Signs of Recovery in the I/T Industry?

by Ernest O'Dell - Questar TeleCommunications and Questar PC

Thursday, November 11, 2010

Information technology, hardware, software, networks and unified communications providers are hoping for the best: they're hoping the belt tightening of the last two years is behind them. I/T and telecommunications spending has begun to show signs of life again after so many companies put the brakes on spending and managers had to "make do."

In an August 2010 report by Gartner, a technology research firm, they stated that spending in 2010 increased by 2.9 percent. While that is down from the previous 4.1 percent growth, it is still growth nonetheless. But, when you consider 2008 and 2009, and that spending fell 5.9 percent, it still leaves you with the perception of deficit in the growth.

For the past three years, many I/T execs have had to put many projects on hold, knowing that any request for expenditures would get voted down by the board. Even projects that could be cost justified had a snowball's chance in hell because they required upfront capital expense and that money just couldn't be justified by the budget.

Where many firms are starting to move is in the I/T leasing direction, because--while traditional lending sources are not opening the faucets to financing--leasing companies have plenty capital to make it worthwhile. Not only that, but when taking a depreciation on I/T, most firms are looking at an amortization schedule that is already aged when the equipment lands on the dock. With a full equipment lease, and associated support, it's a total expense that can be deducted from the gross before taxable income.

After the meltdown of 2008, businesses across many industry sectors have been in the cost-cutting mode and in no mood to spend a dime on anything.. That includes smaller sectors such as real estate brokerages, insurance groups and small to medium sized businesses. That may work for a while--for a year or two--but information technology can only be put off for so long before it starts to have consequences.

And so, we rapidly approach the close of 2010 as Thanksgiving gives way to the Christmas shopping season, and the harbinger of the New Quarter hails in the foggy streets of commerce. Only one thing is certain: and that there is still going to be a lot of uncertainty.

Going into 2011, businesses are still worried about the anemic recovery of the economy. Despite all the assurances from poltical pundits, the reality on Main Street is that Wall Street and Pennsylvania Avenue haven't gotten the message yet. Business owners, both small and large, are still concerned about recent legislation that hasn't even been read yet, much less defined. The potential for higher taxes, the termination of the Bush Tax Cuts, and higher insurance premiums gives cause for more concern and higher blood pressure than profits.

Midterm elections, likely to put the country on a more conservative course, may also put a stop to the out of control deficit spending of this present administration. With the tsunami of Conservative Republicans taking over the House of Representatives, and paltry gains in the Senate, there is hope that these new Tea Party Conservatives can put the kabosh on President Obama's anti-business agenda.

Gartner's forecast for 2011 is for about a 3.5 percent increase in enterprise I/T spending--up from the 2.9 percent projection for 2010. Enterprise I/T comprises a multiplicity of sectors which include, but are not limited to, equipment, software, networks, labor, tech support, outsourcing, TPA (Third Party Administration), Unified Communications and Messaging platforms for mobile workforces, and supplies. Then you must consider the cost of financing and leasing...

Anecdotally, the heads of several real estate and insurance groups tell me that they are hearing a more optimistic tone this past summer. And ever since the mid-term elections, that tone has increasingly become more positive.

While no one is swinging on ropes across the pond right now, at least businesses are more open to discussing their options. Nevertheless, many businesses are still holding out for the January inauguration of our newly elected junior Representatives and Senators before they pull any triggers on new projects and spending sprees. Once the end of January rolls over into February 2011, they will have a better handle on their budgets and make more informed decisions.

Despite Gartner's prediction of an increase in spending, it is also wise to develop a contingency plan to mitigate the risk of zero growth in 2011. It is recommended that business owners look at "cost optimization" in 2011 to begin taking advantage of the overriding value of their assets as the markets return to growth. Taking a lease option in their infrastructure growth is also a wiser choice than taking a depreciation on assets. The downside to depreciation is that much equipment is already obsolete when it hits the dock: leasing provides a safety net to allow an escape through upgrade in the middle of a lease, therefore not tying up the purse strings.

Also, Gartner recommends I/T providers to target high-growth sectors through the next 4 years, such as public utilities and international government bodies. Gartner didn't divulge any figures for risk management or actuarial segments, but in the insurance sector alone, I/T spending is expected to increase by just 2.1 percent, putting it second to last on the list, just ahead of local and regional government spending.

While budgets are still going to be a major area of concern, companies that postpone investments in upgrades to their present technology could see themselves at more than a competitive disadvantage: they could find themselves out of business due to catastrophic infrastructure failure or compromise. New technologies are coming online every day which will deliver cost savings and profits, and increase operational function and efficiencies.

[Ed. Note: Ernest O'Dell is publisher and CEO of the Guerrilla Internet Marketing Institute, the Guerrilla Real Estate Marketing Institute, and Director of DMS Group Publishing, a holding company for QuestarTeleCommunications.com, and QuestarPC.com. He has won international recognition in 182 countries and is published in over 20 different languages. His publications cover marketing in small, medium and large businesses, telecommunications, real estate, insurance, risk management, public utilities and government related industries.]

Ernest O'Dell is the President and CEO of **Questar TeleCommunications**, **Questar PC**, and **Guerrilla Internet Marketing**. His company, founded in 1982, is a leading provider in research and implementation of **Unified Communications** and Messaging for the real estate and **insurance** industries. Many of his web sites and blogs continue to get millions of visitors each month. He has recruited over 500,000 affiliates into two businesses alone and can show you how to run with **The Big Dogs**!

Ernest O'Dell
Questar TeleCommunications, **Questar PC** and **Guerrilla Internet Marketing**
Levelland, TX 79336
USA
Ph: (806) 297-3267
Email: **Ernest.ODell@QuestarTeleCommunications.com**