

# E-Business Outlook: 2002

## Beyond the Perfect Storm



In November 2001, **Line56**, **A.T. Kearney** and **Sun Microsystems** surveyed 259 e-business executives from a variety of industries regarding their e-business strategies and spending for 2002.

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These survey results will be presented and analyzed during the first day of Line56Live! New York by Kerry Schmitt, Vice President Technology Practice - Americas, A.T. Kearney

This will be followed by an in-depth panel discussion which will include representatives from Sun Microsystems, Cargill, Citibank, NewView and Trinity Ventures.

For full conference agenda and registration details, visit:  
<http://www.line56live.com/ny>

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## MAJOR FINDINGS

### **E-Business Spending: 18% of IT Budgets**

Results indicate that e-business will account for 18.2 percent of IT budgets in 2002, equating to over \$240 billion of global spending.

### **E-Business Spending to Outgrow IT Spending**

E-business spending will grow at 10.6 percent in 2002, compared to overall IT spending growth of 4.4 percent.

### **Development Priorities for 2002**

Respondents ranked business intelligence/analytics and sell-side initiatives, such as CRM and catalogs, of highest importance in their 2002 plans.

### **E-Business Drivers and Barriers**

The need to increase sales and revenue and gain competitive advantage are the two biggest drivers of adoption, while implementation costs and budget constraints are the major barriers.

### **Early Adoption of Web Services**

Web services is set to become a major method for interacting with trading partners in 2002. Also, portals and extranets both ranked above private and public exchanges as means for engaging with trading partners.

### **Financial Viability of Vendors a Major Factor**

The financial viability of vendors has loomed as a major factor for vendor selection, equal with ROI models.

### **E-Business and Corporate Strategy Alignment**

The majority of respondents indicated that their e-business strategies are either fully aligned and developed simultaneously with corporate strategy, or developed with direct reference to corporate strategy.



# E-Business Outlook: 2002

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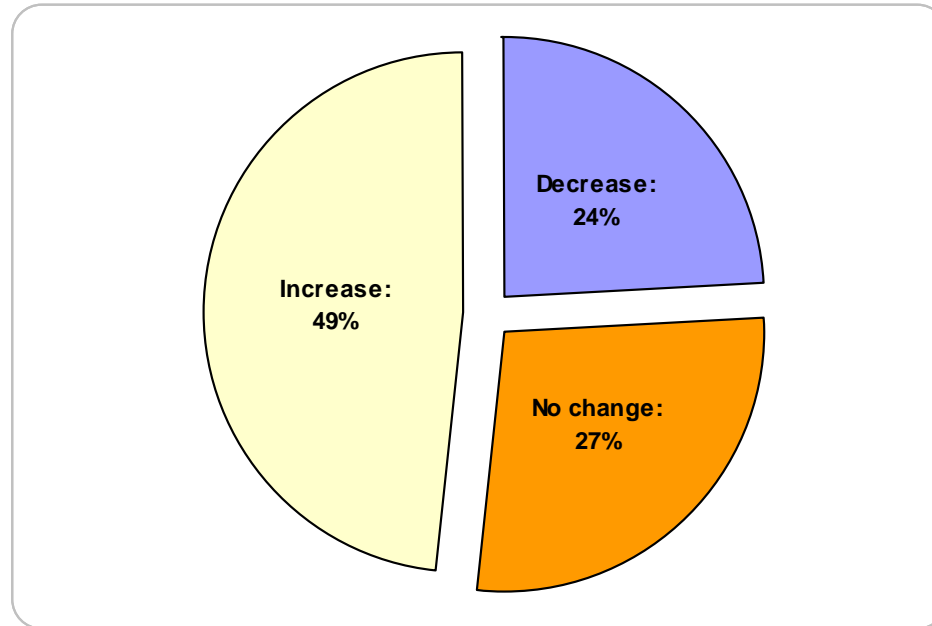
**NOTE: For the purpose of this survey, e-business is defined as:**

*"The utilization of Internet-based applications and infrastructure, both internally and through collaborative linkages with trading partners. Examples include, but are not limited to, procurement, supply chain management, CRM/sell-side e-commerce, business intelligence, e-markets/exchanges, ERP, content management, integration, Web services, etc.."*

# E-Business: The Big Picture

Exhibit 1.1 Overall movements in e-business budgets

How will your e-business budget change in 2002 compared to 2001?



