



Just in case you didn't understand - this is an explanation of the way modern finance works,

Heidi is the proprietor of a bar in Detroit .

She realizes that virtually all of her customers are unemployed alcoholics and, as such, can no longer afford to patronize her bar.

To solve this problem, she comes up with new marketing plan that allows her customers to **drink now, but pay later.**

She keeps track of the drinks consumed on a ledger (thereby granting the customers loans). Word gets around about Heidi's 'drink now, pay later' marketing strategy and, as a result, increasing numbers of customers flood into Heidi's bar, **soon she has the largest sales volume for any bar in Detroit .**

By providing her customers' freedom from immediate payment demands, Heidi gets no resistance when, at regular intervals, she **substantially increases her prices for wine and beer, the most consumed beverages.** Consequently, Heidi's gross **sales volume increases massively.**

A young and dynamic vice-president at the local bank recognizes that these customer debts constitute valuable future assets and **increases Heidi's borrowing limit. He sees no reason for any undue concern, since he has the** debts of the unemployed alcoholics as **collateral.**

At the bank's corporate headquarters, expert traders transform these customer loans into DRINKBONDS, ALKIBONDS and PUKEBONDS.

These securities are then bundled and **traded on international security markets.**

Naive investors don't really understand that the securities being sold to them as **AAA secured bonds are really the debts of unemployed alcoholics.**

Nevertheless, the bond prices **continuously climb, and the securities soon** become the hottest-selling items for some of the nation's leading brokerage houses.

One day, even though the bond prices are still climbing, a risk manager at the original local bank decides that the time has come to demand payment on the debts incurred by the drinkers at Heidi's bar.

He so informs Heidi.

SO what happens.....

The result

.....

Heidi then demands payment from her alcoholic patrons, but being unemployed alcoholics they cannot pay back their drinking debts.

Since Heidi **cannot fulfill her loan obligations she is forced into bankruptcy.**

The bar closes and the eleven **employees lose their jobs.**

Overnight, DRINKBONDS, ALKIBONDS and PUKEBONDS drop in price by 98%.

The collapsed bond asset value destroys the banks liquidity and **prevents it from issuing new loans,**
thus **freezing credit and economic activity in the community.**

The suppliers of Heidi's bar had granted her generous payment extensions and had invested their firms' **pension funds in the various BOND securities.**

They find they are now faced with having to **write off her bad debt and with losing over 98% of the presumed value of the bonds.**

Her wine supplier also **claims bankruptcy, closing the doors on a family business that had endured for three generations, her beer supplier is taken over by a competitor, who immediately closes the local plant and lays off 150 workers.**

Fortunately though, the bank, the brokerage houses and their respective executives are saved and bailed out by a multi-billion dollar no-strings attached cash infusion from the Government.

The funds required for this bailout are obtained by new taxes levied on employed, middle-class, non-drinkers.



- **The Economy - the elephant in the room.**
- **IT spending – where is the money spent**
- **What are customers looking for in 2010 and beyond**

