CHAPTER 01
Executive Summary
IT Spending and Staffing Benchmarks 2012/2013

Computer Economics provides research and advisory services on the strategic and financial management of information technology. Our clients include IT end-user organizations and major consulting firms in North America. Our IT Spending and Staffing Benchmarks study, published annually since 1990, is the definitive source of IT benchmarking data.

Other annual studies include Technology Trends, an assessment of technology adoption, spending, and economic experience; IT Outsourcing Statistics, which provides data on the use of and experience with IT outsourcing; IT Management Best Practices, which measure adoption trends of strategic IT practices; and Help Desk Benchmarks, a study on help desk staffing, spending, and operational metrics.

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ISDN: 0-945052-77-4

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# Table of Contents

## INTRODUCTION

## MAJOR FINDINGS

- Finding 1: IT Spending Recovery Continues, But Slowly
- Finding 2: IT Executives Lack Confidence in Budgets
- Finding 3: IT Spending Under Pressure to Rise
- Finding 4: IT Budgets Keep Pace with Corporate Revenue
- Finding 5: Rise in IT Operational Spending per User Marks Positive Trend Reversal
- Finding 6: Recovery Strongest in Manufacturing and Wholesale Distribution
- Finding 7: IT Capital Spending Recovery Stuck in Early Stage
- Finding 8: IT Executives Cautious on Capital Spending Outlook
- Finding 9: Strategic Investment Lagging Priority
- Finding 10: IT Staffing Divides Organizations into Haves and Have-Nots

## ADDITIONAL FINDINGS

## CHAPTER AND SAMPLE DESCRIPTIONS

- Chapter 1: Executive Summary
- Chapter 2: Composite Benchmarks
- Chapters 3 A-C: Benchmarks by Organization Size
- Chapter 4: Banking and Finance Sector Benchmarks
- Chapter 5: Insurance Sector Benchmarks
- Chapter 6: Healthcare Provider Sector Benchmarks
- Chapter 7: Process Manufacturing Sector Benchmarks
- Chapter 8: Discrete Manufacturing Sector Benchmarks
- Chapter 9: High-Tech Sector Benchmarks
- Chapter 10: Retail Sector Benchmarks
- Chapter 11: Wholesale Distribution Sector Benchmarks
- Chapter 12: Energy and Utilities Sector Benchmarks
- Chapter 13: Professional and Technical Service Sector Benchmarks
- Chapter 14: City and County Government Sector Benchmarks
- Chapter 15: Commercial Banking Subsector Metrics
- Chapter 16: Hospital and Integrated Healthcare System Subsector Metrics
- Chapter 17: Food and Beverage Subsector Metrics
- Chapter 18: Automotive and Industrial Manufacturing Subsector Metrics
- Chapter 19: Transportation Subsector Metrics
- Chapter 20: Construction, Trade, and Environmental Service Subsector Metrics
- Chapter 21: IT Services and Solutions Subsector Metrics
- Chapter 22: Government Agency Subsector Metrics
- Chapter 23: Gas and Electric Utilities Subsector Metrics
CHAPTER 1: EXECUTIVE SUMMARY

METRICS IN COMPOSITE AND ORGANIZATION SIZE CHAPTERS 26
Demographics 26
Spending by Type 26
Key Priorities for IT Budgeting 27
Total IT Spending Metrics 27
IT Operational Spending Metrics 27
IT Capital Spending Metrics 29
Infrastructure Metrics 29
IT Staffing Metrics 29
Benchmarks for Specific IT Job Function 31

METRICS IN SECTOR BENCHMARK CHAPTERS 32
Demographics 32
Spending by Type 33
Key Priorities for IT Budgeting 33
Total IT Spending Metrics 33
IT Operational Spending Metrics 33
IT Capital Spending Metrics 34
Infrastructure Metrics 34
IT Staffing Metrics 35

METRICS IN SUBSECTOR CHAPTERS 36
Demographics 36
Spending by Type 36
Total IT Spending Metrics 37
IT Operational Spending Metrics 37
IT Capital Spending Metrics 37
Infrastructure Metrics 38
IT Staffing Metrics 38

SURVEY METHODOLOGY 39
Sample Selection and Process 39
Survey Participants 40

CUSTOM BENCHMARKING SERVICES 42
CHAPTER 1: Executive Summary

Introduction

The Computer Economics *IT Spending and Staffing Benchmarks* study, now in its 23rd year of publication, provides key metrics to assist organizations in the financial and strategic management of information technology. The information presented in this 25-chapter study also helps consulting firms as well as IT product and service providers better understand current trends in end-user organization IT spending and staffing.

Each year, we conduct an in-depth survey of IT organizations in the U.S. and Canada to gather detailed data concerning their IT spending and staffing levels, outsourcing activity, and application of IT management best practices. The respondents include executives in both public and private sectors. By repeating this survey each year, Computer Economics is in a unique position to identify long-term trends and understand the challenges of managing IT organizations.

The study is based on a survey of more than 200 IT executives conducted in the first half of 2012. The study provides composite statistics of IT spending and staffing data, a segmentation of the same statistics by organization size, and individual chapters for 20 commercial and government sectors and subsectors. A description of the study’s content, design, demographics, and methodology is at the end of this chapter.

Major Findings

In light of modestly improving conditions in the U.S. economy, IT spending growth can only be characterized as subdued. The noticeable recovery we saw last year in IT spending and hiring did not provide a hoped-for foundation for even larger improvements this year. IT organizations are increasing IT operational budgets and capital spending, but at a pace that is only slightly ahead of 2011. What we cheered last year as the beginning of a recovery seems so far to only be about “as good as it gets” this year.

While the spending plans are subdued, some IT organizations are investing in growth initiatives. Sectors such as wholesale distribution, discrete manufacturing, and healthcare are experiencing a little more tailwind. Still, IT spending remains subdued in sectors such as local government and insurance, and small companies have yet to escape the doldrums.
Here are the key findings from our study:

**Finding 1: IT Spending Recovery Continues, But Slowly**

While top-line spending growth may be largely unchanged, IT organizations are not standing still. Only a handful of companies plan to maintain IT operational budgets at prior-year levels. Figure 1-1 shows that nearly two-thirds are increasing their spending, which is encouraging.

