



# GMA Information Technology Investment and Effectiveness Study

— The State of the Industry 2004

Conducted by: Computer Sciences Corporation (CSC)  
For the Grocery Manufacturers of America



Computer Sciences Corporation



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— The State of the Industry 2004

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Computer Sciences Corporation



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# Executive Summary

## Introduction

The *GMA Information Technology Investment and Effectiveness Study* conducted by Computer Sciences Corporation (CSC) on behalf of the Grocery Manufacturers of America (GMA) is based on survey data that was collected from December 2003 through January 2004. Two survey instruments were used to collect responses from 93 GMA-member company executives representing 63 of the 119 GMA-member companies (at the parent company level). Forty-two companies completed a quantitative and detailed survey that forms the basis of the information technology (IT) benchmarks presented herein.

Each major section of the report has a section summary, which is followed by the survey questions and the corresponding results. The actual survey forms are presented in their entirety in the appendix.

The intent of this annual survey is to provide GMA-member companies insight into the state of information technology within the industry. This includes spending and investment trends, perspectives on the information technology function, the effectiveness of the IT function, and the priorities and drivers of IT activities within GMA-member companies.

## Summary of Findings

The majority of executives in the consumer package goods industry view the information technology within their company as a strategic asset. The effectiveness of the information technology function within these companies is rated positively with IT executives, who give it a higher rating than do non-IT business executives. This year's respondents express a high degree of satisfaction with the dependability of information systems, with the ability of IT and the business functions to work together, and with the general level of expertise in the IT organization.

The most critical factor to the effectiveness of an information technology function is the alignment of the business and IT strategies. There are some discrepancies in perspective on how well aligned these two strategies actually are. Information technology executives generally are more satisfied with this alignment than are business executives.

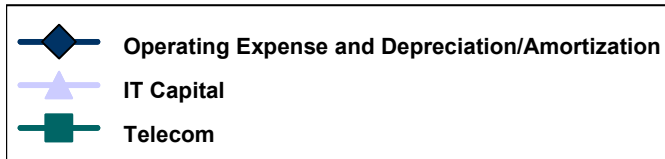
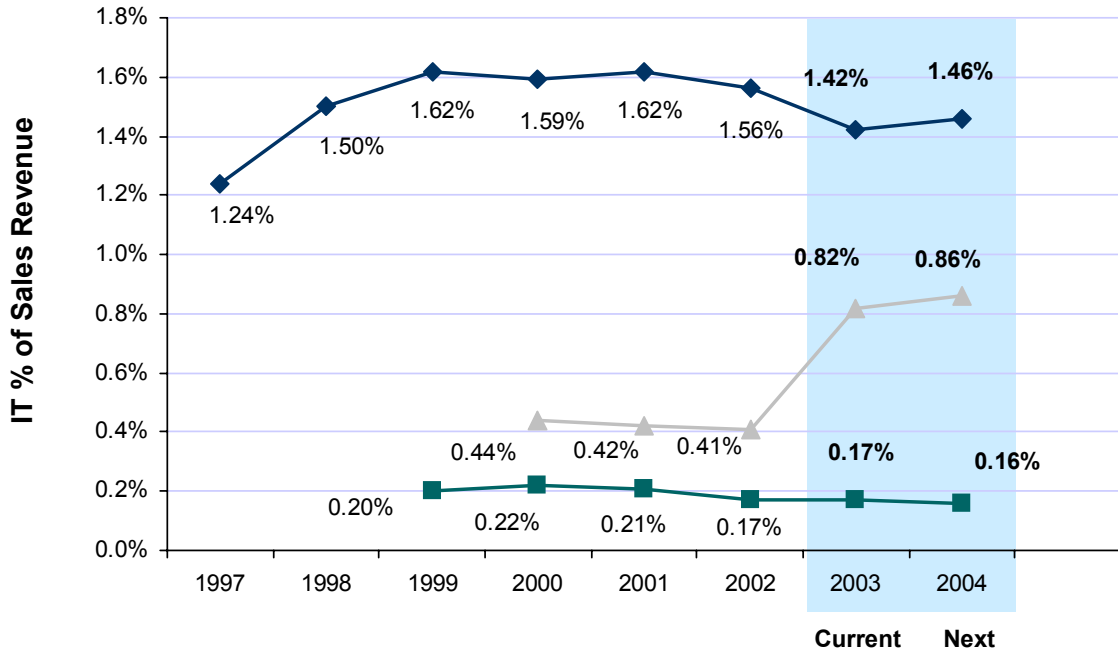
This discrepancy may be caused more by the role IT plays in the business — a basic misalignment of IT's role in the overall business strategy — than the failure of IT to connect more closely to the higher priorities of the overall organization. For several years now, IT's role has been seen as a tool to increase organizational efficiency and productivity. It also has been viewed as critical in meeting customer requirements and in compliance with the increasing numbers of government regulations. These are important components to the business strategy, but they are generally perceived as playing a *lesser* role in the top-of-mind business strategies of the past several years — growing the business, building brands and new product innovation, and increasing sales. Thus, information technology is not seen as playing a strong role in the company's overarching business priorities, which may lead some business executives to believe that IT is not aligned with the organization's main strategies.

The industry continues in its trend toward a conservative approach to information technology. Most companies' strategy is to stay current on technology but not to get too far ahead of the competition. Conservatism does have its costs, however. Survey respondents note a general dissatisfaction with "higher order" information technology capabilities across the industry, specifically in the areas of effective decision-support applications, new IT products/services and innovative solutions.

Despite this conservative trend, great progress is being made toward the industry's goal of global data synchronization. Two-thirds of the companies are actively synchronizing base-item data with one or more trading customers. In line with the conservative nature of the industry, companies are generally approaching the new RFID/EPC technologies cautiously, doing only enough in the short-term to comply with the increasing number of customer deadlines.

Compared with other industries, the CPG companies as a whole generally spend significantly less on information technology when measured as a percentage of sales. This year's benchmark of spending on information technology puts spending at its lowest point in years — 1.42 percent of net sales revenue (which includes IT operating budgets plus depreciation and amortization of IT assets). This is down 9 percent from last year's benchmark of 1.56 percent.

**IT Spending Trends  
(Operating Expense Includes Depreciation/Amortization)**



Source of data for years 1997 through 2002 are past years' GMA IT studies.

Average IT spending in the industry tells only part of the story, however. Another part is told when information technology investment is examined. Prior to the turn of the millennium, accounting regulations and practices liberalized the capitalization of IT assets and their associated development costs. The CPG companies are maturing in this environment and are now rationalizing the expenditure of IT dollars between expenses (generally used to *fuel* the IT “factory”) and capital expenditures (used to *expand* the IT “factory” capabilities).

New capital expenditures on information technology assets average 0.86 percent of sales in 2003. This means that the IT asset base grew by 0.55 percent of sales when current year depreciation and amortization expenses are subtracted. The areas of highest IT investment intensity follow Jesse James rationale for robbing banks — it's where the money is.

The functional areas of supply-chain planning, distribution, manufacturing and transportation are all high on the list of priorities for IT in 2004. Also prominent on this list are trade promotions. These two areas — supply chain and trade promotions — represent the two leading expense items on a CPG company's profit-and-loss sheet. As

such, they represent prime candidates for the application of information technology to improve efficiency and productivity in order to take cost out — the primary role of IT in the industry.

In this era of technology as an asset rather than expense, the ability to measure the return on the investments made is absolutely critical. Measurement is an area in which most CPG companies are woefully inadequate. Fewer than half of the companies actually measure the financial return on their IT investments, and even fewer measure the satisfaction of business users of IT services. There is hope. Many companies now appear to be working toward putting these measurement processes in place.

Finally, there is a tendency to attempt to use industry-average benchmarks to judge an individual company's level of spending on information technology. This is usually accompanied with a sense that above-average IT spending is "bad," and any below-average spending is "good." One should keep in mind, however, that while the industry average benchmark has declined over the past few years, roughly half the companies surveyed this year actually increased their IT budgets. Additionally, half of the companies will increase these budgets from this year to next.

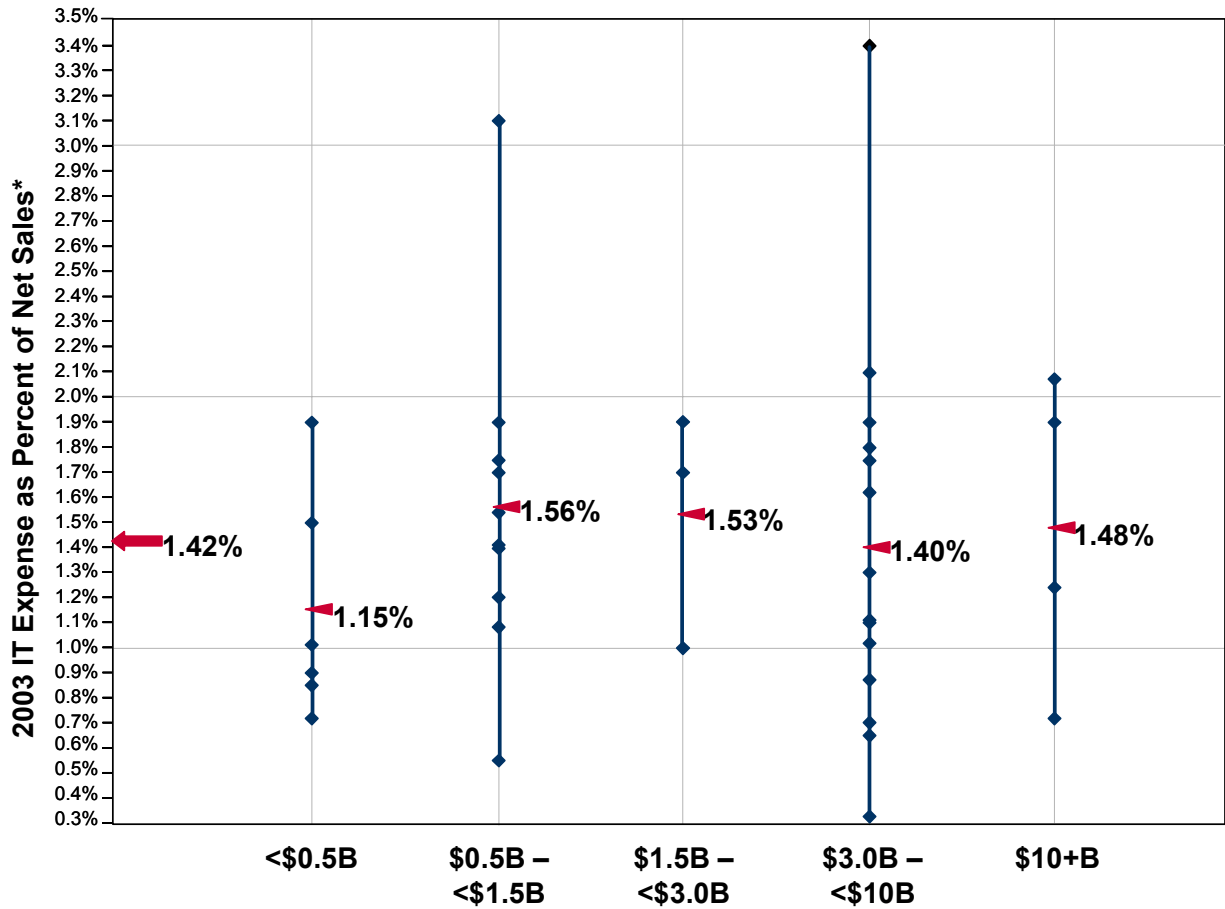
Further, there is a huge spread in spending among the surveyed CPG companies. Across all respondents, IT spending (operating expense plus depreciation and amortization) makes a wide swing from 0.34 percent of sales to 3.4 percent of sales. Additionally, the various ways in which expenses are treated vs. capitalization across CPG companies further cloud the picture.

Finally, no analysis has been made in this study to connect IT spending to the overall success of the business. In a separate study CSC conducted on behalf of the Financial Executives International (FEI) encompassing many industry sectors, this connection was analyzed. The conclusion is that the business success index — an equally weighted combination of revenue and net income growth over a three-year period — is worse for companies that spent at the average level for information technology. Those that spend less than the average level outperformed the average-level spenders by a factor of three, and those that spent more outperformed the average-level spenders by a factor of six.

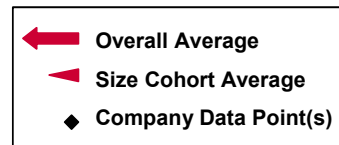
The ultimate conclusion is that industry benchmarks can be used as guides, but it is not advisable to use them to dictate spending levels. The appropriate spending level must be driven by an IT strategy that is directly linked to and aligned with a company's overall business strategy. Only when those needs are determined can the most cost-effective means of delivering these systems be determined.

**Wide Range of IT Spending Across All Companies  
(Operating Expense Includes Depreciation/Amortization)**

**Company Net Sales**



\* = IT Operating Expense  
+ Depreciation/Amortization



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We would also like to thank Charles R. Troyer, who led this project within Computer Sciences Corporation (CSC), and Tyler Cluverius, who led the project within GMA.

# 1. Perspectives on Information Technology

## Section Summary

The majority of both business and IT executives within consumer packaged goods firms believe that information technology is a strategic asset — but not a core competency — in their company. While the *minority* view across all constituencies is that IT is merely a necessary business expense, IT executives largely believe that their senior management holds this view. Only about a third of IT executives and even fewer business executives view IT as a return-producing investment.

The increased conservatism toward IT investments may be explained by the lack of a visible and definite return on investment or ROI for IT. The industry's adoption of information technology has become markedly more conservative over the past five to six years. The majority of companies approach to IT is to simply stay current without getting too far ahead of the competition.

One hundred percent of IT executives responding to the survey said their IT organization has a defined mission within the context of their company's overall business strategy, and they strongly agree IT strategy is aligned to the business strategy. The business executives polled were less convinced that IT strategy is aligned to the organization's business strategy.

This difference in perception in the alignment may be based on the fundamental differences in business strategy and the role of IT in a consumer packaged goods organization. Senior executives in these firms are desperately seeking revenue growth and competitive advantage in exceedingly challenging times. Both business and IT executives are in firm agreement that IT plays little outward role in achieving these objectives. Thus, a mismatch in perceptions of IT's role in the overall business strategies of the company may result.

In lieu of top-line corporate sales growth, earnings growth expectations are being met by reducing costs through productivity and efficiency gains. There is a strong consensus across the industry that boosting productivity and curbing costs are the primary roles IT can play in a CPG organization. IT is also seen as an integral component in meeting customer requirements and complying with customer requests. In this latter role, survey respondents believe IT is doing a good job.

### **Does the IT organization have a defined mission within the context of the overall business strategy?**

This question was asked of all the IT executives. The answer is a unanimous "yes." One hundred percent of respondents say their IT organizations have a defined mission relative in the overall business strategy. This is very positive in light of the fact that survey respondents agree alignment of business and IT strategies is the number one success factor for the effectiveness of the IT organization. The alignment issue is a common theme in this year's and the past year's surveys.

### **\*What is your view of information technology?**

This question was asked of both business and IT executives. Respondents were given four choices as to how they viewed IT:

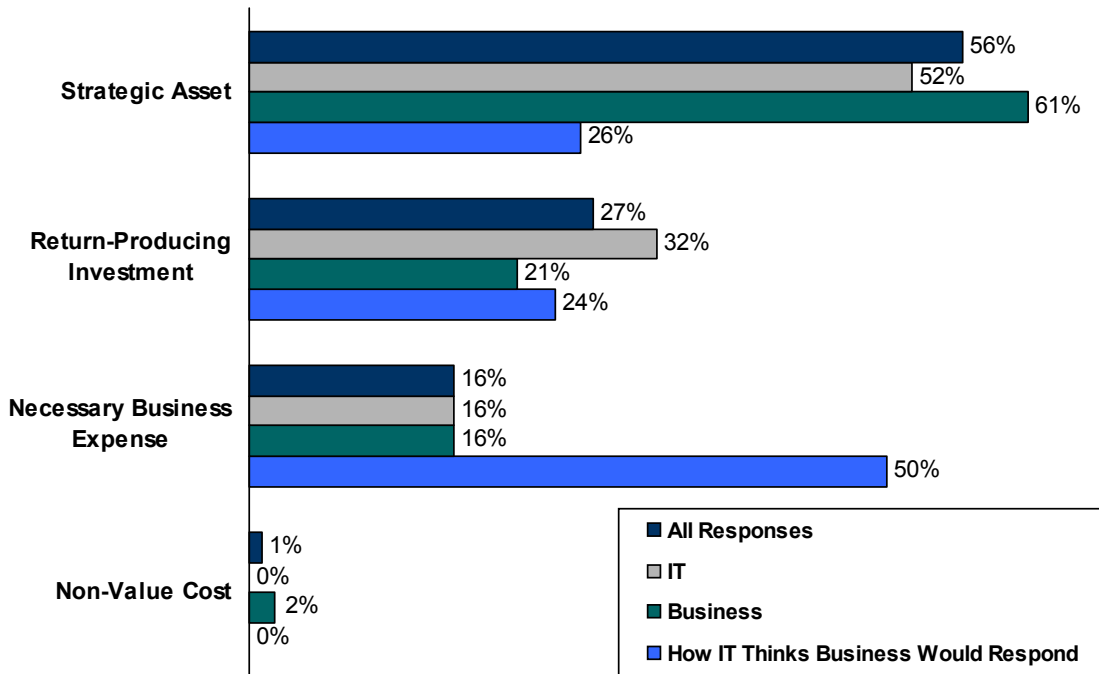
- Non-value adding cost.
- Necessary business expense.
- Return-producing investment.
- Strategic asset.

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\* Question asked of both business and IT executives.

Across all respondents, 56 percent view IT as a strategic asset, 27 percent as a return-producing investment and 16 percent as a necessary business expense. One individual representing 1 percent chose non-value-adding cost. These results make a strong positive statement regarding views toward IT within GMA-member companies. One concern, however, is the bias toward viewing IT as a strategic asset rather than a return-producing asset. This indicates a myopic tendency to not see the direct value produced from IT investments. It also is a negative consequence of the fact that very few companies actually measure the return on their IT investments.

**The Majority of Executives — Both Business and IT — View IT as a Strategic Asset**



Little discrepancy exists in the views between the business and the IT executives. Sixty-one percent of business executives vs. 52 percent of IT executives said that IT was a strategic asset. IT executives, on the other hand, viewed IT as a return-producing investment more than the business executives (31 percent IT vs. 21 percent business). Again, reinforcing the concern that while business executives understand the importance of IT in their organizations, they do not have adequate visibility of the financial returns from their IT investments.

A supplemental question was asked of the IT executives about how they thought their companies’ senior management view information technology. This question enables both an assessment of the level of agreement in points of view between business and IT as well as IT executives’ understanding of the views held by their senior management. This answer shows a very interesting discrepancy. As stated earlier, 82 percent of business executives view IT as either a strategic asset or a return-producing investment. While only 16 percent of business executives view IT as a necessary business expense, 50 percent of IT executives believe their senior management thought of IT this way.

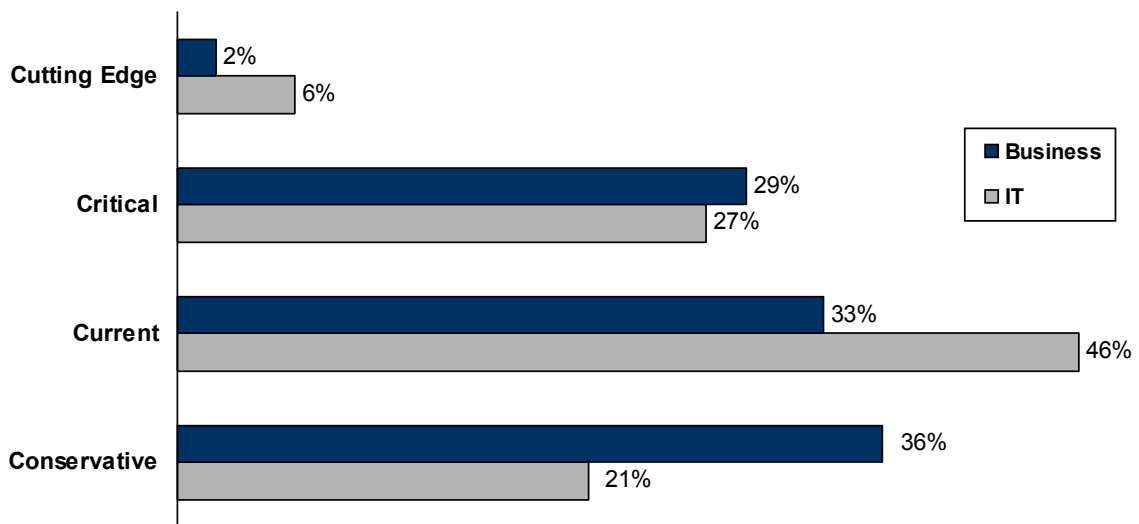
The following question was repeated verbatim in the GMA IT survey since 2003 and provides a trended perspective of IT in GMA-member companies. In the past, respondents to this question were from the IT organization exclusively. This year, the question was asked of both IT and business executives.