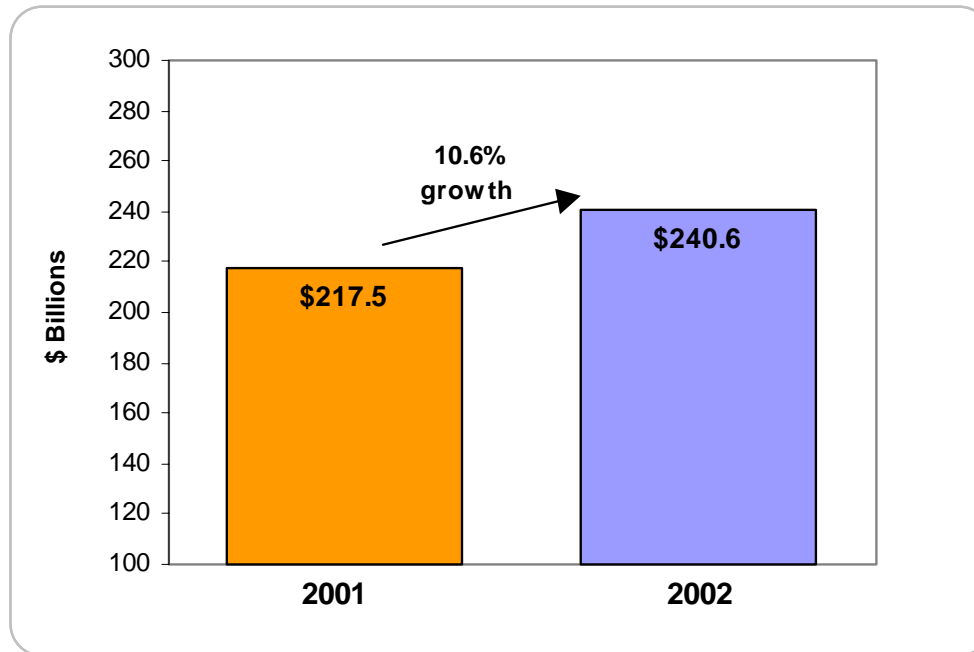
49 percent of companies plan to increase e-business budgets in 2002, while only 24 percent plan to decrease budgets. On average, e-business budgets will **increase 10.6 percent** from 2001 to 2002.

Source: Line56, A.T. Kearney Joint Research, November 2001

# E-Business: The Big Picture

Exhibit 1.2 The size of the market

E-business spending: 2001-2002



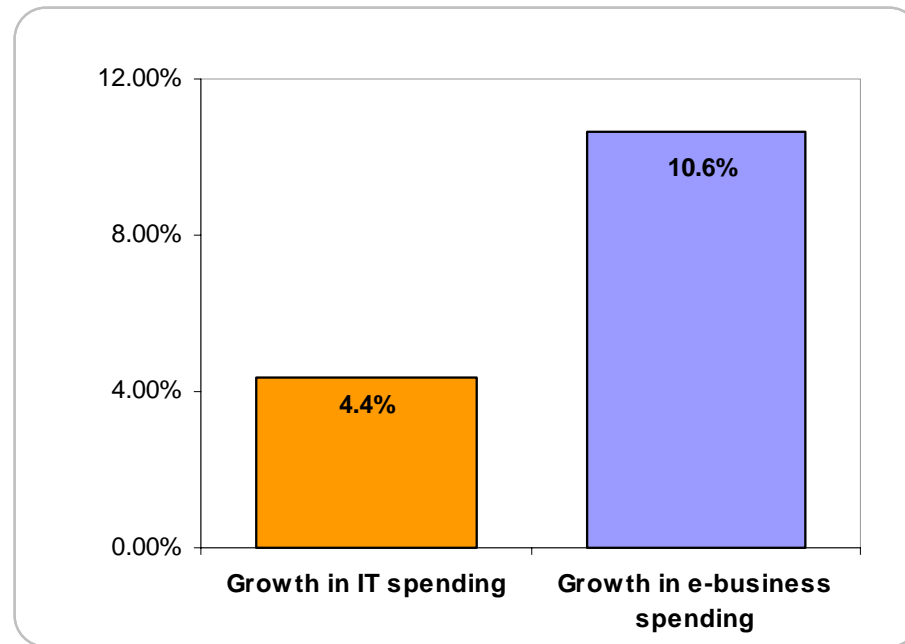
Line56 estimates e-business spending to be **18.2 percent of total IT spending in 2002**. Based on projections that the size of the IT market will be \$1.3 trillion in 2002 (Source: Aberdeen Group, 2001), the size of the e-business market will grow to \$240 billion in 2002, a **growth rate of 10.6 percent** from 2001.

Source: Line56, A.T. Kearney Joint Research, November 2001

# E-Business: The Big Picture

## Exhibit 1.3 E-business spending to outgrow IT spending

**2001-2002: E-business spending growth compared to IT spending**



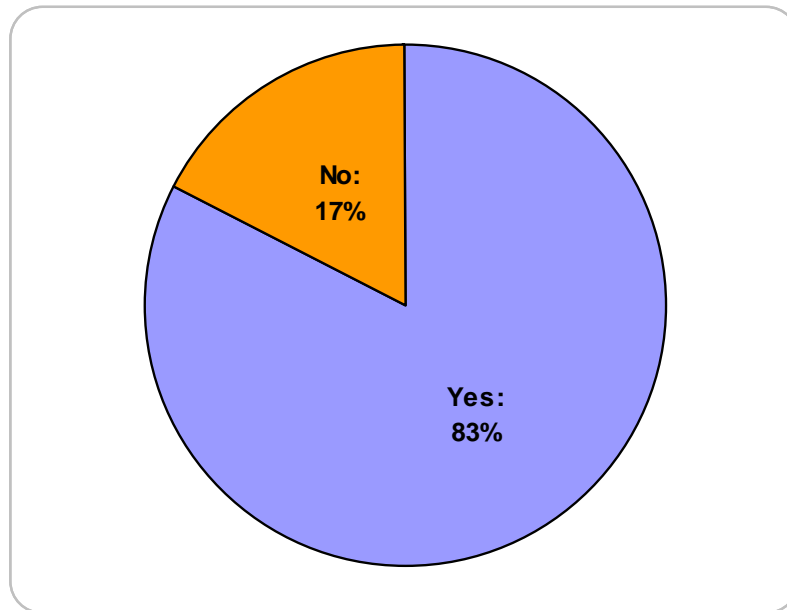
While respondents indicated a 4.4 percent growth in overall IT spending, e-business spending is set to grow 10.6 percent from 2001 to 2002.

