

Japan IT Budget & Spending Trends 2016

ITR Corporation

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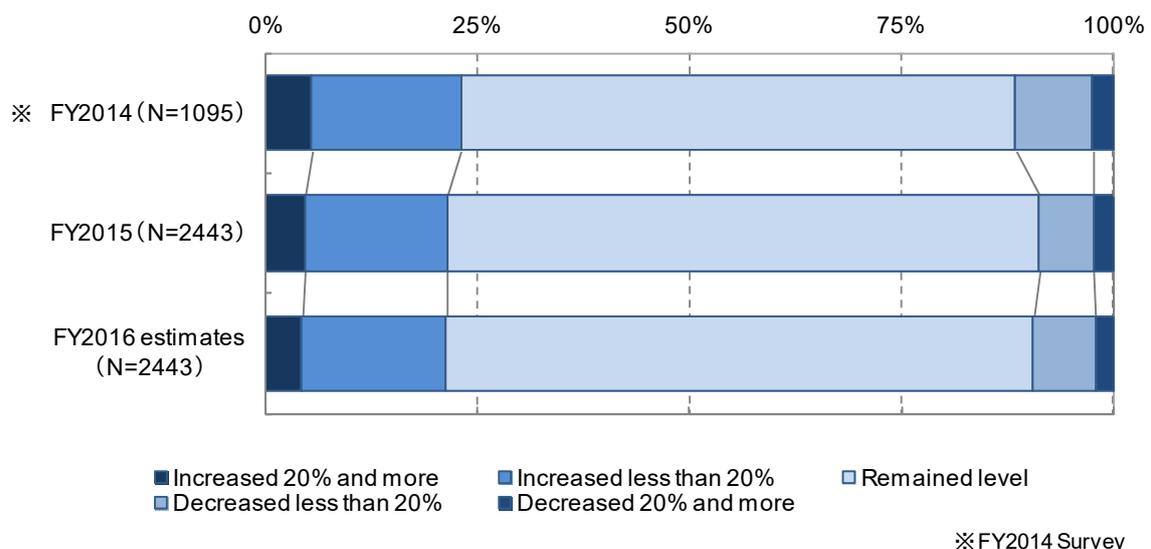


2.1 Steady growth of IT spending

2.1.1 Steady growth of IT spending

The figure below shows the transition of IT budget abundance as usual (Figure 2-1). The proportion of companies whose IT spending increased (the total of “Increased 20% and more” and “Increased less than 20%”) in FY2015 was XX.X%, which was smaller than the previous year. On the other hand, the proportion of the companies whose IT spending decreased (the total of “Decreased less than 20%” and “Decreased 20% and more”) was X.X%, which was the record low for the first time since the first study in 2001. The ratio of the companies whose spending “Remained level” was about XX% (XX.X%) of the total. As for the outlook of FY2016, the proportion of the companies with increased IT budget will slightly fall and those with the decreased IT budget will grow compared to FY2015; however, the overall trend will remain unchanged. Japanese companies seem to have secured the IT budget relatively in a stable manner although the situation is not comparable to the high growth in early 2000s.