**\*How would you characterize your company’s use of information technology from the four choices below?**

- We compete at the *cutting edge* of innovation and use IT as a competitive weapon.
- We view IT as a *critical* and essential investment area, and invest in leading, but proven, technologies.
- We stay *current* on technology, without getting too far ahead of our competition.
- We take a *conservative* approach using proven, mature technologies.

Among the IT executives who responded, the number one choice at 46 percent is the characterization of the use of IT to stay current with technology developments. The number one response, 36 percent, among the business executive respondents is the conservative-approach option, followed closely by the stay current approach at 33 percent.

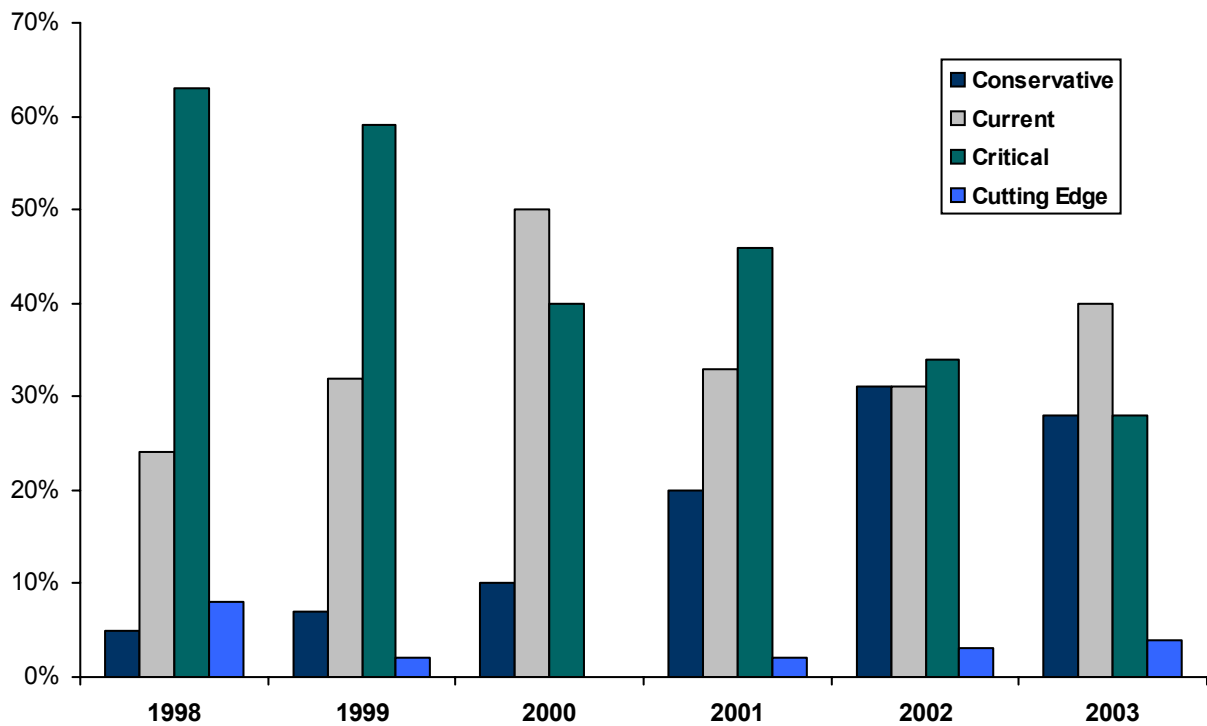
**Consumer Packaged Goods Companies Stay Current or Take a Conservative Approach to IT**



The most striking trend is the decline in the proportion of all executives who say their use of IT is a critical and essential investment over the years. In 1998, almost two-thirds of respondents characterized their company’s use of IT as critical and essential. In 2003, that number had shrunk to 28 percent. Forty percent say they stay current with their use of IT, and 28 percent say they take a conservative approach. Only 4 percent note that they use IT as competitive weapon. This is in alignment with the view in the following question that IT does not provide a competitive advantage.

\* Question asked of both business and IT executives.

**The Trend: GMA Members Becoming More Conservative in Their Approach to IT**



**\* Do you agree or disagree with the following statements?**

- IT provides our company the ability to increase sales.
- IT provides a way for our company to reduce costs.
- IT gives our company competitive advantage.
- IT supports and is aligned to business strategy.
- IT capabilities have helped shape our business strategy.
- IT is a tactical aspect of our business.
- IT is a core competence in our company.
- IT supports the needs of the business.
- IT plays an integral role in meeting customer requirements.
- IT does a good job in meeting customer requirements.

The strongest level of consensus across both business and IT respondents is to the statement, “IT provides a way for our company to reduce costs.” There is both a consensus across business and IT respondents in the disagreement with the statement, “IT provides our company the ability to increase sales.” Combined, the responses to these two statements provide a clear understanding of how executives — both business and IT — view the role of IT within a GMA-member company: IT is a tool to increase productivity and efficiency in order to take costs out of the business and increase profits.

\* Question asked of both business and IT executives.

**Role of IT in CPG Companies**

	Business Executives	IT Executives
<b>Agree</b>	Provides a Means to Reduce Cost	Provides a Means to Reduce Cost
	Plays an Integral Role in Meeting Customer Requirements	<b>Aligned to the Business Strategy</b>
	Supports the Needs of the Business	Supports the Needs of the Business
	Does a Good Job In Meeting Customer Requirements	Plays an Integral Role in Meeting Customer Requirements
	<b>Aligned to the Business Strategy</b>	Does a Good Job In Meeting Customer Requirements
<b>Disagree</b>	Is a Tactical Aspect of Our Business	Is a Tactical Aspect of Our Business
	Provides the Ability to Increase Sales	Provides the Ability to Increase Sales
	Gives our Company Competitive Advantage	Gives our Company Competitive Advantage
	Helps Shape Our Business Strategy	Helps Shape Our Business Strategy
<b>Most</b>	Is a Core Competency of our Company	Is a Core Competency of our Company

In fact, little difference exists in the views of IT between IT and business respondents to any of these statements. In comparing the statements listed in decreasing order of agreement top-to-bottom, the only discrepancy is in the statements: “IT supports and is aligned to business strategy.” Business respondents only slightly agreed with this statement while IT executives strongly agreed. Given the common and recurring theme of the importance of business and IT alignment to the success of the IT organization, even this slight discrepancy in perspective should serve as a warning signal.

This discrepancy may also be explained by the IT vs. company strategy mismatch cited earlier. The strategies of CPG companies as touted in annual reports, analyst briefings and business press tend to focus heavily on the achievement of revenue growth and competitive advantage. However, both business and IT executives disagreed with these three statements: “IT provides our company the ability to increase sales,” “IT gives our company competitive advantage” and “IT capabilities have helped shape our business strategy.” This may lead to the belief by senior business executives that IT — while playing an important role in helping control costs — is not aligned to the overall business strategy that is focused on growth and building competitive advantage.

Finally and of special interest, a consensus exists among both business and IT executives alike in their strong disagreement with the statement: “IT is a core competence in our company.” One might have expected IT executives to agree more strongly with this statement, but the data showed otherwise. This may be a leading indicator of an increased level of outsourcing of IT functions given this non-core competency assessment of IT in GMA-member companies. Other questions show an increase in outsourcing activity over the past several years.

## 2. Effectiveness of the IT Function

### Section Summary

IT executives generally rate the IT function as effective but believe business users would give it a lower rating. Indeed, business executives do give IT effectiveness a lower — or slightly above acceptable — rating. There is a high degree of satisfaction with the basic level of expertise, the level of collaboration between IT and business users, and the dependable, effective business applications. There is a general level of dissatisfaction across both the IT and business communities in the application of innovative IT solutions, effective decision-support and IT leadership.

Business executives tended to be more satisfied than their IT executive counterparts with the impact of IT on the organization and IT's ability to identify improvement opportunities. IT executives likely have a clearer picture of the art of the possible of information technology and, thus, judge their ability to affect the organization using a higher standard.

Business executives tended to be much less satisfied with the alignment of IT strategies with the overall business strategies. This is consistent with the findings in the previous section. The alignment of business and IT strategies was identified as the number one factor in the success of the IT organization and in all likelihood directly related to the number one barrier — budget constraints.

The ability of the IT organization to continue to receive adequate funding is critically dependent upon two things: (1) the enterprisewide belief that IT strongly supports the business strategy, and (2) the incremental investments made in IT that generate a financial return that meets or exceeds the returns from the many other competing uses of those funds. The weaknesses in these two factors have already been cited. The alignment issue and the measurement problem are the two greatest areas of improvement in IT effectiveness in the consumer packaged goods industry.

#### **\*How do you rate the effectiveness of your IT organization?**

Both business and IT executives were asked to rate the effectiveness of their IT organizations on the following scale: 1 — not at all effective, 2 — somewhat effective, 3 — acceptable, 4 — effective, 5 — very effective. The weighted-average numerical score overall across all respondents is 3.52, which places the effectiveness midway between acceptable and effective. Slightly more than half of the respondents (53 percent) say that their IT function is either effective or very effective.

In general, the IT executive rate the effectiveness higher than did the business executives. From an average numerical score, the business executives score IT at 3.26 or slightly higher than acceptable. Of the business respondents, only 43 percent rate the effectiveness of the IT function as either effective or very effective. Sixty-two percent of IT executives, on the other hand, rate IT as either effective or very effective, with an average numerical score of 3.74 putting IT effectiveness closer to effective than acceptable.

#### **How do you think the business users within your company would rate the effectiveness of your IT organization?**

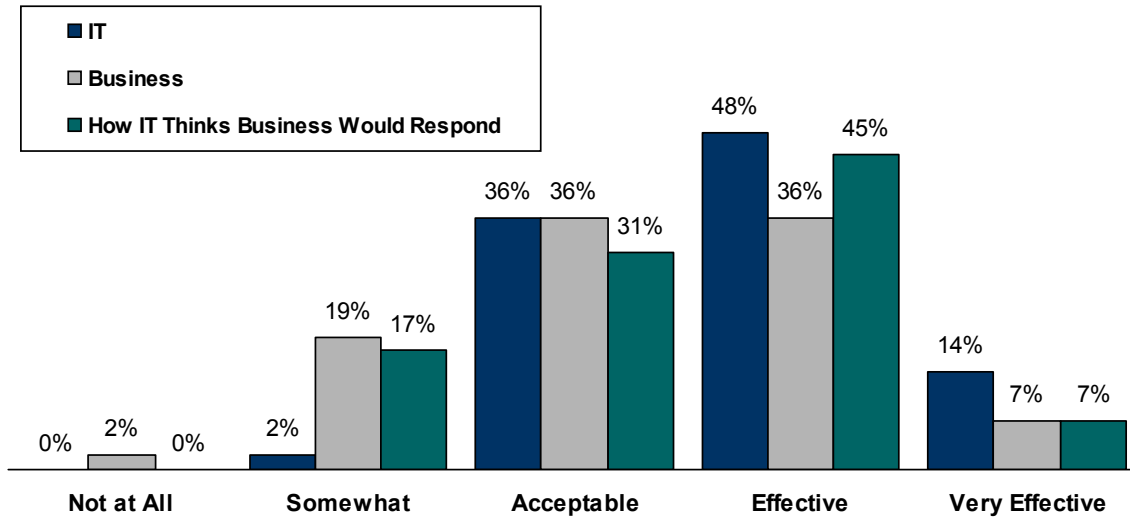
IT executives also were asked to guess how the business users of their IT services would rate the effectiveness of the IT function using the same scale. The results compared with the results of the previous question are interesting. IT executives generally thought business users would rate effectiveness higher than they did. On a numerical score basis, business users rate the effectiveness of the IT function at 3.26 on average. IT executive thought business executives would rate IT effectiveness at 3.43. Forty-three percent of business executives rate IT

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\* Question asked of both business and IT executives.

as either effective or very effective, while IT executives thought 52 percent of their business users would make this rating.

**Most Executives Rate the IT Function in Their Organization as Effective**



**\*How satisfied are you with the following attributes and/or abilities of your IT organization?**

- Ability of IT and your organization to work together.
- Alignment of IT activities with business strategies.
- Understanding of and sensitivity to your organization’s objectives, goals and strategies.
- IT organization’s ability to provide reliable and dependable performance of systems, products and services.
- Ability to identify improvement opportunities.
- Application of innovative solutions.
- Degree to which IT demonstrates leadership.
- Impact IT has on your organization.
- Problem identification and resolution.
- Information provided regarding new IT products and services.
- IT organization’s ability to provide systems, products and services that contribute to your organization’s success.
- Delivery of systems, products and services in cost-effective manner.
- Ability to provide effective business applications (e.g., ERP, finance, HR, manufacturing, marketing, research and development or sales systems).
- Provide effective business decision support systems and tools (e.g., data warehouse and data analysis tools).

The table below illustrates the results of the survey on this question in a two-by-two matrix. The columns separate responses from business and IT executives. In each column, the statements are listed in decreasing level of satisfaction. The list is divided into rows by grouping statements by satisfaction vs. dissatisfaction. The top of

each list shows the statement in which there is the most satisfaction, and the bottom of the list shows the statement with the most dissatisfaction.

**Level of Satisfaction With the Following Attributes and/or Abilities of Your IT Organization**

	Business Executives	IT Executives
<b>Satisfied</b>	Most	Ability of IT and Business Organization to Work Together → <b>Alignment of Business and IT Strategies</b>
		Level of Expertise
		Dependable Systems
		Ability of IT and Business Organization to Work Together
		Understand Objectives
		Understand Objectives
		Level of Expertise ← <b>IT Impact on the Organization</b>
		Effective Business Applications
<b>Dissatisfied</b>		Effective Business Applications
		Delivery of Cost Effective Systems ← <b>Identification of Improvement Opportunities</b>
		Delivery of Cost Effective Systems
		Problem ID and Resolution
		Systems that Contribute to Success of Organization
	Least	Problem ID and Resolution
		→ <b>IT Impact on the Organization</b>
		← <b>Alignment of Business and IT Strategies</b> → <b>Identification of Improvement Opportunities</b>
<b>Dissatisfied</b>		Systems that Contribute to Success of Organization
		IT Leadership
		Effective Decision-Support
		Innovative Solutions
		Innovative Solutions
<b>Dissatisfied</b>		IT Leadership
		Information on New IT Products/Services
Most	Information on New IT Products/Services	

A general consensus exists among business and IT executives in their satisfaction with the following: the level of expertise in the IT function, the IT organization’s understanding of business objectives, the working relationship of IT with the business, the effectiveness of business applications and the delivery of cost-effective systems. This indicates a general level of satisfaction with the basic blocking-and-tackling in the IT function.

Some red flags are seen, however, when it comes to specific higher order IT capabilities. This is illustrated in the general consensus among business and IT executives regarding their dissatisfaction with the following: information provided on new IT products and services, effective decision-support applications, innovative IT solutions and IT leadership. The fact that both business and IT leaders are dissatisfied with IT leadership is particularly disconcerting and may be related to the consensus that IT is not a core competency in GMA-member companies.

Unlike the perspectives on the role of IT within GMA member companies, significant differences can be found in satisfaction levels between business and IT executives in a number of attributes related to the IT function. Of particular note is the statement related to the alignment of IT activities with business strategies. IT executives rate this attribute as the one with which they were most satisfied. Business executives, on the other hand, are mildly dissatisfied with the alignment. This is the second data point indicating a difference of opinion relating to the

alignment of business and IT. This should serve as a warning shot to IT executives, especially in light of the results in the following question that shows that alignment is one of the top factors in the success of an IT organization.

**What are the *three* greatest contributors to the success of your IT organization?**

The number one contributor to the success of the IT organization by a wide margin is alignment of IT with the overall business strategy. Eighty-eight percent of the IT executives cite this as critical to their organization’s success. The next three top-ranking factors cited by more than 40 percent of the respondents are the ability to manage enterprisewide projects/programs (45 percent), supportive corporate management/users (43 percent) and technical skills of IT staff members (40 percent). At the bottom of the list of contributors are two factors — currently installed technical base and business executive’s understanding of technology, each being cited by only 7 percent of the IT executives.

**What are the *three* greatest obstacles that keep you from being a more effective IT organization?**

A resounding 81 percent of the IT executive’s respondents cite budget/cost constraints as an obstacle to the success of the IT organization. The next three most frequent obstacles are cited by roughly one third of the respondents. They include lack of corporate commitment to/awareness of IT (33 percent), lack of human resources (33 percent) and lack of IT agility (29 percent). Low on the list of obstacles are the lack of connection between business and IT strategy (12 percent) and the lack of service orientation in the IT organization (10 percent).

**Contributors and Obstacles to IT Organization Success**

Contributors	Obstacles
1. Alignment of IT and the Business	1. Budget/Cost Constraints
2. Ability to Manage Enterprisewide Projects	2. Lack of Corporate Commitment/Awareness
3. Supportive Corporate Mgmt./Users	3. Lack of Human Resources
4. Technical Skill of IT Staff	4. Lack of IT Agility
5. Customer Service Attitude in IT	5. Currently Installed Technical Base
6. Agile IT Organization	6. Lack of Skills in IT
7. Partnering with External Service Providers	7. Inability to Keep Pace with Technology
8. Adequate Funding	8. Lack Ability to Manage Enterprisewide Projects
9. Currently Installed Technical Base	9. Lack Connection of IT to the Business
10. Executives’ Understanding of Technology	10. Lack a Service Orientation in IT

### 3. Measuring the IT Function

#### Section Summary

The effectiveness of a business function depends on the measures and controls that provide feedback on the success, satisfaction and/or financial return. The following questions reveal generally poor measurement and feedback systems among GMA-member companies.

Fewer than half of the respondents said their company has a formal process for measuring the financial return on IT investments. Further, the primary basis for evaluating such investments is non-financial in nature — cost of business and strategic reasons. Yet, most CPG companies expect a one-to-two year payback on these investments.

Finally, only slightly more than a third of these CPG firms measure *business user satisfaction* with the services provided by their IT functions. This is likely a causal factor in the large difference in opinion related to IT project success rate. IT executives, on average, estimate that 83 percent of IT projects are successful — defined by meeting objectives and being on-time and within budget (i.e., the perfect project). Business executives on the other hand, estimate that only 63 percent of IT projects are successful.

Budget and cost constraints will continue to be a barrier if these measurement gaps are not closed. The good news is that numerous companies recognize these short-comings and are implementing formal processes for measuring both the return on IT investments and the level of business user satisfaction with IT services.

The effectiveness of a business function depends on measures and controls that provide feedback on the success, satisfaction and/or financial return. The following questions reveal generally poor measurement and feedback processes among GMA member companies.

**\*What percentage of your IT projects are successful – they meet objectives, are on time and within budget?**

Eighty-four percent of the IT executives asked ventured an estimate in answer to this question. According to the IT executives, 83 percent of IT projects are successful as defined by meeting objectives of being on time and within budget.

This question was also asked of business executives. Seventy-two percent of them estimated an IT project success rate. According to them, only 63 percent of IT projects are successful.

Thus, the answer to this question depends upon which segment of the business is asked. This difference in perspective — IT, 83 percent vs. business, 63 percent — has many possible explanations that cannot be fully explained by the data. For example, IT executives may be operating with more visibility and detail on actual project performance. However, two points are important. First, the 83 percent figure for successful project completion rated by IT executives themselves represents a poor perfect-order rate for IT projects. Second, the level of difference between IT and business perspectives represents a significant perception gap within the same organization and can act to undermine the capabilities of the IT organization's effectiveness.

**Does your company have a program in place to measure the financial return of IT investments?**

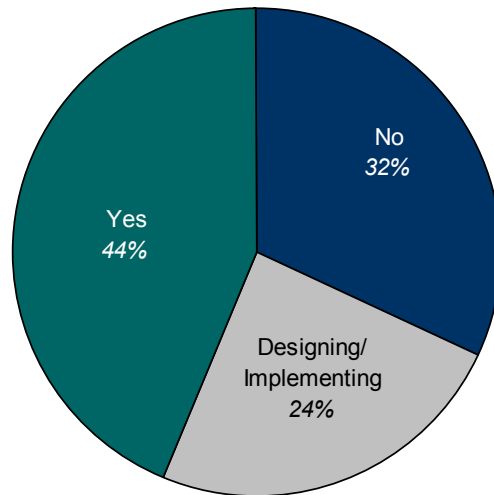
The differences in the IT project success rate noted earlier may be partially explained in the responses to this question. Only 44 percent of GMA-member companies actually measure the return on investment of their IT

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\* Question asked of both business and IT executives.

projects. While this return measure — where it does exist — says nothing about success as defined in the previous question, the fact that fewer than half the companies even measure return suggests that most of these companies have inadequate measurements in place for their IT projects. This helps explain at least the differing perspectives in the question above. The underlying facts are simply not being measured or reported within the organization. Another quarter of respondents say their companies are designing and implementing such financial measures.

