



# CIOKLUB

Enterprise IT Investment trends Survey 2009:

Planning during adversity

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# 1. Foreword – CIOKLUB

The CIOKLUB (An initiative of CIO association), a 256 strong group of CIO's spanning Mumbai, Delhi, Bengaluru, Ahmedabad and Pune is celebrating its first anniversary on 24<sup>th</sup> April 2009. To mark the occasion, CIOKLUB initiated the "Enterprise IT Investment trends Survey 2009" with Ernst & Young as knowledge partners to gauge the IT spending of the companies in FY 2009-10. It is a great pleasure to present this detailed report on survey findings which captures Industry's sentiments and trends vis-a-via Information technology. It is the 1<sup>st</sup> survey of the CIOKLUB within the member community and I am overwhelmed by the response it received from the KLUB members. This survey provides an objective and meaningful assessment of the IT spend in the financial year 2009-10, provides comparison within the community and looks at the new IT initiatives that member companies are planning.

The information presented in this survey is also valuable to the product vendors, system integrators and consulting firms for understanding this community's IT spend plans for financial year 2009-10.

Ernst & Young, our knowledge partners, have assisted the CIOKLUB in preparing the relevant questionnaire, collating responses and analysis of data. Being an independent consulting firm with vast experience in IT consulting, Ernst & Young was uniquely positioned to provide this assistance. This study provides an insight into the following:

- Strategic investments in new solutions/ technologies
- Investment priorities in upgrades/ new purchases/ maintenance
  - Hardware
  - Licenses
  - Security devices
  - Business applications
  - Operating systems
  - Storage solutions
  - Network devices and bandwidth
- IT outsourcing
- Data centre investments

This year's study is based on a survey of over 120 CIO's conducted in April 2009. I am sure that you will find content of the report useful and provide knowledge and insight into IT trends and spending patterns.



Vikas Gadre  
Vice President , CIO Association & Survey coordinator



Radhakrishna Pillai  
Treasurer , CIO Association & Survey coordinator

## 2. Foreword- Ernst & Young



It is our privilege to be associated with CIOKLUB as the knowledge partners for the “IT Investment Trends Survey 2009”. The survey aims to capture key IT trends & investment patterns across various industry sectors and I am thankful to the entire participant CIOs who made this exercise a resounding success. Since this is commissioned by the CIO community itself, the findings are highly credible and will probably be the most valuable resource available to IT professionals and companies to understand the trends in Indian. We plan to partner with the CIOKLUB and publish this report every year jointly.

The survey echoes the industry sentiment that this year shall be the year of consolidation and rationalization. While new investments are planned, companies will be more cautious in their spending than ever before and every investment will have to pass through the acid test of “cost-

benefit “analysis

As expected, CIOs have overwhelmingly voted for IT Cost reduction as their key priority for 2009-10, CIOs are adopting various methods to achieve this and optimum utilization of resources is a key strategy towards fulfilling this objective. However there are few areas, as listed below, where organizations will continue to invest as they realize the long term sustainable benefits of these initiatives.

- Enhancing Information and physical security infrastructure
- Investing in advanced enterprise applications
- Outsourcing of non-core functions
- Maximize ROI from existing investments
- Investing in IT process framework

The survey also reveals that a few IT initiatives, which were considered “new age” and looked very promising earlier, may not attract any differential spend this year. It is a clear indication that these technologies have to be adaptable and prove their relevance in the Indian business scenario to become successful. It is also an indicator that marketers need to customize their solution offering and demonstrate the tangible benefits for CIOs to start considering these initiatives.

The survey was conducted across industry sectors and includes responses from small to large organizations. It is evident from the findings that technology adoption is no longer forte of large organizations and even small and mid size organizations are not averse to adopting cutting edge technology to bolster business performance or operational efficiency.

It would be our pleasure to receive feedback from all of you regarding survey methodology, content, finding and analyses. Your feedback will enable us to modify our approach and provide better quality analysis to you next year.

Pinaki Mishra,  
Ernst & Young

### 3. Executive summary

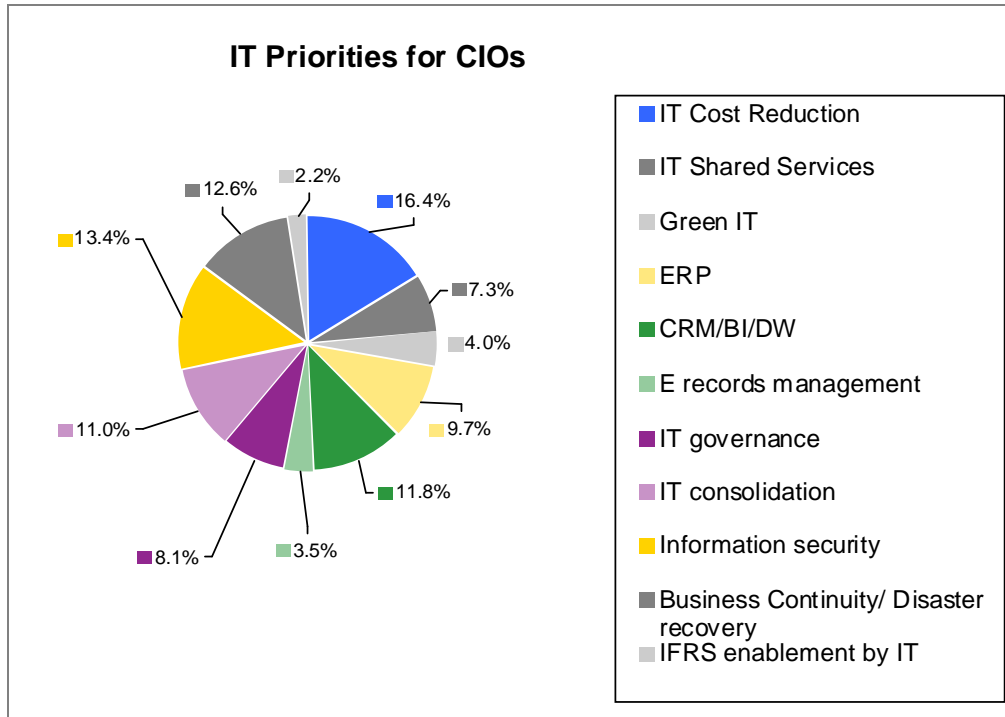
Aggregating the survey results across the sectors, following are the key insights:

- ▶ IT Cost Reduction will be the key priority of CIOs for 2009-10
- ▶ Almost 38% of the CIOs have their IT spends in the range of 1-3% of the annual revenue. Further, only 32% respondents say that their Operating Expenditure in IT will be higher than previous year and 37% expected to make more Capital Investment as compared to last year
- ▶ ERP will continue to be a key priority for CIOs, but several industries might see a slowdown.
- ▶ Organizations are planning to venture for 'New Dimension products' and invest in knowing their customers better and enhancing the decision making skills. Advanced enterprise solutions like CRM/Business Intelligence/Data Warehousing continue to be a priority area for both small and large companies.
- ▶ Investments in physical security products will be of paramount importance in the coming year.
- ▶ Considerable investments will be undertaken for network devices and connectivity.
- ▶ The coming financial year shows a lack of favouritism towards investments in open source software, including spends in Operating System licenses.
- ▶ IT Virtualization, Consolidation and Green IT (Green Data Center) are top three technologies planned for the financial year 2009-10. Cloud computing, Enterprise SOA, Green IT (Green Data Center) and IT Virtualisation will be the technologies under evaluation in the financial year 2009-10.
- ▶ The computer hardware purchases of most of the companies are expected to exceed 1-10% of last year's spending. For the Data Center, building Storage Area Network becomes the top priority for data storage.
- ▶ ITIL emerges as the leading framework for development and implementation of IT policies and procedures
- ▶ There is a strong trend to outsource key IT operations, with facilities management having the top priority. However, outsourcing of entire IT is a strict "no-no" for Indian companies and this underscores the importance of IT in the overall organizational design.

## 4. Survey findings

### 4.1. Key priorities for the year 2009-10

As a part of the survey our team questioned the CIOs on their key priority areas for 2009-10. We had listed about 11 areas for their consideration and have analyzed the top 5 priorities for them next year. The priorities are shaped by the current market situation, their business priorities and at times are influenced by external factors like the overall security environment. We have chosen the top 5 priorities on the basis of the “most important” response to our survey and presented an analysis at greater detail below. Our analysis of high priority includes the CIOs with a response of 4 or 5 and low would include responses of 1 or 2. A response of 3 has been classified as moderate.

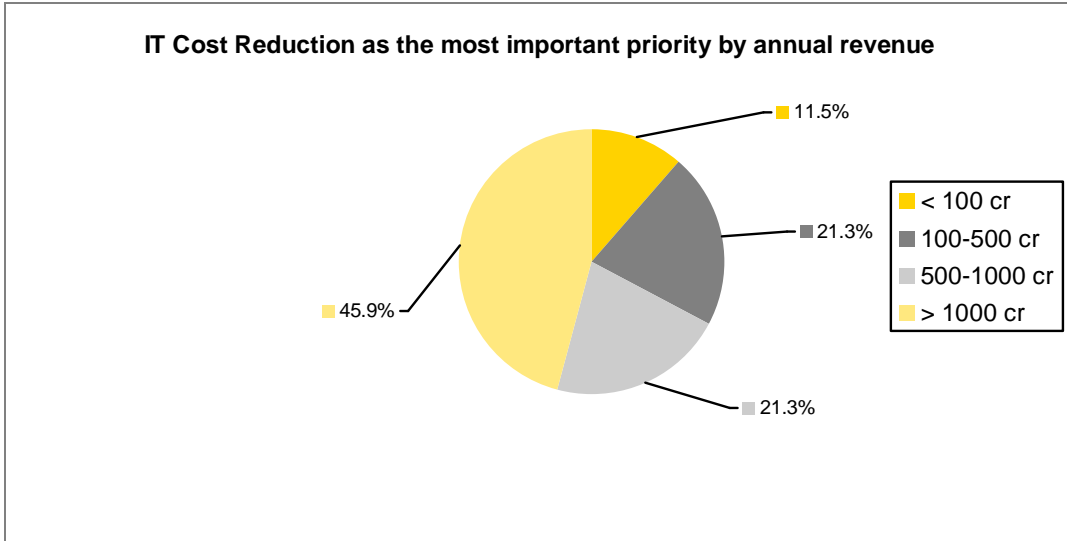


Top 5 IT Priorities for CIO's in the Year 2009 -2010:

1. IT Cost Reduction
2. Information Security
3. Business Continuity Planning / Disaster Planning
4. Implementing Advanced Enterprise applications (CRM/BI/DW)
5. IT Consolidation

#### 4.1.1. IT Cost Reduction

IT Cost Reduction will be the key priority of CIOs for 2009-10 with about 50% of CIOs listing this as “most important” in their agenda



IT Cost reduction would be the most important priority for 2009-10 as per the CIOs. Of the companies that listed this as their most important priority, an overwhelming majority (67%) were large organizations with annual revenue >500 cr. This means that large IT spenders are clearly looking at reviewing their spending this year. The fact that about a fifth of the respondents who identified this as a key priority are from the BFSI sector means that some of the largest IT spenders are looking closely at their IT budgets this year.

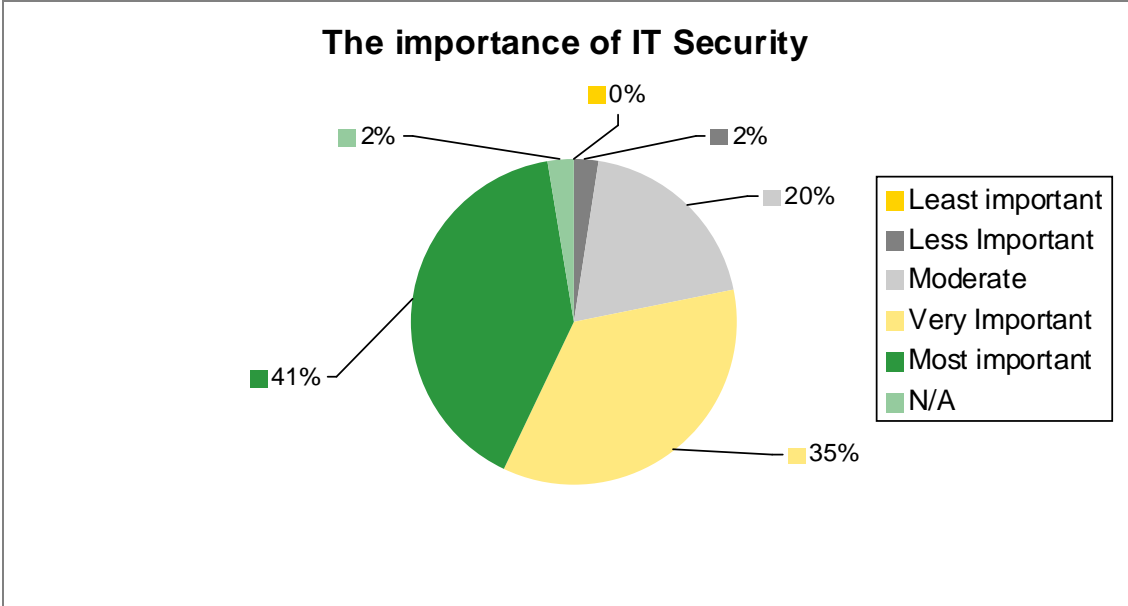
If we analyze the responses further, about 78% of the respondents listed this as a very important priority and only 5% CIOs listed cost reduction as lower in their overall list of priorities for 2009-10. The rest rated this as a moderate priority. So a large no of organizations are looking to reduce the overall IT cost this year.

This was also supported by personal interviews conducted by the EY team. The CIOs mentioned that there will be very little investment in areas that did not have top line or bottom line impact. They had also embarked on cost saving measures like server consolidation, reduction of AMC charges, IT outsourcing cost reduction, looking at staffing, etc. New big ticket investments have largely been deferred or cancelled.

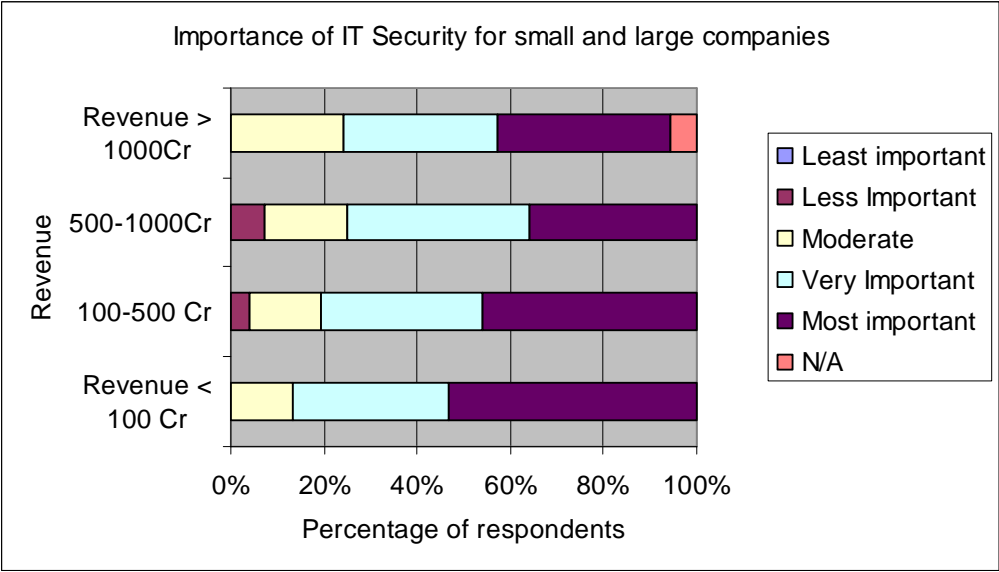
Industrial products companies were the only ones that listed this as a lower priority item for the year with only 44% CIOs counting this amongst their high priority areas.

#### 4.1.2. IT Security

IT security is a key concern for CIOs of all companies with most of them citing it as a very key priority for 2009-10



76% of the CIOs listed security as a key concern. In our discussions with them, several CIOs mentioned that the overall security environment had become very challenging and CIOs were now expected to look at this aspect quite closely. This response was consistent across both the large (>500 cr) and medium/smaller companies (with annual revenue < 500 cr). It is evident that several companies of all sizes will look at this aspect closely and invest in upgrading their security environment.



Based on the no of respondents, BFSI (85%) and Consumer Products (86%) companies consistently rated security as a high priority area, while 90% of Chemical companies treated it as high priority.

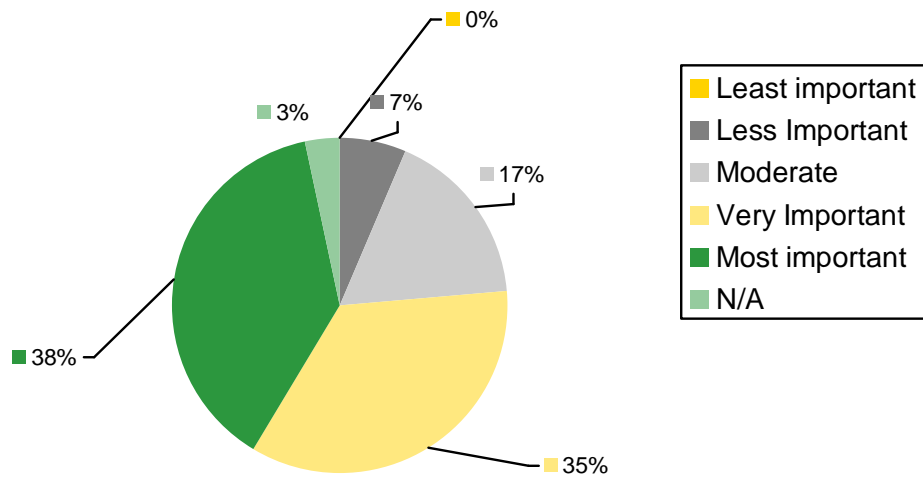
Only 22% companies listed security as a moderate to low priority area. Surprisingly only 17% of the respondents from the mid/small segment (annual revenue < 500 cr.) listed security as a low priority area. This implies that security which used be an issue with CIOs of mostly large organizations, has become an issue with everyone.

**4.1.3. Investment in Business Continuity Plan (BCP)/ Disaster Recovery Plan (DRP)**

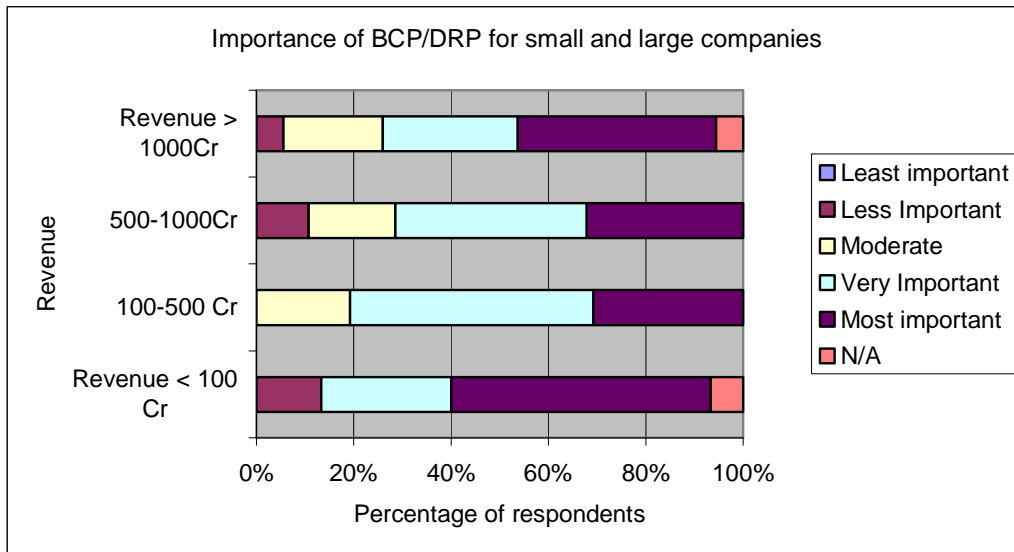
CIOs will increase focus on Business Continuity Plan (BCP) / Disaster Recovery Plan (DRP) next year with 35% CIOs listing this as most important.



