



**CONTACT:**  
Erin Lynn Marino  
617.838.5593 (mobile)  
617.262.8099 (office)  
elmarino@elmpr.com

Karen Fogerty  
508.254.9285 (mobile)  
508.935.4091 (office)  
fogerty@cxo.com

**CIOs OPTIMISTIC ABOUT CONTINUED INCREASES IN I.T. SPENDING**  
**Recent Pick-Up Below Past Projected Growth Rates**

FRAMINGHAM, MA — May 23, 2002 — May's CIO Magazine Tech Poll™ find “for the third month in a row, CIO's are increasingly optimistic about the outlook for IT spending during the next twelve months,” according to Chris Mortenson, *Managing Director, Global Equity Research* for Deutsche Bank Securities.

“The moderate pace of projected spending over the past three months clearly indicates a pick-up from the depressed state of the past year; although it remains below the exuberant projected growth rates of two years ago,” says Dr. Ed Yardeni, *Chief Investment Strategist* for Prudential Securities Inc.

“Though improving business conditions remain an important factor driving modest increases in IT budgets, the majority of chief information officers are now pointing to increased competition, insufficient capacity and cranky end users as the main reasons they are increasing their budgets,” explains Gary Beach, Group Publisher *CIO* magazine.

The CIO Magazine Tech Poll provides technology and business executives, economists, and policymakers with a tool to gauge technology growth trends and to assess their impact on the overall economy. The Poll panelists are asked to answer questions on overall current and projected IT budgets on a monthly basis. Also covered are future spending plans for IT hardware, software, services, and Internet initiatives. The results of May's Poll, which was conducted from May 9-16, 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> In May, the TFGI was 2.9, compared to 2.4 in April. (Attached below is Table 1 providing historical data and selected charts).

**OVERALL IT BUDGET AND COSTS**

During May 2002, the CIO Magazine Tech Poll panel projected IT budgets will grow by 7.3% over the *next* 12 months, up from April (6.0%), and decidedly positive for the third month in a row. In addition, the panel reports IT budgets increased by an average of 3.2% over the *previous* 12 months, marking an improvement over the negative growth reported in the April poll (-1.4%).<sup>2</sup>

## IT SECTORS

When asked about spending in eight specific IT categories, the average number of panelists planning to increase spending was up slightly from the previous month at 42.1% in May, while those planning to decrease spending dropped to 15.8% from 17.7% in April<sup>3</sup>. Security Software continues to be the strongest sector in the poll with nearly 56% of respondents planning to increase spending while only 5% plan to decrease spending.

**Outsourced IT Services.** Outsourced IT Services experienced the largest increase in expected spending in the specific IT categories. Among the panelists, 34.4% plan to spend more compared to 25.3% in April, with 23.7% planning to cut spending, a substantial improvement from the previous 12-month average (31.0%). (Table 1).

**eBusiness Applications Software.** The percentage of CIO's planning to spend the same amount or more on eBusiness Applications Software was 83% in May up from 79% in April, the category's highest level since April 2001. Those planning to decrease spending dropped from 15.7% in April to 10.8% in May.

**Compensation Costs and Labor Market Conditions.** IT compensation costs (including salaries, benefits, and bonuses excluding stock options) reportedly rose by an average of 3.6% in the 12 months ending in May, up from 2.1% reported in April, and down from 6% a year ago. While 8.2% of respondents reported IT professionals were hard to find and retain, up slightly from 7.4% last month and well below year ago levels.

## INTERNET BUDGETS AND BUSINESS

**Internet Budget Plans.** CIO Magazine Tech Poll panelists report they expect to spend 15.6% of their IT budgets on developing business over the Internet (B2B2C) during the *next* 12 months. This is down slightly from 14% reported for the *previous* 12 months.

**Internet Revenues.** Overall, panelists expect to generate 11.6% of their revenues from Internet activity (B2B2C) over the *next* 12 months, compared to 8.6% during the *previous* 12 months. This is down from last month's estimates of 12.4% and 9.7% respectively.

**Internet Purchases.** On average, panelists expect to purchase 20% of their materials, supplies and parts over the Internet, up from an estimated 15.6% during the *past* 12 months.

## SPECIAL QUESTIONS

**Prior and Current Quarter Comparison.** When asked to compare IT spending during the second quarter of 2002 to the first quarter of 2002, adjusting as best as possible for seasonality, 37% said spending in the current quarter would be higher or significantly higher (down slightly from 40% in April), while only 14.7% said it would be lower (up slightly from 12% in April). The remaining 48% have not changed spending plans (compared to 47% in April). (Table 2 presents the results of the special questions).

