

InformationWeek Research Brief Outlook for 2005: Priorities Q1

Part of Our Quarterly Priority Series

\$195

January, 2005

The Upshot

The Crux: The promise of a complete economic recovery still lingers unfulfilled as companies prepare for 2005. In early 2004, optimism was prevalent, but as the year progressed and unemployment levels grew some grew uncertain. The stock market, however, projects good things happening in 2005. Among business technology professionals 2005 looks optimistic too -- the IT Confidence Index has climbed 3.1% in the past 3 months to 1,382, near its average since the quarterly tracking study began in March 2001.

The Trends: The first-quarter of 2005 holds some promising trends including the following:

- Business-technology managers find renewed promise in their IT career paths as they head into 2005.
- Two-thirds of managers surveyed believe that their productivity is on the rise for 2005.
- Nearly three-quarters of sites surveyed report that business executives and senior IT are strongly aligned about IT spending priorities in the coming year.

Recommendations: This report examines the business and IT priorities that will shape 2005. Use the study to understand business conditions, identify key business and technology trends, and compare spending levels.

Contents

| | | | |
|--|---|---------------------------------|----|
| The Upshot | 1 | Demographics | 9 |
| Objectives & Methodology | 2 | Appendix I | 10 |
| IT Confidence & Budgeting | 2 | Appendix II | 10 |
| Business-Technology Priorities | 4 | Something to Consider | 13 |

Objectives & Methodology

This marks the 17th release of *InformationWeek* Research's quarterly Priorities research, and the study's 8th annual Outlook study. The purpose of these studies is to supply an early indication of what the coming quarter and year holds from the perspective of business-technology managers.

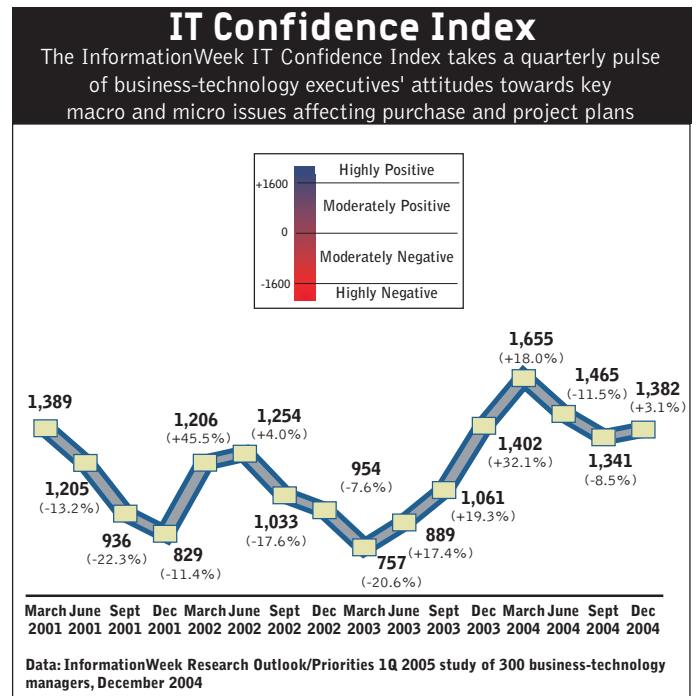
The Priorities series tracks changes to corporate IT budgets and key technology and business initiatives. The study also includes *InformationWeek's* IT Confidence Index, which gauges and trends perspectives about IT budgets, project plans, macroeconomics, sectors, and corporate earnings. The IT Confidence Index, modeled in part on the Conference Board's respected Consumer Confidence Index, uses a proprietary weighting scheme to benchmark and spotlight near-term corporate IT plans.

InformationWeek Research fielded the December 2004 Priorities research using a combination of telephone interviews and secure Web survey tool. All 300 respondents are IT and business-unit executives responsible for their company's budget and planning. Respondents were drawn from a random stratified sample of *InformationWeek's* 440,000 subscribers and readers of *InformationWeek's* sister publications, *Optimize*, *Wall Street & Technology*, *Bank Systems & Technology* and *Insurance & Technology*. We employed a system of value normalization to preclude either the phone or Web-based group of respondents from exercising too much influence on the results.

- The respondents were segmented into three equal-size groups by annual revenue: under \$100 million (small); between \$100 million to just under \$1 billion (midsize); and \$1 billion and above (large).
- The respondents come from a cross-section of industries.

IT Confidence & Budgets

The stock market is hovering just below the 11,000 mark and consumer confidence rose in November for the first time in months. Business-technology managers share this optimism as the IT Confidence Index rises 3.1% to 1,382 in December of 2004.



More than half of business-technology managers surveyed are positive about the current U.S. economic situation. They remain optimistic about their industry's conditions and seven in ten have a positive view of business prospects. This optimism has translated into a jump in the outlook for current IT budgets and spending plans. Nearly two-thirds of companies surveyed feel positive about IT budgets and spending compared to only 39% a year ago. The status of current IT project starts and initiatives also remains positive.

Looking toward the future, business-technology managers remain hopeful about the U.S. economy and industry conditions moving into 2005. Business prospects also look strong in the coming months.

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The outlook for revenue growth is improving as companies move out of the prolonged economic downturn. Nearly 80% of organizations anticipate 2005 will be a better year for revenue growth compared to 2004. Part of what's driving this improved growth is a strong alignment of IT initiatives and spending policies between business executives and senior IT executives. Nearly three-quarters of business-technology managers state that their organization's senior IT and business executives are strongly aligned about 2005 IT spending priorities.

Almost half of the companies surveyed anticipate total IT spending for 2005 to exceed 2004 spending levels, and an additional 36% expect spending to remain the same as 2004. On average, companies are spending 8% of annual revenue on IT, which is down slightly from 8.3% a year ago. This 8% represents an average of \$125 million budgeted for IT products, services and salaries per company in 2005. IT budgets continue to be dominated by salaries and benefits (30%), applications (23%) and hardware/technology purchases (22%). The remainder is spent on IT consulting services and outsourcing; research and development; and other things such as maintenance and administration.

