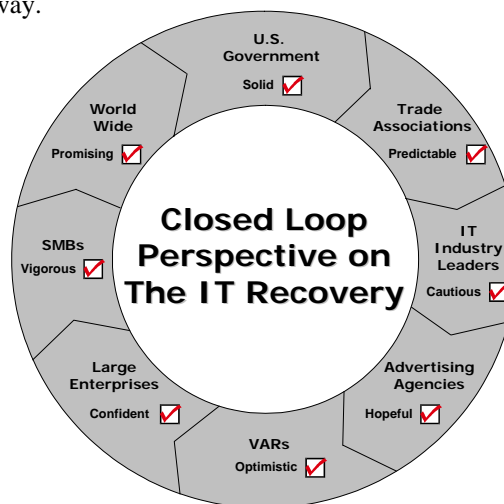


Clarity Brief

The commercial IT Recovery of 2004 – A Closed Loop Perspective

Written By Eric Shuster
President and CEO of IntelliClear – January 2004

If you're confused as to whether or not there's a recovery underway in the IT industry, you're not alone. For the past year readers have been bombarded with stories of a so-called IT recovery, using various statistics and indicators to support their claims. IntelliClear feels the time is right to examine the state of the commercial IT industry from the point of view of eight key components: the U.S. Government, industry trade associations, IT industry leaders, advertising, value added resellers (VARs), large enterprises, small and medium businesses (SMBs), and the world outside of the U.S. By conducting a closer look from each component's individual perspective, we can formulate a closed loop perspective of the subject matter and offer a more methodical response to the question: Is there an IT recovery underway.



NOTE: IntelliClear recognizes the importance of the consumer component to the IT industry and doesn't wish to ignore this most important market component; however, for the ease of market examination, IntelliClear has elected to focus on the commercial IT market, with the understanding that a robust consumer response will only add additional fuel to the fire of recovery.

ABSTRACT:

The U.S. government reports that the IT component of the GDP will outpace overall GDP. A key industry trade association predicts much brighter times ahead for IT suppliers. IT industry leaders cautiously admit that the numbers are looking good. Advertising spending is on the rebound. VARs are set to take advantage of a changing services landscape. Large enterprises appear confident of increasing IT budgets. SMBs continue to show no signs of slowing down. And, the world outside of the U.S. appears just as rosy as the world inside.

Add these perspectives together and it looks like the IT recovery of 2004 is in full swing. IntelliClear examines the data behind the perspectives and offers unique insights into the long awaited return of IT spending to the global markets.

Don't load up the 401K on technology just yet – surgical thinking is highly recommended.

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A Closed Loop Perspective on the IT Recovery

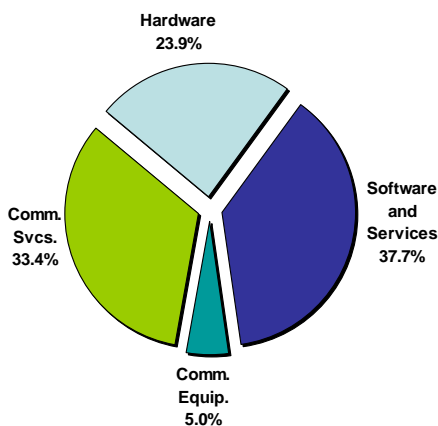
The Department of Commerce in December of 2003 reported a \$40.3 billion increase from 2002 to 2003 in the IT industry's GDP contribution to reach a staggering \$871.9 billion.

The United States Government:

The logical place to start the examination of an IT recovery is at core of the ecosystem - the U.S. economy. The U.S. Department of Commerce (DoC) in December of 2003 reported that it expects the U.S. economy to grow at a robust 4.3% in 2004. This growth comes on the heels of an estimated 2.3% growth in the economy for 2003. Reports for durable goods are up, inventories are down, and the stock market had a banner year in 2003. On the surface these numbers look promising and provide a strong foundation for a recovery.

Looking specifically at the IT industry in relation to the Gross Domestic Product (GDP), the DoC in December of 2003 reported a \$40.3 billion increase from 2002 to 2003 in the IT industry's GDP contribution to reach a staggering \$871.9 billion. IT related industries account for approximately 8% of the total U.S. GDP. The software and services component of IT GDP will account for nearly 38% of the total, with IT hardware projected to log the largest year over year gain of 9.8%. The DoC expects U.S. GDP to grow by 2.9% in 2004. From all indications it appears that the IT component of the U.S. GDP will grow faster than the overall GDP.

U.S. IT Industry GDP Contributions - \$871.9 Billion



Source: U.S. Department of Commerce, December 2003

Another set of government statistics that support a healthy IT industry relates to productivity. The DoC reports that productivity for all industries between 1989 and 2001 grew by 1.6%. For IT-intensive industries the growth rate was much higher at 3.03% for the same time period. IntelliClear considers the productivity increases in the U.S. as being a strong leading indicator of projected robust demand for IT related products and services; especially when combined with the overall outlook on GDP.



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From the perspective of the U.S. government on an IT recovery – a solid check.



