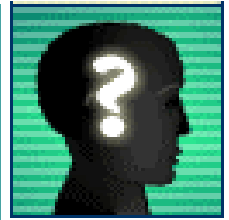


E-Business Investment Benchmarking Study: August 2003



Line56 and A.T. Kearney surveyed 150 I.T. executives from companies with in excess of \$250 million in revenue, to develop e-business spending benchmarks and to assess the demand drivers and governance of e-business initiatives.

Summary of Findings

Respondent Data

Company Revenue (USD):

39% \$5 Billion+
41% \$1 to \$5 Billion
20% \$250m to \$1B

Average Number of Business Units:

190

Average IT Spend (USD):

\$201 million

Average Number of IT Employees:

2,255

Average Percentage of IT Outsourced:

23%

Respondent Job Titles:

36% CIO/CTO/IT Mgr.
33% E-Bus Dir/Mgr/VP

Top 10 Industries:

Manufacturing,
Government,
Retail/CPG,
Health/Medical,
Insurance/Legal,
Financial Services,
Automotive,
Aerospace/Military,
Utilities/Energy,
Chemicals/Plastics.

Investment Benchmarks

E-Business Spending now exceeds 20% of entire I.T. budgets.

Companies are spending 20.3 percent of I.T. budgets on e-business initiatives. Comparison with prior Line56/A.T. Kearney research (2001: 17.5%; 2002: 19.3%) shows continuing growth of e-business initiatives relative to overall I.T. expenditure.

2004 E-Business Spending to Grow 2.5%.

E-Business spending will grow at 2.5% in 2004, and companies spending more than 20 percent of I.T. budgets on e-business are predicting even larger growth.

Networking and Infrastructure Gets the Largest Slice of the E-Business Pie.

Companies are spending an average of \$16.4 million on e-business networking and infrastructure; \$15.2 million on e-business applications; and \$11.0 million on e-business tools.

Traditional Investments Still Take Largest Portion of Funding:

Despite the hype around areas such as mobility solutions and web-services, the following areas are attracting the greatest slice of company spend:

E-Business Applications: ERP (\$3.2m), Portals (\$2.7m), SCM (\$2.5m), CRM (\$2.5m).

E-Business Tools: Content Mgt (\$1.8m), Document Mgt (\$1.6m), Analytics (\$1.4m).

E-Business Network/Infra: Server H/W (\$3.3m), Server S/W (\$2.3m), Database (\$1.9m).

E-Business Demand Drivers

E-Business Investment Lags User Demand.

The majority of companies make e-business investments either 'just in time' or behind user demand. E-Business application investment particularly lags user demand.

E-Business Governance

Shift in Governance: E-Business Centralized within Corporate I.T.

E-business management is most commonly centralized within the corporate technology organization. Outsourcing is the least common form of management but is expected to double within the next 3 years.

Standardizing the E-Business Environment.

Companies with centralized e-business units had a greater extent of standards definition and adoption across all of the e-business categories.

Corporate Mandate Required.

In all categories of e-business a 'Corporate Mandate' is the most effective way of achieving standards adoption.

Absorbing the Cost of E-Business Initiatives.

Centrally purchased e-business technology is most commonly fully absorbed by the central e-business/I.T. unit, rather than being charged out to internal customers.

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For the purpose of this study, e-business is defined to cover all technology spending associated with internet-based applications, tools, and infrastructure.

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This research is based on the responses provided by a total of 150 executives.

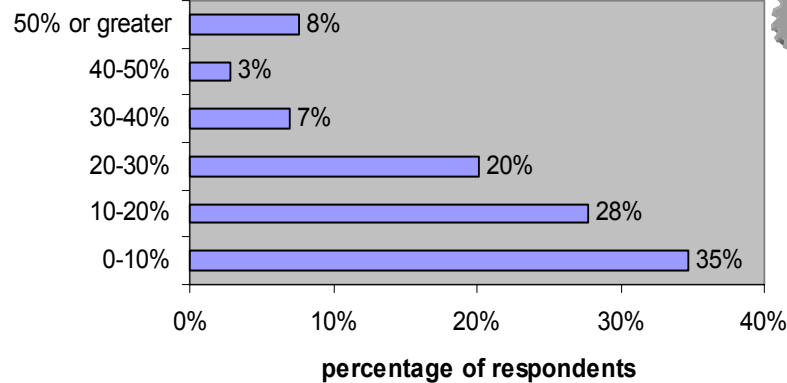
The survey was fielded to subscribers to Portals magazine and/or Line56.com who were executives working at companies with greater than 10,000 employees.

The Survey was fielded with email request and web-based data collection.

Percentage of 2003 IT Budget Spent on E-Business Initiatives.

Exhibit 1.1 What percentage of your 2003 IT budget will be spent on e-business initiatives?

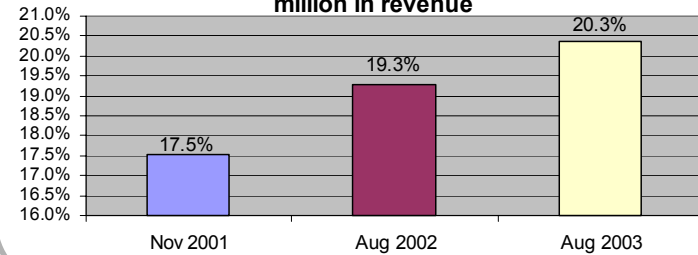
% IT budget spent on e-business



FURTHER ANALYSIS:

Comparison with prior Line56/A.T. Kearney research shows that e-business initiatives are growing as a proportion of overall I.T. spend.

Spend for companies with greater than \$250 million in revenue

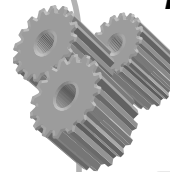
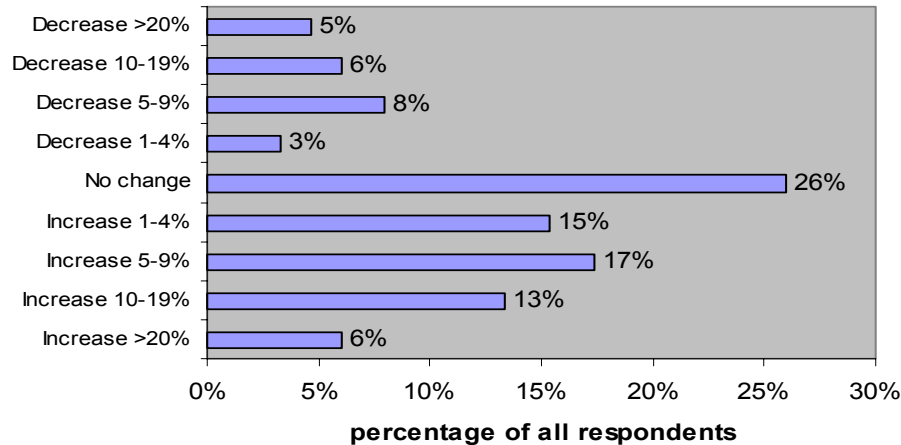


Most organizations (65%) are spending more than 10% of 2003 I.T. budget on e-business initiatives, and 38% are spending more than 20%. **On average companies are spending 20.3% of I.T. budgets on e-business initiatives.**

Predicted Growth in E-Business Budgets (2004 v 2003).

Exhibit 1.2 Please estimate how the size of your company's e-business budget will change in 2004 compared to 2003?