Source: Line56, A.T. Kearney Joint Research, November 2001

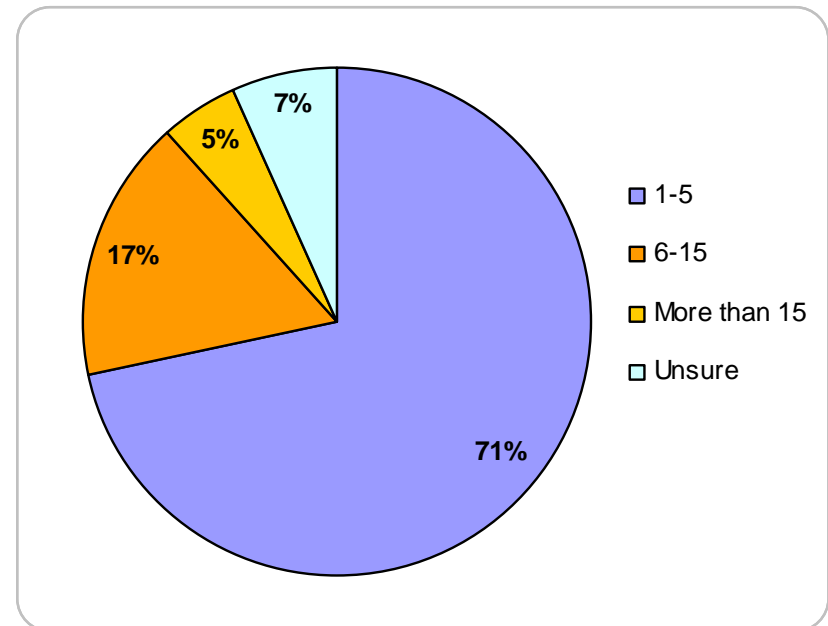
## Development Priorities

Exhibit 2.1 Number of projects companies will begin in 2002

Does your company plan to begin new e-business projects in 2002?



If yes, how many e-business projects will it begin in 2002?



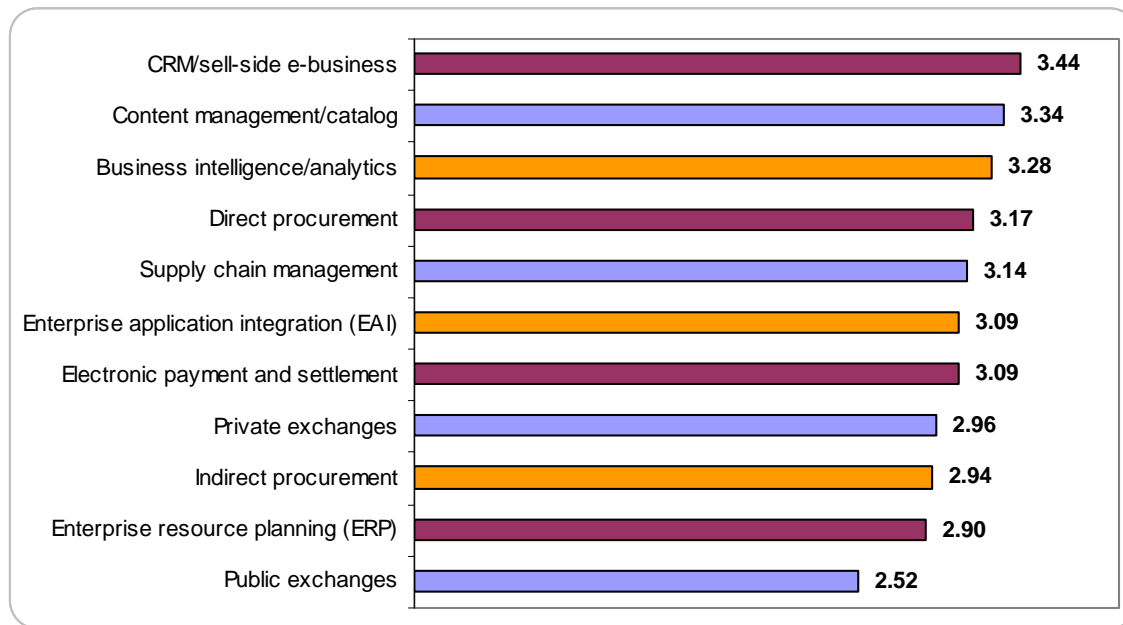
The majority of companies surveyed plan to begin between 1 and 5 new e-business projects in 2002, while 17 percent plan not to begin any new e-business projects.

