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## **IT SPENDING PROJECTIONS MATCH 39 MONTH HIGH**

*Aging Infrastructure Seen As Key Factor Driving IT Spending*

**FRAMINGHAM, MA — July 1, 2004**—According to June’s CIO Magazine Tech Poll™, IT budgets will increase 8.2% in the coming 12 months, equaling a 39 month poll high. When asked what factors will have the greatest impact on their IT spending plans in the next 12 months, CIOs cited the need to replace aging infrastructure (33.9%), which placed well ahead of inflation (13.8%), rising fuel prices (7.9%) and the War on Terrorism (6.7%). CIOs also reported good news for tech workers by projecting staff compensation would rise to a 30 month high of 4.6%.

“This month’s numbers are encouraging, especially with computer hardware showing the highest number since the poll’s inception” says Gary Beach, *Group Publisher of CIO magazine*. “It seems clear that the long overdue replacement of aging infrastructure which began last year has really taken hold.”

“Our poll shows that the outlook for IT spending continues to improve at a steady pace led by more CIOs planning to spend on computers and storage systems.” says Dr. Ed Yardeni, *Chief Investment Strategist* for Prudential Equity Group.

“The trend line growth in IT spending remains strong” says George Elling, *Managing Director, Enterprise and PC Hardware Research* for Deutsche Bank Securities. “However, I would like to see more evidence of confidence from the largest corporate CIOs.”

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 June’s poll, conducted from June 10-17, 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 June, the TFGI was 3.5, up from May and at the highest level this year. (Attached below are Tables 1 through 3 providing historical data and selected charts).

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

During June 2004, the CIO Magazine Tech Poll panel projected IT budgets to grow by 8.2% over the *next* 12 months, higher than May levels of 7.8%. In addition, the panel reports IT budgets increased by an average of 6.5% over the *previous* 12 months, higher than 5.2% reported in the May poll and the highest result this year.<sup>2</sup>

## IT SECTORS

When asked about spending in eight specific IT categories, the average number of panelists planning to increase spending increased to 45.1% in June (from 43.8% in May). Those planning to decrease spending decreased slightly to 11.3% (from 11.9% in May).<sup>3</sup> Security software continues to be the strongest sector in the poll with roughly 58.3% of respondents planning to increase spending (an increase from 57.7% in May) while only 2.0% plan to decrease spending (down from 2.6% in May).

**Computer Hardware.** The outlook for Computer Hardware spending also increased month-to-month. Among the panelists, 55.7% plan to spend more, up from 53.2% in May, while 15.7% plan to cut spending, up from 13.8% of panelists 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 4.6% in the 12 months ending in June, up slightly from 4.1% in May, and up from 3.3% a year ago. Seven-point one percent (7.1%) of respondents report IT professionals were hard to find and retain, up from 6.7% last month and up from 5.1% a year ago.

## INTERNET BUDGETS AND BUSINESS

**Internet Revenues.** Overall, panelists expect to generate 10.5% of their revenues from Internet activity (B2B2C) over the *next* 12 months, compared to 8.1% during the *previous* 12 months. This is down from last month's levels of 11.1% and 8.9% respectively.

**Internet Purchases.** On average, during the *next* 12 months, panelists expect to purchase 21.4% of their materials, supplies and parts over the Internet, up from an estimated 18.2% over the *past* 12 months.

## SPECIAL QUESTIONS

In June's poll, panelists were asked their views on Linux-based desktops, and if they had plans to deploy these PCs in their organizations. Of those polled, only 1.2% of panelists had begun Linux desktop deployments in a significant way, while 5.5% had initial deployments underway. The majority of respondents (66.5%) had no current plans to deploy Linux-based desktops, but 26.4% were exploring the possibility of deploying them.

A second question asked respondents which factors would most impact their 2005 IT budget plans. Of the 6 options, most reported that aging infrastructure was the most important factor (33.9%), while 33.1% cited none of the options as a factor. The other factors for 2005 IT budget plans included the war on terrorism (6.7% cited as a factor), inflation/interest rate hike (13.8%), rising energy prices (7.9%), and the presidential election (4.7%).