Expected e-business budget change 2004 v 2003



FURTHER ANALYSIS:

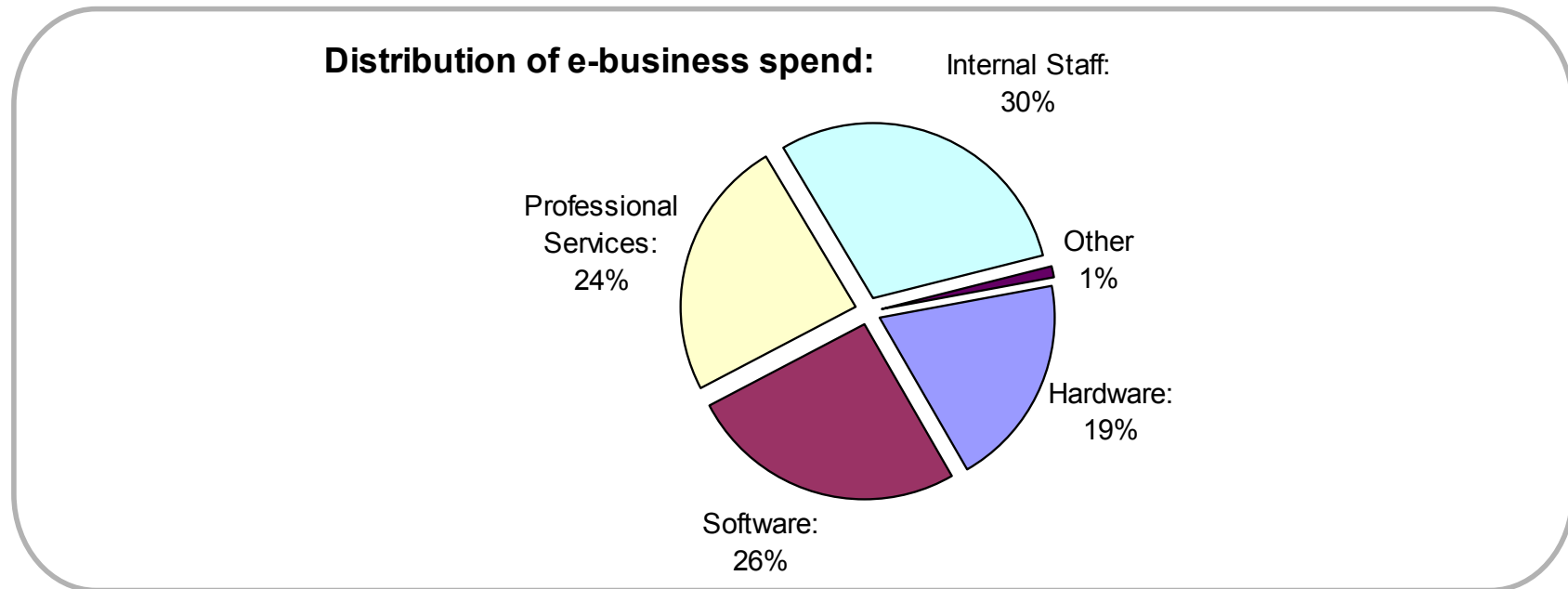
Companies spending more of their 2003 I.T. budget on e-business initiatives are more likely to be increasing the size of their e-business spend next year.

| <u>Change in e-bus spend 2004 v 2003:</u> | <u>% of 2003 IT budget spent on e-bus:</u> | |
|---|--|---------------|
| | Less than 20% | More than 20% |
| Increase | 48% | 63% |
| No change | 27% | 20% |
| Decrease | 26% | 17% |
| | <u>100%</u> | <u>100%</u> |

78% of companies planning to maintain (26%) or increase (52%) e-business spending next year. An average planned increase in e-business spending of 2.5% in 2004.

E-Business Spend by Hardware, Software, Professional Services and Internal Staff.

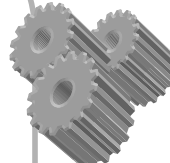
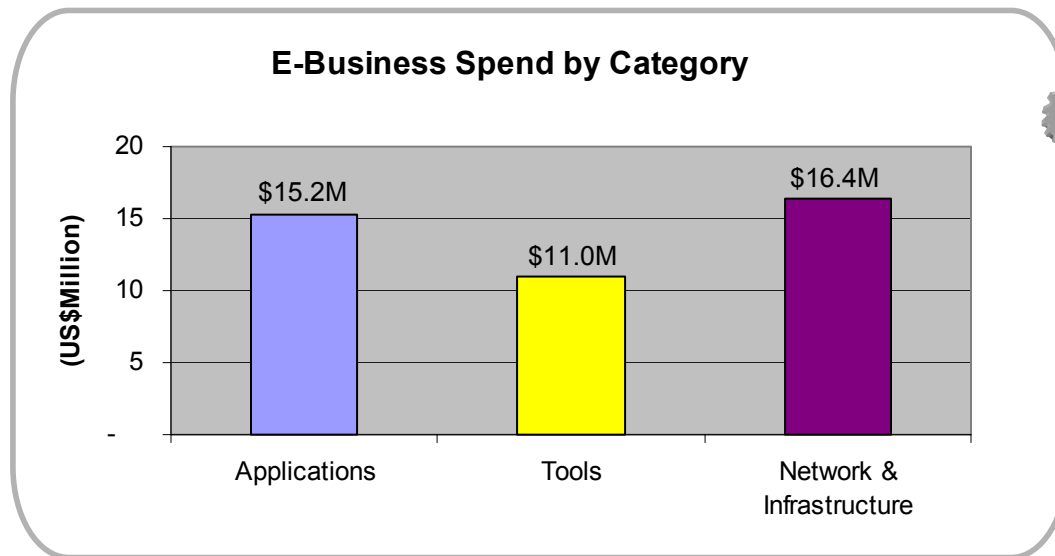
Exhibit 1.3 You are asked to estimate the percentage of your 2003 e-business spend over Hardware, Software, and Professional Services.



Internal staff costs absorb the largest amount (30%) of e-business spend, followed by software (26%), professional services (24%), and hardware (19%).

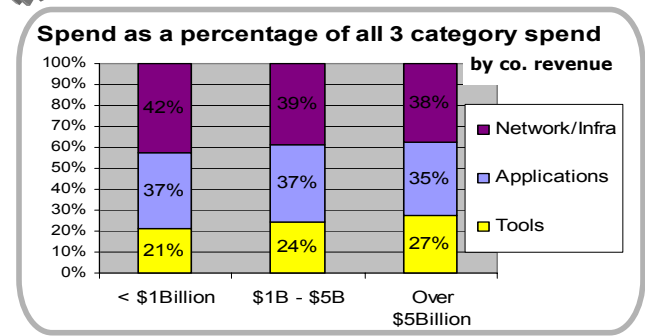
E-Business Spend by Applications, Tools, and Network/Infrastructure.

Exhibit 1.4 Please estimate the spend over each of these categories:



FURTHER ANALYSIS:

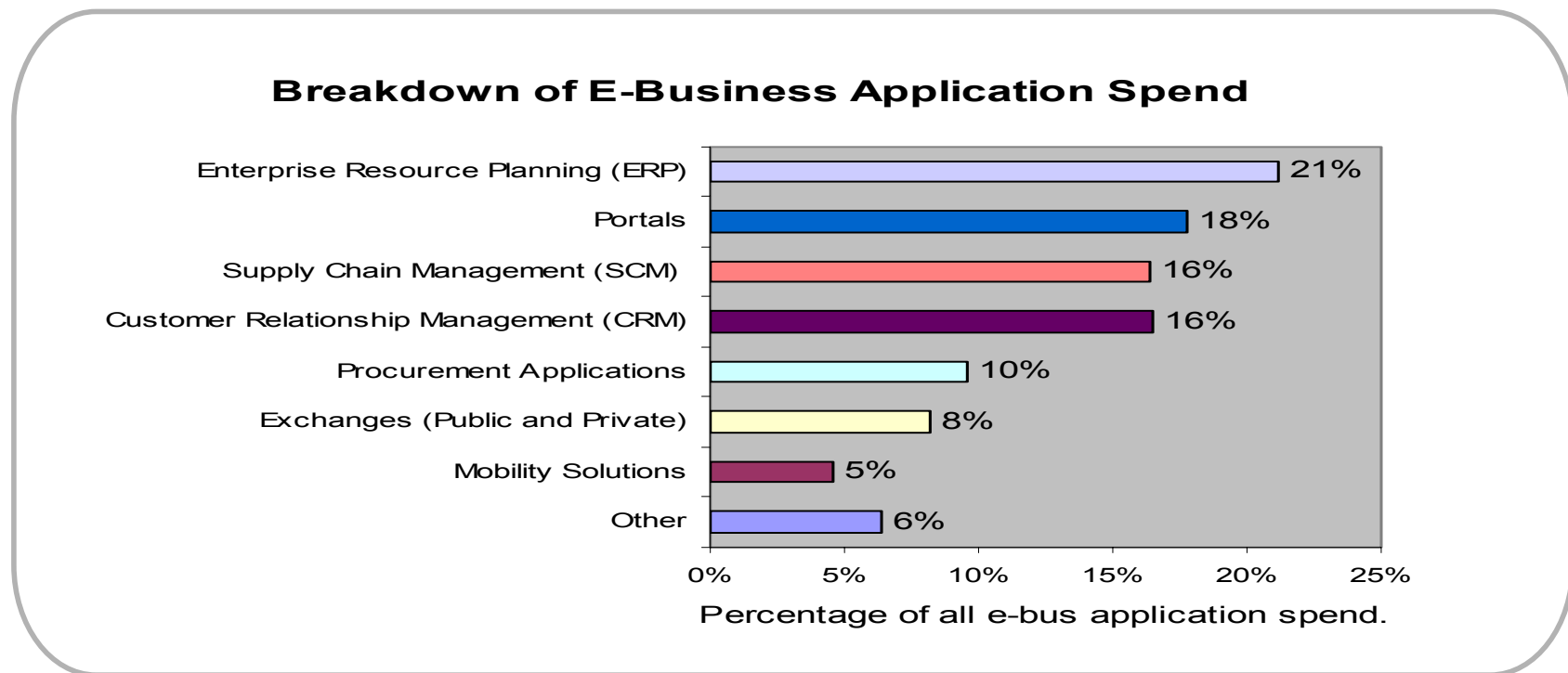
Relative spend on Tools increases with company size, whereas the opposite was observed with the Application and Network/Infrastructure categories.