Source: Line56, A.T. Kearney Joint Research, November 2001

# Development Priorities

Exhibit 2.2 Ranking of 2002 e-business projects

Rate the importance of the following e-business projects in your 2002 plans:  
(1 = least important, 5 = most important)



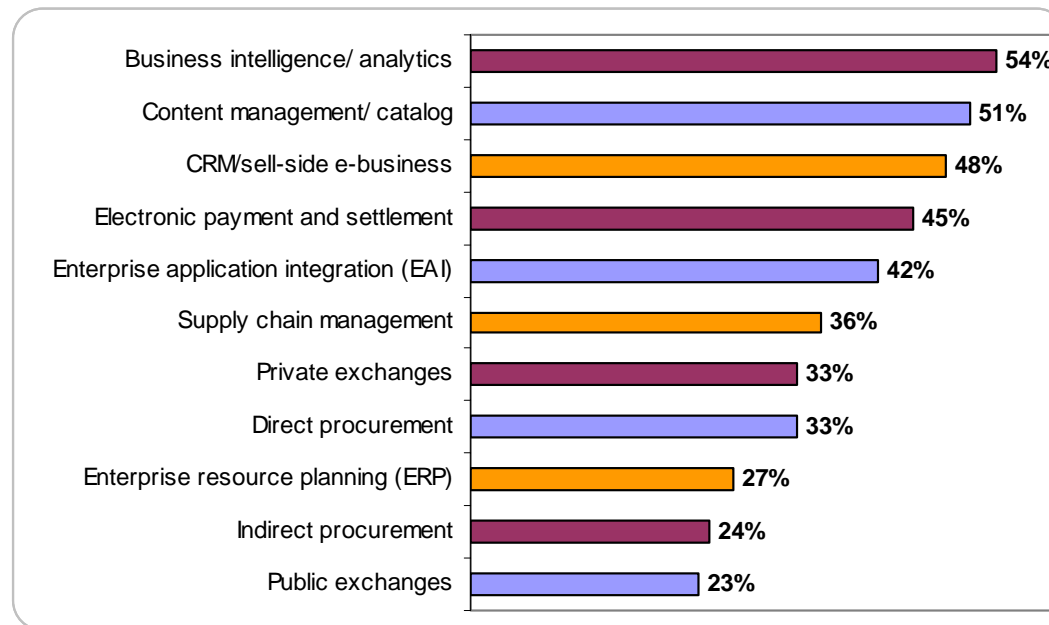
Respondents rated customer facing, sell-side projects as the highest importance for 2002, while business intelligence/analytics appeared at number 3. Indirect procurement and public exchange projects appeared toward the bottom of the list.

Source: Line56, A.T. Kearney Joint Research, November 2001

## Development Priorities

Exhibit 2.3 E-business projects that will receive budget increases in 2002

Percentage of companies planning to increase spending from 2001 to 2002 on the following areas:



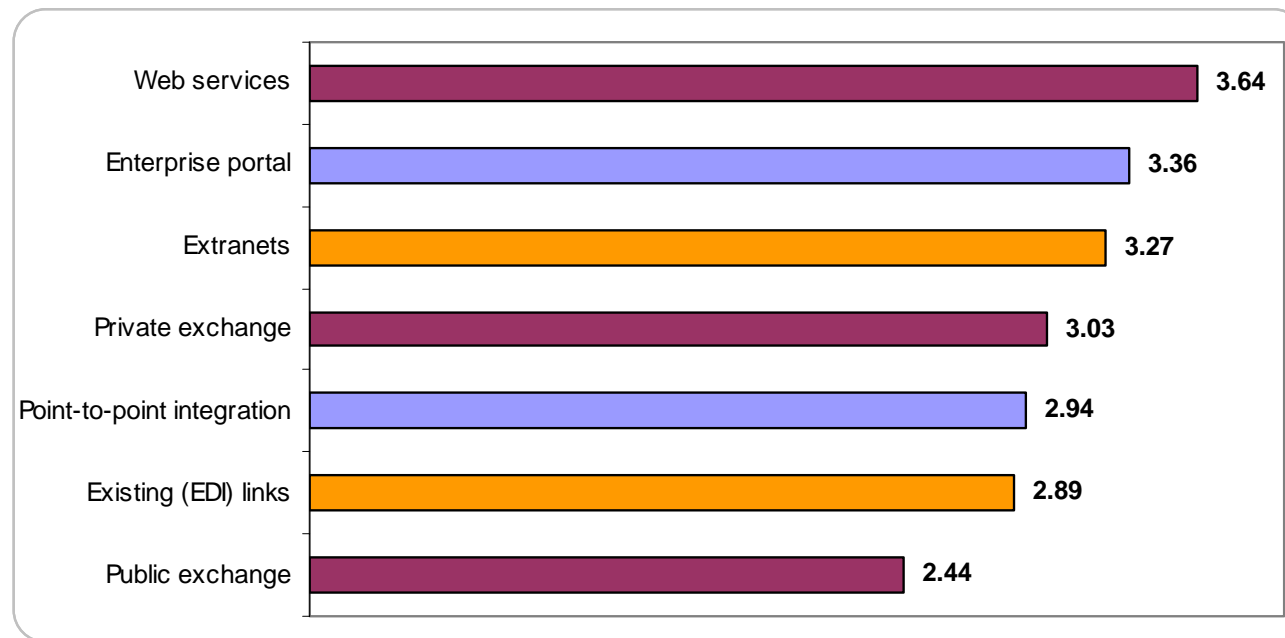
More companies plan to increase spending on business intelligence/analytics than any other e-business area. Electronic payment and settlement also appears higher in this list than in exhibit 2.1, indicating a movement of funds into this area.