**Pickup in IT Spending.** Among panelists, 42% say IT spending either never slowed or already has picked up (vs. 36% in April) with 20.4% claiming to have already seen a spending pickup (vs. 18.9% in April). Interestingly, only 1.6% expect to see a pickup in the second quarter of 2002 while 50.2% expect a pickup in the second half of 2002 and beyond (vs. 54.9% in the April poll).

**Spending Recovery.** When asked for the number one reason that would cause a pickup in IT spending, 19.4% cited stronger end-user demand while 16.6% said business is better. Only 10.6% cite an improving macroeconomic environment as their number one reason for an IT spending pickup (up slight from 8.8% in April).

**Future IT Spending on IT or BPO Outsourcing.** Slightly more than 50% of respondents say they will increase future spending on IT or BPO outsourcing in 2002 reinforcing the importance companies are placing on reducing costs. Only 10% plan to decrease spending.

### **CIO MAGAZINE TECH POLL**

The CIO Magazine Tech Poll was created by *CIO* Magazine in August 2000 in association with Deutsche Bank Securities and Dr. Ed Yardeni. The poll is proving to be an accurate indicator of technology spending trends. The latest poll was opened on Thursday, May 9, and closed on Thursday, May 16. An invitation to respond to the poll was distributed via e-mail to a panel of more than 2000 CIOs and 3,000 randomly selected *CIO* readers who match the job function criteria "CIO."

**Demographics.** In the May poll, there were 244 responses with 92.7% from North America. CIOs comprise 89% of the total, with CEOs, COOs and presidents accounting for 7% and "other" titles accounting for 5%. Very large firms with over 5,000 employees represent 16% of the results. A broad cross-section of industries is represented, including technology services (15%), manufacturing (21%), finance (13%), state or local government (9%), health care (8%) and education (6%).

\* \* \*

The complete May CIO Magazine Tech Poll can be found at [http://www.cio.com/info/releases/05techpoll\\_results.html](http://www.cio.com/info/releases/05techpoll_results.html).  
*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%.

<sup>3</sup> Security Software was added to the group of IT sectors surveyed in the Poll beginning in January 2002.

