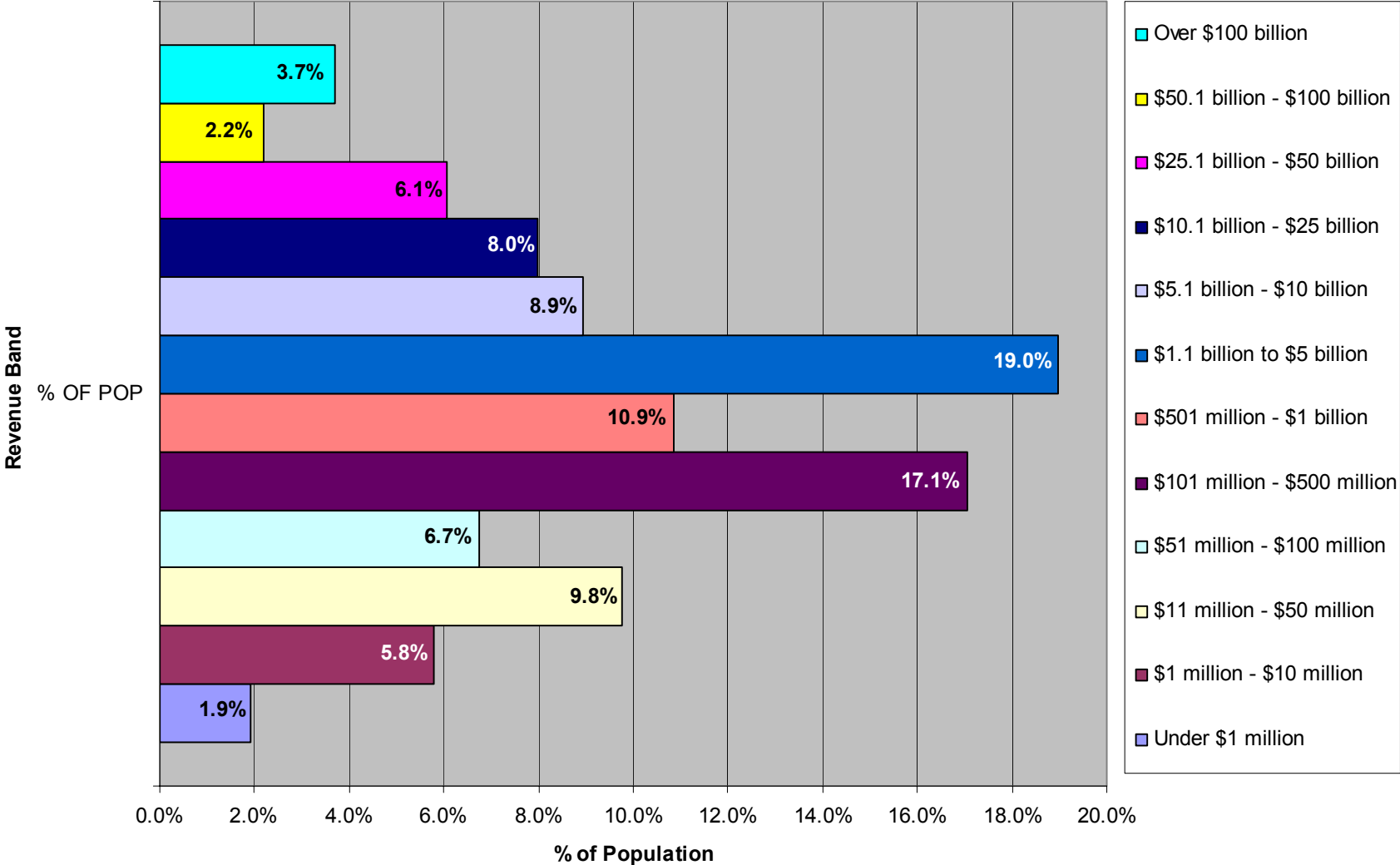
- 846 Respondents from North American businesses, non-profit groups and government agencies.
- Representing \$33 billion in IT spending
- CIOs and individuals with budget authority.