Source: Line56, A.T. Kearney Joint Research, November 2001

## Development Priorities

### Exhibit 2.4 references for interaction with trading partners

To what extent do you plan to use the following to interact with trading partners in 2002?  
(1 = least use, 5 = most use)



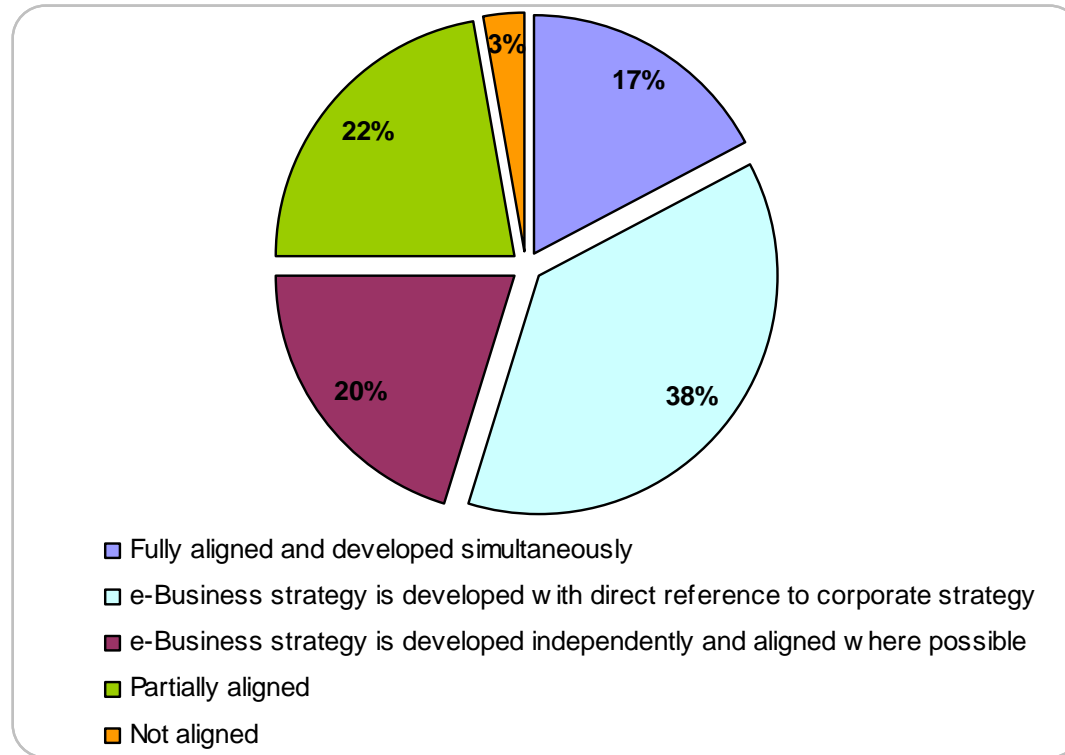
While companies are still indicating a strong use of portals, extranets and (to a lesser extent) private exchanges, Web services will become a major method to connect with trading partners in 2002.

Source: Line56, A.T. Kearney Joint Research, November 2001

# E-Business Strategy

Exhibit 3.1 Alignment of e-business strategy with corporate strategy

How aligned is your company's e-business strategy with overall corporate strategy?