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

| Summary Results   | 2002 |      |      |      |      | 2001 |      |      |      |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
|   | May  | Apr  | Mar  | Feb  | Jan  | Dec  | Nov  | Oct  | Sep  | Aug  | Jul  | Jun  | May  | Apr  | Mar  | Feb  | Jan  |
| <b>1. CIO Magazine Technology Growth Indicators</b>             |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Tech Future Growth Index*                                       | 2.9  | 2.4  | 2.8  | 1.2  | 1.4  | 1.5  | 2.1  | 1.7  | 1.4  | 3.1  | 2.5  | 2.6  | 1.7  | 3.1  | 4.2  | 6.0  |      |
| Future/Current Growth Ratio                                     | 2.3  | -4.3 | 9.6  | 3.2  | 1.0  | 1.9  | 0.9  | 0.7  | 1.1  | 1.0  | 1.1  | 1.0  | 0.7  | 0.7  | 0.6  | 0.8  | 0.8  |
| <b>2. IT budget (% increase)**</b>                              |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Past 12 months  | 3.2  | -1.4 | 0.8  | 1.0  | 3.8  | 1.9  | 5.8  | 7.2  | 3.5  | 7.2  | 5.9  | 6.1  | 5.2  | 10.3 | 14.4 | 14.1 | 13.1 |
| Next 12 months  | 7.3  | 6.0  | 7.7  | 3.2  | 3.8  | 3.7  | 5.3  | 4.7  | 3.7  | 7.2  | 6.2  | 6.3  | 3.8  | 7.2  | 8.9  | 11.3 | 11.0 |
| <b>3. IT future spending on Computer Hardware</b>               |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 46.5 | 47.7 | 40.2 | 39.7 | 38.0 | 43.6 | 41.7 | 37.8 | 30.3 | 41.6 | 44.4 | 42.4 | 47.3 | 45.2 | 50.9 | 50.6 |      |
| Decrease  | 20.6 | 21.4 | 21.1 | 30.0 | 29.4 | 29.1 | 26.6 | 28.3 | 30.3 | 27.9 | 27.8 | 29.2 | 27.7 | 25.4 | 24.9 | 20.1 |      |
| Unchanged   | 32.1 | 30.5 | 38.7 | 29.3 | 31.3 | 26.5 | 30.9 | 32.6 | 37.9 | 29.7 | 27.4 | 27.3 | 23.8 | 28.9 | 23.8 | 29.3 |      |
| <b>4. IT future spending on Data Networking Equipment</b>       |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 42.1 | 43.8 | 37.6 | 37.2 | 38.7 | 40.4 | 42.1 | 37.7 | 39.6 | 44.7 | 48.2 | 45.0 | 54.2 | 49.6 | 61.0 | 61.3 |      |
| Decrease  | 21.9 | 19.4 | 21.1 | 22.1 | 25.5 | 26.0 | 30.9 | 25.5 | 28.4 | 22.4 | 26.3 | 25.8 | 22.3 | 21.9 | 21.3 | 13.4 |      |
| Unchanged   | 34.7 | 36.8 | 41.0 | 38.9 | 34.7 | 32.8 | 25.5 | 35.9 | 31.5 | 32.4 | 25.5 | 28.4 | 22.3 | 28.1 | 17.7 | 24.8 |      |
| <b>5. IT future spending on Telecom Equipment</b>               |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 28.2 | 34.7 | 31.3 | 35.0 | 35.5 | 35.0 | 34.5 | 33.9 | 33.5 | 42.9 | 38.2 | 38.1 | 38.6 | 24.7 | 31.7 |      |      |
| Decrease  | 19.9 | 20.7 | 23.8 | 22.9 | 24.1 | 27.8 | 30.6 | 23.0 | 30.5 | 22.8 | 23.5 | 22.6 | 25.1 | 17.6 | 18.7 |      |      |
| Unchanged   | 49.4 | 42.6 | 43.0 | 39.7 | 38.0 | 35.9 | 33.7 | 41.3 | 33.5 | 34.2 | 37.8 | 37.4 | 34.7 | 55.9 | 47.9 |      |      |
| <b>6. IT future spending on Storage Systems</b>                 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 50.8 | 47.3 | 46.2 | 44.6 | 48.3 | 41.6 | 45.7 | 44.3 | 48.5 | 48.6 | 45.4 | 50.7 | 48.6 |      |      |      |      |
| Decrease  | 12.4 | 12.4 | 13.2 | 15.2 | 20.7 | 20.2 | 19.8 | 17.0 | 15.2 | 16.5 | 14.9 | 15.6 | 15.4 |      |      |      |      |
| Unchanged   | 34.7 | 38.6 | 39.1 | 38.2 | 27.9 | 36.9 | 33.3 | 37.0 | 34.8 | 33.0 | 36.9 | 30.7 | 33.6 |      |      |      |      |
| <b>7. IT future spending on Outsourced IT Services</b>          |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 34.4 | 25.3 | 28.7 | 28.3 | 24.2 | 33.5 | 31.1 | 26.0 | 29.9 | 27.1 | 31.7 | 29.7 | 32.3 | 32.9 | 34.8 | 39.7 |      |
| Decrease  | 23.7 | 31.1 | 28.3 | 31.0 | 37.1 | 27.0 | 31.5 | 33.8 | 30.5 | 31.2 | 25.8 | 30.9 | 33.8 | 24.6 | 27.3 | 23.0 |      |
| Unchanged   | 38.6 | 39.8 | 40.8 | 37.7 | 35.6 | 37.3 | 35.0 | 37.7 | 36.5 | 40.4 | 39.7 | 36.8 | 30.8 | 40.8 | 35.1 | 34.7 |      |
| <b>8. IT future spending on Infrastructure Software</b>         |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 41.3 | 40.2 | 38.5 | 32.4 | 35.6 | 44.0 | 42.0 | 33.9 | 41.6 | 46.5 | 37.1 | 39.8 | 39.6 | 48.0 | 49.5 | 53.6 |      |