A Closed Loop Perspective on the IT Recovery

Trade Associations:

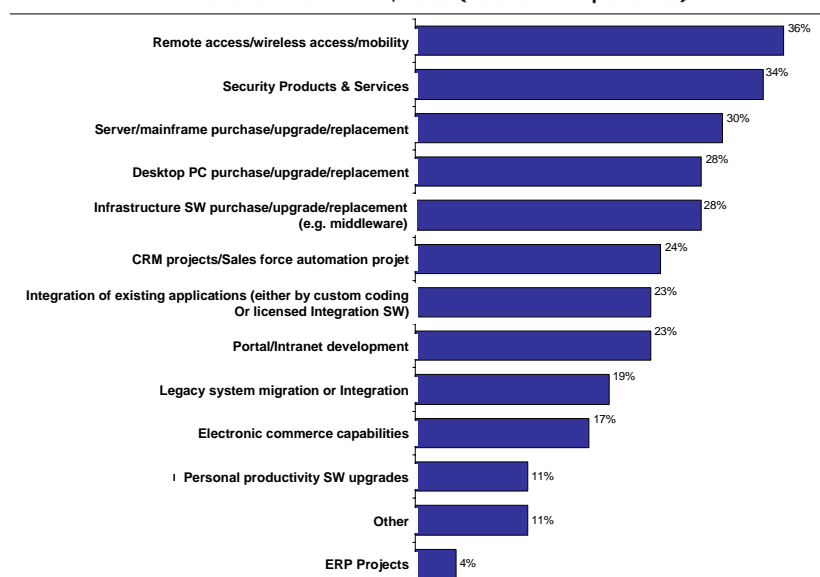
The next stop on our closed loop initiative is the commercial trade associations who closely monitor the health and performance of the IT industry. One such trade organization is the Software & Information Industry Association (SIIA), a global association of over 1,200 of the industry's leading software and information technology companies dedicated to understanding the dynamics of the digital economy. In October of 2003 the SIIA fielded a survey to IT decision makers of large, medium, and small companies with the purpose of obtaining a pulse for the next 12 months relating to IT. Six percent of the respondents were from outside of the U.S.

43% of IT executives increased their IT spending from 2002 to 2003, with nearly 10% responding that spending was “significantly higher.”

Among other things, the SIIA survey uncovered the following statistics:

- 43% of IT executives increased their IT spending from 2002 to 2003, with nearly 10% responding that spending was “significantly higher.” Another 34% indicated year-over-year IT spending remained stable.
- Mobile computing driven initiatives such as remote access and wireless access, along with security related products and services, were expected to be the most widely addressed areas of IT (36% and 34% respectively) in the next 12 months.
- The areas most affected during the down turn in IT spending were desktop PC purchases/upgrades/replacements, followed by software infrastructure improvements and server/mainframe purchases/upgrades/replacements.

Areas of Spending Once IT Spending Picks Up According to IT Executives World Wide, 2003 (as a % of respondents)



Source: Software & Information Industry Association (SIIA), October 2003

A Closed Loop Perspective on the IT Recovery

The IT industry community has become a guarded village of individuals who constantly warn about the future and carefully position current performances.

The SHIA sponsored survey proposes a pattern of increased IT spending by businesses, with the overall direction that IT spending is likely to address areas that are both “nice to have” and “mission critical.”

Raymond James, one of America’s largest financial services firms and a recognized authority in the technology sector, released a report in December of 2003 where it made the following statement: “...while an [IT] recovery has been building since June, it did not broaden until this quarter. In addition to improvement in SMB sector and in Europe, we saw the first signs of improvement in the large corporate account sector.”

IntelliClear believes it’s in the best interests of IT trade organizations to paint as bright a picture as they can for trade members; however, when filtered by even the most conservative of lenses, the overall picture of the IT space from the vantage point of the trade is positive.

From the perspective of IT trade associations on an IT recovery – a predictable check



IT Industry Leaders:

Let’s move from the frying pan into the fire – where most of the IT industry leaders (vendors and suppliers) have been for the last two years. Whether it’s John Chambers of Cisco who took a great deal of heat for “overselling” the IT vision; or the hard hit PC OEMs who had the bottom fall out of their margins. The IT industry leaders have had little to smile about over the last two years and are valuable resources in understanding the current state of the industry and its future outlook.

Perhaps the strongest carry-over from the dot.com crash era is the hesitancy to speak positively in public about anything relating to future business. The IT industry community has become a guarded village of individuals who constantly warn about the future and carefully position current performances. Given this newly established dynamic, one would suspect that any IT industry executive sounding good news and a bright future ahead has either lost his or her mind, is expecting to lose their job soon, or truly feels the outlook is positive. Consider these recent comments from IT executives during the Raymond James IT Supply Chain Conference in New York in December of 2003 (as published in *Computer Reseller News Magazine*, January 5, 2004 issue):



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A Closed Loop Perspective on the IT Recovery

While the IT industry vendors could be seen hobbling away from the crash of 2000, advertisers who made millions on revenues associated with the boom could be seen wailing in agony and left for dead amid the IT carnage.