**Fewer Than Half of GMA-Member Companies Have a Process to Measure the ROI of IT**

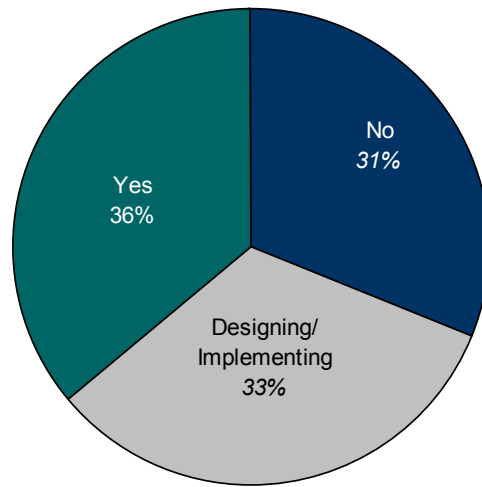


**Does your organization have a formal process in place to measure user satisfaction with IT services?**

Another important measure of IT success is the satisfaction of the business users that are clients of the IT organization. The success rate perception of the business users noted in the first question suggests some room for improvement. However, only slightly more than a third (36 percent) of GMA member companies have a formal process for measuring the satisfaction of business users with IT services. Again, this low level of measurement suggests that lack of feedback measurements is a source of the differing opinions on the success of IT projects.

Another third of the companies report they are designing or implementing a process for measuring business user satisfaction with IT services, suggesting at least that the issue is known and being addressed.

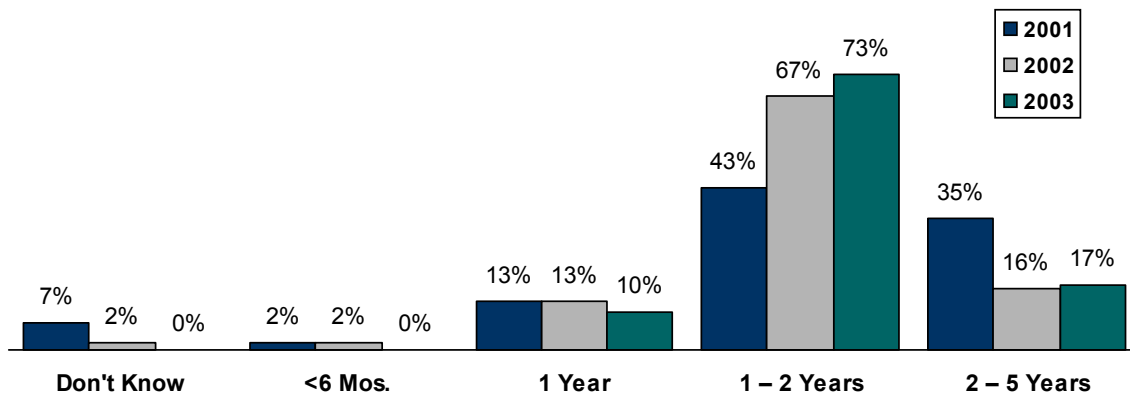
**Most Companies Do not Currently Have a Process for Measuring IT User Satisfaction**



**When does your company expect to see a satisfactory return on its IT investments?**

The vast majority (73 percent) of GMA member companies expect to see a return on their IT investments in a one-to-two year period. Seventeen percent expect a two-to-five year payback period. The remaining 10 percent expect their IT investments to pay off within one year. With so few companies actually measuring the financial return on IT projects, one has to wonder how these payback expectations are being confirmed.

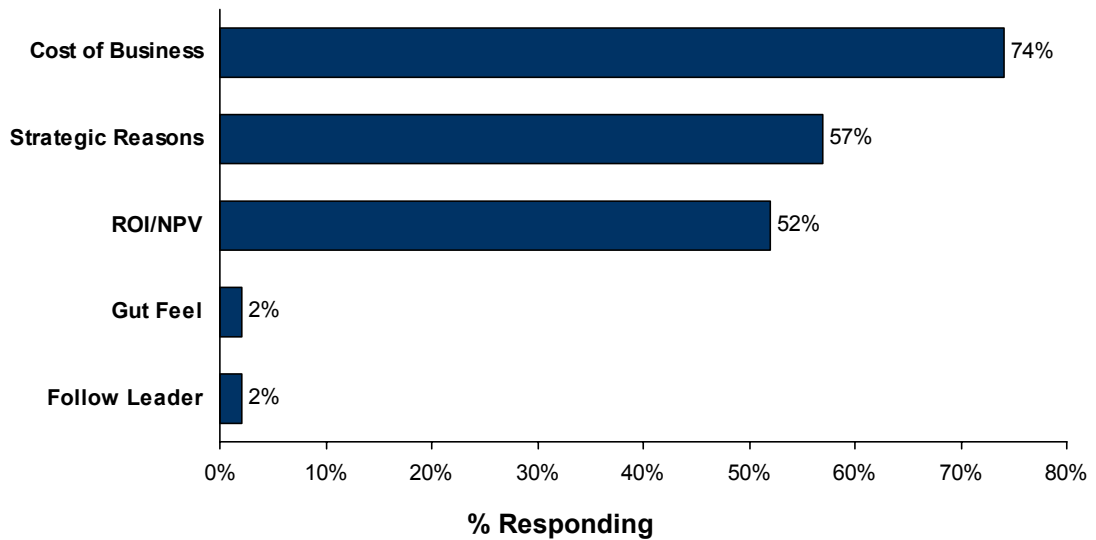
**Most Companies Expect a One – Two Year Payback on IT Investments**



**What are the *two* most important criteria being used for evaluating investment in information technology projects?**

When asked how IT investments are evaluated, the top two reasons are non-quantitative in nature. The number one evaluative criterion cited by 74 percent of respondents is simply a cost-of-doing-business. The second most frequently cited slot (57 percent) deals with strategic reasons. Only slightly more than half of GMA member companies (52 percent) use return on investment (ROI) or net present value (NPV) as criteria for evaluating IT investments. Again the answers to this question suggest that the IT function is inadequately measured within the GMA-member companies.

**Most Important Criteria for Evaluating IT Investments**



*Sum of all percentages exceed 100 percent because respondents where asked to select top two reasons.*

## 4. IT Investment Priorities

### Section Summary

The drivers of IT investment within CPG companies are predicated on how these companies view the role of IT in their overall business organization. First, IT is seen as a means of increasing organizational efficiency and productivity in order to reduce costs. Complying with both customer and regulatory mandates is a secondary priority for most companies in making IT investments. The use of IT to drive top-line revenue growth is low on the list of priorities for making investments in information technology.

Conservatism would cause the most hesitation in making corporate IT investments. This conservatism manifests itself in respondents' statements that they are waiting for technology stability and industry-proven applications. Perhaps, the industry is still stinging from overblown expectations related to investments in the technology bubble of the late 1990s. The lack of top-management commitment is also a key risk factor in embarking on technology projects.

Of course, IT projects are aligned to these more conservative IT investment priorities. Today at the top of the list are projects that optimize business process and support cost-reducing projects. Also, high on the list is the alignment of IT and business strategies.

**\*What are the most important factors that drive IT investments in your company (i.e., in the long-term, why does your company invest in IT)?**

Little disagreement exists among business and IT executives as to what drives investment in information technology in GMA-member companies. The top four most important reasons for investing in IT are:

- Increase internal efficiency/productivity.
- Customer imperatives/compliance.
- Increase efficiency of trading partner interactions/transactions.
- Cut purchase prices/lower procurement costs.

This year's survey results further reinforce the role in GMA member-companies of IT as a means to gain efficiency and productivity both on an intra- and inter-enterprise basis. It also points to the importance of IT in meeting and complying with customer mandates.

Mid-level priorities cited by both business and IT executives are a bit mixed in the relative level of importance, but included:

- Regulatory compliance.
- Cost of doing business.
- Security.

The drivers in this list are the must-do cost of doing business reasons, plus the need to comply with regulations and to manage risks associated with security. None of the top seven drivers for long-term IT investment affects the top-line revenue growth of a company. One might argue that customer compliance affects top-line revenue, but it does so only in a risk-avoidance sort of way, if one assumes that non-compliance might cause a loss of sales.

All of the factors that could affect top-line revenue enhancements fall to the bottom of the respondents' lists as drivers of IT investment in the longterm. These include:

- Increase trade customer sales.

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\* Question asked of both business and IT executives.

- Increase the understanding of consumers and consumer needs.
- Defend current market share position.
- Create overall market growth, creating new demands.
- Market share growth (take from competition).
- Increase consumer sales.
- Consumer brand building.

This list of IT investment drivers is almost the reverse list of top business strategic priorities of GMA-member companies, with the exception that cost reduction may end up higher than the compliance-oriented. This is probably the most shining example of the lack of alignment in business and IT strategies, as perceived by the business executives responding to this survey.

Comparing answers to this question across business and IT executive respondents, only a few differences are found, but these are significant. IT executive respondents rate increasing trade customer sales as the fourth most important driver of IT investments, while business executives rank it as the eighth most important. While business executives rank increasing the understanding of consumers and consumer needs as ninth in importance, IT executives put this one dead last at fourteenth.

**Factors Driving IT Investments**

	<b>Business Executives</b>	<b>IT Executives</b>
<p><b>High</b></p>  <p><b>Low</b></p>	<b>Internal Efficiency Gains</b>	<b>Internal Efficiency Gains</b>
	<b>Customer Compliance</b>	<b>Customer Compliance</b>
	<b>Increase B2B Transaction Efficiency</b>	<b>Increase B2B Transaction Efficiency</b>
	Cut Purchase Costs	Increase Trade Customer Sales
	Regulatory Compliance	Cut Purchase Costs
	Cost of Doing Business	Regulatory Compliance
	Security	Cost of Doing Business
	Increase Trade Customer Sales	Market Share Growth
	Increase Understanding of Consumer	Security
	Defend Market Share	Increase Consumer Sales
	Create Market Growth	Defend Market Share
	Market Share Growth	Create Market Growth
	Increase Consumer Sales	Consumer Brand Building
	Consumer Brand Building	Increase Understanding of Consumer

**\*What risk factors would make you hesitate to invest in information technology?**

As in the previous question, there is complete agreement in the top-three risk factors that would cause a GMA-member company to hesitate to invest in an information technology or application. These are:

- Wait to see proven applications in this industry.
- Instability of technology.
- Top-management commitment.

Comparing business and IT responses, the fourth- and fifth-ranked risk factors are reversed. Business executives rank unclear return on investments as fourth, with lack of business sponsorship/leadership coming in fifth. IT executives had these two flipped in the relative level of importance.

The bottom-ranking factors — lowest level of risk causing the least hesitation to invest — are also in complete agreement between business and IT respondents. These are:

- Other capital projects have higher priority.
- Uncertainty about the role of industry exchanges.
- Rapidly changing/evolving technology.

A significant number of respondents cited “other” in their responses. These include changing business requirements and the capacity for change in a business organization related to change management issues.

**Barriers to IT Investments**

	<b>Business Executives</b>	<b>IT Executives</b>
High ↓          ↓ Low	<b>Wait to See Proven</b>	<b>Wait to See Proven</b>
	<b>Instability of Technology</b>	<b>Instability of Technology</b>
	<b>Top Management Commitment</b>	<b>Top Management Commitment</b>
	Unclear ROI	Lack of Business Sponsors
	Lack of Business Sponsors	Unclear ROI
	Security Issues	Other
	Other	Lack of Appropriate Skills
	Lack of Appropriate Skills	Security Issues
	Other Capital Priorities	Other Capital Priorities
	Uncertainty of Exchanges	Uncertainty of Exchanges
	<b>Rapidly Changing Technology</b>	<b>Rapidly Changing Technology</b>

\* Question asked of both business and IT executives.

**What are most important factors driving priorities for the IT organization in the next 12 months?**

IT executives were asked what would be the driving priorities within the IT organization itself in the next 12 months. These more specific tactical-level activity drivers seem to be in good alignment within the context of the longer-term drivers, which are the IT critical success factors and the role of IT in the overall organization.

The highest priority items — optimizing business process, aligning business and IT strategy, and supporting cost reducing projects — all fall within the roles and priorities of IT in the longer term. At the bottom of the high priority list are compliance activities, including global data synchronization, satisfying customer imperatives and RFID/EPC. Supporting growth initiatives completes the list of high priority drivers for the IT organization in the next year.

At the top of the medium-level priority list is reducing IT budgets, indicating the continuing pressure to take cost out of all facets of the GMA-member organization, including the IT budget itself.

These priorities are summarized in the table below.

**Driving the IT Agenda in 2004**

High	Medium	Low
Optimize Business Processes	Reduce IT Budgets	Improve ROI of IT Capital
Aligning Business and IT Strategy	Business Agility	Improve Trade Customer Service
Support Cost-Reducing Projects	IT Organization Governance	Disaster Recovery/Bus. Cont.
Global Data Synchronization	Financial Reporting	Security
Satisfying Customer Imperatives	Improve Service to Bus. Users	Retain Skilled IT Staff
RFID/EPC	Regulatory Compliance	Maintain Pace with Technology
Support Growth Initiatives	Customer Collaboration	E-Business
		Supplier Collaboration

## 5. Information Technology Activities

### Section Summary

Information technology project activities in the coming year clearly follow the drivers and priorities laid out in the previous section. Activities also are well suited to the tool-for-cost-reducing and customer-and-regulatory-compliance roles of information technology in most CPG companies. Filling these roles will consume more than half of IT project funds in 2004.

Folklore has it that when Jesse James was asked why he robbed banks, he replied: “Because that’s where the money is.” The same logic applies to business functional areas receiving the greatest IT project intensity. Trade promotion management and supply chain (planning, manufacturing, distribution and transportation) are highest on the areas of IT project focus.

Regulatory issues — primarily compliance with the Sarbanes-Oxley Act — drive finance and accounting high on the priority list as well. Dealing with security issues and managing the onslaught of unwanted e-mail (spam) and viruses are an additional tax on the IT organization.

Great progress has been made in the efforts toward global data synchronization with two-thirds of the companies actively synchronizing base-item data with one or more trading customers. It appears the journey to critical mass is well underway, with the number of customers participating being the key drawback to achieving critical mass.

Another hot area from a customer-compliance standpoint is radio frequency identification or RFID using the Electronic Product Code (EPC).

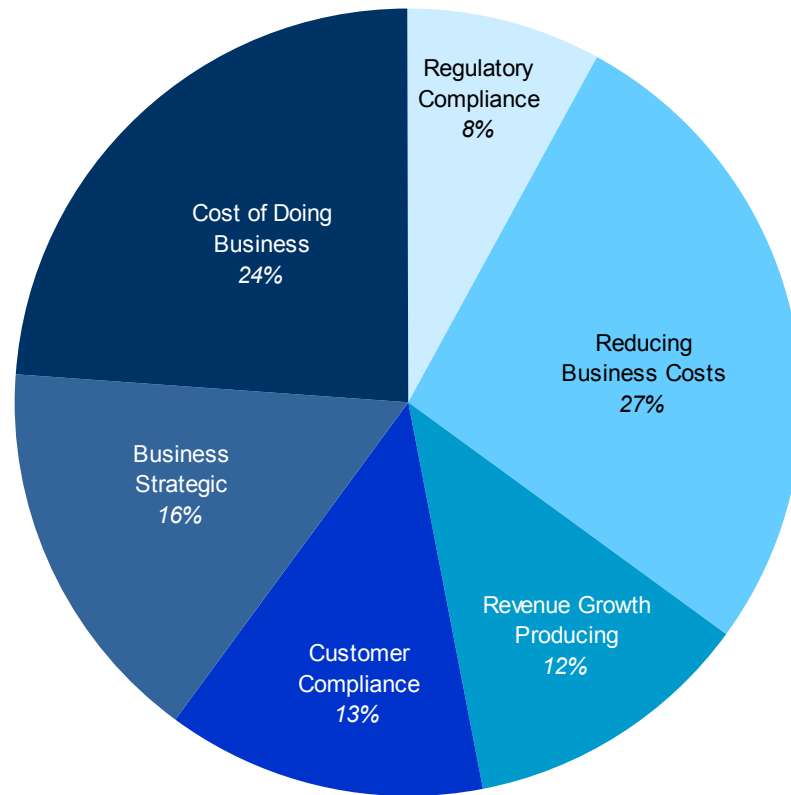
Except for a few clear leaders in this brave new world of technology, most companies are taking a cautious approach, investing only enough in the short term to meet deadlines with a few trading partners. Those not facing such direct customer deadlines are taking a wait-and-see approach.

New application development work now accounts for roughly a fifth of IT activity — down from more than a quarter last year and well over a third in 2000. The remaining 80 percent of IT activity is devoted to infrastructure development, maintenance, support and management.

### **What are the approximate percentages of your IT project investment funds that are directed towards the following types of activities?**

Information technology projects mirror priorities and drivers summarized in the previous section. Just over a quarter of IT project funds (27 percent) are used to fund projects intended to reduce business costs through efficiency and/or productivity increases. Another 12 percent of IT project funds are devoted to projects intended to support business revenue growth.

**Allocation of IT Project Investment Funds by Project Type**



The remaining 61 percent of IT project funds are spent on projects that are not directly tied to cost-reduction or revenue growth. This includes roughly another quarter (24 percent) of activities devoted to projects that are categorized simply as costs of doing business. These include infrastructure renewal and applications upgrade — projects not tied to specific financial returns but termed “must dos.” Another 16 percent are devoted to projects termed business-strategic. These presumably have more direct connection to business competitiveness, but like the cost-of-doing-business projects, are not directly tied to quantified financial return objectives. Another 13 percent of projects are a special class of must-dos. These are projects that are required to comply with customer requests and demand. Roughly 8 percent of project funds are used to fund undertakings to comply with government regulations. These last two categories of activities could be seen as risk-mitigation activities.

Only 39 percent of IT-project funds are devoted to projects that are tied directly to either cost reductions or revenue growth expectations. This fact highlights the difficulty in measuring the financial return on IT investments. It may be one reason why so few companies have financial return measurement processes in place for IT investments. The use of risk-oriented measures would be appropriate for the 61 percent of IT activities that cannot be directly tied to quantified financial returns.

**What are the approximate percentages of your current year IT spending that are allocated to the following activities and what portion of each activity is outsourced?**

Another view of IT is by type of activity. The table below summarizes how IT budgets are allocated across types of functions performed by the IT department. It shows the portion of each activity that is outsourced to external service providers.

**Allocation of Current Year IT Spending by Activity**

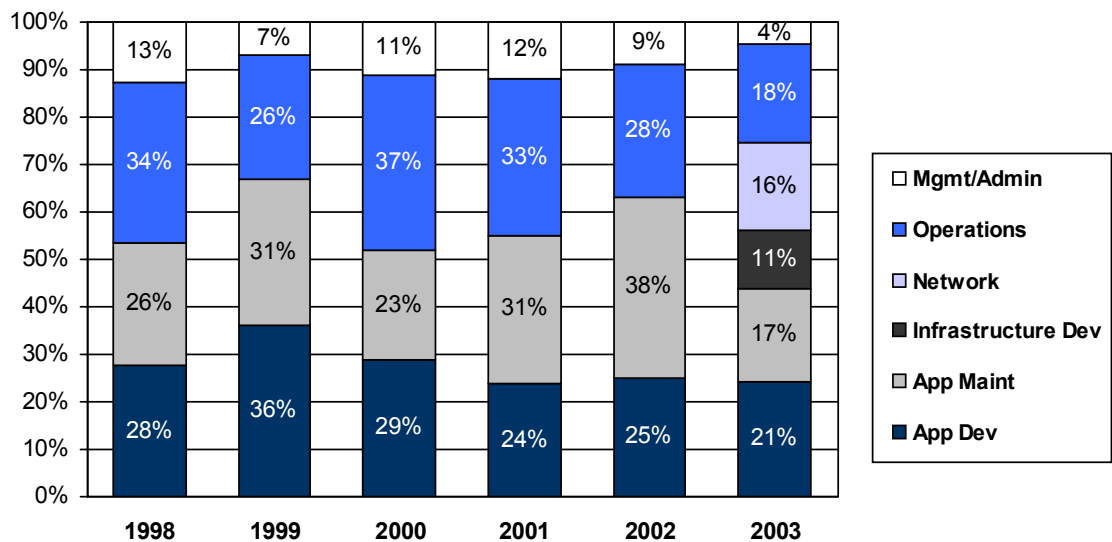
IT Activity	Percentage of IT Spending	Percentage Outsourced
New Applications Development	21%	21%
Existing Application Maintenance and Support	25%	17%
Infrastructure Development	11%	11%
Operations, End-User Support	23%	18%
Network Operations	10%	16%
Mgmt & Admin	10%	4%
<b>Total</b>	<b>100%</b>	<b>16%</b>

New applications development represents just over one-fifth of the IT organizations’ activities — roughly one-fifth of which is outsourced to external service providers. This is the highest level of outsourcing across all activities in the last few years. Infrastructure development adds another 11 percent to activities, and 11 percent of these activities go to outside service providers.

