



Aberdeen *Group*

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Category Spend Management: Print and Print Services

A Complex Category Made Simple

October 2006

Executive Summary

Print is a category that is complex to both purchase and manage due to numerous specifications and continuous change in requirements, each with their own pricing structure. There are various types of print, including offset and digital, as well as hundreds of differing grades of paper, inks and finishing options. The category touches various areas within an enterprise, such as marketing (including brand management), communications, finance, investor relations, human resources and many others. For this reason, the methods used to purchase printed materials or services are often fragmented with limited enterprise-wide visibility into expenses.

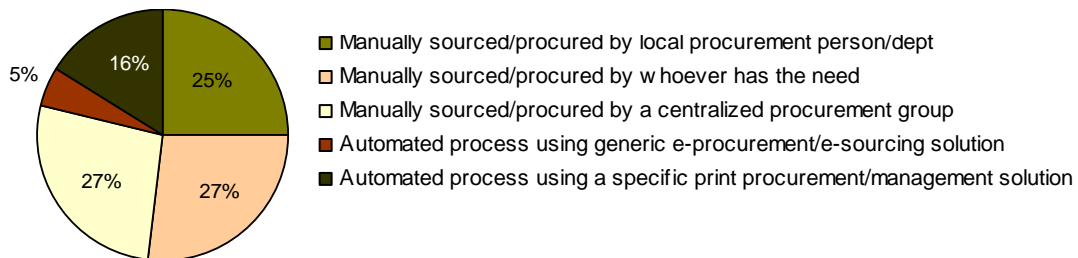
One consumer products company attributed approximately \$4.8 million in savings to the usage of print procurement technology together with a managed service provider.

However, despite the volumes spent on print and associated waste, print procurement has eluded widespread optimization to date. Print purchase requisitions are too often spread throughout an organization among employees unfamiliar with the industry. These frontline individuals are blind to true costs, the consequences of change orders, and the cumulative effect of sub-optimal ordering and over-ordering.

Key Business Value Findings

Enterprises report that their top strategic procurement action is the continuous effort to aggregate and centralize enterprise-wide spending. With the category of print specifically, Aberdeen has found that many enterprises do not leverage volume discounts but instead continue to engage multiple print suppliers and utilize ad-hoc purchasing methods that may vary in different business units or regions. A centralized approach also allows for improved monitoring and tracking of purchases. We found that on average, **41% of print is purchased off-contract**, leading to significant lost savings opportunities.

Figure i: Print Procurement and Management Processes



As shown in Figure i, approximately 80% of respondents are manually sourcing and procuring print materials and services, 27% of which is sourced and procured by whoever has the need. However, if we consider Best in Class enterprises (top 20% of performers) and how they responded to this particular question, approximately 67% of these enterprises use automated processes for print management.



Implications and Analysis

Best in Class enterprises are able to achieve significantly better results and on average, are sourcing and procuring 64% of their print online. This not only refers to their use of automation tools but also means that they have standardized policies and are involving the procurement function. These enterprises are also able to achieve faster lead times (i.e., order-to-delivery cycle time) and as a result have gained significant savings. On average, top-performing companies have realized 23% hard-dollar cost savings compared to the average of 8% for all other enterprises.

Recommendations for Action

- Assess and map out current processes for purchasing print and print services
- Streamline procurement processes and collaborate with marketing/design department
- Identify current print suppliers and optimize the supply base
- Improve collaboration between procurement and other internal functions, especially marketing/design departments
- For larger printing requirements, utilize sourcing events
- Measure and report on savings, performance and compliance with contracts

One consumer products company attributed approximately \$4.8 million in savings to the usage of print procurement technology together with a managed service provider.

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Chapter One: Issue at Hand

Key Takeaways

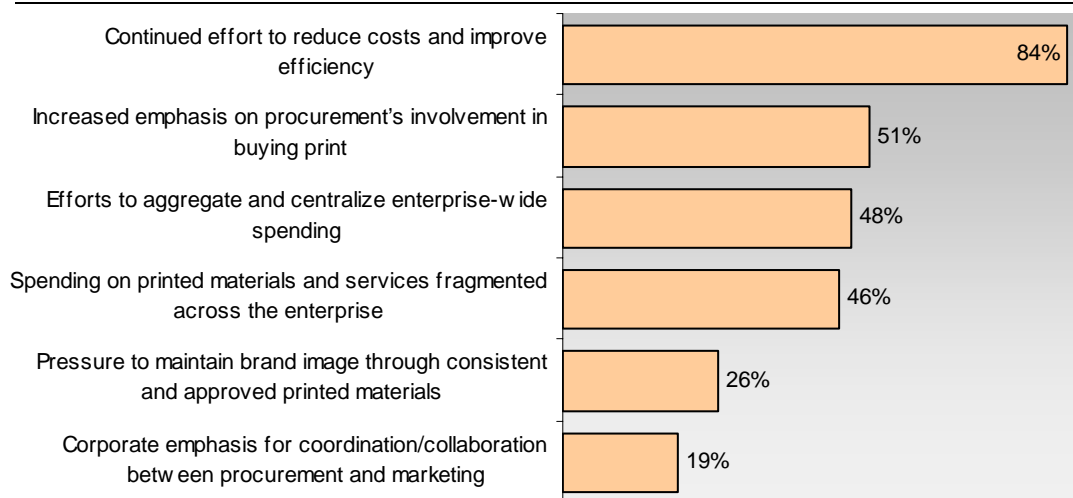
- Print is a significant spend category in many industries
- In addition to cost, print has significant impact in hard-to-quantify areas such as brand awareness and image
- Off-contract spend is rampant in print
- Performance of print suppliers is lower on average than other categories of similar sizes