- “We can see the market picking up. It’s a lot better environment to be working in than we’ve had for a while. We have seen five consecutive quarters where we have seen good year-over-year growth, so we believe the market has turned.” *James Schneider, CFO of Round Rock based Dell Computer Corporation*
- “We’re feeling good about where the business is going [over] the next few months.” *Kent Foster, Chairman and CEO of Santa Ana based Ingram Micro*
- “Notwithstanding geopolitical uncertainty – the market seems to be looking up. The way we measure this is the buzz of our account managers. We spend a lot of time listening to them. The buzz, if you will, is better than it’s been in three years here.” *John Edwardson, CEO of Chicago based CDW*

Each of the executives quoted above also recommended using caution, holding true to the practice that each had learned over the last few years of IT turmoil. Considering the comments these same executives and others were saying a year ago, the above comments made just a month ago suggest a healthy outlook amid a watchful eye. Add these quotes to the recent news (January 2004) that IBM will be hiring an additional 15,000 employees world wide, and IntelliClear believes we have the makings of an IT industry that is just a “little bit” enthusiastic.

From the perspective of industry leaders on an IT recovery – *a cautious check*



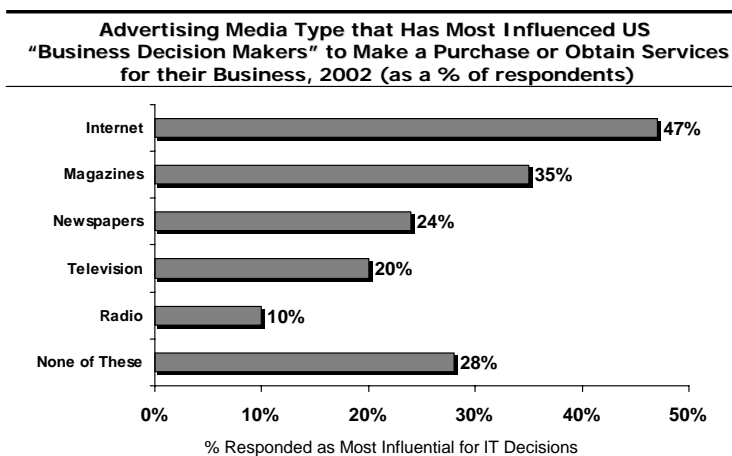
Advertising Agencies:

Another interesting stop in the circle of perspectives is the advertising industry. While the IT industry vendors could be seen hobbling away from the crash of 2000, advertisers who made millions on revenues associated with the boom could be seen wailing in agony and left for dead amid the IT carnage. Some were already diversified and survived the ordeal. Others downsized, re-priced, and found new sources of revenue. A number of advertising (and related) firms did not survive and became another statistic in the technology Armageddon.

A Closed Loop Perspective on the IT Recovery

If an IT recovery were for real, the first component of advertising spending that would see the effects would be on-line advertising.

The advertising community is one of the last components in the IT value chain to feel a surge in IT spending. Although IT vendors don't dare move entirely out of the public's eye, they may surgically spend with it comes to the promotional mix, leaving advertisers with only limited revenues associated with IT during bear markets. If an IT recovery were for real, the first component of advertising spending that would see the effects would be on-line advertising. Although print advertising usually commands the largest portion of the mix (due largely in part to the Intel Inside program), advertisers are keenly aware of the fact that the Internet has quietly become the #1 most influential medium for IT related decisions. A study conducted by Nielsen/NetRatings in September of 2002 among IT decision makers revealed that 47% of those surveyed claimed the Internet had the strongest influence in their decisions relating to IT products and services. This compared to print advertising at 35%.

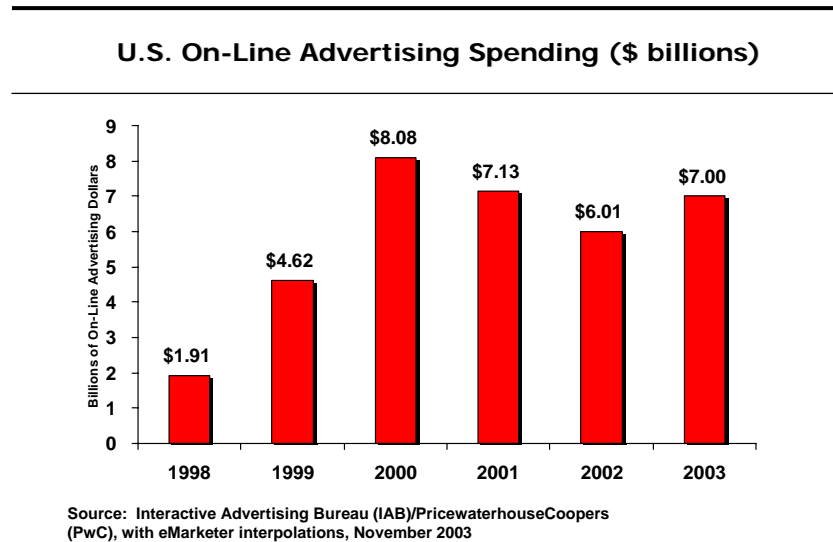


Source: Nielsen/NetRatings ® Plan, MORI Research and washingtonpost.com, September 2002