### Importance of Business Continuity Planning / Disaster Recovery Planning



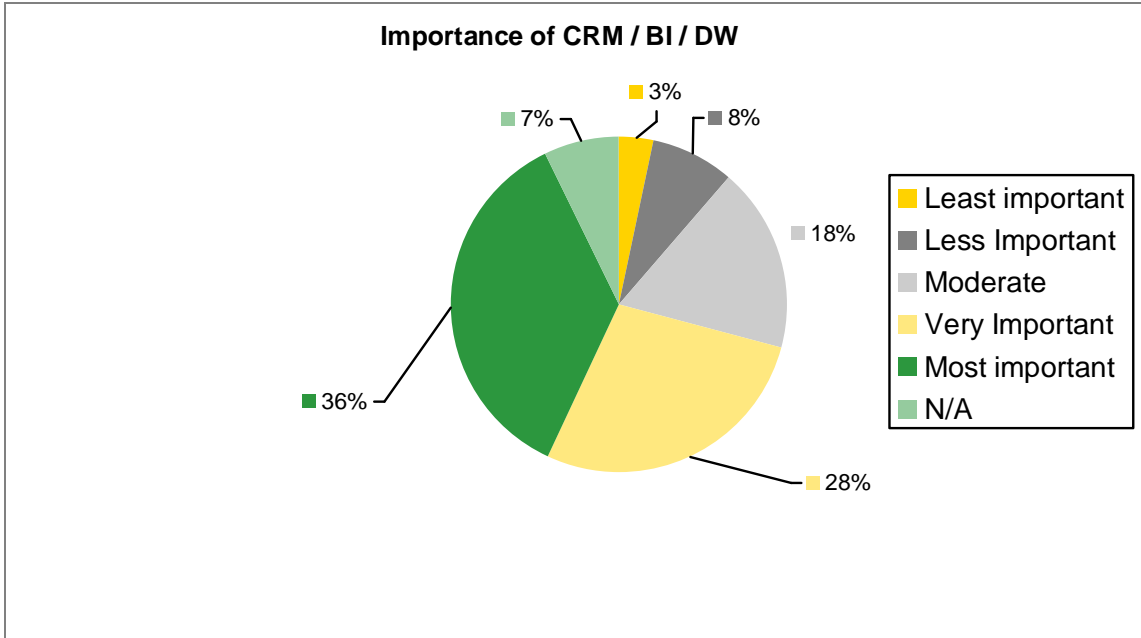
About 73% CIOs selected BCP/DRP as a high priority area for them this year. This is well supported by their response on security as well as their feedback to our team members when we met them. Interestingly about 80% of companies with annual revenue < 500 cr. have listed this as an important priority. This indicates that DRP/BCP is becoming an overall priority for the industry and not just for large companies. The other reason of course is that these companies had not invested in this area in the past and in the current context would like to look at such investments.



85% of the BFSI companies listed this as a priority area. This is of course in line with their business requirement and the need to constantly innovate, to meet their high business continuity requirements. About 65% of consumer products companies have listed this as a key priority with only 29% CIOs listing this as “most important”. Significantly all the Media and Entertainment companies listed this as their important priority.

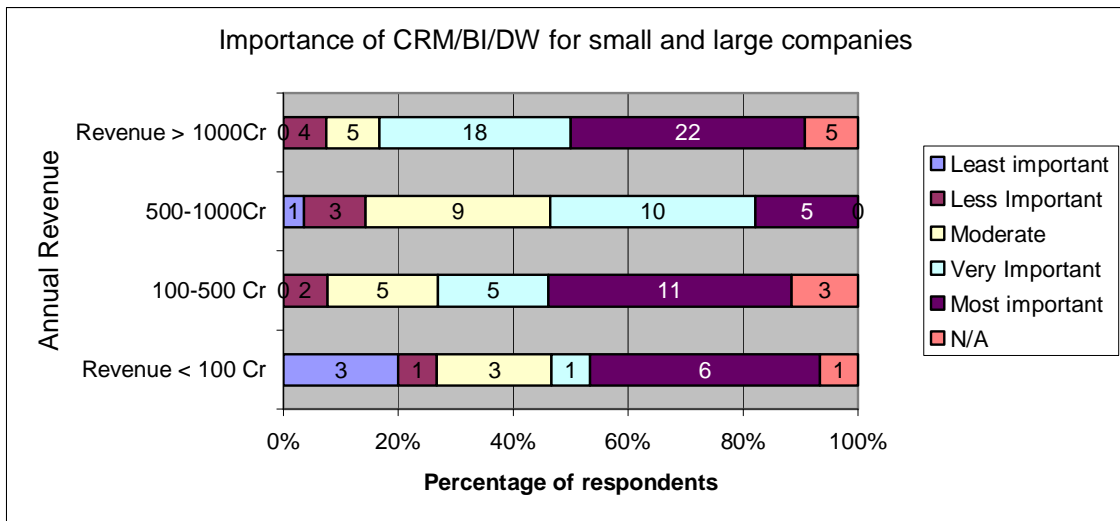
#### 4.1.4. Investment in Advanced Enterprise Solutions

Advanced enterprise solutions like CRM/BI/DW continue to be a priority area for especially for large companies.



Significantly, CIOs believe that advanced enterprise solutions (CRM/BI/DW) will be a bigger priority for them than enterprise solutions (ERPs) in 2009-10. 64% of the CIOs surveyed listed this as a priority for the year with this as a consistent need both for larger and small companies. As per our interviews, one of the reasons could be that these solutions seem to add value over transaction systems and support businesses more effectively. The other reason could be most companies would be able to leverage their current investments which have been already made in these areas to improve these solutions.

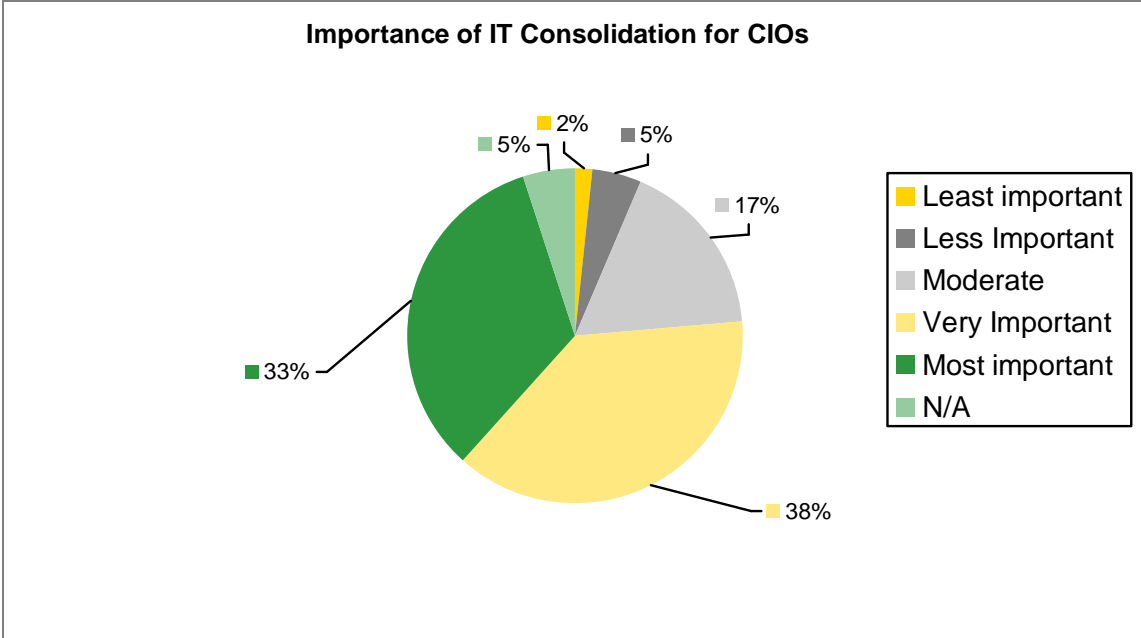
Some of the sectors with large no of respondents that are looking at advanced solutions are Consumer Products (71% respondents), BFSI (56% respondents), Pharma/Healthcare (71% respondents).



About 56% of respondents of companies with annual revenue < 500 cr listed this as an important priority against 71% respondents with annual revenue > 500 cr.

#### 4.1.5. IT Consolidation

IT Consolidation has been identified as a key priority primarily aimed at leveraging existing IT investments



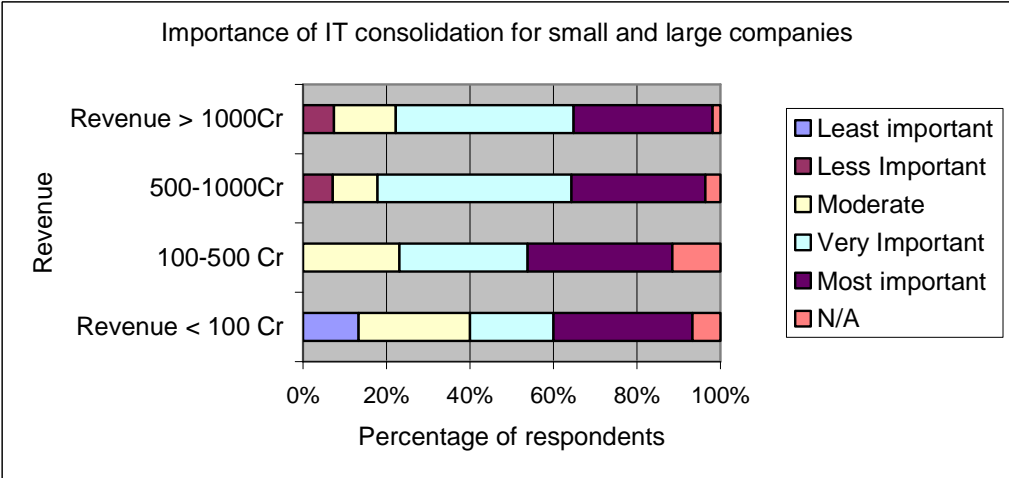
Most CIOs we spoke to, mentioned that there is a clear mandate to leverage their IT investments. Apart from using IT services better, better quality MIS systems and delivering IT solutions at a lower cost, this also meant looking at consolidation. The areas currently under focus are consolidation of servers, bandwidth, hardware as well as software licenses. Companies are looking closely at utilizing IT at an optimum level and cutting the so called “fat” (Extra hardware or licenses on a need basis) out of their investments.

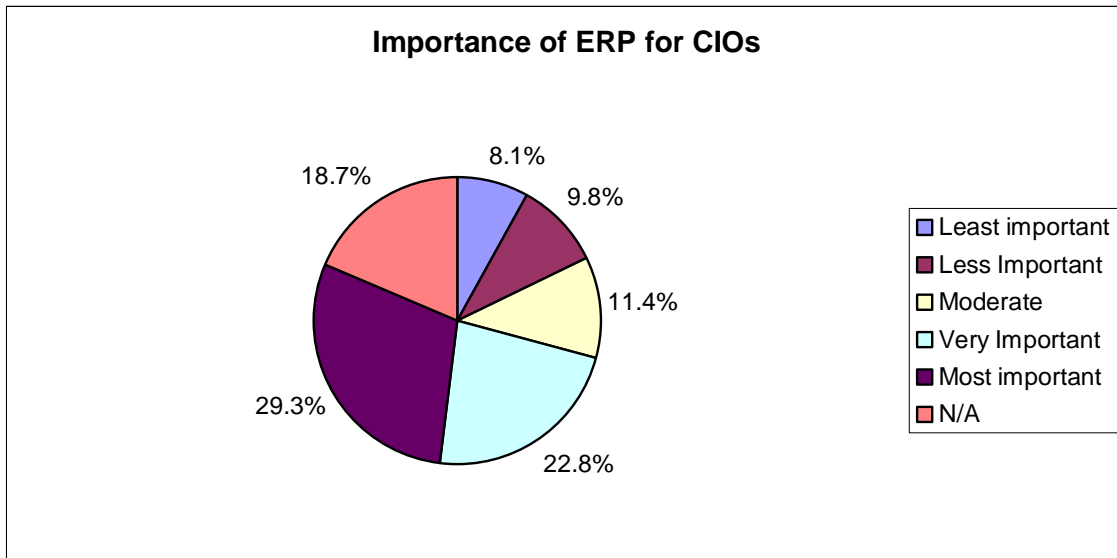
While 33% CIOs termed IT investment as “most important”, about 71% termed it as a high priority (very important and most important) next year. Of the CIOs who responded, about 61% from SME sector (annual revenue <500 cr) and 77% from the larger companies (annual revenue > 500 cr) chose this as an important priority. This clearly indicates that larger companies who have invested heavily in the past are looking at ways to leverage the investment next year.

Two sectors that are looking at IT consolidation heavily are Retail and Chemicals with 100% of their CIOs treating this as very important. Some of the other key sectors that have rated IT consolidation as very important are BFSI (80% respondents), Consumer Products (79%) and Pharmaceuticals/Healthcare (76% respondents)

4.1.6. Investment in Enterprise Resource Plan (ERP)

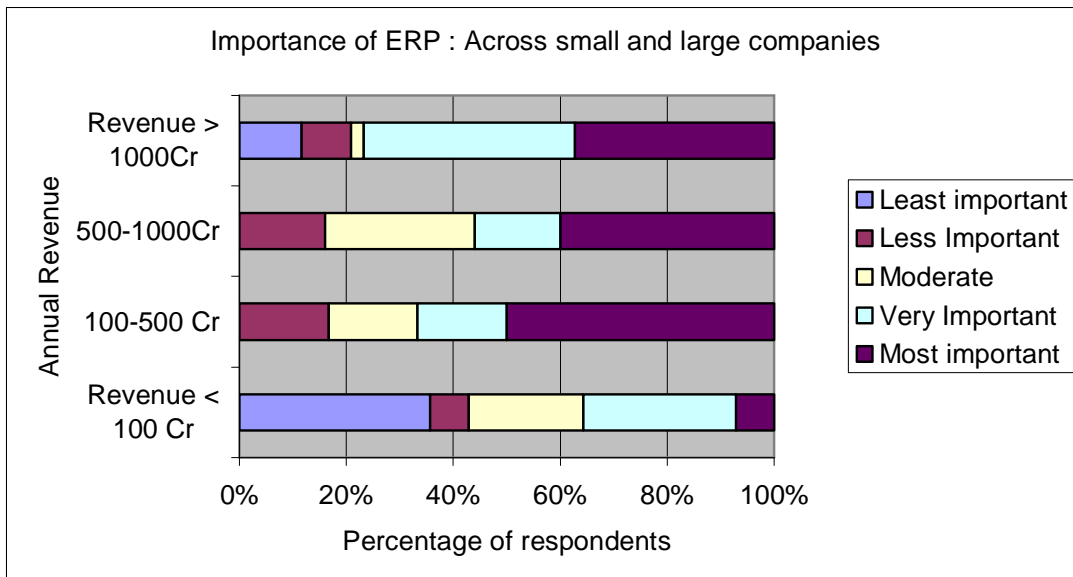
ERP continues to be a priority for CIOs but several industries might see a slowdown in ERP investment





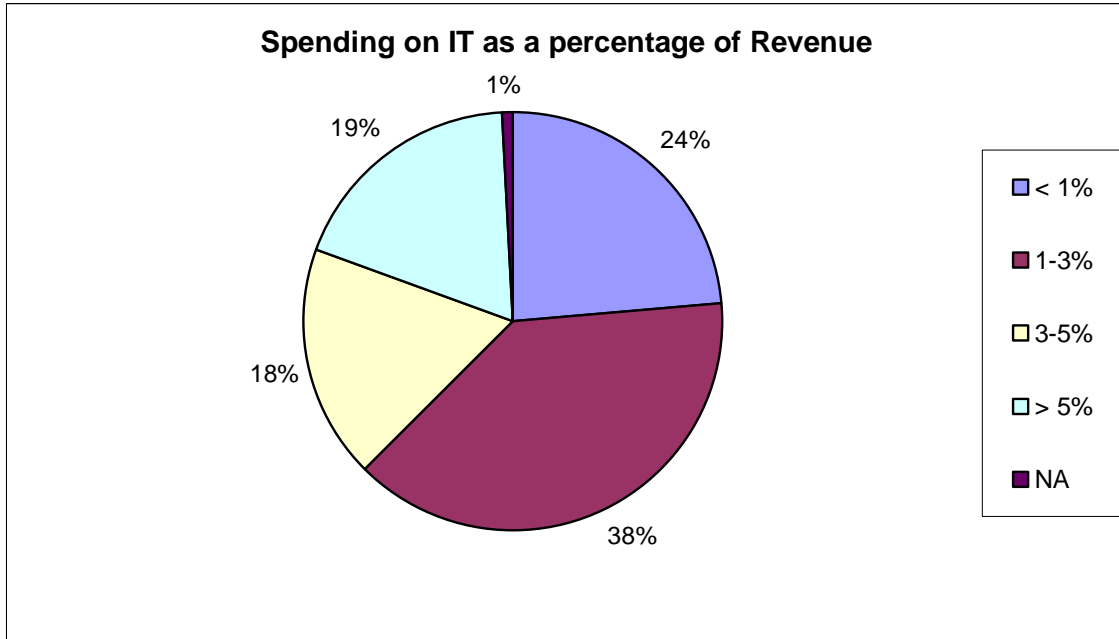
52% of the respondents mentioned that ERP will be an important priority for the year. 79% of Consumer Product companies mentioned that ERP was an important priority with 57% terming it as most important. This sector will probably see the maximum focus on ERP. 60% of the chemical companies see ERP as a key priority for the year with most of them listing it as most important.

Automotive and Pharmaceutical/Healthcare sectors listed ERP in the lower priority for the year. Automotive sector was clearly not treating ERP implementation as a key priority area with only 33.33% respondents terming it as important. This could be primarily because several companies have ERPs and they are not planning any new implementations in view of the prevailing global markets.