Print expenses within an enterprise can be fairly significant. For example, Aberdeen interviewed a financial services company that spends over \$90 million a year on printing. With such large amounts at stake, it is no wonder that reducing costs is a primary concern. According to our survey base, print expenses, on average, account for between 3% and 5% of total operating expenses. There are several industries in which this percentage is much higher, such as the publishing industry, consumer products and financial services. In most cases, reducing costs is not the only concern; maintaining brand image and consistency is top of mind as well.

Factors Driving Enterprises

As shown in Figure 1, the biggest factor driving enterprises to improve their print procurement and ongoing print management is the increased need to reduce costs and improve efficiency, as well as emphasis on involving procurement within this process.

Figure 1: Major Factors Driving Improvement in Print Procurement



Source: AberdeenGroup, October 2006

- **Efforts to reduce print costs** – Being a fairly large area of spend for many enterprises, reducing print expenses as well as spending on other categories in general is a priority. For certain companies, such as a consumer products company with high packaging and labeling costs, this particular category of spend is of



strategic importance. This is largely due to the criticality of maintaining brand consistency and quality while keeping costs at an acceptable level.

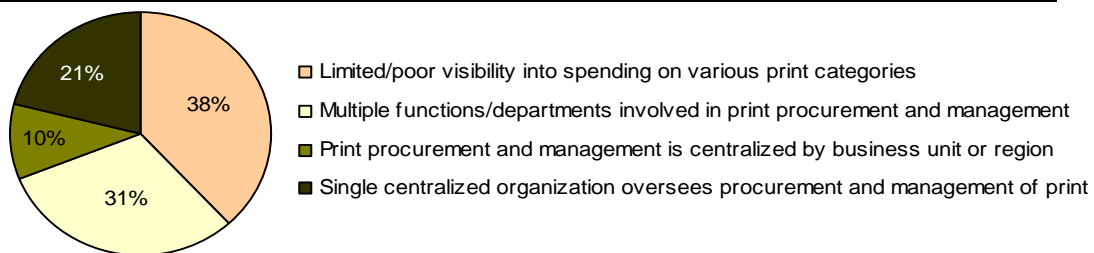
- Procurement’s involvement in print-buying decisions** – Cost is not always a focus issue when an enterprise’s printing needs are handled by the marketing or design department. Almost 50% of the survey base reports that there is an increased need for procurement specialists to be involved in buying print. Aberdeen research has shown that purchases made outside of a procurement department’s control result in premium prices, and in many cases, poor supplier performance. Ironically, the tendency of marketing professionals to stick with favored vendors for fear of lessened quality can isolate the category of spend, transitioning it from true strategic sourcing that can improve quality through more competitive bidding and systematic supplier performance measurement.

“The real benefit is not necessarily cost; it is accuracy and quality. The printed documents have to be 100% right due to various regulatory requirements and have to get out on time.”

- Procurement Group
Health Care Insurance Company
- Effort to centralize spend categories** – In recent years, the procurement function has started to show its strategic importance and it is in spend categories such as these that various functions are learning from procurement. Management centralization allows for an easier and more structured method to improve and monitor compliance. This includes analyzing spend, which results in improved sourcing of printing needs, better management and compliance with contracts, and ensuring supplier compliance with negotiated pricing.
- Fragmented and inconsistent methods of buying print** – According to nearly 45% of survey respondents, the methods used to purchase printed materials vary largely enterprise-wide. In many cases, there is no defined method; printed materials are bought on an as-needed basis with little consideration for rush charges or prior inventory (often resulting in wasted materials). Even though print is a complex category of spend, it should be approached in a systematic manner enforcing basic procurement principles.

The first step in this process is to improve visibility into how much is *actually* being spent on various print categories. As Figure 2 shows, nearly 40% of enterprises report having poor visibility and another 31% have multiple functions or departments purchasing their own printing needs.