The crash of 2002 ushered in a period of two straight years of on-line advertising decreases from 2000 to 2001, and 2001 to 2002 according to market research firm eMarketer. eMarketer estimates that 2003 will log a robust 14.8% increase in on-line advertising spending from 2002, and that 2004 is expected to continue the trend with another 13% increase. Such increases would catapult 2003 on-line advertising spending in the U.S. to nearly \$7 billion according to estimates from the Interactive Advertising Bureau (IAB), PriceWaterhouseCoopers, and eMarketer combined (November 2003).

A Closed Loop Perspective on the IT Recovery

**Approximately 10%
of the nation's top
100 spenders in
advertising are
related to the IT
industry.**



If we're still not convinced, then we should consider the fact that approximately 10% of the nation's top 100 spenders in advertising are related to the IT industry according to Zenith Media (December 2003), and that total advertising spending in the U.S. is expected to increase just over 5% to a projected \$156.3 billion in 2004.

IntelliClear views the resultant advertising situation as having a strong set of leading indicators for spending, spelling hope for the advertising community at large with respect to the IT environment.

From the perspective of the advertising community on an IT recovery – a hopeful check



Value Added Resellers:

The IT vendors and advertisers were not the only ones who took it on the chin in 2000. The value added resellers (VARs) joined the party of grief just slightly ahead of both, being plagued with slow sales, swelling component inventories, declining hardware prices, and reduced demand for products and services. Like advertisers, many diversified into a higher mix of value added services or sought out specific vertical industries. Others sought refuge in vendor sponsored programs and incentives in order to weather the storm. For many VARs, the climate change was too much to handle and they exited the business. To make matters worse, PC OEMs began deploying direct initiatives, seeking to eliminate both distributor and VAR margins in order to compete with Dell.

A Closed Loop Perspective on the IT Recovery

So while many question whether the VAR community will ever rebound to its glory days of the late 90's, especially with OEM direct programs in full swing and user IT proficiency at an all time high - those in-the-know will testify that the VAR ecosystem has transformed and is ready for the IT rebound.

For the first time in this century, trends in the economy and business technology spending will be a plus for the channel, rather than a negative.

Computer Reseller News, the self proclaimed voice and champion of VARs and technology integrators, outlined five key trends in its January 5, 2004 issue – signaling a strong belief in an IT recovery that would benefit the VAR community:

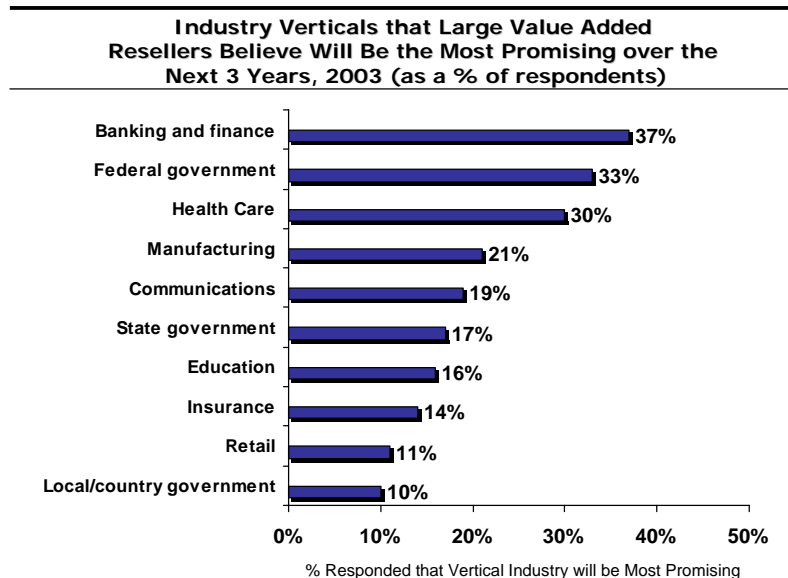
1. **For the first time in this century, trends in the economy and business technology spending will be a plus for the channel, rather than a negative.**
2. **Overall growth in tech spending will likely be modest, but growth rates will vary significantly depending on specific technologies and verticals.**
3. **Verticals such as retail, insurance, and health care should offer strong channel sales opportunities, along with solution categories such as anti-spam, wireless networking, IP telephony, and Web services.**
4. **Outsourcing of technology jobs overseas will be a hot-button political issue and a growing financial drain on solution providers.**
5. **Successful channel players will shift toward providing profit-generating rather than profit-protecting, solutions to their customers.**

Within the same article, the author (John Roberts) discusses the “near-record level optimism” from small and midsize companies, along with a strong indication that large enterprise spending will rebound according to a survey by the Business Roundtable.