Budget Allocations

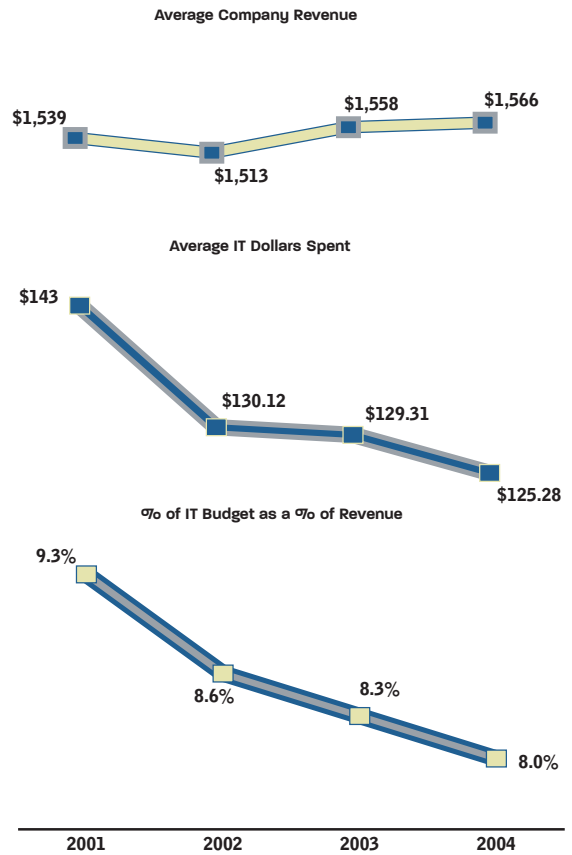
What's the breakdown of your company's estimated 2005 worldwide IT budget?

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|------|------|------|------|------|------|------|
| Salaries & benefits | 32% | 27% | 25% | 28% | 30% | 30% | 30% |
| Hardware/Technology purchases | 19% | 21% | 25% | 23% | 24% | 22% | 22% |
| Applications | - | - | 18% | 18% | 22% | 20% | 23% |
| IT consulting services & outsourcing | 12% | 12% | 11% | 10% | 11% | 11% | 10% |
| Research & Development | 8% | 9% | 9% | 10% | 7% | 8% | 6% |
| Everything else combined, including maintenance, administration, and etc. | 11% | 14% | 12% | 11% | 6% | 9% | 9% |

Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Spending Overview

IT Dollars Budgeted



Note: Dollars in millions. Additional data from Evolving IT Priorities Survey, 2004 - 2001

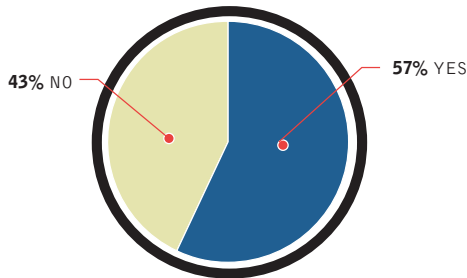
Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Justifying IT purchases has always been essential, but more than half of the companies surveyed have established a consistent framework for assessing the business risk of IT projects and initiatives. To help minimize risk 10% of organizations have a set minimum payback period/ROI levels for IT projects that is immediate upon launch. An additional 53% require payback or return sometime within the first year. To reduce IT spending and operational costs many firms are doing one or more of the following initiatives: outsourcing, consolidating systems or streamlining operations and processes.

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Risk Assessment

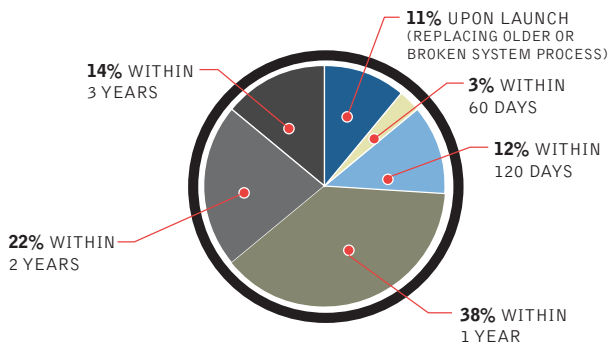
Does your organization have a consistent framework for assessing the business risk of IT projects and initiatives?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Payback Period

What is the minimum expected payback period/ROI level for any IT project?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

more accurate financial data and using IT for compliance initiatives, seven in ten organizations are moving to supporting real-time business information.

Business-technology managers feel better about their career paths with 66% stating that their career in IT is more promising now than it was a year ago. In addition, personal productivity is on the rise for nearly seven out of ten business-technology managers as a result of the better use of information technology.

Key Business Initiatives

Which key business priorities will your IT organization implement or support in 2005?

| | % of Respondents |
|--|------------------|
| Update security procedures/tools/services | 82% |
| Streamline or optimize business processes | 80% |
| Improve customer service | 79% |
| Boosting worker productivity across the company | 74% |
| Retaining skilled staff members | 72% |
| Establishing processes that support real-time business information | 71% |
| Organizing and utilizing customer data | 70% |
| Reporting financial data more accurately | 70% |
| Using IT for compliance with government regulations | 69% |
| Reducing the cost of IT operations | 68% |
| Business continuity planning or improving disaster preparedness | 68% |
| Improving usability of corporate applications | 67% |
| Increased collaboration with customers | 67% |
| Improving software quality | 65% |
| Keeping up with the pace of change | 64% |
| Gaining better return on IT capital investments | 63% |
| Reduce spam to protect enterprise productivity | 62% |
| Risk management | 60% |
| Create marketing advantages | 60% |
| Improved business agility | 58% |
| Implement software for financial and regulatory audit | 57% |
| Centralizing IT operations and management | 54% |
| Increased collaboration with suppliers or business partners | 54% |
| Customer acquisition | 52% |
| Electronic business-to-consumer or business-to-business sales | 49% |
| Improve support for globalization efforts | 46% |
| Outsourcing selected IT functions | 44% |
| Managed service providers or ASPs | 28% |
| Implement/Increase offshore outsourcing | 23% |
| Business process outsourcing (BPO) | 21% |
| Take back outsourced functions | 17% |
| Utility computing (pay-as-you-go) | 13% |
| Take back offshore outsourced functions | 12% |

Note: Multiple responses allowed

Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

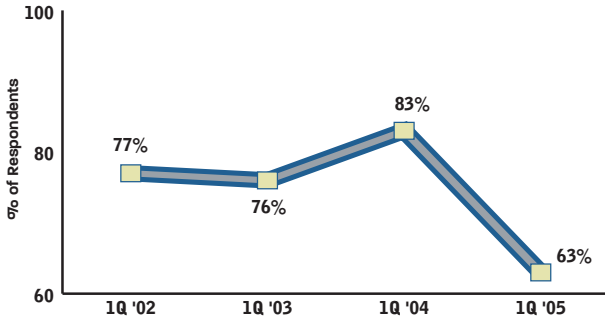
Business & Technology Priorities

Business initiatives that drive cost reductions and increased output continue to be of utmost importance to business-technology managers in 2005. Streamlining business processes, improving worker productivity and reducing the costs of IT operations are key for 2005. In addition to reporting