On average respondent companies spend \$16.4 million on E-Business Network/Infrastructure, \$15.2 million on E-Business Applications, and \$11.0 million on E-Business Tools.

Breakdown of E-Business Application Spend.

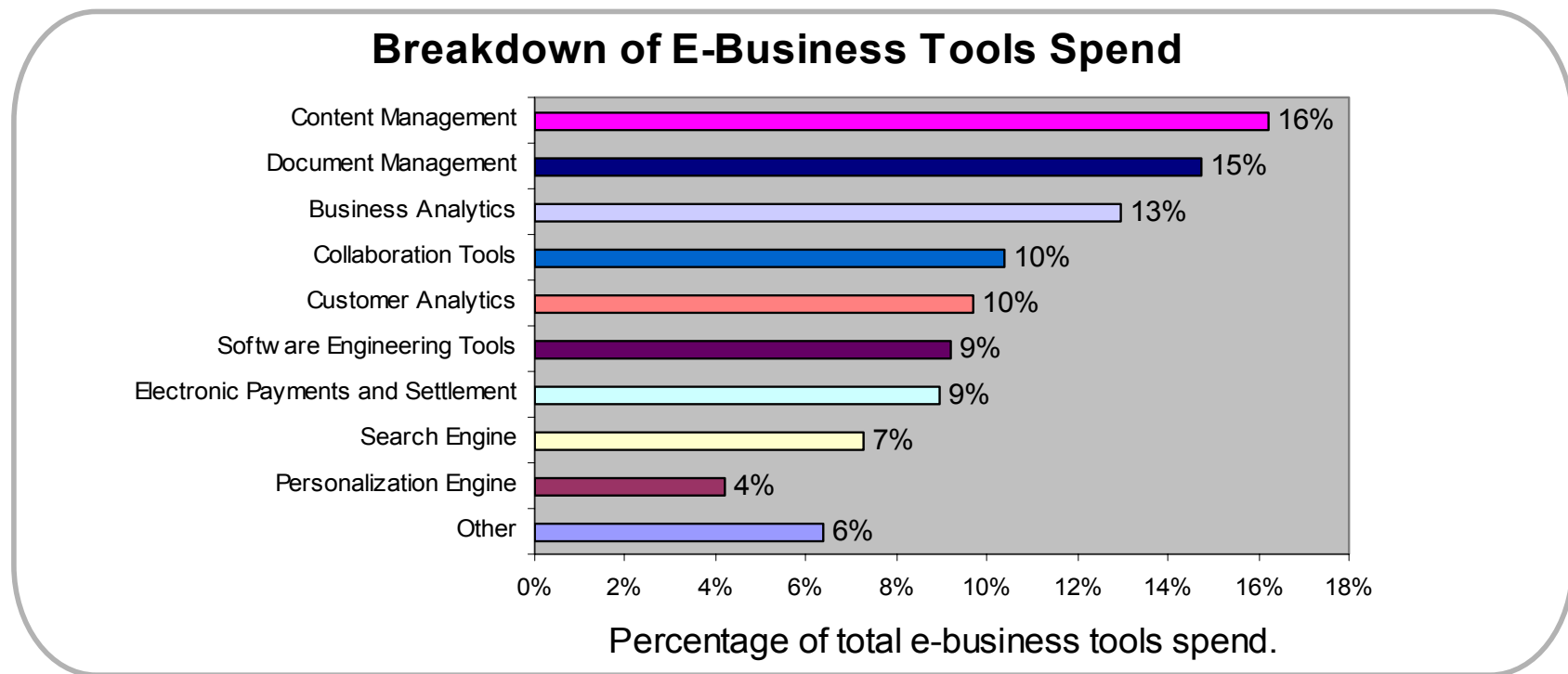
Exhibit 1.5 Please estimate the percentage (%) breakdown of your 2003 E-Business Application spend into each of the technology sub-components.



The largest amount of e-business application spending is being directed to ERP (21%), followed by Portals (18%), SCM (16%) and CRM (16%).

Breakdown of E-Business Tools Spend.

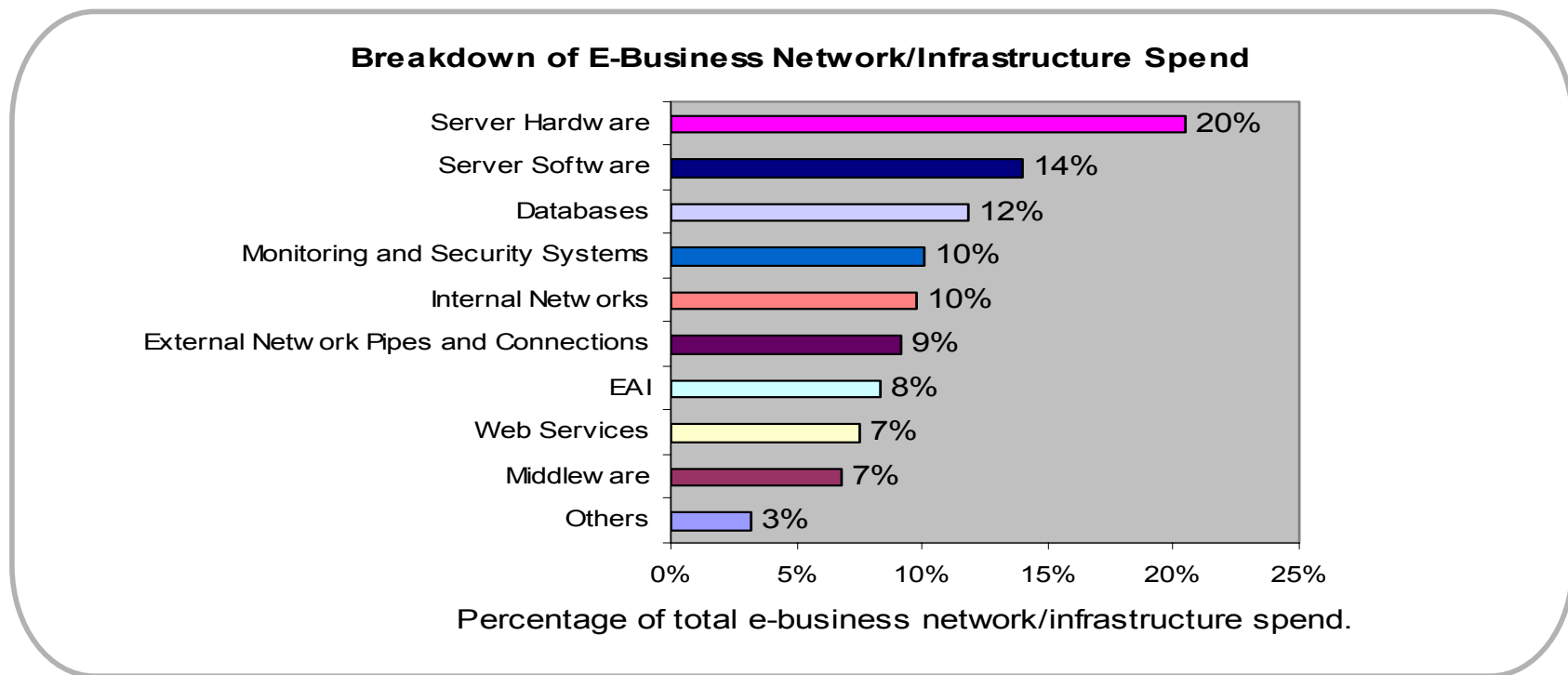
Exhibit 1.6 Please estimate the percentage (%) breakdown of your 2003 E-Business Tools spend into each of the technology sub-components.