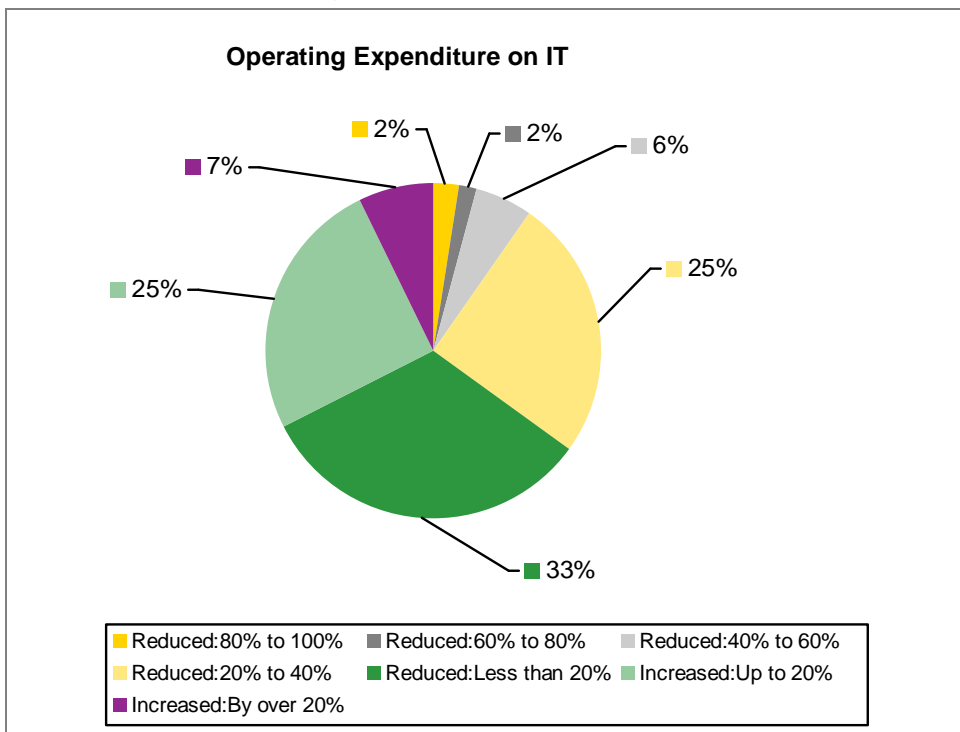
Large companies still continue to list ERP as an important priority with 73% of them (annual revenue > 500 cr) identifying this as an important priority. However priority might mean more focus rather than any differential investment as per our discussion with key CIOs.

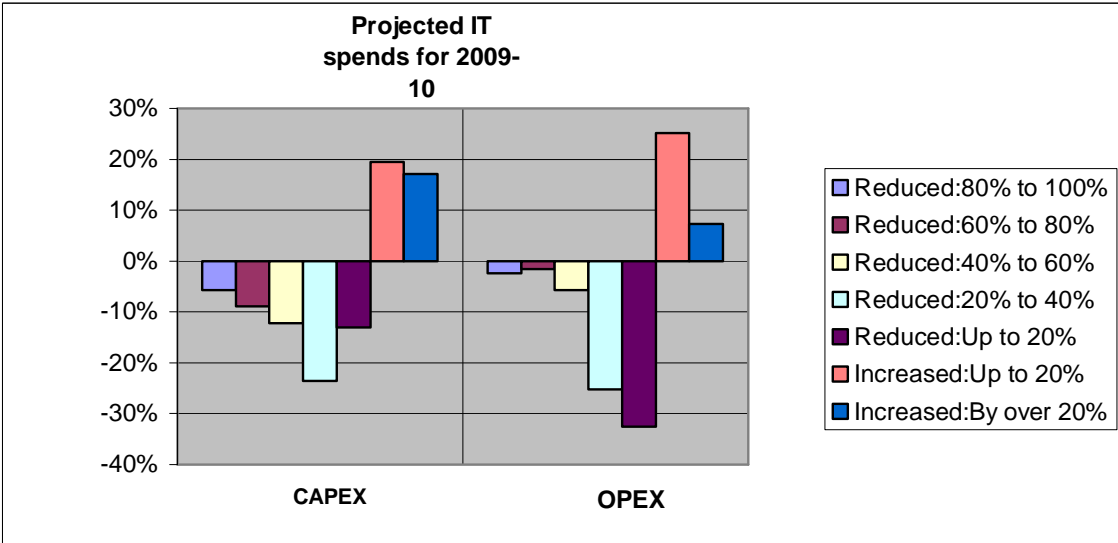
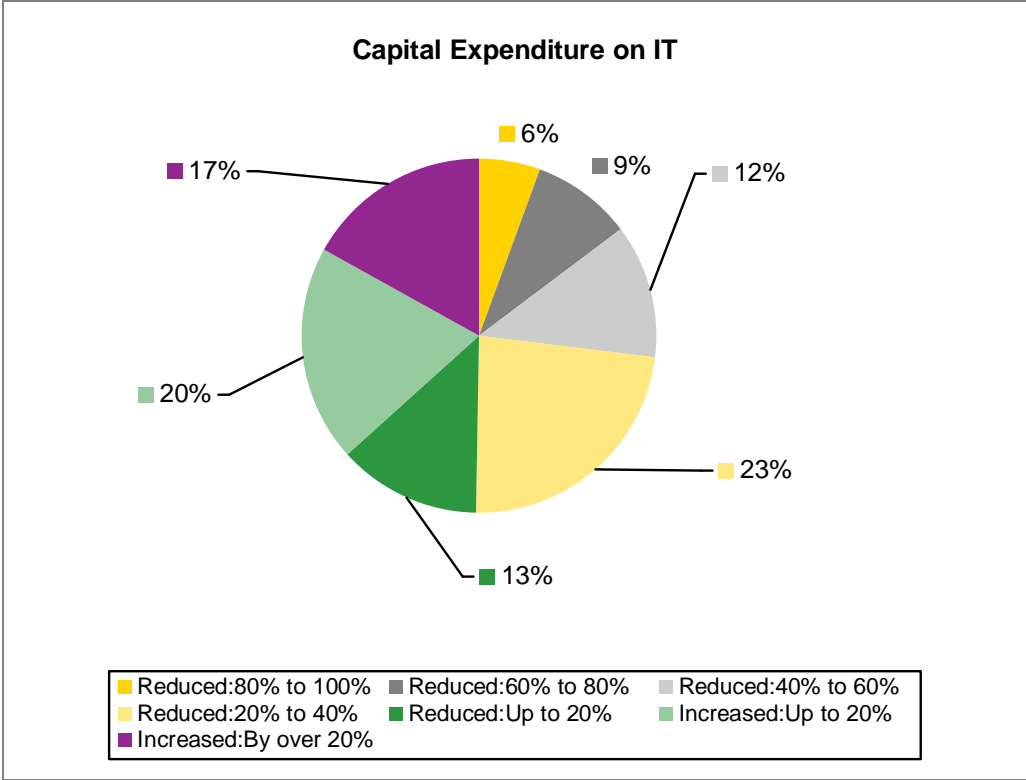
4.1.7. Percentage Spend on IT with some sectors having a differential high spend compared to others



We also asked our CIOs on their IT spend as a percentage of the company annual revenue. The maximum number of respondents were in the 1-3% range (38%) followed by 24% of respondents with spends <1%. About 90% of the respondents with spending <1% were larger companies with annual revenue > 500 cr. Interestingly, 52% of the companies with IT spends > 5% of annual revenue were larger companies (annual revenue >500 cr). Not surprisingly, 43% of the companies were from the BFSI sector. 80% of the Transportation and Logistics companies and 43% of the Retail & Wholesale companies surveyed had IT spends in excess of 3%.

4.1.8. Increase & decrease of IT spends





A significant number of CIOs (64%) have indicated that the capital expenditure in 2009-10 will be lower than the previous year.

13% respondents indicated that the capital expenditure in IT shall be reduced by upto 20% of the previous year and 24% respondents mention that their IT spending shall be reduced by as much as 20-40% of the previous year.

For the operating expenditure, many CIOs (67%) have indicated that the investments in 2009-10 will be lower than the previous year.

33% respondents indicated that the operating expenditure in IT shall be reduced by upto 20% of the previous year. 25% respondents, forming the next biggest group mention that their IT spending has reduced by as much as 20-40% of the previous year.

The effect of global economic crisis can be seen in India, but there are rays of hope. 20% respondents plan to increase their IT Capital expenditure up to 20%, and 17% respondents plan to increase their IT Capital expenditure by over 20% in 2009-10.

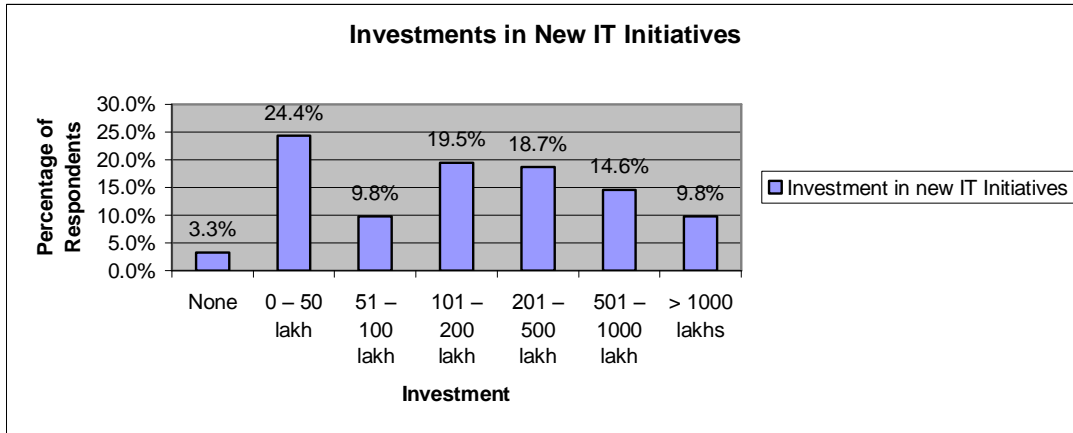
29% of the pharmaceuticals and healthcare companies, 80% of transportation and logistics companies and 12% of banking and financial service companies plan to increase their IT Capital expenditure by over 20%.

For the operating expenditure, 20% respondents plan to increase their IT operating expenditure up to 20%, and 7% respondents plan to increase their IT operating expenditure by over 20% in 2009-10.

Analysis revealed that, banking and financial service companies and pharmaceuticals and healthcare companies will be at the forefront in making operating expenditure over 20% than the previous year.

Investment in new IT initiatives

Most of the CIOs surveyed (97%) mentioned that they had a budget for investing in new IT initiatives



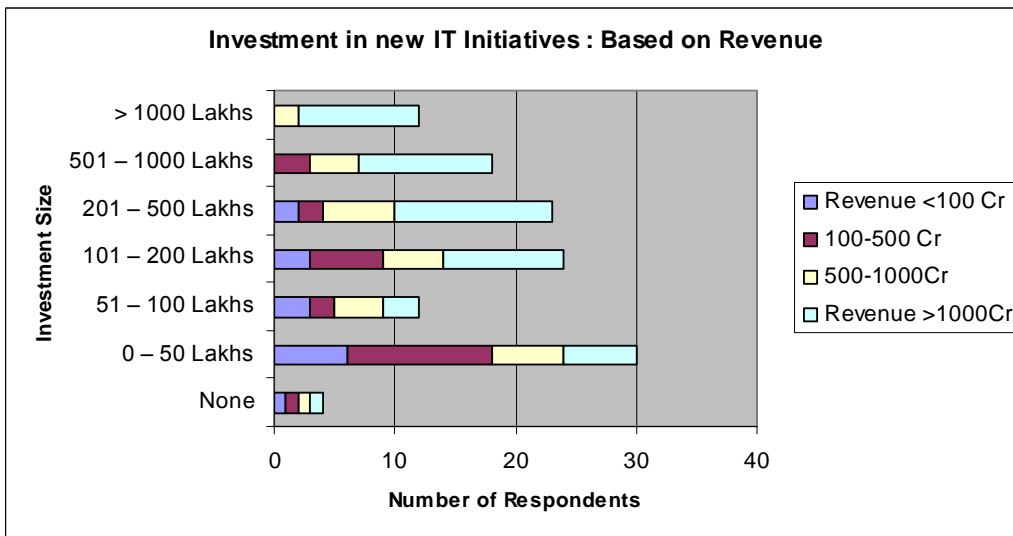
We asked our respondents about the expected size of Investment in new IT initiatives that they had planned for the Year 2009-10. About 24% of the respondents expect to spend less than Rs.50 lakh towards new IT Initiatives. Only 3.3% of our respondents say that they do not plan to invest into new IT Initiatives. Almost 10% of the respondents expect to invest more than 1000 lakh in new IT initiatives. About 62% of the respondents mention that their investments could be in the range of Rs.50 lakh – Rs. 1000 lakh

Looking at the sector-wise breakup into the new technology initiatives, we find that BFSI Sector would be among the biggest spenders on new IT Initiatives, with 58% of the big spenders (>1000 lakh) from BFSI. More than 81% of the BFSI companies plan to invest more than Rs.50 lakh, with only remaining 19% planning to invest less than Rs. 50 lakh in new IT initiatives. BFSI companies are constantly striving to bring better services to their customers, and IT comes as one of its most important enablers.

Consumer product companies are also showing increasing interest in new IT initiatives, with 50% of the companies planning to invest upto Rs.50 lakh and about 42% companies planning their investments in the range of 100-1000 lakh.

All the pharmaceutical companies covered under the survey are planning new IT initiatives. 65% of the pharmaceutical companies are planning investments in the range of Rs.100 to 1000 lakh.

We also analyzed the data based on the revenue of the surveyed companies. Companies with revenue more than Rs.1000 cr are expected to make sizeable investments in new IT Initiatives, with 81% of large companies planning to invest more than Rs.100 lakh, including 38% of them planning to invest in excess of Rs. 500 lakh.

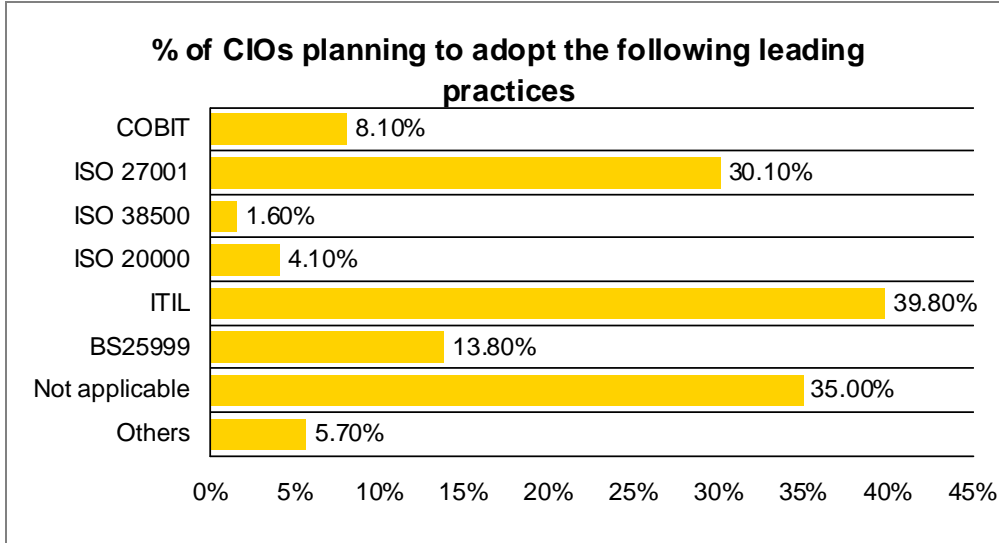




About 44% of the companies with revenue less than Rs.500 cr plan to invest in the range of 0-50 lakh towards new IT initiatives.

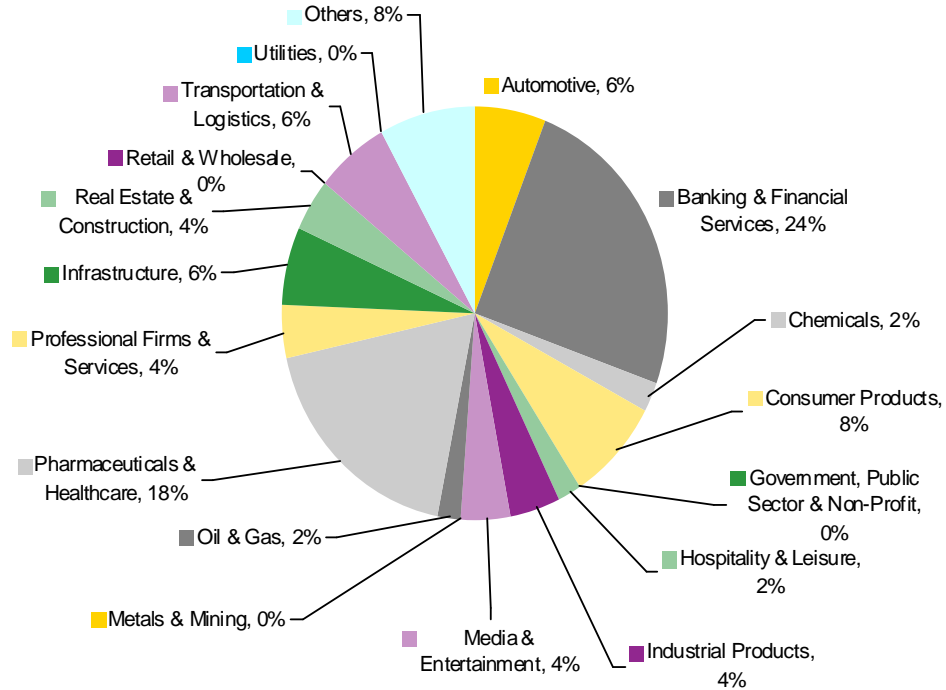
## 4.2. Shaping the year ahead

### 4.2.1. Investment in IT Process Framework



A large number of companies (almost 40%) plan to use the well acclaimed Information Technology Infrastructure Library (ITIL) framework for developing and implementing the IT policies and procedures. The survey results are not surprising, given the potential benefits of using this framework, including improved service quality, enhanced availability, reliability and security of critical IT services and improved resource utilization.

### Sector wise planned adoption of ITIL

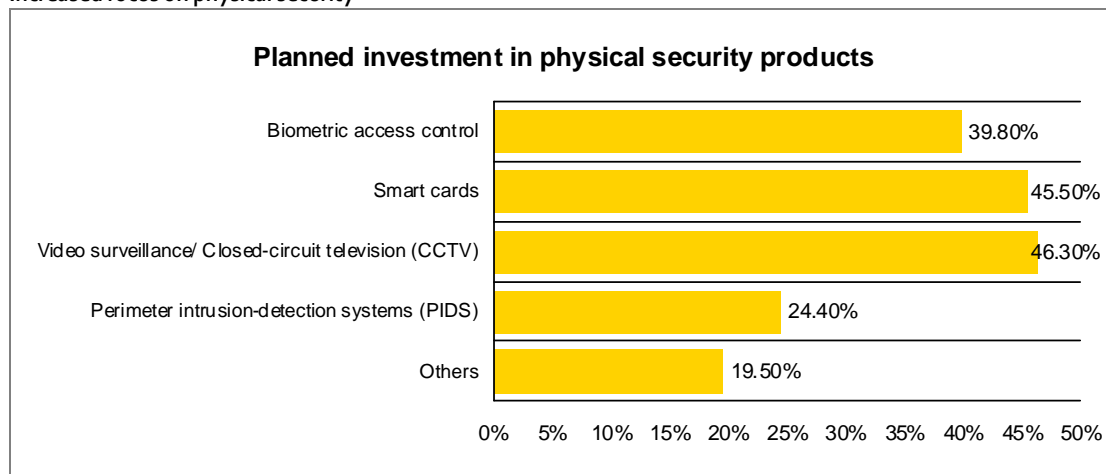


Out of the 49 companies who have selected ITIL process framework, 24% respondents are from the Banking & Financial Services sector, followed by 18% respondents from the Pharmaceuticals & Healthcare sector. It is interesting to note that the plan for adoption is more prevalent in companies having employees in excess of 1000 and annual revenue more than 1000 cr.

