



## **IT SPENDING PROJECTIONS DECLINE**

*Very Small, Medium and Large Companies Cautious About Future IT Investments*

**FRAMINGHAM, MA—April 2, 2007**—The quarterly CIO Magazine Tech Poll shows IT spending projections in March declined with CIOs predicting IT spending increases of 5.1% over the next 12 months (vs. 5.8% in December). Spending projections in all categories declined with the exception of Data Networking Equipment which remained a top priority for the quarter.

“Our latest poll results suggest IT spending will be subdued this year, with corporate managers likely concerned about weaker economic growth in 2007. CIOs predicting IT spending increases of 5.1% over the next 12 months, down from 8.6% a year ago, and the slowest pace since May 2005,” says Dr. Edward Yardeni, President, Yardeni Research, Inc.

“Weak results reflect increased caution across most product categories. However, the strong rebound in large enterprise spending expectations is the silver lining in an otherwise cloudy spending outlook,” says Chris Whitmore, *Director, IT Hardware Research for Deutsche Bank Securities*

“The results of this quarter's poll clearly shows the most significant challenge CIOs are facing is retaining good people. It is shocking to consider 44% of CIOs claim IT labor is ‘hard to find and keep,’” says Gary Beach, Publisher of *CIO* magazine, noting that this percentage is up sharply from 26% in March 2006.

The CIO Magazine Tech Poll provides technology and business executives, economists, and policymakers with a tool to gauge technology growth trends to assess the impact on the overall economy. Poll panelists are asked to answer questions on overall current and projected IT budgets on a quarterly basis. The poll also covers future spending plans for IT hardware, software, services and Internet initiatives. The results of the quarterly poll, conducted from March 8-15<sup>th</sup>, are detailed below.

### **CIO MAGAZINE TECHNOLOGY GROWTH INDICATORS**

The CIO Magazine Tech Poll results are used to construct the CIO Magazine Tech Future Growth Index (TFGI), which projects IT activity over the next 12 months<sup>1</sup>. Latest results show the TFGI is 1.8, down from 2.3 in December (Attached below are Tables 1 through 3, providing historical data and selected charts).

### **OVERALL IT BUDGET AND COSTS**

In the most recent quarterly poll, panelists project IT budgets to grow by 5.1% over the *next* 12 months, down from 5.8% in the December poll. In addition, CIOs report that IT budgets increased by an average of 5.7% over the *last* 12 months, slightly down from 5.8% last quarter.

## **IT SECTORS**

When asked about spending across eight specific IT categories, the average number of panelists who plan to increase spending over the *next* 12 months is 36.8%, down from 40.7% in December. Panelists who plan to decrease spending were 15.3% (vs. 13.7% in December). Within the IT spending categories, Data Networking Equipment surpasses Computer Hardware as the top spending priority in the poll with 48.4% of respondents planning to increase spending in this segment (vs. 35.3% in December). Storage Systems remains the second top spending priority with 46.3% (down from 52.9% in December).

**Computer Hardware:** March results indicate that 45.5% of panelists plan to increase spending on computer hardware (down from 55.8% in December), while 17.9% intend to decrease spending (vs. 11.7% in December).

**Compensation Costs and Labor Market Conditions:** IT compensation costs (including salaries, benefits, and bonuses excluding stock options) are forecasted to increase an average of 5.2% in the 12 months ending March 2008, up from 4.8% in December. When considering the IT labor pool, 7.3% of respondents report it is “plentiful” (vs. 5.8% in December), 46.0% cite it as “available” (vs. 56.7% in December) and 44.4% say IT professionals are “hard to find” (vs. 35.0% in December).

**Special Questions:** This quarter’s poll includes three special questions. The first question asked panelists to comment on expected storage budget spending over the next 12 months. Almost half (46.3%) of panelists say they would spend on upgrading the existing storage infrastructure while 17.9% of respondents will spend on disaster recovery and 10.6% will spend on backup. Of the remaining panelists, 20.3% say they will spend on new SAN infrastructure, while 4.9% plan to spend on new NAS infrastructure.

The second question asked panelists whether they are likely to consider Google as an enterprise software provider. The majority (73.4%) indicate they are not likely to consider Google in this capacity (46.0% “Not very likely” and 27.4% “Not at all likely”). About one in five (20.2%) say they are “somewhat likely” to consider Google as an enterprise software provider with a very small percentage indicating this is a real possibility (4.8% “very likely” and 1.6% “extremely likely” to consider).