| Decrease  | 12.4 | 15.8 | 12.8 | 20.9 | 19.9 | 17.2 | 20.2 | 18.7 | 18.3 | 16.6 | 20.7 | 17.5 | 18.1 | 14.5 | 14.6 | 11.7 |      |
| Unchanged   | 44.6 | 43.2 | 47.5 | 45.3 | 42.3 | 37.5 | 36.6 | 46.1 | 39.1 | 34.6 | 41.4 | 40.9 | 40.4 | 37.0 | 35.1 | 33.9 |      |
| <b>9. IT future spending on eBusiness Applications Software</b> |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 37.9 | 36.0 | 36.5 | 35.7 | 35.3 | 40.8 | 41.9 | 33.0 | 39.4 | 45.2 | 40.3 | 41.7 | 45.6 | 55.3 | 55.0 | 58.2 |      |
| Decrease  | 10.8 | 15.7 | 15.4 | 21.2 | 19.6 | 18.5 | 18.6 | 17.4 | 17.2 | 15.1 | 17.7 | 14.0 | 14.3 | 10.6 | 10.0 | 8.9  |      |
| Unchanged   | 45.0 | 43.0 | 43.6 | 39.1 | 38.7 | 35.6 | 33.3 | 43.9 | 36.4 | 35.2 | 36.7 | 37.6 | 36.3 | 29.6 | 32.1 | 29.5 |      |
| <b>10. IT future spending on Security Software</b>              |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 55.8 | 58.1 | 54.7 | 58.2 | 59.6 |      |      |      |      |      |      |      |      |      |      |      |      |
| Decrease  | 5.0  | 5.4  | 3.8  | 6.1  | 4.9  |      |      |      |      |      |      |      |      |      |      |      |      |
| Unchanged   | 38.3 | 35.7 | 38.5 | 34.7 | 33.3 |      |      |      |      |      |      |      |      |      |      |      |      |
| <b>11. IT future spending on 3 - 10 (average)</b>               |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Increase  | 42.1 | 41.6 | 39.2 | 38.9 | 39.4 | 39.8 | 39.9 | 35.2 | 37.5 | 42.4 | 40.8 | 41.1 | 43.7 | 42.6 | 47.2 | 52.7 |      |
| Decrease  | 15.8 | 17.7 | 17.4 | 21.2 | 22.7 | 23.7 | 25.5 | 23.4 | 24.3 | 21.8 | 22.4 | 22.2 | 22.4 | 19.1 | 19.5 | 15.4 |      |
| Unchanged   | 39.7 | 38.8 | 41.5 | 37.9 | 35.2 | 34.6 | 32.6 | 39.2 | 35.7 | 34.2 | 35.1 | 34.2 | 31.7 | 36.7 | 32.0 | 30.4 |      |
| <b>12. B2B2C % of IT budget</b>                                 |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Past 12 months  | 13.8 | 13.9 | 14.3 | 15.0 | 13.3 | 17.5 | 15.8 | 12.2 | 14.3 | 15.2 | 13.3 | 13.7 | 11.7 | 13.8 | 14.2 | 14.7 | 16.5 |
| Next 12 months  | 15.6 | 16.3 | 15.6 | 16.3 | 14.3 | 18.9 | 17.2 | 14.8 | 16.3 | 15.9 | 15.3 | 16.2 | 14.3 | 15.8 | 16.7 | 16.3 | 22.2 |
| <b>13. B2B2C % of revenues</b>                                  |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Past 12 months  | 8.6  | 9.7  | 8.5  | 9.1  | 8.0  | 11.0 | 9.4  | 7.4  | 10.4 | 9.1  | 7.7  | 7.5  | 6.8  | 7.7  | 9.0  | 8.6  | 14.1 |
| Next 12 months  | 11.6 | 12.4 | 11.4 | 12.1 | 10.9 | 14.9 | 13.2 | 9.9  | 13.2 | 11.9 | 10.5 | 10.7 | 10.0 | 10.7 | 12.4 | 11.3 | 19.1 |
| <b>14. Purchases over the Internet (% of total)</b>             |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Past 12 months  | 15.6 | 16.7 | 14.8 | 14.0 | 15.8 | 18.2 | 16.8 | 13.1 | 13.8 | 16.8 | 11.7 | 13.2 | 11.5 | 13.9 | 14.0 | 15.9 | 13.2 |
| Next 12 months  | 20.0 | 21.5 | 18.7 | 18.3 | 21.0 | 23.3 | 21.7 | 18.5 | 19.9 | 22.2 | 17.0 | 18.3 | 16.6 | 18.8 | 20.5 | 21.3 | 19.5 |
| <b>15. Compensation (% increase)</b>                            |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Past 12 months  | 3.6  | 2.1  | 2.9  | 2.4  | 2.9  | 5.1  | 3.8  | 5.1  | 5.6  | 5.9  | 5.6  | 7.1  | 6.3  | 8.8  | 8.7  | 8.7  | 9.6  |
| <b>16. IT labor supply</b>                                      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| Plentiful   | 26.7 | 29.2 | 22.9 | 28.3 | 22.5 | 29.2 | 24.0 | 17.3 | 15.2 | 12.4 | 10.8 | 10.4 | 9.6  | 4.4  | 6.7  | 1.7  | 2.3  |
| Available   | 61.7 | 62.1 | 66.2 | 63.0 | 66.5 | 60.2 | 65.5 | 71.0 | 67.2 | 68.3 | 66.8 | 63.3 | 69.6 | 63.9 | 58.2 | 49.0 | 42.0 |
| Hard to find  | 8.2  | 7.4  | 9.0  | 8.0  | 9.2  | 9.7  | 9.3  | 10.4 | 14.6 | 17.4 | 19.6 | 24.4 | 20.0 | 30.4 | 39.7 | 46.0 | 55.0 |
| <b>Number of Voters</b>   | 244  | 245  | 268  | 300  | 326  | 236  | 259  | 231  | 198  | 219  | 255  | 276  | 260  | 229  | 282  | 239  | 131  |