Operations and support activities represent 58 percent of the IT organization’s activities on average, and management/administration activities represent the final 10 percent. On a weighted average basis, 16 percent of all activities are outsourced to third-party service providers.

Looking at activity trends over time, we see that new applications development is at its lowest level in the past six years of study data. Management and administration — as a percentage of the overall IT activities — also have been reduced drastically. Trends in the other categories are difficult to discern due to the addition of two new activity categories in this year’s study — infrastructure development and network operations.

**Trends in IT Budget Allocation**



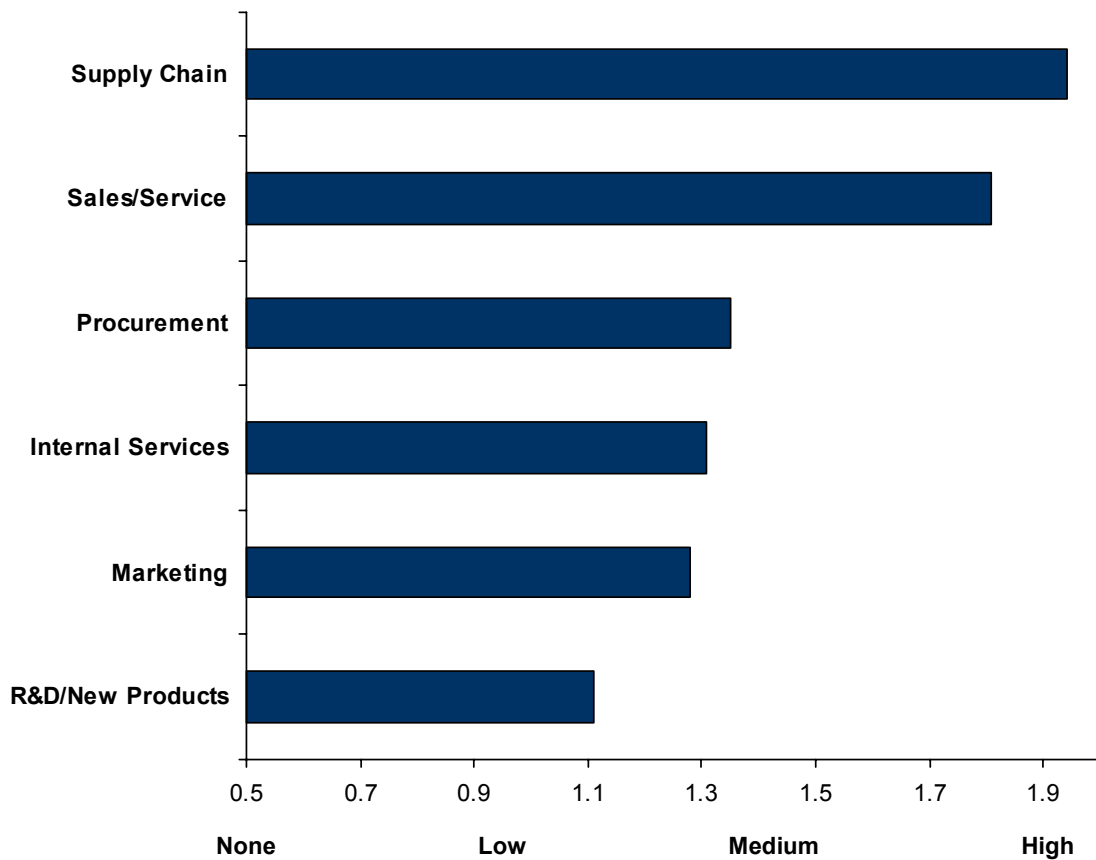
**What will be the level of IT investment intensity in each of the business areas listed below in the next two years?**

IT executives were asked to rate the relative level of IT investment intensity by business function. The table on the following page summarizes the responses to this question. For each business functional area (rows), the table shows the distribution of responses by rating (row totals = 100 percent of respondents). The second set of table columns shows the most frequently cited intensity level (none, low, medium, high) and the weighted-average score for each functional area.

One of the highest-ranking business functional areas for IT investment is trade promotion management. This is the only functional area in which the most selected intensity level was high — cited as high by 39 percent of all respondents. This is also the highest response to the top level across all functional areas. Trade promotion management also is one of the highest scoring functional areas at 2.07 using a weighted-average score of all responses.

The other highest scoring areas are primarily in the supply-chain functional areas. Distribution operations/management and supply chain planning each tied with the highest weighted average score of 2.10. Manufacturing operations/management’s score tied that of trade promotion management at 2.07.

**IT Project Intensity Across the GMA Organization**



INFORMATION TECHNOLOGY INVESTMENT AND EFFECTIVENESS STUDY

IT Project Funds Investment Intensity	Response Percentage (Rows =100%)				Majority Response Level <sup>1</sup>			
	High	Med	Low	None	High	Med	Low	Score <sup>2</sup>
<b>Marketing</b>								
Brand Development and Management	12%	22%	54%	12%			X	1.34
Consumer Advertising/Media	0%	12%	51%	37%			X	0.76
Consumer Promotions	5%	22%	46%	27%			X	1.05
Consumer Intelligence	2%	32%	44%	22%			X	1.15
Trade Promotion Management	39%	32%	27%	2%	X			2.07
Consumer eCommerce (Web Sales, Web Sites, etc.)	7%	32%	44%	17%			X	1.29
<b>Sales and Demand Fulfillment</b>								
Trade Customer Services	18%	55%	23%	5%			X	1.85
Trade Customer Order Management	20%	43%	33%	5%			X	1.78
Customer Electronic Commerce/EDI	12%	59%	29%	0%			X	1.83
Sales Force Support/Automation	22%	44%	27%	7%			X	1.80
<b>Supply Chain</b>								
Distribution Operations and Management	32%	46%	22%	0%			X	2.10
Transportation Operations and Management	15%	56%	29%	0%			X	1.85
Manufacturing Operations and Management	34%	39%	27%	0%			X	2.07
Supply Chain Planning	32%	46%	22%	0%			X	2.10
RFID/Electronic Product Code (EPC)	10%	49%	32%	10%			X	1.59
<b>Procurement</b>								
Commodity Purchasing	5%	27%	54%	15%			X	1.22
Direct Materials Purchasing	5%	37%	49%	10%			X	1.37
Indirect Materials Purchasing	7%	29%	54%	10%			X	1.34
Supplier Electronic Commerce/EDI	5%	44%	46%	5%			X	1.49
<b>R&amp;D/New Products</b>								
Supplier Development	0%	12%	59%	29%			X	0.83
Product Development	12%	32%	41%	15%			X	1.41
Package Design and Development	5%	22%	51%	22%			X	1.49
<b>Internal Services</b>								
Human Resources	15%	20%	63%	2%			X	1.46
Employee eCommerce (Self-Service Portals, Benefits Admin., etc.)	10%	29%	49%	12%			X	1.37
Corporate Communications	2%	12%	73%	12%			X	1.05
Finance/Accounting	15%	59%	27%	0%			X	1.88
Legal	2%	2%	68%	27%			X	0.80

The lists below summarize the functional areas receiving a relative high intensity of IT project activity in 2004 compared with those categories in the medium and low categories. For the most part, the highest level of activities

<sup>1</sup> Indicates the IT Investment Intensity level selected by the majority of respondents.

<sup>2</sup> Weighted average score (high=3 to low =1)

tends to be some of the largest expense categories for a CPG manufacturer, namely trade promotions and supply chain. (This again reinforces the role of IT in cost-reduction.) The only exception to this is the finance/accounting area, which is getting special attention this year in public companies as they work to comply with Sarbanes-Oxley requirements.

Growth-oriented functional areas — such as brand development, consumer intelligence, consumer promotions and advertising — tended to be lower on the list. Medium-to-low on the list also is the purchasing aspect of supply chain across the range of purchase categories.

At the top of the medium list is RFID/EPC, an area that will be more fully developed in the following subsections. This activity is being heavily investigated by many CPG companies, with a few companies clearly leading the pack.

**IT Investment Intensity by Functional Area**

High	Medium	Low
Supply Chain Planning	RFID/EPC	Commodity Purchasing
Distribution Operations and Management	Supplier E-Commerce	Consumer Intelligence
Trade Promotions	Human Resources	Package Design & Development
Manufacturing Operations and Management	Product Development	Corporate Communications
Finance/Accounting	Employee E-Commerce	Consumer Promotions
Transportation Operations and Management	Direct Materials Purchasing	Supplier Development
Trade Customer Service	Indirect Materials Purchasing	Legal
Customer E-Commerce/EDI	Brand Development	Consumer Advertising
Sales Force Support/Automation	Consumer E-Commerce	
Trade Customer Order Management		

Looking at the top-10 lists of functional areas receiving the highest level of IT project funds over the past three years, a consistency can be seen in the items with some shifting priorities year-to-year. In 2003, customer e-commerce/EDI was the No. 1 area, reflecting the industry’s intense focus on global data synchronization. However, it has fallen in priority in 2004. Last year’s efforts in this area (See the next section.) are paying off nicely in terms of overall industry progress.

Distribution operations and management moved up the list in 2004 compared with its position in both 2002 and 2003. Trade promotions have consistently been high on this list. Supply chain planning saw a brief decline in 2003 but is as high again this year as it was in 2002.

**IT Investment Intensity Trends by Functional Area: Top 10 Lists for Past Three Years**

2004	2003	2002
1. Supply Chain Planning	1. Customer E-Commerce/EDI	1. Trade Promotions
2. Distribution Operations and Management	2. Manufacturing Operations and Management	2. Supply Chain Planning
3. Trade Promotions	3. Finance/Accounting	3. Customer E-Commerce/EDI
4. Manufacturing Operations and Management	4. Trade Promotions	4. Manufacturing Operations and Management
5. Finance/Accounting	5. Trade Customer Order Management	5. Transportation Operations and Management
6. Transportation Operations and Management	6. Distribution Operations and Management	6. Distribution Operations and Management
7. Trade Customer Service	7. Supply Chain Planning	7. Direct Materials Purchasing
8. Customer E-Commerce/EDI	8. Trade Customer Service	8. Trade Customer Order Management
9. Sales Force Support/Automation	9. Sales Force Support/Automation	9. Sales Force Support/Automation
10. Trade Customer Order Management	10. Transportation Operations and Management	10. Commodity Purchasing

The following sub-sections represent a deeper look into four activity areas of special interest within the grocery industry overall. They include:

- Global data synchronization.
- RFID/EPC.
- Regulatory compliance.
- IT security.

**Global Data Synchronization**

Global data synchronization (GDS) has been a major industry initiative over the past couple of years. Both GMA representing the manufacturers and the Food Marketing Institute (FMI) representing grocery retailers have made this a significant part of their industry affairs agenda. The principles of a sound data foundation as a key platform in the industry’s efforts to gain industrywide efficiencies date back to Efficient Consumer Response (ECR), which began more than a decade ago. Internet and communications technologies have improved significantly since these early efforts, and the key components such as registry services like UCCnet and catalogs/exchanges like Transora have at this point stabilized somewhat. Today we are seeing great leaps forward in the global data synchronization arena. However, there are still far too few items and customers involved to achieve widespread benefits from these efforts.

**At what level is your company participating in global data synchronization?**

Virtually all (98 percent) of the responding companies have joined UCCnet as part of their drive toward global data synchronization. Of those that have joined UCCnet, only 15 percent are taking a passive stance at this point. Of these taking a passive stance, half are simply watching from the sidelines. The other half are in process of

investigation and education. Among the remaining 85 percent of UCCnet member companies that are active in their GDS efforts, half are also participating in industry standards-making efforts.

Two-thirds of all responding companies are actively synchronizing base-item data. Just under a quarter (24 percent) are actively synchronizing pricing data, and very few (5 percent) are synchronizing promotional data with one or more trading partners.

**At what stage is your company with respect to global data synchronization?**

Of all responding members, 83 percent have active global data synchronization efforts underway. Companies are working on a variety of activities. Just under a third (31 percent) of responding companies are working on data cleansing. Getting in-house data in order and cleansed is a critical effort on the path to inter-enterprise data synchronization. Process and system design efforts are underway in 17 percent of the companies. Active GDS pilots with one or more customers are underway in 29 percent of responding companies, and a whopping 45 percent of the responding companies are rolling out or implementing GDS capabilities in their organizations.

**How many trading partners are you actively involved with in global data synchronization efforts?**

While almost half of the responding companies are rolling out GDS capabilities, it appears that there are still not many customers playing in the GDS game. On average, GMA-member companies have GDS pilots with only one trading customer and are in operational data synchronization mode with only two customers. On the high side, the maximum number of GDS pilots reported is with eight trading partners participating in pilots. At least one responding company reports having live global data sync operations with 12 trade customers.

**How many items are involved in your company's global data synchronization efforts?**

On average, GMA-member companies have published data for approximately 650 items with an external registry service (UCCnet's Global Registry). These items represent 27 percent of the active item base of the companies and account for 18 percent of sales on average. The maximum number of items reported as being published is 9,000, representing 100 percent of the active items for the company. On average, the number of items being actively synchronized with one or more trading partners is 75 percent of the published items, suggesting that more data are being published than are actually being used by trading partners at this time.

**Have you established Global Location Numbers (GLNs) for your business organization?**

Electronic commerce and data synchronization require not only that items can be uniquely identified, but they also require that trading partners and their business locations can be uniquely identified as well. Global Location Numbers (GLNs) are to trading partner locations what Global Trade Item Numbers (GTINs) are to product items. At this point almost three-quarters (73 percent) of GMA-member companies have established global location numbers for their organizations.

**What are your plans for pooling/cataloging your company's item data?**

A number of strategies for item catalogs pool item data and feed external item registry services (e.g., UCCnet). External data catalogs (outside a company's firewall) are the preferred method of choice for 42 percent of responding companies. Internal catalogs (inside a company's firewall) will be the primary means of data pooling for 18 percent of the companies. The remaining 40 percent of the companies plan to use and/or support both internal and external data catalogs for item-registry data pooling.

## Global Data Synchronization

Percentage of Companies Joined UCCnet but Are Passive	14%
Percentage of Companies Joined UCCnet and Are Active	83%
Percentage of Companies Participating in Standards	43%
Percentage of Companies Actively Working to Synch Item Data	67%
Percentage of Companies Actively Working to Synch Price Data	24%
Percentage of Companies Rolling Out/Implementing GDS Capabilities	5%
Average Number of GDS Pilots	1
Average Number of Operations Customers	2
Average Number of SKUs Published	647
Average Number of SKUs Being Synchronized with Customers	484
Percentage of Total Number of SKUs	27%
Percentage of Revenues from Synchronized SKUs	18%
Percentage of Companies That Have Established GLNs	73%
Plans for Pooling/Cataloging Item Data (Percentage of Companies)	
Internal	17%
External	40%
Both	43%

## RFID/EPC

Radio frequency identification (RFID) and its Electronic Product Code (EPC) have received significant attention in the past year with the announcements from several major retailers worldwide requiring top suppliers to support this technology at the pallet and case level initially. As RFID/EPC goes from interesting research and foundational standards development to practical implementations, the industry will reach a major turning point. Although the press has headlined this technology in recent months, the reality is that most companies are approaching this technology slowly and cautiously. Industrywide full implementation is years away, and widespread consumer-unit level implementation may be up to a decade away, based on the current beliefs of GMA-member companies

### What will your strategy be on RFID/EPC adoption?

More than half of responding companies (57 percent) would describe their RFID/EPC strategy as one of doing only enough in the shortterm (0 – 2 years out) to comply with customer mandates and/or requirements. More than one-third (38 percent) of responding companies plan to be fast followers in implementing RFID/EPC capabilities. Fourteen percent said they would resist implementation until absolutely necessary. Seven percent plan to spend the next two years waiting for the technology to mature in the industry. At the other end of the spectrum, 12 percent of companies plan to lead the industry actively in the implementation of RFID/EPC capabilities in the next two years. Just under a third (31 percent) plan to invest actively in RFID/EPC infrastructure in order to generate internal business benefits.

**At what stage is your company relative to RFID/EPC?**

At the cutting-edge, 5 percent of GMA-member companies are actively piloting RFID/EPC capabilities with one or more customers. Just under one-fifth (19 percent) have ongoing internal tests of RFID/EPC capabilities. One fifth of responding companies are taking part in the industry efforts to develop and standardize RFID/EPC technology either as a part of the MIT Auto-ID Center and/or EPCglobal, Inc., the newly formed joint venture between UCC and EAN International approved in late 2003 to administer the EPC code and standards and to direct implementation of RFID/EPC. Slightly more at 38 percent have active projects underway to design their RFID/EPC capabilities. One-third of responding companies say they currently understand the business and financial impacts of this new technology.

The bulk of GMA-member companies (64 percent) are in the information gathering/education phase of their RFID/EPC efforts. Fourteen percent are simply passively watching from the sidelines.

**In what year do you anticipate your company will begin RFID/EPC implementation at various packaging levels?**

RFID/EPC tags can be applied at all levels of packaging from the consumer unit to the shipping case to the pallet. Respondents were asked to look into their crystal balls to predict when their company would implement this technology at each level of packaging. Not surprisingly, pallet- and case-level implementations are predicted in the relative near term — between 2004 and 2008 — with pallet implementations beginning on average in 2005. The average case-level implementations are anticipated to begin in 2006.

Predictions for consumer-unit level implementation of RFID/EPC technology are all over the board. On average, companies said this technology would be applied to consumer units in their company starting in 2013, but ranged from 2005 to 2099. This level of uncertainty is in large part due to the great number of questions that remain concerning the cost of RFID tags, the physical problems in reading through metals and liquids, and probably most importantly the absence of any clear mandates from customers at this time. This latter factor will likely be the most important in crystallizing implementation plans over the next few years. A lot will hinge on the results of the initial implementations at the case and pallet level.

**RFID Facts**

**Short-Term Strategy**

57 Percent Do Only Enough to Satisfy Customer Requirements  
38 Percent Fast Follower

**Mid-Term and Long-Term Strategy**

33 Percent Invest in Infrastructure to Achieve Benefit  
29 Percent Fast Follower

<b>RFID Phase</b>	<b>% Companies</b>
Member of Auto-ID Center/EPCglobal	21%
In Information Gathering/Education Phase	64%
Passively Watching from Sidelines	14%
Currently Understand Business & Financial Impacts	33%
Have Active Projects to Design Capabilities	38%
Actively Testing RFID Capabilities Internally	19%
Piloting RFID Capabilities with Customers	5%
Implementing RFID Capabilities	2%

*Percentages may exceed 100 percent because respondents could select multiple responses.*

## Regulatory Compliance

**Please estimate the percentage of your IT project dollars that are devoted to projects that relate to regulatory compliance issues?**

A growing number of IT projects are the result of mandatory compliance with government regulations. Last year, approximately 5 percent of IT project dollars were devoted to compliance-oriented projects. This is expected to grow slightly to 6 percent this year and next. In section 5 in a separate question, the IT project funds devoted to regulatory compliance are estimated at 8 percent. The slight difference in these two answers falls within the statistical margin of error for both questions.

**What regulatory mandates have or will your IT organization be actively working on?**

Clearly, Sarbanes-Oxley compliance dominates the regulatory plate this year and next, with two-thirds of responding companies having IT projects related to Sarbanes-Oxley this year. Lot tracking and trace ability compliance is the clear number two regulatory issue being worked on this year and next, and FDA bioterrorism regulations come in a strong third. The table below summarizes the regulatory-oriented projects that GMA IT departments worked on last year and plan to work on this year and next.

### Regulatory Initiatives Being Actively Worked on by IT Organization

Regulatory Compliance	Prior 2002	Current 2003	Next 2004
% of IT Project Funds	5%	6%	6%

#### Percentage of Companies

Regulatory Initiative	Last Year	Current	Next Year
Sarbanes-Oxley	21%	67%	62%
Trans Fat Labeling	19%	21%	21%
FDA Electronic Audit	19%	21%	26%
Lot Recall/Traceability	38%	38%	40%
Country of Origin (COOL)	10%	14%	12%
GMO Tracking	5%	10%	14%
Allergens Tracking	14%	21%	19%
FDA Bioterrorism	12%	26%	26%

## Security

### Have you quantitatively assessed the risks to the security of your IT assets?

Security concerns have certainly been heightened in recent years. This extends from physical security of people and operations to information security and business continuity where IT infrastructure and applications play an ever more critical role in the day-to-day operations of any business. Surprisingly, only just under two-thirds (62 percent) of the respondents have quantitatively assessed their ability to respond to security threats and concerns.