## 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, *Chief Investment Strategist*, Prudential Equity Group. The poll is proving to be an accurate indicator of technology spending trends. The latest poll was opened on Thursday, June 10, and closed on Thursday, June 17. An invitation to respond to the poll was distributed via e-mail to a panel of more than 2,000 chief information officers and 3,000 randomly selected CIO readers who match the job function criteria "CIO."

**Demographics.** In the June poll, there were 256 responses with very large firms with over 5,000 employees representing 17% of the results. A broad cross-section of industries is represented, including technology services (11%), non-computer/communications related manufacturing (13%), finance (9%), state or local government (6%), health care (12%) and wholesale and retail distribution (7%).

\* \* \*

The complete June CIO Magazine Tech Poll can be found at [http://www.cio.com/info/releases/0604techpoll\\_results.html](http://www.cio.com/info/releases/0604techpoll_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> Starting in January 2002, Security Software has been added to the group of IT sectors surveyed in the Poll.

Table 1: CIO Magazine Tech Poll™ - Summary Results 2004

Summary Results - 2004	June	May	Apr	Mar	Feb	Jan
<b>1. CIO Magazine Technology Growth Indicators</b>						
Tech Future Growth Index*	3.5	3.3	2.8	2.9	2.9	3.2
<b>2. IT budget (% increase)**</b>						
Past 12 months	6.5	5.2	4.3	4.8	4.5	4.4
Next 12 months	8.2	7.8	6.6	7.3	7.2	8.2
<b>IT Future Spending</b>						
<b>3. Computer Hardware</b>						
Increase	55.7	53.2	53.0	54.2	49.8	51.3
Decrease	15.7	13.8	16.5	15.3	17.3	14.3
Unchanged	27.8	32.7	29.5	30.2	32.2	33.6
<b>4. Data Networking Equipment</b>						
Increase	46.2	49.2	46.7	43.4	42.1	43.4
Decrease	12.6	13.5	13.7	16.8	15.1	14.6
Unchanged	40.7	37.3	38.9	39.1	41.5	41.0
<b>5. Telecom Equipment</b>						
Increase	40.9	40.2	39.3	35.6	34.7	37.0
Decrease	13.4	17.7	20.4	18.2	18.0	19.3
Unchanged	44.5	40.5	39.6	44.4	45.3	42.1
<b>6. Storage Systems</b>						
Increase	53.0	48.2	48.8	50.9	47.8	45.4
Decrease	11.1	10.7	11.2	11.3	12.4	13.3
Unchanged	35.2	40.4	38.9	36.4	38.5	38.2
<b>7. Outsourced IT Services</b>						
Increase	29.5	32.5	31.8	28.0	31.7	32.4
Decrease	17.5	18.3	21.3	20.7	18.7	21.8
Unchanged	48.6	45.7	44.1	49.4	46.7	43.5
<b>8. Infrastructure Software</b>						
Increase	37.3	36.5	39.5	33.6	38.0	36.9
Decrease	11.5	9.0	11.2	14.6	13.0	11.9
Unchanged	50.4	53.5	47.9	51.5	47.3	50.1
<b>9. eBusiness Applications Software</b>						
Increase	40.2	32.5	42.1	34.7	34.6	30.5
Decrease	6.7	9.3	8.4	10.2	10.7	12.7
Unchanged	47.6	53.7	46.7	50.4	50.0	52.3
<b>10. Security Software</b>						
Increase	58.3	57.7	59.9	55.6	54.7	59.7
Decrease	2.0	2.6	2.5	1.5	2.7	2.9
Unchanged	38.9	39.1	36.3	42.2	41.6	35.8
<b>11. IT future spending on 3 - 10 (average)</b>						
Increase	45.1	43.8	45.1	42.0	41.7	42.1
Decrease	11.3	11.9	13.2	13.6	13.5	13.9
Unchanged	41.7	42.9	40.2	43.0	42.9	42.1
<b>12. B2B2C % of revenues</b>						
Past 12 months	8.1	8.9	8.9	10.6	7.6	7.7
Next 12 months	10.5	11.1	11.1	12.7	10.5	10.1
<b>13. Purchases over the Internet (% of total)</b>						
Past 12 months	18.2	16.8	17.5	18.6	19.8	18.5
Next 12 months	21.4	20.6	19.9	21.4	23.9	21.5
<b>14. Compensation (% increase)</b>						
Past 12 months	4.6	4.1	4.4	3.7	3.3	4.2
<b>15. IT labor supply</b>						
Plentiful	23.7	23.5	31.0	29.9	26.0	27.9
Available	67.6	68.9	62.7	61.3	66.0	65.3
Hard to find	7.1	6.7	4.9	6.9	6.3	5.0
<b>16. Special Question: Plans for Linux desktops</b>						
Begun in a significant way	1.2	--	--	--	--	--
Initial deployment underway	5.5	--	--	--	--	--
Exploring possibilities currently	26.4	--	--	--	--	--
No plans currently	66.5	--	--	--	--	--
<b>17. Special Questions: Factors for 2005 budget</b>						
War on terrorism	6.7	--	--	--	--	--
Inflation/interest rate hike	13.8	--	--	--	--	--