The largest amount of e-business tools spending is being directed to content management (16%), followed by document management (15%), and business analytics (13%).

Breakdown of E-Business Network/Infrastructure Spend.

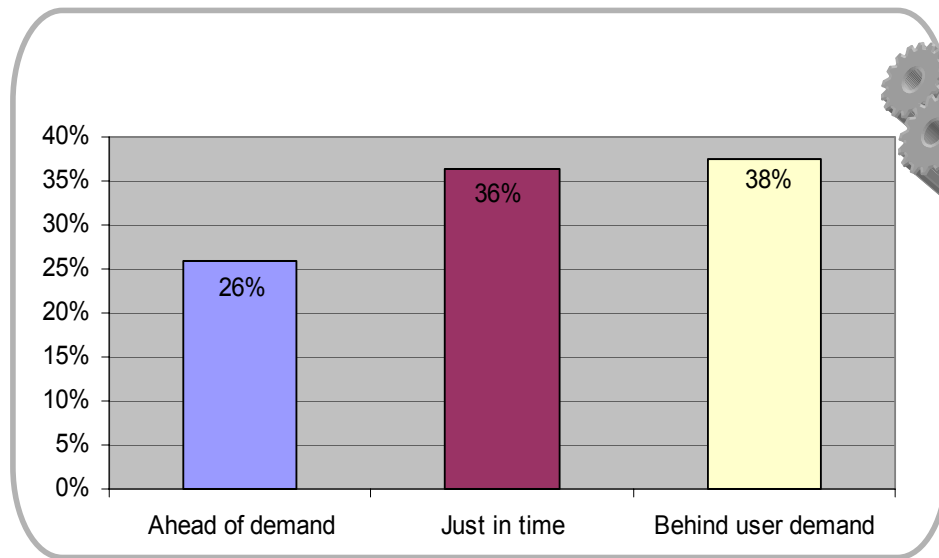
Exhibit 1.7 Please estimate the percentage (%) breakdown of your 2003 E-Business Network/Infrastructure spend into each of the technology sub-components.



The largest amount of e-business network/infrastructure spending is being directed to server hardware (20%), followed by server software (14%), databases (12%), security (10%) and internal networks (10%).

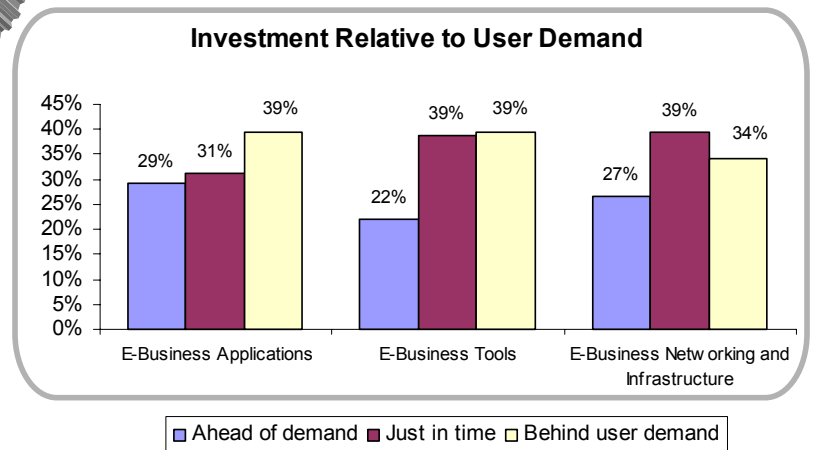
E-Business Investment Relative to User Demand.

Exhibit 2.1 How has your firm invested in e-business relative to internal/external user demand?



FURTHER ANALYSIS:

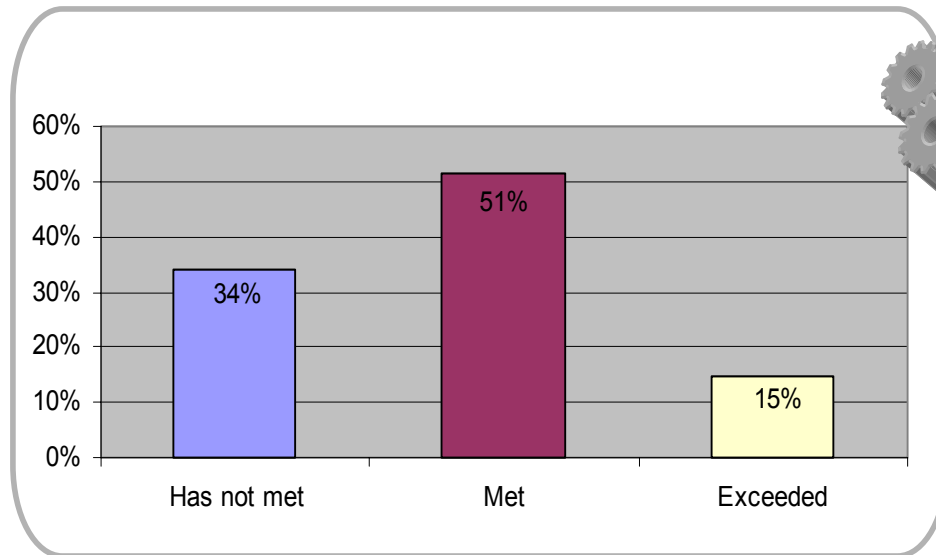
The e-business application investment of most companies lags behind user demand, whereas e-business networking and infrastructure investment occurs in 'just in time'.



The majority of companies make e-business investments either 'just in time' or behind user demand.

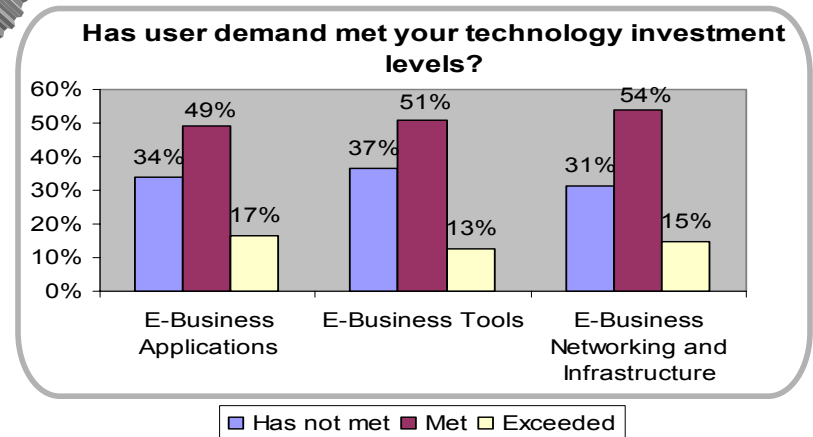
Is User Demand Meeting E-Business Investment Levels?

Exhibit 2.2 Has user demand met your e-business technology investment levels?



FURTHER ANALYSIS:

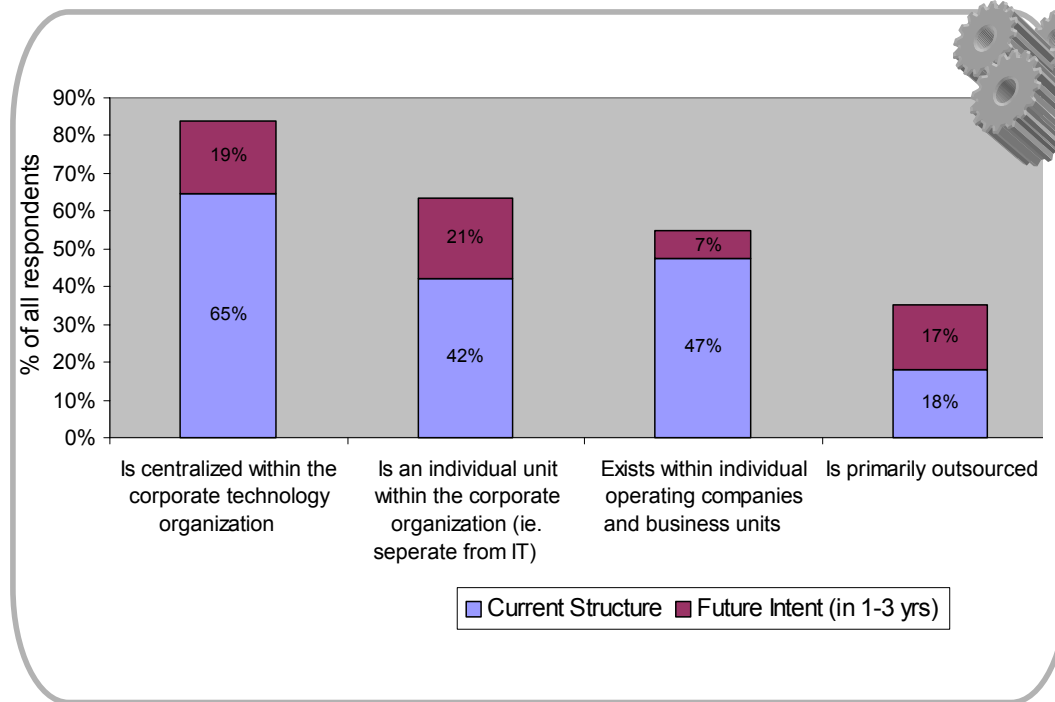
User demand is perceived to be meeting investment levels to a similar extent across each of the 3 e-business categories