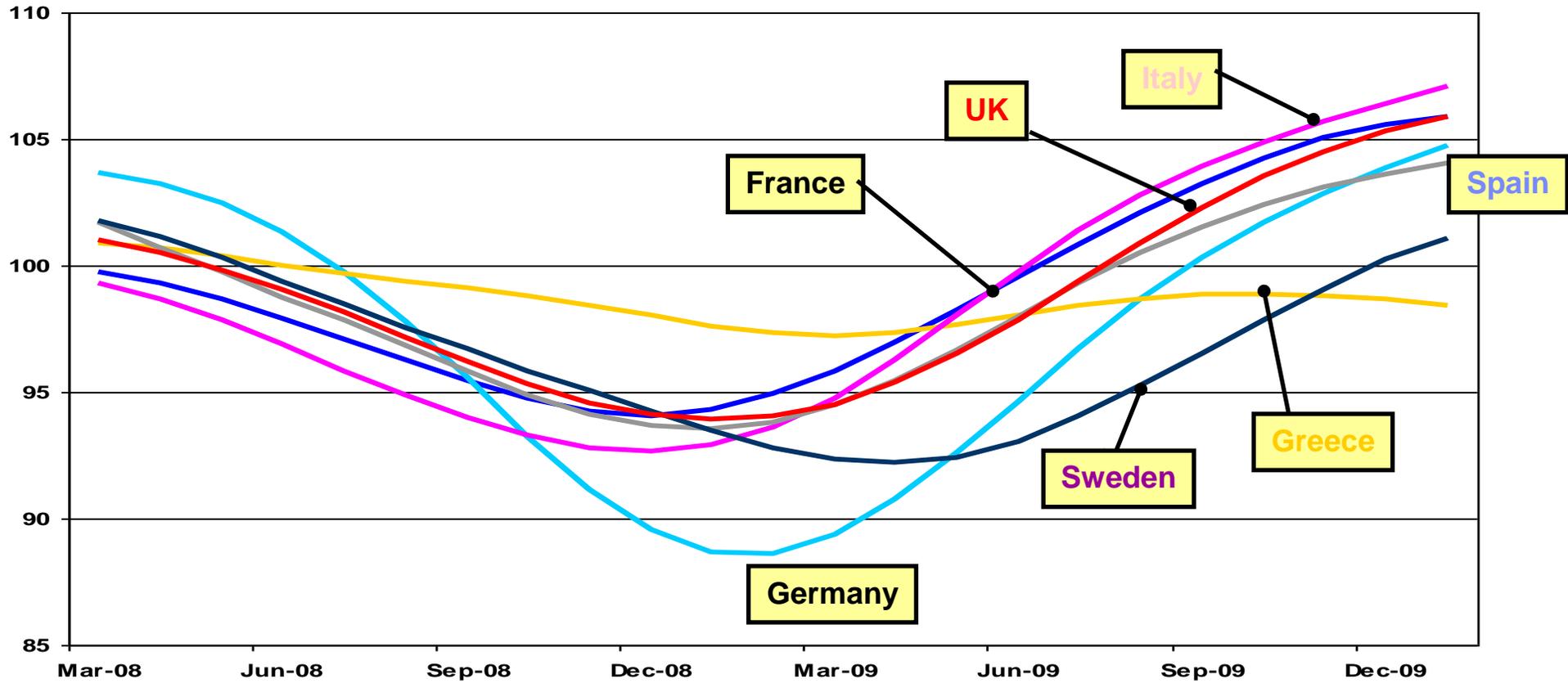
The economy

European top sheet

Top Sheet	UK	Spain	Italy	Germany	France
Population	62m	46m	60m	82m	64m
Labour force 2008	29m	20m	23m	38.9m	25.9m
Unemployment rate	7.8% Nov09	18.9% Dec09	8.5% Dec09	7.5% Dec09	10% Dec09
GDP 2009	\$1.66trn	\$0.71trn	\$1.1trn	\$1.96tr	\$1.46tr
GDP growth 2009	-4.7%	-3.7%	-4.8%	-4.8%	-2.4%
GDP Growth 4Q2009	+0.5% Q/Q Return to growth	-0.4% Q/Q	0% Q/Q	+0.3% Q/Q	+0.6% Q/Q
Current Inflation Rate (HICP) 2009 Y/Y	2.2%	-0.3%	+0.8%	+0.2%	+0.1%
IT market 2010 (GMV served)	\$63.8bn	\$12bn	\$14.7bn	\$37.2b	\$31.5b
Growth 10/09	0.6%	-0.6%	-1.1%	-0.3%	-0.3%

Sources: GMV, EUROSTAT where no other source is mentioned

The OECD Composite Leading Indicators show a positive outlook for most countries



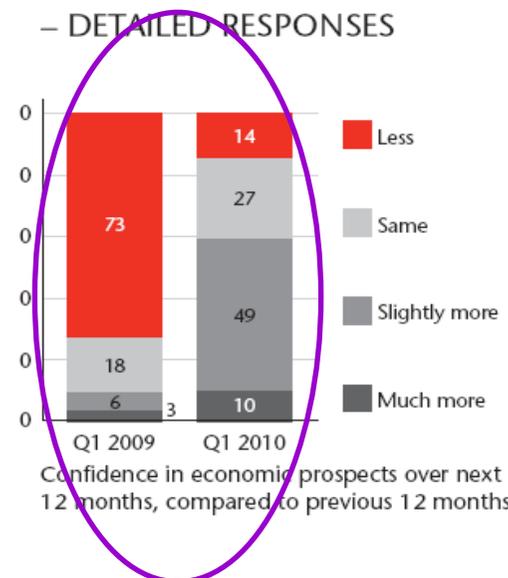
Source:- OECD Feb 2010

Business confidence reached a new record high in 4Q 2009. Purchase Managers Indexes up for both Services and Manufacturing. Longer term, the effects of the recession will linger

FIG. 1 TREND OF UK BUSINESS CONFIDENCE



FIG. 2 CONFIDENCE INDEX – DETAILED RESPONSES



Confidence in economic prospects over next 12 months, compared to previous 12 months.

Euro Area Business Confidence



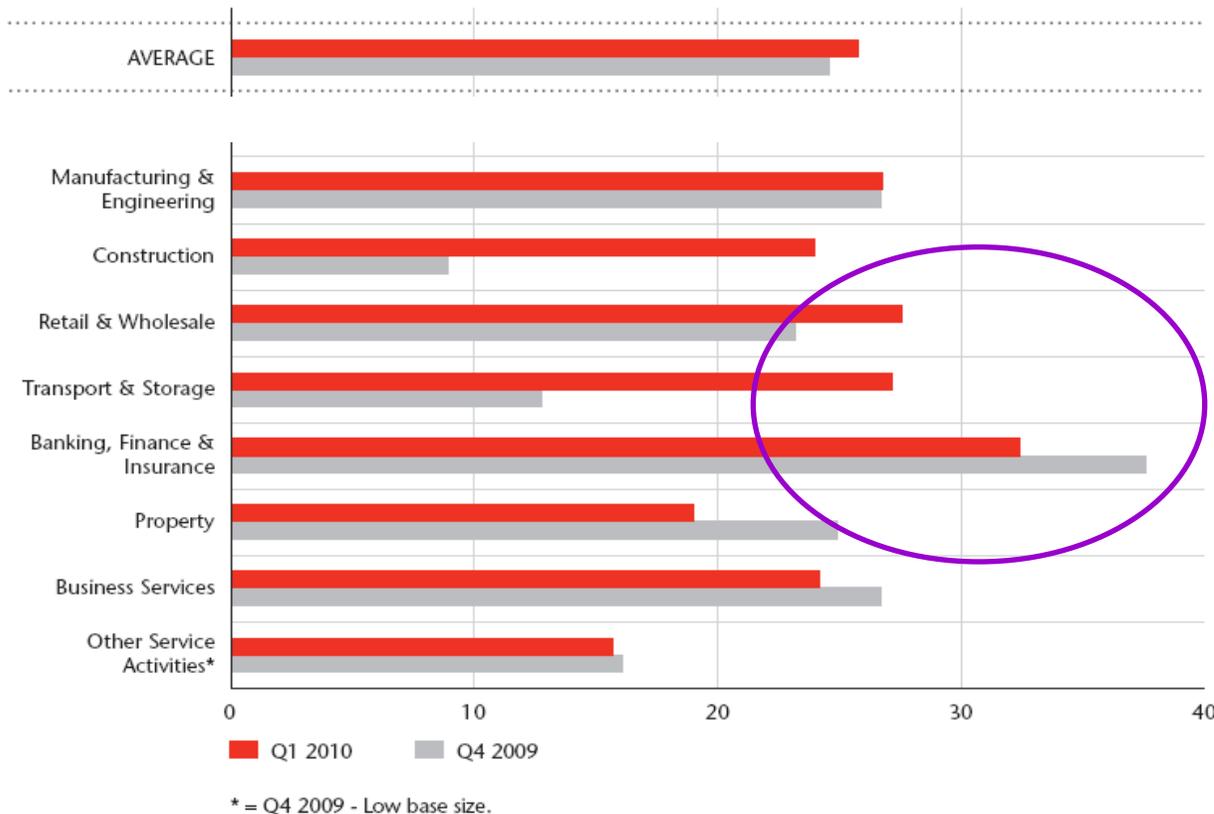
source: European Commission

As in Q4 2009, six in ten businesses (59%) are now more confident about economic prospects facing their organisation over the next 12 months compared to the previous 12 months.

Source: Institute of Chartered Accountants Business Confidence Monitor

Sector confidence strengthened across the board in 2009, although consumer spending is likely to come under strain in 2010 due to weak earnings growth, more precautionary saving and debt repayment.