For the companies where IT cost reduction is being given the priority for the FY 2009-10, 40% of the companies are looking to rationalize their cost by increasing process efficiencies, and enhancing overall services with the help of this framework.

#### 4.2.2. Investment in Physical security

##### Increased focus on physical security

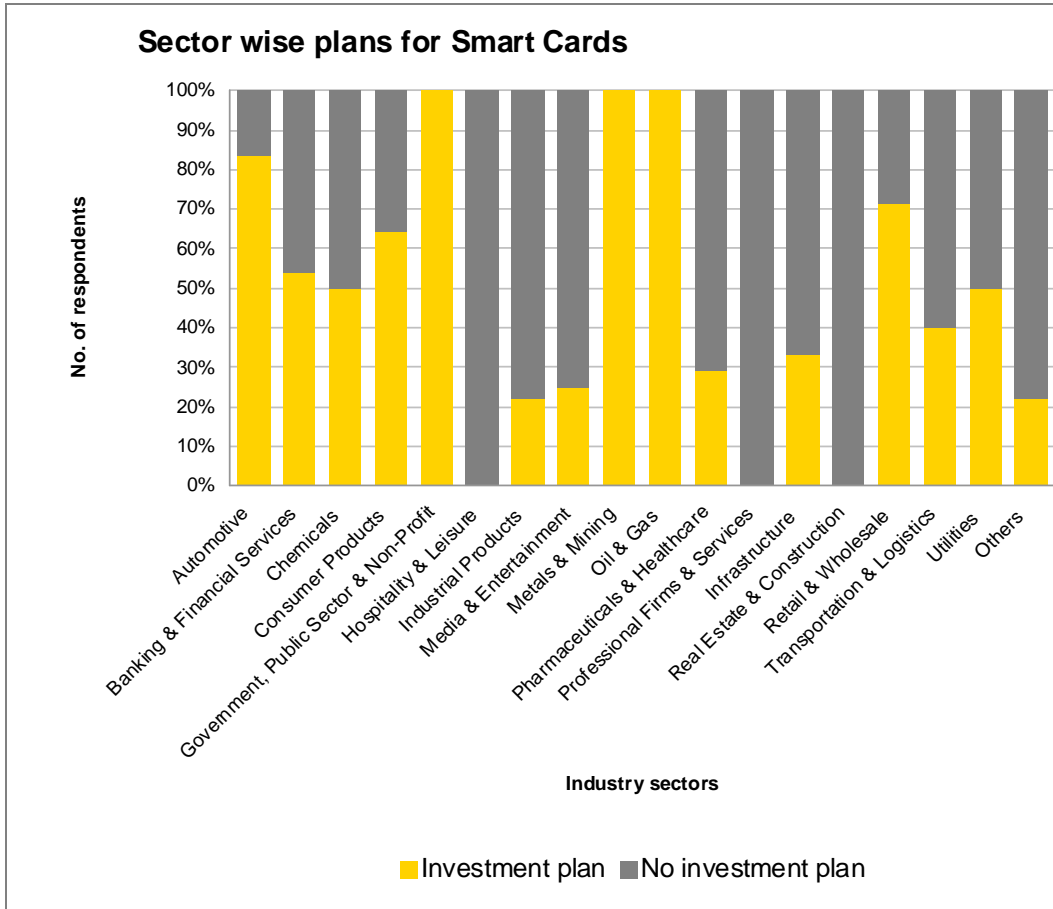


While the link between IT and information security has always been very strong, various unfavorable events across the nation and world have changed the security paradigm. Consensus exists between the CIOs that in the FY 2009-10 the focus on physical security aspect will be of paramount importance.

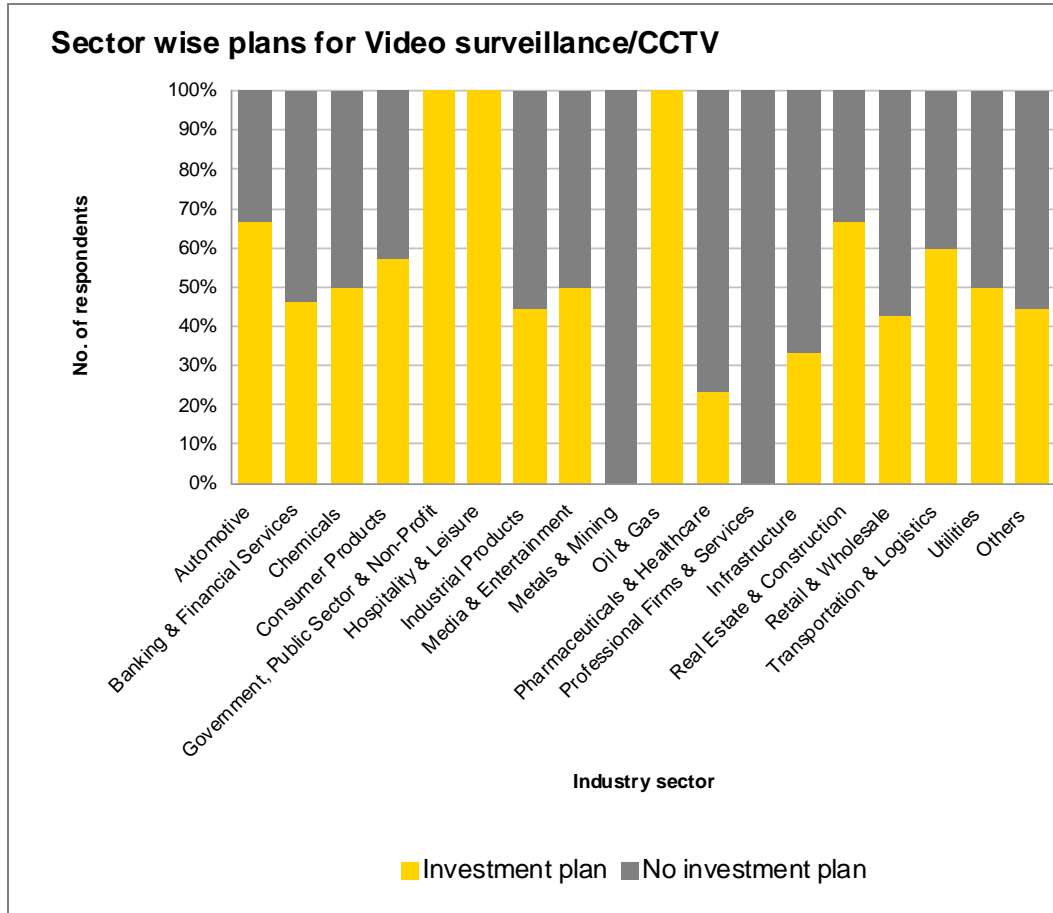
Approximately 46 % of the respondents plan to invest in surveillance measures such as Video surveillance or Closed-circuit television (CCTV) and almost equal ones plan to invest in smart cards. The importance of physically securing the perimeter can be gauged from the fact that approximately 46% of the CIOs plan to invest in more than one physical security product.

CIOs were most interested in adopting smart cards and Video surveillance/ Closed-circuit television as key security investments. An industry wise graph is provided.

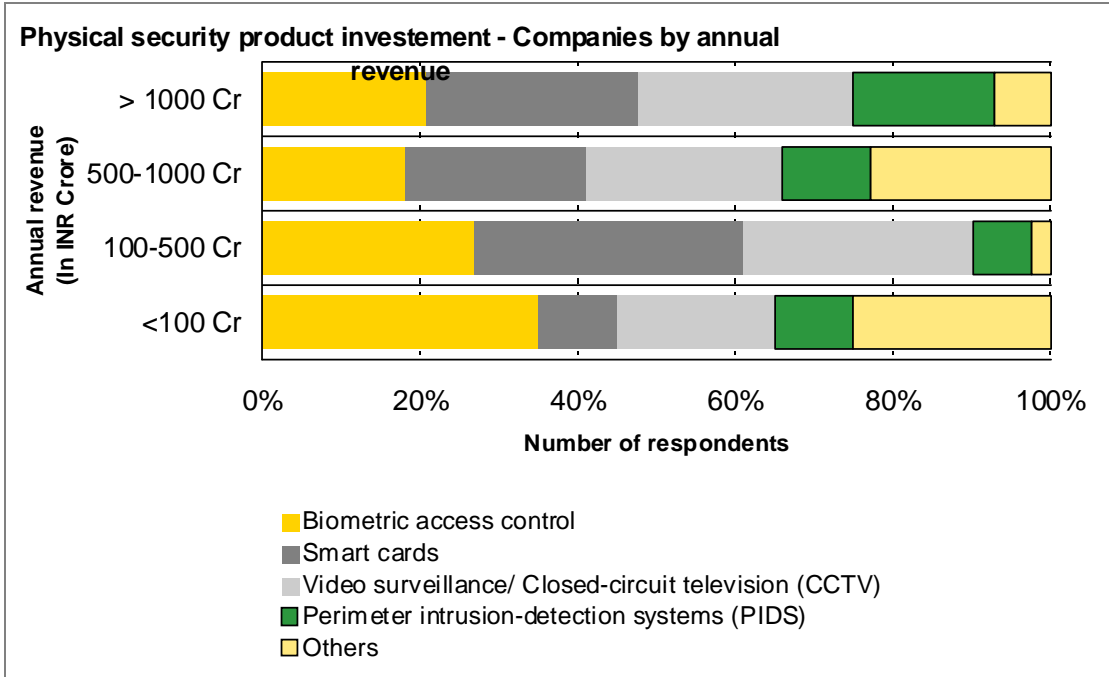
Sector wise plans for Smart Cards



Sector wise plans for Video surveillance/ Closed-circuit television



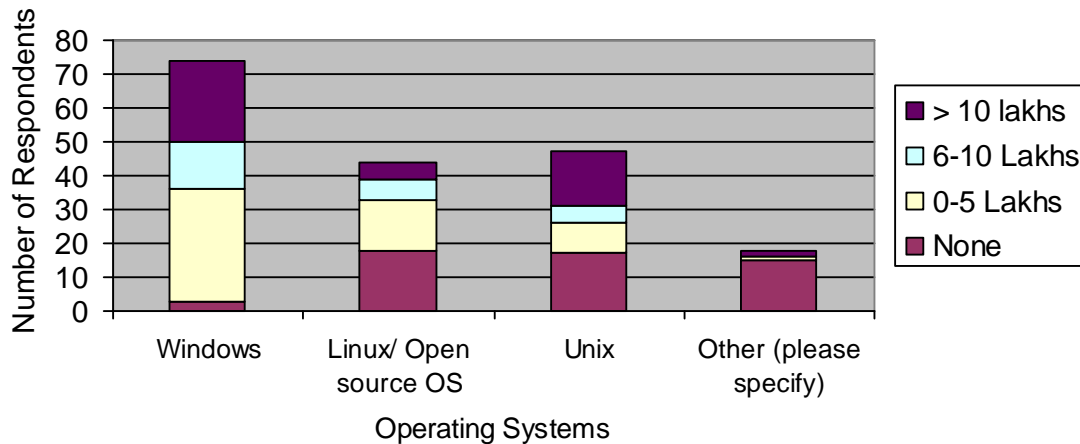
Enterprises of all sizes have begun to look at protecting their physical perimeters, with Video surveillance/ Closed-circuit television and smart cards being the choice of companies with annual revenue > 500 cr.



#### 4.2.3. Investment in Data Centre Operating Systems

Windows is the most preferred Operating System for Data Centre applications

### Expected Spending on Operating System Licenses



To determine the demand for Data centre and operating system licenses for data centre applications, we asked our respondents for their plans on purchase of Operating System licenses for data centre applications. 63% respondents responded that they planned to purchase operating system licenses for data centre applications in the fiscal of 2009-10, while 37% responded negatively.

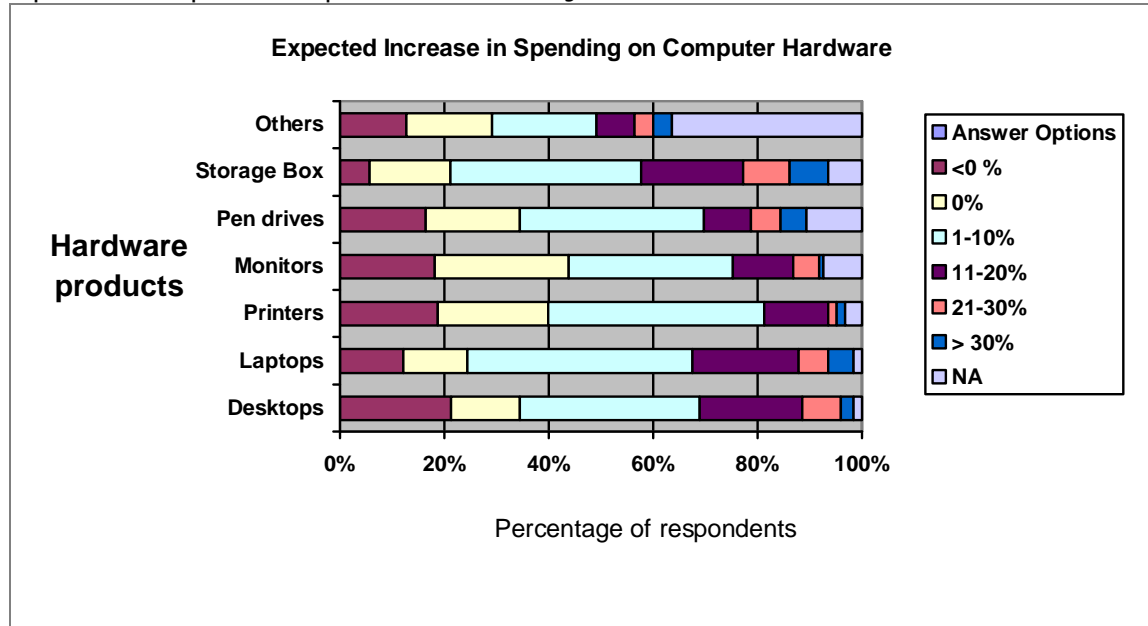
For those intending to buy software operating system licenses for data centre applications, the biggest chunk of 60% respondents intend to buy Windows licenses. 20% of the companies intend to spend over Rs. 10 lakh on Windows licenses, while over 38% companies are planning to spend less than Rs. 10 lakh. Windows is followed by Unix, with over 38% respondents planning to buy Unix Licenses. Unix has been known in the market for its high reliability, security and resilience for virus threats.

Traditionally, corporate house have preferred to stay away from open source software, owing to concerns like on-going support, reliability, security etc. Trends seem to be changing now, with 36% of our respondents planning to use Linux / Other

open source operating systems. Data suggests that majority of these respondents are planning to use Linux saves the often high cost associated with operating system licenses.

#### 4.2.4. Investment in Computer Hardware and Accessories

Expect moderate spends on computer hardware in FY2009-10



Most of the companies covered in the survey expect their computer hardware purchases to exceed 1-10% of last year's spending. This includes desktops, laptops, monitors, pen drives, printers, etc.

Computer Desktops and laptops could be most sold computer devices in year 2009-10. 34.4% of our participants say that their spending on desktop computers would increase by 1-10%. On the other hand, companies that want to reduce the spending on IT hardware and software are taking measures to better utilize hardware by performing upgrades etc. 21.3% of our respondents said that their spending on computer desktops would reduce as compared to the previous financial year.

A reduction in the expected demand of desktop computers could also be attributed to a corresponding increase in the demand of laptop computers. As companies realize the convenience and productivity benefits of laptop computers, they are phasing out the old desktops and replacing them with laptops.

43.1% respondents say that their spending on laptop computers would increase by 1-10%, while 12.2% respondents say that their spending on laptops would decline in the fiscal 2009-10.

Computer printers can also be expected to have a reasonable growth with over 60% respondents predicting an increased spending on computer printers.

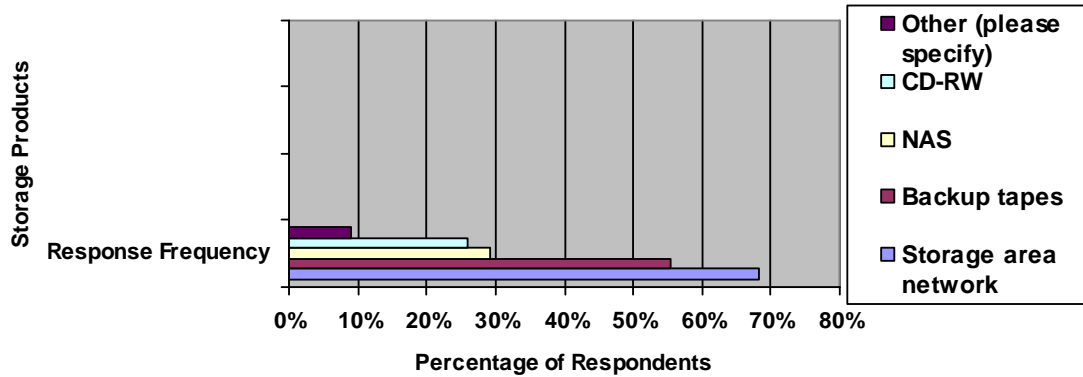
Demand for computer monitors can be expected to follow the demand patterns for desktop computers, where maximum respondents predicted an increased spending, in the range of 1-10%.

Storage boxes present an attractive product category for all companies. 97 out of 123 respondents expect an increased spending on storage boxes. 45 respondents predict an increase of 1-10% YoY, while 19.5% respondents expect an increased spending in the range of 11-20% YoY.

Many respondents see an increased spending on network devices and connectivity equipment.

#### 4.2.5. Investment in Data Centre Storage

Building Storage Area Networks becomes a top priority for data storage



Storage area networks are emerging as the most preferred method of data storage. Storage area networks (SAN) architecture has been identified for data storage by over 68% of our respondents.

A storage area network (SAN) architecture allows remote computer storage devices ( disk arrays, tapes etc) to be attached and configured, so that they appear as locally attached to the computer. As the costs of SANs are gradually reducing, SANs are becoming common outside the larger enterprises that could afford them earlier.

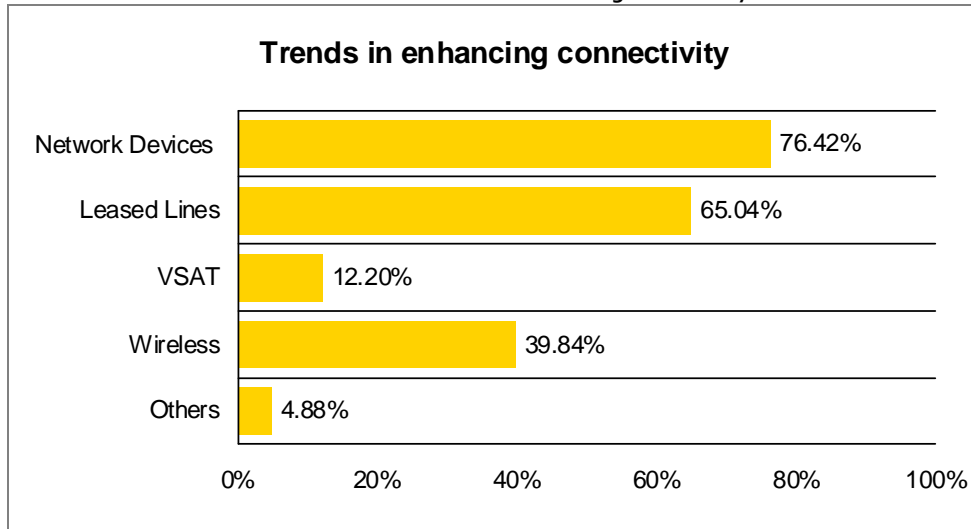
The survey also included another common data storage method, NAS. Network attached storage (NAS) systems are on the agenda of about 36 of our respondents.