The majority of companies (51%) feel that user demand is meeting their e-business technology investment levels, although 34% feel that it is not.

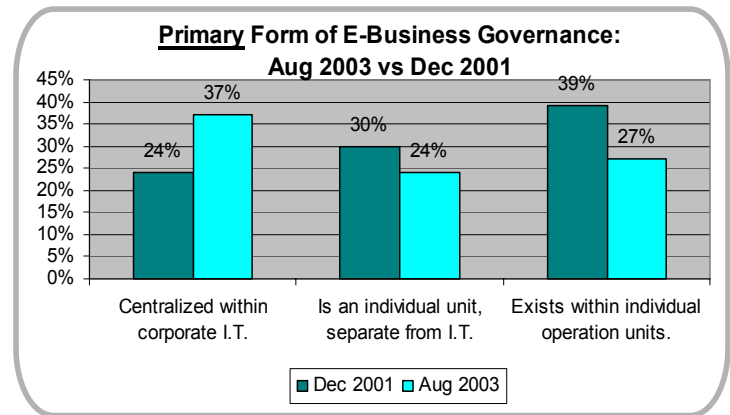
Management of E-Business within the Corporation.

Exhibit 3.1 How is e-business technology presently managed within your corporation? (Check all that apply):



FURTHER ANALYSIS:

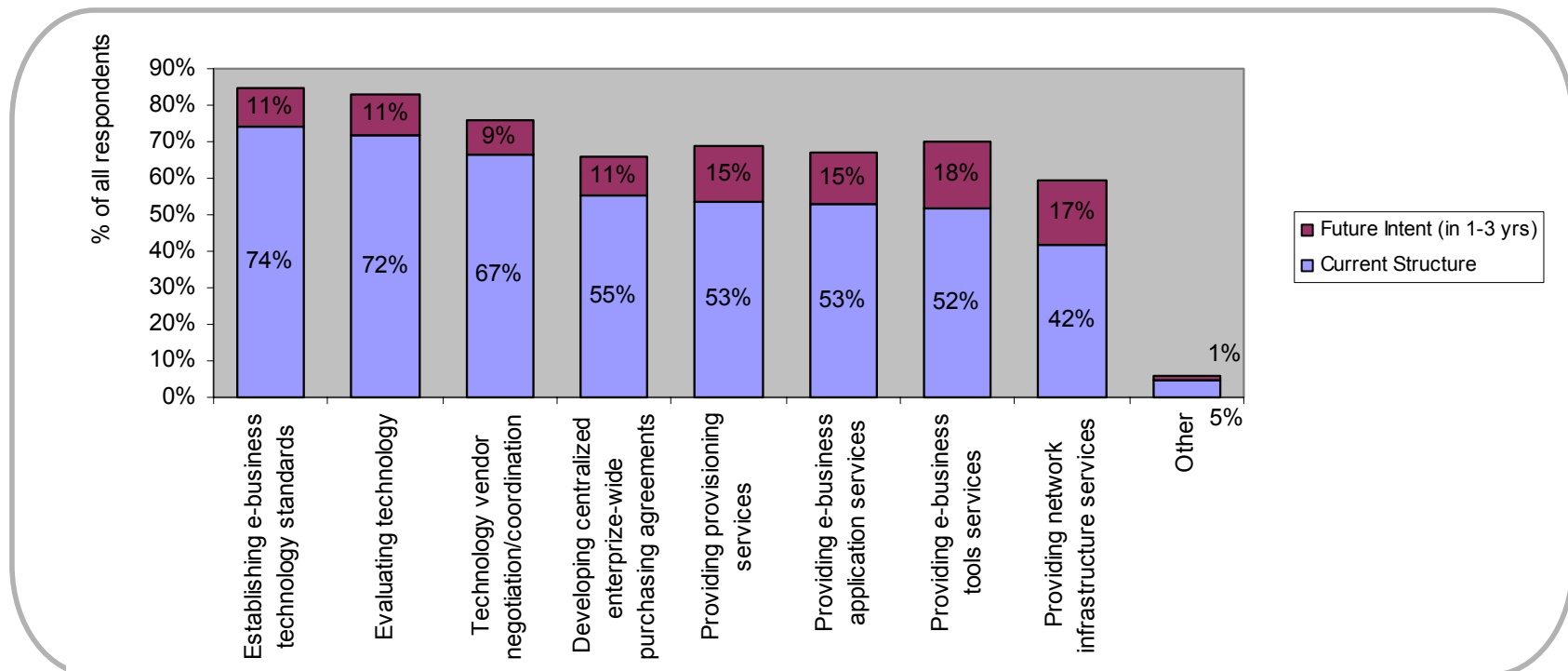
Line56's December 2001 "Who's in Charge" research showed e-business to be predominantly 'Within Operating Companies'. But Dec 2001 respondents also indicated that 'Centralization' was the direction of their most recent e-business re-organization. Today, this shift has clearly taken effect.



E-business management is most commonly centralized within the corporate technology organization. Outsourcing is the least common form of management but is expected to double within the next 3 years.

The Role of the Centralized E-Business Unit.

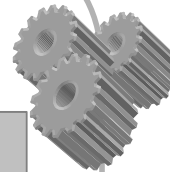
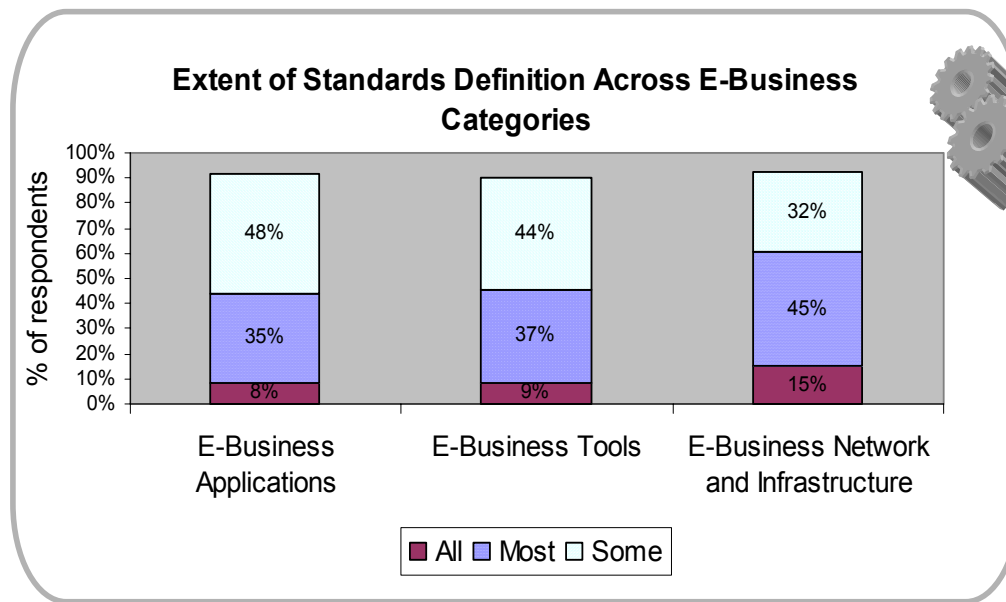
Exhibit 3.2 Where the e-business management is a centralized unit, what role does it play?