FIG. 10 TREND OF BUSINESS CONFIDENCE BY INDUSTRY



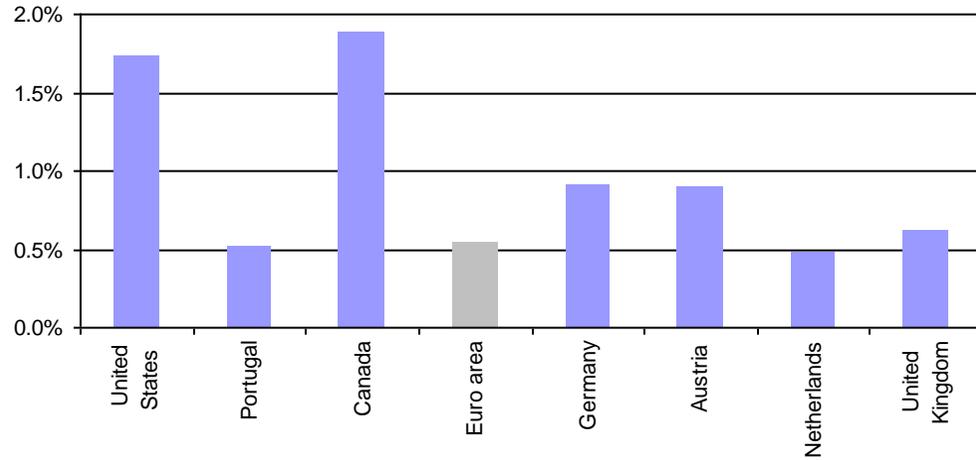
Confidence in Retail & Wholesale rose for the fourth consecutive quarter and now stands just above the UK average. Data from the British Retail Consortium suggest robust growth in December retail sales with a 4.2% year-on-year rise, while most large UK retailers recorded impressive final quarter results ahead of the VAT cut reversal.

In the Banking, Finance & Insurance sector confidence weakened slightly for the first time since Q1 2009 as the regulatory environment became more uncertain. However, record low interest rates and the Bank of England's quantitative easing scheme have seen most banks return to profitability: confidence has risen strongly after record lows at the height of the financial crisis.

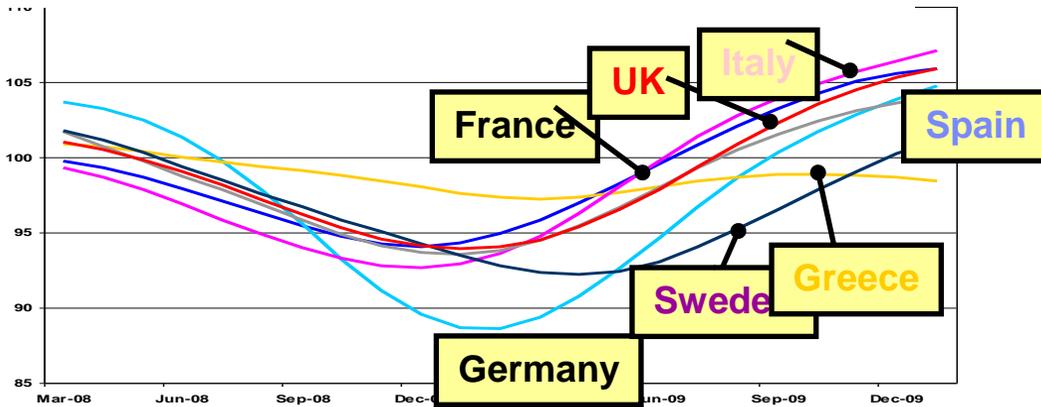
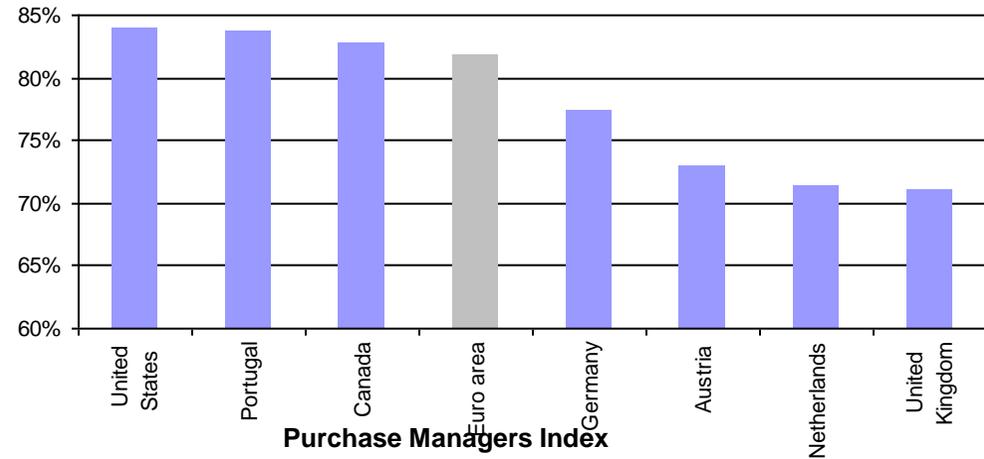
Source: Institute of Chartered Accountants Business Confidence Monitor

Most key indicators show Europe adequately placed to climb out of recession, however when combining government and personal debt as a percentage of GDP, the UK is in the worst position alongside Japan.

Real GDP growth 10/09



Government Dept per cent of nominal GDP



Country	50 = Neutral	Feb 2010	2H 2009	1H 2009	2H 2008
U.S.A		58.4	53.4	39.1	42.0
EMU		54.4	50.1	38.5	41.8
Germany		55.4	50.1	34.7	43.2
France		55.0	52.8	37.0	41.5
Italy		51.6	47.9	36.0	41.2
U.K.		56.7	51.7	35.8	40.1
Japan		52.5	53.6	33.9	41.5