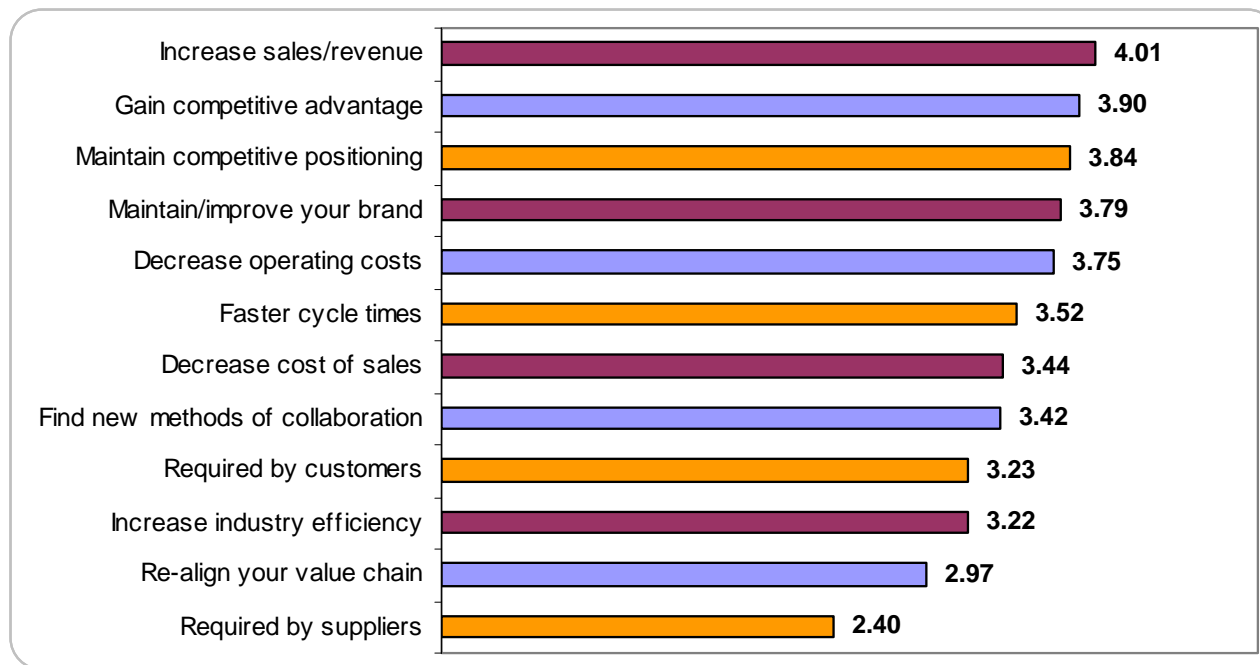


Source: Line56, A.T. Kearney Joint Research, November 2001

# E-Business Strategy

Exhibit 3.2 Important factors when developing an e-business strategy

Rate the importance of the following factors in developing your e-business strategy:  
(1 = least important, 5 = most important)



Respondents cite the need to increase sales/revenue as the major driver of e-business, just ahead of gaining competitive advantage and maintaining competitive positioning. Consistently, customer demand for e-business outweighs supplier demand as a factor when developing strategy.

Source: Line56, A.T. Kearney Joint Research, November 2001

# E-Business Strategy

Exhibit 3.3 Barriers to e-business adoption

Rate the significance of the following barriers to e-business adoption:  
(1 = low barrier, 5 = high barrier)



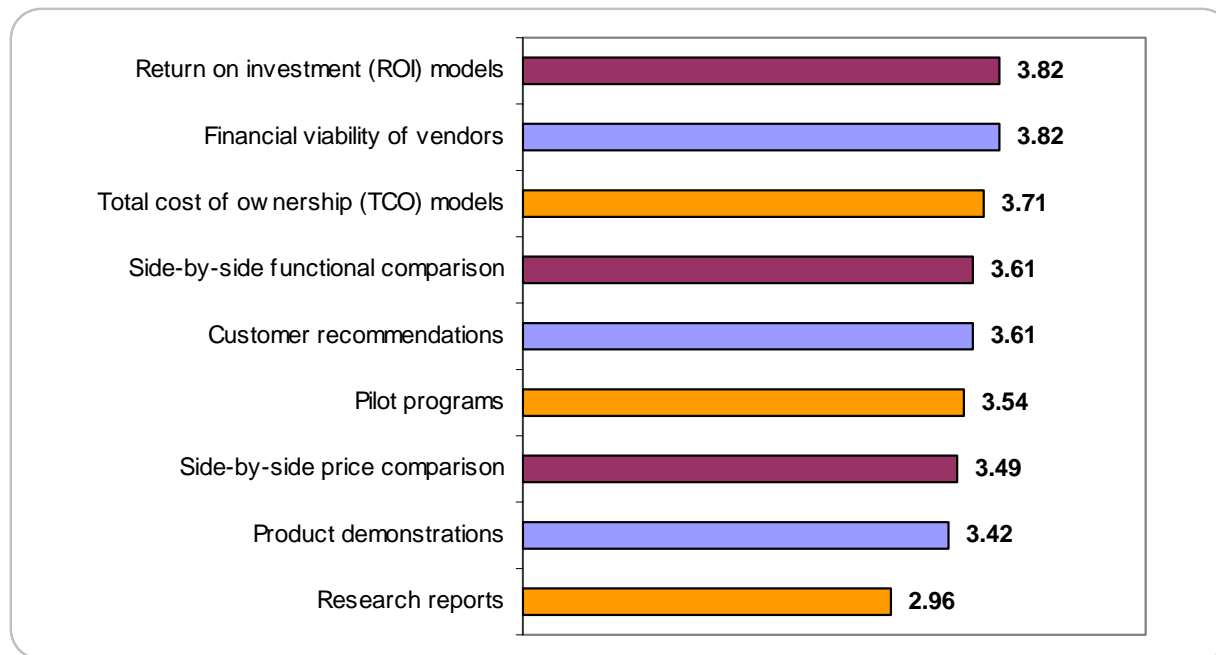
Not surprisingly, budget constraints and cost of implementation were rated the biggest barriers to e-business adoption. Technology capability of trading partners was ranked the highest among the remaining factors.