Standards establishment, technology evaluation, vendor selection, and purchasing are the most common tasks of the centralized e-business unit. Within 3 years other services will be increasingly provided.

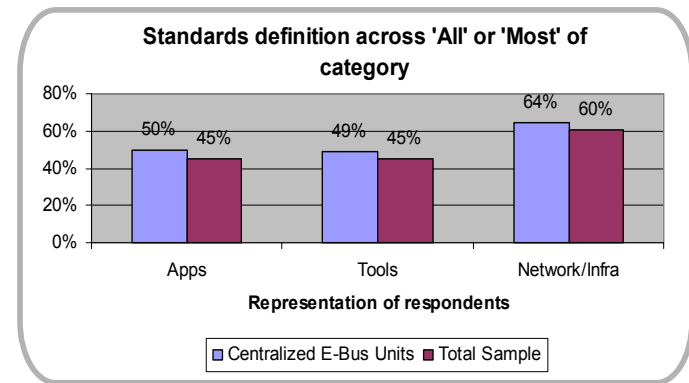
Extent of Corporate-Wide E-Business Standards Definition.

Exhibit 3.3 Has your firm defined corporate-wide e-business standards across the following e-business categories?



FURTHER ANALYSIS:

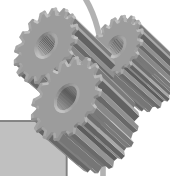
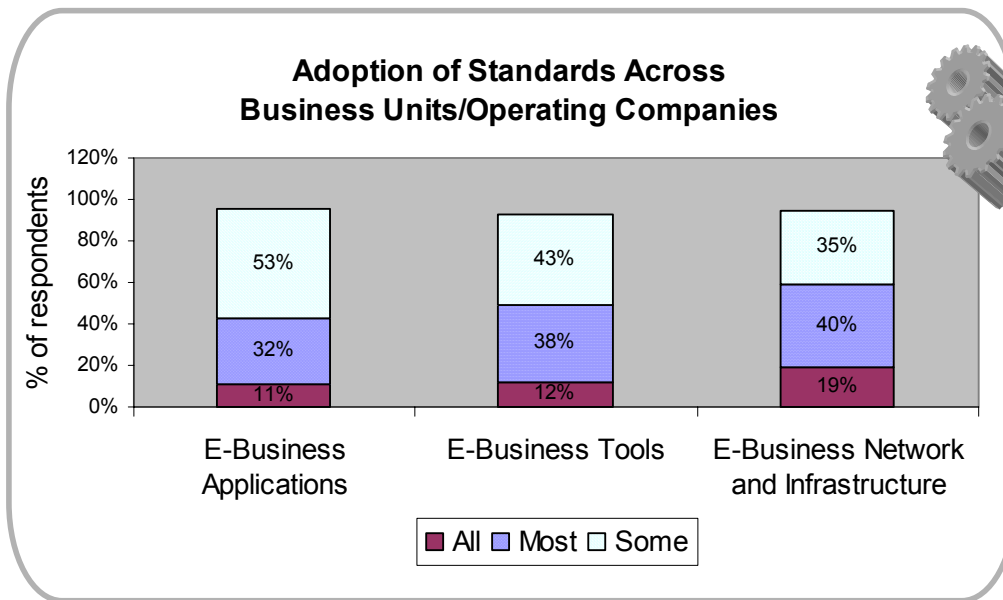
Respondents with centralized e-business units had a greater extent of standards definition across all of the e-business categories.



Standards are more commonly defined for e-business networking and infrastructure than for e-business applications or tools.

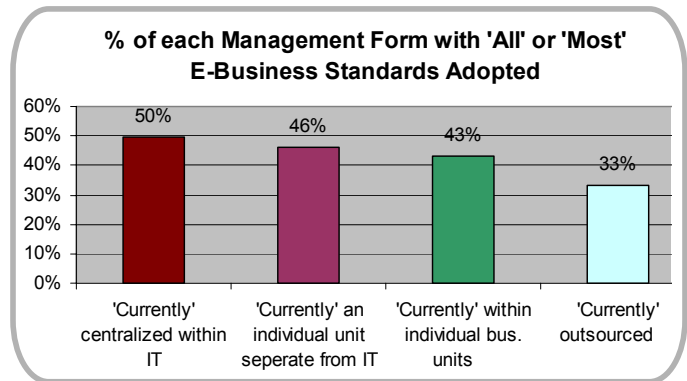
Extent of Corporate-Wide E-Business Standards Adoption.

Exhibit 3.4 Where your firm has defined corporate-wide e-business standards, how widely adopted are they across the organization?



FURTHER ANALYSIS:

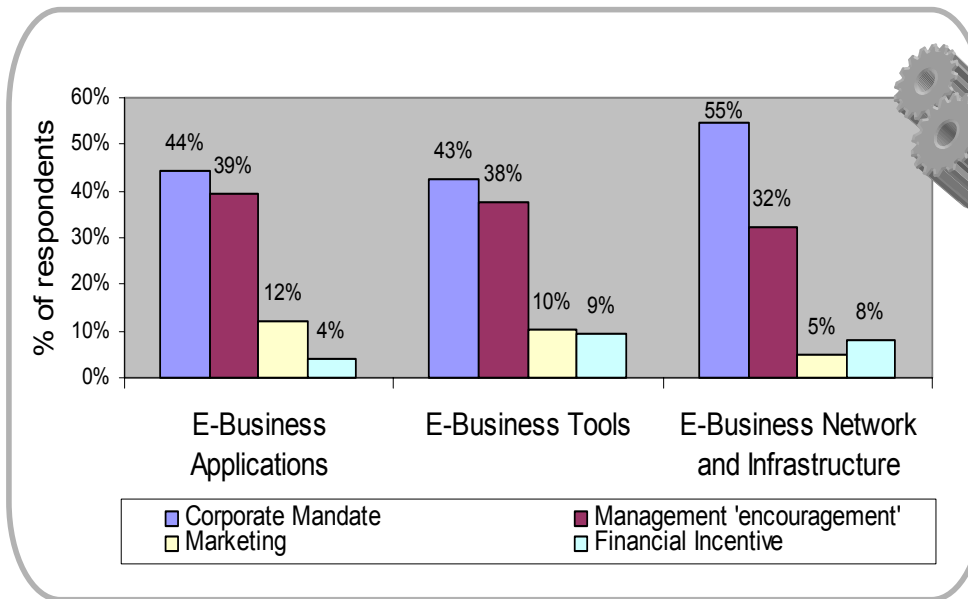
Respondents with centralized e-business units had a higher extent of e-business standards adoption than other forms of management.



The e-business application investment of most companies lags behind user demand, whereas e-business networking and infrastructure investment occurs in 'just in time'.

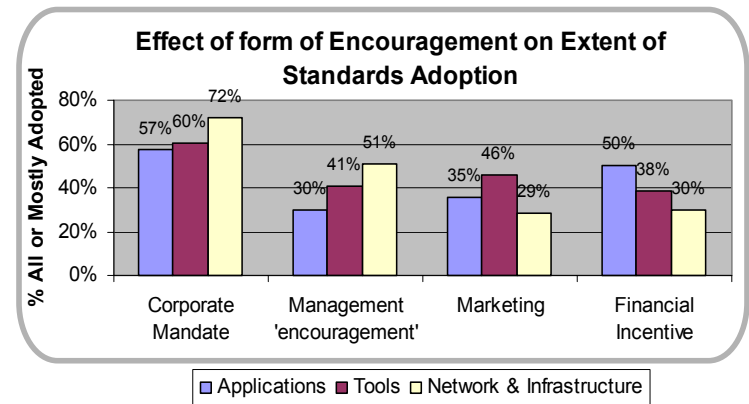
Encouraging Corporate-Wide E-Business Standards Adoption.

Exhibit 3.5 How does your firm presently encourage adoption of standards across the corporation?