Another sentinel of the VAR community, *VARBusiness Magazine*, published the results of a study by ARC Research in November of 2003 outlining industry verticals that large VARs believe will be the most promising over the next three years starting in 2003. The top three verticals included banking and finance, the federal government, and healthcare.

A Closed Loop Perspective on the IT Recovery


If the U.S. government, commercial IT trade associations, IT industry leaders, advertisers, and VARs, all get together to throw a party to convince the world that an IT recovery was in progress or imminent, it would mean nothing without the blessing of those who consume IT products and services – the end users.



Source: ARC Research; VARBusiness, November 2003

NOTE: Large value added resellers are those with revenues of >\$10 million

Although the indicators cited in this paper cannot be construed as a proclamation to wealth and prosperity among VARs, IntelliClear believes the positive tone suggests a much brighter potential for VARs than has been seen since the crash in 2000.

From the perspective of VAR community on an IT recovery – an optimistic check. 

Large Enterprise:

Until this time IntelliClear has focused on the external economic forces, the producers, and those who distribute and sell technology. If the U.S. government, commercial IT trade associations, IT industry leaders, advertisers, and VARs, all get together to throw a party to convince the world that an IT recovery was in progress or imminent, it would mean nothing without the blessing of those who consume IT products and services – the end users. The largest end user (or consumer) of IT products and services are large enterprises - companies with more than 1,000 employees.

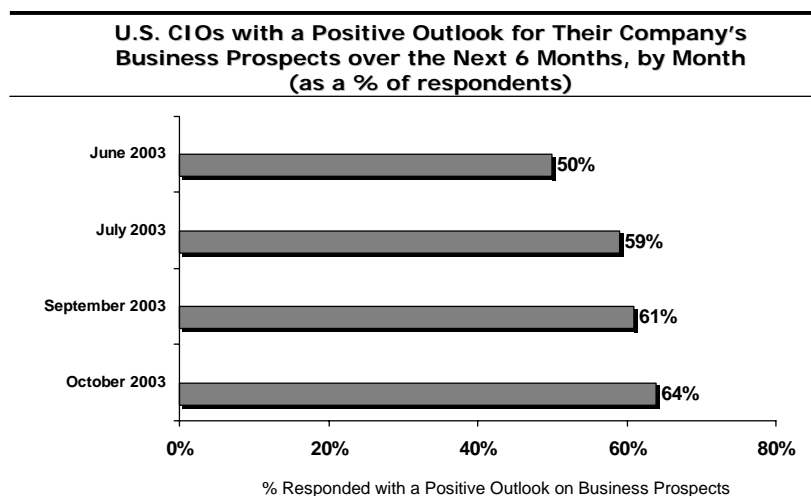
Most large enterprises reduced their IT spending after the crash – some a little, some drastically. The overall affect on the IT market was a negative spending trend, posing major problems for IT vendors. A rebound in the large enterprise market is necessary for any meaningful IT recovery to be taken seriously.

A Closed Loop Perspective on the IT Recovery

To best understand the large enterprise sector, one must climb into the heads of the executives who oversee the IT infrastructures of these estimated 9,000 large enterprises in the U.S. Two of the most credible sources to accomplish this task are *CIO Magazine* and Morgan Stanley.

Morgan Stanley reports that 54% of CIOs surveyed indicated that IT budgets would increase in 2004, with 17% estimating IT budget increases of 6% and more.

In a survey to 225 Chief Information Officers (CIO) of Fortune 1,000 companies in November of 2003, Morgan Stanley reported that 64% of CIOs had a positive outlook for their company's business prospects over the next six months. That number was up nearly 15 percentage points from June of 2003. A positive business outlook is essential for the approval of company investments into what many would consider a "non-essential IT infrastructure".



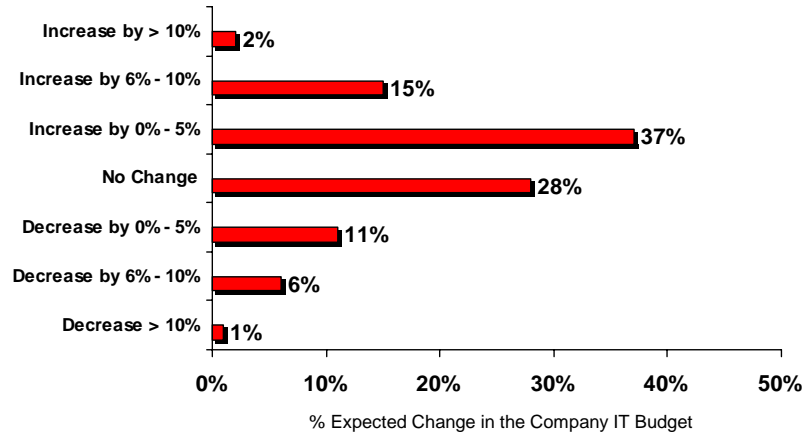
Source: Morgan Stanley, November 2003
NOTE: n=225 Fortune 1,000 CIOs

If the business prospects are positive, then it stands to reason that investments in IT would become a stronger possibility. In a survey of 275 CIOs in December of 2003, *CIO magazine* reported that 21.5% of CIOs felt IT spending had already picked up, with another 1 in 4 believing IT spending would pick up within a six month period. Interestingly, 15.3% indicated that their spending never slowed down! This positive sediment is echoed by Morgan Stanley who reported that 54% of CIOs surveyed indicated that IT budgets would increase in 2004, with 17% estimating IT budget increases of 6% and more. The *CIO Magazine* study suggested an average IT budget increase of 6.3%. Although those with budget increases barely out numbered those who estimated stable or decreasing budgets, the news is encouraging given the fact that large enterprise spending had experienced substantial decreases in the previous two years and any increase translates into sizable year-over-year increases.