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Return on Investment

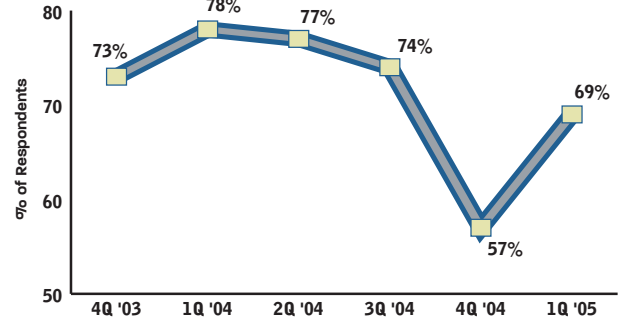
Percentage of firms that state gaining a better return on IT capital investment is a key business priority.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Compliance

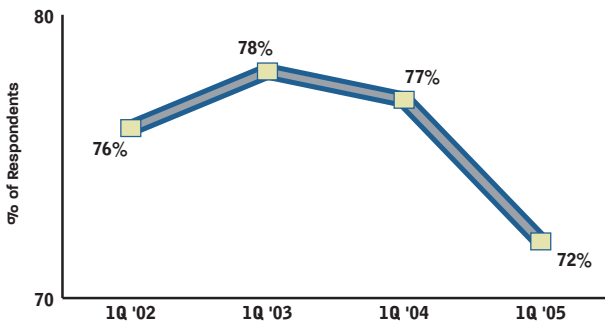
Percentage of firms that state using IT to achieve compliance with government regulations is a key business priority.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Retaining Skilled Staffers

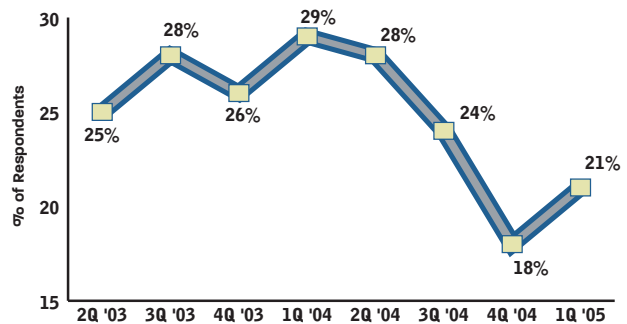
Percentage of firms that state retaining skilled staff members is a key business priority.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Business Process Outsourcing

Percentage of firms that state that business process outsourcing is a key business priority.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

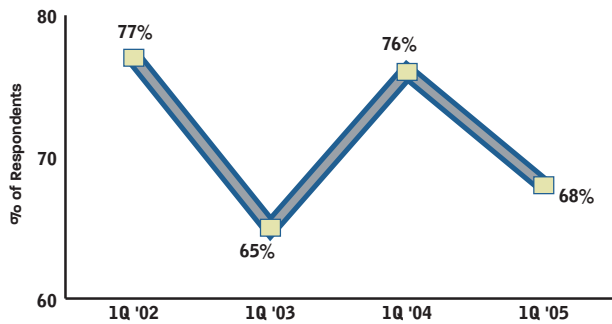
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Business Continuity Planning

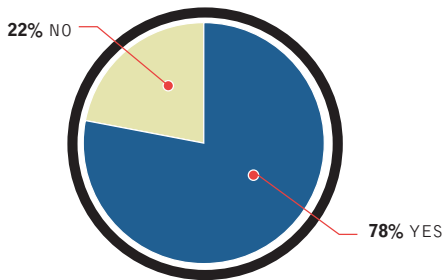
Percentage of firms that state business continuity planning or improving disaster preparedness is a key business priority.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Prepared for Disaster

Is your organization's business-continuity plan adequate enough to ensure continuous business operations should we experience another terrorist attack on American soil?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Key Technology Priorities

Which technologies, products, and services are on your IT organization's planned projects list for 2005?

| | % of Respondents |
|---|------------------|
| PCs or personal computers | 79% |
| Windows XP | 75% |
| Windows servers | 69% |
| Network security management software | 67% |
| Intrusion detection software | 63% |
| Network and systems management | 62% |
| Content filtering/anti-spam software | 62% |
| Intranet or internal portals | 62% |
| Web development tools or products | 61% |
| XML-based applications | 61% |
| Web services such as XML, WSDL, SOAP and UDDI | 60% |
| Web server software | 60% |
| Increasing network bandwidth | 59% |
| Remote access software | 58% |
| Virtual private networking | 58% |
| Storage area networks | 58% |
| Microsoft's Windows 2003 Server | 57% |
| Encryption | 56% |
| Data analysis tools | 55% |
| Application server software | 52% |
| Data warehouse | 50% |
| Enterprise storage | 48% |
| Content management systems | 48% |
| Customer relationship management | 47% |
| Wireless IP-based applications | 47% |
| Hand-held computing devices | 46% |
| Knowledge management | 46% |
| Electronic commerce | 45% |
| Enterprise data portals | 45% |
| Java-based enterprise applications | 45% |
| Data center utilization | 44% |
| Business process management | 44% |
| Collaborative business applications | 41% |
| Business performance management | 41% |
| Unix servers | 40% |
| Application integration technologies, and EAI tools | 40% |
| Voice over IP | 39% |
| Sales force automation | 38% |
| Linux-based servers | 38% |
| ERP package or modules | 36% |
| Extranets and Supply chains | 33% |
| J2EE App Server software | 31% |
| Open source enterprise architecture | 30% |
| IT portfolio management software | 26% |
| IBM Websphere | 25% |
| Data center virtualization software | 23% |
| Microsoft's software assurance | 23% |
| Grid computing | 16% |
| Biometrics | 16% |

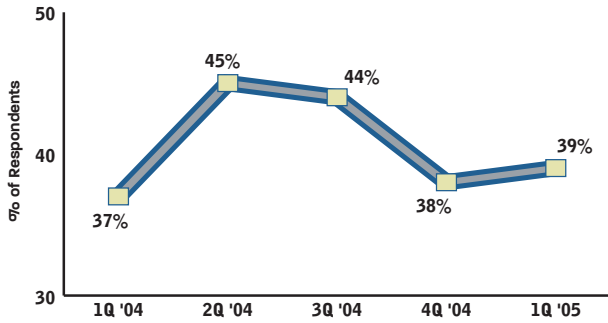
Note: Multiple responses allowed
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Most companies continue to upgrade and add PCs, servers, new operating systems like Windows XP and storage as needed in 2005. In addition, seven in ten organizations are enhancing network security and network management applications. More than a third of sites are using voice over IP, open source architecture and collaborative business applications. Business performance management is also growing in importance up nearly one third from 32% implementing last quarter to 41% this quarter.