![Percentage of Organizations Changing IT Operational Spending: All Sectors](image)

*Source: Computer Economics, 2012 Figure 1-1*

It would be more encouraging, however, if another one-quarter of all organizations were not reducing spending levels. The operational budget trend points to a parting of the ways, where some companies are showing growth while others are undergoing continued retrenchment. Overall, this outcome is similar to 2011. The recession may be over, but the recovery has yet to gain steam and is uneven across sectors.

However, the percentage growth in IT operational budgets shows a modest improvement. Figure 1-2 shows median budgeted growth of 2.2%. This is a welcome change over the flat growth in the recession years and a slight step up from 2011. The direction is positive, if not strongly so.
Finding 2: IT Executives Lack Confidence in Budgets

Through a lack of confidence in their spending plans, IT executives confirm the IT spending recovery is weak. When asked about their expectations for change in IT operational spending, nearly one-third expect budget cuts in the year ahead compared to only 16% who expect a green light to exceed their spending plans, as shown in Figure 1-3.

How Actual IT Operational Spending Will Compare to Budget: All Sectors

Source: Computer Economics, 2012

Figure 1-3
While spending growth shows a positive trend, IT executives are actually more pessimistic than a year earlier, when only one-quarter of respondents anticipated budget cuts, as shown in Figure 1-4.

The spotty recovery, slowing growth in China, and an unresolved debt crisis in Europe are causing IT executives to remain cautious in their outlook. In fact, the lack of confidence is higher today than it has been at any time since 2009, when nearly half of IT organizations anticipated budget cuts amid the deepening financial crisis. In other words, the mood of IT executives is getting more pessimistic, even though IT budgets are increasing modestly.

Finding 3: IT Spending Under Pressure to Rise

While the trend in IT spending—as outlined in the first two findings—is important, it is also important to evaluate whether the current level of spending is adequate. As shown in Figure 1-5, more than half of IT executives feel their IT budgets are adequate or more than adequate to meet the needs of the business. This is nearly identical to last year, when 50% of our respondents were in the adequate/more than adequate columns.

Still, nearly half of IT executives find their budgets are inadequate to meet the needs of the business. The meager growth in IT spending has not restored IT budgets, and many IT organizations remain underfunded due to cost cutting. We believe this is unsustainable and, therefore, a potentially bullish indicator for IT spending in the years ahead.
CHAPTER 1: EXECUTIVE SUMMARY

Finding 4: IT Budgets Keep Pace with Corporate Revenue
Despite the modest 2.2% increase in median IT operational budgets this year, IT operational budgets as a percentage of revenue are unchanged at 1.6% at the median, as shown in Figure 1-6. This means that organizations are granting increases in IT spending in step with rising revenue.

This essential metric signals that organizations are maintaining the status quo. Business leaders are not aggressively making strategic investments in innovative technologies to gain competitive advantage, at least to the degree that IT spending would rise faster than revenue. Nor are businesses struggling with deteriorating revenue, which can also cause this metric to rise temporarily, as it did in 2010. As we will see later in this chapter, investments in new technologies must be coming primarily from savings in ongoing IT support costs, increasing the priority for improving cost-efficiency in day-to-day IT operations.
Please note that IT spending as a percentage of revenue varies significantly by industry sector. Therefore, the statistics presented here should only be used as an indication of overall trends, not for benchmarking specific organizations. To provide a fair comparison for your organization, please refer to the industry sector chapter of this study that best corresponds to your organization. Chapter 3, which shows how these metrics vary by organization size, is also useful in benchmarking specific IT organization performance.

**Finding 5: Rise in IT Operational Spending per User Marks Positive Trend Reversal**

A second important measure of IT spending is IT operational spending per user. This metric is not as popular as IT spending as a percentage of revenue. Nevertheless, it is perhaps more useful for comparing different companies because it normalizes IT spending in relationship to the number of users. IT spending per user and the number of users in an organization should move in parallel when there is no change in spending levels.

But that is not what we are seeing in Figure 1-7, which tracks IT spending per user on an inflation-adjusted basis over a five-year period. IT operational budgets are rising to $7,274 per user at the median, up nearly 6% from 2011. The change could be attributed to restrained hiring. Still, organizations are increasing per-user spending after three years of decline in this metric. The trend reversal is a positive sign.
Please note that IT spending per user varies significantly by industry sector. Therefore, the statistics presented here should only be used as an indication of overall trends, not for benchmarking specific organizations. To provide a fair comparison for your organization, please refer to the industry sector chapter of this study that best corresponds to your organization. Chapter 3, which shows how these metrics vary by organization size, is also useful in benchmarking specific IT organization performance.

**Finding 6: Recovery Strongest in Manufacturing and Wholesale Distribution**

The recovery in IT spending is uneven across sectors, as shown in Figure 1-8. In operational budget growth, process manufacturing, wholesale distributors, and discrete manufacturing—all product-based businesses, are the leaders. These sectors have been doing well in the current, although weak, economic recovery, which is reflected in their better-than-average performance in terms of IT spending increases. Process manufacturers are increasing their IT operational spending 5.0% at the median, while wholesale distributors and discrete manufacturers are increasing at 3.6% and 3.0%, respectively.

Healthcare providers match the IT operational spending increase in the discrete manufacturing sector, at 3.0%. These organizations are still benefitting from government incentives for implementing electronic medical records systems.

Other sectors enjoying modest growth that exceeds the median for all organizations include high-tech companies, professional and technical services, and energy producers and utilities. Close to the composite level of spending growth are retailers and banking and finance concerns.
Sectors that are dragging down overall spending growth include insurance and local government. While insurers struggle with low interest rates, local governments continue to adjust to the sharp decline in tax revenue and a fall-off in U.S. government stimulus funding that was aimed at local governments in 2008 and 2009.

These results indicate that economic conditions, which strongly influence IT spending and staffing levels, vary significantly by industry sector. Benchmarking of IT metrics, therefore, should include sector-specific metrics as provided in later chapters of this study.