Respondent Distribution by Industry

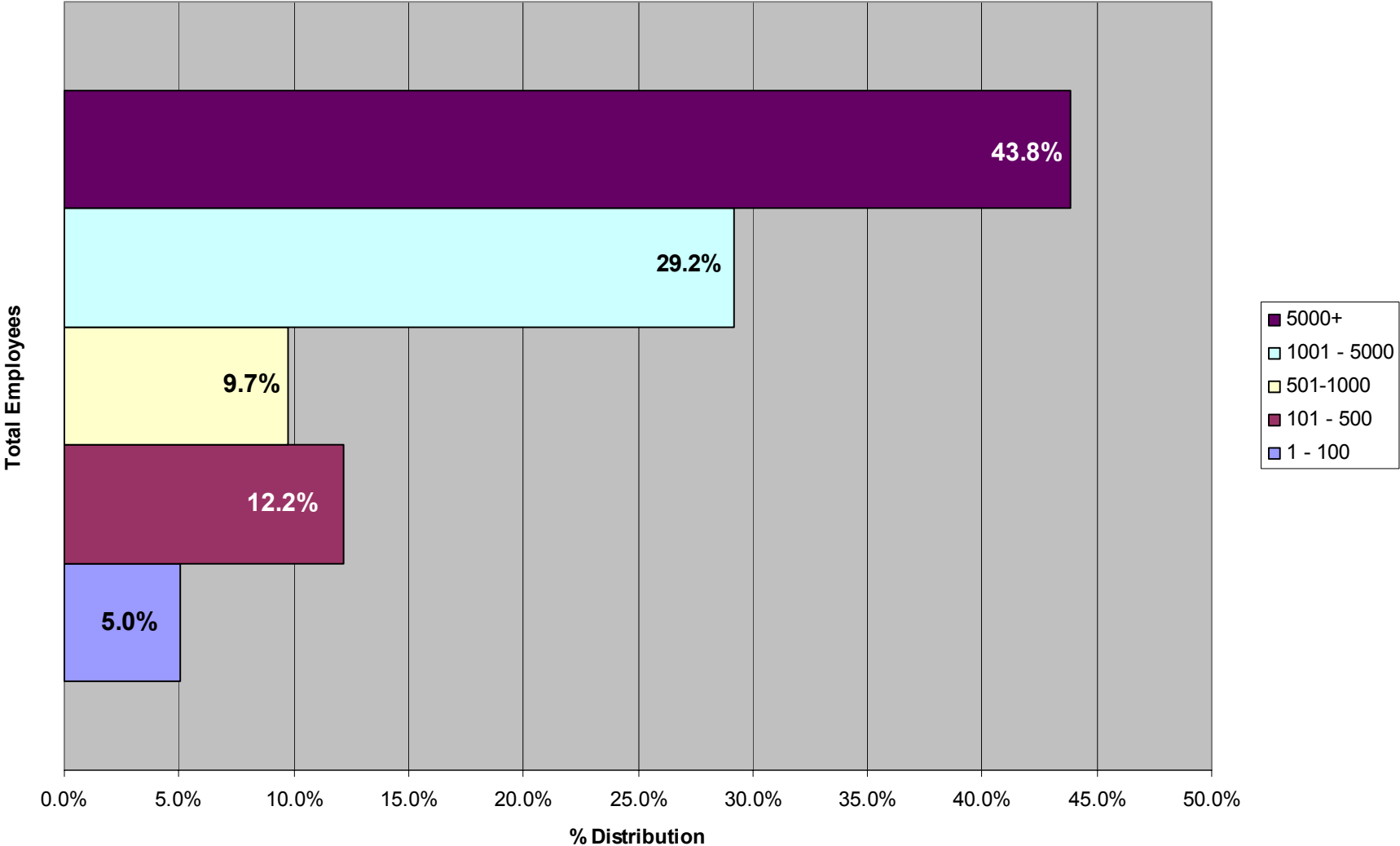


- Other
- Business Services, Non-IT
- Wholesale
- Petroleum, Mining
- Utilities
- Transportation
- Telecommunications Services
- Telecommunications Products
- Retail Trade
- Media
- Manufacturing, Non-Durable Goods
- Manufacturing, Durable Goods
- Leisure & Entertainment (resorts, hotels, restaurants)
- Investments
- Insurance, Life
- Insurance, Property & Casualty
- Health Care Providers & Payers
- Engineering
- Education, Primary and Secondary
- Education, Higher (e.g., Colleges & Universities)
- Distribution or Logistics Services
- Construction
- Banking, Retail
- Banking, Commercial
- Agribusiness, Fishing, Forestry
- IT Hardware Products
- IT Software Products
- IT Services
- Government, State (Province) or Local
- Government, Federal (National)