Figure 2: Visibility into Print Expenses, Enterprise-Wide



Source: AberdeenGroup, October 2006

Chapter Two: Key Business Value Findings

Key Takeaways

- Print expenses are on the rise, according a significant number of survey respondents
- Total costs associated with printed materials exceed unit costs (including warehousing, distribution and obsolescence costs)
- A prioritized and strategic action is to centralize and aggregate spending on print and print services

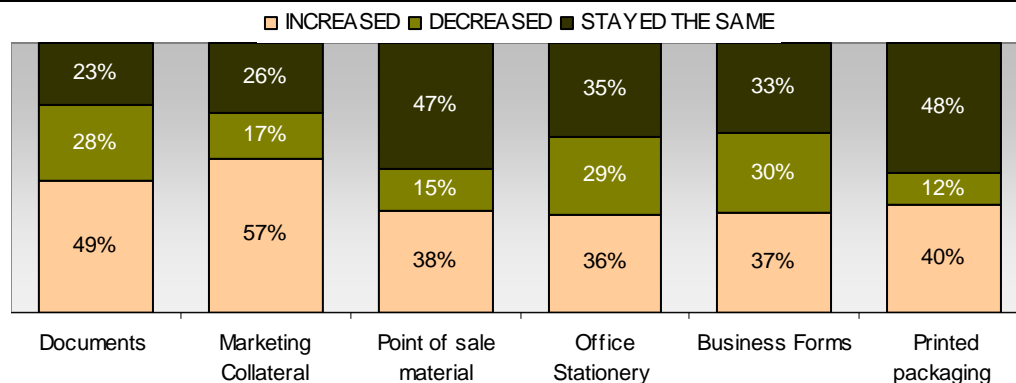
Print is a complex category to both purchase and manage due to the numerous specifications and continuous change in requirements, each with its own pricing structure. There are various types of print (offset, digital) and hundreds of differing grades of paper, inks and finishing options. Aberdeen categorized enterprise printing needs into the following *six categories*:

1. Office documents (desktop printing)
2. Marketing collateral (product, service and company collateral)
3. Point-of-sale material
4. Office stationery (envelopes, letterheads)
5. Business forms (invoices, statements)
6. Packaging materials (cartons, labels)

Print Expenses

To make things more complicated, enterprises find that it is rare to secure a printer that caters to multiple categories. Print suppliers often specialize in only one or two particular areas within which there are further categories.

Figure 3: Print Spending Trend Over Last Two Years



Source: AberdeenGroup, October 2006



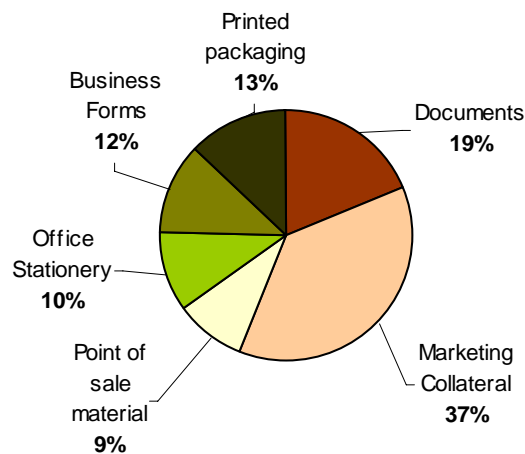
As Figure 3 shows, few categories of print expenses have decreased over the last two years; in fact, for a significant percentage of survey respondents, expenses have *increased*. Approximately 57% of enterprises report an increase in spending on marketing collateral and almost half of the survey pool reports the same for office/document printing.

On average, approximately 37% of all print expenses are attributed to marketing collateral (including product, service and company collateral) and the fact that it is trending upwards should be of concern (Figure 4). The next largest category is office or document printing, which contributes 19% on average to overall print expenses. It should be noted that these numbers differ depending on various industries, products and services.

With regards to marketing expenses, printed materials and services make-up, on average, 18% of an enterprise’s marketing expenses. Marketing expenditures are a key factor in generating sales and revenue at companies and are thus often sacrosanct in many organizations. This is even truer at companies that spend much time, money, and energy on “brand-building” marketing. However, enterprises are increasingly seeking ROI numbers from marketing initiatives and for this to happen they need to better understand marketing expenditures.