**Finding 7: IT Capital Spending Recovery Stuck in Early Stage**

In addition to IT operational budgets, most organizations maintain IT capital budgets to fund long-term investments in IT infrastructure, equipment, or major systems. These investments are then depreciated as an operational expense over a number of years.

IT capital spending is improving this year, with 51% increasing their IT capital budgets, as shown in Figure 1-9. On the cost-cutting side, however, 35% are cutting capital budgets. As with operational
spending, IT capital spending improvement is uneven. While a majority of organizations are increasing IT capital budgets, it is offset by the large percentage curtailing investments.

In short, there is a great deal of variance among companies in their capital spending plans, and spending on IT equipment and software is likely to remain volatile. Capital investment in technology is constrained and subject to a pull-back should the economy weaken.

The next figure also supports this finding. Similar to the trend we see in IT operational budgets, capital spending growth shows modest improvement with budgets rising 2.0% at the median across all sectors, as shown in Figure 1-10. This is an improvement over the zero percentage growth during the recession and a slight improvement over the previous year. In a robust recovery, we would normally see a major jump in IT capital spending, as we saw after the 2001 recession. Today, the recovery is proceeding but remains uneven and stuck in its early stage.
Finding 8: IT Executives Cautious on Capital Spending Outlook

While we saw that nearly one-quarter of IT organizations anticipate reductions in their IT operational spending plans, on the IT capital budget side, the picture is even worse. Figure 1-11 shows 29% expect to spend less than planned. Once again, we see evidence that although the IT spending recession is over, the recovery is not strong. IT executives are cautious and prepared to resume cost-cutting.
Please note that IT capital spending growth varies significantly by industry sector, as seen in later chapters of this study, with some sectors showing significant growth and others showing decline. Benchmarking of IT capital spending budgets should therefore be done with industry-specific metrics.

**Finding 9: Strategic Investment a Lagging Priority**

IT budgets and staffing levels are not set in a vacuum—they are planned and approved with key goals and objectives in mind. While some organizations focus on developing new systems, others focus on improving existing applications. Looking at such priorities across a number of companies is useful in understanding how the environment is influencing IT decisions.

At the top of the priority list this year is upgrading existing systems with an average ranking of 5.88 on a scale of 10 to 1, with 10 being most important, as shown in Figure 1-12. That is followed closely by becoming more cost-efficient with an average ranking of 5.75. These top two priorities are telling. IT organizations this year are placing greater emphasis on squeezing cost out of the IT infrastructure, and system upgrades can help achieve that objective. Because IT budget increases are generally limited, IT organizations must take costs out of ongoing support for existing systems, freeing up budgetary funds so that they can invest in new systems, as seen in the third priority, developing new systems, at 5.30.

Improving IT service levels and using IT to gain a competitive advantage are in the top half of priorities, but they fall into fourth and fifth place, respectively.

With cost-efficiency top of mind, IT organizations are paying scant attention to the once-prevalent concerns driven by the need to reduce risk. Dead last is improving compliance with government
regulations. In this environment, reducing compliance risk is less urgent than improving profitability. Also ranking low are improving IT security and improving disaster recovery, which go hand-in-hand with compliance. The importance of upgrading PCs, meanwhile, is largely unchanged. The PC upgrade treadmill seems to have diminished for the long term.

**Finding 10: IT Staffing Divides Organizations into Haves and Have-Nots**

Hiring is looking up, and down. The number of IT organizations planning to increase IT staff levels has improved dramatically over the prior year. Figure 1-13 shows 40% of IT organizations have the go-ahead to increase staff headcount. This compares with only 33% in 2011. But 27% of the IT organizations are still reducing headcount. As with capital spending and operational spending, there appears to be a rising disparity among organizations. Some are prospering while others are still pulling back. Only one-third of IT organizations are maintaining headcount at the same level as the previous year.

![Percentage of Organizations Changing IT Staff Headcount: All Sectors](image)

*Source: Computer Economics, 2012*

Once again, the job outlook varies by organization size and industry sector, as analyzed in subsequent chapters of this study. In addition, our annual IT salary report highlights current salary levels for specific job functions.

**Additional Findings**

The Computer Economics 2012/2013 *IT Spending and Staffing Benchmarks* study provides a comprehensive statistical view of the state of IT budgets in U.S. and Canadian organizations. These results are described in full in subsequent chapters.
In addition, throughout the next 12 months, we will conduct further analysis of the data provided in this study and publish the findings on our website. Computer Economics research is available to clients at no charge. Our research reports may also be purchased on an individual basis by non-clients. For information on becoming a client of Computer Economics, please visit our website at www.computereconomics.com.
Chapter and Sample Descriptions

This study is organized into 23 chapters. Each chapter includes a similar set of benchmarks for a different sample. For a list of metrics provided in each sample, consult the appropriate list later in this chapter. For a description of the sample in each chapter, consult the chapter descriptions that follow:

Chapter 1: Executive Summary

This chapter provides an overview of the key findings from the full study and describes the contents of the subsequent chapters. It also includes information on the study participants and the survey methodology.

Chapter 2: Composite Benchmarks

This chapter provides composite metrics for all organizations in the survey across all sectors and organization sizes. The sample includes 203 organizations and is stratified by size and sector as described in the final section on Survey Methodology.

To avoid the problem of having very small organizations in our sample, we require respondents to have at least $50 million in annual revenue or IT spending in excess of $2 million.

For a list of benchmarks for this sample, see “Metrics in the Composite and Organization Size Chapters.”

Chapters 3 A-C: Benchmarks by Organization Size

In these chapters, we provide a complete set of benchmarks for organizations within the specified size classification. To classify organizations by size, we use the size of the IT operational budget. This enables IT organizations to compare themselves against similar-size IT organizations. We define the size categories as follows:

- Small organizations have IT operational budgets of less than $5 million
- Midsize organizations have IT operational budgets of $5 million to less than $20 million
- Large organizations have IT operational budgets of $20 million or greater

For a list of benchmarks for these samples, consult the section on “Metrics in the Composite and Organization Size Chapters.”