Source: MI CoE Economic Review Feb 2010

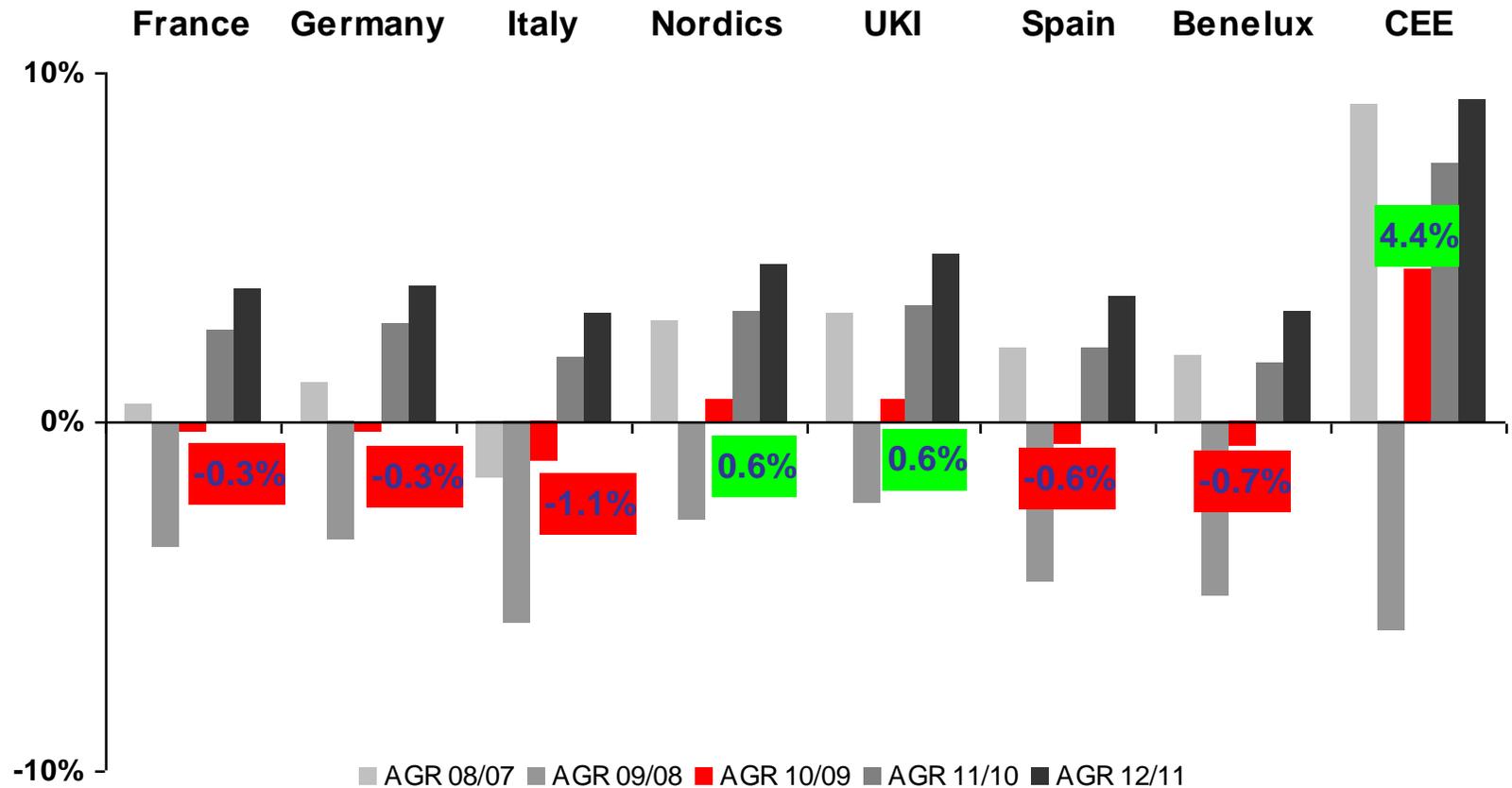
IT Spend in Europe

EMEA IT spend is estimated to be about \$250bn in 2010

- **IT growth is expected to be slightly positive in 2010 as we come out of recession, maybe 0.7% AGR, with UK at 0.6%, Nordic countries lead headed up by Norway at +1.5% while Ireland declines again by -0.7% as their recession continues.**
- **UKI has the largest IT market of all European countries, comprising 26% of EMEA it has the third largest IT market WW and is almost as big as France+Germany**
- **Over 40% of the EMEA market is Services this figure jumps to 84% in UKI market**
- **Hosting and outsourcing continue to be the dominant markets, being both large and growing.**
- **Most sectors should see modest growth, with Public ahead at +2% but Industrial continuing to decline at -0.6 or so%**

Source: Market Insights; GMV

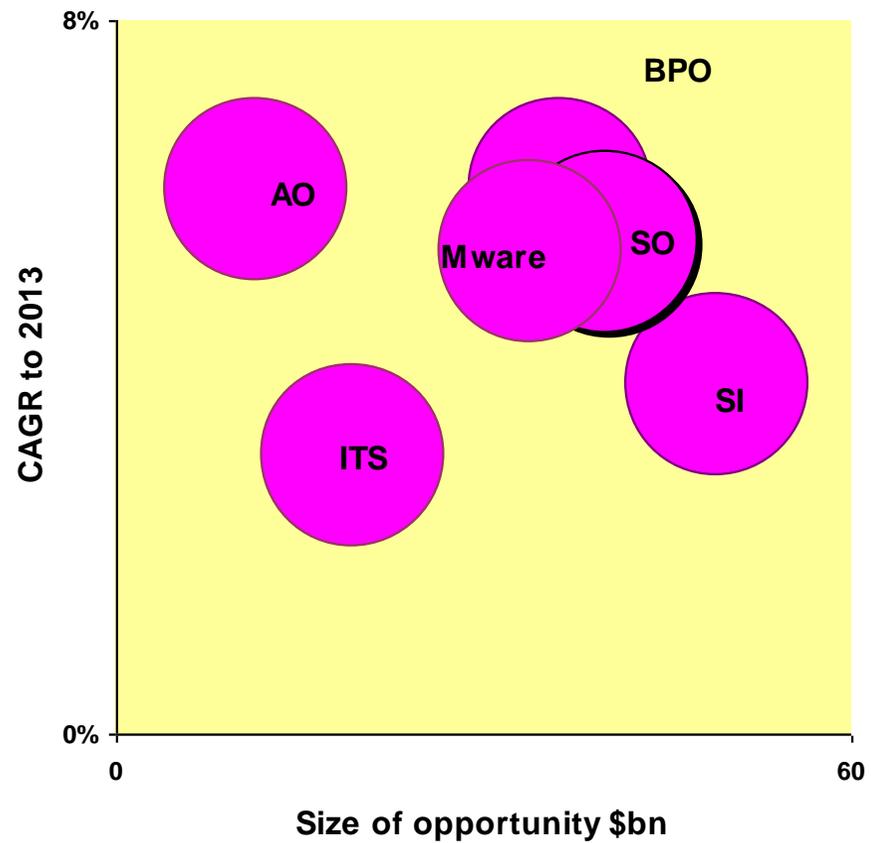
IBM's Global Market View shows a slight recovery for 2010 IT spending in UKI