Rising energy prices	7.9	--	--	--	--	--
Presidential election	4.7	--	--	--	--	--
Aging infrastructure	33.9	--	--	--	--	--
None of the above	33.1	--	--	--	--	--
<b>Number of Voters</b>	<b>256</b>	<b>315</b>	<b>288</b>	<b>277</b>	<b>301</b>	<b>380</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%.

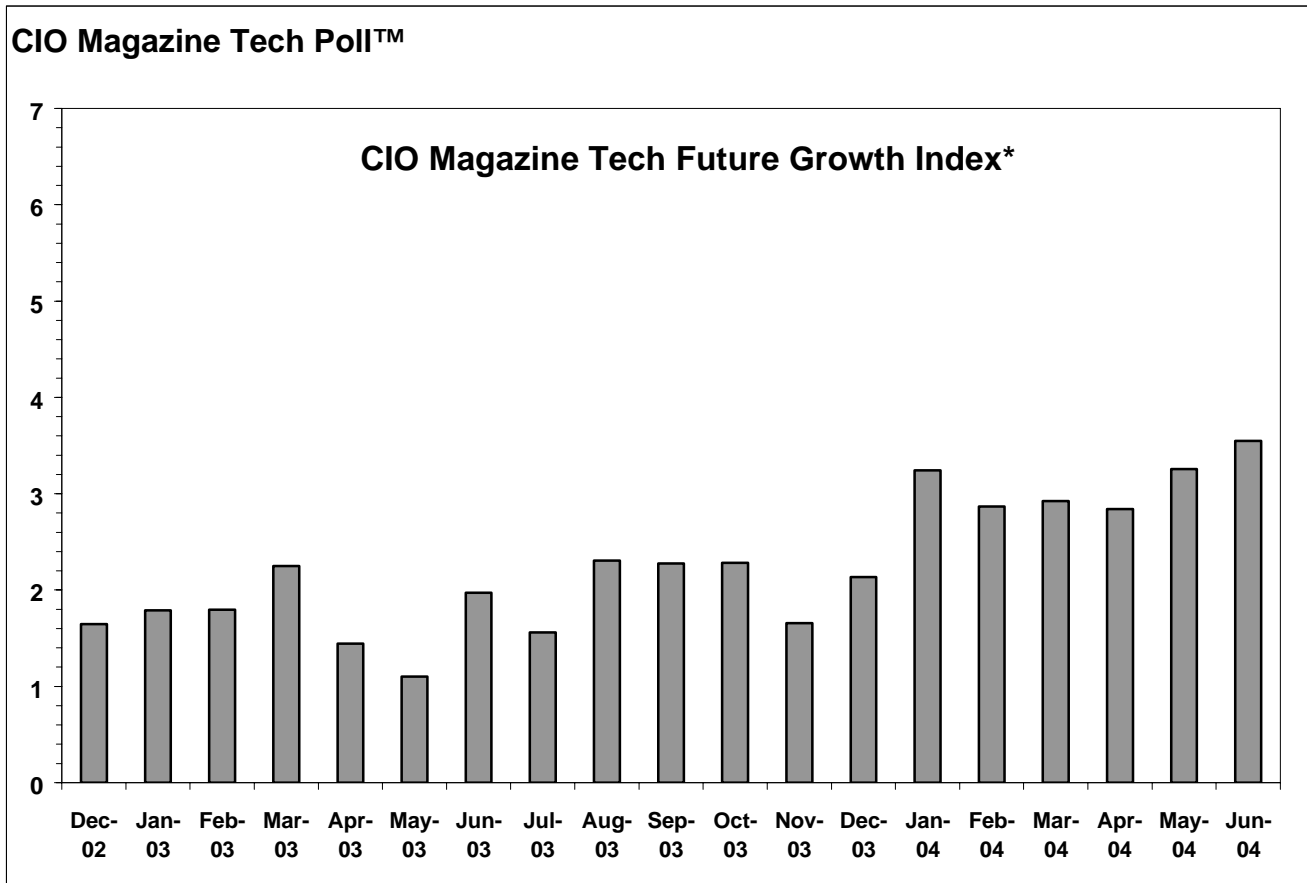
Table 2: CIO Magazine Tech Poll™ - Summary Results 2003