Chapter 4: Banking and Finance Sector Benchmarks

Chapter 4 provides benchmarks and trend data for banking and finance organizations based on our current-year survey. The 17 respondents in this sector include banks, credit unions, lenders, wealth management firms, brokerages, and broadline financial service organizations. These firms range in size from $38 million to $20 billion in revenue.
We also publish subsector metrics for commercial banking in Chapter 15, which presents a smaller set of benchmarks based on three years of survey data.

Banking and finance organizations are information-intensive businesses with a high percentage of knowledge workers. These businesses are highly regulated, and they have significant requirements for information security, privacy, and disaster recovery. These organizations are among the highest in the intensity of their IT spending and staffing of any sector in our study.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”

**Chapter 5: Insurance Sector Benchmarks**

Chapter 5 provides benchmarks and trend data for insurance firms across all organization sizes. The 17 respondents in this sector include providers of life, medical, property and casualty, worker’s compensation, and other types of insurance products. The sector includes multiline insurance firms, insurance and financial service firms, reinsurance firms, and specialty insurers. These insurance organizations range in size from $85 million to $20 billion in annual revenue.

Insurance organizations are information-intensive businesses, and they rely upon information technology for nearly every aspect of their business. Most, if not all, employees of these organizations use computers in their daily work and, in fact, insurers with agency networks often have more users than employees. These firms are among the highest in terms of IT spending per user for any sector in our study.

For a list of the benchmarks for this sample, see “Metrics in Sector Benchmark Chapters.”

**Chapter 6: Healthcare Provider Sector Benchmarks**

Chapter 6 provides benchmarks and trend data for healthcare providers across all organization sizes based on our current-year survey. The 17 respondents in this sector include hospitals, integrated health systems, pathology labs, and home healthcare organizations. These firms range in size from $192 million to $10 billion in revenue.

We also provide subsector metrics for hospitals and integrated health systems in Chapter 16.

Healthcare provider organizations are characterized by complex payment and reimbursement arrangements with patients, insurance carriers, government, and medical professionals. The use of medical technology in delivering medical care and maintaining patient medical records requires investment in systems to ensure the security and privacy of patient data. While these characteristics drive IT investments, it is often difficult for healthcare provider organizations to rationalize IT investments not directly related to patient care.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”
Chapter 7: Process Manufacturing Sector Benchmarks
Chapter 7 provides benchmarks for process manufacturing companies across all organization sizes based on our current survey. Process manufacturers are defined as those where the production process adds value by mixing, separating, forming, or chemical reaction. The 19 respondents in this sector include manufacturers of chemicals, semiconductors, pharmaceuticals, food, building materials, packaging materials, and steel, glass and paper products, among other process manufactured goods. These organizations range in size from $50 million to more than $3.5 billion in annual revenue.

Process manufacturing organizations are characterized by a moderate level of IT spending, focused primarily on back-office, manufacturing, and supply chain functions. These firms lead in adoption of enterprisewide business applications such as ERP, but they have lagged somewhat in adoption of customer-facing systems when compared to other sectors. In addition, they tend to be asset-intensive organizations, leading to additional requirements for applications that optimize performance of plants and equipment such as preventative maintenance systems. These firms also tend to be conservative in their use of leading-edge technologies, preferring practical solutions that are well supported and have clear benefits in productivity or cost reduction. They tend to spend less on IT than most other sectors.

For a list of the benchmarks for this sample, see “Metrics in Sector Benchmark Chapters.”

Chapter 8: Discrete Manufacturing Sector Benchmarks
Chapter 8 provides benchmarks and trend data for discrete manufacturing companies across all organization sizes, based on our current survey. The 27 respondents in this sector include those where the production process adds value by fabricating or assembling individual (discrete) unit production. These organizations include manufacturers of consumer products, consumer durable goods, industrial equipment, industrial parts, capital equipment, aerospace products, auto parts, building products, electrical parts, and electronic devices. These firms range in size from $60 million to more than $10 billion in revenue.

We also publish a subsector metrics report for automotive and industrial manufacturing companies in Chapter 18 and a sector benchmarks report for high-tech organizations in Chapter 9.

Like their process manufacturing counterparts, discrete manufacturers are characterized by a moderate level of IT spending, focused primarily on back-office, manufacturing, and supply chain functions. These firms are leaders in adoption of enterprisewide business applications such as ERP, but lag in adoption of customer-facing systems. These firms also tend to be conservative in their use of emerging technologies, preferring practical solutions that are well supported and have clear productivity or cost-reduction benefits.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”
Chapter 9: High-Tech Sector Benchmarks
Chapter 9 provides benchmarks and trend data for high-tech firms across all organization sizes, based on our current survey. The 20 respondents in this sector include software developers, biotech firms, medical device companies, computer products manufacturers, aerospace and defense manufacturers, technical service companies, semiconductor manufacturers, and makers of other high-tech products. These firms range in size from about $50 million to more than $10 billion in revenue.

We also publish subsector metrics for IT service and solution providers in Chapter 21.

High-tech organizations are characterized by having complex sales processes, large customer service and support efforts, and significant investment in research and development. They tend to invest more in IT than the typical manufacturing company.

For a list of the benchmarks for this sample, consult “Metrics in Sector Benchmark Chapters.”

Chapter 10: Retail Sector Benchmarks
Chapter 10 provides benchmarks and trend data for retail firms across all organization sizes. The 16 respondents in this sector include retailers of clothing, pharmaceuticals, electronics, groceries, and other consumer goods. It also includes department stores, specialty retailers, big-box retailers, direct marketers, retail office supply dealers, and providers of personal services. These firms in the sample range in size from $150 million to more than $6 billion in annual revenue.

The retail sector is characterized by moderate levels of IT spending. Most retailers have data networks that support multiple selling locations for point-of-sale and inventory management. Application portfolios range from a transaction-processing focus to business intelligence applications. Retailers have a mix of full-time and temporary employees, not all of whom use computers. The automation of credit transactions and storing of customer information make information security and privacy an important requirement in retail.

For a list of the benchmarks for this sample, consult “Metrics in Sector Benchmark Chapters.”