Source: Line56, A.T. Kearney Joint Research, November 2001

## E-Business Strategy

Exhibit 3.4 Criteria used to select an e-business vendor

Rate the importance of the following factors when assessing an e-business vendor:  
(1 = least important, 5 = most important)



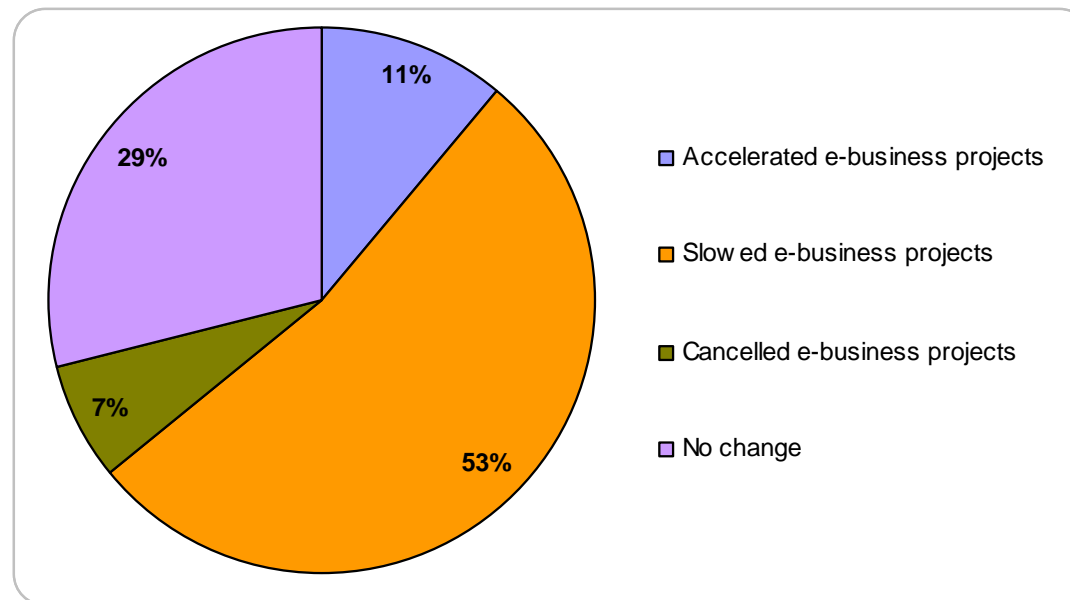
The financial viability of vendors has loomed as a major factor for vendor selection, equal to ROI models. However, it appears an integrated approach to vendor selection is the key, with most factors ranking highly.

Source: Line56, A.T. Kearney Joint Research, November 2001

## E-Business Strategy

Exhibit 3.5 Affect of the slowing economy on e-business projects

How has the ongoing news about the slowing economy most affected your e-business strategy?



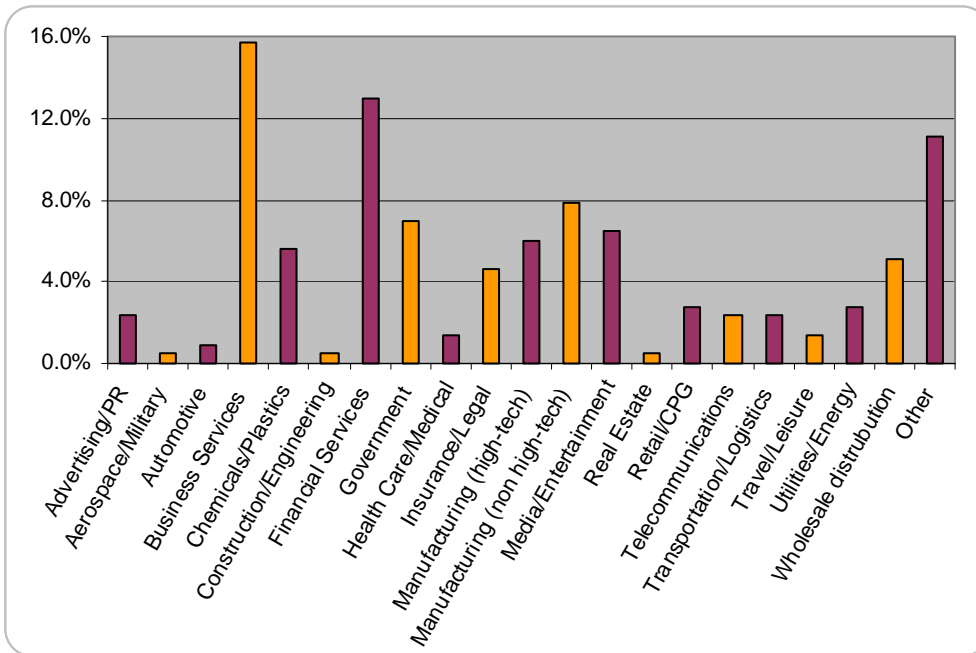
53 percent of companies indicated that the slowing economy has caused a slowing of e-business projects, rather than cancellation. Only 11 percent believe that it has accelerated their company's e-business plans.