FURTHER ANALYSIS:

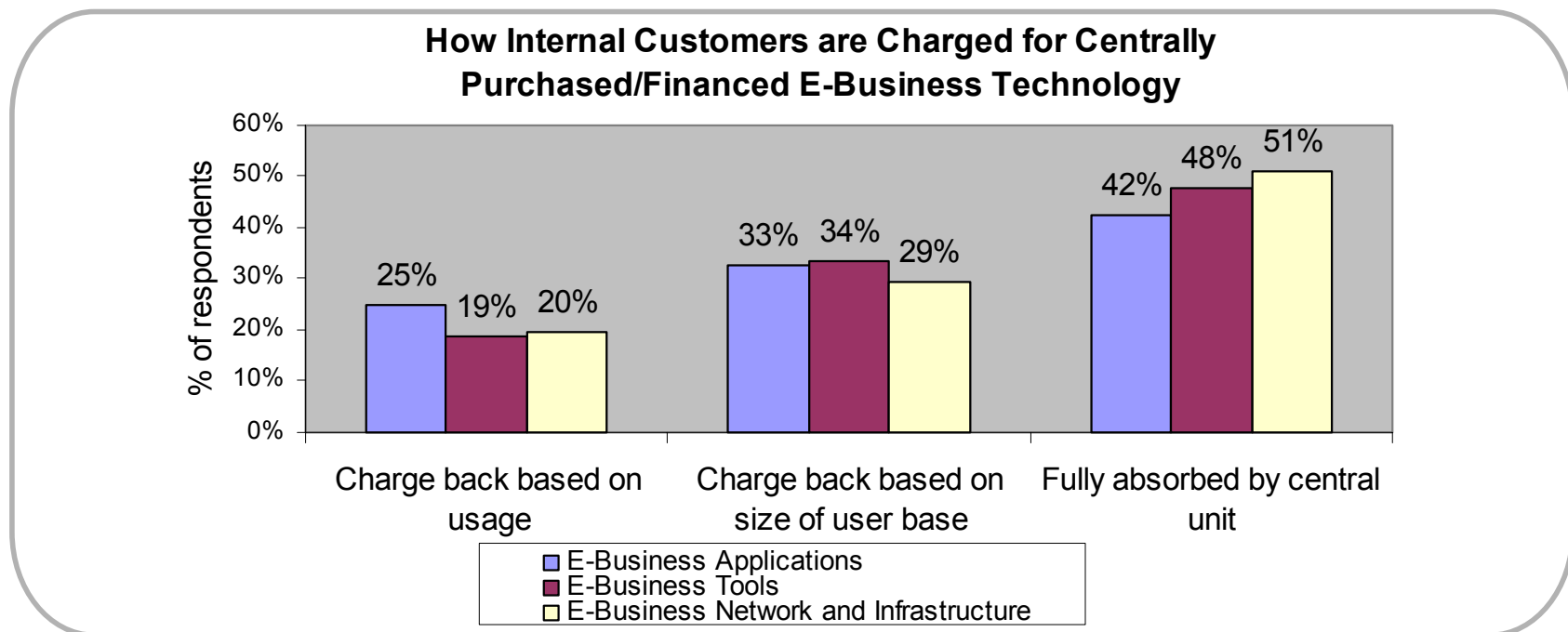
In all 3 e-business categories 'Corporate Mandate' is the most effective way of achieving standards adoption, the effectiveness of other encouragement forms varies with e-business Category.



Companies strive to achieve e-business standards adoption most commonly through 'Corporate Mandate'. In areas of applications and tools financial incentive is the least commonly employed method.

Methods of Internally Charging for Centrally Purchased E-Business Technology.

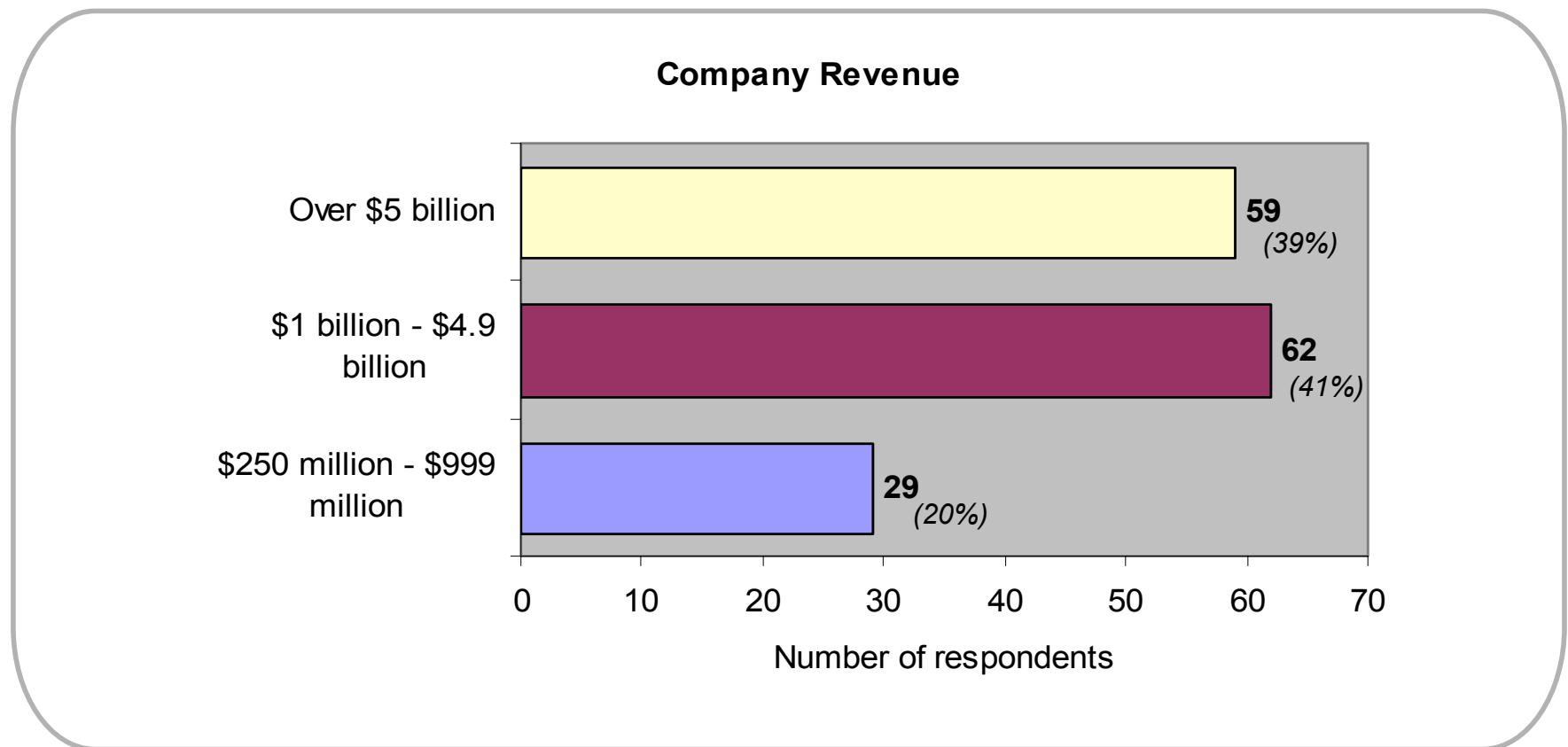
Exhibit 3.6 For e-business technology spend that is purchased/financed centrally, how are internal customers (e.g. business units, operating companies) charged?



For each e-business category centrally purchased technology is most commonly not charged out to the various business units but rather it is fully absorbed by a central unit.

Company Size by Revenue.

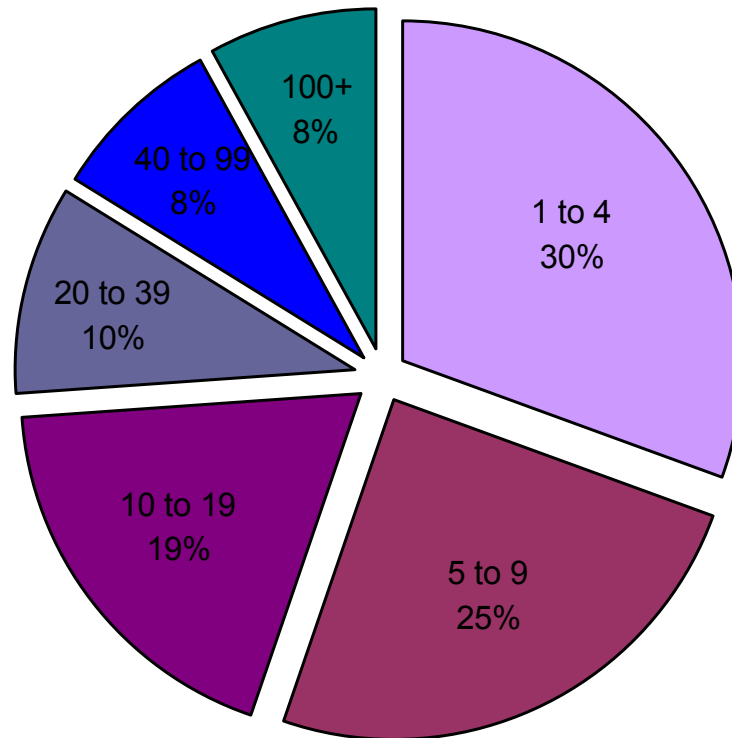
Exhibit 4.1 What is your company's approximate annual revenue?