While almost all companies (93 percent) have active projects to address the security of their information assets, only 52 percent believe they have done enough to secure these assets adequately. Again, almost all companies (98 percent) have disaster and recovery strategies and plans. Only 52 percent have a business continuity strategy and plan in place. The efforts toward Sarbanes-Oxley compliance should dramatically increase these numbers in the years to come.

### Security Facts

Security Issues	% Companies
Quantitatively Assessed Ability to Respond to Security Threats	62%
Have Active Projects to Secure Information Assets	93%
Are Comfortable that Organization Has Done Enough to Secure IT Assets	52%
Have Assessed Impact of Spam on Your Organization	69%
Have Developed a Disaster Recovery Strategy and Plan	98%
Have Developed a Business Continuity Strategy and Plan	52%
Average Number of FTEs to Respond to Virus Attacks	2.5
Average Number of FTEs to Deal with Unwanted E-Mail/Spam	1.0

### What is the approximate cost to the IT organization to prepare for and respond to *virus attacks* and *unwanted e-mail/spam* as measured by full time equivalents (FTEs) per year?

Computer and network viruses and unwanted, unsolicited e-mail (spam) represent another type of threat to the GMA-member organization. Dealing with these represents a non-value-adding administrative cost of maintaining networks and e-mail. Information technology executives estimate that the burden on their organization is not insignificant. It is estimated that roughly 2.5 full time equivalents (FTEs) from within the IT department staff are devoted annually to dealing with computer virus preparedness and response. Another IT full-time equivalent is devoted annually, on average, to grapple with the e-mail spam issue. While 3.5 total FTEs may seem like a small number, in the context of an IT organization where an average headcount is 259, this means 1.4 percent of the average IT workforce is devoted to working with viruses and spam.

## 6. Information Technology Spending and Investment

### Section Summary

Spending on information technology is at its lowest level in years. However, this singular perspective tells only half the story. While operating budgets have been squeezed over the years, capital spending on IT appears to be growing at a healthy pace, increasing the industry's overall capital stock in IT assets.

This reflects major shifts occurring in how CPG companies treat spending on information technology. The industry-aggregate IT expense dropped to 1.42 percent of net sales revenue in 2003 and is expected to rise only slightly to 1.46 percent of sales in 2004. However, the industry-aggregate IT capital stock grew by 0.82 percent of sales in 2003 and is expected to grow by 0.86 percent of annual net sales in 2004.

Coupled to the activity data presented in the prior section, the spending/investment data presented here suggests a major shift in the focus of the IT organization. They are now the operators and caretakers of the IT infrastructure. When it comes to new investment they are no longer the owners and leaders, but rather the guides and assistants to the business functional units that drive IT capital funding projects.

At the individual company level, changes in spending and investment are mixed. However, 50 percent of respondents report increases in IT operating budgets compared to prior year data, and 51 percent will increase their operating budgets next year.

On the IT capital side of the equation, 35 percent report an increase in their level of IT capital investment this year compared to the previous year, and 42 percent report they will increase their levels next year.

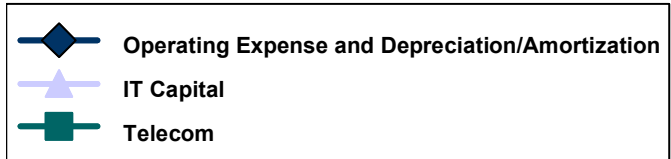
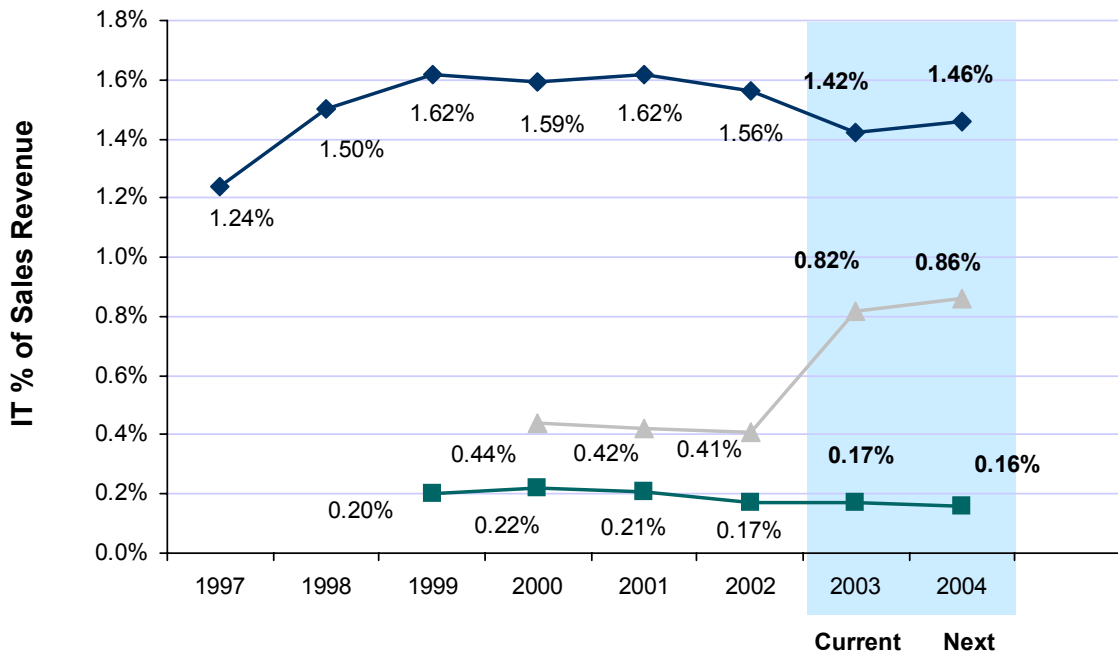
**What is your organization's approximate total expense in each of the three technology categories — IT departmental operating expense, depreciation/amortization and telecommunications — each as a percentage of prior year's annual net revenues?**

- The three categories are mutually exclusive and can be totaled without double-counting any expenditure.
- Prior year is the most recently completed fiscal year and current year is the current fiscal year.
- Use prior year net sales as the denominator for all years.

In 2003, total information technology expenses (including operating expenses, depreciation and amortization) for the average GMA-member company represented 1.42 percent of net sales revenues. This represents a 9 percent decrease from the comparable IT expense figure of 1.56 percent of net sales revenue in 2002, documented in last year's survey. It is also below the 1.58 percent of sales projected for IT expense for 2003 in last year's survey, indicating unexpected budget cuts in a challenging economic environment.

This is one more data point in a declining trend in IT industry spending since its peak of 1.62 percent of sales recorded in 1999. However, projections made in this year's survey for next year's spending indicate a slight increase to 1.48 percent of net sales revenue is expected for IT in 2004.

**IT Spending Trends  
(Operating Expense Includes Depreciation/Amortization)**



Source of data for years 1997 through 2002 are past years' GMA IT studies.

Of the total IT expense, 81 percent represents the operating budget. The remaining 19 percent constitutes asset depreciation and software amortization. This proportional breakdown is consistent with last year's IT spending, and this ratio is projected to hold consistent in next year's budget. Separately and in addition to these expenses, telecommunications expenses (voice and data) held steady in 2003 at 0.17 percent of sales. These are projected to decrease slightly to 1.16 percent of sales in 2004, although this difference is not statistically significant.

**What are the approximate percentages of your current year's IT budget allocated individual expense categories?**

The table on the next page summarizes the IT expense and investment as a percentage of sales as well as the detailed breakdown of these at line-item-level across all companies participating in this year's study. Similar tables for each of the five company size categories are presented in the appendix.

**2004 IT Investment Data — All Companies**

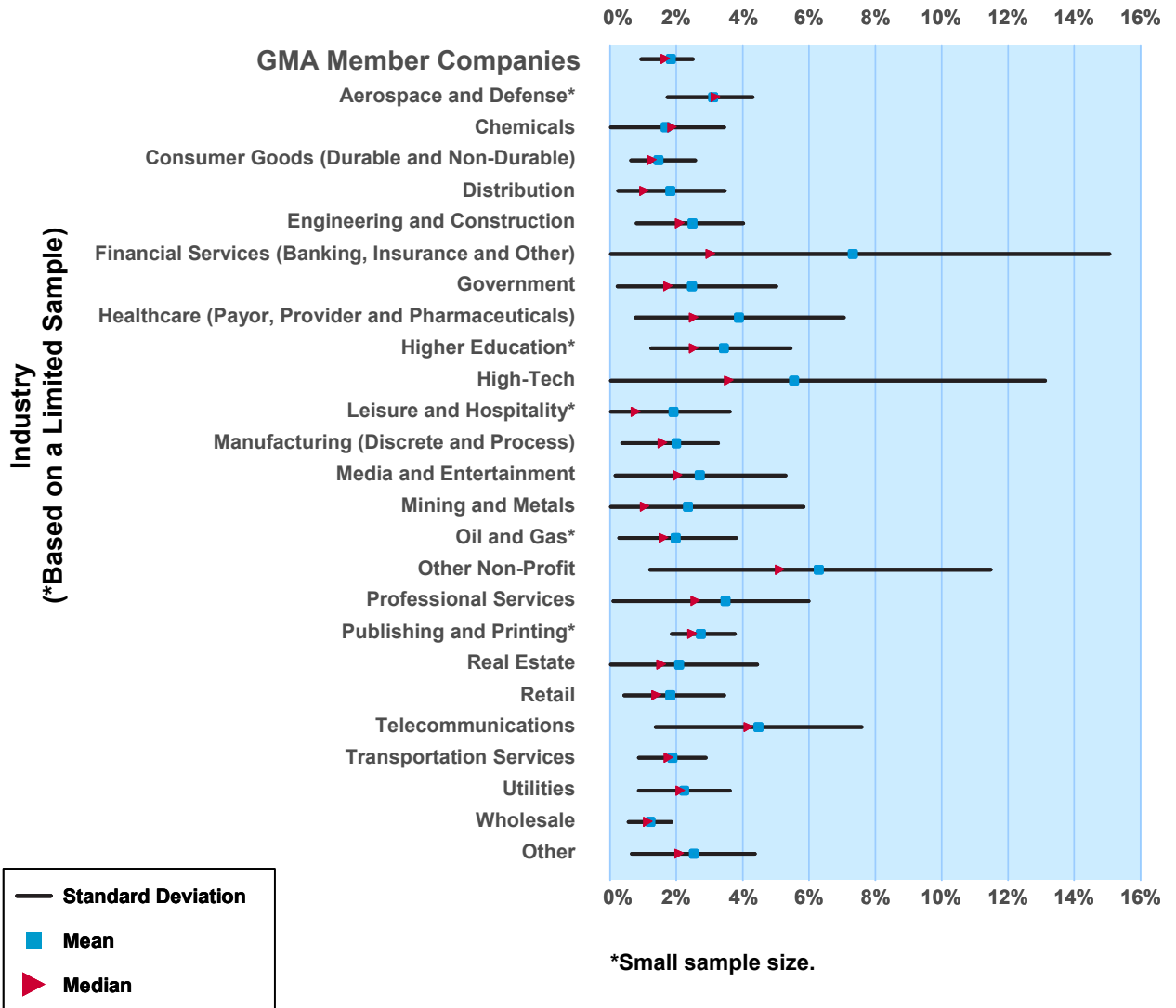
<b>2004 IT Investment Benchmarks All GMA Companies</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.23%	1.15%	1.18%
IT Depreciation/Amortization	0.26%	0.27%	0.28%
<b>Total IT Expense</b>	<b>1.50%</b>	<b>1.42%</b>	<b>1.46%</b>
New IT Capital Investment	0.73%	0.82%	0.86%
<b>Net Change in IT Assets (=New Capital — Dep./Amort.)</b>	<b>0.48%</b>	<b>0.55%</b>	<b>0.58%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.17%</b>	<b>0.17%</b>	<b>0.16%</b>
<b>+“Shadow IT”</b>		<b>1.48%</b>	

**Percentages of Current Year IT Budget that Are Allocated to the Following Expense Categories.**

	% of Current Year IT Budget	
	Current Year%	
<b>IT Dept. Operating Budget</b>	<b>1.15% of Sales=</b>	<b>100.0%</b>
IT Mgmt Salary/Benefits		10.6%
IT Staff Payroll/Benefits		34.5%
Facilities		2.1%
Equipment Leases		5.0%
Hardware Purchases		1.4%
Operating Software		1.4%
Applications Software		4.1%
Desktop/PC's		2.7%
Hardware Maintenance/Repair		3.4%
Software Repairs		1.1%
Utilities		1.0%
Supplies		0.9%
Travel/Entertainment		1.8%
Education/Training		1.2%
Disaster Recovery/ Business Continuity		1.4%
Shared Services Fee		4.3%
S/W License Fees		5.2%
Professional Services (EDI, etc.)		4.4%
Consulting/SI Services		7.4%
Other		6.4%
<b>IT Asset Depreciation/Amortization</b>	<b>0.27% of Sales=</b>	<b>100.0%</b>
Software Depreciation		49.9%
Hardware Depreciation		32.3%
Software Amortization		15.9%
Hardware Amortization		1.9%
<b>Telecommunications (Companywide)</b>	<b>0.17% of Sales=</b>	<b>100.0%</b>
Data Communication		49.2%
Voice Communication		50.8%
<b>Total</b>		<b>100%</b>

Compared with other industries, GMA-member companies are not big spenders on information technology. Even when IT expenses and telecommunications costs are added together, these companies rank near the bottom. CSC conducts a similar survey on behalf of the Financial Executives International (FEI) that analyzes mean, median and the standard deviation of IT spending as a percentage of sales across a number of industries. The results of the most recent FEI study of IT spending across a large number of industry sectors are shown in the figure below with the GMA data overlaid.

**Information Technology Spending by Industry**



GMA Data = OpEx + Dep/Am + Telecomm  
 other industry = "All IT Expenses"

GMA Data	
Mean	1.59%
Median	1.35%
St. Dev.	+/- 0.88%

Source: 6<sup>th</sup> Annual FEI/CSC "Technology Issues for Financial Executives."

**What amount of total new capital expenditures, expressed as a percentage of net sales revenues, in IT-related investments has or will your company make last year, this year and next year?**

While IT expenses have show a declining trend over the past several years, a vastly different trend is developing in the realm of IT capital investment. Significant accounting changes in years past allow greater capitalization of software applications and associated development costs. Until last year, this aspect of IT spending and investment was inadequately probed in the survey questions. In both last year’s and this year’s surveys, questions are beginning to explicitly examine the balance-sheet impact of IT investment, as well as the profit and loss statement of IT expenses. As such, a dramatic shift can be seen in IT dollars from expenses line item to capital assets, and then flowing back into the expense budget in the form of depreciation.

Capital investment in information technology assets shows a dramatic increase this year compared to last. The 2003 survey reveals that the average GMA-member company invested 0.82 percent of sales in IT capital that year. Subtracting depreciation/amortization expenses of 0.27 percent of sales provides an estimated net increase in the IT asset base of 0.55 percent of sales. This is a significant increase over the 0.11 percent net increase in IT capital assets reported for 2002 in last year’s survey.

The issue of IT asset capitalization and other issues — such as the accounting treatment of promotional funds as sales reductions or expenses, and the increasing role of telecommunications in the IT cost structure — make benchmarking IT increasingly complex and difficult. Further, any benchmark expressed as a percentage of sales revenue has the built-in distortion in the changing revenues year-to-year. This makes it difficult for any individual company executive to use a single industry-average benchmark, such as IT spending as percentage of sales, for meaningful comparison to his or her own company.

The survey questionnaire has evolved to reflect the major changes over the years that relate to information technology investment. To address the weakness inherent in a single benchmarking number, additional benchmarks have been added to the survey to enable a bit of “triangulation” in understanding what is really happening in industry IT investment and spending. The second benchmark is IT operating expense per company employee (defined as the number of end-user logins/passwords in the company computing network). This second benchmarking number is a percentage comparison of expense and capital budgets year-to-year. These are summarized below.

**What is the IT operating expense expressed as IT expense dollars per full time equivalent (FTE defined as number of end-user user names/passwords logins on company network)?**

The table below shows the average response to this question, indicating relatively flat spending over the three years included in the study on the per employee basis.

IT Operating Expenses per Company Employee			
	Prior 2002	Current 2003	Next 2004
IT Spending/Employee	\$7,839	\$7,772	\$7,904

**How has your IT budget changed in absolute dollar value?**

This question specifically asks respondents to indicate the magnitude and direction of change of their IT budgets on a year-to-year basis, comparing both prior year to current and current to next year’s figure. It also looks at total expenses as well as new IT capital investment. Responses to this question show a relative flat level of spending on average for the three study years. On average, there was no change at all in comparing prior-year operating budgets to current ones, but the figures are expected to rise 3 percent next year. On average, IT capital investment is growing at a much faster pace. It rose 8 percent from the prior year to the current one and is expected to increase by 11 percent when current-year data is compared to next year.

**Year-to-Year Changes in IT Budgets**

Average Change	Prior (2002) to Current (2003)	Current (2003) to Next (2004)
<b>Operating Budget</b>	0%	3%
<b>New Capital Investment</b>	8%	11%

The responses to this question clearly illustrate the old adage: With one foot in hot water and the other in cold water, on average you are comfortable. The results above would be the “comfortable” view of the data.

The table below summarizes the “hot” and “cold” views of the data. It shows that 50 percent of companies are increasing their IT budgets from prior year to current by an average of 8.6 percent. Fifty-one percent of companies will increase their IT budgets current year to next by an average of 9 percent. Thirty-nine percent of the companies saw IT budget reductions comparing current year to prior year, with an average decrease of 9.9 percent. Looking forward comparing current year to next, only 31 percent of companies report a decreasing IT budget by an average magnitude of 6.7 percent.

On the IT capital side of the equation, 35 percent saw increases comparing current year to prior year with an average increase of 55.3 percent. Comparing to next year, 42 percent expect to see an increase averaging 46.4 percent. Forty-four percent of the companies report an average decrease of 35.7 percent, comparing current year to prior year, while 33 percent report an average decrease of 25.6 percent comparing current to next year. These large year-to-year magnitude changes likely reflect the ebb-and-flow of major IT implementations, such as ERP applications, within consumer packaged goods companies.

Companies IT Budget Is	Prior (2002) to Current (2003)		Current (2003) to Next (2004)	
	IT Expenses	Capital Outlays	IT Expenses	Capital Outlays
<b>Increasing</b>	<b>50%</b> by 8.6%	<b>35%</b> by 55.3%	<b>51%</b> by 9.0%	<b>42%</b> by 46.4%
<b>Stay the Same</b>	<b>11%</b> by 0%	<b>21%</b> by 0%	<b>17%</b> by 0%	<b>24%</b> by 0%
<b>Decreasing</b>	<b>39%</b> by (9.9%)	<b>44%</b> by (25.7%)	<b>31%</b> by (6.7%)	<b>33%</b> by (25.6%)

**What additional IT spending, expressed as a percentage of net sales revenues, is being done by the “shadow IT organization” in your company?**

Every company has its “official” IT organization, costs and budgets. But an IT “shadow “ organization also exists within every company as well. This includes non-IT personnel working on IT projects not being expensed or capitalized as part of IT. It also includes people who perform information functions within other departments and employees who maintain non-supported spreadsheets and/or databases applications.

While it is difficult to really understand the size and cost of this “shadow” IT organization, IT executives were asked to estimate the incremental level of expense, expressed as a percentage of net sales revenue, that this “shadow” IT organization represents. While answers were spread over a fairly large range, the average was 1.48 percent. The standard deviation is 5.10 percent on this average, and the minimum and maximum range was 0 percent to 30 percent.