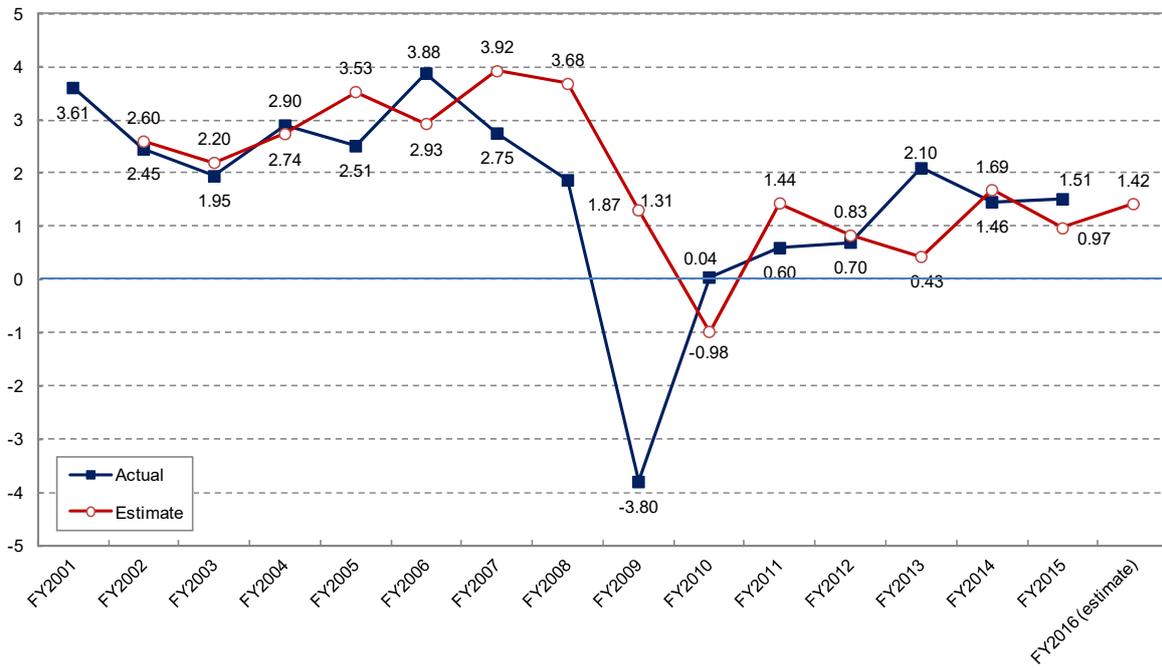
Figure 2-1. Yearly transition of IT budget abundance (FY2014~FY2016 estimates)



Source: ITR “IT Budget & Spending Survey 2016”

The figure below shows the yearly transition of IT budget abundance index (added up the points, e.g. -20 for “Decreased 20% and more,” 0 for “Remained level,” +10 for “Increase less than 20%...” and divided by the number of responses.) The FY2015 figure was X.XX, which was larger than the estimate made in the previous year. The FY2016 forecast was X.XX, maintaining almost the same level as the actual FY2015 (Figure 2-2).

Figure 2-2. Yearly transition of IT spending abundance index (FY2001~FY2016 estimates)