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VoIP Adoption

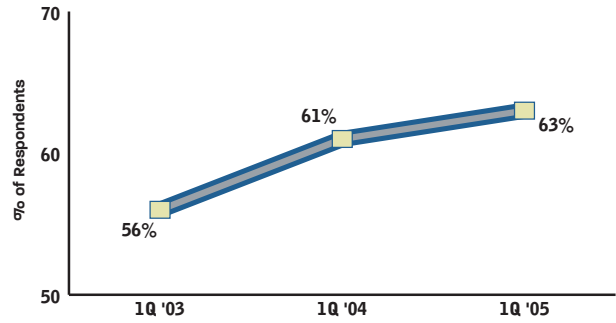
Percentage of firms with voice over internet protocol on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Intrusion Detection Software Trend

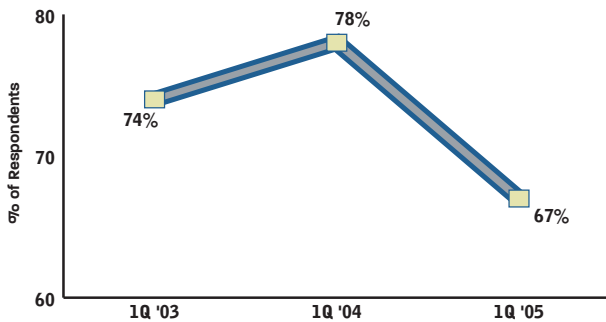
Percentage of firms with intrusion detection software on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Network Security Management Software Trend

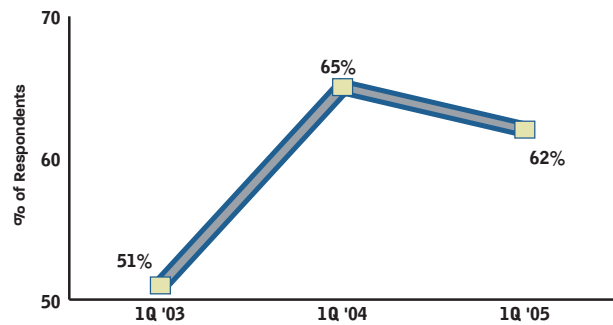
Percentage of firms with network security management software on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Content Filtering/Anti-Spam Software Trend

Percentage of firms with content-filtering/anti-spam software on a planned project list.

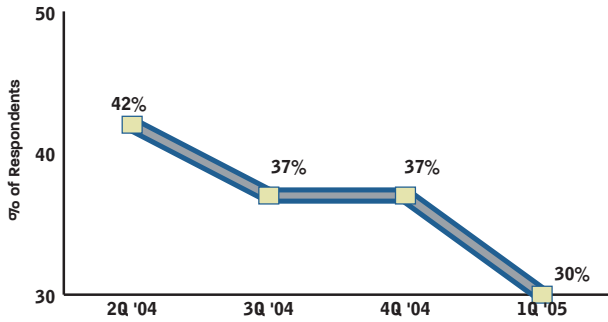


Note: Additional data from previous quarterly studies.
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Open Source Enterprise Architecture Trend

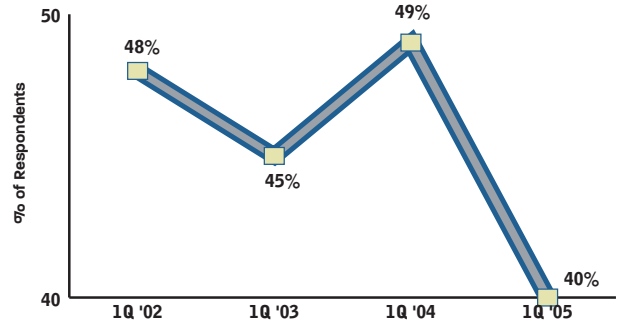
Percentage of firms with open source enterprise architecture on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Application Integration Technologies

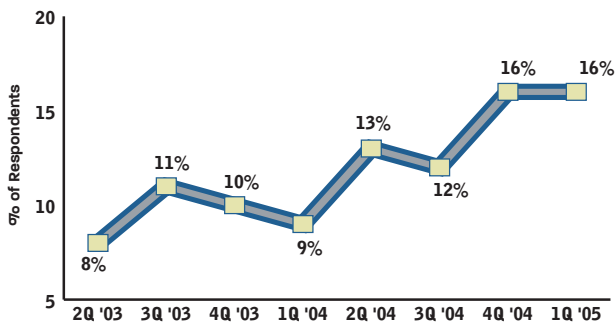
Percentage of firms with application integration technologies on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Grid Computing Trend

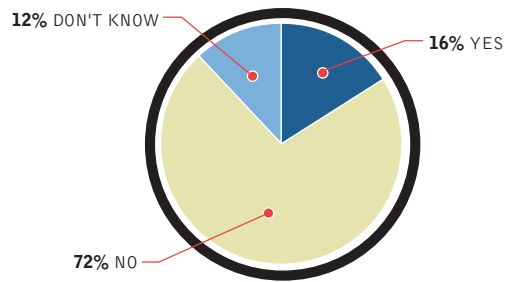
Percentage of firms with grid computing on a planned project list.



Note: Additional data from previous quarterly studies.
 Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Microsoft Software Assurance

Have Microsoft Software Assurance renewals superceded other application licensing priorities?