Chapter 11: Wholesale Distribution Sector Benchmarks
Chapter 11 provides benchmarks and trend data for wholesale distribution companies across all organization sizes, based on our current survey. The 17 respondents in this sector include wholesale distributors of building products, home furnishings, home improvement products, industrial components, electronics, agricultural products, and food and beverage, among other products. These firms range in size from $90 million to nearly $10 billion in revenue.

Wholesale distributors serve as middlemen between manufacturers and other businesses, providing value-added services such as testing, packaging, warehousing, shipping, marketing, and inventory management. They serve a vital function in the supply chain of many industries, aggregating the demand of small-order customers and stocking products from a variety of suppliers to provide one-stop shopping. Information concerning supply and demand is essential for wholesale distributors,
and computers are essential to track the large number of stock-keeping units and transactions in the typical wholesale distributor. Inventory and warehouse management systems are central to the application portfolio of these organizations. There is also significant investment in data warehousing and business intelligence systems.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”

**Chapter 12: Energy and Utilities Sector Benchmarks**

Chapter 12 provides benchmarks and trend data for energy and utility companies across all organization sizes, based on our current survey. The 15 respondents in this sector include oil and gas producers, midstream distributors of gas and electricity, electric utilities, and public water and power utilities. These firms range in size from $250 million to more than $30 billion in revenue.

We also publish subsector metrics for the gas and electric utilities in Chapter 23.

IT spending in the energy and utilities sector is moderately high. These firms tend to be asset-intensive, leading to major requirements for information systems in the areas of fixed-asset management and geographic information systems. High transaction volumes and the need for storage are also seen, especially in the case of utilities that manage customer relationships with hundreds of thousands or even millions of consumers. Security, disaster recovery, and regulatory compliance are also major concerns in this sector.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”

**Chapter 13: Professional and Technical Service Sector Benchmarks**

Chapter 13 provides benchmarks and trend data for professional and technical service companies across all organization sizes, based on our current survey. The 17 respondents in this sector include business service firms, technical service firms, IT service and solution providers, consultants, research firms, and other business services. These firms range in size from $43 million to more than $10 billion in annual revenue.

These organizations are characterized by a high percentage of knowledge workers, most if not all of whom are users of information technology. CRM and knowledge management are important applications in this sector, and these organizations are often leaders in the adoption of new technologies such as software-as-a-service and mobile computing applications. Spending on IT in this section is moderately high.

For a list of the benchmarks for this sample, consult the section on “Metrics in Sector Benchmark Chapters.”
Chapter 14: City and County Government Sector Benchmarks

Chapter 14 provides benchmarks and trend data for city and county government organizations across all organization sizes, based on our current survey. The 18 respondents in this sector include city and county governments only. The governments in this sample range have operating budgets ranging in size from $100 million to nearly $7 billion.

We also publish a subsector benchmarks report for federal, state, and regional government agencies in Chapter 22.

City and county governments require information systems for nearly every aspect of their day-to-day operations and services. Yet they often lag behind other sectors in adopting new systems and technologies and upgrading existing systems. Asset management, geographic information systems, e-government applications, and specialized accounting systems can be important applications in this sector. Information security, privacy, and disaster recovery are also important concerns.

For a list of the benchmarks for this sample, see “Metrics in Sector Benchmark Chapters.”

Chapter 15: Commercial Banking Subsector Metrics

Chapter 15 provides benchmarks for commercial banking firms across all organization sizes. The 24 respondents in this subsector include commercial banks and credit unions. The banks include community, regional, and national banks. The smallest bank in the sample has $30 million in annual revenue and the largest, nearly $30 billion in annual revenue.

As with other types of financial service firms, commercial banks are information-intensive businesses with a high percentage of knowledge workers. These businesses are highly regulated, and they have significant requirements for information security, privacy, and disaster recovery. Banking organizations are among the highest in terms of IT spending and staffing of any industry in our study.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of the benchmarks included in this chapter, see “Metrics for Subsector Chapters.”

Chapter 16: Hospital and Integrated Healthcare System Subsector Metrics

Chapter 16 provides benchmarks for hospitals and integrated healthcare systems of all sizes, based on the most recent three years of survey data. The 25 respondents in this sector include local community hospitals, regional hospital systems, and national or multiregional hospital systems, and university hospitals. These organizations range in size from $80 million to $30 billion in annual revenue.

These organizations are a subset of the healthcare provider sector, for which a full set of metrics is provided in Chapter 6. They share the IT spending characteristics of other healthcare organizations.
These include complex payment and reimbursement arrangements and strict IT security and privacy requirements. The sector requires IT staff with sector-specific skills, large patient medical records systems, mobile platforms, imaging and other systems with large data storage requirements. Hospitals also support many users who are not employees and have relatively high levels of spending on IT.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of the benchmarks included in this chapter, see the section on “Metrics for Subsector Chapters.”

Chapter 17: Food and Beverage Subsector Metrics

Chapter 17 provides benchmarks for food and beverage manufacturers and distributors across all organization sizes, based on the most recent three years of survey data. The 21 respondents in this sector produce or distribute beverages, snack foods, meat products, dairy products, dietary supplements, and other food or beverage products. These organizations range in size from $140 million to more than $25 billion.

These organizations are a subset of the process manufacturing sector, for which a full set of metrics is provided in Chapter 7. Food and beverage companies have moderate levels of IT spending, focused primarily on back-office, manufacturing, and supply chain functions. These firms invest in ERP and supply chain applications, but have lower investment in customer-facing systems than other sectors. Food and beverage firms also tend to be conservative in their use of leading-edge technologies, preferring practical solutions that are well supported and have clear benefits. IT spending tends to be moderate compared to all organizations.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see the section on “Metrics for Subsector Chapters.”

Chapter 18: Automotive and Industrial Manufacturing Subsector Metrics

Chapter 18 provides benchmarks for the automotive and industrial manufacturing subsector across all organization sizes, based on the most recent three years of survey data. The 20 manufacturers in this subsector make auto parts, material handling equipment, engines, machinery, and similar capital goods. These organizations range in size from $70 million to more than $7 billion.