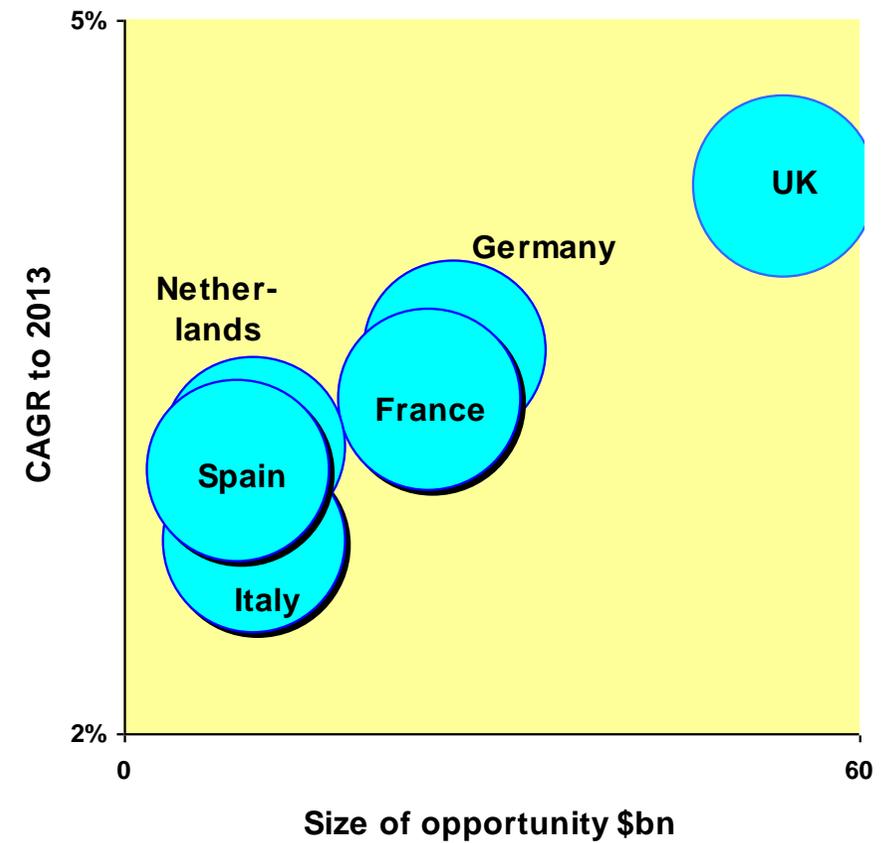
Source: GMV2H2009/QMV3Q09

Traditional services are less attractive, Middleware significant

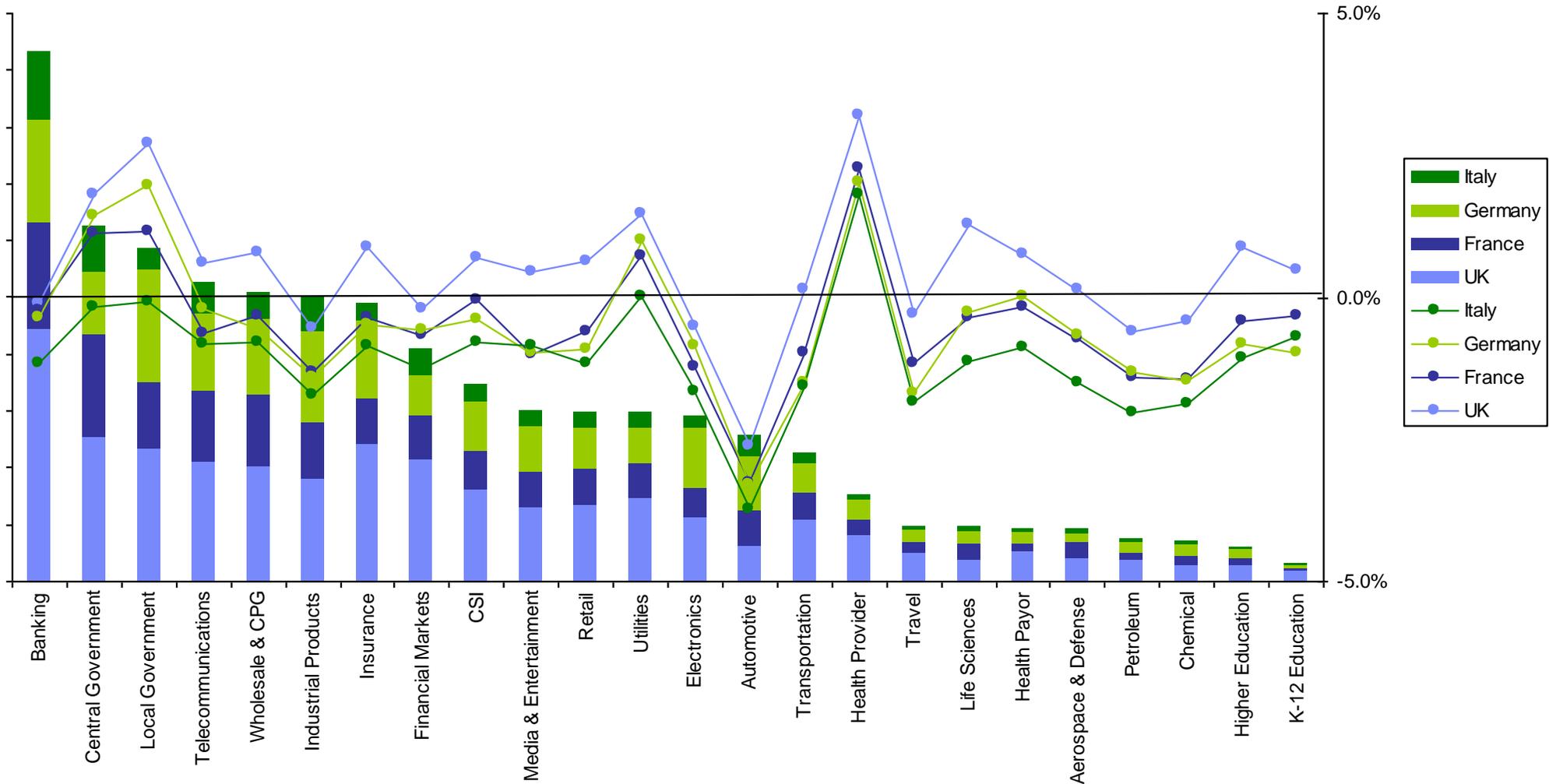
IT Services Subcategories EMEA



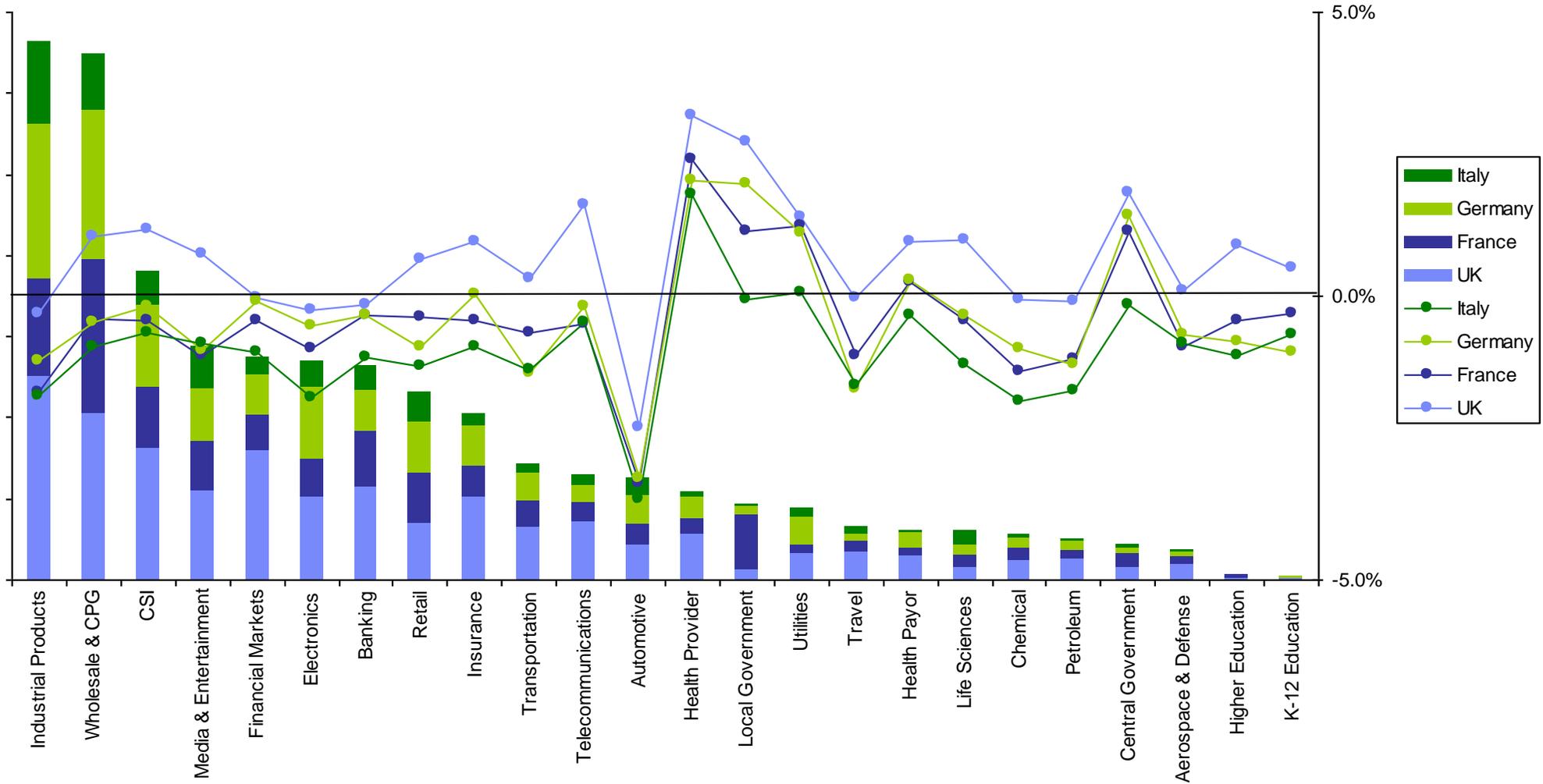
IT Services Subcategories EMEA



IT Market opportunity size 2010 and growth



IT Market opportunity size 2010 and growth - Mid Market



What are Customers buying in 2010

http://www.economist.com/opinion/displaystory.cfm?story_id=15579717

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Technology

The data deluge

Businesses, governments and society are only starting to tap its vast potential