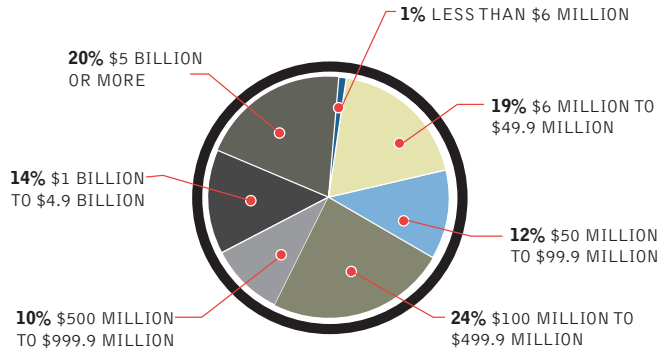


Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Demographics

Annual Revenue

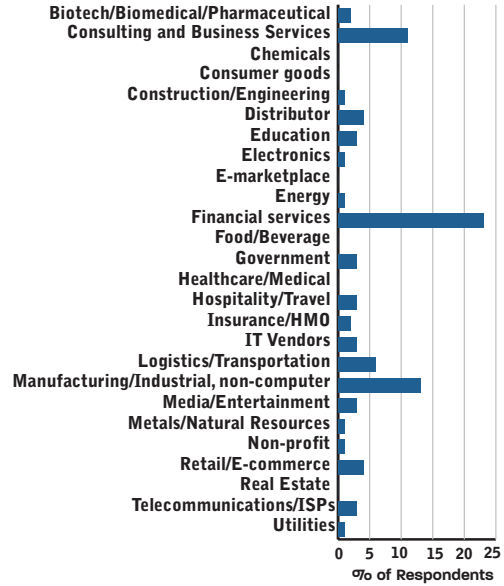
What is the annual revenue of your entire company?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Vertical Industry

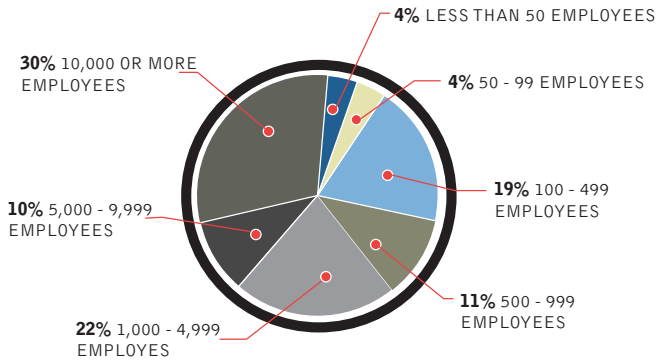
what is your company's primary industry?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Company Size

What is the size of your organization?

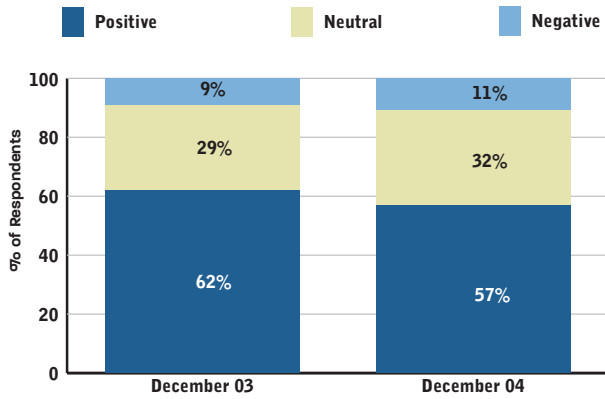


Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Appendix I

Current Economic Conditions

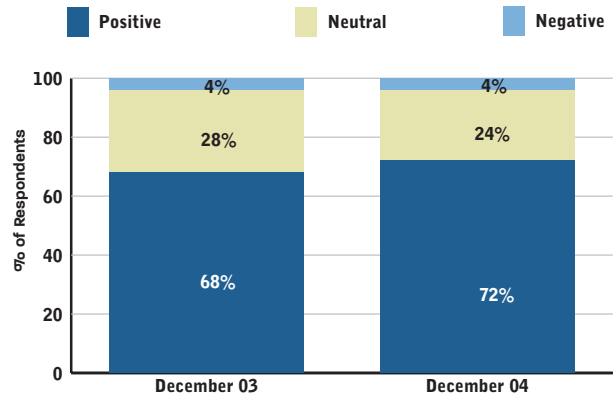
What's your outlook on the current condition of the U.S. economy?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Current Business Prospects

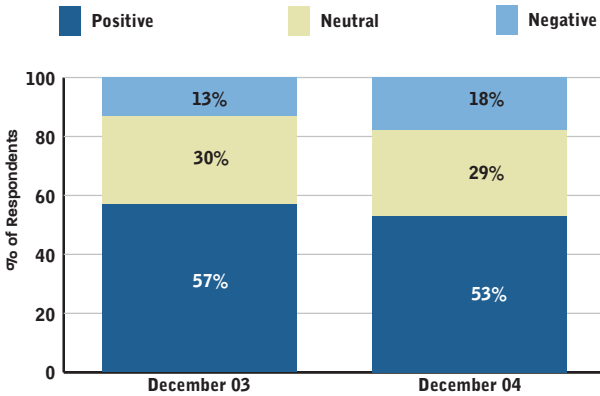
What's your outlook on your company's current business prospects today?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Current Industry Conditions

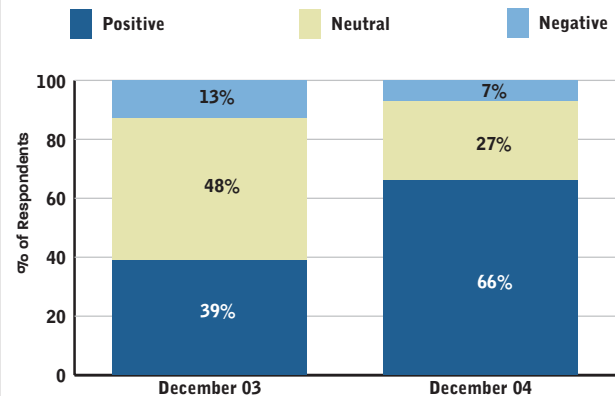
What's your outlook on your industry's economic conditions today?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Current IT Budget Plans

What's your outlook considering your company's current IT budget and spending plans?