These organizations are a subset of the discrete manufacturing sector, for which benchmarks are provided in Chapter 8. They are characterized by a moderate level of IT spending, focused primarily on back-office, manufacturing, and supply chain functions. These firms are leaders in adoption of enterprisewide business applications such as ERP, but lag somewhat in adoption of customer-facing systems. These firms also tend to be conservative in their use of leading-edge technologies, preferring practical solutions that are well-supported and have clear productivity or cost-reduction benefits.
For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see the section on “Metrics for Subsector Chapters.”

Chapter 19: Transportation Subsector Metrics

Chapter 19 provides selected IT spending and staffing statistics for the transportation subsector across all organization sizes, based on the most recent three years of survey data. The 21 companies in this sector operate buses, trucks, railways, airlines, barges, and ships. The sector includes logistics companies that transport goods, and public and private transportation companies that move people. These organizations range in size from $150 million to more than $50 billion.

These organizations require systems to track moving stock, manage inventory, and maintain flexible communications systems. Only a portion of the employees in this sector are heavy users of IT systems. As such, while spending only a moderate percentage of revenue on IT, transportation companies spend a relatively high amount per user.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see “Metrics for Subsector Chapters.”

Chapter 20: Construction, Trade, and Environmental Service Subsector Metrics

Chapter 20 provides selected IT spending and staffing benchmarks for the construction, trade, and environmental services sector across all organization sizes, based on the most recent three years of survey data. The 19 organizations include engineering companies, commercial, residential, and industrial construction contractors, oil service firms, and firms that specialize in the cleanup, treatment, and disposal of wastewater and hazardous materials. These organizations range in size from $90 million to more than $3 billion in annual revenue.

For companies in this sector, only a portion of employees are users of IT. They require systems to support engineering, back-office, and project management activities. These organizations support a high number of smartphone users, but have relatively small IT budgets relative to the company’s revenue and number of employees.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see “Metrics for Subsector Chapters.”
Chapter 21: IT Services and Solutions Subsector Metrics

Chapter 21 provides IT spending and staffing statistics for the IT services and solutions subsector based on the most recent three years of survey data. There are 15 organizations in this subsector, including software developers, business process outsourcing firms, and other IT service and solution providers. These organizations range in size from $50 million to $6 billion.

Companies in this subsector leverage IT as part of their core competency and tend to invest in emerging technologies. They have a large service component in their business and support sophisticated CRM systems. While they spend a relatively large amount on IT as a percentage of revenue, spending per user is moderate.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see the section on “Metrics for Subsector Chapters.”

Chapter 22: Government Agency Subsector Metrics

Chapter 22 provides selected benchmarks for federal, state, and regional government agencies across all organization sizes, based on the most recent three years of survey data. There are 14 respondents in this sector, including transportation planning agencies, public health agencies, social service agencies, environmental regulatory agencies, civil service commissions, and other federal, state, and regional governmental units. These organizations range in size from $30 million to more than $7 billion. For city and county government benchmarks, please see Chapter 14.

Government agencies rely heavily on IT to maintain information and deliver services. Nearly all employees use IT, and spending on IT can be considerably higher than spending by local government. Asset management, geographic information systems, e-government applications, and specialized accounting systems can be important applications in this sector. Information security, privacy, and disaster recovery are also important concerns.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see the section on “Metrics for Subsector Chapters.”

Chapter 23: Gas and Electric Utilities Subsector Metrics

Chapter 23 provides selected benchmarks for gas and electric utilities across all organization sizes. The 13 utilities in this subsector include public and private electric utilities, gas and electric utilities, public water and power utilities, and regional transmission line operators. The smallest utility in the sample has $200 million in annual revenue and the largest, more than $10 billion in annual revenue.

Gas and electric utilities are capital- and IT-intensive concerns and have a high level of IT spending on a per-user basis and especially high spending on applications for physical plant and customer
relationship functions. Electric utilities are undergoing a significant amount of modernization, much of it driven by state and federal mandates for smart meters, smart networks, smart grids, and other efficiencies geared toward significantly reducing energy use, especially during times of peak demand. As such, utility companies are increasingly supporting new technology initiatives that enable them to improve service delivery, increase efficiency, and reduce overall power demand.

For these subsector metrics, we use data gathered over the most recent three-year period. As such, we exclude trend data and metrics that tend to change from year to year. Because the metrics reported are less subject to change, they also are the most useful for benchmarking purposes. For a list of benchmarks for this sample, see the section on “Metrics for Subsector Chapters.”
Metrics in Composite and Organization Size Chapters

This section lists the metrics provided in chapters 2 and 3A-C. The composite benchmarks (Chapter 2) and benchmarks for small, midsize, and large organizations (chapters 3A, 3B, and 3C) contain the same set of benchmarks. These chapters include 52 figures comprised of four tables and 48 charts.

The metrics in these chapters provide a statistical view of IT operations in nine sections as follows:

 Demographics
 In Section 1, we describe the key demographics and IT intensity of the sample to provide a basis for comparison with other IT operations. These metrics include:

- Organization revenue
- Number of employees
- Revenue per employee
- IT operational budget
- IT capital budget
- Total IT spending
- IT outsourcing budget
- Ratio of users of IT systems to employees
- PCs per user
- Percentage of users with tablets
- Percentage of users with smartphones
- Number of data centers, network sites, and business applications
- Total disk storage

 Spending by Type
 In Section 2, we describe IT spending by type of spending. These metrics provide additional demographic information and can be used to identify IT management trends. They include:

- Percentage of IT spending devoted to ongoing support
CHAPTER 1: EXECUTIVE SUMMARY

- Percentage of IT spending on research and development
- Percentage of application functionality from custom systems
- Percentage of IT spending outside the IT budget
- Outsourcing as percentage of total IT budget

**Key Priorities for IT Budgeting**
In Section 3, we rank key priorities influencing IT planning and budgeting.

**Total IT Spending Metrics**
Section 4 presents metrics on total IT spending, defined as operational spending plus capital spending minus depreciation. These metrics include:

- Total IT spending as percentage of revenue
- Total IT spending per user
- Total IT spending per PC
- Total application software spending per user
- Line items as average percentage of total IT spending (See Figure 1-15 for example)
- Total IT spending by functional area
- Line items as percentage of total IT spending at each quartile

**IT Operational Spending Metrics**
Section 5 presents a view of spending on IT operations, as follows:

- Percentage of organizations decreasing, maintaining, or increasing IT operational spending year-over-year
- IT operational budget percentage change from previous year
- How executives expect actual IT operational spending will compare to budget
- What IT executives think about adequacy of current IT operational budget to support the business
- IT operational budget as percentage of revenue
■ IT operational budget per user
■ IT operational budget per PC
■ Percentage of IT operational budget charged back to users
■ Line items as average percentage of IT operational spending

Figure 1-14 presents an example of the IT operational budget ratios. It also shows the list of the budget line-item categories we use to assess IT operational, capital, and total IT spending.