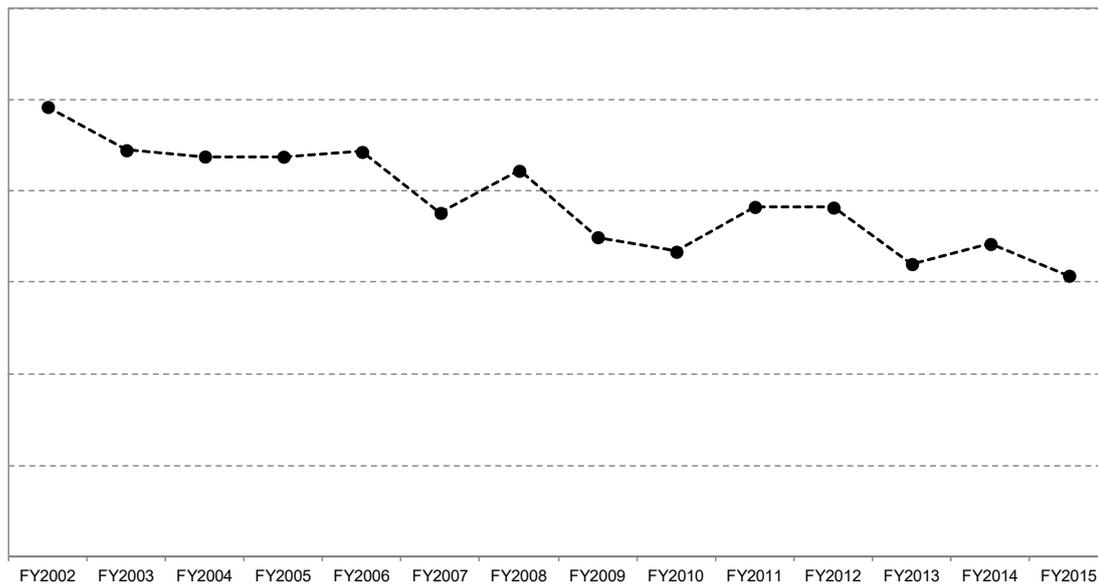


Source: ITR "IT Budget & Spending Survey 2016"

2.1.2 Limited IT spending for “growth”

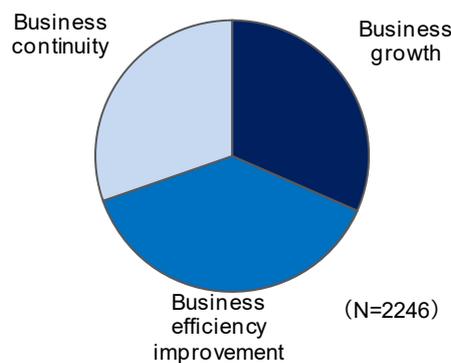
The companies were relatively successful in securing IT budget; however, some issues were discovered in their IT spending. The average ratio of new investment (costs for new system development and large-scale replacement) in FY2015 was XX.X% when the total IT spending was divided into regular costs (ongoing costs for operation and maintenance) and new investment (Figure 2-3). This ratio, which has fluctuated since late 2000s, had the lowest result, getting close to XXs%. This clearly means “XX% of the IT budget is spent on maintaining existing systems.” It is an urgent matter for the companies to have strategic freedom in IT spending while reducing regular costs.

Figure 2-3. Yearly transition of new investment ratio over IT spending



Source: ITR “IT Budget & Spending Survey 2016”

Figure 2-4. Spending ratio of new investment by purpose



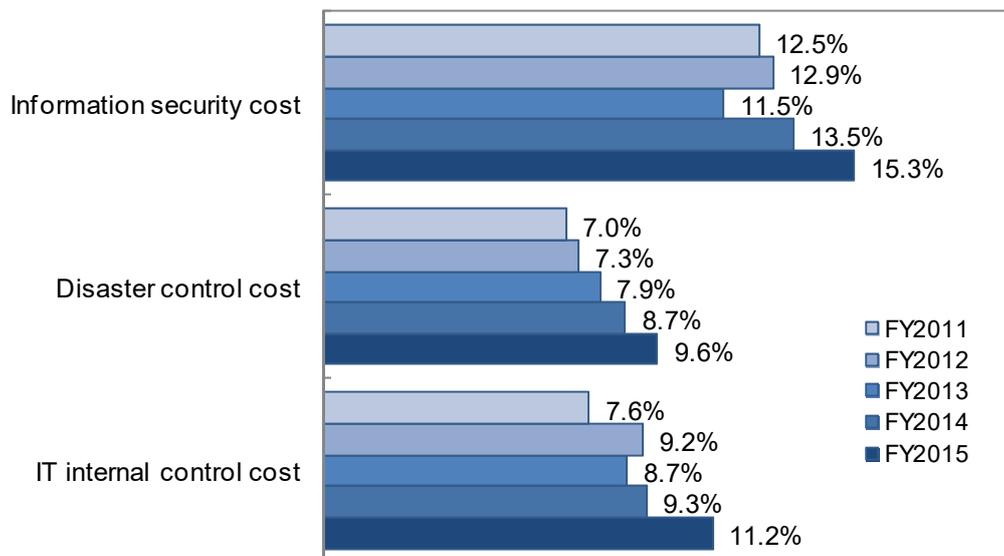
Source: ITR “IT Budget & Spending Survey 2016”

This survey added new questions to understand allocation of new investment into three categories of “Business growth” “Business efficiency improvement” and “Business continuity.” As a result, each one of them had roughly 1/3 of new investment (Figure 2-4). The combination of the Figure 2-3 and Figure 2-4 results yields that only XX% of the IT budget was spent for growing business. Japanese companies have been unable to adequately secure budget for “growth.”