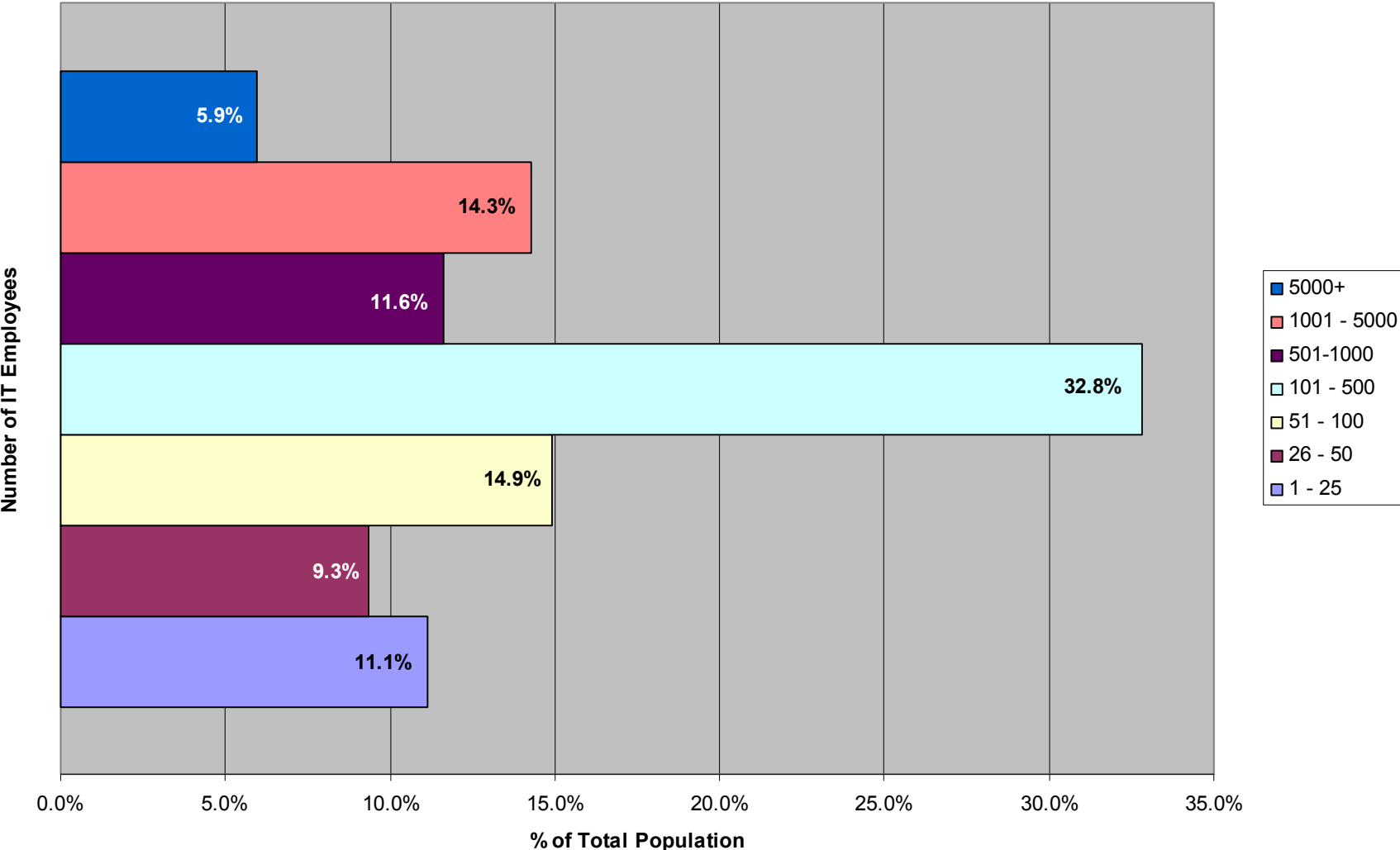
Population Distribution by Revenue Band



Population Distribution by Total Employees



Population Distribution by IT Employees



**% Change in Spending
by Industry Category
2003 vs 2002**