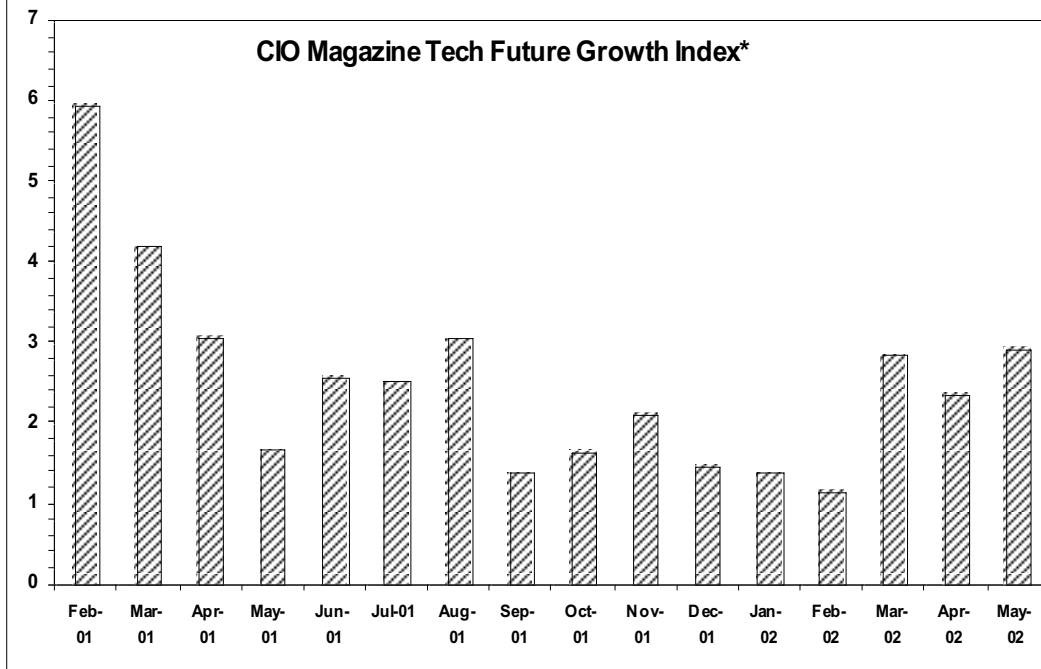
\* Projected growth rate of IT budgets over the next 12 months is multiplied by average percentage of respondents saying they plan to increase their spending on eight unique categories.