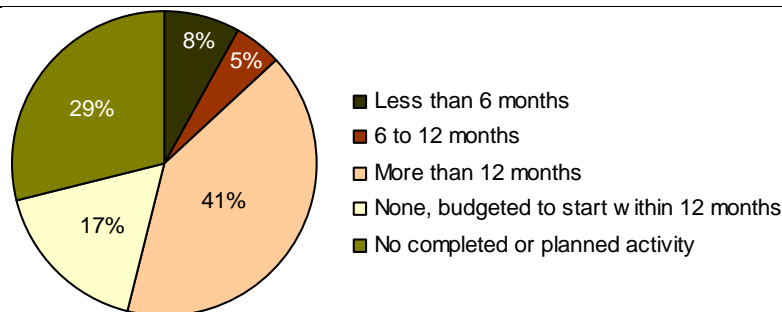
Given the significance of printing expenses, enterprises have taken the time to formalize programs around print procurement and management (Figure 5). However, there is still a significant percentage of enterprises (nearly 46%) that do not have such programs.

Figure 4: Distribution of Print Expenses



Source: AberdeenGroup, October 2006

Figure 5: Formal Print Management Programs



Source: AberdeenGroup, October 2006

Total Cost Approach

Enterprises often fail to realize that costs associated with printed materials continue to increase even after the material is printed. In many cases, organizations will print thousands of documents at a time to achieve a lower cost per unit. However, the material is not used immediately and must be stored in inventory (storage costs) until they are distributed (courier costs) or thrown away because the content of the materials become outdated (obsolescence costs). Other costs to consider include errors, reorders and rush charges which can significantly add to the total cost of printed materials.

Prioritized Actions

Enterprises reported that their top strategic action is the continuous effort to aggregate and centralize enterprise-wide spending. With the print category specifically, Aberdeen has found that many enterprises do not leverage volume discounts, but instead continue to engage multiple print suppliers and utilize ad-hoc purchasing methods that may vary in different business units or regions. A key step that enterprises are also concerned about is the ability to gather and classify spend data. Also, ensuring executive level support is critical in order to standardize print procurement policies and procedures, according to 46% of survey respondents.

Reduction of “maverick” (off-contract) buying is a common theme in various categories of spend as well as procurement overall. Compliance to negotiated contracts is certainly of importance to enterprises, especially due to the savings potential involved.

Table 1: Prioritized Strategic Actions

Aggregate and centralize enterprise-wide spending on print	52%
Improve ability to aggregate and classify spend data for printed materials	48%
Secure executive support for print purchasing policies and procedures	46%
Improve compliance to negotiated supplier contracts (i.e., reduce maverick spend)	45%
Outsource all management of print expenses	29%
Establish standard policies and procedures for sourcing, procuring, and managing print projects	28%
Support aggressive supplier rationalization under preferred supplier program	19%

Source: AberdeenGroup, October 2006

Print Sourcing and Supplier Performance

Purchasing print and securing print services are not simple tasks; there are numerous complexities that are involved. When it comes to larger printing projects, enterprises need to better understand their spend on various categories of print throughout the company. This can give them the leverage to gain volume discounts and optimize their supply base.

“We recently completed a deep dive into our print spend and have a plan to reduce our 400 suppliers (plus our internal print shop) to around 50. The company has 600 plants throughout the country and printing expenses and processes were disjointed and difficult to monitor and control.”

- Procurement manager at a large manufacturer



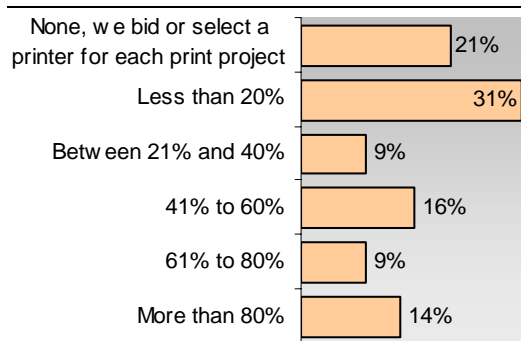
Figure 6 shows the percentage of enterprises whose print jobs are set up with a longer-term contract versus bidding out each job. According to the survey pool, approximately 21% of enterprises bid/select a printer for each project. Only 14% reported that more than 80% of their print jobs are bought on pre-negotiated contracts. Some of the more advanced procurement groups have successfully optimized their print supplier base and have identified two or three preferred suppliers for each type of print job.

However, in some cases, this is not enough, as the procurement director at a consumer products company noted, “We have preferred suppliers identified, but there is still a large amount of maverick buying, mainly due to our lack of controls and monitoring. We have a number of different manufacturing locations and a lot of them spot-buy.”

With regards to supplier performance, Aberdeen found that there is fairly large percentage of enterprises that use effective supplier performance measurement tactics (Figure 7).