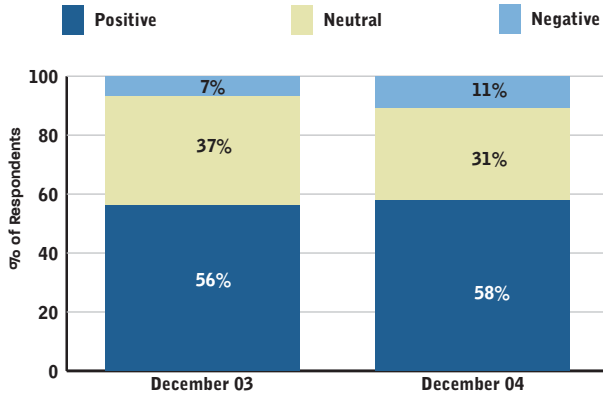


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Current IT Project Starts

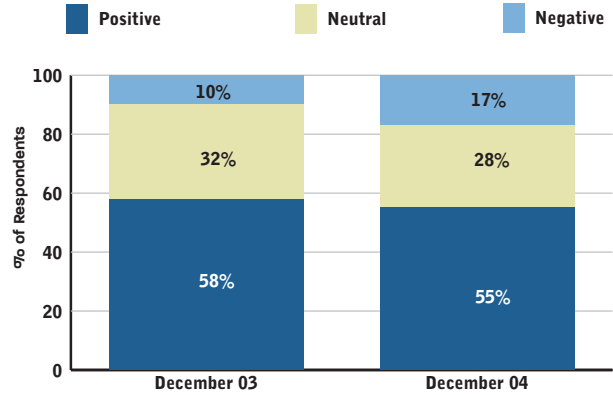
What's your outlook regarding your company's current IT project starts and initiatives?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Future Industry Conditions

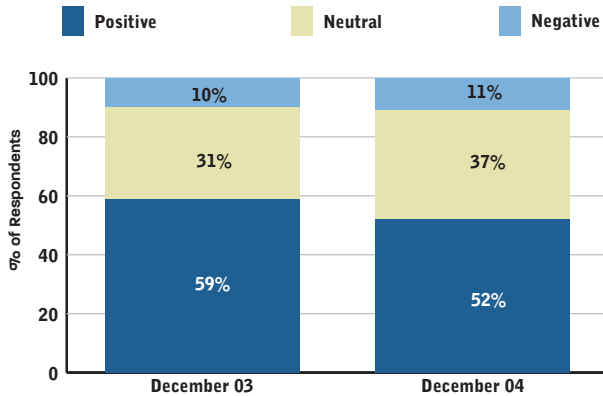
What's your outlook on your industry's economic conditions for the next three months?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Future Economic Conditions

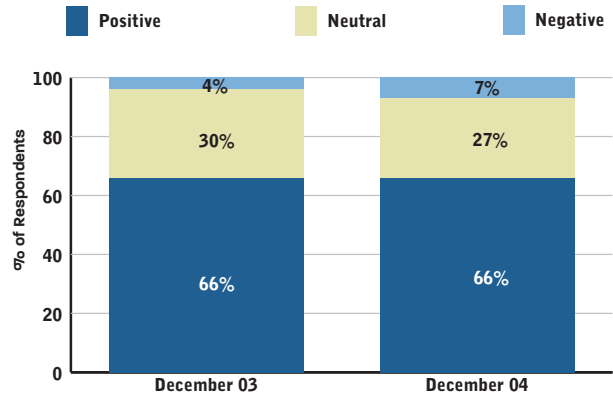
What's your outlook on the condition of the U.S. economy for the next 3 months?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Future Business Prospects

What's your outlook on your company's business prospects for the next 3 months?

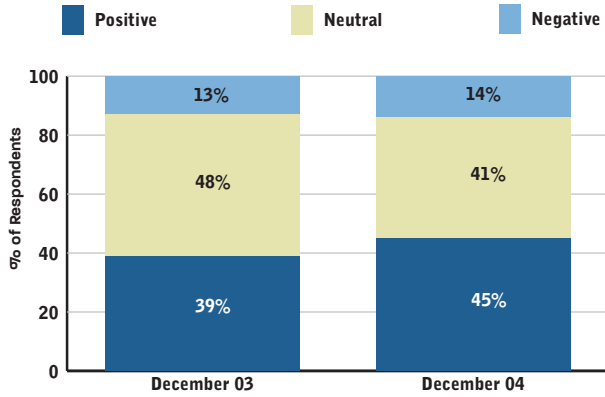


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Future IT Budget Conditions

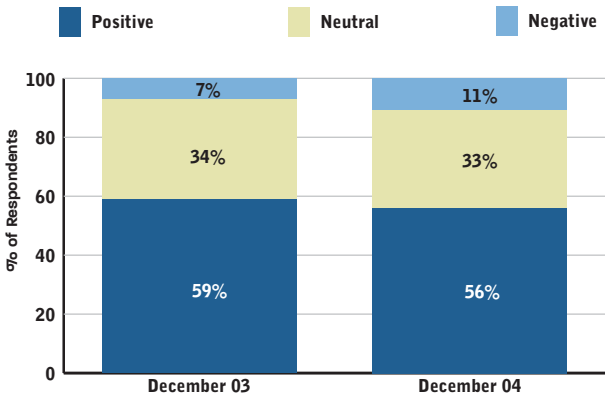
What's your outlook considering your company's IT budget and spending for the next 3 months?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Future IT Project Starts

What's your outlook considering your company's IT project starts and initiatives for the next 3 months?



Data: InformationWeek Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers, December 2004

Appendix II

Explore the numbers behind the charts here. All charts have the dataline as follows: *InformationWeek* Research Outlook/Priorities 1Q 2005 study of 300 business-technology managers.

IT Confidence Index (Page 2)

The *InformationWeek* IT Confidence Index takes a quarterly pulse of business-technology executives' attitudes toward key macro and micro issues affecting purchase and project plans.

| | Index | % change |
|------------|-------|----------|
| March 2001 | 1,389 | |
| June 2001 | 1,205 | -13.2% |
| Sept 2001 | 936 | -22.3% |
| Dec 2001 | 829 | -11.4% |
| March 2002 | 1,206 | +45.5% |
| June 2002 | 1,254 | +4.0% |
| Sept 2002 | 1,033 | -17.6% |
| Dec 2002 | 954 | -7.6% |
| March 2003 | 757 | -20.6% |
| June 2003 | 889 | +17.4% |
| Sept 2003 | 1,061 | +19.3% |
| Dec 2003 | 1,402 | +32.1% |
| March 2004 | 1,655 | +18.0% |
| June 2004 | 1,465 | -11.5% |
| Sept 2004 | 1,341 | -8.5% |
| Dec 2004 | 1,382 | +3.1% |

Spending Overview (Page 3)

IT Dollars Budgeted

| | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|---------|----------|----------|----------|
| Average Company Revenue | \$1,539 | \$1,513 | \$1,558 | \$1,566 |
| Average IT Dollars Spent | \$143 | \$130.12 | \$129.31 | \$125.28 |
| Average IT Budget As A % Of Revenue | 9.3% | 8.6% | 8.3% | 8.0% |

Note: Dollars in millions. Additional data from Evolving IT Priorities Survey, 2004-2001

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005
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Budget Allocation (Page 3)

What's the breakdown of your company's estimated 2005 worldwide IT budget?