Source: Line56, A.T. Kearney Joint Research, November 2001

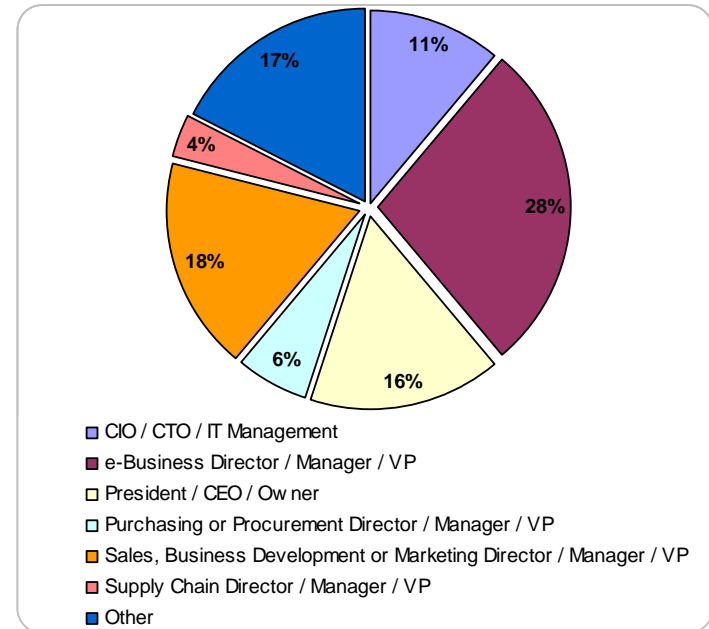
# Demographics of Survey Respondents

Exhibit 4.1 Industry and Job Title

Industry



Job Title



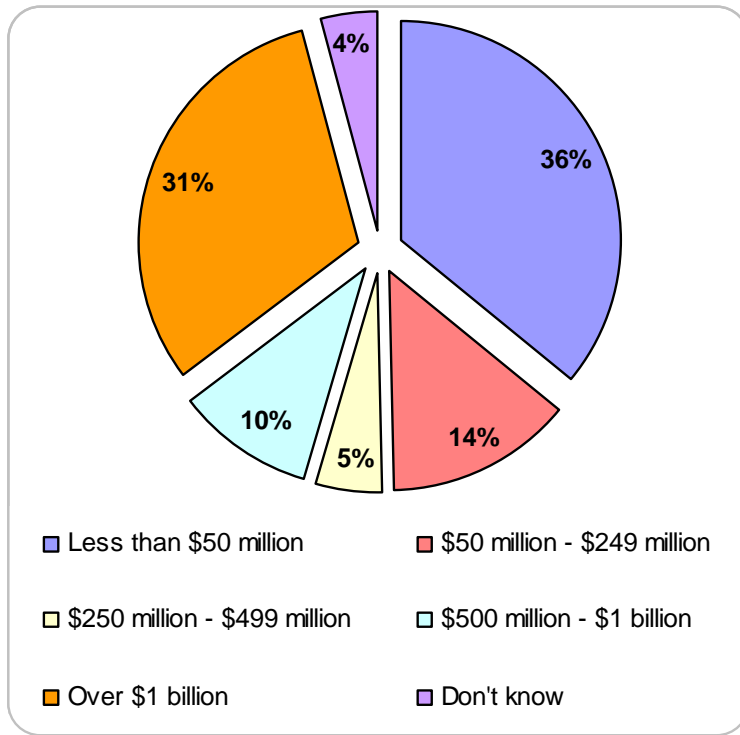
Survey respondents were from a range of industries and were pre-qualified as being involved in their company's e-business strategy, purchasing or implementation decisions.

Source: Line56, A.T. Kearney Joint Research, November 2001

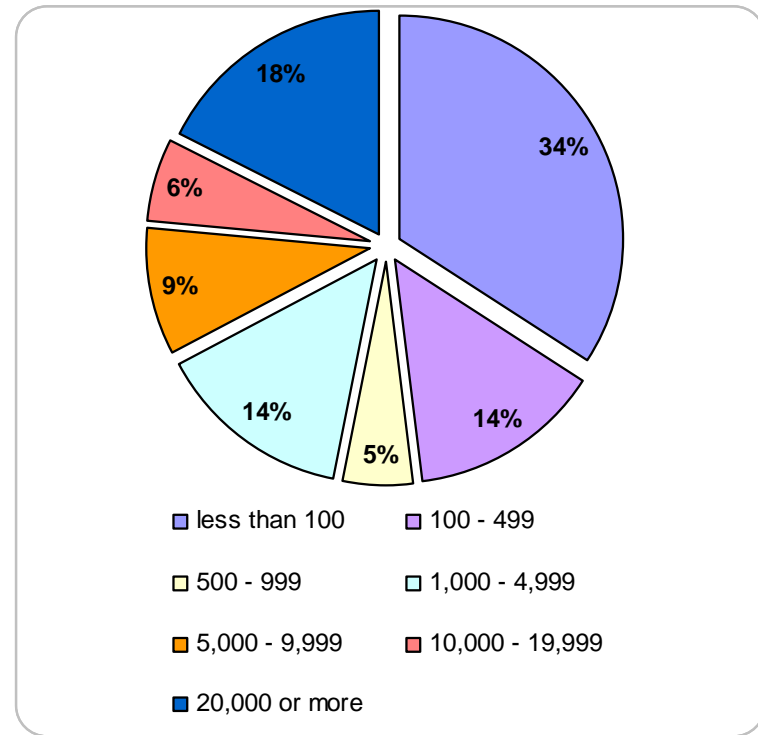
# Demographics of Survey Respondents

Exhibit 4.2 Company Size

2001 Revenue



Number of employees



Source: Line56, A.T. Kearney Joint Research, November 2001