With reports indicating that the CIO role is shifting from operational to strategic, the third question asked the panelists to comment whether they believe the purchase authority of IT will remain with the CIO or be relegated to others in the IT ranks. Of the respondents, 47.6% believe IT purchasing authority will always remain with the CIO, while 40.3% believe it will be shared between the CIO and the others in the IT ranks. Of the remaining, 7.3% say IT purchasing authority will be relegated to others in the IT ranks, with 4.8% were not sure.

## **ABOUT THE CIO MAGAZINE TECH POLL**

The CIO Magazine Tech Poll was created by *CIO* magazine in August 2000 in association with well known economist Dr. Ed Yardeni, *Chief Investment Strategist*, Oak Associates. The poll is proving to be an accurate indicator of technology spending trends. The latest poll opened on Thursday, March 8<sup>th</sup>, and closed on Thursday, March 15<sup>th</sup>. An invitation to respond to the poll was distributed via e-mail to a panel of more than 2,000 chief information officers and 5,000 randomly selected *CIO* readers who match the job function criteria “CIO.” The poll is sponsored by Microsoft System Center (beginning March 2007).

**Demographics:** In the March poll, there were 124 responses with large firms (1,000-5,000 employees) representing almost 28% of the results and very large firms (more than 5,000 employees) representing 16% of the results. A broad cross-section of industries is represented, including technology services (14%), health care (12%), finance (10%), state or local government (7%), both Education and Distribution-Retail and Wholesale (5%) and non-computer/communications related manufacturing (15%).

\* \* \*

The complete November CIO Magazine Tech Poll can be found at <http://peoplepolls.com/results/CIO/030807.asp?user=CIO>  
Previous poll results can be found at <http://www.cio.com/info/releases>.

<sup>1</sup> The TFGI is calculated by multiplying the projected growth rate of future IT budgets by the average percentage of respondents saying they plan to increase spending on eight unique categories: computer hardware, data networking equipment, telecom equipment, storage systems, outsourced IT services, infrastructure software, and eBusiness software.

<sup>2</sup> Averages exclude responses over 100%.

Table 1: CIO Magazine Tech Poll™ - Summary Results 2007

Summary Results – 2007		Mar
<b>1. CIO Magazine Technology Growth Indicators</b>		
Tech Future Growth Index*		1.8
<b>2. IT budget (% increase)**</b>		
Past 12 months		5.7
Next 12 months		5.1
<b>IT Future Spending</b>		
<b>3. Computer Hardware</b>		
Increase		45.5
Decrease		17.9
Unchanged		33.3
<b>4. Data Networking Equipment</b>		
Increase		48.4
Decrease		14.8
Unchanged		36.9
<b>5. Telecom Equipment</b>		
Increase		29.8
Decrease		17.7
Unchanged		51.6
<b>6. Storage Systems</b>		
Increase		46.3
Decrease		15.7
Unchanged		36.4
<b>7. Outsourced IT Services</b>		
Increase		27.3
Decrease		19.8
Unchanged		52.9
<b>8. Infrastructure Software</b>		
Increase		34.4
Decrease		13.1
Unchanged		51.6
<b>9. eBusiness Applications Software</b>		
Increase		19.5
Decrease		14.6
Unchanged		65.0
<b>10. Security Software</b>		
Increase		43.5
Decrease		8.9
Unchanged		46.8
<b>11. IT future spending on 3 - 10 (average)</b>		
Increase		36.8
Decrease		15.3
Unchanged		46.8
<b>12. B2B2C % of revenues</b>		
Past 12 months		NA
Next 12 months		NA
<b>13. Purchases over the Internet (% of total)</b>		
Past 12 months		NA
Next 12 months		NA
<b>14. Compensation (% increase)</b>		
Past 12 months		5.2
<b>15. IT labor supply</b>		
Plentiful		7.3
Available		46.0
Hard to find		44.4
<b>Number of Voters</b>		124

\* Projected growth rates of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending on eight unique categories.

\*\* Excludes all responses greater than 100%.