Feb 25th 2010 | From *The Economist* print edition

Brett Ryder

The Economist - data deluge

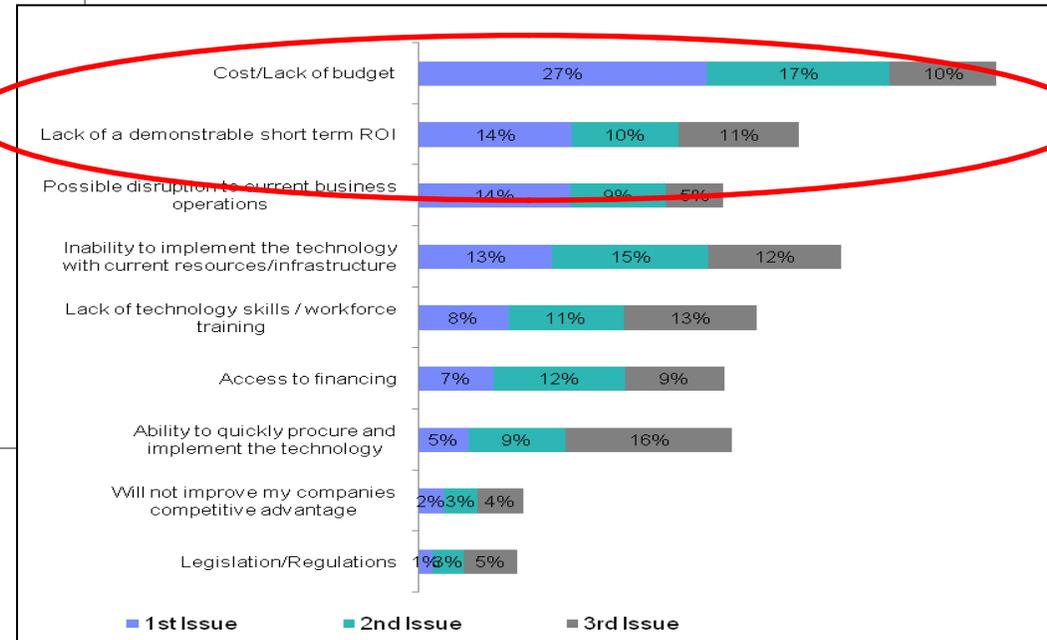
Everywhere you look, the quantity of information in the world is soaring. According to one estimate, mankind created 150 exabytes (billion gigabytes) of data in 2005. This year, it will create 1,200 exabytes. Merely keeping up with this flood, and storing the bits that might be useful, is difficult enough. Analysing it, to spot patterns and extract useful information, is harder still. Even so, the data deluge is already starting to transform business, government, science and everyday life (see our [special report](#) in this issue). It has

