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## News Release

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### **PAYG IT Services: A Dose of Reality at UtilCompWorld**

*Saugatuck Technology presents keynote address and market survey results at the utility computing conference “On Demand Strategies for Business 2004,” held in New York City March 23 and 24.*

**Westport, CT, March 26, 2004** – Adding a dose of reality to UtilCompWorld 2004 – Saugatuck Technology presented the results of a soon to be released market survey on Pay-as-you-go (PAYG) IT services. With presentations from senior IT executives from Guardian Life and Deutsche Bank, among others – as well as a variety of vendor keynotes and panels – the proceedings were filled with the promise of utility computing, and the use of technologies such as virtualization and orchestration.

Chairing the first day of the conference, Bill McNee, Founder and CEO of Saugatuck Technology, opened the event by framing many of the key benefits and challenges associated with utility computing and PAYG services. McNee then introduced Saugatuck’s groundbreaking study focused on buyer activity and perceptions related to PAYG IT services, which were presented in more detail later in the day by Michael Isaac, a Senior Program Director at Saugatuck.

Among the highlights – 19 percent of 310 CFOs and CIOs surveyed stated that their organizations were already using one or more PAYG IT services. The same executives forecasted that this would rise to 37 percent within two years. This suggests that the market for PAYG IT services – whether IT infrastructure or application driven – will quickly move beyond its early adopter phase. In many ways, a key issue for users and vendors alike is whether the infrastructure and core business applications will evolve fast enough to support this emerging demand. A playful discussion panel with Hal Stern, CTO of Sun Services, Philippe Lamy, Chief Technologist at HP, Dev Mukherjee, IBM VP Strategy for On Demand and Pete Manca, Senior VP at Egenera highlighted many of the technical challenges only now beginning to be addressed, including issues related to virtualization.

Interestingly, Saugatuck’s study also found that large rather than small-to-medium enterprises were leading the charge, and in many cases with hybrid implementations that leverage the best of both existing in-house IT services with variable PAYG services. Unfortunately, due to the lack of market definition and consistent marketing messages being put forth by leading IT providers, many senior executives are viewing the decision to utilize PAYG IT as an all-or-nothing decision.

“Buyers are not yet thinking about a more hybrid model in which external PAYG resources seamlessly supplement in-house resources,” said Isaac. “The potential savings are enormous, especially for situations with highly variable application or infrastructure requirements that just aren’t justifiable using traditional fixed-cost models.” While respondents identified reducing capital and operating expenditures as the main motivator for PAYG IT services – Isaac went on to highlight that “increasing speed to market came in a close third in the survey,” suggesting that PAYG IT is not just about saving money.

The formal research report, entitled “Pay-as-you-go” IT Services: Where’s the Business Value? will be published in early April 2004 by Saugatuck Technology and research partner CFO Research Services.

#### **About Saugatuck**

The company provides research-based consulting services that combines business planning and market assessment with first-hand research of executive technology buyer trends. Founded in 1999, Saugatuck is headquartered in Westport, CT ([www.saugatech.com](http://www.saugatech.com) 1-203-454-3900).

For more information about the study, or to pre-order a copy of the final report, please contact Chris MacGregor at the number listed below.

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