![Line Items as Average Percentage of IT Operational Spending: Large Companies (Example Only)](chart)

Source: Computer Economics, 2012

■ Personnel costs as percentage of IT operational budget
■ Depreciation as percentage of IT operational budget
Utilities spending per server

Carrier service spending per user

**IT Capital Spending Metrics**
Section 6 provides an analysis of IT capital budgets, including:

- Percentage of organizations decreasing, maintaining, and increasing IT capital spending
- IT capital budget change from prior year
- Percentage of organizations expecting to spend more, the same, or less than amount budgeted for IT capital expenses this year
- IT capital budget as percentage of total IT budget
- Line items as average percentage of capital budget

**Infrastructure Metrics**
In Section 7, we look at key infrastructure metrics:

- Processing workload by operating system
- OS instances per physical server
- Users per physical server
- Users per OS instance
- Users per printer

**IT Staffing Metrics**
In Section 8, we provide key metrics and trend data on IT staffing, including:

- Users per IT staff member
- Percentage of organizations increasing, maintaining, and decreasing IT staff levels from previous year
- IT staff headcount change from previous year
- IT staff turnover
- Annual training allocation per IT employee
- Contractors and temporary workers as percentage of IT staff
- IT staff job functions as percentage of IT staff

Figure 1-15 presents an example of the IT staffing ratio data. It also shows the categories we use to assess IT staffing mix.

![IT Staff Mix: Large Organizations (Example Only)](chart)

*Source: Computer Economics, 2012*
Benchmarks for Specific IT Job Function
In Section 9, we provide key benchmarks for six key job functions, including server support staffing, network support staffing, application developers, help desk, desktop support, and IT managers. The metrics are as follows:

- OS instances per server support staff member
- Network devices per network support staff member
- Applications per application developer
- Users per help desk staff member
- PCs per desktop support staff member
- IT managers as percentage of IT staff
Metrics in Sector Benchmark Chapters

The sector benchmark chapters 4-14 have 44 figures comprised of four tables and 40 charts. These benchmarks are also included in chapters for the composite and organization size samples, but do not include eight benchmarks for specific spending and staffing categories.

The excluded spending metrics are utilities spending per server and carrier service spending per user. The excluded staffing metrics are OS instances per server support staff member, network devices per network support staff member, applications per application developer, users per help desk staff member, PCs per desktop support staff member, and IT managers as percentage of IT staff.

The metrics in these chapters provide a statistical view of IT operations in eight sections:

Demographics
In Section 1, we describe the key demographics and IT intensity of the sample to provide a basis for comparison with other IT operations. These metrics include:

- Revenue
- Number of employees
- Revenue per employee
- IT operational budget
- IT capital budget
- Total IT spending
- IT outsourcing budget
- Ratio of users of IT systems to employees
- PCs per user
- Percentage of users with tablets
- Percentage of users with smartphones
- Number of data centers, network sites, and business applications
- Total disk storage
CHAPTER 1: EXECUTIVE SUMMARY

Spending by Type
In Section 2, we describe IT spending by type of spending. These metrics provide additional demographic information and can be used to identify IT management trends. They include:

- Percentage of IT spending devoted to ongoing support
- Percentage of IT spending on research and development
- Percentage of application functionality from custom systems
- Percentage of IT spending outside the IT budget
- Outsourcing as percentage of total IT budget

Key Priorities for IT Budgeting
In Section 3, we rank key priorities influencing IT planning and budgeting.

Total IT Spending Metrics
Section 4 presents metrics on total IT spending, defined as operational spending plus capital spending minus depreciation. These metrics include:

- Total IT spending as percentage of revenue
- Total IT spending per user
- Total IT spending per PC
- Total application software spending per user
- Line items as average percentage of total IT spending (See Figure 1-14 for example)
- Total IT spending by functional area
- Line items as percentage of total IT spending at each quartile

IT Operational Spending Metrics
Section 5 presents a view of spending on IT operations, as follows:

- Percentage of organizations decreasing, maintaining, or increasing IT operational spending year-over-year
- IT operational budget percentage change from previous year
How executives expect actual IT operational spending will compare to budget

What IT executives think about adequacy of current IT operational budget to support the business

IT operational budget as percentage of revenue

IT operational budget per user

IT operational budget per PC

Percentage of IT operational budget charged back to users

Line items as average percentage of IT operational budget (See Figure 1-14 for example)

Personnel costs as percentage of IT operational budget

Depreciation as percentage of IT operational budget

**IT Capital Spending Metrics**

Section 6 provides an analysis of IT capital budgets, including:

- Percentage of organizations decreasing, maintaining, and increasing IT capital spending
- IT capital budget change from prior year
- Percentage of organizations expecting to spend more, the same, or less than amount budgeted for IT capital expenses this year
- IT capital budget as percentage of total IT budget
- Line items as average percentage of capital budget

**Infrastructure Metrics**

In Section 7, we look at key infrastructure metrics:

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In Section 8, we provide key metrics and trend data on IT staffing, including:

- Users per IT staff member
- Percentage of organizations increasing, maintaining, and decreasing IT staff levels from previous year
- IT staff headcount change from previous year
- IT staff turnover
- Annual training allocation per IT employee
- Contractors and temporary workers as percentage of IT staff
- IT staff job functions as percentage of IT staff (See Figure 1-15 for example)
Metrics in Subsector Chapters

The subsector metrics chapters 14-23 have 28 figures comprised of four tables and 24 charts. The benchmarks are a subset of the benchmarks in the sector and composite chapters.

