



Building on IT 2010: First IT expenditure benchmarking report dedicated to the UK Construction industry for 18 years now available

A report of IT expenditure and technology trends in the UK Construction Industry

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A new IT benchmarking report designed specifically for the construction sector has been published by **The Knowledge Practice**, in association with **Construct I.T. (Salford University)** and the **National Computing Centre (NCC)**. The survey report provides a comprehensive picture of IT expenditure and future plans in the UK's Top 200 construction organisations covering building and civil engineering contractors, professional services/ design firms, house builders and property developers.

The aim of the report is to provide construction industry IT Managers, CEOs and Finance Directors with:

- A clear representation of the impact that the latest financial and economic crisis has had on IT investment in the construction industry
- A detailed comparison of current and planned IT expenditure in firms of similar type and size in the UK construction sector focusing on three principal types of construction business
- A set of key trends for enterprise spend on areas such as staff, hardware infrastructure, software, telephony and data networking
- Access to industry-wide, enterprise-level IT benchmarks and IT investment ratios.

Key findings include:

- The general outlook for IT budgets in construction looks fairly lean with an overall reduction across all firms forecast of 4% compared with 2009 and with over 50% of companies predicting IT budget reductions of 10% or more
- ***Capital expenditure levels were pared back in 2008/09 by an average of one third with some smaller Professional Services/ Design firms cutting back even further, and in some cases calling a complete halt to new IT investments.*** Companies are waiting to see how the economy improves before they are willing to reinstate funding for major software upgrade and infrastructure renewal projects. 90% of firms say are planning not to increase capital budgets until the outlook improves
- Software is the only category of IT expenditure where firms have predicted that there will be an overall net increase. Many firms are seeking to take advantage of lower price levels of commoditised IT infrastructure services and to reinvest savings on new-breed of software applications.

- Average IT expenditure is now 0.74% of turnover for contractors, 0.80% for house builders and developers and 3.60% of fee income for professional services/ design firms.
- The median value from the survey sample (all-firms) was £2,200 which is approaching levels in the manufacturing sector (£2,790). Larger contractors (>£1,000M turnover) with median expenditure of £3,258 per head are now equal to the all-sector median level of £3,227 per user recorded in NCC's pan-industry 2009 survey.
- **Average IT expenditure per head for contractors is £2,685 and only marginally lower at £2,665 per head for professional service/ design firms.**
- 25% of all IT expenditure in the construction industry is on telecommunications covering data networking, office telephony and mobile phones
- The total value of IT expenditure in the UK construction sector now tops £1 BN annually which represents 1.2% of total construction output value and shows that IT expenditure in the construction sector has grown by over 60% when compared with results from the last similar benchmark study was undertaken in 1992 (*Building on IT – KPMG/ CICA*).

Copies may be obtained by telephoning **The Knowledge Practice** (www.tkp.co.uk) on 020 7084 5735) or by emailing Benedetta Crisafulli at benedettac@tkp.co.uk.

Copies of the report may also be obtained from Construct IT and NCC.

The report is priced at £45 (printed version) or £90 in electronic format licensed for full corporate distribution. Special member rates apply for organisations that are members of either Construct IT or NCC.

Ken France, Building on IT Survey Director, The Knowledge Practice, commented:

“Building on IT report 2010 reveals that the general outlook for IT budgets in construction looks fairly lean. IT departments will, at best, only be able to keep budgets flat-lined. If there is no resumption of normal growth over the next 1 – 2 years companies are prepared to make fairly significant cuts in IT operating expenditure, and capital expenditure has already been significantly reduced below recent historical levels.”

“The construction industry continues to pay heavily for its telephone, mobile and data networking services as a proportion of the IT budget. This is one area where costs have started to come down with increased competition in the telco sector making it, potentially, the biggest area of opportunity for construction companies to make significant, short term reductions in IT spend.”

“In the medium to longer term, companies will start to exploit some excellent opportunities offered by newer technologies such as virtualisation, Software as a Service (SaaS) and Cloud computing for more flexible and lower cost computing services. The current recession could provide the necessary stimulus for construction firms to start looking at these as a way of reducing the basic cost of processing and data storage, while releasing resources for investment in the next generation of business-process centric software applications.”

“Although there are still questions over the state of the economy and the impact of future budgetary cuts, IT remains a core part of construction companies' investment and IT departments can drive high value added to the business.”

Notes to Editors

Building on IT 2010 is one of a series of surveys that aim to produce a comprehensive profile of IT usage, expenditure trends and future technology plans for the UK construction industry's Top 200 firms analysed by company size and industry market sub-sector.

The report provides a comprehensive analysis of the IT cost reduction and cost effective measures in the Construction industry. We look at the importance of IT in this sector and report on expenditure trends across the UK Construction sector and look forward, with the aid of UK construction industry's Top 200 firms, at the big trends set to impact on IT in the future.

Building on IT survey partners

The Knowledge Practice:

TKP consists of over 1,200 management consultants and interim managers, each selected for their track record of successful delivery, covering a wide range of management disciplines and technical expertise.

Building on IT focuses exclusively on the construction sector and supports clients in the delivery of leading edge and cost effective IT solutions for their organisations. www.tkp.co.uk

National Computing Centre (NCC)

The National Computing Centre (NCC) is a corporate membership body in the UK IT sector and champions the effective deployment of IT to maximise the competitiveness of its members' business, and serves the corporate, vendor and government communities. www.ncc.co.uk/cas

Construct IT

Construct IT For Business is an industry-led non-profit making collaborative membership-based network, comprising leading edge organisations representative of the construction industry supply chain in addition to professional institutes and R&D/academic institutions. Its aim is to improve industry performance through the innovative application of IT and act as a catalyst for academic and industrial collaboration. The mission of Construct IT is, "to be an effective enabling and co-ordinating force (agent) in the application of IT within the construction process as a contribution to innovation and development of best practice". www.construct-IT.org.uk