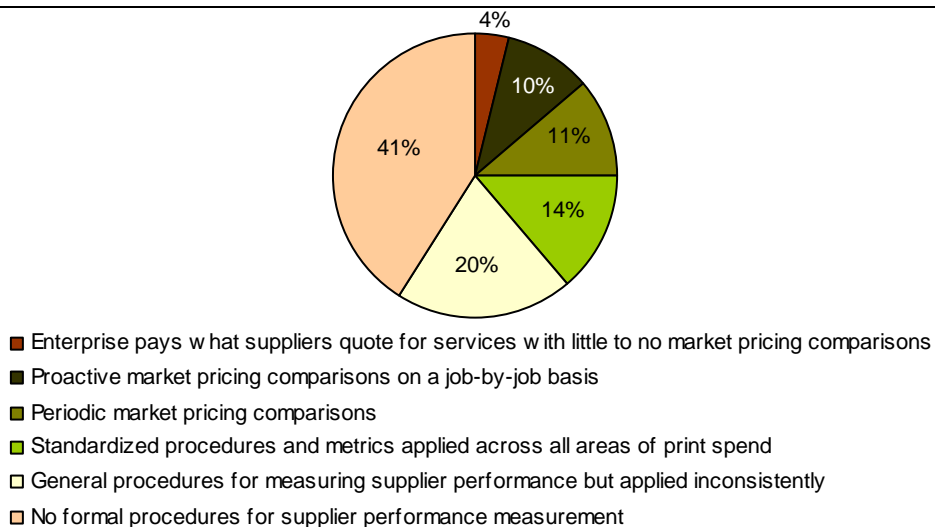
Approximately 41% reported that they have no procedures for such measurement, while nearly 21% conduct analysis on pricing (either on a job-by-job basis or periodically).

Figure 6: Print Purchased on Long-Term Contracts vs. Bidding Each Job



Source: AberdeenGroup, October 2006

Figure 7: Print Supplier Performance Measurement



Source: AberdeenGroup, October 2006



Example: A European consumer packaged goods company:

According to the procurement manager responsible for indirect print spend at a European consumer packaged good company, "We currently use an internal system for online auctions and sourcing. For example, we source creative/artwork services for a certain product category. We recently completed negotiations a two year contract to provide these services for a particular category for the whole of Europe."

"In terms of supplier performance, we measure print suppliers on three metrics that are key as we manufacture for retailers:"

- **In Time** – Referring to lead times; important due to specific launch slots to the retailers
 - **In Quality** - Consistency of colors and brand image; variances and errors are investigated and responsible parties are held accountable
 - **Fulfillment** – Ensuring that the entire order was delivered in full
-



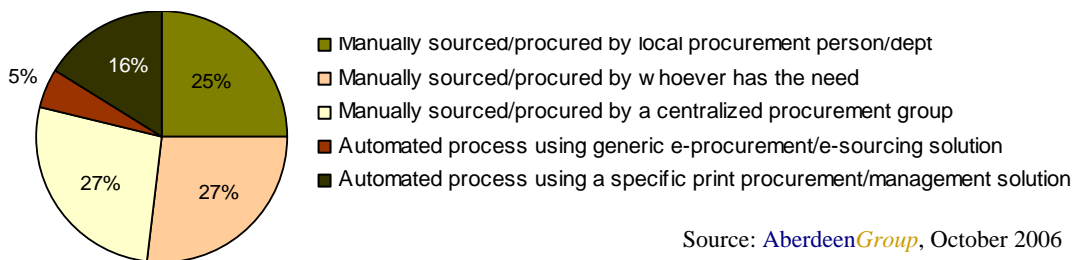
Chapter Three: Implications & Analysis

Key Takeaways

- A high percentage of enterprises continue to use manual methods to purchase print
- There is significant interest in outsourcing or using a managed service provider for the print category
- Best in Class companies, on average, source and procure a higher percentage of their print needs online, and have achieved faster order-to-cycle times and have realized 23% savings, on average

In regards to our survey pool, actual amounts spent on print categories ranges from \$50,000 to \$150 million a year for larger corporations that are in industries that require large amounts of printing. However, the processes used to manage this expense differ across all companies, with a hefty percentage still relying on manual processes.

Figure 8: Print Procurement and Management Processes

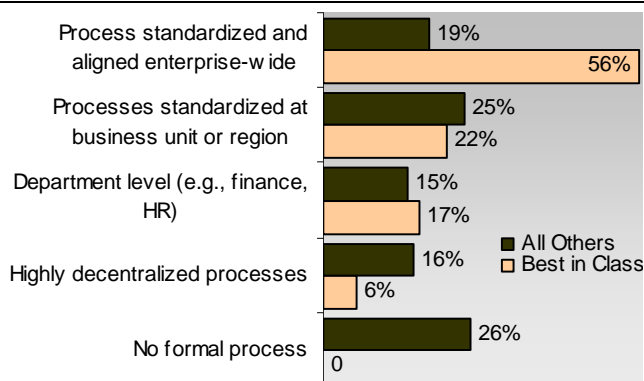


Source: AberdeenGroup, October 2006

As shown in Figure 8, close to 80% of respondents are manually-sourcing and/or purchasing print materials and services, 27% of which is sourced and procured by whoever has the need. However, if we consider Best in Class companies and how they responded to Figure 8, approximately 62% of them use automated processes.