2.1.3 Risk management cost further increased

While IT spending for growth is insufficient, the ratio of risk management cost, which has been observed on a fixed-point basis, increased from the previous year. The cost ratios of all “Information security management” “Disaster control” and “IT internal control” over IT budget were the highest in the last 5 years (Figure 2-5). These reflect the increasing threat of targeted attacks, natural disasters, and accounting frauds. The companies’ IT spending is directed toward risk management.

Figure 2-5. Yearly transition of risk management cost ratio over IT budget (FY2011~FY2015)



Source: ITR “IT Budget & Spending Survey 2016”

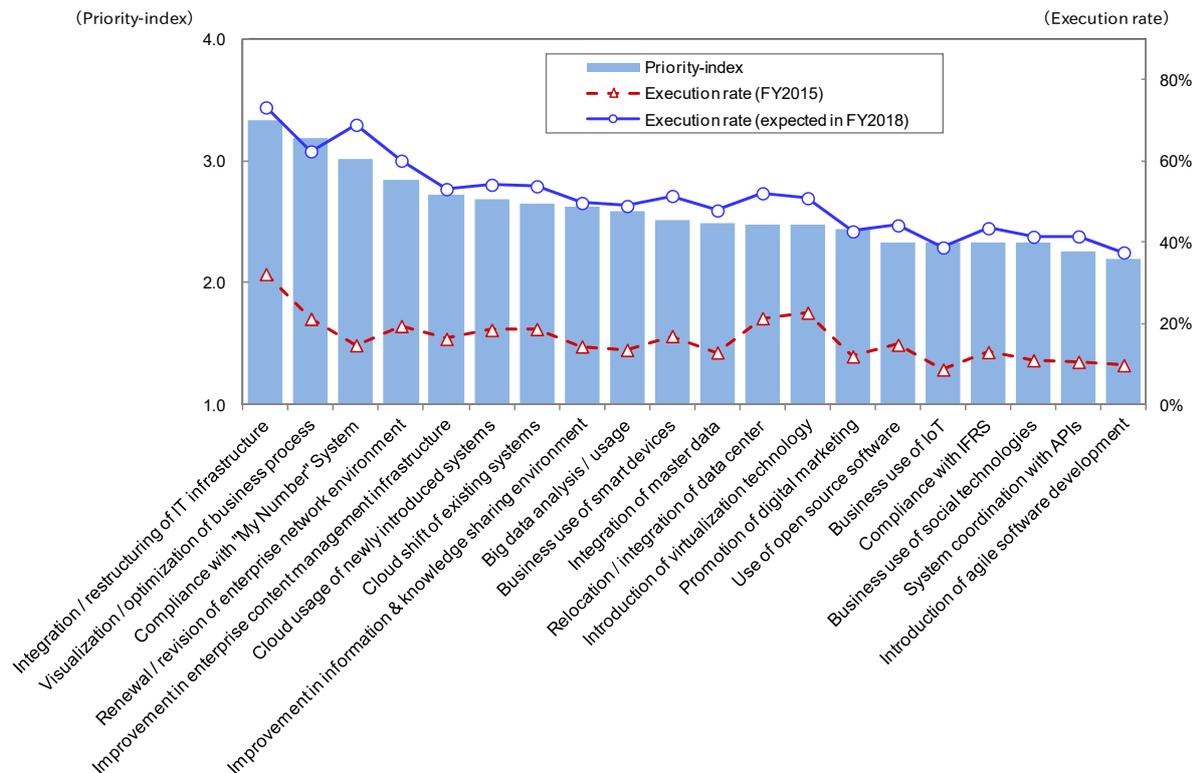
2.2 Important IT trends in FY2016

2.2.1 “Compliance with ‘My Number’ System” ranked high in priority