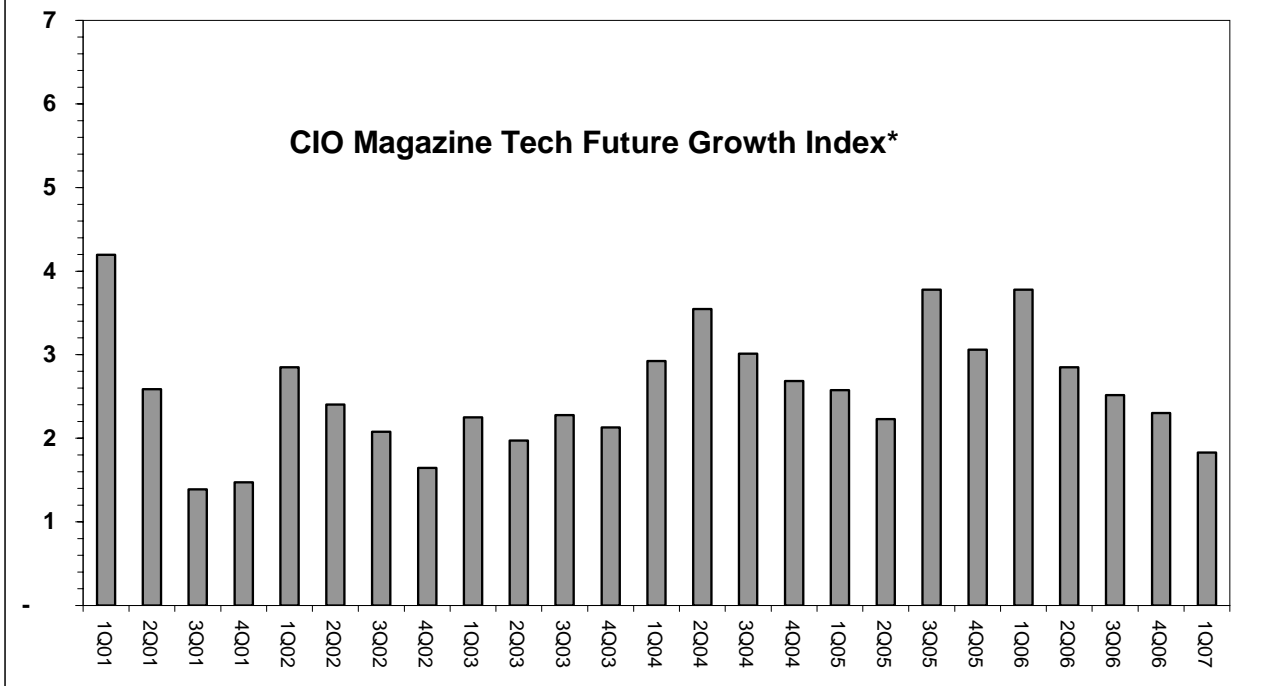
Table 2: CIO Magazine Tech Poll™ - Summary Results 2006

Summary Results – 2006		Mar	June	Sep	Dec
<b>1. CIO Magazine Technology Growth Indicators</b>					
Tech Future Growth Index*		3.8	2.9	2.5	2.3
<b>2. IT budget (% increase)**</b>					
Past 12 months		7.0	6.9	5.0	5.8
Next 12 months		8.6	6.9	6.5	5.8
<b>IT Future Spending</b>					
<b>3. Computer Hardware</b>					
Increase		48.0	48.1	46.9	55.8
Decrease		12.8	14.4	16.3	11.7
Unchanged		39.1	37.6	35.6	32.5
<b>4. Data Networking Equipment</b>					
Increase		48.9	44.8	40.0	35.3
Decrease		14.0	15.8	18.1	20.2
Unchanged		36.0	39.3	39.4	44.5
<b>5. Telecom Equipment</b>					
Increase		42.3	43.6	34.6	37.8
Decrease		20.0	14.5	20.8	21.8
Unchanged		36.0	40.2	43.4	38.7
<b>6. Storage Systems</b>					
Increase		56.7	46.1	48.1	52.9
Decrease		11.8	14.6	14.6	10.9
Unchanged		31.5	37.6	35.4	36.1
<b>7. Outsourced IT Services</b>					
Increase		34.3	35.2	32.3	32.5
Decrease		18.0	18.1	16.5	18.3
Unchanged		44.4	44.0	49.4	45.8
<b>8. Infrastructure Software</b>					
Increase		41.8	42.2	42.1	34.7
Decrease		16.4	11.1	10.1	11.6
Unchanged		40.1	45.6	46.5	52.9
<b>9. eBusiness Applications Software</b>					
Increase		35.6	29.3	26.9	28.9
Decrease		13.0	8.7	8.8	10.7
Unchanged		48.0	56.5	57.5	57.0
<b>10. Security Software</b>					
Increase		50.8	55.2	46.9	47.5
Decrease		4.5	4.4	5.0	4.2
Unchanged		43.0	39.9	46.9	45.8
<b>11. IT future spending on 3 - 10 (average)</b>					
Increase		44.8	43.1	39.7	40.7
Decrease		13.8	12.7	13.8	13.7
Unchanged		39.8	42.6	44.3	44.2
<b>12. B2B2C % of revenues</b>					
Past 12 months		NA	NA	NA	NA
Next 12 months		NA	NA	NA	NA
<b>13. Purchases over the Internet (% of total)</b>					
Past 12 months		NA	NA	NA	NA
Next 12 months		NA	NA	NA	NA
<b>14. Compensation (% increase)</b>					
Past 12 months		6.6	4.8	4.9	4.8
<b>15. IT labor supply</b>					
Plentiful		5.0	6.0	6.2	5.8
Available		66.5	64.3	59.0	56.7
Hard to find		26.3	25.8	31.1	35.0
<b>Number of Voters</b>		<b>180</b>	<b>184</b>	<b>161</b>	<b>121</b>