With regards to standardization, a higher percentage of Best in Class companies demonstrate standardized and well-aligned processes (78%) whether enterprise-wide or at a business unit or regional level (Figure 9). Such processes allow for more efficient and cost-effective methods of purchasing and managing print expenses.

Figure 9: Process Standardization BIC vs. Others



Source: AberdeenGroup, October 2006

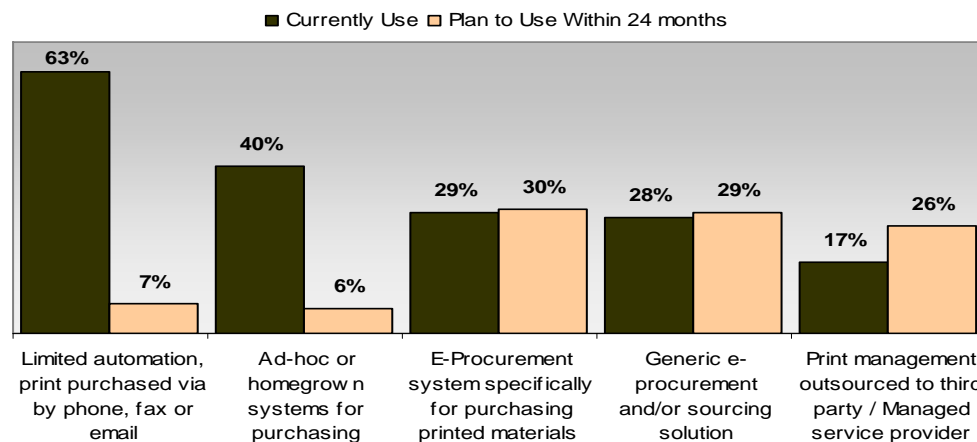
In terms of functional responsibility, the response among enterprises was varied. Although a significant percentage (32%, on average) reported that procurement is responsible for buying printed materials and print services, there were 20% that attributed this responsibility to the marketing/design function. It was interesting to note that nearly 68% of Best in Class enterprises mentioned that this responsibility falls under procurement.

Technology Solutions and Service Providers

Outsourcing the management of an enterprise’s print procurement and management is a concept that is somewhat further-developed throughout Europe than in North America. However, as shown in Figure 10, there is significant interest in print services. Approximately 17% of enterprises are currently using outsourcing to a third-party or using a managed service provider for their printing needs, whereas over the next two years, this number jumps to 26%, representing more than a 50% increase.

Additionally, the interest in utilizing e-procurement systems, whether generic or specific for print, is fairly high and continues to remain this way. Usage of more manual and homegrown systems looks to be drastically dropping over the next couple of years.

Figure 10: Automation of Travel Planning/Booking and Expense Management



Source: AberdeenGroup, October 2006

Outsourcing or Managed Services

Survey respondents have continually shown interest in print procurement outsourcing firms, or “managed service providers,” as they are sometimes called. Leveraging web-based platforms for requisition creation and category spend reporting, these solution providers handle many more value-added services a specialist can provide, such as strategically-sourcing preferred vendors, suggesting alternative printing methods to reduce costs when requisitions from business-line owners come through, and providing consolidated billing for all print spend, regardless of final supplier fulfillment.

“Our plan is to outsource this category, however, we need to have our own house in order first. We recently put in processes which will allow for aggregation of print spend, spend-tracking and monitoring and have mandated that all print is purchased via the procurement group,” according to a procurement manager at a large insurance provider.



Properly executed, outsourcing print activities to an external provider can offer the company an end-to-end print management service, encompassing creative support, template design/customization, document reproduction and proofing, and post-production inventory management and logistics. Managing inventory is a key factor, as there often can be large amounts of wasted or obsolete material that results in unnecessary costs, which is unlikely if a third-party is focused on managing this issue.

Best in Class Strategies

Benchmark participants fell into one of three categories: Laggard, Industry Average, or Best in Class, based on their characteristics in four key areas: **Process** (standardization, effectiveness, and efficiency of print management and procurement processes); **Organization** (alignment and structure around management of print category expenses); **Knowledge** (visibility into spending, compliance and performance metrics); and **Technology** (level of automation, which includes procurement and sourcing, as well as collaboration and workflow).

Quantitatively and qualitatively, companies addressing print from a procurement discipline find compelling benefits. Enterprises we have interviewed have reported more accurate orders, better category and process visibility, improved project and supplier management, and enhanced stakeholder accountability into expenses. However, exactly how do companies receive these benefits? Best in Class companies developed centralized and standardized print purchase policies and procedures, gained visibility into detailed purchasing information, and established collaboration between procurement and line-of-business (e.g., marketing) professionals that are in need of print services.