A Closed Loop Perspective on the IT Recovery

CIO Magazine reported that weak company profits, tight financing conditions, and an overall satisfaction with current IT systems were the key concerns (inhibitors) regarding IT spending over the next 12 months.

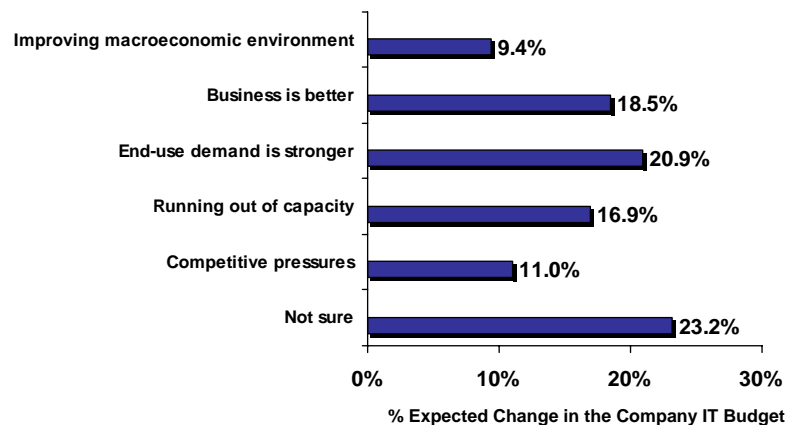
U.S. CIOs Expected Change in Their Company's IT Budgets, 2004 (as a % of respondents)



Source: Morgan Stanley, November 2003
NOTE: n=225 Fortune 1,000 CIOs

To better understand the motivation behind the increasing IT budgets, *CIO Magazine* fielded a survey to 254 CIOs in December of 2003, asking what the main reasons were for the anticipated increases in IT spending. Although nearly one in four could not provide a clear answer to the question, stronger demand for company products and services and resulting lack of capacity to meet demand appeared to be the key motivators for 56.3% of the IT executives surveyed. Given a robust economy and growing GDP, these reasons are validated to a great degree.

IT Executives Main Reason for Their Company's Current Or Anticipated Increase in IT Spending (as a % of respondents)




Source: CIO Magazine Tech Poll, December 2003
NOTE: n=254

A Closed Loop Perspective on the IT Recovery

“AMI forecasts that worldwide IT & Telephony spending by SMBs will grow by 7% in 2003, compared with consensus estimates ranging from below zero to 4% for the expected growth in IT & Telecom spending by larger enterprises.”

Naturally, these same IT executives had to express some level of caution regarding IT spending. The same *CIO Magazine* study in December 2003 found that weak company profits, tight financing conditions, and an overall satisfaction with current IT systems were the key concerns (inhibitors) regarding IT spending over the next 12 months. Under these conditions, IT budgets can be set at the corporate level, but can end up being the first to experience the chopping block should the aforementioned conditions be manifested in the business environment.

IntelliClear, understanding the obvious caveats, given the anemic IT spending trends of the last two years, the aforementioned indicators from Morgan Stanley and *CIO Magazine* point towards a robust IT recovery among large enterprises.

From the perspective of large enterprises on an IT recovery – a confident check. 

Small and Medium Businesses (SMBs):

The market sector that appeared to be most resilient to the crash of 2000 is the small and medium business (SMB) market. From a definitional perspective, small businesses (SB) are typically those with 1 to 99 employees; while medium businesses (MB) are those with 100 to 999 employees. Recently, other definitions have emerged segmenting businesses from a revenue standpoint, while also attempting to split the SB market into “very small businesses” (1-4 employees), and “small businesses” (5-99 employees).

To set the stage for the SMB market, consider the statement made by AMI-Partners, the recognized authority in the global SMB market, in a December 2002 press release regarding the Top Ten Trends in the SMB market:

“AMI forecasts that worldwide IT & Telephony spending by SMBs will grow by 7% in 2003, compared with consensus estimates ranging from below zero to 4% for the expected growth in IT & Telecom spending by larger enterprises.”


Given this direction from AMI, there appears to be less of an argument required to prove an IT recovery is at hand from the perspective of the SMB market. The analysis of one or two data points is certainly a must before we apply any proverbial check to this sector of the market.

A Closed Loop Perspective on the IT Recovery

With numbers like these, there's no point in discussing a recovery for the SB market – they never seemed to have experienced a decline.