Backup tapes continue to be the old, trusted method of data storage and have been identified for data storage by about 55% respondents for this survey. CDs and DVDs also continue to be the method of Data storage for 26% of our respondents.

Both Backup tapes and CD/DVDs are frequently used by companies to archive data and create secondary backups. They are also used to move old, unused data to storage so that space can be made available to new data coming from various applications.

#### 4.2.6. Investment in Network Devices and Connectivity

Economic slowdown fails to deter the investments in enhancing connectivity



Approximately 76% of the CIOs are planning to invest in the network devices, closely followed by leased line (65% respondents).

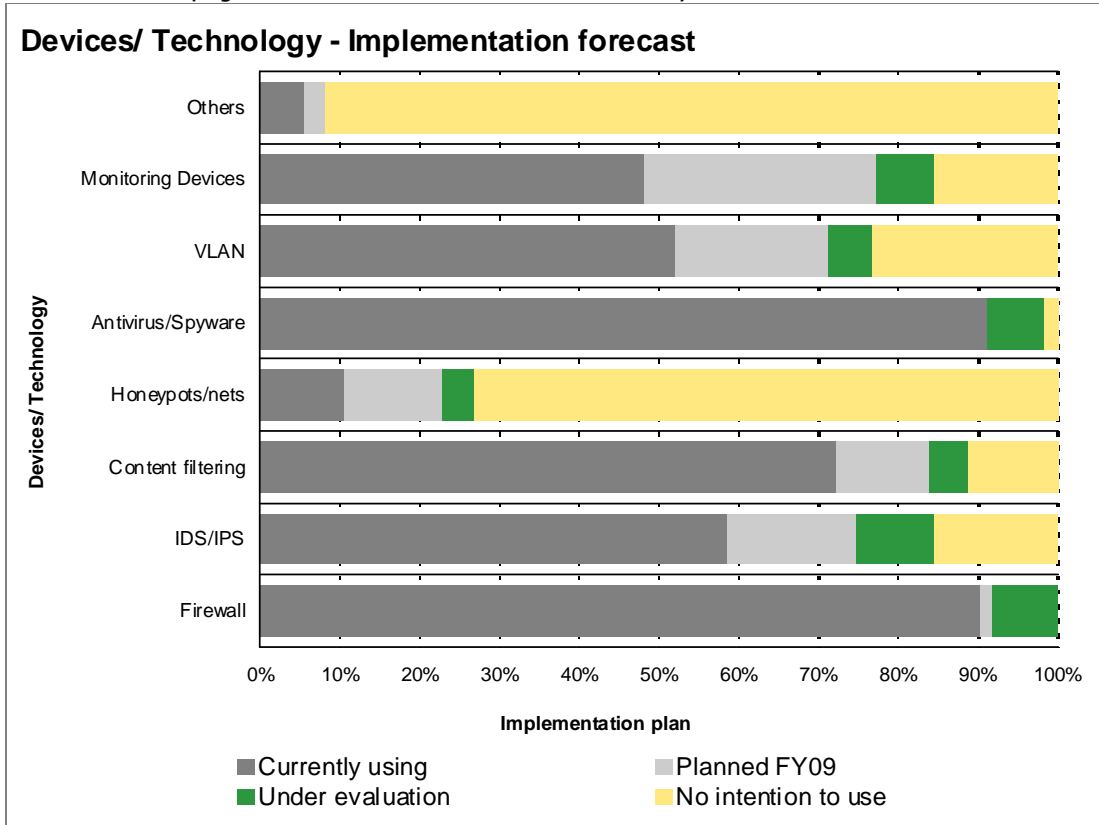
Notwithstanding economic uncertainty and cost reductions, 123 CIOs plan to invest a total of INR 31 cr in network devices, comprising of Routers, Switches, Hubs and VPN Concentrators. This is closely followed by planned investments worth INR 21 cr in leased line totaling up to a combined investment of INR 52 cr in both of them.

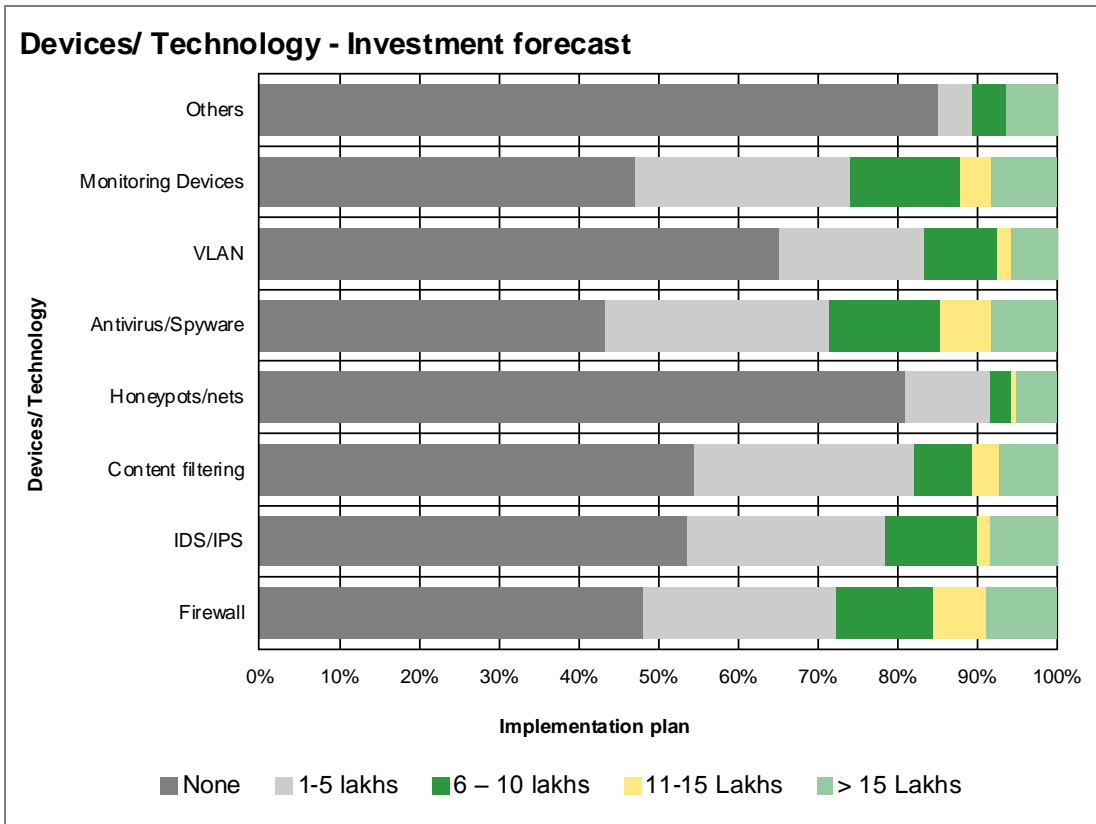
It is interesting to note that Organizations planning to outsource their 'Helpdesk function/ Call center operations' and 'Facilities management' plan to invest close to INR 36 cr in network devices and another INR 19 cr in leased line.



4.2.7. Protecting the organization from internal and external information security threats

Basic defense set-up against internal and external information security threats





#### Basic defense

Analysis revealed that almost 90% respondents were currently using Firewall and almost equal numbers were using Antivirus/ Spyware to protect their information from information security threats. This was closely followed by Content Filtering solutions at 72.4 %.

Though this would just be the first installed blocks for perimeter security, the others such as border routers, Intrusion Detection Systems (IDS), Intrusion Prevention Systems (IPS), Virtual Private Network (VPN), Honeypots, gateway anti-virus systems, etc should not be missed out.

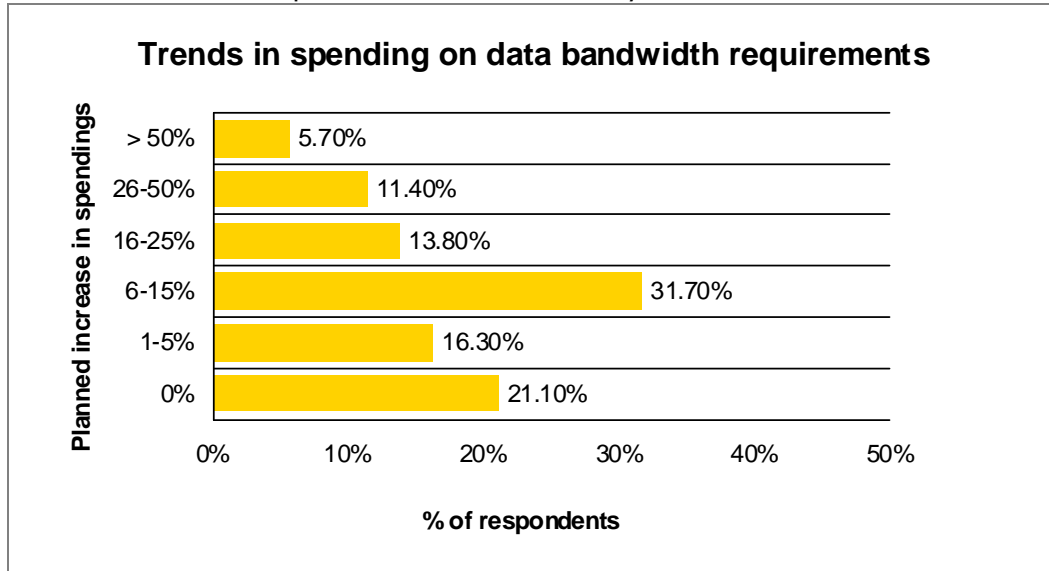
Approximately 37% of the users are either planning to implement or evaluate the various Monitoring Devices, followed by IDS/ IPS (approx 26%) or VPN (approximately 24%). This fortifies our notion that the organizations are looking towards a holistic view of security. A surprise element was for Honeypots, where, analysis revealed that 73.2% of the respondents have no intention to use Honeypots. May be this will change in the coming years.

It should not be forgotten that there will be and should be multiple defense mechanisms to protect the corporate castle.

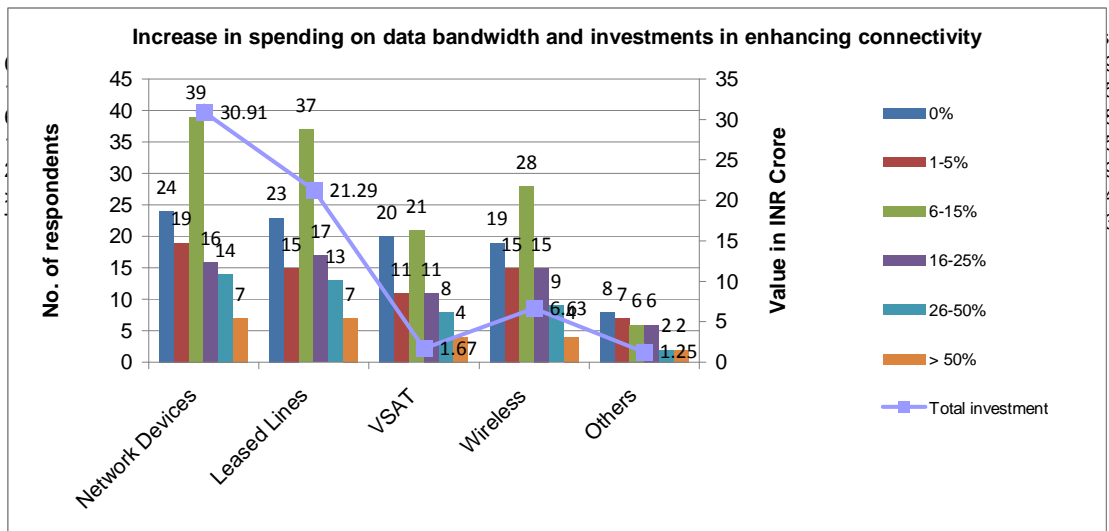
Prima facie it seems that there are not going to be significant investments in the security space. However the investments up to INR 10 lakh will be led by Antivirus/Spyware and Monitoring Devices followed almost jointly by Firewall, IDS/IPS and Content filtering. The investment greater than INR 15 lakh, will be led by Antivirus/Spyware and Monitoring Devices.

#### 4.2.8. Investment in Data bandwidth

Potential investments will be performed for network connectivity



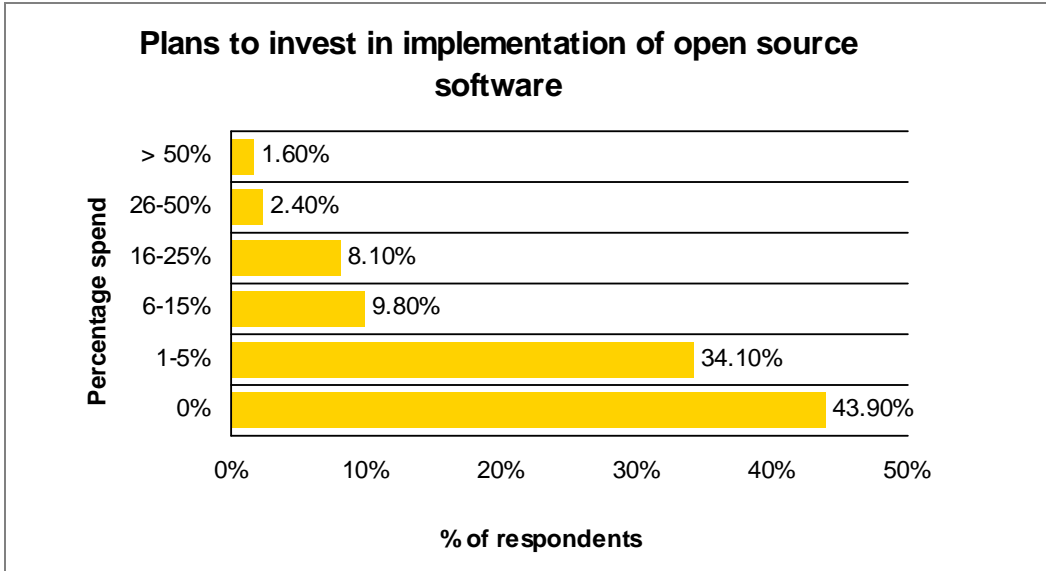
Growth in data bandwidth requirements accompany the increased spends in the enhancing connectivity. The growth in spending on the data bandwidth requirements is poised between 6-15%, with approximately 32% of respondents supporting the thought.



For the CIOs planning to increase their spending on the data bandwidth, 95 CIOs would make an investment of approximate INR 30 cr on network devices and 89 CIOs would make an investment of approximate INR 21 cr on leased line.

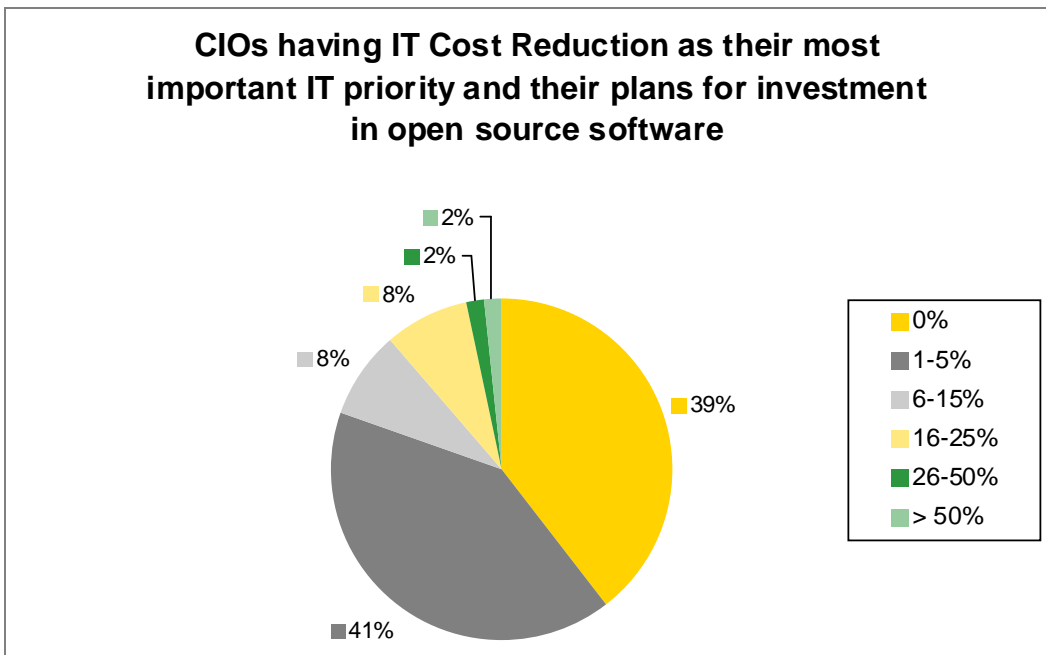
#### 4.2.9. Investment in Open Source Software

Open source software fails to make a mark in the minds of the CIOs

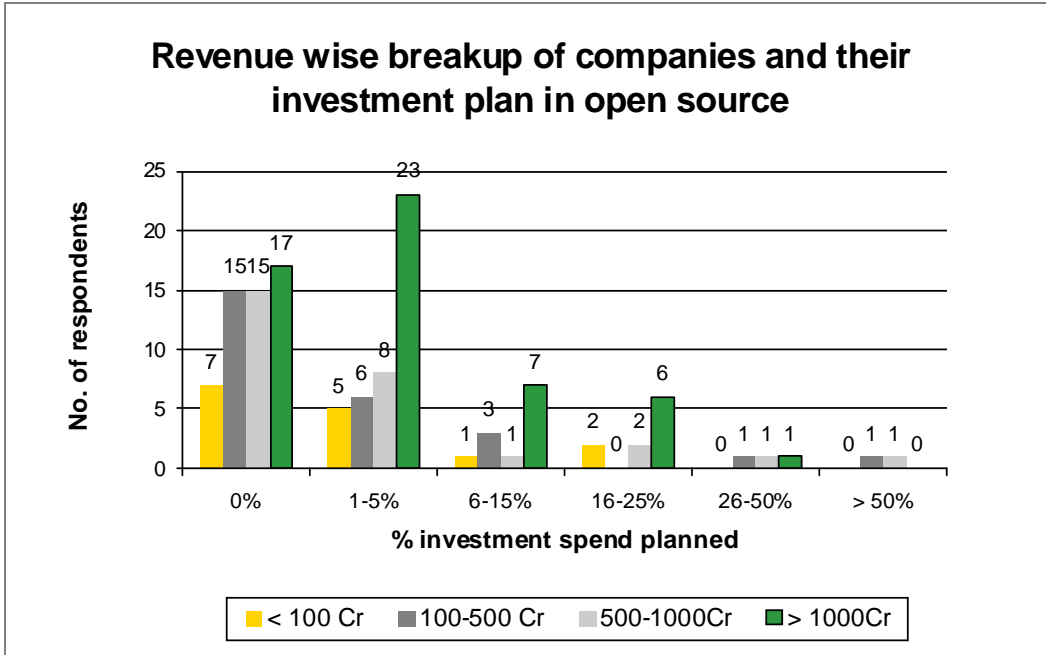


Almost 44% of the CIOs surveyed have no plans to invest in implementation of the open source software in the coming year. Though, 56% of them do have plans to invest in open source software, the numbers are not very encouraging.