## 7. The IT Organization

### Section Summary

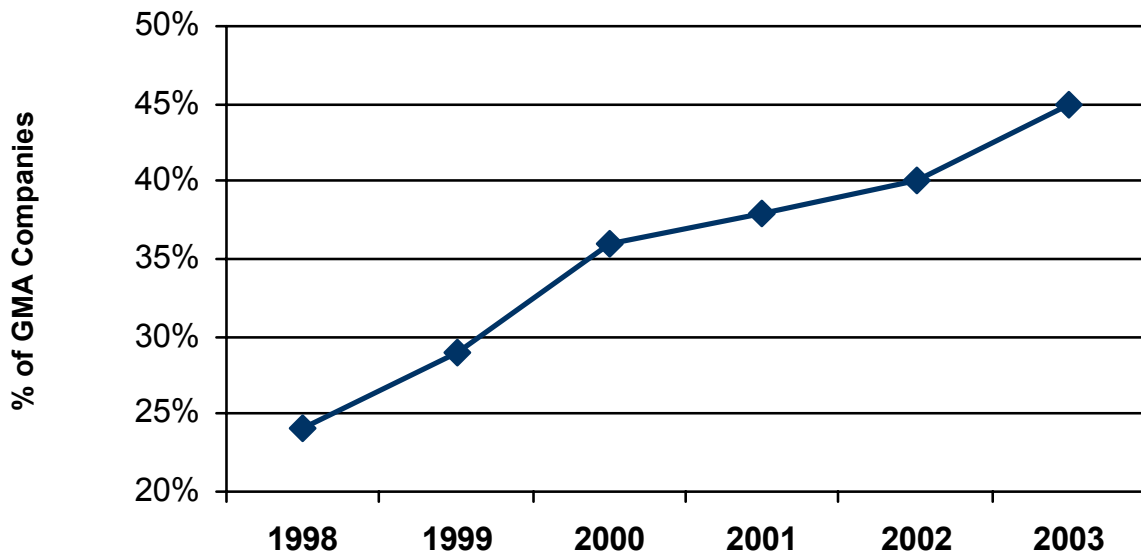
Compared to last year, the average IT organization has shrunk 16 percent to a workforce of 259 full time equivalents or FTEs. Last year's number was 309. The portion of this staff that is outsourced — either permanently or on an as needed basis — has grown to 14 percent this year from 10 percent last year.

With growing prevalence, the executive who holds the chief information officer (CIO) title is leading this IT organization. The CIO typically reports to the chief financial officer (CFO) of the company, although the numbers that report to the CEO are growing slightly.

#### What is the title of the senior-most information technology executive in your organization?

Just under half (46 percent) of GMA-member company IT organizations are headed by an individual with the CIO title. A steady increase in the use of the CIO title has been seen since 1998 when just under a quarter of senior-most IT executives in GMA-member companies held this title.

**The Use of CIO Title for Senior IT Executives Is Growing**

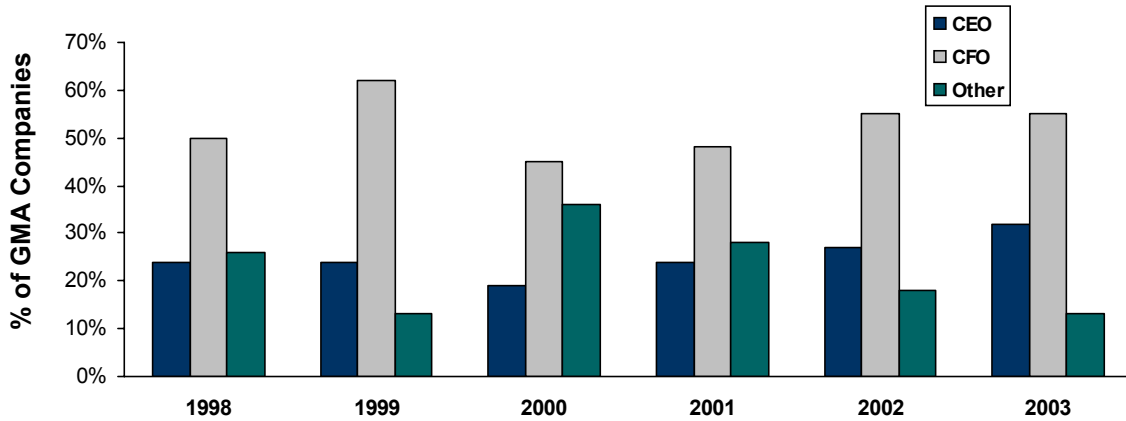


#### To whom does the senior-most IT executive report?

While the use of the CIO title has increased, the percentage of senior-most IT executives who report directly to the chief executive officer or company president has increased much more slowly. Today just under a third (32

percent) of senior-most IT executives in GMA-member companies report to the CEO or president. This is up only slightly from the quarter of companies in 1998. The majority (56 percent) of the senior-most IT executives regardless of title report to the chief financial officer in their company.

**Senior IT Executives Have and Continue to Report to the CFO in Most Organizations**

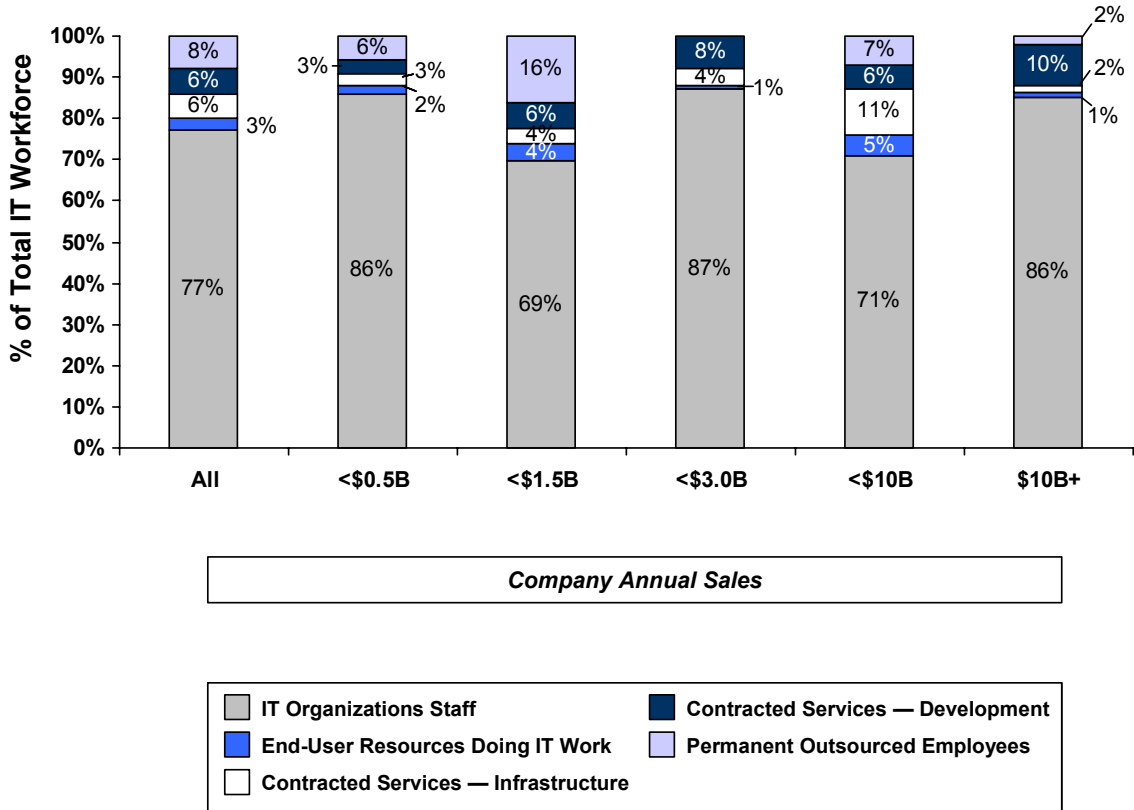


*To Whom the Senior IT Executives Report*

**What are the approximate relative percentages of the full-time equivalent (FTE) resources in the total IT workforce across your entire company (including IT organization staff, permanently outsourced resources, contracted services, infrastructure operations/improvement/development, applications development, and end-user resources performing IT functions)?**

The information technology work within a typical GMA-member company extends well beyond the employees of the company’s IT department. In fact, the IT department employees represent only 77 percent of the organization’s information technology full-time equivalent workforce. Three percent of the total IT workforce are drawn from the end-user business organization.

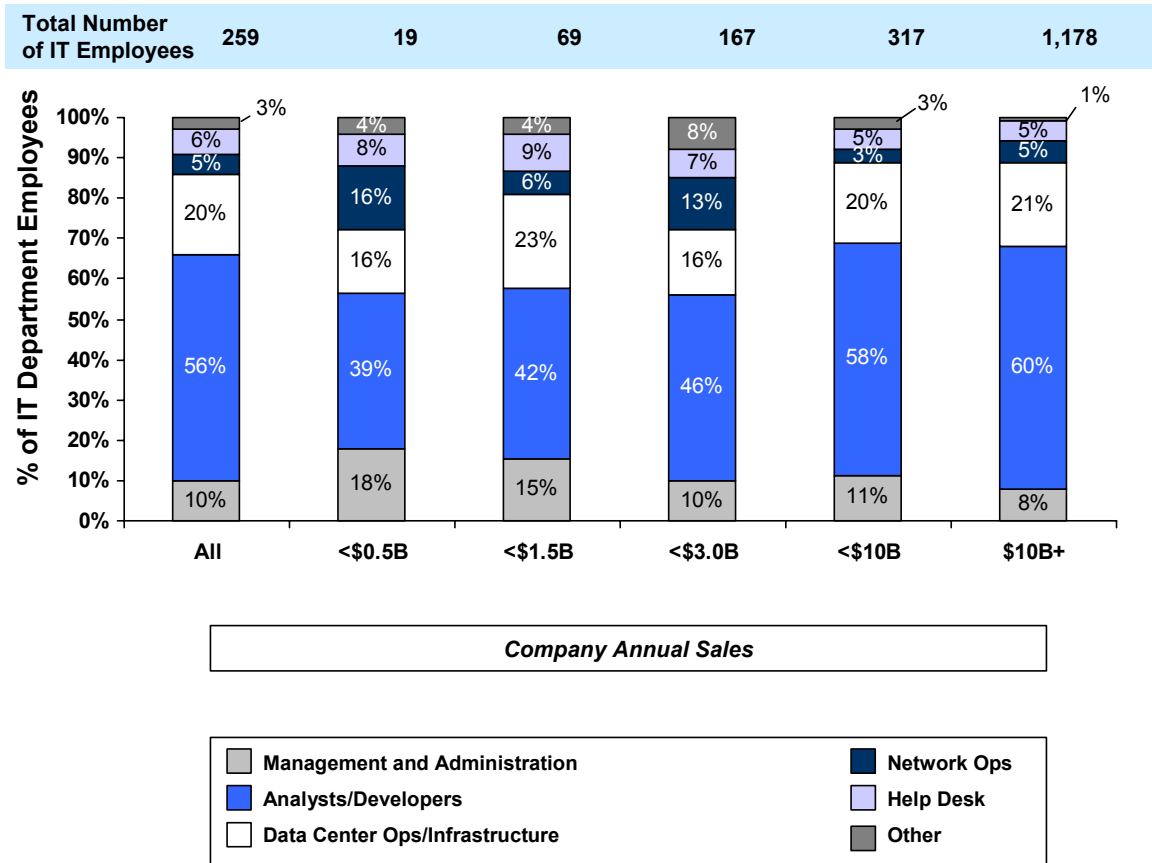
**Total IT Workforce by Company Size Shows Varying Use of Outside Resources**



Another 20 percent of this total IT workforce is outsourced from external service providers. Roughly half of these are counted within the IT departmental headcount. The other half are either contracted on an as-needed basis or are contracted by a functional organization other than IT. Of this outsourced portion of the total IT workforce, 40 percent are permanently outsourced resources, 30 percent are service providers contracted to work on infrastructure development, and 30 percent are contracted service providers working on application-development projects.

Within the IT department itself, the overall average organization staff size is 259 people — down from more than 300 people in last year. More than half of these individuals (56 percent) are classified as analysts and developers. Twenty-five percent of the IT headcount are responsible for operations, with 80 percent of these responsible for data centers and/or infrastructure operations, and the remaining 20 percent of operations personnel responsible for network operations. Management and administration represent 10 percent of the IT headcount. The remaining 9 percent are devoted to the help desk and other miscellaneous functions in the IT department.

**IT Employees Vary Dramatically by Company Size**



While this represents the average GMA-member IT organization, wide-ranging differences are seen across companies of various sizes. For example, in companies with revenues at the low end of the scale (annual revenues of less than \$500 million), the IT organization is composed of 19 people on average. At the other end of the scale in organizations with sales in excess of \$10 billion per year, the IT organization has an average of 1,178 employees.

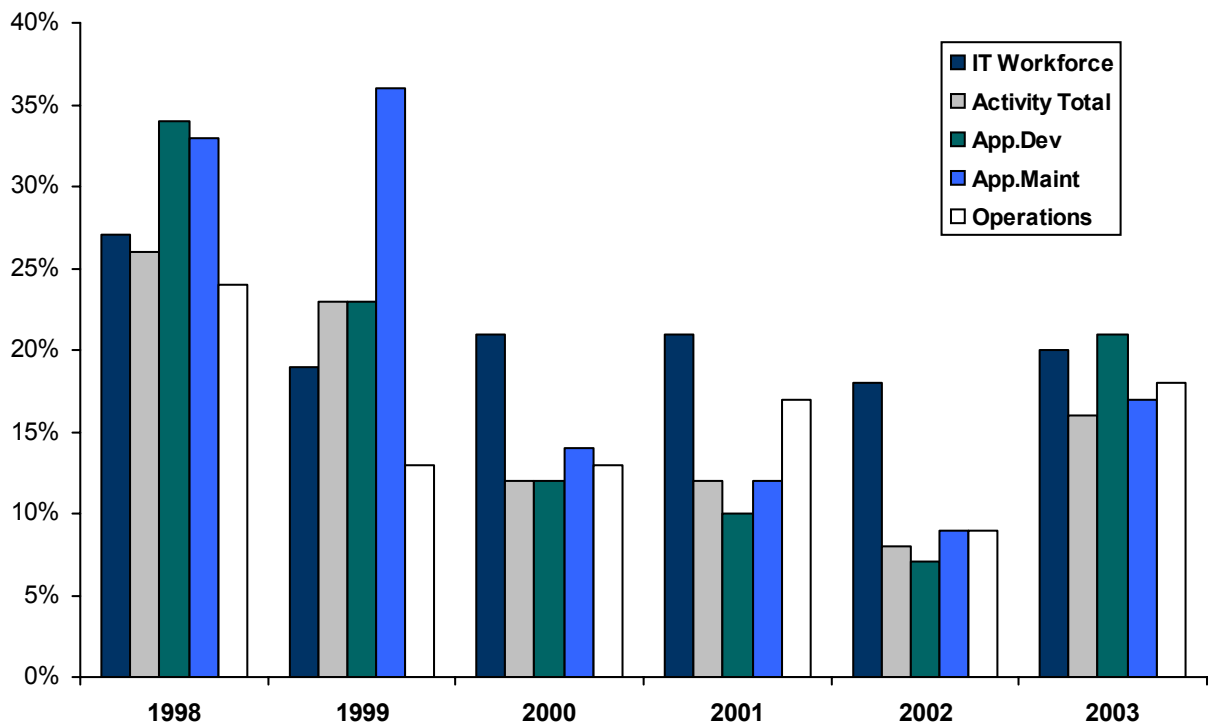
**What percentage of the full time equivalents (FTEs) in the IT organization staff is outsourced?**

Within the average IT department, 14 percent or some 36 FTEs are not company employees but are outsourced to external service providers — up 10 percent from last year. The heaviest use of outsourcing is the help desk where a quarter of the people are outsourced. Operations represent the second highest area of outsourcing. Nineteen percent of the data center/infrastructure operations and 17 percent of the network operations personnel are outsourced. Among the analyst/developer ranks, 16 percent are outsourced. Details on the activities these outsourced personnel perform can be found in the IT Activities section of the report.

Percentage IT Full Time Equivalents Outsourced — by Function and Company Size

Company Size	Management and Administration	Analysts and Developers	Data Center & Infrastructure Operations	Network Operations	Help Desk
Small (9) <\$0.5B	0%	19%	13%	7%	25%
Medium (13) <\$1.5B	9%	22%	23%	18%	27%
Med/Large (5) <\$3.0B	0%	7%	8%	3%	8%
Large (14) <\$10B	2%	14%	25%	26%	31%
Giant (4) \$10B+	0%	15%	18%	9%	24%
<b>Overall (45) All Companies</b>	<b>3%</b>	<b>16%</b>	<b>19%</b>	<b>17%</b>	<b>25%</b>

Outsourcing Peaked in Preparation for Y2K and Is on the Rise Again



## 8. Survey Methodology and Demographics

This study is the latest in the series of annual research reports benchmarking the information technology (IT) function within the CPG industry. It provides insights into how and where this technology outlay is made and what forces are driving the IT activities within GMA-member organizations.

CSC Consulting, a division of Computer Sciences Corporation (CSC), has conducted this research each year since 1997 on the behalf of the Grocery Manufacturers of America (GMA).

This year's survey includes responses from 93 individuals encompassing 63 GMA-member companies and representing more than half of the GMA's 119 member companies.

### Responses Compared With Prior Years' Studies

Study Year	IT Investment Long-Form	IT Effectiveness Short-Form	Total IT Effectiveness Short-Form
2004	42	51	93
2003	45	32	77
2002	46	N/A	N/A
2001	42	N/A	N/A
2000	46	N/A	N/A
1999	38	N/A	N/A
1998	47	N/A	N/A

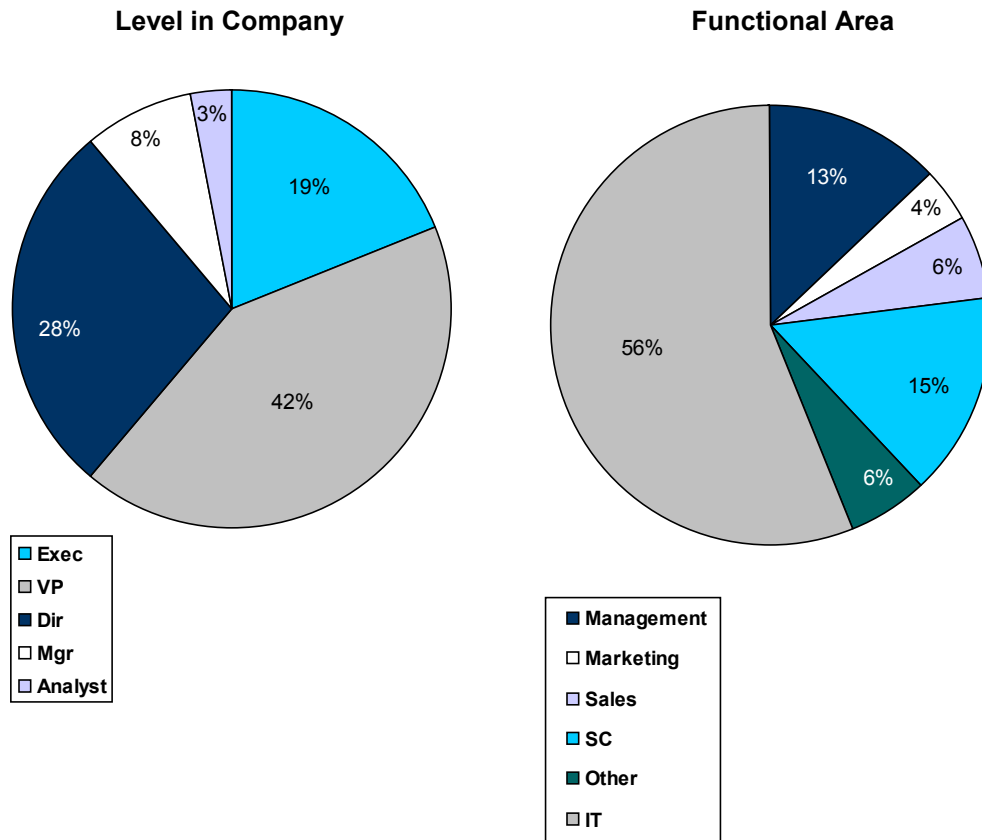
Forty-two of the respondents are senior information technology executives. They completed a comprehensive, eight-page survey quantifying IT budgets, investments, perspectives and activities planned for the IT function within their companies. Of these, 69 percent represent publicly traded companies while the remaining 31 percent represent privately owned companies. Sixty-nine percent of the 42 companies represent their global IT organization. The remaining 31 percent represent a division or U.S. operations. North American sales represent 89 percent of total revenues from these 42 respondents.

Another 51 respondents completed an abbreviated version of the survey that included a subset of qualitative questions from the comprehensive survey form that probed perspectives of IT and its effectiveness in their organizations. Executives completing this form of the survey came from across GMA-member companies and represented all functional areas.

Of the total 93 responses, 19 percent came from senior executives in their companies (including CEO, COO, president, general manager, division president). Another 42 percent came from vice presidents (including executive and senior vice presidents). The remaining 39 percent were received from directors, managers or analysts.

From a functional viewpoint, the majority of the responses — 56 percent — came from within the IT function. Fifteen percent were received from the supply chain functional area. General management represented 13 percent. The remaining 16 percent of the responses were received from individuals representing sales, marketing, finance, manufacturing, research and development and human resources.