Starting at the SB side of the SMB market let us again consider the direction provided by AMI-Partners. In a press release dated October 1, 2003, among other things, AMI reported that it's annual study revealed that 50% of SBs in the U.S. experienced revenue growth from 2002 to 2003, with overall IT spending growing at a phenomenal 11% to an estimated \$86 billion. Previous press releases from AMI on SB spending consistently outlined a similar growth picture. In-Stat/MDR puts the 2003 SB IT spending (5 to 99 employees) at a whopping \$161 billion. With numbers like these, there's no point in discussing a recovery for the SB market – they never seemed to have experienced a decline.

A December 2003 study from In-Stat/MDR of small businesses (5-99 employees) reveals a similar trend by projecting a compounded annual growth rate of 9% for networking hardware spending, and 10% for telecom services and equipment. These are significant findings, as both data points suggest steady growth in key IT infrastructure components for SBs.

From the perspective of small businesses on an IT recovery – a flaming check. 

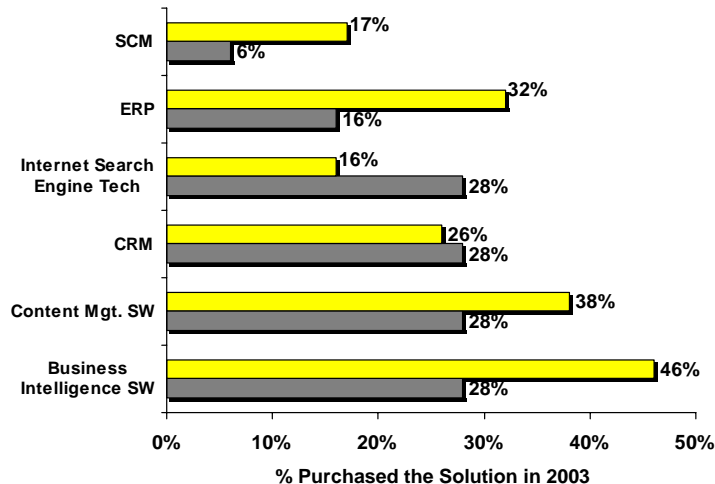
Turning attention to the MB side of the SMB market, one can assume the outlook to be somewhere between the robust growth of the SB market, and the cautious optimism of the large enterprise market. Having spent a number of years studying the SMB market I can establish at a high level that the MB market felt the effects of the crash much more than the SB side. This stands to reason given the affects of the large enterprise market (the larger the business, the greater the effect of the crash – in general).

To establish whether there is an IT recovery in the MB space we can examine both data and industry dynamics. From a data perspective we can first look at a study conducted by Forrester Research in August of 2003 of 151 technology buyers of MBs. The Forrester definition splits MBs by those whose revenues are less than \$100 million, and those whose revenues are \$100 million to \$500 million. A portion of the study sought to understand the key purchases being made by MBs, in order to formulate a direction on the relative health of the MB market space. Data from the study suggests a stronger than expected MB market, with big-ticket purchases being made by both communities (<\$100 million and \$100 million to \$500 million) on such solutions as CRM, ERP, SCM, and business intelligence software.

A Closed Loop Perspective on the IT Recovery

Enterprise portals, like Intranets, are a “nice to have” IT component and therefore increased spending on such a solution provides a strong leading indicator of a healthy and optimistic MB community in the U.S.

**IT Purchases by MBs in North America by Company Revenues
2003, (as a % of respondents)**



Source: Forrester Research, August 2003
NOTE: N=151 technology buyers

■ \$100 Million to \$500 Million Annual Revenues
■ <\$100 Million Annual Revenues

IntelliClear believes such infrastructure investments in sophisticated software solutions signal a positive business outlook and a relatively health IT budget for the MB space. Bolstering this same direction is data from a December 2003 study from the Yankee Group of 750 medium and large businesses on enterprise portal spending. Although large businesses are included in the survey, an appropriately weighted sample ensures that MBs would account for a strong portion of the results. The Yankee Group study reported that 58% of respondents indicated an increase in enterprise portal spending in 2003, with 19% specifying increases of 11% or more. Enterprise portals, like Intranets, are a “nice to have” IT component and therefore increased spending on such a solution provides a strong leading indicator of a healthy and optimistic MB community in the U.S.

From the perspective of medium businesses on an IT recovery – a healthy check. ☒

From the combined perspective of SMBs on an IT recovery – a vigorous 2 checks. ☒ ☒