The priority ranking of concrete IT measures reflected the companies’ attitudes to stress risk management. “Integration / restructuring of IT infrastructure” and “Visualization / optimization of business process” were positioned number 1 and 2, respectively as ever. However, “Compliance with ‘My Number’ System (Social Security and Tax Number System)” came up to the third place (Figure 2-6). The XX.X% execution rate of this item is low, given the fact that “My Number” System will be implemented in FY2016; it is hard to say the companies are ready for the change. We expect the companies will rush into introducing the systems to collect and store numbers securely.

On the other hand, “Cloud usage of newly introduced systems” and “Cloud shift of existing systems” were ranked high as the technologies in new fields. Enterprise use of cloud computing has become common.

Figure 2-6. Transition of priority-index and execution rate of major IT trend items



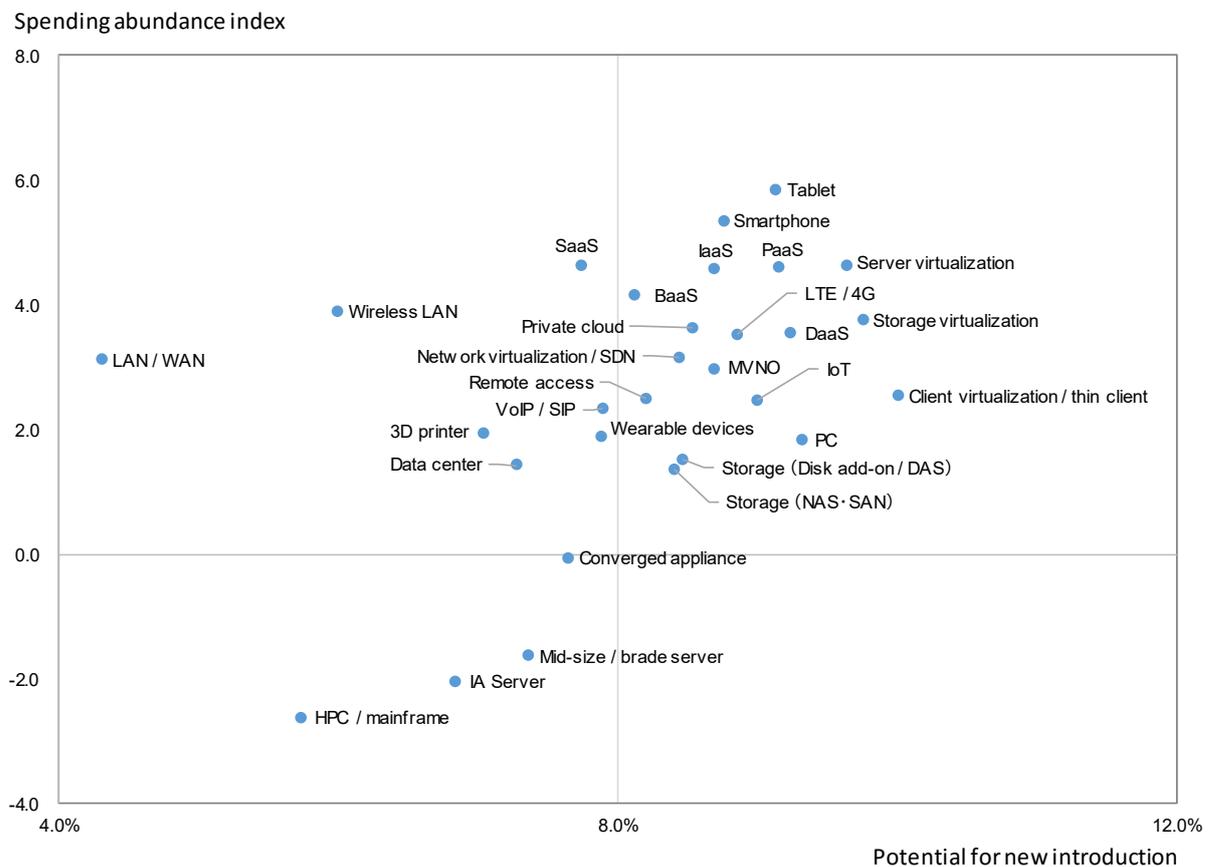
Source: ITR “IT Budget & Spending Survey 2016”