These actions were underpinned by the elimination of paper and spreadsheet-based processes and replaced with online technology solutions. More than half of Best in Class companies have reported that the availability of collaboration and project management technology was a top capability to their success, ranking it second after standardized procedures and executive support.

Reported Benefits of Automation

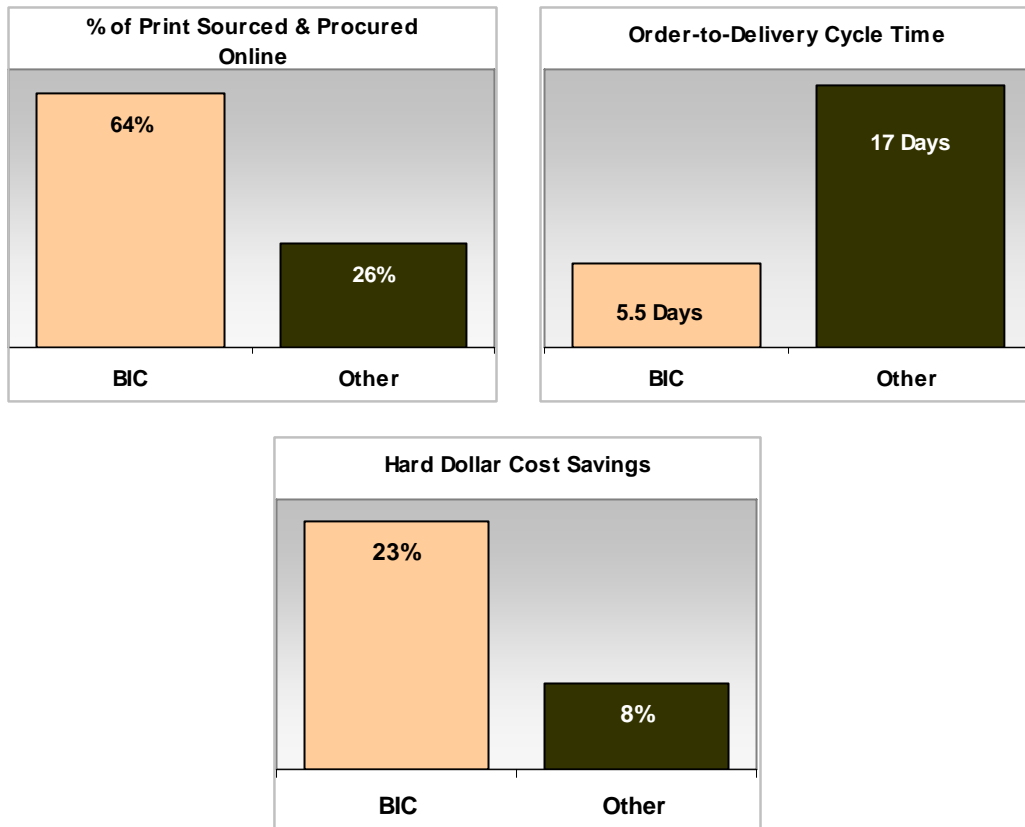
There are certainly benefits to automation, as it helps to make processes more efficient, and allows for compliance-tracking and supplier performance monitoring. One of the benefits survey respondents have received from automation is **reduced overall print spending**. This is attributed to two major factors: **increased negotiating leverage** and **improved visibility across the enterprise**. Additional benefits include **reduced order-to-delivery cycle times** and **optimization of print supply bases**.

As shown in Figure 11, Best in Class enterprises are able to achieve significantly better results. Best in Class companies, on average, are sourcing and procuring 70% of their print spend online. This not only refers to their use of automation tools, but also means that they have standardized policies and are involving the procurement function in this process. These enterprises are also able to achieve faster lead times (i.e., order-to-delivery cycle time) and as a result have gained significant savings. On average, top-performing companies have

One consumer products company attributed *approximately \$4.8 million in savings* to the usage of print procurement technology together with a managed service provider.

realized 23% hard-dollar cost savings, compared to the average of 8% for all other enterprises.