The Most Important Business Issues for the Major Market include improving efficiency and productivity - while finding new ways to reach and sell to existing customers are the lowest priorities

Top 10 Most Important Business Issues



Barriers to Addressing Critical IT Areas

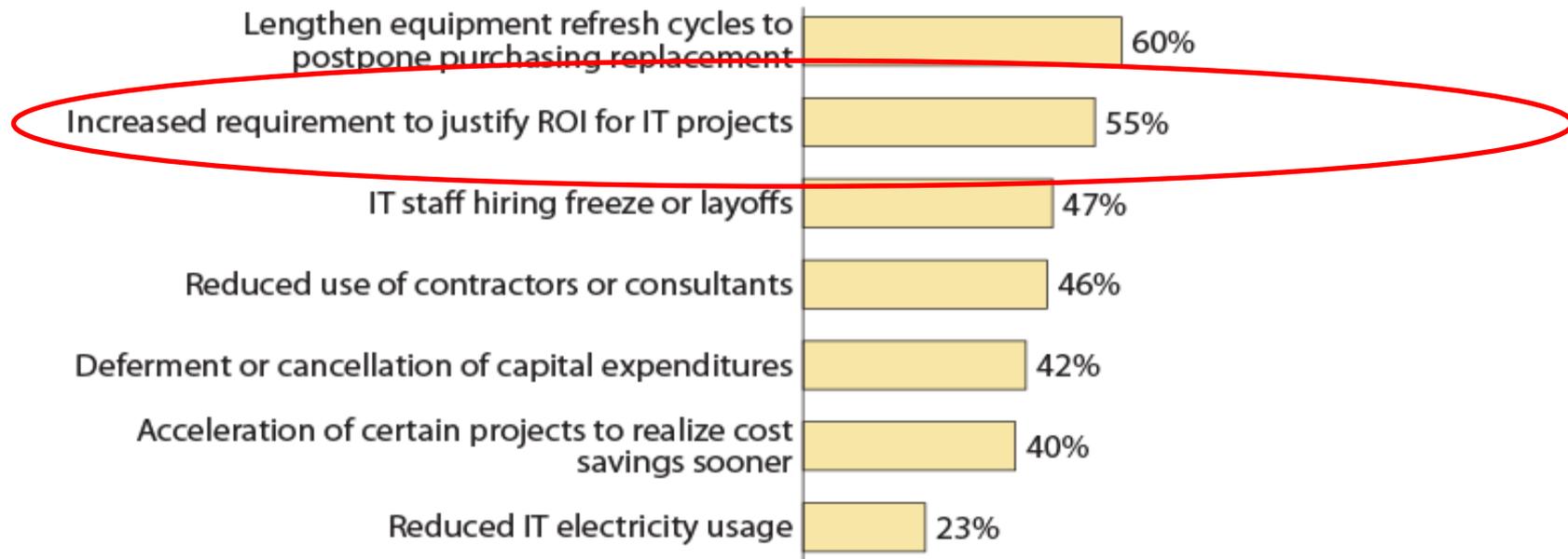


Source – IBM Mid Market thought leadership survey

2. How critical is it to address each of the following challenges with regards to improving your business performance and efficiency? Please rate them on a scale of 1 to 5, where 1 is "Not Critical At All" and 5 is "Extremely Critical".

A view confirmed by Forrester

FORRESTER®

Cost Consciousness Will Remain At The Forefront Of SMBs' Decisions**"Which of the following actions do you expect to take in the next year as a result of the current economic conditions?"**

Base: 792 North American and European hardware SMB decision-makers who have budget knowledge (multiple responses accepted)

December 2009 "The State Of Emerging SMB Hardware: 2009 To 2010"

The Majority of Major Market IT priorities focus on reliability and basic business operations.