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

Source: www.peoplepolls.com

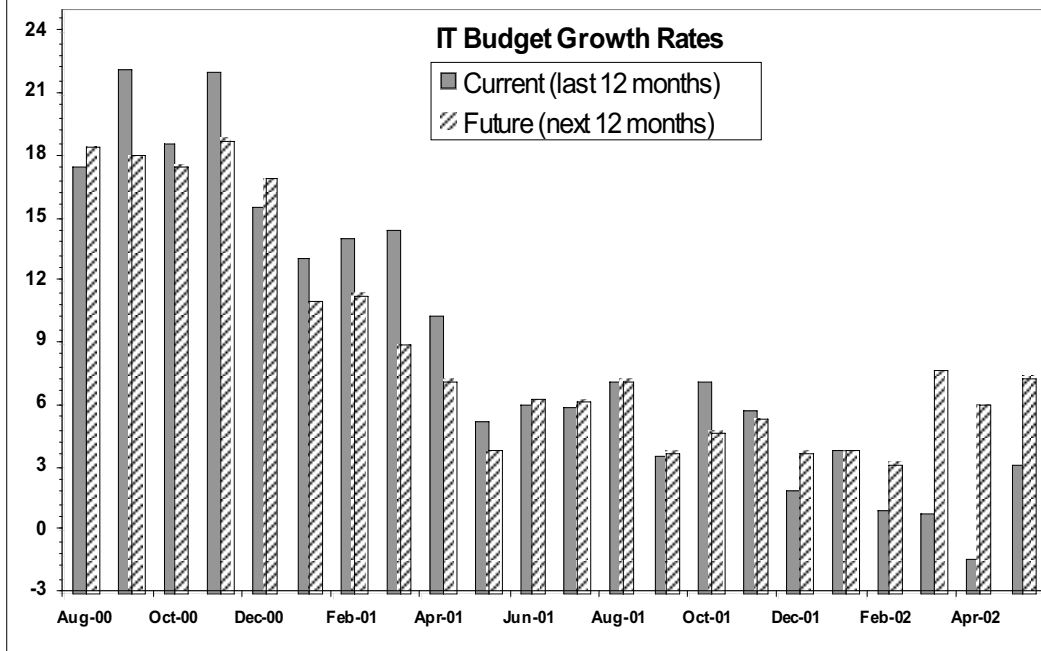


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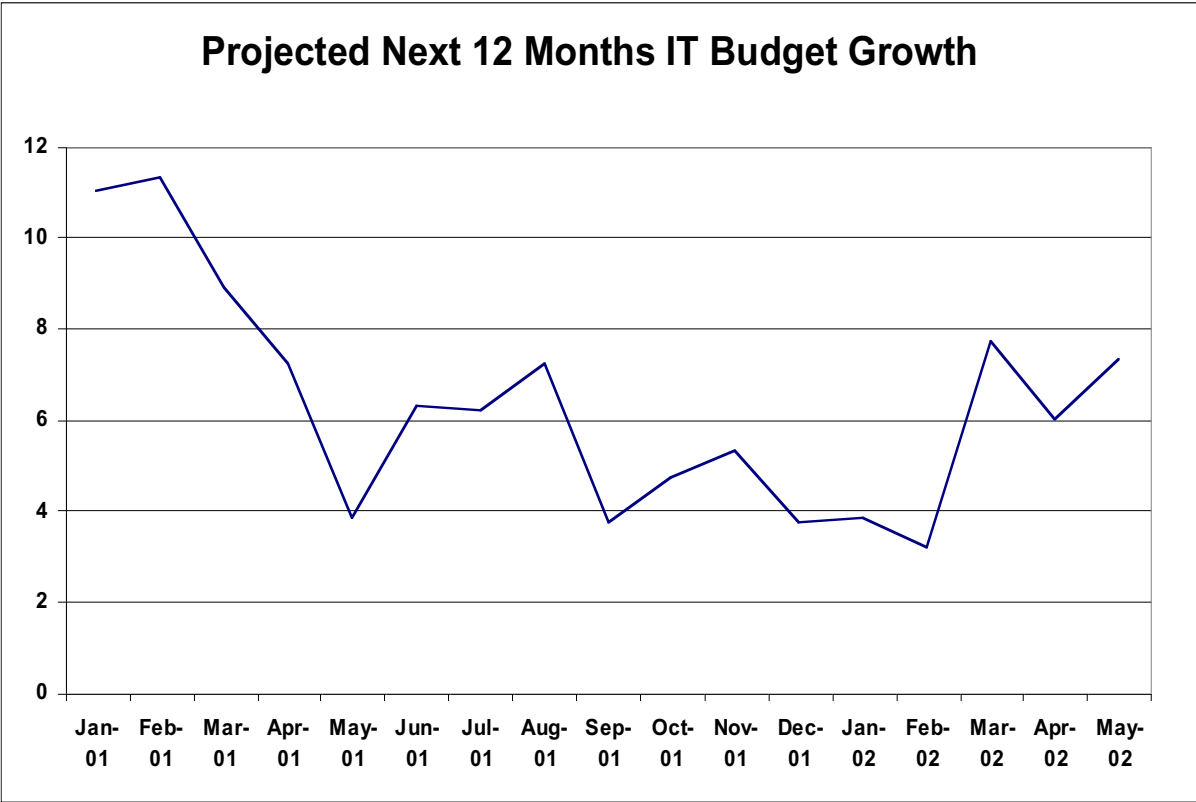


\*Projected growth rate of IT budgets over the next 12 months multiplied by average percentage of respondents saying they plan to increase their spending in seven unique categories.

**CIO Magazine Tech Poll™**



Source: CIO Magazine Tech Poll™



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