2.3 Willingness to spend on technologies

2.3.1 Growing willingness to spend on cloud and mobile

The last section addresses the spending trend on technologies. This survey asked about the current introduction status and the future spending plan of 100 items that were categorized into “Infrastructure / device,” “OS / middleware,” “Application,” and “Security / service.” The expansion level of currently introduced items was shown as “Spending abundance index.” Also the probability of the companies to newly introduce the items in FY2016 was shown as “Potential for new introduction.” These were plotted in Figure 2-9 in the vertical and horizontal axes, respectively.

Figure 2-7. Willingness to spend on products / services (Infrastructure / device)



Source: ITR “IT Budget & Spending Survey 2016”

“Tablet” and “Smartphone” had the top two of spending abundance indexes as they were in the previous survey, showing high willingness to spend on mobile related items. As for the potential for new introduction, virtualization technologies such as “Client virtualization / thin client” “Storage virtualization” and “Server virtualization” were high. Also, the indexes related to physical server products such as “HPC / mainframe” were negative while cloud related products such as “SaaS,” “PaaS” and “IaaS” had high spending abundance indexes, showing the shift to the cloud services.

As for other categories, “XXXXXX” in OS / middleware, “XXXXXX” in Applications, “XXXXXX” and “XXXXXX” in Security / service were emphasized, respectively.