**Effectiveness Survey Responding Demographics — 93 Reponses**



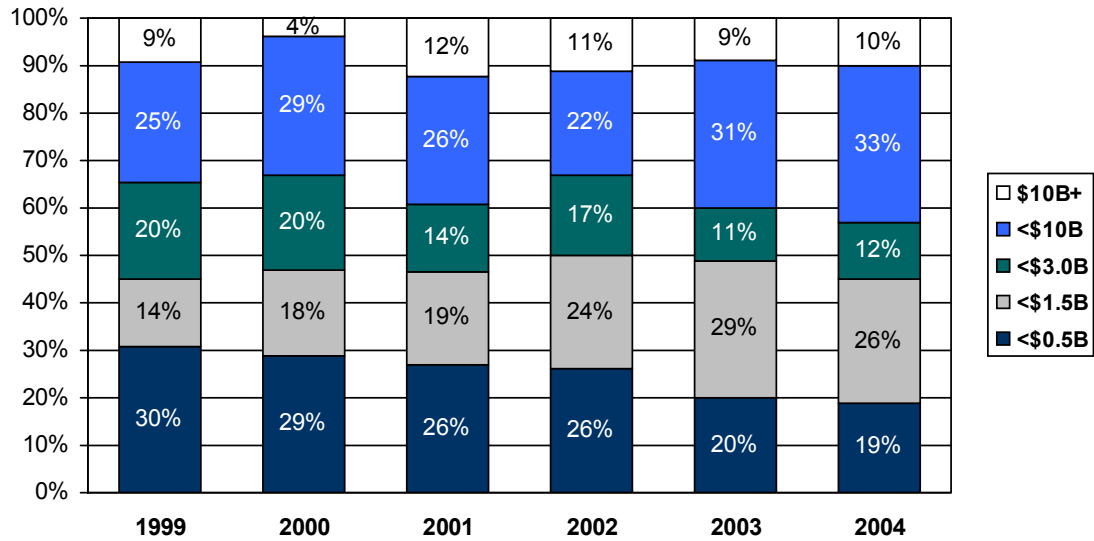
**Survey Details**

Forty-two of the GMA members polled responded to the comprehensive and quantitative survey this year, providing a 35 percent response rate. The survey data was collected in the period December 2003 through February 2004.

Responding companies are grouped into one of five revenue-size classifications, and these definitions of company size have been consistent for the past six years. Nineteen percent of the responding companies have revenues less than \$0.5 billion per year with an average total employment of 978. Twenty-six percent have revenues of at least \$0.5 billion but less than \$1.5 billion and employ an average 4,303 people.

Twelve percent of the responding companies have revenues equal to or greater than \$1.5 billion but less than \$3.0 billion. These companies employ an average of 11,339 people. Another 33 percent of the sample has revenues equal to or greater than \$3.0 billion but less than \$10 billion and employ on average 15,503 people. The final 10 percent of the respondents have revenues in excess of \$10 billion. They employ on average 50,000 people.

**Revenues of Responding Companies by Size — 42 Responses in 2004**



The demographics of this year’s respondents in terms of company size as measured by sales revenues are extremely similar to last year’s mix of respondents. In fact, 60 percent of this year’s respondent companies were also represented in last year’s survey. The respondents over time — reflecting the changes in GMA membership also — can be characterized as having a shrinking small company grouping and a growing percentage of large companies who are growing even larger as a result of merger and acquisition activities over the last decade or so.

## 9. Appendix A: IT Investment Profiles by Company Size

### Responding GMA Member Companies by Size Based on Annual Sales Revenues

Company Size	Public%/Private%	Mean #Employees Salaried Hourly Total	Mean # IT Employees	% Revenue in North America
<b>Small (8)</b> <b>&lt;\$0.5B</b>	25% 75%	229 <u>750</u> <b>978</b>	19	97%
<b>Medium (11)</b> <b>&lt;\$1.5B</b>	64% 36%	1,992 <u>2,311</u> <b>4,303</b>	69	96%
<b>Med/Large (5)</b> <b>&lt;\$3.0B</b>	100% 0%	3,712 <u>7,627</u> <b>11,339</b>	167	70%
<b>Large (14)</b> <b>&lt;\$10B</b>	79% 21%	6,947 <u>8,556</u> <b>15,503</b>	317	84%
<b>Giant (4)</b> <b>\$10B+</b>	100% 0%	15,750 <u>34,250</u> <b>50,000</b>	1,178	87%
<b>Overall (42)</b> <b>All Companies</b>	69% 31%	4,353 <u>6,645</u> <b>10,998</b>	259	89%

**2004 IT Investment Data — Revenue < \$0.5B**

<b>2004 IT Investment Benchmarks Annual Revenue &lt;\$0.5B</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.17%	0.92%	1.08%
IT Depreciation/Amortization	0.24%	0.23%	0.20%
<b>Total IT Expense</b>	<b>1.41%</b>	<b>1.15%</b>	<b>1.28%</b>
New IT Capital Investment	1.14%	1.69%	1.91%
<b>Net Change in IT Assets (=New Capital – Dep./Amort.)</b>	<b>0.90%</b>	<b>1.46%</b>	<b>1.71%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.16%</b>	<b>0.14%</b>	<b>0.14%</b>
<b>+“Shadow IT”</b>		<b>0.40%</b>	

<b>Annual Revenue &lt;\$0.5B</b>	<b>% of Current Year IT Budget</b>
	<b>Current Year%</b>

**IT Dept. Operating Budget**

**0.92% of Sales= 100.0%**

IT Mgmt Salary/Benefits	19.4%
IT Staff Payroll/Benefits	32.1%
Facilities	1.8%
Equipment Leases	4.6%
Hardware Purchases	2.0%
Operating Software	1.0%
Applications Software	5.4%
Desktop/PCs	3.0%
Hardware Maintenance/Repair	3.3%
Software Repairs	0.6%
Utilities	3.0%
Supplies	1.2%
Travel/Entertainment	1.6%
Education/Training	1.0%
Disaster Recovery/ Business Continuity	0.8%
Shared Services Fee	0.2%
S/W License Fees	4.8%
Professional Services (EDI, etc.)	1.9%
Consulting/SI Services	4.3%
Other	7.9%

**IT Asset Depreciation/Amortization**

**0.23% of Sales= 100.0%**

Software Depreciation	60.8%
Hardware Depreciation	24.5%
Software Amortization	8.0%
Hardware Amortization	6.7%

**Telecommunications (Companywide)**

**0.14% of Sales= 100.0%**

Data Communication	48.3%
Voice Communication	51.7%

**2004 IT Investment Data — Revenue \$0.5B – <\$1.5B**

<b>2004 IT Investment Benchmarks Annual Revenue \$0.5B - &lt;\$1.5B</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.24%	1.17%	1.16%
IT Depreciation/Amortization	0.37%	0.39%	0.42%
<b>Total IT Expense</b>	<b>1.60%</b>	<b>1.56%</b>	<b>1.57%</b>
New IT Capital Investment	0.69%	0.53%	0.66%
<b>Net Change in IT Assets (=New Capital — Dep./Amort.)</b>	<b>0.32%</b>	<b>0.13%</b>	<b>0.24%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.21%</b>	<b>0.21%</b>	<b>0.21%</b>
<b>+“Shadow IT”</b>		<b>0.84%</b>	

<b>Annual Revenue \$0.5B to \$1.5B</b>	<b>% of Current Year IT Budget</b>
	<b>Current Year%</b>

**IT Dept. Operating Budget**

	<b>1.17% of Sales=</b>	<b>100.0%</b>
IT Mgmt Salary/Benefits		11.9%
IT Staff Payroll/Benefits		31.2%
Facilities		0.1%
Equipment Leases		5.8%
Hardware Purchases		2.4%
Operating Software		1.9%
Applications Software		3.8%
Desktop/PCs		4.8%
Hardware Maintenance/Repair		5.1%
Software Repairs		0.5%
Utilities		0.6%
Supplies		0.8%
Travel/Entertainment		1.4%
Education/Training		1.2%
Disaster Recovery/ Business Continuity		1.7%
Shared Services Fee		7.3%
S/W License Fees		6.8%
Professional Services (EDI, etc.)		5.5%
Consulting/SI Services		4.0%
Other		3.2%

**IT Asset Depreciation/Amortization**

	<b>0.39% of Sales=</b>	<b>100.0%</b>
Software Depreciation		47.0%
Hardware Depreciation		30.7%
Software Amortization		22.3%
Hardware Amortization		0.0%

**Telecommunications (Companywide)**

	<b>0.21% of Sales=</b>	<b>100.0%</b>
Data Communication		54.1%
Voice Communication		45.9%

**2004 IT Investment Data — Revenue \$1.5B – <\$3.0B**

<b>2004 IT Investment Benchmarks Annual Revenue \$1.5B - &lt;\$3.0B</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.20%	1.30%	1.50%
IT Depreciation/Amortization	0.17%	0.23%	0.27%
<b>Total IT Expense</b>	<b>1.37%</b>	<b>1.53%</b>	<b>1.77%</b>
New IT Capital Investment	0.88%	0.98%	0.96%
<b>Net Change in IT Assets (=New Capital — Dep./Amort.)</b>	<b>0.71%</b>	<b>0.75%</b>	<b>0.69%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.20%</b>
<b>+“Shadow IT”</b>		<b>1.10%</b>	

<b>Annual Revenue \$0.5B to \$1.5B</b>	<b>% of Current Year IT Budget</b>
	<b>Current Year%</b>

**IT Dept. Operating Budget**

**1.30% of Sales= 100.0%**

IT Mgmt Salary/Benefits	4.7%
IT Staff Payroll/Benefits	42.5%
Facilities	6.1%
Equipment Leases	7.1%
Hardware Purchases	0.0%
Operating Software	0.0%
Applications Software	0.3%
Desktop/PCs	0.6%
Hardware Maintenance/Repair	1.0%
Software Repairs	3.4%
Utilities	0.2%
Supplies	1.8%
Travel/Entertainment	3.2%
Education/Training	2.0%
Disaster Recovery/ Business Continuity	1.4%
Shared Services Fee	0.3%
S/W License Fees	3.8%
Professional Services (EDI, etc.)	5.1%
Consulting/SI Services	8.8%
Other	7.5%

**IT Asset Depreciation/Amortization**

**0.23% of Sales= 100.0%**

Software Depreciation	45.0%
Hardware Depreciation	55.0%
Software Amortization	0.0%
Hardware Amortization	0.0%

**Telecommunications (Companywide)**

**0.20% of Sales= 100.0%**

Data Communication	61.2%
Voice Communication	38.8%

**2004 IT Investment Data — Revenue \$3.0B – <\$10.0B**

<b>2004 IT Investment Benchmarks Annual Revenue \$3.0B - &lt;10.0B</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.27%	1.18%	1.15%
IT Depreciation/Amortization	0.23%	0.22%	0.23%
<b>Total IT Expense</b>	<b>1.50%</b>	<b>1.40%</b>	<b>1.38%</b>
New IT Capital Investment	0.55%	0.55%	0.46%
<b>Net Change in IT Assets (=New Capital — Dep./Amort.)</b>	<b>0.32%</b>	<b>0.32%</b>	<b>0.24%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.14%</b>	<b>0.14%</b>	<b>0.13%</b>
<b>+“Shadow IT”</b>		<b>3.55%</b>	

<b>Annual Revenue \$3.0B to \$10.0B</b>	<b>% of Current Year IT Budget Current Year%</b>
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**IT Dept. Operating Budget**

**1.18% of Sales= 100.0%**

IT Mgmt Salary/Benefits	8.2%
IT Staff Payroll/Benefits	36.2%
Facilities	2.5%
Equipment Leases	3.5%
Hardware Purchases	0.7%
Operating Software	1.1%
Applications Software	5.0%
Desktop/PC's	1.3%
Hardware Maintenance/Repair	2.7%
Software Repairs	1.5%
Utilities	0.6%
Supplies	0.6%
Travel/Entertainment	1.9%
Education/Training	1.0%
Disaster Recovery/ Business Continuity	1.5%
Shared Services Fee	3.1%
S/W License Fees	5.0%
Professional Services (EDI, etc.)	5.4%
Consulting/SI Services	10.8%
Other	7.6%

**IT Asset Depreciation/Amortization**

**0.22% of Sales= 100.0%**

Software Depreciation	49.3%
Hardware Depreciation	31.1%
Software Amortization	16.7%
Hardware Amortization	2.8%

**Telecommunications (Companywide)**

**0.14% of Sales= 100.0%**

Data Communication	41.2%
Voice Communication	58.8%

**2004 IT Investment Data — Revenue \$10.0+B**

<b>2004 IT Investment Benchmarks Annual Revenue \$10+B</b>	<b>Prior Year</b>	<b>Current Year</b>	<b>Next Year</b>
IT Operating Expense	1.20%	1.25%	1.23%
IT Depreciation/Amortization	0.22%	0.23%	0.26%
<b>Total IT Expense</b>	<b>1.42%</b>	<b>1.48%</b>	<b>1.49%</b>
New IT Capital Investment	0.43%	0.43%	0.47%
<b>Net Change in IT Assets (=New Capital – Dep./Amort.)</b>	<b>0.21%</b>	<b>0.21%</b>	<b>0.21%</b>
<b>Telecommunications (Voice +Data)</b>	<b>0.19%</b>	<b>0.18%</b>	<b>0.17%</b>
<b>+“Shadow IT”</b>		<b>0.07%</b>	

<b>Annual Revenue \$10.0B+</b>	<b>% of Current Year IT Budget</b>
	<b>Current Year%</b>

**IT Dept. Operating Budget**

**1.25% of Sales= 100.0%**

IT Mgmt Salary/Benefits	5.1%
IT Staff Payroll/Benefits	33.6%
Facilities	0.3%
Equipment Leases	8.2%
Hardware Purchases	0.8%
Operating Software	3.5%
Applications Software	2.3%
Desktop/PCs	3.7%
Hardware Maintenance/Repair	3.9%
Software Repairs	0.0%
Utilities	0.2%
Supplies	0.7%
Travel/Entertainment	0.8%
Education/Training	1.4%
Disaster Recovery/ Business Continuity	1.1%
Shared Services Fee	13.7%
S/W License Fees	2.7%
Professional Services (EDI, etc.)	1.2%
Consulting/SI Services	8.6%
Other	8.0%

**IT Asset Depreciation/Amortization**

**0.23% of Sales= 100.0%**

Software Depreciation	49.0%
Hardware Depreciation	51.0%
Software Amortization	0.0%
Hardware Amortization	0.0%

**Telecommunications (Companywide)**

**0.18% of Sales= 100.0%**

Data Communication	45.1%
Voice Communication	54.9%

## **10. Appendix B: IT Investment Survey Form**

# 2004 GMA Information Technology Investment Survey

Conducted by CSC Consulting



**GROCERY MANUFACTURERS OF AMERICA**  
MAKERS OF THE WORLD'S FAVORITE BRANDS OF  
FOOD, BEVERAGES, AND CONSUMER PRODUCTS

The 2004 Information Technology (IT) Investment Survey is intended to develop industry-wide benchmarks on the allocation of spending and manpower toward Information Technology. Results will help participants to make more informed decisions on IT investments and resource commitments. Please note that, unless otherwise specified, all questions refer to current fiscal year activity.

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Name

---

Title

---

Company

---

Address

---

City/State/Zip

---

E-Mail

Phone

Fax

**To ensure confidentiality of responses, this cover page will be detached upon receipt by GMA prior to tabulation by CSC.**

Please return your completed survey by mail or by fax to:

Mr. Tyler Cluverius  
Grocery Manufacturers of America  
2401 Pennsylvania Avenue, NW 2<sup>nd</sup> floor  
Washington, DC 20007  
Phone: 202.337.9400  
Fax: 202.337.4508

**A. Company Demographics and Reporting Perspective**

1. **At what company level will you be reporting on?**  
 Corporate (including international)  
 Domestic corporate  
 Division  
 Subsidiary  
*(Please ensure that all succeeding answers relate only to the company level you indicated above.)*
2. **What is this business's approximate annual net revenue? (Please check one.)**  
 <\$0.5B  
 \$0.5 – <\$1.5B  
 \$1.5 – <\$3B  
 \$3 – <\$10B  
 \$10+B
3. **What percent of the revenue indicated above is generated in North America (US, Canada, Mexico)?**  
 \_\_\_\_\_%
4. **Is your company (please check one)**  
 Publicly Traded  
 Privately Held
5. **Approximately how many total employees are in the entire business organization?**  
 Salaried/Indirect \_\_\_\_\_  
 Plant/DC Direct/Hourly \_\_\_\_\_

**B. IT Management and Organization**

Please ensure that all succeeding answers relate only to the company level that you indicated in Question 1, Section A.

1. **What is the title of the senior-most Information Technology executive in your organization?**  
 \_\_\_\_\_
2. **To whom does the senior-most IT executive report (Select one)?**  
 CEO  
 CFO  
 COO  
 Other *(Please specify)*  
 \_\_\_\_\_
3. **How many Full Time Equivalents (FTEs) are in your IT organization staff and what percent of these are outsourced?**

	Number	Outsourced %
a. Management/Admin	_____	_____ %
b. Analysts/Developers	_____	_____ %
c. Data Center/Infrastructure Operations (Except network operation)	_____	_____ %
d. Network Operations	_____	_____ %
e. Help Desk	_____	_____ %
f. Other	_____	_____ %
<b>Total</b>	_____	_____ %

4. **Please provide the approximate relative percentages of the full-time equivalent (FTE) resources in your company's total IT workforce. (Column should total 100%.)**

	%Current Year FTEs
a. IT organization staff	_____ %
b. Permanently outsourced resources	_____ %
c. Contracted services—Infrastructure operations/improvement/development	_____ %
d. Contracted services—Applications development	_____ %
e. End-user resources performing IT functions	_____ %
<b>Total</b>	<b>100%</b>

**C. IT Project Measurement and Metrics**

1. **Estimate the percent of your IT projects that are successful. They meet objectives, are on time and are within budget.**  
 \_\_\_\_\_%  
 Don't measure IT project success  
 Don't know
2. **Does your company have a program in place to measure the financial return of IT investments (please check one)?**  
 No  
 Currently designing/implementing  
 Yes
3. **Please estimate the percentage of your IT project investment funds that are directed towards:**

a. Regulatory Compliance	_____ %
b. Reducing Business Costs	_____ %
c. Revenue Growth Producing	_____ %
d. Customer Compliance	_____ %
e. Business Strategic	_____ %
f. Cost of Doing Business	_____ %
<b>Total</b>	<b>100%</b>
4. **When does your company expect to see a satisfactory return on its IT investments?**  
 Within six months or less  
 Within one year  
 Within one to two years  
 Two to five years  
 Don't know
5. **What are the TWO most important criteria that are used for evaluating investment in Information Technology projects?**  
 ROI/NPV  
 Follow the leader  
 Strategic reasons  
 "Gut feel"  
 Cost of doing business/Must do's  
 Other (You may specify one or two as needed.)  
 \_\_\_\_\_  
 \_\_\_\_\_

**D. IT Spending**

1. What is your organization's approximate total expense in each of the three technology categories—IT Departmental Operating Expense, Depreciation/Amortization and Telecommunications — each as a percentage of prior year's annual net revenues?

Notes:

- The three categories should be regarded as mutually exclusive such that they can be totaled without double counting any expenditure.
- Prior year is the most recently completed fiscal year and current year is the current fiscal year. Use prior year as the denominator for all years.
- Place a check in the lists provided to indicate the items included in each of the three technology spending categories.

	Expense as a % of Prior Year Revenue		
	Prior Year	Current Year	Next Year

a. IT Dept. Operating Budget \_\_\_\_\_% \_\_\_\_\_% \_\_\_\_\_%

- IT Mgmt Salary/Benefits
- IT Staff Payroll/Benefits
- Facilities
- Equipment Leases
- Hardware Purchases
- Operating Software
- Applications Software
- Desktop/PC's
- Hardware Maintenance/Repairs
- Software Repairs
- Utilities
- Supplies
- Travel/Entertainment
- Education/Training
- Disaster Recovery/  
Business Continuity
- Shared Services Fee
- S/W License Fees
- Professional Services (EDI, etc.)
- Consulting/SI Services
- Other \_\_\_\_\_

b. IT Asset Depreciation/Amortization \_\_\_\_\_% \_\_\_\_\_% \_\_\_\_\_%

- Software Depreciation
- Hardware Depreciation
- Software Amortization
- Hardware Amortization

c. Telecommunications Budget (Company-Wide) \_\_\_\_\_% \_\_\_\_\_% \_\_\_\_\_%

- Data Communication
- Voice Communication

Notes/Comments: \_\_\_\_\_

d. Total IT Expense \_\_\_\_\_% \_\_\_\_\_% \_\_\_\_\_%

Total IT Expense = a + b + c

2. Please provide the approximate percentages of your current year's IT budget that are allocated to the following expense categories. (Include IT expenses from questions D1. Column should total 100%.)

