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### **Software Industry Growth and Innovation Expected According to Two New Reports from Sand Hill Group**

*First Annual CIO Insight Survey Reveals Planned Increases in Software Spending;  
Reports Reveal Top Business and Software Trends of the Year*

**Software 2006, Santa Clara, Calif. — Tuesday, April 4, 2006** — Today at Software 2006, Sand Hill Group, in collaboration with McKinsey & Company, released the findings from their first CIO Insight Survey and the Software 2006 Industry Report. Both reports indicate that the software industry has recovered from the technology downturn and has entered a more mature phase of growth. Most notably, in the survey of more than 100 senior IT executives, CIOs stated that the percentage of IT budgets dedicated to software spending will increase from 30% to 35% over the next two years, representing billions of dollars of new software sales. Both reports are available on the Sand Hill Group website at [www.sandhill.com](http://www.sandhill.com).

“The results of both of these reports are highly encouraging,” said M.R. Rangaswami, co-founder of the Sand Hill Group. “It’s good to have solid evidence that the software industry ecosystem has gone from on-the-mend to on its feet and thriving again. We are in the midst of a quiet but dramatic revolution and the implications of these changes could be even more profound than the previous industry transitions.”

In addition to the projected increase in software spending, the CIO Insight survey revealed several other valuable insights:

- + The two most important software business stories in 2006 will be software on new devices and continued industry consolidation
- + The two leading software trends are software-as-a-service (SaaS) and service oriented architecture (SOA)
- + CIOs are telling the software industry to innovate, lower total cost of ownership and improve ease-of-use
- + In terms of software usage, Fortune 500 companies are planning for more software licenses, while mid-market companies are planning for more SaaS

#### **Software 2006 Industry Report Highlights**

The Software 2006 Industry Report analyzes forces shaping the industry and looks at overall spending, internal IT budgets, external funding, and new technologies including Web 2.0, software-as-a-service (SaaS) and open source. Here are some of the highlights from the report:

- + Private Equity has now surpassed Venture Capital as the biggest investor in software companies
- + The number of mergers and acquisitions has declined over the past few years while the value per deal has increased substantially
- + While software purchasing decisions have largely remained centralized around IT management, there is an increasing influence from the business division in software purchasing decisions

- + While the market size for SaaS is currently relatively small—at \$6 billion in 2005—it is expected to grow in excess of 20% annually
- + Open Source is on the rise with over 40% of respondents reporting use of some Open Source applications or infrastructure

The CIO Insight Survey and the Software 2006 Industry Report are both available in full at [www.sandhill.com](http://www.sandhill.com).

### **About Sand Hill Group**

Sand Hill Group serves the \$600+ billion software, services and solutions market by providing investment and management advice to emerging enterprise technology leaders. Sand Hill also owns Sandhill.com – the premier destination site and resource center for CEOs, VPs, Entrepreneurs, VCs and for members of the software industry eco-system. Its weekly electronic newsletter is read by thousands of executives. Sand Hill produces the ‘Enterprise’ and ‘Software’ conferences for CEOs and executives in the industry and creates high-impact research reports for its constituents. More information can be found at [www.sandhill.com](http://www.sandhill.com).

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