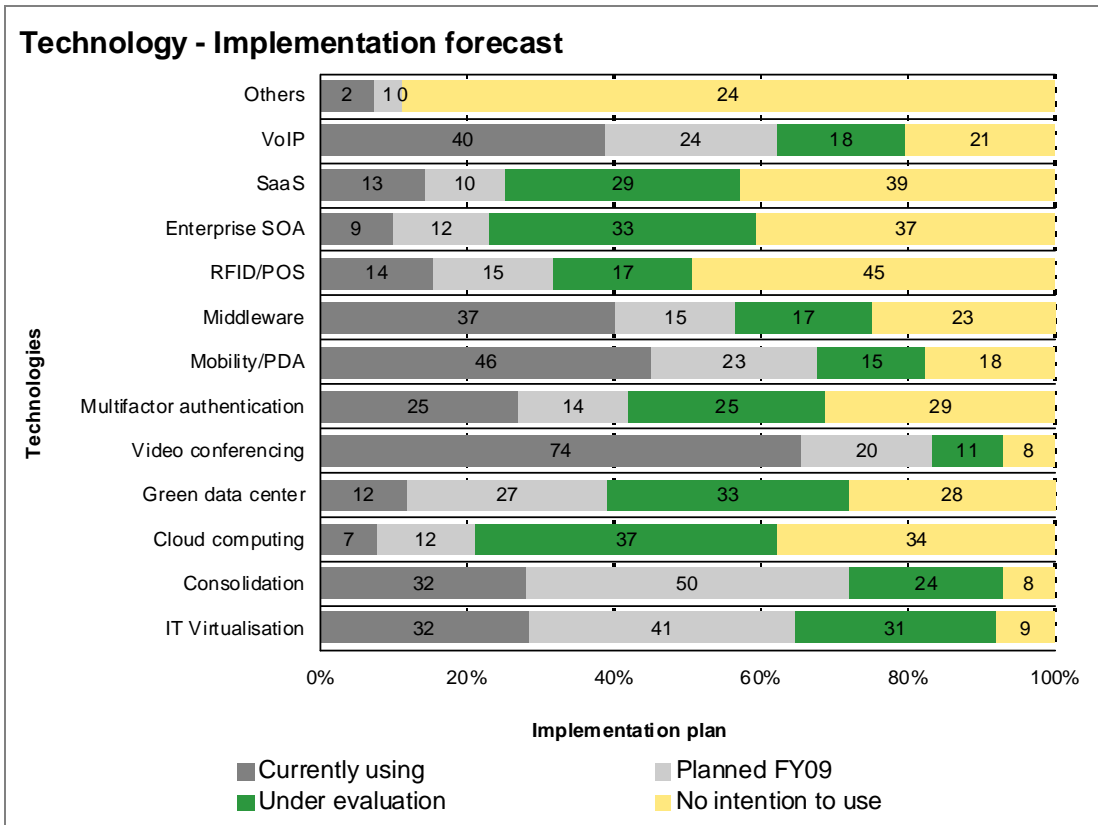
In the tough economic climate, we did expect the CIOs to evaluate open source alternatives, but the survey findings did not adequately support the expectations. In fact, of the 61 CIOs who rated IT Cost Reduction as the most important IT priority, 39% were not planning to invest in open source software and only 20% were planning to invest more than 6% of the spend in it. The probable reason for such low trust in the open source software may be due to their compatibility issues with other existing applications, lack of technical vendor support or initial installation problems.

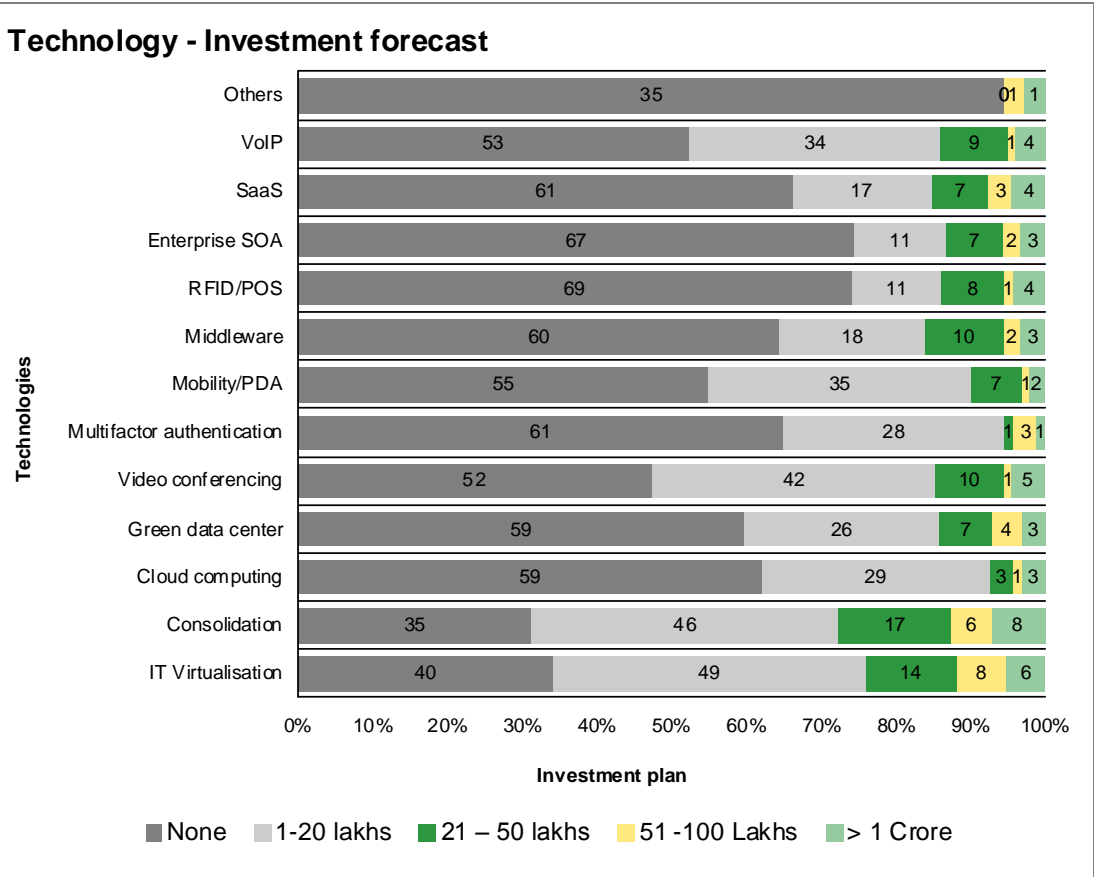


Not surprisingly, for companies having their annual revenue in excess of 1000 cr, have an appetite and are planning to invest in open source software.



4.2.10. Technologies to watch out in the coming year

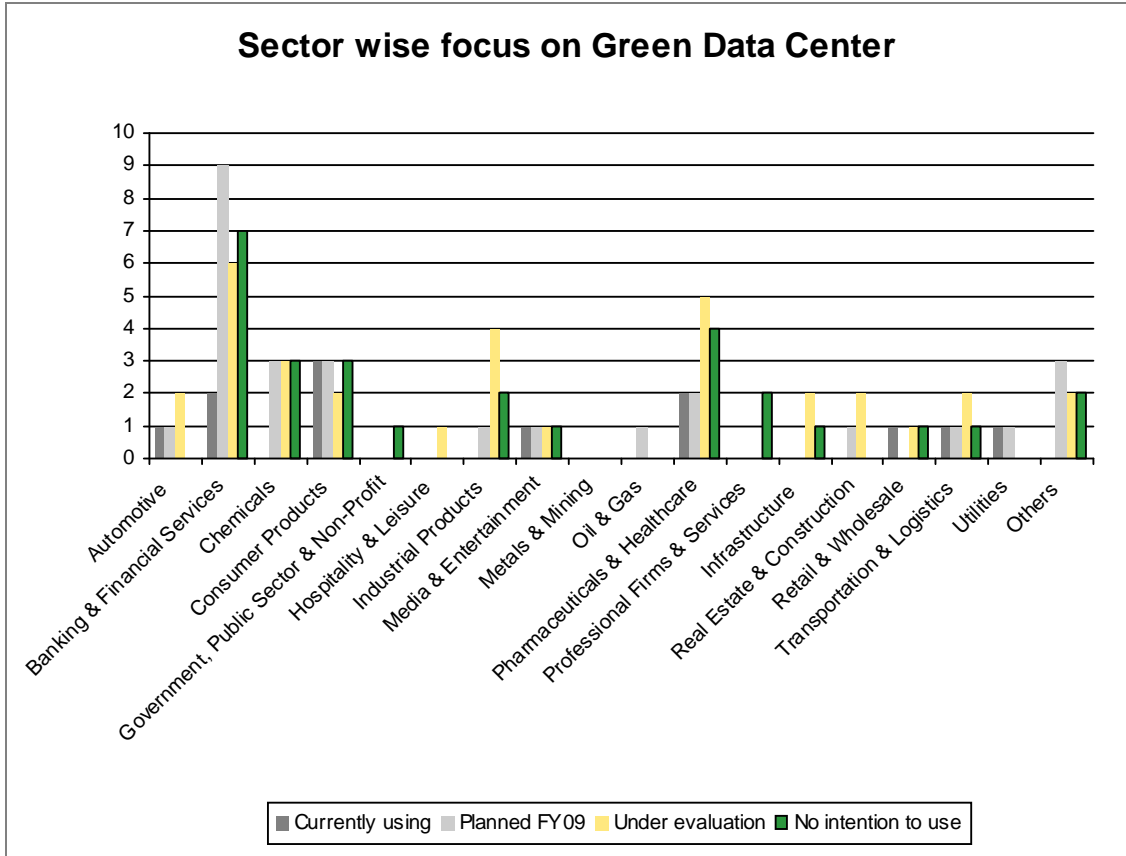




#### Going green

With increasing environmental concerns and cost reduction, Green IT has become the buzz word. Going green initiative is to some supported by the voluntary world of corporate social responsibility.

60% of the CIOs have either planned or are evaluating the concept of Green Data Center in the coming year. Survey analysis revealed that the Green Data Centre initiative is predominantly planned by big companies having annual revenue greater than 500 cr. Almost 65% of the companies having annual revenue greater than INR 500 cr are planning for Green Data Center in the coming year. The Banking and financial sector followed by the pharmaceuticals and health care sector are keen to embark on the Green Data Center initiative.



With many companies facing the credit crunch, the average investment in the 'Go Green' initiative is remains measly between INR 1-20 lakh. Also, it is interesting to note that the CIOs who have IT Cost Reduction as one of the most important priority, are looking forward to Green Data Center.

Going green is expensive, but could pay dividends if the customer tastes and regulators shift quickly.

**Virtual IT**

36.3% of the CIOs are planning to use the IT virtualization technology and almost 43.9% of the CIOs are planning to use IT Consolidation in the current year. This number does not include the CIOs who plan to at least evaluate these technologies. Where, 27.4% of the responded CIOs will evaluate IT virtualization and 21.1% of the CIOs will evaluate consolidation in next year,

The need for both is felt by big companies with annual revenue more than INR 1000 cr.

Sector wise, the Banking and Financial sector lead the pack for planning and evaluating the both technologies. However, Consumer Products, Pharmaceuticals & Healthcare and Banking and Financial together with equal percentage of respondents (18%) are planning for consolidation in the coming year.

Even with pre-thought plans for evaluation and implementation, the average investment for the IT Virtualization and Consolidation remains between INR 1-20 lakh.

**Mobile IT**

45.1% of the CIOs surveyed expressed that they already are using mobile technologies for their business operations. The use of mobile technology seems move prevalent in companies having the staff strength between 1000-5000 employees and annual revenue greater than INR 1000 cr. Further, the same demography section plans to evaluate and implement in the coming year.

Once again, Banking and Financial Services sector lead the usage of this technology. It is heartening to notice the urge in adoption of the technology by various sectors, with Industrial Products and Banking and Financial Services jointly leading the race for evaluation of the mobile technology across all sectors for the coming year.

**RFID on decline**

Almost 50% of the CIOs expressed their disinterest in using the RF-ID technology for the year. The number is comparably large as only 15% of the CIOs are currently using that technology. The figures may be reflective of some of the inherent problems in adoption of RFID including cost, accuracy, integration difficulty, evolution of standards, and supply chain issues.

But all is not lost, 50% of the respondents in the Consumer Products sector have planned to implement RF-ID technology in the year and almost 30% of the respondents in the Pharmaceuticals & Healthcare sector plan to evaluate this technology in the coming year.

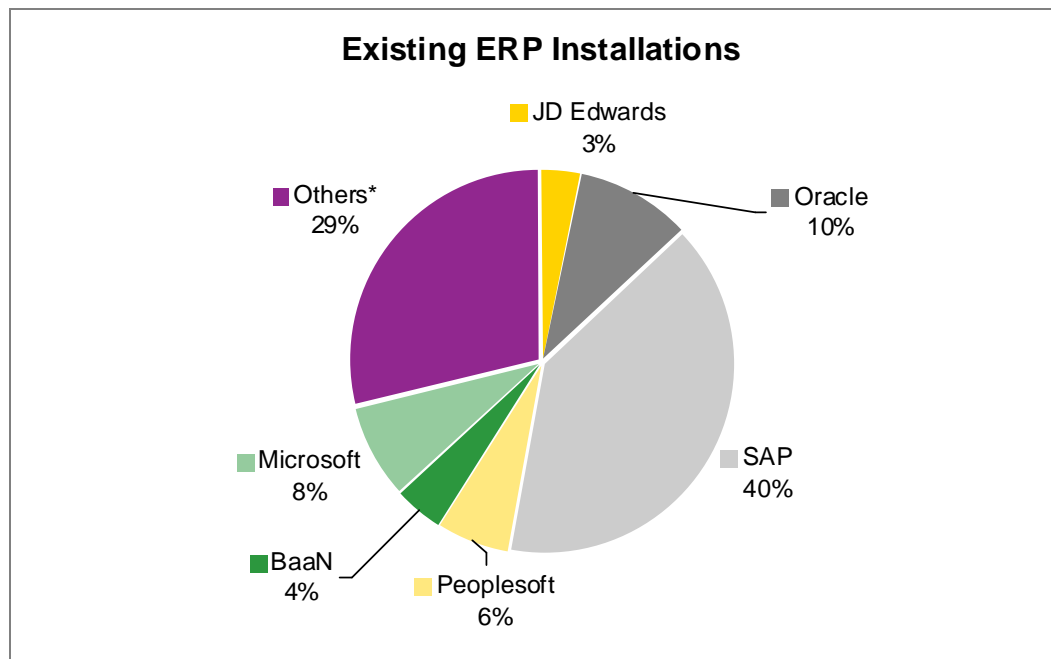
Cloud computing, Enterprise SOA, Green IT (Green Data Center) and IT Virtualisation will be the technologies under evaluation in the financial year 2009-10.

**4.2.11. E-mail solutions and services**

More than 75% of the CIOs expressed their interest to use the existing E-mail solutions and services. The plausible ground for this thought process could be challenges envisage in changing the solution/ service, from time investments in evaluations of the new solution to the financial investments in new software and supporting infrastructure, licenses, new maintenance contracts, data archiving and migration. The belief is that the challenges in migrating to the new solution/ service outweigh the expected benefits.

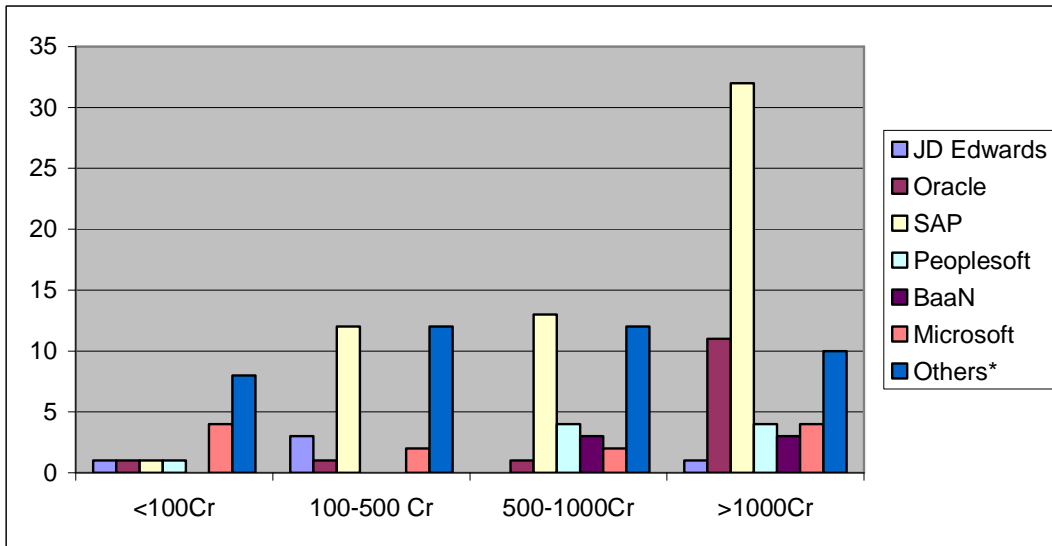
The scenario is a little different on the license front, where users are planning to marginally increase the number of licenses in use. However, the trend deviates in case of Microsoft Exchange where almost 23% of the companies currently using it, plan to increase their number of licenses.

**4.2.12. Business applications**

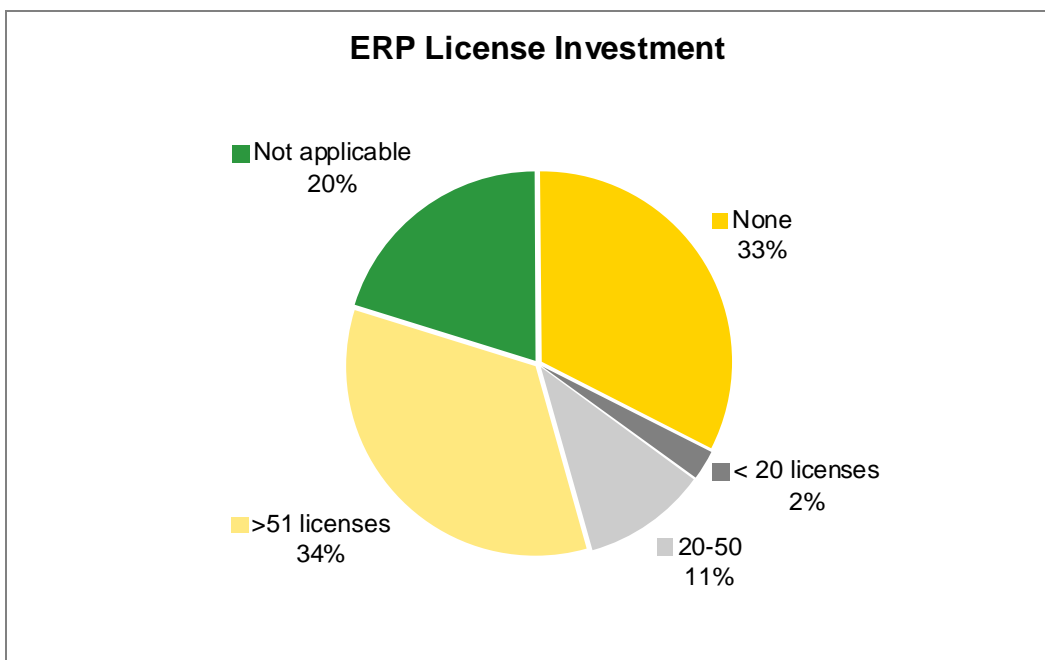


SAP is the leader in the number of installations. Out of 123 respondents, 58 were already running SAP followed by Oracle products (28) such as Oracle applications, JD Edwards and PeopleSoft. Other ERP installations include JDA, MFG-Pro and customized ERP applications



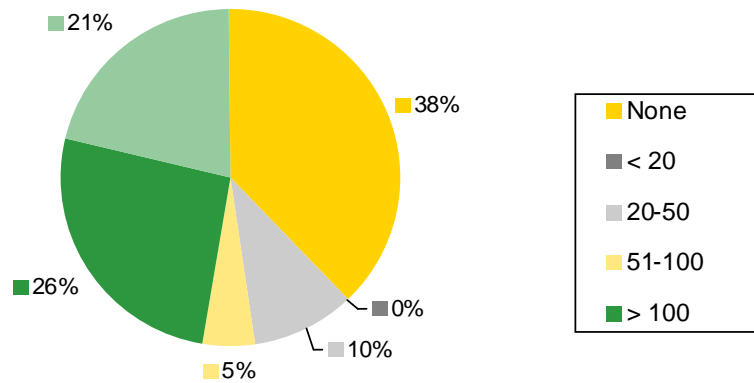


However, penetration of these ERPs in small companies (Revenue < Rs 100 Cr) is very low. The market is very fragmented and dominated by customized ERP applications.