	% of Current Year IT Budget
	Current Year%

**IT Dept. Operating Budget**

- IT Mgmt Salary/Benefits \_\_\_\_\_%
- IT Staff Payroll/Benefits \_\_\_\_\_%
- Facilities \_\_\_\_\_%
- Equipment Leases \_\_\_\_\_%
- Hardware Purchases \_\_\_\_\_%
- Operating Software \_\_\_\_\_%
- Applications Software \_\_\_\_\_%
- Desktop/PC's \_\_\_\_\_%
- Hardware Maintenance/Repair \_\_\_\_\_%
- Software Repairs \_\_\_\_\_%
- Utilities \_\_\_\_\_%
- Supplies \_\_\_\_\_%
- Travel/Entertainment \_\_\_\_\_%
- Education/Training \_\_\_\_\_%
- Disaster Recovery/  
Business Continuity \_\_\_\_\_%
- Shared Services Fee \_\_\_\_\_%
- S/W License Fees \_\_\_\_\_%
- Professional Services (EDI, etc.) \_\_\_\_\_%
- Consulting/SI Services \_\_\_\_\_%
- Other \_\_\_\_\_%

**IT Asset Depreciation/Amortization**

- Software Depreciation \_\_\_\_\_%
- Hardware Depreciation \_\_\_\_\_%
- Software Amortization \_\_\_\_\_%
- Hardware Amortization \_\_\_\_\_%

**Telecommunications Budget (Company-Wide)**

- Data Communication \_\_\_\_\_%
- Voice Communication \_\_\_\_\_%

Notes/Comments: \_\_\_\_\_

**Total**

100% = D1a: IT Operating Budget + D1b: IT Depreciation/  
Amortization + D1c: Telecommunications Expenses

**100%**

**D. IT Spending (Continued)**

3. Please estimate, as a percent of prior year's net sales revenues, the total amount of new Capital Expenditures your company will make in IT related investments in each of the three years (prior, current, next).

Place a check next to the items in the list provided indicating the types of expenditures included in these estimates.

	Prior Year IT CapEx%	Current Year IT CapEx%	Next Year IT CapEx%
<b>IT Capital Expenditures</b>	_____ %	_____ %	_____ %
<input type="checkbox"/> Hardware Purchases			
<input type="checkbox"/> Operating Software			
<input type="checkbox"/> Applications Software			
<input type="checkbox"/> Desktop/PCs			
<input type="checkbox"/> Professional Services			
<input type="checkbox"/> Consulting/SI Services			
<input type="checkbox"/> Capitalized out-of-pocket project costs			
<input type="checkbox"/> Non-IT Employees Time			
<input type="checkbox"/> Other _____			

Notes/Comments: \_\_\_\_\_

4. Please estimate as a percent of prior year's net sales revenues, the additional amount of IT spending being done by the "shadow IT organization" in your company that has not already been included in the figures provided in question D1.

This would include non-IT personnel working on IT projects (that has not been captured in capitalized in IT projects), people who perform information functions within other departments, people who maintain non-supported applications (spreadsheets, databases, etc.) within other departments, etc.

\_\_\_\_\_ %

5. Please indicate below the IT Operating Expense per FTE (defined as number of end-user user names/passwords login's on company network)

Prior	Current	Next
\$ _____ /FTE	\$ _____ /FTE	\$ _____ /FTE

6. How has your IT budget changed in absolute dollar value? (Please circle + or - to indicate direction of change as well as fill-in the percentage magnitude of the change)

	Expenses	Capital
Prior To Current Year	+/- %	+/- _____ %
Current Year to Next	+/- _____ %	+/- _____ %

7. Please provide the approximate percentages of your current year IT spending that are allocated to the following activities. Include spending in IT and business unit budgets. (Left column should total 100%.)

In the % Outsourced column, please indicate the portion of that line item that is outsourced from 0%, no outsourcing, to 100% totally outsourced activity.

		% Outsourced
a. New applications/development	_____ %	_____ %
b. Existing applications maintenance and support	_____ %	_____ %
c. Infrastructure development	_____ %	_____ %
d. Operations, end-user computing, help desk, etc.	_____ %	_____ %
e. Network Operations	_____ %	_____ %
f. General management, administration, planning and all other	_____ %	_____ %
<b>Total</b>	<b>100%</b>	<b>N/A</b>

**E. IT Functional Applications Support**

1. Please rate the relative amount of IT project funds that will be directed to each of the business areas listed below in the next two years.

	IT Project \$'s			
	High	Med	Low	None
<b>Marketing</b>				
Brand Development and Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer Advertising/Media	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer Promotions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer Intelligence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Promotion Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Consumer eCommerce (web sales, web sites, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Sales and Demand Fulfillment</b>				
Trade Customer Services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Customer Order Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customer Electronic Commerce/EDI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales Force Support/Automation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Supply Chain</b>				
Distribution Operations and Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transportation Operations and Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Manufacturing Operations and Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supply Chain Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RFID/Electronic Product Code (EPC)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Procurement</b>				
Commodity Purchasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Direct Materials Purchasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indirect Materials Purchasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier Electronic Commerce/EDI	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>R&amp;D/New Products</b>				
Supplier Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Product Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Package Design and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Internal Services</b>				
Human Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee eCommerce (self service portals, benefits admin. Etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate Communications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finance/Accounting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**F. Perspectives On IT**

- Does the IT organization have defined mission within the context of the overall business strategy?
  - Yes
  - No
- What is your view of information technology?
  - Non-value-adding cost
  - Necessary business expense
  - Return-producing investment
  - Strategic asset
- What do you think is your company's senior management's predominant view of information technology?
  - Non-value-adding cost
  - Necessary business expense
  - Return-producing investment
  - Strategic asset
- How would you characterize your company's use of information technology? (Please check one.)
  - We compete at the cutting edge of innovation and use IT as a competitive weapon
  - We view IT as a critical and essential investment area, and invest in leading, but proven, technologies
  - We stay current on technology, without getting too far ahead of our competition
  - We take a conservative approach using proven, mature technologies
  - Other (Please specify) \_\_\_\_\_
- How do you rate the effectiveness of your IT organization?
  - Not at all effective
  - Somewhat effective
  - Acceptable
  - Effective
  - Very effective
- How do you think the business users within your company would rate the effectiveness of your IT organization?
  - Not at all effective
  - Somewhat effective
  - Acceptable
  - Effective
  - Very effective
- Does your organization have a formal process in place to measure user satisfaction with IT services?
  - No
  - Currently designing/implementing
  - Yes

**8. What are the THREE greatest contributors to the success of your IT organization?**

- Technical skills of IT staff members
- Alignment of IT and business strategies
- Customer service attitude of the IT organization
- Supportive corporate management/users
- Agile IT organization
- Currently installed technology base
- Partnering with external service provider(s)
- Adequate funding
- Business executive's understanding of technology
- Ability to manage enterprise-wide projects/programs
- Other (Please specify) \_\_\_\_\_

**9. What are the THREE greatest obstacles that keep you from being a more effective IT organization?**

- Budget/cost constraints
- Lack of corporate commitment to/awareness of IT
- Lack of human resources
- Inability to manage enterprise-wide projects/programs
- Lack of IT agility
- Lack of appropriate technical skills among IT staff members
- Currently installed technology base
- Inability to keep pace with rapid advancements in technology
- Lack of connection between business and IT strategy
- Lack of service orientation
- Other (Please specify) \_\_\_\_\_

**10. Please indicate your level of agreement with the statements below using the following scale:**

	Strongly Agree	Agree	Neutral/ No Opinion	Disagree	Strongly Disagree
IT provides our company the ability to increase sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT provides a way for our company to reduce costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT gives our company competitive advantage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT supports and is aligned to business strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT capabilities have helped shape our business strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT is a tactical aspect of our business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT is a core competence in our company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT supports the needs of the business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT plays an integral role in meeting customer requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT does a good job in meeting customer requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**11. Please rate your level of satisfaction with the following attributes and/or abilities of your IT organization using the following scale:**

	Very Dissatisfied	Dissatisfied	Neutral/ No Opinion	Satisfied	Very Satisfied
Ability of IT and your organization to work together	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Alignment of IT activities with business strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understanding of and sensitivity to your organization's objectives, goals and strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT's ability to provide reliable and dependable performance of systems, products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to identify improvement opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Application of innovative solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Degree to which IT demonstrates leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Impact IT has on your organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Problem identification and resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information provided regarding new IT products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT's ability to provide systems, products and services that contribute to your organization's success	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivery of systems, products and services in cost effective manner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide effective business applications (e.g., ERP, finance, HR, manufacturing, marketing, R&D or sales systems)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide Effective business decision support systems and tools (e.g., data warehouse and data analysis tools)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Level of experience, expertise and know-how	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**G. Priorities and Progress**

1. From the list below, select and rank the FIVE most important factors that drive IT investments in your company, i.e., in the long-term, why does your company invest in IT? (5 = most important, 1 = least important).

- Customer imperatives/compliance
- Create overall market growth (creating new demands)
- Market share growth (take from competition)
- Defend current market share position
- Increase consumer sales
- Increase trade customer sales
- Cut purchase prices/lower procurement costs
- Increase internal efficiency/productivity
- Increase the understanding of consumers and consumer needs
- Consumer brand building
- Increase efficiency of trading partner interactions/transactions
- Regulatory Compliance
- Security
- Cost of doing business
- We see little or no opportunity and are not investing in IT
- Other (please specify) \_\_\_\_\_

2. From the list below, select and rank the FIVE risk factors or issues that would make you hesitate to invest in information technology? (5 = most important, 1 = least important)

- Unclear return on investments
- Uncertainty about the role of industry exchanges
- Other capital projects have higher priority
- Rapidly changing/evolving technology
- Wait to see proven applications in this industry
- Security issues
- Instability of technology
- Top management commitment
- Lack of business sponsorship/leadership
- Lack of people with appropriate skills and/or ability
- Other (Please specify) \_\_\_\_\_

3. From the list below, select and rank the FIVE most important factors that are driving priorities for the IT organization in the next 12 months?

(5 = most important, 1 = least important)

- Global Data Synchronization
- RFID/EPC
- Aligning business & IT strategies
- Satisfying customer imperatives
- Improve IT's service to business users
- Improve trade customer service
- Optimize business process
- Disaster recovery/business continuity
- Improve ROI of IT capital
- Customer collaboration
- Maintain pace with technology changes
- Reduce IT budgets
- Support cost reducing projects
- Retain skilled staff
- E-business projects
- IT organization, management & governance
- Improve financial reporting
- Improve business agility
- Support growth initiatives
- Supplier collaboration
- Regulatory compliance
- Security
- Other (Please specify) \_\_\_\_\_

**H. Topical Questions Related to Current Industry Initiatives**

1. At what level is your company participating in Global Data Synchronization?

(Please check all that apply)

- Have joined UCCNet, currently passive
- Have joined UCCNet, currently active
- Actively participating in Data Standards efforts (UCC, EAN, GSMP, etc.)
- Actively working on projects with Trade Customers to synchronize base item data
- Actively working on projects with Trade Customers to synchronize item-pricing data
- Actively working on projects with Trade Customers to synchronize promotion data

2. At what stage is your company with respect to Global Data Synchronization?

- Watching from the sidelines, gathering information
- Investigating/Education
- Internal Data Cleansing
- Process/System Design Efforts
- Active Pilots with Customers
- Rolling out/Implementing Capabilities

3. How many trading partners are you actively involved with in Global Data Synchronization efforts?

- Pilots \_\_\_\_\_
- Operational Data synchronization \_\_\_\_\_

**4. How many SKUs are being synchronized?**

- a. How many SKUs have you published with external registries?  
\_\_\_\_\_
- b. How many SKUs are you actively synchronizing with trading partners?  
\_\_\_\_\_
- c. What percent of the active number of SKUs do the synchronized SKU's in b above represent?  
\_\_\_\_\_ %
- d. What percent of company revenues do the synchronized SKUs in b above represent?  
\_\_\_\_\_ %

**5. Have you established Global Location Numbers (GLNs) for your business organization?**

- Yes
- No
- Don't Know

**6. What are your plans for pooling/cataloging your company's item data?**

- Internal data pool/catalog maintained behind our firewall
- External data pool/catalog outside our firewall (e.g., Transora, WWRE, ECCNet)
- Both Internal and External data pool/catalogs are supported

**7. What will your strategy be relative to RFID/EPC Adoption?**  
(Please check the appropriate boxes)

Strategy	0 – 2 Years Out	3 – 5 Years Out	5 – 10 Years Out
Actively lead the industry in the development of RFID/EPC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Invest in infrastructure to achieve internal benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fast follower	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Do only enough to satisfy key customer requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wait Until Mature in the industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resist implementation until necessary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**8. At what stage is your company relative to RFID/EPC?**  
(Please check the appropriate boxes)

- Member of MIT Auto ID Center/EPCglobal
- Information Gathering/Education
- Passively watching from the sidelines
- Currently understand the business and financial impacts
- Active projects to design RFID/EPC capabilities
- Actively testing RFID/EPC capabilities internally
- Piloting RFID/EPC capabilities with customers
- Implementing RFID/EPC capabilities

**9. In what year do you anticipate your company will begin RFID/EPC implementation at various packaging levels?**

Pallets	Cases	Items
20 ____	20 ____	20 ____

**10. Please estimate the percent of your IT project dollars that are devoted to projects that relate to regulatory compliance issues?**

Last Year	Current Year	Next Year
_____ %	_____ %	_____ %

**11. What regulatory mandates have your or will your IT Organization be actively working on?**

	Last Year	Current Year	Next Year
Sarbanes Oxley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trans Fat Labeling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FDA electronic audit trail (21 CFR part 11)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lot Recall/traceability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Country of origin labeling (COOL)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GMO tracking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allergens Tracking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FDA Bioterrorism Act	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**12. Have you quantitatively assessed the risks to the security of your IT assets?**

	Yes	No
Have you quantitatively assessed your ability to respond to security threats and concerns?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have active projects to secure your information assets?	<input type="checkbox"/>	<input type="checkbox"/>
Are you comfortable that your organization has done enough to secure its IT assets?	<input type="checkbox"/>	<input type="checkbox"/>
Have you assessed the impact of Spam on your organization?	<input type="checkbox"/>	<input type="checkbox"/>
Have you developed Disaster Recovery Strategy and Plan?	<input type="checkbox"/>	<input type="checkbox"/>
Have you developed a Business Continuity Strategy and Plan?	<input type="checkbox"/>	<input type="checkbox"/>

**13. Please estimate the cost to the IT organization to prepare for and respond to virus attacks as measured by FTE's per year?**

\_\_\_\_\_  
 Comments \_\_\_\_\_

**14. Please estimate the cost to the IT organization to deal with unwanted email/SPAM as measured by FTE's per year?**

\_\_\_\_\_  
 Comments \_\_\_\_\_

**I. Additional Comments**

- 1. Please feel free to express any comments or ideas you may have about IT spending within your company or the industry in general.**  
*Please note anything unique about your organization that may affect the comparability of your survey responses.*

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- 2. What relevant topics would you like to see added to next year's survey to make the results more useful to your organization?**

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## **11. Appendix C: IT Effectiveness Survey Form**

# 2004 GMA Information Technology Effectiveness Survey

Conducted by CSC Consulting



**GROCERY MANUFACTURERS OF AMERICA**  
MAKERS OF THE WORLD'S FAVORITE BRANDS OF  
FOOD, BEVERAGES, AND CONSUMER PRODUCTS

The 2004 Information Technology (IT) Effectiveness Survey is intended to explore the role information technology has in a consumer packaged goods company, the effectiveness of the IT organization and the alignment of IT to the overall business. The results, in conjunction with the annual GMA IT Investment Study, will help consumer goods executives get a better perspective on the IT function and the return they get from their investment in information technology.

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Name

---

Title

---

Company

---

Address

---

City/State/Zip

---

E-Mail

Phone

Fax

**To ensure confidentiality of responses, this cover page will be detached upon receipt by GMA prior to tabulation by CSC.**

Please return your completed survey by mail or by fax to:

Mr. Tyler Cluverius  
Grocery Manufacturers of America  
2401 Pennsylvania Avenue, NW 2<sup>nd</sup> floor  
Washington, DC 20037  
Phone: 202.337.9400  
Fax: 202.337.4508

**1. How do you rate the effectiveness of your IT organization?**

- Not at all effective
- Somewhat effective
- Acceptable
- Effective
- Very effective

**2. Please rate your level of satisfaction with the following attributes and/or abilities of your IT organization using the following scale.**

	Very Dissatisfied	Dissatisfied	Neutral/No Opinion	Satisfied	Very Satisfied
Ability of IT and your organization to work together	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Alignment of IT activities with business strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Understanding of and sensitivity to your organization's objectives, goals and strategies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT's ability to provide reliable and dependable performance of systems, products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ability to identify improvement opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Application of innovative solutions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Degree to which IT demonstrates leadership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Impact IT has on your organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Problem identification and resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information provided regarding new IT products and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
IT's ability to provide systems, products and services that contribute to your organization's success	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delivery of systems, products and services in cost effective manner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide effective business applications (e.g., ERP, finance, HR, manufacturing, marketing, R&D or sales systems)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provide Effective business decision support systems and tools (e.g., data warehouse and data analysis tools)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Level of experience, expertise and know-how	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**3. What is your view of information technology?**

- Non-value-adding cost
- Necessary business expense
- Return-producing investment
- Strategic asset

**4. How would you characterize your company's use of information technology? (Please check one.)**

- We compete at the cutting edge of innovation and use IT as a competitive weapon
- We view IT as a critical and essential investment area, and invest in leading, but proven, technologies
- We stay current on technology, without getting too far ahead of our competition
- We take a conservative approach using proven, mature technologies
- Other (please specify)

\_\_\_\_\_

**Please fax your completed forms to:**

Mr. Tyler Cluverius  
 Grocery Manufacturers of America  
 Phone: 202.337.9400  
 Fax: 202.337.4508

**5. Estimate the percent of your IT projects that are successful— they meet objectives, are on time and are within budget.**

\_\_\_\_\_ %

Don't measure IT project success

Don't know

**6 From the list below, select and rank the FIVE most important factors that drive IT investments in your company, i.e., in the long-term, why does your company invest in IT? (5 = most important, 1 = least important).**

- \_\_\_ Customer imperatives/compliance
- \_\_\_ Create overall market growth (creating new demands)
- \_\_\_ Market share growth (take from competition)
- \_\_\_ Defend current market share position
- \_\_\_ Increase consumer sales
- \_\_\_ Increase trade customer sales
- \_\_\_ Cut purchase prices/lower procurement costs
- \_\_\_ Increase internal efficiency/productivity
- \_\_\_ Increase the understanding of consumers and consumer needs
- \_\_\_ Consumer brand building
- \_\_\_ Increase efficiency of trading partner interactions/transactions
- \_\_\_ Regulatory Compliance
- \_\_\_ Security
- \_\_\_ Cost of doing business
- \_\_\_ We see little or no opportunity and are not investing in IT
- \_\_\_ Other (please specify) \_\_\_\_\_

**7. From the list below, select and rank the FIVE risk factors or issues that would make you hesitate to invest in information technology? (5 = most important, 1 = least important)**

- \_\_\_ Unclear return on investments
- \_\_\_ Uncertainty about the role of industry exchanges
- \_\_\_ Other capital projects have higher priority
- \_\_\_ Rapidly changing/evolving technology
- \_\_\_ Wait to see proven applications in this industry
- \_\_\_ Security issues
- \_\_\_ Instability of technology
- \_\_\_ Top management commitment
- \_\_\_ Lack of business sponsorship/leadership
- \_\_\_ Lack of people with appropriate skills and/or ability
- \_\_\_ Other (please specify) \_\_\_\_\_

**8. Please indicate your level of agreement with the statements below using the following scale:**

	Strongly Agree	Agree	Neutral/ No Opinion	Disagree	Strongly Disagree
<b>IT provides our company the ability to increase sales</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT provides a way for our company to reduce costs</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT gives our company competitive advantage</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT supports and is aligned to business strategy</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT capabilities have helped shape our business strategy</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT is a tactical aspect of our business</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT is a core competence in our company</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT supports the needs of the business</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT plays an integral role in meeting customer requirements</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>IT is does a good job in meeting customer requirements</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please fax your completed forms to:**  
 Mr. Tyler Cluverius  
 Grocery Manufacturers of America  
 Phone: 202.337.9400  
 Fax: 202.337.4508

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### **About CSC**

*Computer Sciences Corporation helps clients achieve strategic goals and profit from the use of information technology.*

*With the broadest range of capabilities, CSC offers clients the solutions they need to manage complexity, focus on core businesses, collaborate with partners and clients, and improve operations.*

*CSC makes a special point of understanding its clients and provides experts with real-world experience to work with them. CSC is vendor-independent, delivering solutions that best meet each client's unique requirements.*

*For more than 40 years, clients in industries and governments worldwide have trusted CSC with their business process and information systems outsourcing, systems integration and consulting needs.*

*The company trades on the New York Stock Exchange under the symbol "CSC."*

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