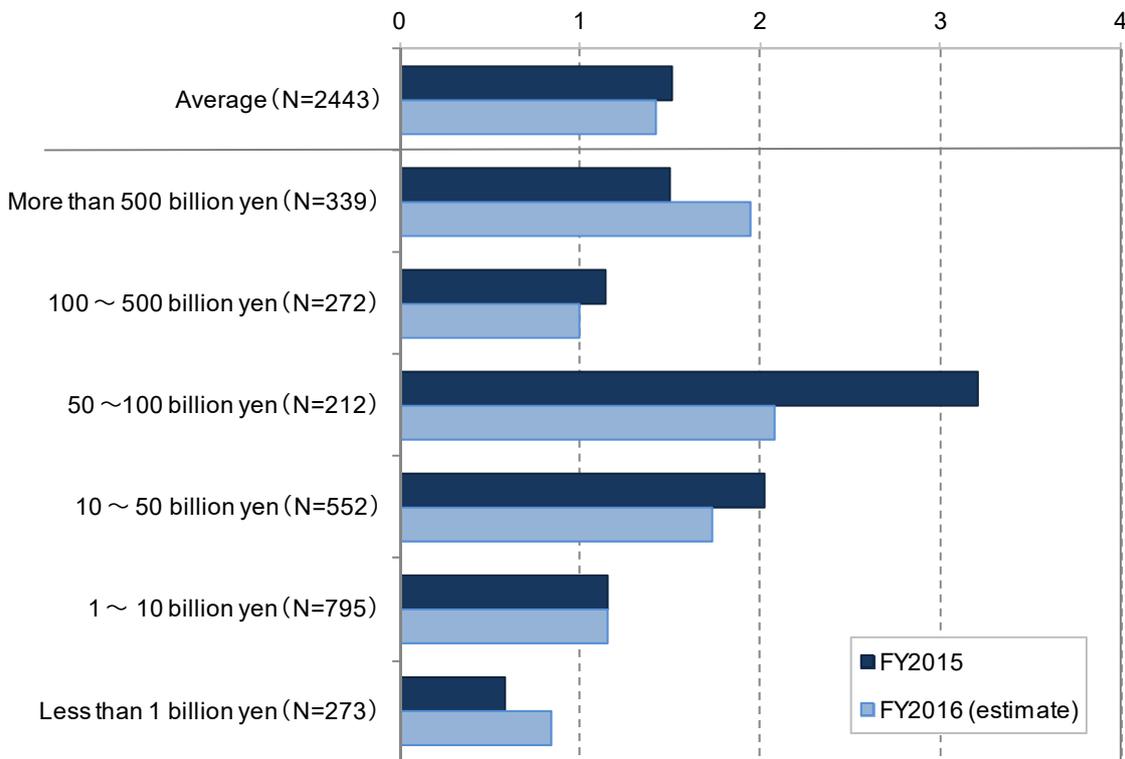
2.4 General comment

3.1.3 IT budget abundance and IT budget abundance index by sales volume

The figures below show IT budget abundance and transition of IT budget abundance index in FY2015 and FY 2016 estimates by sales volume.

The companies and organizations with no sales were classified based on the annual "revenue" and thus the "no sales" segment has been removed since the survey in the previous year.

Figure 3-7. Transition of IT budget abundance index by sales volume (FY2015 – FY2016 estimates)



Source: ITR "IT Budget & Spending Survey 2016"