The metrics in these chapters provide a statistical view of IT operations in seven sections:

Demographics
In Section 1, we describe the key demographics and IT intensity of the sample to provide a basis for comparison with other IT operations. These metrics include:

- Revenue
- Number of employees
- Revenue per employee
- IT operational budget
- IT capital budget
- Total IT spending
- IT outsourcing budget
- Ratio of users of IT systems to employees
- PCs per user
- Percentage of users with smartphones
- Number of data centers, network sites, and business applications
- Total disk storage

Spending by Type
In Section 2, we describe IT spending by type of spending. These metrics provide additional demographic information and can be used to identify IT management trends. They include:

- Percentage of IT spending devoted to ongoing support
- Percentage of application functionality from custom systems
CHAPTER 1: EXECUTIVE SUMMARY

- Outsourcing as percentage of total IT budget

**Total IT Spending Metrics**
Section 3 presents metrics on total IT spending, defined as operational spending plus capital spending minus depreciation. These metrics include:

- Total IT spending as percentage of revenue
- Total IT spending per user
- Total IT spending per PC
- Total application software spending per user
- Line items as average percentage of total IT spending (See Figure 1-14 for example)
- Total IT spending by functional area
- Line items as percentage of total IT spending at each quartile

**IT Operational Spending Metrics**
Section 4 presents a view of spending on IT operations, as follows:

- IT operational budget as percentage of revenue
- IT operational budget per user
- IT operational budget per PC
- Percentage of IT operational budget charged back to users
- Line items as average percentage of IT operational budget (See Figure 1-14 for example)
- Personnel costs as percentage of IT operational budget
- Depreciation as percentage of IT operational budget

**IT Capital Spending Metrics**
Section 5 provides an analysis of IT capital budgets, including:

- IT capital budget as percentage of total IT budget
- Line items as average percentage of capital budget
**Infrastructure Metrics**

In Section 7, we look at key infrastructure metrics:

- Processing workload by operating system
- Users per physical server
- Users per OS instance
- Users per printer

**IT Staffing Metrics**

In Section 8, we provide key metrics and trend data on IT staffing, including:

- Users per IT staff member
- IT staff job functions as percentage of IT staff (See Figure 1-15 for example)
Survey Methodology

This section describes our overall process for collecting and analyzing the survey data as well as characteristics of the survey participants.

Sample Selection and Process

The survey was conducted from January to April 2012. We identified and selected participants by making solicitations to specific organizations in the U.S. and Canada that met our criteria for organization size and industry sector. The job position of each survey respondent was evaluated to ensure that each would be knowledgeable and likely to have access to the organization’s IT spending and staffing metrics. We then reviewed the applicants in terms of their industry sector and organization size to ensure that they were qualified to participate.

Qualified participants were offered two ways to respond to the survey: an online version and a PDF version. More than 90% of the participants chose to respond online.

As the survey progressed, we monitored response volume by industry and organization size and adjusted our survey solicitation activities accordingly to ensure that the stratification of the survey sample was within acceptable bounds. This is an important step that allows meaningful comparisons to be done with previous years of this study.

At the end of the survey period, we reviewed all survey responses and conducted follow-up interviews with respondents in cases where answers were incomplete, inconsistent, or outside normal ranges, or where responses otherwise failed our validation tests. We corrected survey responses where appropriate. In cases where the respondent would not or could not provide meaningfully consistent information, we dropped the response from our sample to protect the integrity of our survey.

Finally, survey results were loaded into a statistical model to produce the analysis that appears in this study.
**Survey Participants**

There were 203 CIOs and senior IT management personnel in the U.S. and Canada who participated in our survey this year. The sample was stratified into three categories of organization size:

- Small organizations (IT operational budgets of less than $5 million)
- Midsize organizations (IT operational budgets of $5 million to less than $20 million)
- Large organizations (IT operational budgets of $20 million or greater) Note: to maintain the validity of certain spending and staffing ratios, we do not allow organizations to participate unless they have at least $50 million in annual revenue or IT operational budgets of at least $2 million.

In the case of public sector organizations, respondents were instructed to use the total organizational operating budget in place of revenue.

As shown in Figure 1-16, large companies comprise 38% of the survey respondents, followed by midsize organizations at 34%, and small organizations at 28%.

The percentage of respondents in each industry sector is shown in Figure 1-17.
Please refer to the chapter descriptions earlier in this executive summary for a description of each industry sector and subsector.
Custom Benchmarking Services

Readers are encouraged to analyze the data within this study and use it as a basis for benchmarking their own IT spending, staffing, and technology adoption. For those organizations that would like assistance in this effort, Computer Economics offers a custom benchmarking service in which we gather metrics for the target organization and compare them against the data collected in this study.

The deliverable from a custom benchmarking exercise is a report that triangulates the metrics from the target organization against the benchmark data by industry sector and organization size, as well as against the composite sample. Preliminary observations about potential causes of variation from the benchmark and directions for further inquiry are also provided. Contact us for a sample of the final presentation that is delivered as part of this service.

Organizations request custom benchmarking services from Computer Economics for a variety of reasons:

- To take advantage of the experience and resources of Computer Economics to more quickly and accurately prepare a benchmark evaluation
- To obtain the perspective of Computer Economics as a neutral third party for evaluating the spending, staffing, and technology utilization of an organization
- To evaluate the spending and staffing ratios of a potential corporate acquisition or investment target, as part of a due diligence exercise

Computer Economics can also serve as a trusted third party to prepare a custom benchmarking study for a group of companies in a more narrow sector—even between competitors—to allow participants to benchmark their IT spending, staffing, and technology utilization without revealing the details of their own metrics to the other participants. As with all our surveys, all information gathered by Computer Economics is held in strict confidence and is only revealed in aggregate in the survey results.

For more information about our custom benchmarking services, or to obtain a price quote, please contact us. Contact information may be found on our website at www.computereconomics.com.