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|------|------|------|------|------|------|------|
| Salaries & benefits | 32% | 27% | 25% | 28% | 30% | 30% | 30% |
| Hardware/Technology purchases ^{19%} | 19% | 21% | 25% | 23% | 24% | 22% | 22% |
| Applications | - | - | 18% | 18% | 22% | 20% | 23% |
| IT consulting services & outsourcing | 12% | 12% | 11% | 10% | 11% | 11% | 10% |
| Research & Development | 8% | 9% | 9% | 10% | 7% | 8% | 6% |
| Everything else combined, including maintenance, administration, and etc. | 11% | 14% | 12% | 11% | 6% | 9% | 9% |

Risk Assessment (Page 4)

Does your organization have a consistent framework for assessing the business risk of IT projects and initiatives?

57% Yes
 43% No

Payback Period (Page 4)

What is the minimum expected payback period/ROI level for any IT project?

11% Upon Launch (Replacing older or broken system or business process)
 3% Within 60 days
 12% Within 120 days
 38% Within 1 year
 22% Within 2 years
 14% Within 3 years

Key Business Initiatives (Page 4)

Which key business priorities will your IT organization implement or support in 2005?

82% Update security procedures/tools/services
 80% Streamline or optimize business processes
 79% Improve customer service
 74% Boosting worker productivity across the company
 72% Retaining skilled staff members
 71% Establishing processes that support real-time business information
 70% Organizing and utilizing customer data
 70% Reporting financial data more accurately
 69% Using IT for compliance with government regulations
 68% Reducing the cost of IT operations
 68% Business continuity planning or improving disaster preparedness
 67% Improving usability of corporate applications
 67% Increased collaboration with customers
 65% Improving software quality

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005
 Part of Our Quarterly Priorities Series

- 64% Keeping up with the pace of change
- 63% Gaining better return on IT capital investments
- 62% Reduce spam to protect enterprise productivity
- 60% Risk management
- 60% Create marketing advantages
- 58% Improved business agility
- 57% Implement software for financial and regulatory audit
- 54% Centralizing IT operations and management
- 54% Increased collaboration with suppliers or business partners
- 52% Customer acquisition
- 49% Electronic business-to-consumer or business-to-business sales
- 46% Improve support for globalization efforts
- 44% Outsourcing selected IT functions
- 28% Managed service providers or ASPs
- 23% Implement/Increase offshore outsourcing
- 21% Business process outsourcing (BPO)
- 17% Take back outsourced functions
- 13% Utility computing (pay-as-you-go)
- 12% Take back offshore outsourced functions

Note: Multiple responses allowed.

Return on Investment (Page 5)

Percentage of firms that state gaining a better return on IT capital investment is a key business priority.

| 1Q '02 | 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|--------|
| 77% | 76% | 83% | 63% |

Note: Additional data from previous quarterly studies.

Retaining Skilled Staffers (Page 5)

Percentage of firms that state retaining skilled staff members is a key business priority.

| 1Q '02 | 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|--------|
| 76% | 78% | 77% | 72% |

Note: Additional data from previous quarterly studies.

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005
 Part of Our Quarterly Priorities Series

Compliance (Page 5)

Percentage of firms that state using IT to achieve compliance with government regulations is a key business priority.

| | | | | | |
|--------|--------|--------|--------|--------|--------|
| 4Q '03 | 1Q '04 | 2Q '04 | 3Q '04 | 4Q '04 | 1Q '05 |
| 73% | 78% | 77% | 74% | 57% | 69% |

Note: Additional data from previous quarterly studies.

Business Process Outsourcing (Page 5)

Percentage of firms that state business process outsourcing is a key business priority.

| | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|
| 2Q '03 | 3Q '03 | 4Q '03 | 1Q '04 | 2Q '04 | 3Q '04 | 4Q '04 | 1Q '05 |
| 25% | 28% | 26% | 29% | 28% | 24% | 18% | 21% |

Note: Additional data from previous quarterly studies.

Business Continuity Planning (Page 6)

Percentage of firms that state business continuity planning or improving disaster preparedness is a key business priority.

| | | | |
|--------|--------|--------|--------|
| 1Q '02 | 1Q '03 | 1Q '04 | 1Q '05 |
| 77% | 65% | 76% | 68% |

Note: Additional data from previous quarterly studies.

Prepared for Disaster (Page 6)

Is your organization's business-continuity plan adequate enough to ensure continuous business operations should we experience another terrorist attack on American soil?

| | |
|-----|-----|
| 78% | Yes |
| 22% | No |

Key Technology Priorities (Page 6)

Which technologies, products, and services are on your IT organization's planned projects list for 2005?

| | |
|-----|---|
| 79% | PCs or personal computers |
| 75% | Windows XP |
| 69% | Windows servers |
| 67% | Network security management software |
| 63% | Intrusion detection software |
| 62% | Network and systems management |
| 62% | Content filtering/anti-spam software |
| 62% | Intranet or internal portals |
| 61% | Web development tools or products |
| 61% | XML-based applications |
| 60% | Web services such as XML, WSDL, SOAP and UDDI |
| 60% | Web server software |

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005

Part of Our Quarterly Priorities Series

- 59% Increasing network bandwidth
- 58% Remote access software
- 58% Virtual private networking
- 58% Storage area networks
- 57% Microsoft's Windows 2003 Server
- 56% Encryption
- 55% Data analysis tools
- 52% Application server software
- 50% Data warehouse
- 48% Enterprise storage
- 48% Content management systems
- 47% Customer relationship management
- 47% Wireless IP-based applications
- 46% Hand-held computing devices
- 46% Knowledge management
- 45% Electronic commerce
- 45% Enterprise data portals
- 45% Java-based enterprise applications
- 44% Data center utilization
- 44% Business process management
- 41% Collaborative business applications
- 41% Business performance management
- 40% Unix servers
- 40% Application integration technologies, and EAI tools
- 39% Voice over IP
- 38% Sales force automation
- 38% Linux-based servers
- 36% ERP package or modules
- 33% Extranets and Supply chains
- 31% J2EE App Server software
- 30% Open source enterprise architecture
- 26% IT portfolio management software
- 25% IBM Websphere
- 23% Data center virtualization software
- 23% Microsoft's software assurance
- 16% Grid computing
- 16% Biometrics

Note: Multiple responses allowed.