<b>Summary Results - 2003</b>	<b>Dec</b>	<b>Nov</b>	<b>Oct</b>	<b>Sep</b>	<b>Aug</b>	<b>July</b>	<b>June</b>	<b>May</b>	<b>Apr</b>	<b>Mar</b>	<b>Feb</b>	<b>Jan</b>
<b>1. CIO Magazine Technology Growth Indicators</b>												
Tech Future Growth Index*	2.1	1.7	2.3	2.3	2.3	1.6	2.0	1.1	1.4	2.3	1.8	1.8
<b>2. IT budget (% increase)**</b>												
Past 12 months	3.2	3.9	4.5	2.9	2.8	1.3	1.7	0.7	0.6	2.4	1.6	4.4
Next 12 months	6.0	4.2	6.0	5.9	6.4	4.5	5.6	3.3	4.2	6.1	5.2	5.2
<b>IT Future Spending</b>												
<b>3. Computer Hardware</b>												
Increase	41.8	46.0	44.7	48.4	45.6	44.3	40.8	41.9	43.7	42.9	40.7	40.7
Decrease	17.0	21.5	16.4	14.8	15.5	20.6	20.3	21.5	23.5	23.4	26.8	23.3
Unchanged	41.2	31.8	37.7	36.8	38.8	35.2	37.9	36.2	31.8	31.7	31.1	33.9
<b>4. Data Networking Equipment</b>												
Increase	36.8	41.8	39.9	38.2	37.9	33.6	42.8	32.8	33.9	38.1	36.2	34.2
Decrease	18.1	16.5	13.6	11.6	13.1	19.8	16.4	21.9	22.7	22.6	27.2	23.6
Unchanged	44.0	41.0	45.3	49.4	48.1	44.3	39.5	44.5	41.5	38.5	35.2	40.2
<b>5. Telecom Equipment</b>												
Increase	31.9	30.3	37.2	32.9	28.9	24.1	28.9	28.9	26.7	30.3	31.5	26.6
Decrease	18.1	20.3	17.4	14.1	17.6	22.5	22.5	27.0	27.1	27.5	24.5	22.3
Unchanged	48.4	48.0	43.8	50.6	49.5	51.0	47.3	42.6	43.0	39.0	40.4	48.1
<b>6. Storage Systems</b>												
Increase	46.1	48.5	45.2	44.6	46.6	46.2	43.7	42.0	42.8	46.2	42.1	43.6
Decrease	12.2	14.7	14.9	10.8	11.7	16.3	11.3	19.3	18.5	19.1	17.2	15.7
Unchanged	40.0	34.6	37.8	43.8	40.3	35.9	42.7	36.4	35.9	31.1	37.4	38.2
<b>7. Outsourced IT Services</b>												
Increase	29.4	35.3	30.3	32.1	30.5	27.7	27.7	28.9	27.9	31.0	29.3	27.2
Decrease	18.9	22.4	20.5	20.9	21.2	24.1	27.1	23.7	28.6	27.0	31.0	26.9
Unchanged	48.3	39.0	47.1	44.6	46.3	44.7	41.0	43.6	40.2	38.9	38.3	42.1
<b>8. Infrastructure Software</b>												
Increase	33.7	41.2	36.5	37.9	28.6	33.2	31.6	28.2	35.1	34.3	29.8	33.8
Decrease	13.3	12.0	14.9	8.9	14.6	22.0	15.5	17.3	15.9	21.1	21.9	16.6
Unchanged	51.9	45.6	48.1	52.4	55.3	43.2	51.3	53.4	47.8	43.0	46.4	48.5