\* Projected growth rates of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending on eight unique categories.

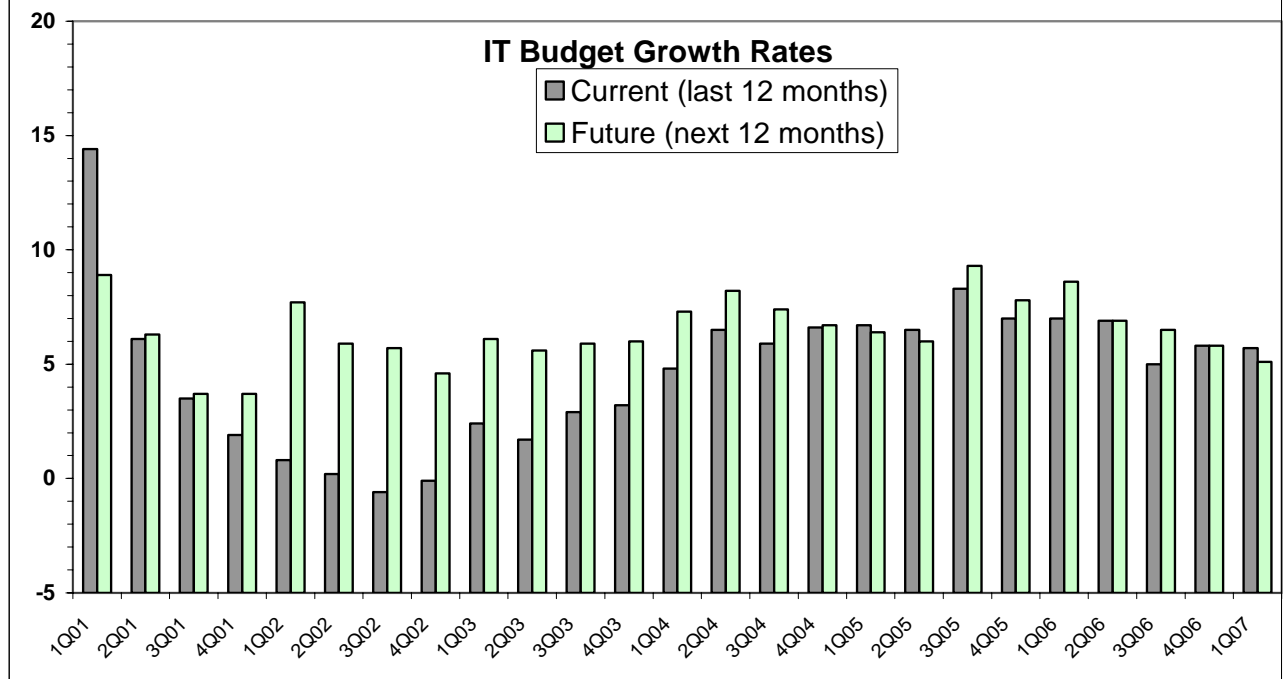
\*\* Excludes all responses greater than 100%.

### CIO Magazine Tech Poll™



\*Projected growth rate of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending in seven unique categories.

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Source: CIO Magazine Tech Poll™