VoIP Adoption (Page 7)

Percentage of firms with Voice Over Internet Protocol on a planned project list.

| 1Q 2004 | 2Q 2004 | 3Q 2004 | 4Q 2004 | 1Q 2005 |
|---------|---------|---------|---------|---------|
| 37% | 45% | 44% | 38% | 39% |

Note: Additional data from previous quarterly studies.

Network Security Management Software Trend (Page 7)

Percentage of firms with Network Security Management Software on a planned project list.

| 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|
| 74% | 78% | 67% |

Note: Additional data from previous quarterly studies.

Intrusion Detection Software Trend (Page 7)

Percentage of firms with Intrusion Detection Software on a planned project list.

| 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|
| 56% | 61% | 63% |

Note: Additional data from previous quarterly studies.

Content-filtering/anti-spam software Trend (Page 7)

Percentage of firms with Content-filtering/anti-spam software on a planned project list.

| 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|
| 51% | 65% | 62% |

Note: Additional data from previous quarterly studies.

Open Source Enterprise Architecture Trend (Page 8)

Percentage of firms with open source enterprise architecture on a planned project list.

| 2Q '04 | 3Q '04 | 4Q '04 | 1Q '05 |
|--------|--------|--------|--------|
| 42% | 37% | 37% | 30% |

Note: Additional data from previous quarterly studies.

Grid Computing Trend (Page 8)

Percentage of firms with grid computing on a planned project list.

| 2Q '03 | 3Q '03 | 4Q '03 | 1Q '04 | 2Q '04 | 3Q '04 | 4Q '04 | 1Q '05 |
|--------|--------|--------|--------|--------|--------|--------|--------|
| 8% | 11% | 10% | 9% | 13% | 12% | 16% | 16% |

Note: Additional data from previous quarterly studies.

Application Integration Technologies (Page 8)

Percentage of firms with application integration technologies on a planned project list.

| 1Q '02 | 1Q '03 | 1Q '04 | 1Q '05 |
|--------|--------|--------|--------|
| 48% | 45% | 49% | 40% |

Note: Additional data from previous quarterly studies.



InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005

Part of Our Quarterly Priorities Series

Microsoft Software Assurance (Page 8)

Have Microsoft Software Assurance renewals superseded other application licensing priorities?

- 16% Yes
- 72% No
- 12% Don't know

Annual Revenue (Page 9)

What is the annual revenue of your entire company?

- 1% Less than \$6 million
- 19% \$6 million to \$49.9 million
- 12% \$50 million to \$99.9 million
- 24% \$100 million to \$499.9 million
- 10% \$500 million to \$999.9 million
- 14% \$1 billion to \$4.9 billion
- 20% \$5 billion or more

Company Size (Page 9)

What is your current company size?

- 4% Less than 50 employees
- 4% 50-99 employees
- 19% 100-499 employees
- 11% 500-999 employees
- 22% 1,000-4,999 employees
- 10% 5,000-9,999 employees
- 30% 10,000 or more employees

Vertical Industry (Page 9)

What is your company's primary industry?

- 2% Biotech/Biomedical/Pharmaceutical
- 11% Consulting and Business Services
- % Chemicals
- % Consumer goods
- 1% Construction/Engineering
- 4% Distributor
- 3% Education
- 1% Electronics
- % E-marketplace
- 1% Energy
- 23% Financial services
- % Food/Beverage
- 3% Government
- % Healthcare/Medical
- 3% Hospitality/Travel
- 2% Insurance/HMO

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005
 Part of Our Quarterly Priorities Series

- 3% IT Vendors
- 6% Logistics/Transportation
- 13% Manufacturing/Industrial, non-computer
- 3% Media/Entertainment
- 1% Metals/Natural Resources
- 1% Non-profit
- 4% Retail/E-commerce
- % Real Estate
- 3% Telecommunications/ISPs
- 1% Utilities

Current Economic Conditions (Page 10)

What's your outlook on the current condition of the U.S. economy?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 62% | 57% | Positive |
| 29% | 32% | Neutral |
| 9% | 11% | Negative |

Current Industry Conditions (Page 10)

What's your outlook on your industry's economic conditions today?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 57% | 53% | Positive |
| 30% | 29% | Neutral |
| 13% | 18% | Negative |

Current Business Prospects (Page 10)

What's your outlook on your company's business prospects today?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 68% | 72% | Positive |
| 28% | 24% | Neutral |
| 4% | 4% | Negative |

Current IT Budget Plans (Page 10)

What's your outlook considering your company's current IT budget and spending plans?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 39% | 66% | Positive |
| 48% | 27% | Neutral |
| 13% | 7% | Negative |

Current IT Project Starts (Page 11)

What is your outlook regarding your company's current IT project starts and initiatives?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 56% | 58% | Positive |

InformationWeek Research Brief
Outlook for 2005: Priorities Q1, January, 2005
 Part of Our Quarterly Priorities Series

| | | |
|-----|-----|----------|
| 37% | 31% | Neutral |
| 7% | 11% | Negative |

Future Economic Conditions (Page 11)

What's your outlook on the condition of the U.S. economy for the next 3 months?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 59% | 52% | Positive |
| 31% | 37% | Neutral |
| 10% | 11% | Negative |

Future Industry Conditions (Page 11)

What's your outlook on your industry's economic conditions today for the next 3 months?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 58% | 55% | Positive |
| 32% | 28% | Neutral |
| 10% | 17% | Negative |

Future Business Prospects (Page 11)

What's your outlook on your company's business prospects for the next 3 months?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 66% | 66% | Positive |
| 30% | 27% | Neutral |
| 4% | 7% | Negative |

Future IT Budget Conditions (Page 12)

What's your outlook considering your company's IT budget and spending plans for the next 3 months?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 39% | 45% | Positive |
| 48% | 41% | Neutral |
| 13% | 14% | Negative |

Future IT Project Starts (Page 12)

What is your outlook considering your company's IT project starts and initiatives for the next 3 months?

| Dec '03 | Dec '04 | |
|---------|---------|----------|
| 59% | 56% | Positive |
| 34% | 33% | Neutral |
| 7% | 11% | Negative |

Something To Consider

Analyzing the Outsourcers, 2004

Which outsourcer overdelivers on its promises? We asked customers of the largest outsourcers to evaluate their partners on expertise, reliability and a host of additional service and sourcing criteria.

InformationWeek Research's Analyzing the Outsourcers report includes the results of more than 300 customer evaluations. Business-technology professionals involved in determining, administering or managing one or more of their organization's relationships with IT outsourcers evaluated at least one out of 12 outsourcers.

<http://www.informationweek.com/reports/showReport.jhtml?articleID=53700622>

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