<b>9. eBusiness Applications Software</b>												
Increase	29.1	33.0	32.8	36.1	34.1	33.5	30.9	31.2	30.7	35.5	32.2	34.8
Decrease	9.9	13.9	11.5	9.2	11.2	14.3	14.5	18.8	19.9	14.7	19.6	16.6
Unchanged	57.1	46.9	51.6	50.6	50.2	48.2	48.9	47.7	44.8	47.8	44.5	45.9
<b>10. Security Software</b>												
Increase	58.2	58.0	57.0	60.6	51.0	52.2	54.4	50.8	55.1	50.6	53.8	52.4
Decrease	4.4	5.1	4.1	3.2	2.5	5.9	2.6	4.6	6.9	4.0	5.6	5.4
Unchanged	35.2	35.0	38.1	34.5	44.1	40.7	41.7	43.5	35.9	44.6	39.2	41.8
<b>11. IT future spending on 3 - 10 (average)</b>												
Increase	38.4	41.8	40.5	41.4	37.9	36.9	37.6	35.6	37.0	38.6	37.0	36.7
Decrease	14.0	15.8	14.2	11.7	13.4	18.2	16.3	19.3	20.4	19.9	21.7	18.8
Unchanged	45.8	40.2	43.7	45.3	46.6	42.9	43.8	43.5	40.1	39.3	39.1	42.3
<b>12. B2B2C % of IT budget</b>												
Past 12 months	10.4	12.0	11.0	11.4	9.8	13.8	10.7	13.1	12.1	12.2	14.8	11.8
Next 12 months	12.0	14.0	12.8	13.0	11.7	14.8	12.8	14.5	14.0	13.6	15.9	13.4
<b>13. B2B2C % of revenues</b>												
Past 12 months	6.9	9.5	8.5	7.6	8.0	10.1	7.7	9.9	7.4	8.4	9.8	9.2
Next 12 months	9.4	11.5	10.9	10.2	10.1	12.8	10.2	12.6	10.3	10.8	12.8	12.2
<b>14. Purchases over the Internet (% of total)</b>												
Past 12 months	21.2	20.3	19.5	17.3	18.0	18.8	17.6	17.8	18.6	18.1	18.4	17.9
Next 12 months	24.7	24.4	23.8	21.4	22.2	22.5	21.9	22.0	22.3	21.9	22.2	21.9
<b>15. Compensation (% increase)</b>												
Past 12 months	3.4	2.4	3.1	2.9	2.7	3.3	3.3	1.9	2.2	1.9	2.8	3.4
<b>16. IT labor supply</b>												

Plentiful	25.7	35.4	36.1	34.7	39.0	37.4	40.5	42.5	36.8	37.8	34.9	35.8
Available	68.7	56.6	59.0	58.2	54.1	54.3	52.7	51.9	57.8	51.8	57.8	58.0
Hard to find	3.9	6.9	4.1	5.2	5.9	6.3	5.1	3.4	5.1	8.8	5.0	4.9
<b>Number of Voters</b>	<b>185</b>	<b>276</b>	<b>243</b>	<b>251</b>	<b>206</b>	<b>253</b>	<b>311</b>	<b>268</b>	<b>279</b>	<b>252</b>	<b>303</b>	<b>369</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%.



\*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.