Investments in ERP show a mixed trend. While 33% respondents have no plans to invest in ERP licenses, almost an equal number will invest in 50 or more licenses. The investment trend shows a sectoral bias. Pharmaceuticals and automotive companies will continue invest heavily in new ilcenses. Traditionally, these sectors were the early adopters for the ERP applications and coming years shall be no exceptions despite the economic uncertainty. Almost 34% of companies shall be investing in 50 or more ERP licenses with Pharma & automotive accounting for around 40% of these companies. 83% of auto companies and 64% of Pharma companies will invest in 50 or more ERP licenses this year.

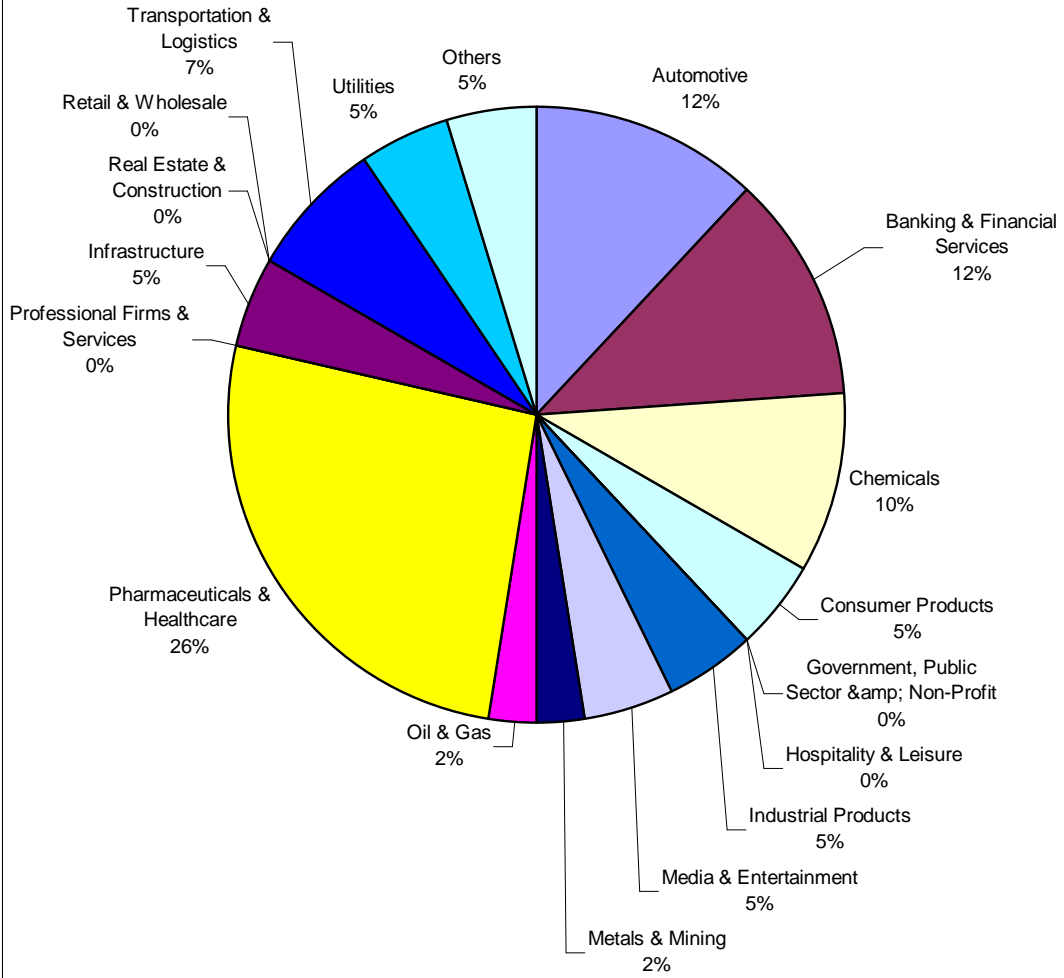
**CIOs having IT Cost Reduction as their most important IT priority and their plans procurement of ERP licenses**

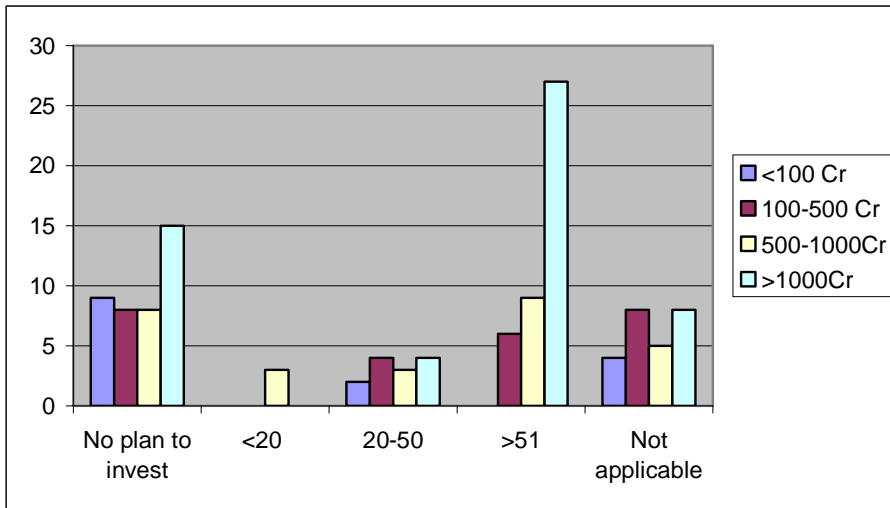


CIO's having IT cost reduction as their most important IT priority have no plans to purchase ERP licenses in the financial year 2009-10.

However, one third of the companies have no investment plan for ERP this year. Investment trend in Real estate and infrastructure companies reflect the recessionary trend with no major investment planned. Conventional "ERP Friendly" sectors like consumer goods, chemicals and retail also depict a negative trend and these sectors account for 40% of the companies having a negative outlook.

Breakup of companies investing in more than 50 ERP licences

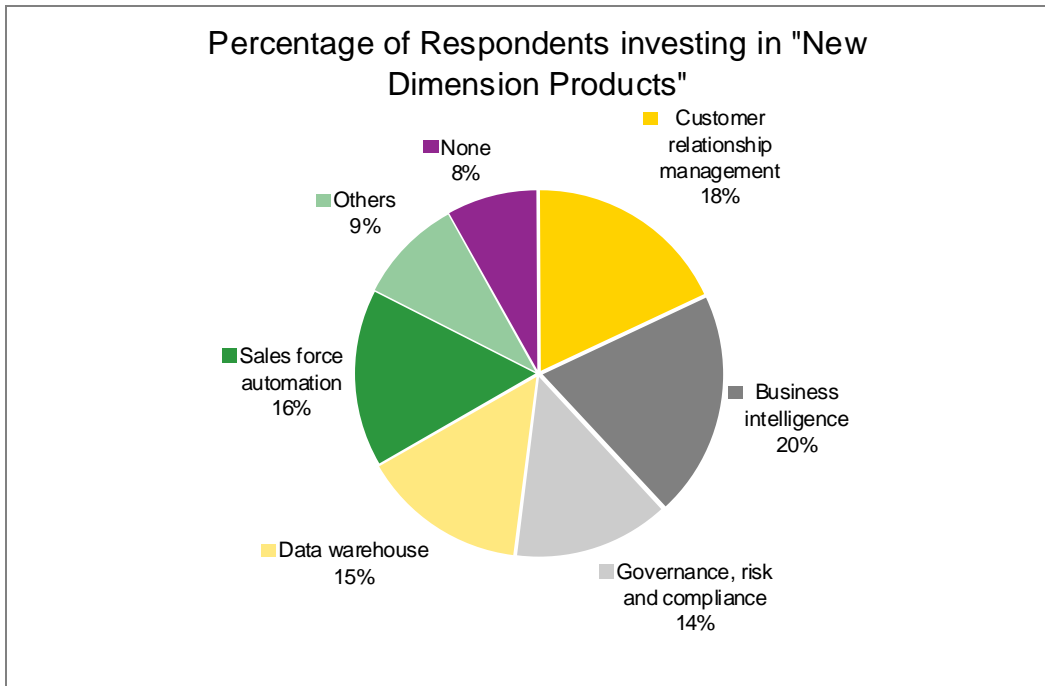




Strong correlation exists between ERP adoption and the organization's annual revenue. Almost 50% of large organizations (Revenue > 1000 crs) have significant investment plan vis-à-vis ERP. While smaller companies shall be content with the legacy applications and overwhelming 90% of them have absolutely no plan of investing.

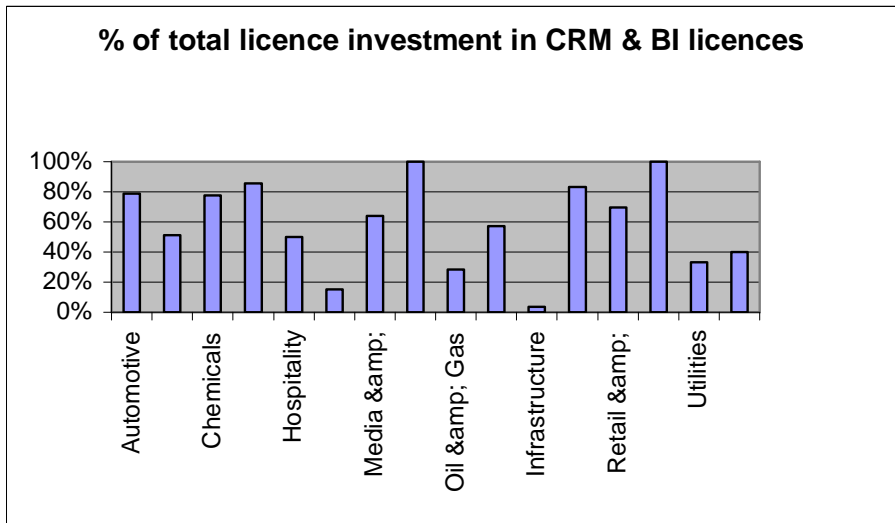
The trend confirms that ERP product companies should attempt to make investments more viable for small and medium size companies. While last few years have seen SMEs investing in ERPs, the recessionary trend has resulted in a reality check and product companies must show "value for money" to attract more customers.

#### 4.2.13. Going beyond ERP



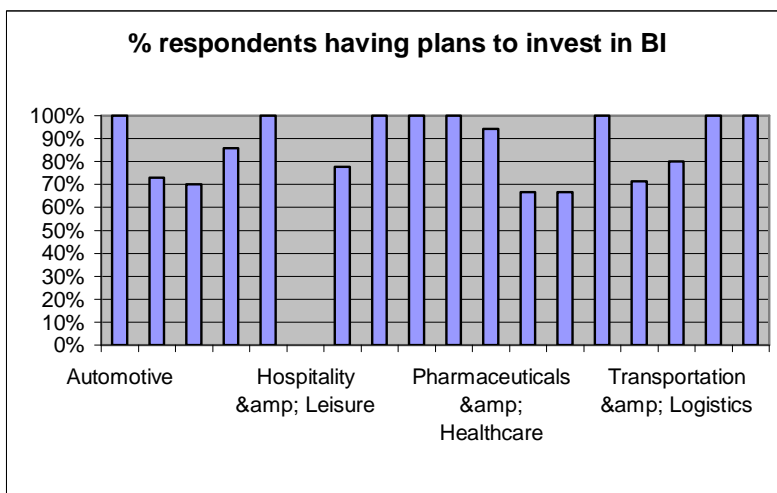
While there is a mixed trend for the core ERP products, organizations are going to look for "New Dimension products" and invest in knowing their customers better and enhancing the decision making skills. 84% of respondents have plans to invest in business intelligence software and 75% of respondents shall be implementing CRM solutions.

Governance, risk and compliance has never been more talked about topic in India. However, Companies seem to be taking a cautious approach in terms of IT enablement of GRC with only 56% of respondents have plan to invest into GRC software.

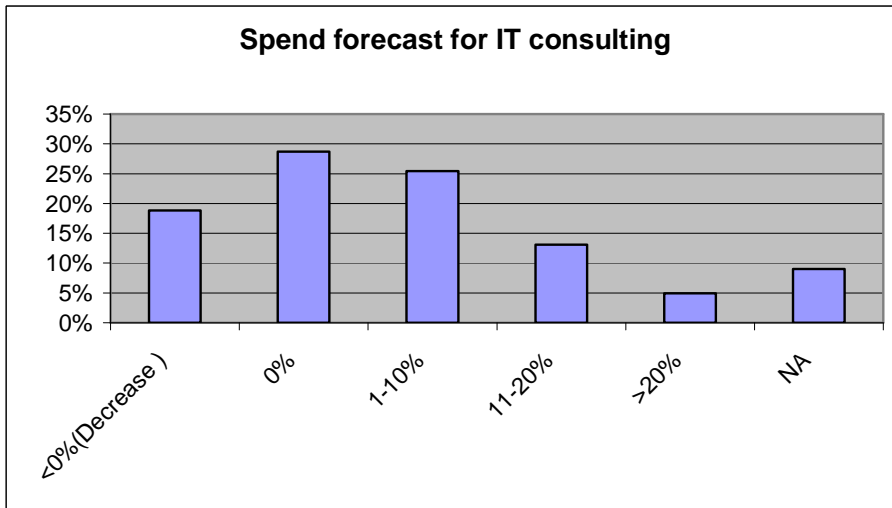


Total projected license purchase for these products is 16245 licenses. Banking and financial services companies form almost 30% of these license purchases as they plan to invest heavily in CRM and sales force automation software's. This underscores the competitive environment that they are operating in. A larger chunk of license purchase (>1700) for banking companies shall be concentrated on CRM software.

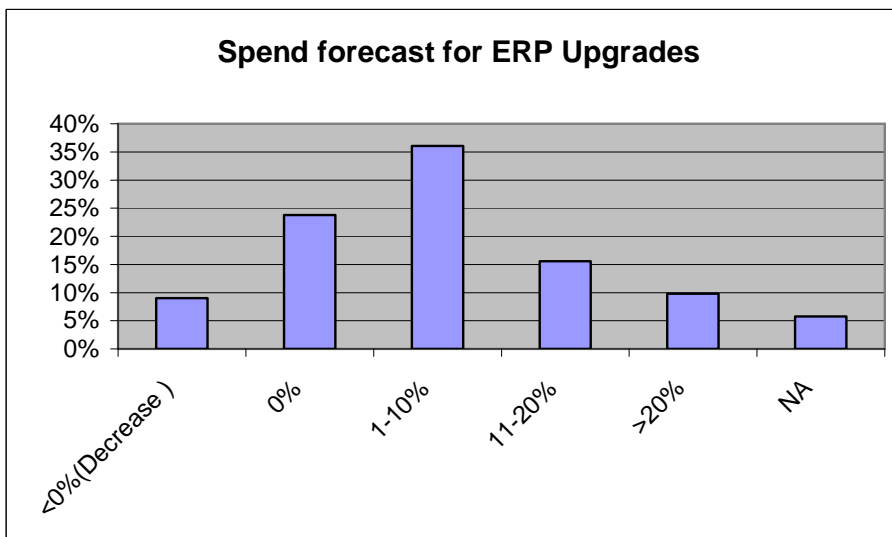
The trend to concentrate on CRM is similar across industries and underscores the fact that India Inc is waking up to closely understand the customer.



Pharma and consumer products companies show an inclination towards enhancing the decision making ability through heavy investment in Business intelligence (BI) software. More than 94% of pharma companies CIO mentioned that implementation of BI tools shall be a focus in FY09 while more than 85% of the consumer product companies had investment plan in BI software.

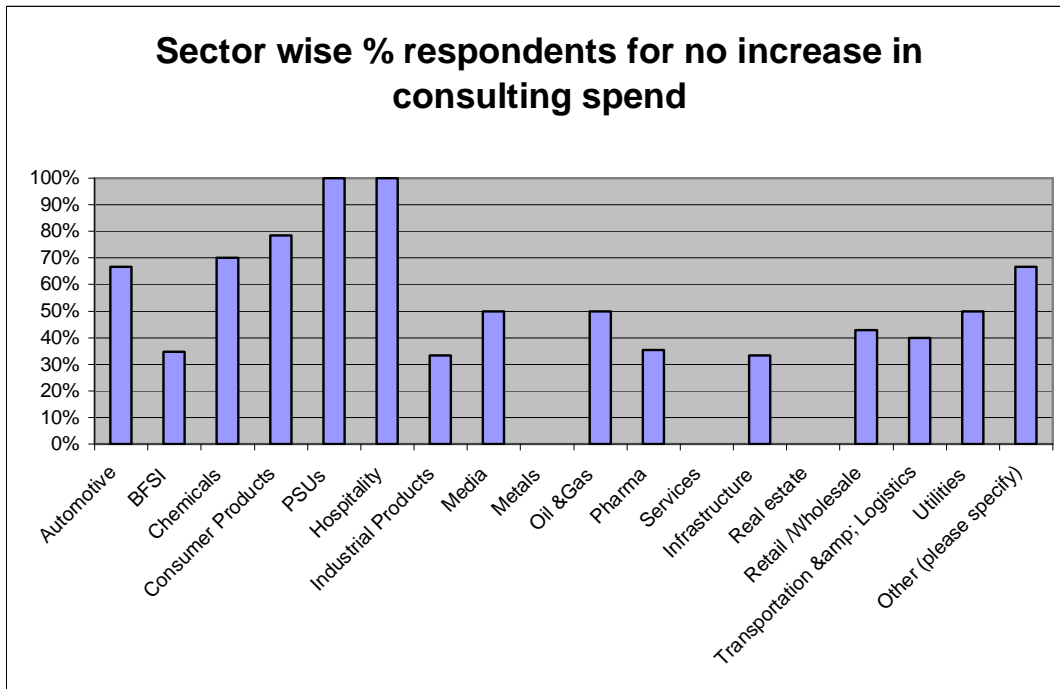


Growth in IT consulting spends & IT/ERP upgrades are slated to be single digit in FY09. 48% of respondents have no plans to increase the IT consulting spend this year. 25% of respondents shall keep the IT consulting spend in single digit.