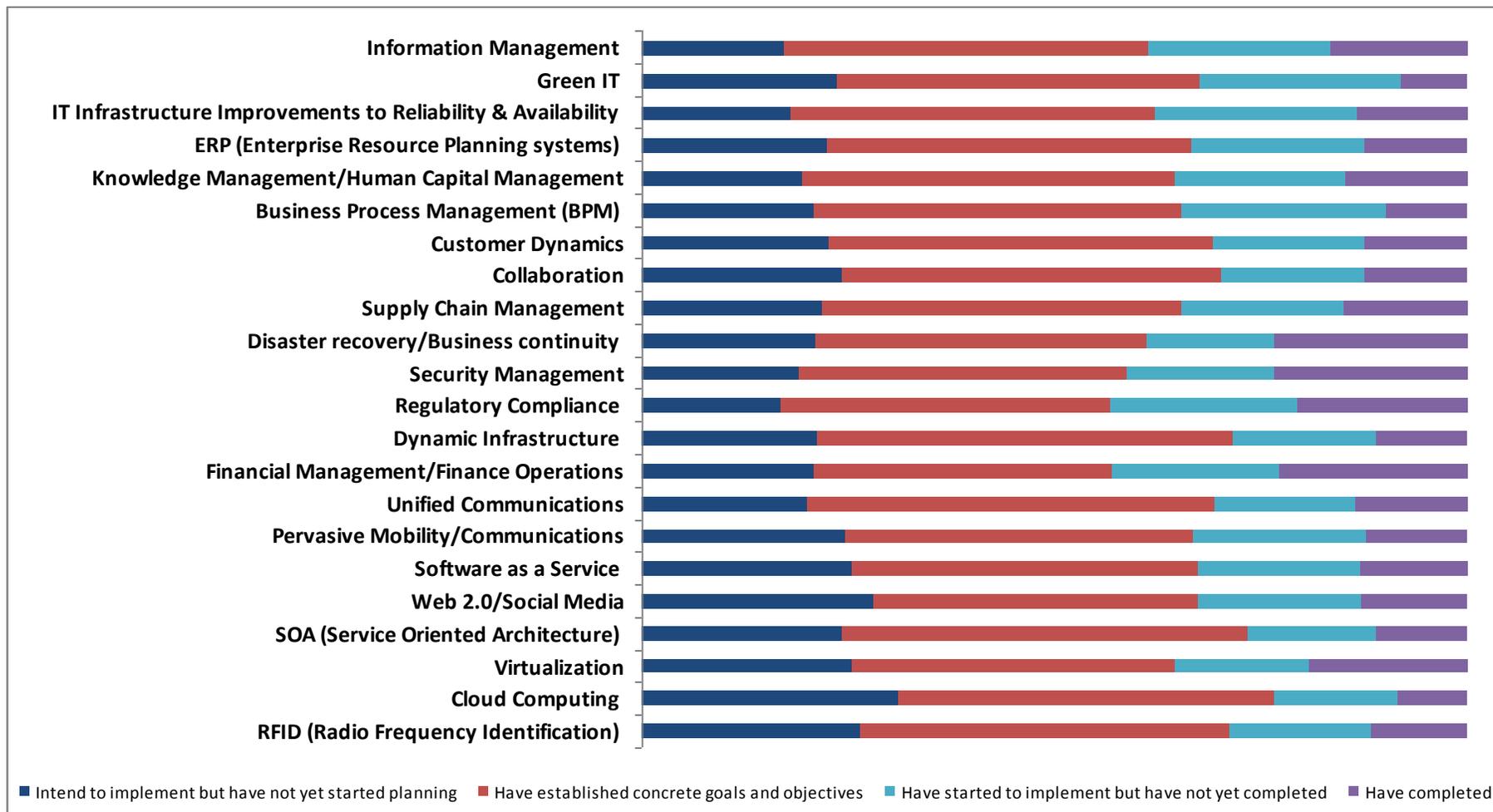
Top 10 Most Important IT Issues



Source – IBM Mid Market thought leadership survey

2. How critical is it to address each of the following challenges with regards to improving your business performance and efficiency? Please rate them on a scale of 1 to 5, where 1 is “Not Critical At All” and 5 is “Extremely Critical”.

Except for activity with Green IT, the majority of projects planned or underway align with IT priorities.



5. How critical are each of the following IT areas with regards to improving your business performance and efficiency? Please rate them on a scale of 1 to 5, where 1 is "Not critical at all" and 5 is "Extremely Critical."

An alternative view –

- **From our survey of larger Mid Market companies**

- 28% will implement a Data or Content Management project in next 18 mnths

- 23% will implement a BI project in next 18 mnths

- Approx 10% -12% are interested or very interested in;-

- Cloud
 - Infrastructure outsourcing
 - Software as a Service

Data management requirements are growing due to both information quantities and management complexity.

Code Explosion

It takes dozens of microprocessors running 100 million lines of machine code to get a premium car out of the driveway.

Source: <http://spectrum.ieee.org/green-tech/advanced-cars/this-car-runs-on-code>

Avionics

Boeing's new 787 Dreamliner, requires about 6.5 million lines of software code to operate its avionics and onboard support systems. Source: <http://spectrum.ieee.org/green-tech/advanced-cars/this-car-runs-on-code>

1 billion DVDs of data traffic

by 2014 mobile data traffic will be equal to about 1 billion DVDs. By comparison that is about the equivalent of 133 times all the data that has ever been transmitted across a mobile network since networks first were launched in the 1980s until today.

CNET NEWS [http://news.cnet.com/8301-30686_3-10449758-](http://news.cnet.com/8301-30686_3-10449758-266.html)

266.html

Millions of lines of code

The average car will have 100 million lines of code by 2010 & the Airbus A380 contains over one billion lines of code.

http://aiim.typepad.com/aiim_blog/2010/02/information_governance.htm

45% of hybrid vehicle cost

For hybrids cars, the cost of electronics as a percentage of vehicle costs is closer to 45 percent. The amount of software needed for engine control alone is nearly twice as great as that for a standard car.

Source: <http://spectrum.ieee.org/green-tech/advanced-cars/this-car-runs-on-code>

The ceiling where data becomes unprocessable is closing in, so new ways of „reading“ must evolve to obtain valuable information.

In the Year 2010

so called dark matter, named due to the challenge of extracting useful information from raw data, will make up the majority of all enterprise data stored.

<http://www.infoworld.com/d/storage/dealing-data-explosion-690>

Unstructured data

80% of new data growth is unstructured content, generated largely by email. The number of emails sent every day is estimated to be over 200 billion.

Source: 2006 Global Innovation Outlook

45 GB

of data currently exists for each person on the planet: that's a mind-blowing 281 Billion Gigabytes in total. While a mere 5% of that data will end up on Enterprise data servers, it is forecast to grow at a staggering 60% per year.

http://www.it-director.com/technology/data_mgmt/content.php?cid=11025 ref. IDC

Three Years

from now there will be more data bytes stored digitally than there are sand grains on Earth's beaches!

PCworld (ref IDC)
http://www.pcworld.com/businesscenter/article/137161/data_explosion_shakes_up_it.html

2 CDs of text

or 2 GB of plain text is the estimated amount one human being can read during its lifetime!

<http://www.theaustralian.com.au/higher-education/the-great-data-explosion/story-e6frgcjx-1225704699145>

The data is already being collected within companies – it simply doesn't reach the right people or is badly processed. New technologies lead to more and more data creation – mobile solutions and advanced internet technologies contribute most.

55% of executives

think that lacking information prioritization is the biggest impediment for good decision-making

http://graphics.eiu.com/files/ad_pdfs/Tata_KnowHow_WP.pdf

37% of executives

believe that they have good information to support sales and revenue forecasting.

http://graphics.eiu.com/files/ad_pdfs/Tata_KnowHow_WP.pdf

39-fold increase

By 2014, researchers predict, mobile data traffic throughout the world will reach 3.6 exabytes per month, or an annual run rate of 40 exabytes. This is a 39-fold increase from 2009 to 2014, or a compound annual growth rate of 108 percent. CNET NEWS

http://news.cnet.com/8301-30686_3-10449758-266.html

68% of CEOs

of mostly UK companies with more than \$1bn in revenues think that their IT systems generate large volumes of data, but insufficient actionable information is generated from the data.

http://graphics.eiu.com/files/ad_pdfs/Tata_KnowHow_WP.pdf

23% of CEOs

say they are effective in capturing and exploiting information on customer preferences and behaviour.

http://graphics.eiu.com/files/ad_pdfs/Tata_KnowHow_WP.pdf

“ ... a billion people interacting with a million e-businesses with a trillion intelligent devices interconnected ”

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Lou Gerstner 2000