

## Despite Economic Downturn, SoundView Survey of Leading Retailers Finds that IT Spending Remains Robust

*IT investment “no longer optional”; new players and new supply chain approaches emerging*

**OLD GREENWICH, Conn., September 9, 2002** — A recent survey of leading retail executives, conducted by SoundView Technology Group, Inc. (Nasdaq: SNDV), a technology focused investment banking firm, finds that, despite current economic conditions, retail IT spending remains robust and continues to outpace overall applications spending. Almost 90 percent of the survey respondents indicate that IT budgets would be flat to up for 2002, compared to the previous year - with supply and demand planning technologies receiving the largest share of investment and revenue enhancement and cost containment driving current investment.

“We remain bullish on the retail IT vertical,” said Peter Coleman, Principal or Senior Analyst at SoundView Technology Group, the survey’s author. “Retail historically has under-invested in IT. However, as the industry matures and competition grows, efficiency has become a leading driver for success. Investing in IT is no longer optional for many retailers.”

The survey, which was published as part of the *SoundView Retail IT Survey* (July 26, 2002), a wide-ranging report on recent developments in retail IT, found that:

- **Retailers continue to invest in IT:** Half of those surveyed (50 percent) expect their IT budgets to increase during the current fiscal year, with only 11 percent indicating that spending may decrease.
- **Revenue enhancement and cost containment are the leading catalysts:** More than half (53 percent) of the respondents cite revenue enhancement as the main driver of investment, closely followed by cost containment at 32 percent.
- **Many retailers continue to rely on homegrown solutions:** About half (47 percent) report that their current IT budget is focused mainly on internally developed systems, as opposed to packaged solutions. However, almost two thirds (61 percent) of the survey participants expect to spend more on packaged solutions over the next 12 to 24 months.
- **Merchandise planning is now the main area of focus:** During the next 12 to 24 months, software investments will be focused most heavily on supply planning (58 percent), demand planning (53 percent) and warehouse management systems (53 percent), according to the retailers surveyed.

The survey also singled out new and fast-growing players in such areas as merchandise planning and optimization that are gaining significant traction. “We expect a number of new entrants to emerge during the next several quarters, especially in the areas of pricing, planning and organization, and the newly defined area of lead time optimization (LTO),” Coleman said. “SupplyChainge is a relatively new entrant to the retail technology industry and has been focused on pioneering the new concept of LTO. SupplyChainge’s LTO suite optimizes upstream supply flexibility as the key element in hedging against markdowns and lost demand. The company estimates that LTO-enabled retailers and manufacturers can improve product line profitability 70% to 100%+. To increase the leverage of its message, the company has aligned itself closely with several influential retail participants, including Infosys Technologies.”

Earlier this year, Infosys ([www.infosys.com](http://www.infosys.com)), a world leader in consulting and information technology services, formed a strategic alliance with SupplyChainge ([www.supplychainge.com](http://www.supplychainge.com)) to introduce lead time optimization™ (LTO) to retail and manufacturing clients. Under the alliance, Infosys is working closely with retailers and manufacturers to implement SupplyChainge’s LTO software, designed to increase visibility into their supply chain while decreasing the risks and costs associated with inventory management.

Coleman also praised Marketmax ([www.marketmax.com](http://www.marketmax.com)) for its innovative retail applications. "Marketmax's solutions target the core fabric of a retailer's technology infrastructure, optimizing such critical functions as financial planning, assortment planning and space optimization," Coleman said. "The integrated work-flow approach has been paying off for Marketmax as the company has won a number of multimillion-dollar deals. The company has experienced significant revenue growth of approximately 60% in 2001, despite broader weakness in software." Marketmax's clients include major retailers such as Kohl's, Marks & Spencer, Amazon.com and Lowe's Home Improvement Warehouse.

Survey respondents included corporate-level executives and operational managers from leading retailers across the U.S. The majority of respondents have annual IT budgets under \$250 million, while nearly 10 percent of those surveyed spend more than \$1 billion annually on IT infrastructure.

"This survey confirms that, despite the economic slowdown in IT, the retail technology space remains an unusually vibrant sector," said Renny Smith, Managing Director, TH Lee Putnam Ventures, an investment firm that provides development capital to companies that commercialize digital information technologies and the lead investor in Marketmax. The winners in the next generation of IT companies will be those that apply existing technology to address complex business issues like demand management in retail and consumer products."

#### **About SoundView Technology Group**

SoundView Technology Group, Inc. (NASDAQ: SNDV) is the parent of SoundView Technology Corporation, a research driven securities firm focused exclusively on the technology sector. SoundView's services include investment banking, M&A, institutional sales & trading and venture capital. SoundView produces comprehensive sell-side equity research on over 180 technology companies and industries. For more information, please see [www.soundview.com](http://www.soundview.com).

#### **About TH Lee Putnam Ventures**

TH Lee Putnam Ventures ([www.thlpv.com](http://www.thlpv.com)) is a New York-based \$1.1 billion private equity fund affiliated with Thomas H. Lee Partners and Putnam Investments. Lee Putnam Ventures provides growth capital to mid- to late-stage companies whose strategic success lies in the successful utilization of information technologies.