69% of respondents have minimal growth (<10%) plans for ERP upgrades. Our interactions with CIOs have revealed that the focus this year shall be to maximize benefits from existing ERPs and costly version upgrades shall be taken only based on critical business need.

#### 4.2.14. Consulting spend

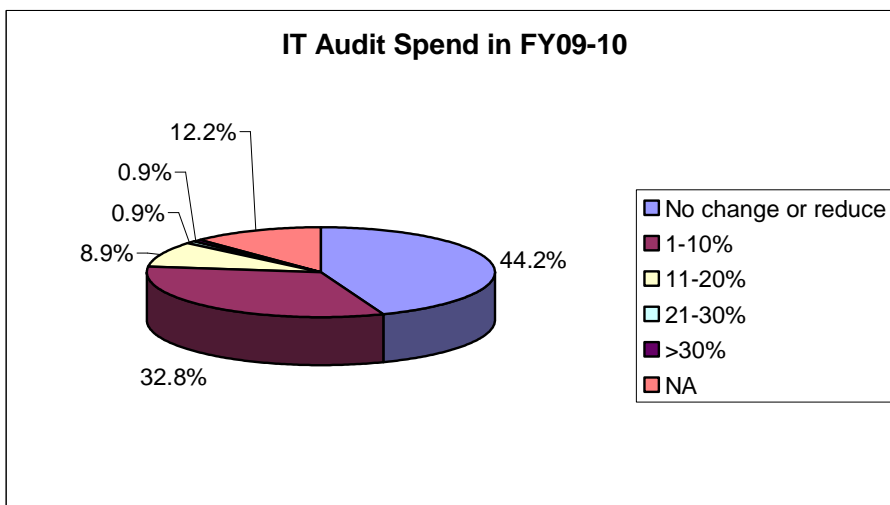


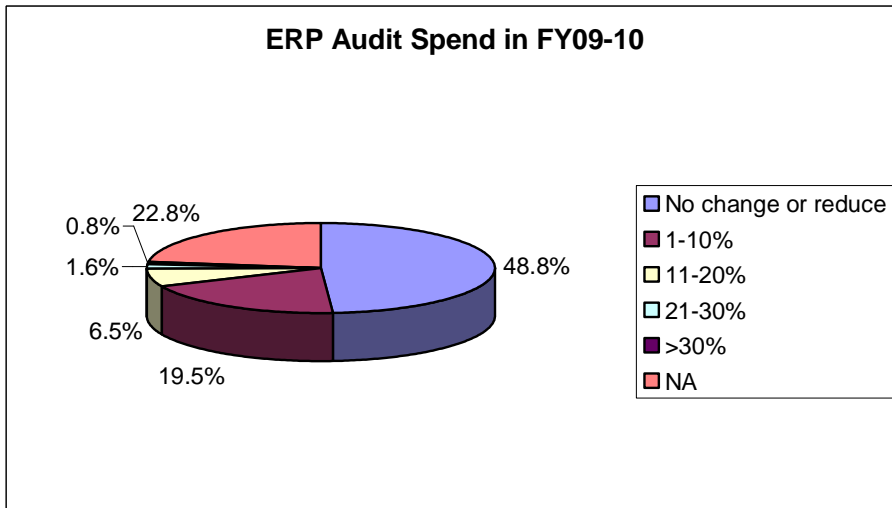
80% of the respondents from Consumer products sector see negative or no growth in IT consulting spends and the outlook remains more or less same for other sectors with differing magnitude.

The feeling is same across various revenue segments and all organizations are looking at lowering consulting / AMC/upgrade costs without a sectoral bias.

This provides a business opportunity for “value” providers as companies try to maximize ROI by lowering costs. IT Service providers should lower the consulting costs and concentrate on gaining market share and topline growth as FY09 may not be a good year to increase bottomline.

#### 4.2.15. IT Audit spend

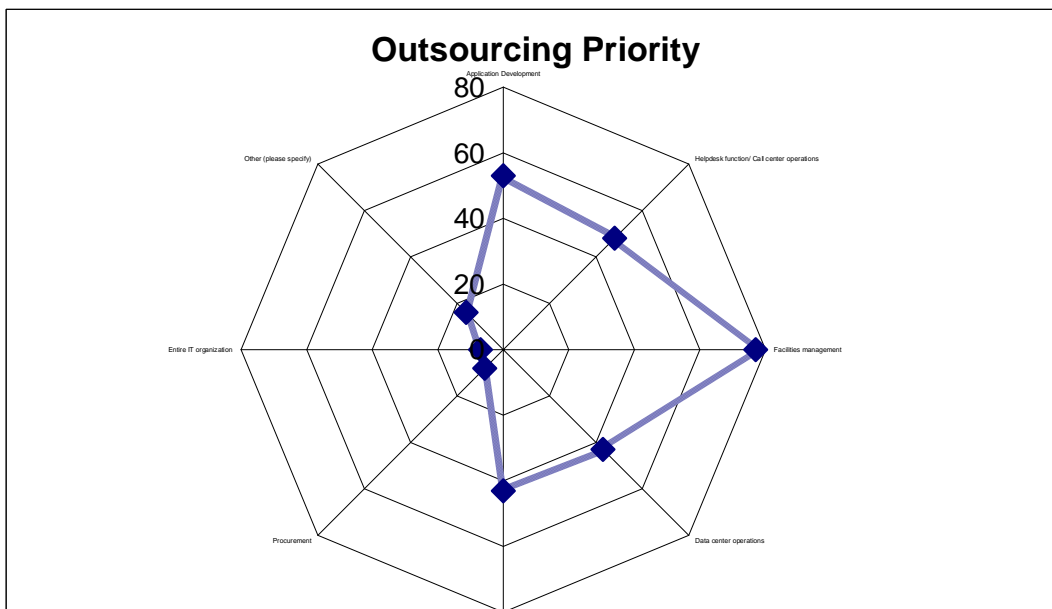




40-50% of the organizations have no plans to increase spend on ERP and IT audit. Owing to stringent compliance requirements, Banking & financial sector is slightly positive on this front as 65% of the respondents plan to increase spend on auditing and security.

Considering that spends on IT audit/Security in absolute value were always much lower than consulting spends, this does not augur well for companies providing Auditing services and these companies have to customize their offerings to provide a low cost/optimum value offering

#### 4.2.16. Outsourcing spend and priority



There is a strong trend to outsource key IT operations. Facilities management will continue to be top outsourcing priority with 63% of respondents planning to outsource the facilities management to third party vendors. An overwhelming number of respondents have also mentioned about outsourcing of helpdesk and application development functions.

Outsourcing of data centre & telecom infrastructure is clearly not a priority for CIOs as less than one third of them is looking for outsourcing options for these IT functions.

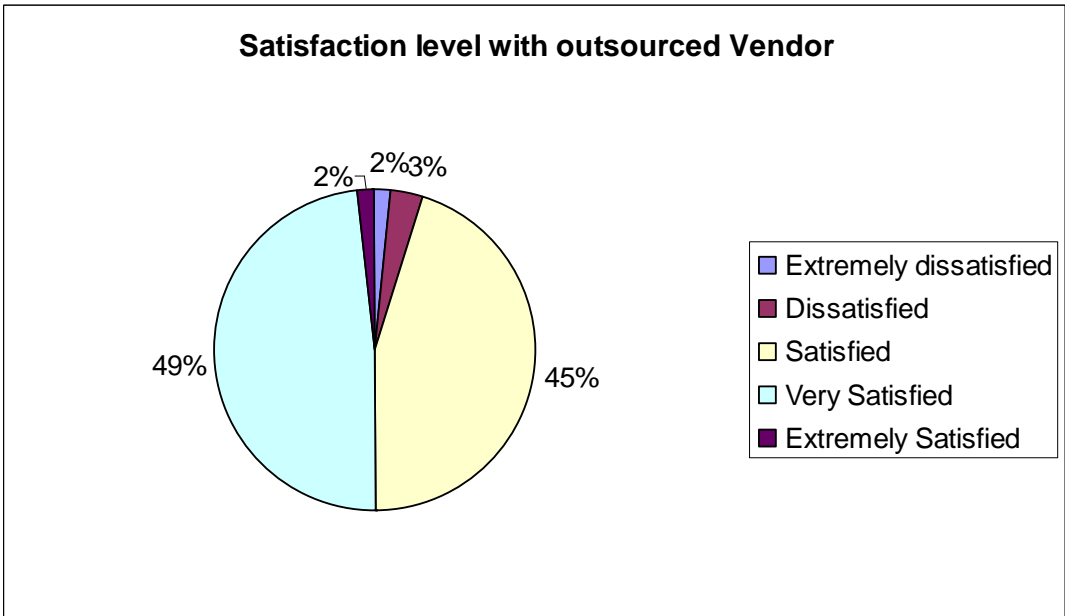
Outsourcing of entire IT organization is a strict “no-no” for Indian IT companies and this underscores the importance of IT in the overall organizational design. Less than 6% of companies are looking for outsourcing IT organization.



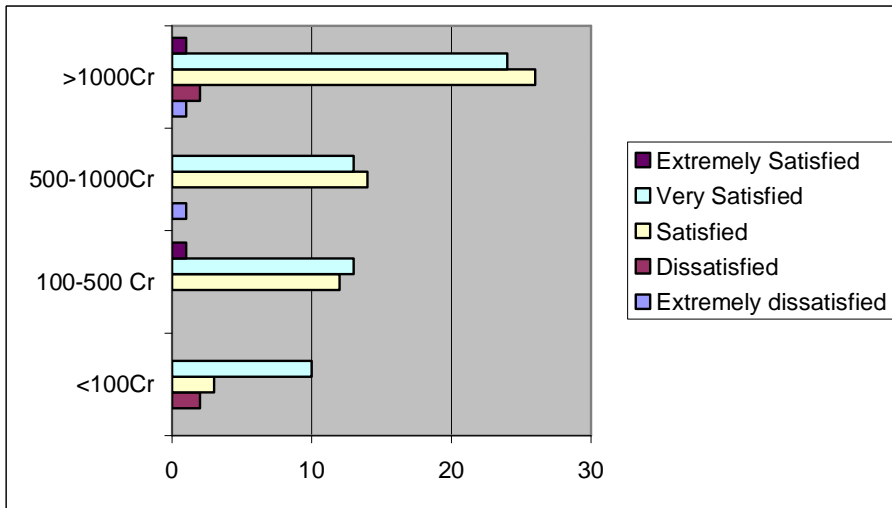
	Consumer Products	Industrial Products	Retail	Logistics
% or respondents in favor of outsourcing Facilities Management	44.4%	42.9%	100.0%	100.0%

While 100% of respondents in retail and logistics segment have mentioned that facilities management will be outsourced in FY09, consumer and industrial products are slightly cautious with their approach as only one third of respondents favoring outsourcing of facilities management.

4.2.17. Satisfaction of outsourcing vendors



An overwhelming 95% of respondents are satisfied with their existing outsourcing vendor. When rated on a scale of 1-5 (1 being extremely dissatisfied and 5 being extremely satisfied), 117 out of 123 responses fell in the category of 3 (Satisfied) or above. While this may seem extremely good news for vendors, the vendor must continue to invest in building relationships as around 47% of the satisfied responses are rated 3 which manifests that balance can tilt the other way if service providers do not maintain or improve the service levels

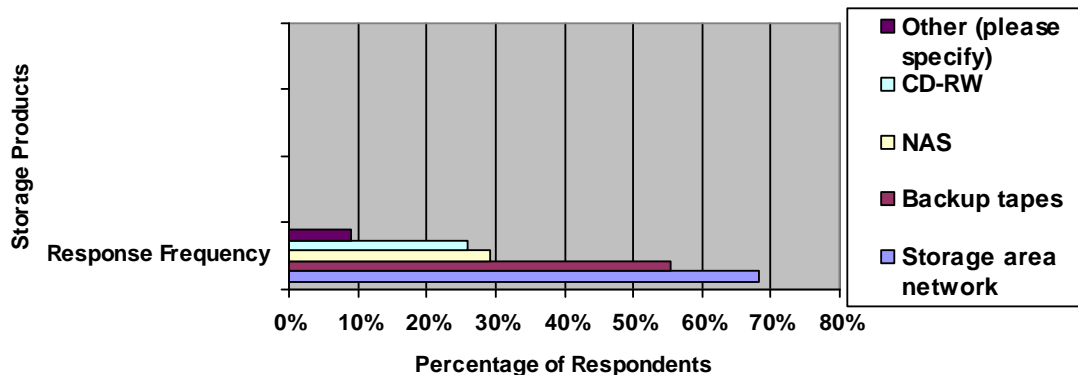


Small enterprises are extremely satisfied as 10 out of 15 respondents have rated their outsourcing service level as “4” or above

The trend is same across industry segments with only auto companies being slightly dissatisfied with their outsourcing vendors.

#### 4.2.18. Investment in Environmental Protection Equipment

Demand for Environmental Protection Equipment to vary across product categories



Our survey also included a question to determine the importance of Environmental Protection Equipment. The data suggests the demand for environmental protection equipment to progressively decline. Most of the respondents either do not intend to use this equipment or have already procured the equipment.

A very small portion of respondents has planned to buy the equipment in Fiscal of 2009-10. A smaller percentage of respondents is currently evaluating the equipment to determine the demand.

We asked our respondents regarding their preference on equipment like Fire Suppression, Fire Proofing, Air Conditioning, Hygrometer, UPS and Standby- Generator etc.

On an average, almost 60% of the respondents are currently using the equipment. Equipment like air-conditioning is owned by about 84% of the respondents. Similarly, 78% of the respondents are already using UPS (Uninterrupted Power Supply) devices in their facilities. Majority of the respondents also use stand-by generator units to provide electricity in the event of long electricity cuts. Considering the benefits of UPS and stand-by generator units, almost 12% of respondents are either evaluating these products, or have already planned to procure them in the Fiscal of 2009-10.

## 5. Survey approach

### 5.1. Survey approach

The first 'Enterprise IT Investment' survey brought to you by Ernst & Young on behalf of the CIOKLUB gauges the current investment patterns and future investment plans of the companies.

This year's survey was conducted from 1 April 2009 to 09 April 2009. 123 Indian companies across all major industries participated in the survey.

The questionnaire used in this survey was designed to gather the IT investment information on the strategy and operations front.

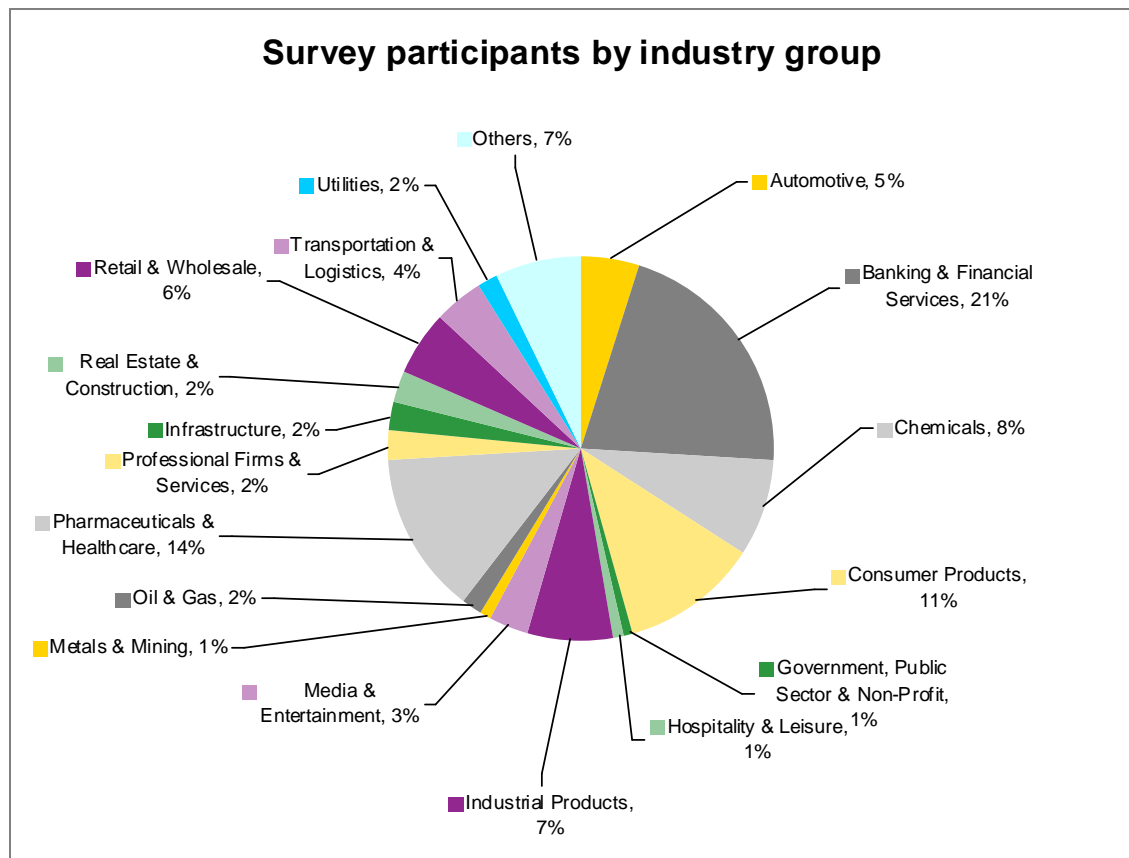
This survey was conducted through a secure online tool with a specific URL that was mailed to designated members of the CIOKLUB, along with instructions for completing the survey. Personal interviews were conducted with randomly selected respondents to obtain their response.

Ernst & Young downloaded the results of the survey to conduct an analysis and present in this report. Cross tabs were used to identify the spend industry wise, annual revenue, type of industry against strategy and operations domains.

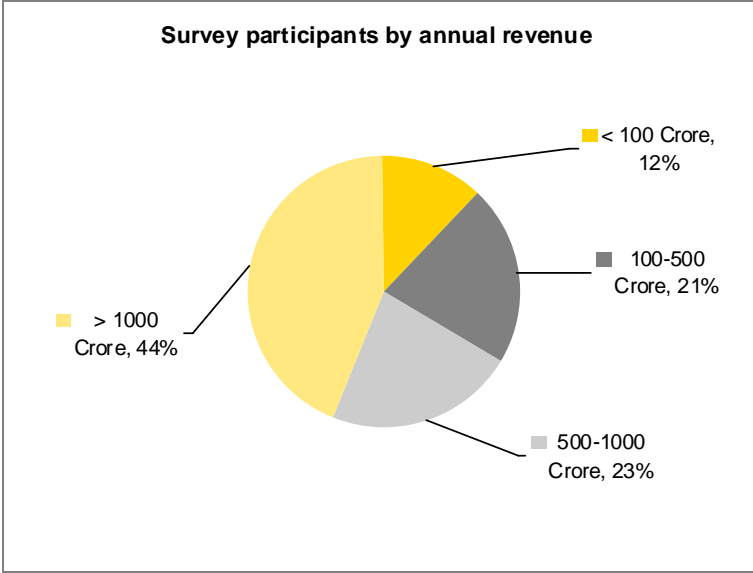
The total number of completed and usable responses to the survey was 123 out of 155 survey participants. We have considered only completed responses. 32 partial responses have been ignored for the purpose of this analysis.

### 5.2. Survey analysis

#### Survey participants by industry group



#### Survey participants by annual revenue



Note: Wherever applicable, the percentages have been rounded off to the nearest whole number.

## 6. Contacts

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