

CRN RESEARCH

Where Will IT Spending Growth Be In '07?

By **Timothy Long**, CRN

Solution providers, vendor executives and IT decision makers at companies all look out at 2007 and see a fairly similar economic landscape—the overall economy, they say, is unlikely to have a great influence on IT spending this year.

Yet, even though there is broad agreement as to the general IT trends that will spur technology spending, solution providers may find that sussing out the growth areas in their markets will prove to be a moving target.

According to CRN research, there appear to be some interesting areas of disconnect between what businesses said they plan to spend their IT dollars on as the new year gets under way and what VARs expect to be their best-selling solutions.

Of course, security is still hot, especially among small-business IT buyers, where it remains the top IT spending priority. And that does sync up with what VARs tell us—they expect security to be the No. 1 fastest-growing revenue generator in the first six months of 2007.

But that certainly doesn't mean any VAR with a couple of security certifications is going to rake in the bucks this year. Research and interviews suggest that VARs will find they're going to have to fine-tune their messages around specific solutions like network access control or [encryption](#) if they want to get companies to open up their wallets.

What's more, even in the security-conscious small-business market, there are hints that IT buyers also will be casting their gazes—and spending some of their money—elsewhere. Over the past year, [Web services](#) and network printers have seen greater year-over-year increases than security in the percentage of IT spending decision makers citing them as a priority.

Also, among midsize and large companies, where security remains the No. 1 and No. 2 spending priority, respectively, [CRM](#) and [Linux](#) have also had greater year-over-year increases than security.

In general, VARs tell us they are bullish on 2007. When we asked about sales expectations for the first half of the coming year, more than half said they believe sales will accelerate. Many of those also believe they won't be helped along by a wind of larger economic trends at their back, but will succeed by their own efforts

When we asked VARs about where they thought sales growth would be the fastest in the first half of the year, they named [wireless](#) and [VoIP](#) solutions along with security as the top three categories. And the top three trends they believed would affect their businesses were dual-core/multiprocessors, [mobile computing](#) and Software-as a-Service.

Vendor marketing and strategy executives CRN spoke with said the most important trends this year include [server](#) virtualization, unified communications, the expansion of Linux into the data center, the mainstreaming of service-oriented [architecture](#) and businesses taking a multipronged approach to security.

Other things the vendor marketers and strategists expect are also in line with VAR expectations: Managed services will continue to grow this year, security and [storage](#) products offer the highest

gross margins, and financial services and health care are poised to bring the largest absolute growth in spending on IT products and services.

So it seems, overall, VARs' expectations seem pretty well-grounded in reality.

As Jimmy Lee, business development manager at Tallahassee, Fla.-based IBM Premier Business Partner Mainline, said, "It's all about persistence. If you've got the right solution and you're going to market with the right message, it's a lot easier sell than going in and saying, 'So, what do you want to do with your IT budget?' "

BUSINESS SPENDING PROJECTIONS

Small Companies

- Almost half (47 percent) expect their IT budgets to increase.
- Of those, almost half (43 percent) expect their budgets to grow by more than 20 percent.
- The top three technology spending priorities in order from the top: security, Web services and wireless.

Midsized Companies

- Half (50 percent) expect their IT budgets to increase.
- Of those, about a third (37 percent) expect their IT budgets to increase by more than 20 percent.
- The top three technology spending priorities in order from the top: security, wireless and Web services.

Large Companies

- Almost three-quarters (70 percent) expect their IT budgets to increase.
- Of those, almost three-quarters (70 percent) expect their IT budgets to increase by more than 20 percent.
- The top three technology spending priorities in order from the top: desktop PCs, security and PC servers.

SOURCE: 4Q 2006 CRN Business Spending Survey 08 January 2007