Number of Operating Companies.

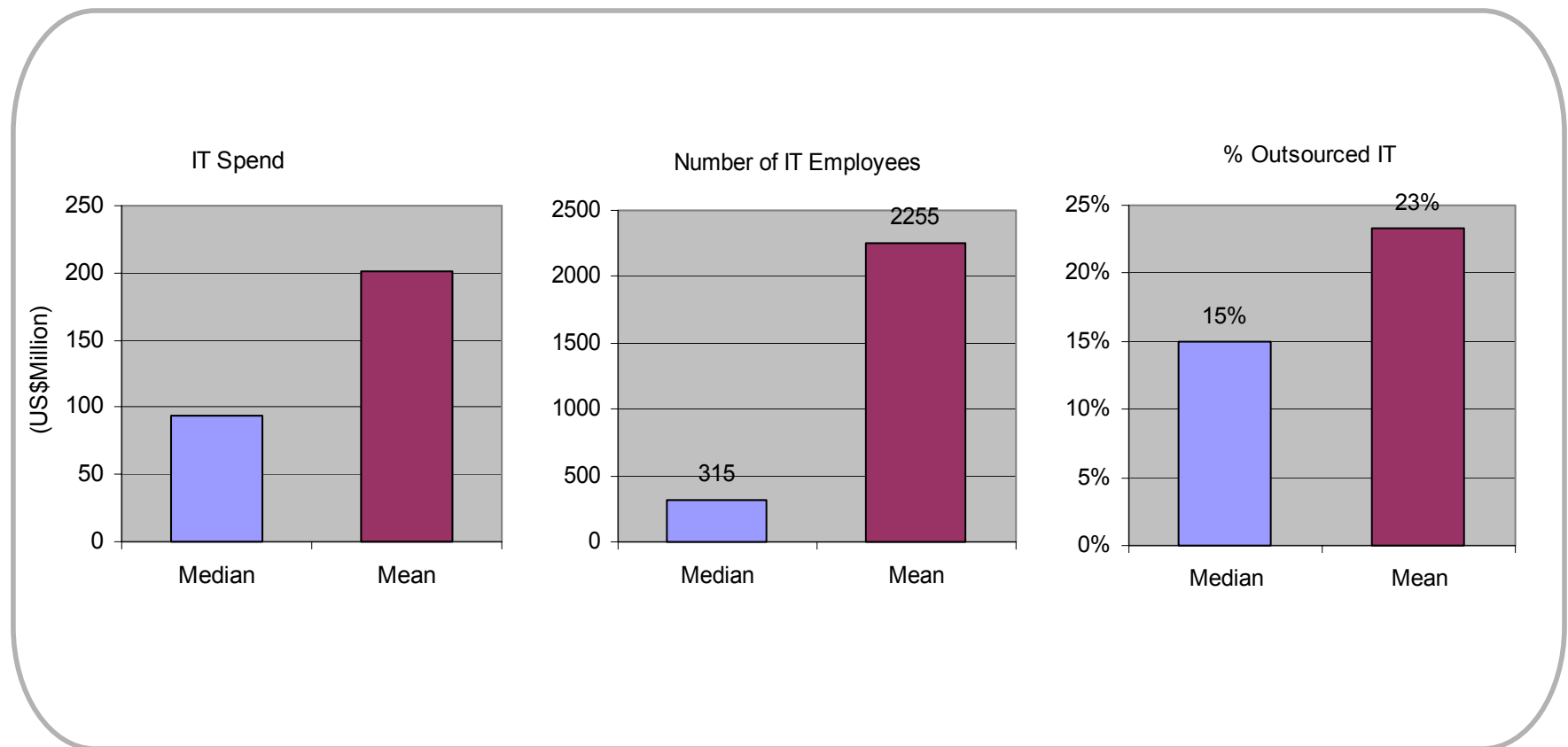
Exhibit 4.2 How many business units or operating companies does your corporation have?

Number of Operating Companies



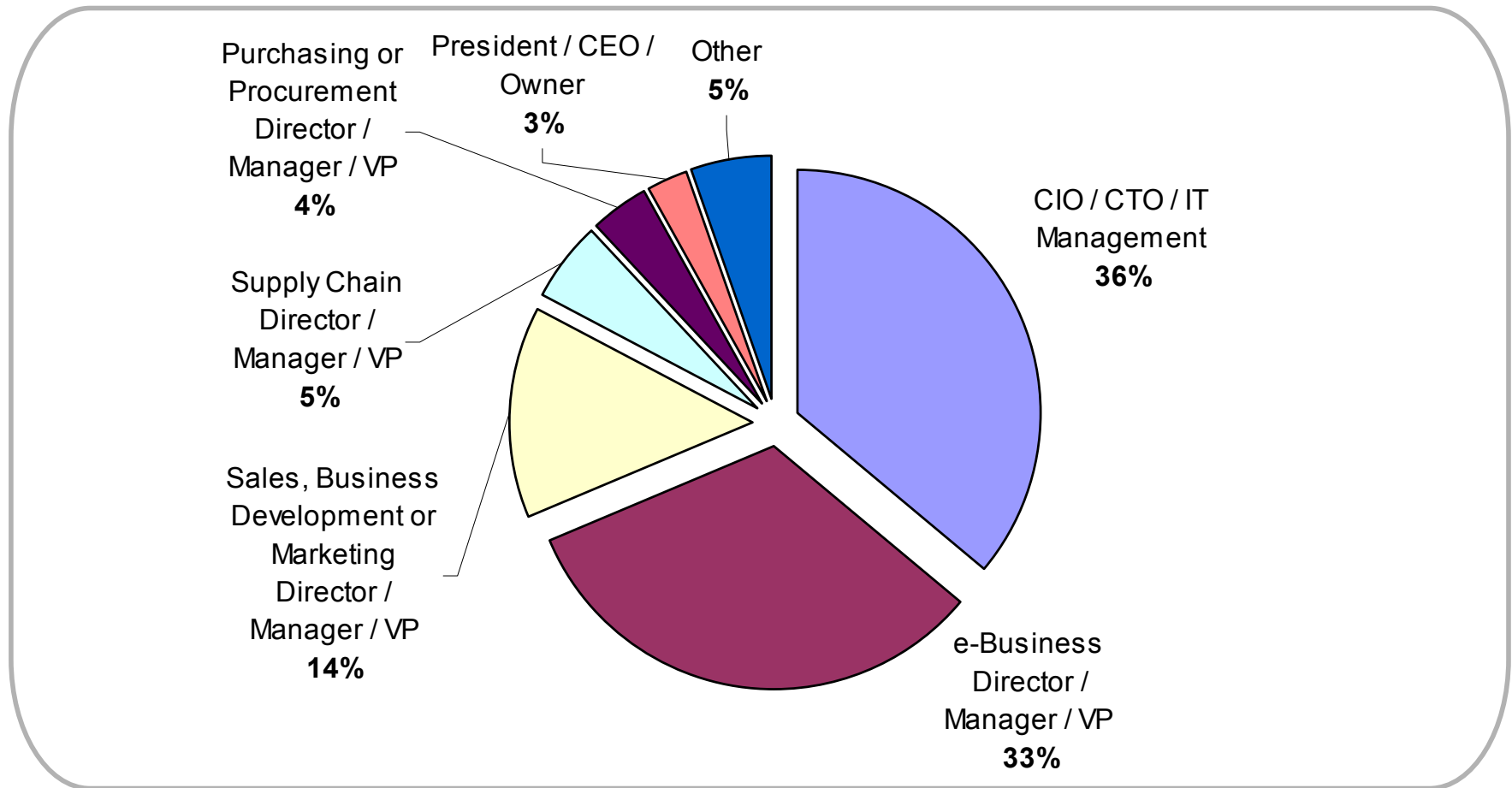
I.T. Data: Spend, Number of Employees, and Percentage Outsourced.

Exhibit 4.3 Please provide an estimate for the following aspects of your company's IT:



Position Title.

Exhibit 4.4 Which of the following best describes your job title?



Industry.