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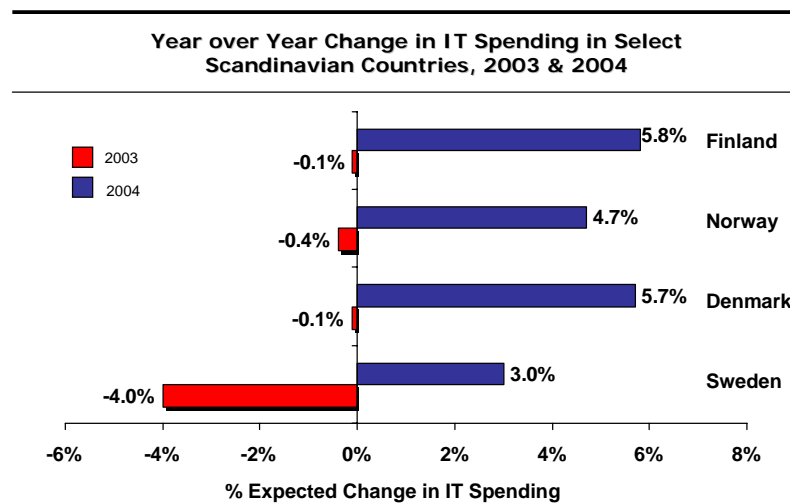
A Closed Loop Perspective on the IT Recovery

Most experts will admit that an IT recovery is likely to begin in the U.S., but must find its way to the global arena within one to two quarters in order to fuel a legitimate IT industry recovery.

World Wide:

Are the hopes of an IT recovery isolated to the U.S. only, or are there signs that the IT recovery is global in nature? For multi-national IT vendors, a full global IT recovery is essential for sustained profitability and growth. Most experts will admit that an IT recovery is likely to begin in the U.S., but must find its way to the global arena within one to two quarters in order to fuel a legitimate IT industry recovery.

To study the IT environment outside of the U.S. we will focus on Europe as a barometer. To accomplish this, IntelliClear examines a study by New York based NOP World, the largest business-to-business research agency in Europe. The study, called the *Technology Conference Barometer*, surveyed over 1,500 IT decision makers in the U.S., U.K., France, and Germany in December of 2003. The study found that while IT spending is expected to grow 6% in the U.S. in 2004, Europe will experience a similar growth pattern at 4.4%. The growth is driven by individual growth rates of 5.8% in Germany, 4.7% in the U.K., and a small but stable 2.6% in France. In technology rich Scandinavia, IDC reported in November 2003 growth estimates between 3% and 5.8% in 2004, marking a similar growth trend as those reported by NOP World for Central Europe.




Source: International Data Corporation (IDC), November 2003
NOTE: Based on local currencies

A Closed Loop Perspective on the IT Recovery

The keys to a sustained recovery will include responsible production plans by IT manufacturers; slowed pricing erosion of products and services; further industry consolidation where appropriate; continued innovation in both hardware and software; and the belief among end-user businesses that *continual investments* in IT will pay strong dividends to the bottom line.

Extending our probe from the IT decision makers to international advertisers, Universal McCann, a Media-Marketing firm based in New York, reported strong growth trends in advertising spending across the globe in December of 2003. The report projected year-over-year (2003 to 2004) advertising spending growth of 2.5% in France and Germany, and a robust 5.5% in the U.K. So while the advertising spending growth does not map directly to the anticipated IT spending growth in individual countries, the overall growth trend is statistically proportional. Advertising spending growth for several Asia Pacific countries ranged from 2% in a stabilizing Japan, to a whopping 40% in red-hot China.

IntelliClear proposes that while not an exhaustive review of the world wide landscape for IT spending growth, a first pass at the numbers generated from the forth quarter of 2003 show a real promise of an IT recovery in the rest of the world.

From the perspective of global markets on an IT recovery – a promising check. 

IntelliClear Commentary:

There was a great deal written about an IT recovery before this paper was released, and there's bound to be a number of articles and perspectives published long after this paper is forgotten. By examining these eight key components of the IT value chain, there are clear indicators and hard data that strongly suggest a genuine IT recovery is underway across the globe, not just in the U.S. When adding to the quantitative nature of this paper's evaluation, the qualitative aspects of many IT industry dynamics over the past six months (i.e. the recently announced IBM hiring plans), the support for an IT recovery becomes even stronger. The keys to a sustained recovery will include responsible production plans by IT manufacturers; slowed pricing erosion of products and services; further industry consolidation where appropriate; continued innovation in both hardware and software; and the belief among end-user businesses that *continual investments* in IT will pay strong dividends to the bottom line.



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A Closed Loop Perspective on the IT Recovery

Aggregate Sources (appropriately noted through-out the paper):

1. United States Department of Commerce, December 2003
2. Software & Information Industry Association (SIIA), October 2003
3. Compute Reseller News Magazine, January 5, 2004 issue
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10. AMI-Partners, December 2002 – press release
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About IntelliClear

IntelliClear brings clarity to IT market intelligence by delivering results-oriented research, responsive industry experience, and effective data synthesis – leading to confident go-to-market plans. In addition to synthesizing multi-vendor data into actionable market perspectives (such as this *Clarity Brief* market report), IntelliClear has extensive experience in designing and executing qualitative and quantitative primary research projects, with a relentless focus on application of deliverables. Eric Shuster, the CEO and founder of IntelliClear, is a 24 year IT industry veteran who established the firm on the premise that “application of data is everything.” For more information, visit the IntelliClear website at www.intelliclear.com. Or, call 719-488-4573 and ask to speak to the CEO – he’s got time to talk to you.



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