Figure 6-10. Priority-index of major IT trend items by number of employees

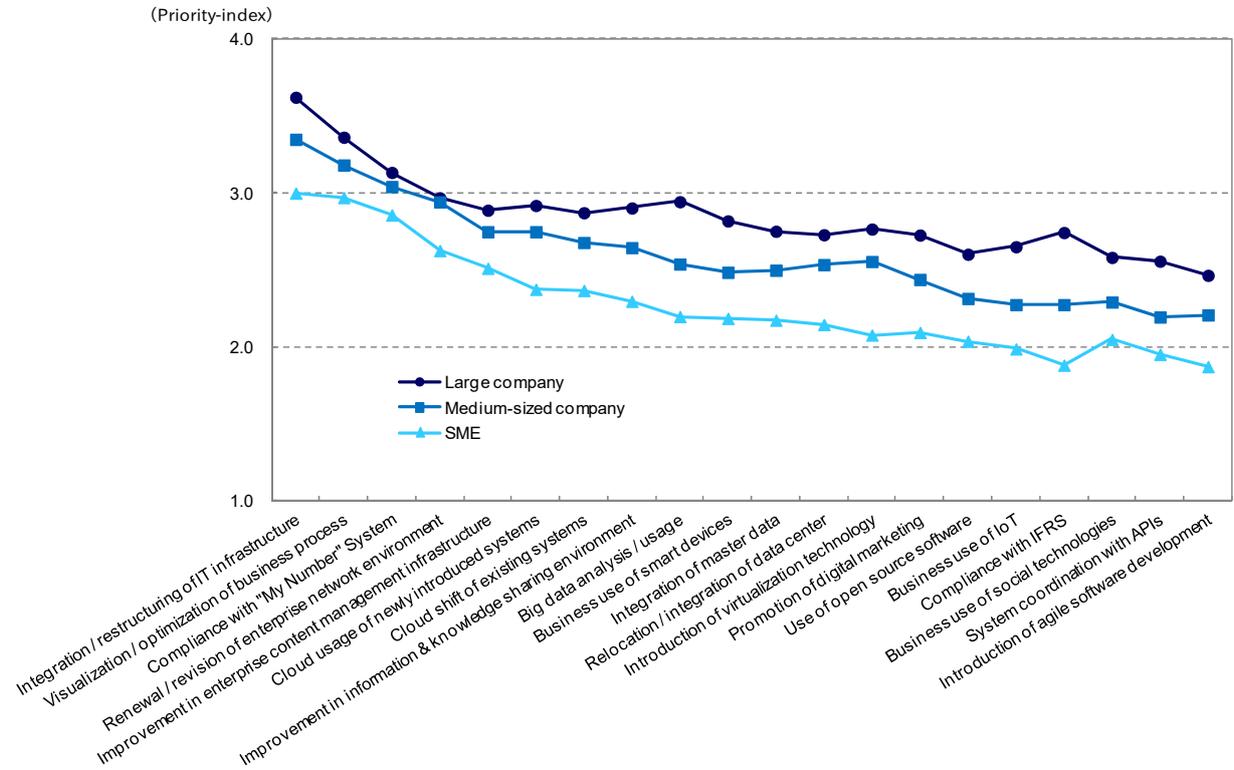
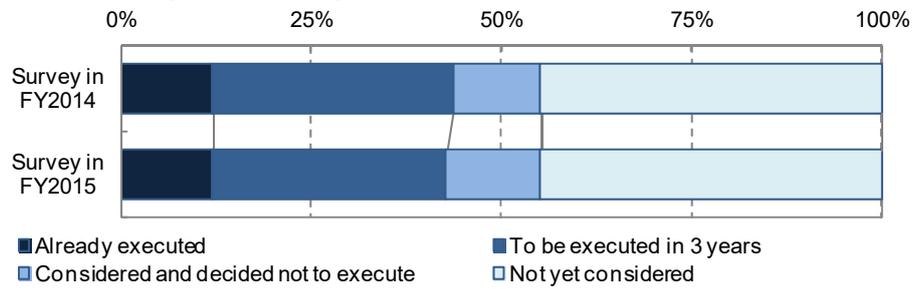
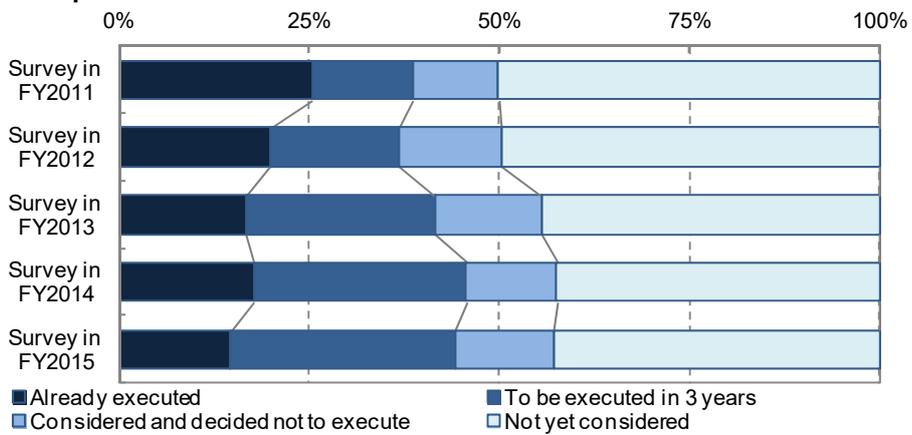


Figure 6-16. Yearly transition of IT trend items execution status (Priority: No.14~16)

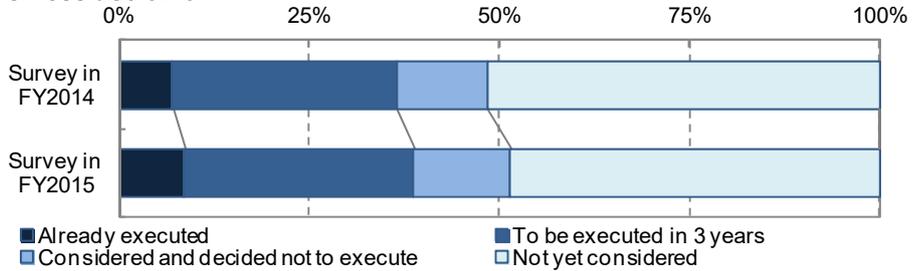
■ Promotion of digital marketing



■ Use of open source software



■ Business use of IoT



Source: ITR "IT Budget & Spending Survey 2016"

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About ITR

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