Figure 11: Key Performance Indicators (Best in Class vs. All Others)



Source: [AberdeenGroup](#), October 2006



Chapter Four: Recommendations for Action

Key Takeaways

- Streamline procurement processes and collaborate with marketing/design
- Eliminate paper- and spreadsheet-based processes, and replace them with online technology solutions
- Identify current print suppliers and optimize this supply base
- Support visibility into detailed marketing project and purchasing data

Print involves both the complexity of the printing services and the logistics of finished goods, therefore, print procurement poses unique supply management challenges. The most efficient companies will be those that can effectively build, maintain, and manage a highly flexible network of print supply partners that can be accessed as needed to provide optimal response to print demand. The following are some recommendations from Aberdeen that enterprises should consider:

Recommendations for Laggards

1. *Assess and map out current processes for purchasing print.* This includes figuring out which functions have the ability to purchase printed material and print services and determining which process they use. Identify the various printing needs required by the entire company.
2. *Eliminate paper- and spreadsheet-based processes, and replace them with online technology solutions.* Whether it is simple email-based workflow or more advanced dedicated project management, once clear policies and supplier agreements are in place, consider leveraging or expanding existing technology investments to track day-to-day purchases and supplier performance.
3. *Streamline procurement processes and collaborate with marketing/design.* Monitoring and tracking these expenditures will be a much easier task if everything is centralized. Some companies are mandating that all print-purchasing be approved by the procurement department, thereby, also leading to a more centralized approach.
4. *Identify current print suppliers and optimize this supply base.* Based on the capabilities identified, create a list of preferred print suppliers that will cater to all your printing needs and assign more than one supplier to a particular category. This list should be the result of a thorough examination of their capabilities and cost drivers. After contracts are created with each of these suppliers, you will have a network of approved printers that can meet all your printing needs.



Priorities for Industry Average Performers

1. *Improve collaboration between procurement and other functions, especially marketing.* Working together, these two groups have a better chance of reducing print expenses while maintaining appropriate quality levels (i.e., brand image).
2. *Utilize sourcing events for larger printing requirements.* There are additional savings to be realized in competitive bidding situations, where suppliers will compete by revising their quotes and reducing their pricing on individual orders.
3. *Measure and report on savings, performance and compliance with contracts.* In order to keep improving, it is important to continuously measure metrics such as compliance with contracts and realized savings.

Next Steps for Best in Class

1. *Make use of spending data to gain insight into ROI on marketing initiatives.* Marketing and sales collateral pieces are often ordered in bulk and stored for future use, however, enterprises need to gain further insight into other costs involved, such as warehousing and distribution.
2. *Support visibility into detailed marketing project and purchasing data.* The more information different stakeholders have about a company's marketing purchasing requirements, such as the difference between basic printing jobs and even branding elements like color scheme and paper stock, the better prepared individuals are to make the most cost-effective decision for the company.
3. *Consider using a managed service provider if want to focus on core competencies.* There are many cases in which an enterprise can greatly benefit from outsourcing this entire category of spend to a third-party.

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Appendix A: Research Methodology

Between September and October 2006, AberdeenGroup examined processes, technology priorities and strategic actions of 160 enterprises. Responding Procurement and Marketing executives completed an online survey that included questions designed to determine the following:

- Enterprise challenges with print procurement and ongoing management and strategies most critical for their success
- Current and future use of technology or service providers to improve processes and gain efficiencies
- Successful strategies used by top performing companies

Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on management of the procurement of printed materials and print services as well as successful strategies, experiences, and results.

The study aimed to identify best practices for print procurement and provide a framework by which readers could assess their own contract management capabilities.

Other demographics of respondents include:

- **Job title/function:** The research sample included respondents with the following job titles: Procurement executives (54%); Marketing (21%); Supply chain/Logistics (9%), Business process management (8%), IT (7%), Sales (7%)
- **Industry:** The research sample included respondents from financial services and banking (21%), consumer goods (15%), chemicals/pharmaceuticals (13%), publishing/media (11%), high-tech (10%), food/beverage (8%)
- **Geography:** 65% of study respondents were from North America, 26% from EMEA, 9% from Asia/Pacific.
- **Company size:** About 46% of respondents were from large enterprises (annual revenues of US\$1 billion or greater); 32% were from midsize enterprises (annual revenues between \$50 million and \$999 million); and 22% of respondents were from small businesses (annual revenues of less than \$50 million).

Solution providers recognized as sponsors of this report were solicited after the fact and had no influence on the direction or results of the report. Their sponsorship has made it possible for AberdeenGroup to make these findings available to readers at no charge.

Table 2: Competitive Framework

Competitive Framework Key
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the three following levels of PRINT practices and performance:</p> <p><i>Laggards (30%)</i> — PRINT practices that are significantly behind the average of the industry, and result in below average performance</p> <p><i>Industry Average (50%)</i> — PRINT practices that represent the average or norm, and result in average industry performance.</p> <p><i>Best in Class (20%)</i> — PRINT practices that are the best currently being employed and significantly superior to the industry norm, and result in the top industry performance.</p>

Source: Aberdeen Group, October 2006



Appendix B: **Related Aberdeen Research & Tools**

Related Aberdeen research that forms a companion or reference to this report include:

- [The Category Spend Management Report Series 2004: Advertising, Marketing, and Printing](#) (September 2004)
- [Best Practices in Category Spend Management: Travel – Success Strategies for Policy, Supply, and Regulatory Compliance](#) (September 2005)

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