

Gartner Says No New Major IT Innovation Before 2005

Web services to fall into disillusionment by 2004

70 percent of technically successful projects in Europe will fail to provide business ROI in the first year - 'Gap Year' extended another six months

Europe IT spending has reached bottom, however the UK in for a tough time

Gartner Symposium/ITxpo Florence, Italy, 8 April 2002 - No amazing technological 'silver bullet' to boost the European IT industry before 2005, said Gartner speaking today at its European **Spring Symposium/ITxpo** conference in Florence. Gartner said the 'Gap Year' would be extended by at least another six months, as businesses continue to invest in integrating its business and IT processes. Businesses were advised by Gartner to 'take care' when beginning new projects as it warned that 70 percent of IT projects, though technically successful, will fail to reach the expected return on investment in the first year. Businesses were warned when spending on new technology, such as web services, that they are at risk of buying a vision where the technology will not deliver clear benefits for another 2-3 years. Biotechnology was earmarked at the conference as the new industry 'big bet', attracting venture capital investment following the disillusionment in the IT industry.

Taking stock of the European IT market, Gartner said that while IT spending has reached the bottom, new survey results released today shows the picture is not the same across the region. The UK looks set to experience a tougher year, being the only country in the survey reporting a greater number of respondents decreasing IT budgets in 2002 than increasing. All other countries surveyed had a greater percentage of respondents increasing IT budgets in 2002 than decreasing, with Italy leading the way with 45 percent showing an increase and just 23.3 percent showing a decrease.

'Gap Year' extended - what companies need to do to prepare for recovery

Companies getting their house in order will continue to focus on integrating their business and IT processes until mid 2002 in preparation for new major IT initiatives. However, Gartner predicts that by year-end 2003, 70 percent of European IT projects will fail to achieve their predicted business case returns in their first year. It urged businesses to be more vigorous than ever in implementing evaluation processes, and to exercise caution amidst increasing hype to quickly implement new technologies such as web services.

"Except to the bottom line of IT vendors, the size of IT budgets is less important than where the money is actually going," said Peter Sondergaard, Group Vice President and Head of Research at Gartner. "Businesses need to exploit the 'Gap Year' by being more tactical than strategic, implementing measures that will plug wastage of spend and accurately measure return on investment."

Future Industry Vision

Looking to the next decade, Gartner said there is no single new mega trend at the trigger phase of the industry hype cycle. However, it highlighted mobile and wireless, web services and biotechnology as three industries that will see significant movement over the next decade.

Present day to 2005 - Mobile and Wireless

Following closely behind the dot.com period, the mobile and wireless industry is currently in a trough of disillusionment, at the bottom of Gartner's hype cycle. Gartner expects the industry

to recover over the next 2 years.

"After massive investments to develop mobile technology, the telecom industry will be seriously impacted if it can't get it right," said Steve Prentice, Vice President and Director of Research, Gartner. "This is an incentive in itself. In addition, a mobile device turned on all the time is ultimately the most powerful channel of all, and one that businesses cannot afford to ignore."

2004 to 2006 - Web Services

Currently being pushed up the hype cycle by the software industry, Gartner positioned web services at the top of its Hype Cycle and said over the next two years, it will face serious challenges in proving its immediate value.

"The real value of web services will become apparent once the technology matures, the vendors' business model is robust enough and users have a clear understanding of the applicability," said Prentice. "Right now, web services is a solution looking for a problem."

Upwards to 2010 - Biotechnology Industry

At the trigger point of the industry hype cycle lies the cross over between next generation technology and life sciences - biotechnology. The key drivers for biotechnology are complex but it is driven by socio-economic factors and a strong 'where is the money' attitude by IT venture capitalists searching for the 'next dot.com phenomena.

Table 1
EMEA IT Budget Trends (in percentages)

	UK	FRANCE	GERMANY	ITALY	BENELUX	SWEDEN
IT Budgets 2002						
Increase	29.7	36.2	28.0	45.0	29.1	35.5
Decrease	31.3	29.8	26.7	23.3	21.8	28.9
Stay the same	39.1	34.0	45.3	31.7	49.1	35.5
IT Budget Forecasts 2003						
Increase	17.19	35.29	28.95	16.13	42.11	22.37
Decrease	42.19	15.69	30.26	19.35	15.79	27.63
Stay the same	40.63	49.02	40.79	64.52	42.11	50.00

Source: Gartner Dataquest End User IT Spending Survey (April 2002)

Appendix - IT spend in European vertical markets

According to the survey (see table 1) IT spending growth in the healthcare, financial service, and utilities sectors looks healthiest. More respondents from these verticals reported they plan to increase IT budgets in 2002. This picture is projected to change in 2003 as government, retail, and utilities sectors report plans to have the greatest increase in IT spend for 2003.

Table 2
Vertical Industry IT spend Europe
(Based on reported increase in spend. Does not reflect size of overall budget)

Ranking	2002	Ranking	2003
1	Healthcare	1	Government
2	Financial Service	2	Retail
3	Utilities	3	Utilities
4	Retail	4	Financial Services
5	Communications	5	Education
6	Manufacturing	6	Communications
7	Education	7	Manufacturing
8	Government	8	Healthcare

Source: Gartner Dataquest End User IT Spending Survey (April 2002)

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