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## News Release

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### Utility Computing Survey: Vendors Don't "Get" User Needs

*New data from Saugatuck Technology indicates expensive and extensive gaps in understanding, availability, and importance between vendors and users on utility computing.*

**Westport, CT, July 31, 2003** -- IT vendors promoting utility computing – or "pay as you go" IT – don't understand the importance of major motivating and inhibiting factors for user executives regarding the concept. Meanwhile, most users don't understand what utility computing is – but they expect vendors to be able to deliver it sooner than vendors expect to deliver it. The resulting market confusion will lead to disappointment by users, and expensive sales and marketing mistakes by vendors. These are among several key findings from a survey just released by IT market strategy firm Saugatuck Technology Inc.

"Vendors are trying to sell something – utility, or 'pay as you go,' computing -- and users simply do not understand what it is," states Saugatuck Senior Program Director Mike West, who is directing the ongoing survey project. "This implies an exceptionally strong need – and opportunity – for vendors to educate their customers and prospects on the utility computing concept, and to develop workable models that demonstrate the aspects of 'pay as you go' computing and business processes."

Part of the reason for this disconnect, according to West, is that vendors "just don't get" what users believe are important motivators and inhibitors regarding pay-as-you-go computing. "Vendors tend to overestimate the importance of key factors such as reducing capital expenditures, while underestimating inhibiting factors such as ROI and security concerns," West explains. "Vendors need to re-assess their competitive intelligence regarding what users, especially executive-level decision makers, really look for. Otherwise, they're just wasting their time – and their customers' time, as well."

Further survey data adds to the indications that vendors are primed to disappoint users:

- **Delivery gap.** Vendors expect to be able to actually provide pay-as-you-go IT infrastructure within three to five years. Unfortunately, users overwhelmingly expect pay-as-you-go IT infrastructure solutions within 18 to 24 months.
- **Strategic versus Operational viewpoints.** Vendors are focused on helping users reduce capital expenditures, while users want to focus on reducing operating budgets.
- **Web services and BPO gaps.** Vendors see web services as a key enabler of utility computing; and utility computing as a key enabler of business process outsourcing, which in turn can save users tremendously on resources. Users simply don't see the strategic connections.

"The shame of it is that these misconceptions and miscommunications are readily avoidable," says West, "since it's early enough in the hype and sales cycle that vendors and users can learn to understand each other."

"But until that happens, vendors are priming the user community for a dramatic letdown that could set the market back years in terms of technology adoption," West concludes. "And the onus really is on the vendors, as they're the ones trying to sell the concept and the value."

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### Research Survey and Interviews

In April 2003, Saugatuck Technology developed a research program designed to gauge the importance and relevance of utility computing to users and vendors. To establish a baseline for the research program, Saugatuck developed and implemented a brief, web-based survey of user firm business and IT CXOs, VPs, directors and managers, as well as marketing and product management executives of IT vendor firms. The survey was conducted by Saugatuck between April and June, 2003. The initial data and trend indications are based on approximately 100 qualified survey participants. Follow-up, in-depth interviews were conducted with survey participants to clarify trends and to investigate significant data points.

These initial results are being used to refine and expand the utility computing research program. Saugatuck plans to roll out an expanded survey late in the third quarter of 2003. The company plans to publish a comprehensive analysis report including survey data, market trends, and recommendations to users and vendors, in the fourth quarter of 2003.

### About Saugatuck Technology

Saugatuck Technology is a strategic advisor to leading information technology vendors and service providers, providing business and market strategy consulting and CXO thought-leadership programs. Its mission is to accelerate growth through strategic intelligence, filling a gap between traditional strategy consultants and IT market research firms. Focusing on helping clients win, keep and grow customers, Saugatuck specializes in market assessment and development, product and service marketing strategies, partner and channel development programs, and ongoing competitive / market intelligence programs. Saugatuck's primary research programs include quarterly and annual vendor and user surveys, in-depth CXO interviews, and business and IT executive advisory groups. Formed in 1999, with offices in Westport, CT, Tisbury, MA, and Milan, Italy, the company is managed by senior executives formerly with Gartner, IBM and KPMG. For more information, please visit [www.saugatech.com](http://www.saugatech.com).

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