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WEEKLY INSIGHT
Season of R&D grants
This month the European Union has presented the Sixth Framework Programme, a scheme whose main aim is to strengthen research and technological development, a sine qua non condition to economic and social development, according to the European Research Area (ERA).
The sixth edition of the programme runs from the end of 2002 through to 2006 and has an overall budget of €17.5 billion, which is 17% more than the last programme.
Simultaneously, the term for requesting grants for the Spanish Technical Research Programme (PROFIT) has begun. The plan, with a budget of €545 million for 2003 according to the Ministry, will try to boost the application of new ideas to the production process, increase the capacity of the technological absorption of businesses and foster the creation and development of companies with a high technological content.
The start of both schemes coincides with the publication of the survey by the Confederación Española de Organizaciones Empresariales (CEOE), which warns that the lack of technological and innovative investment is damaging Spanish productivity.

Highlights
- The first edition of the Framework Programme was in 1984 and had a budget of €3.27 billion. The European Commission will assign 3.4% of its overall budget, that is 17.5 billion, to the Sixth Framework Programme. Of this amount, €3.6 billion will be allocated to information technology research, one of the seven key areas of this programme.
- The USA, Japan and Europe recognize the need for an efficient research and technological development policy to increase business competitiveness. However, Europe only assigns 1.8% of its GDP to R&D, compared to 3% invested by the USA and Japan.
- PROFI, the Spanish programme, is integrated in the Scientific Research, Development and Technological Innovation...
National Plan (2000-2003). In 2001, the number of R&D projects applied for grew by 16%, while the increase of applications for 2000-2001 was 73% compared to the previous two year-period. A World Economic Forum survey reveals that the competitiveness index of Spanish companies has fallen from 24th to 25th position in 2002. In the last five years, Spain has lost three positions in the ranking of competitiveness, a concept directly related to the sophistication of its companies and the facilities that microeconomic politics concede to companies for their development.

**Press Review**

**From Business Europe**

“Xabier Goenaga, head of the SME research unit at the EC, said innovative SMEs were ‘essential’ for the competitiveness of the European economy. He added that the firms were a, ‘prime source of dynamism and development of new products and markets’ and called on them to ‘constantly innovate and help develop new technologies’.

(…) ‘The FP6 [Sixth Framework Programme] is serious about SMEs,’ he said. ‘It acknowledges the key role they can play in improving European competitiveness and in creating employment, and an important share of the budget has been allocated to them’.” [Full Story]

**From La Vanguardia**

“In spite of the rather unfavourable trajectory of the global economy and particularly that of the United States, the information and communication technologies (ICT) continue to dent productivity. According to the latest Bureau of Economic Analysis publication, the productivity of the North American economy advances at an annual rhythm of 4%. Productivity improvements apart, another effect of the ICT introduction is the improvement in competitiveness. On the one hand, it provides a huge amount of information that in the markets is conducive to having a better working of the pricing mechanisms and therefore, competitiveness. On the other hand, it reduces the costs of setting up a company, which translates into more competitiveness”. [Full Story]

**From CW360º**

“[According to Per Haugaard, commission spokesman on technology matters,] ‘Helping develop it is important for ensuring demand for future services.’ The IT budget is an important tool for the EU to ensure that its industries remain competitive in the future. ‘Especially now, during difficult times, it is important to remain focused on research and development’.” [Full Story]

**Commentary by…**

Andrés Font, Analysis and Prospective Manager, Fundación AUNA

**R&D: more questions than answers**

The relation between science, technology and economic growth has been a recurrent theme in economic forums over the last few decades. Its importance has increased with the emergence of the so called Information Society, based on technological development and innovation. That has been like that to such an extent that, currently, nobody risks holding the idea that an economic development without R&D is feasible in the long run. The ‘R&D national systems’ have become the object of attention and worry for the governments of most developed countries, not only for their importance for the economy, but also for the increasing complexity to plan and manage R&D systems, which in fact contribute to national competitiveness in a global economy. From the initial 'science push' models (driven by mere scientific development), to the 'market driven' ones (driven by market demand), to the 'coupling model' ones (where innovation is considered as a complex aggregation process –not linear–), the diversity of models shows the difficulties that governments face to carry out their R&D policies.

Is it necessary to favour basic science or applied science? Must ‘winning’ technologies be preselected or must the market be allowed to do so? Is it opportune to encourage innovation patents to foster innovations or would this damage their social diffusion? Must R&D activities or scientists benefit from fiscal incentives?

If the answer is affirmative, are they desirable? Must priority be given to public or private R&D? And this is just a very short list of dilemmas that every government has to face when it develops a R&D national system. Most of these questions still don’t have answers that can be upheld in rigorous empiric analyses.

There is, however, an essential prerequisite for any R&D success: it must coherently integrate production, marketing, financing and education with the economic policy of the country.
REPORTS

Insecurity sensation persists among online buyers
Title: Online Holiday Shopping
Source: Business Software Association (BSA)
Date: November 2002
Abstract: A survey elaborated by BSA among 1,094 Internet users shows that 93% of American Internet users have bought something online, while 64% are more likely to shop via the Internet now than two years ago. On the other hand, 70% of those interviewed plan to conduct some of their shopping online this holiday season. As in other studies, the report points out that books and videos (65%) are the most common online purchase, followed by music CDs (53%), clothing or accessories (46%), and computer software or hardware (35%). BSA experts maintain that many users feel certain worries when they buy online. 65% of users are concerned about how their personal data will be used and 56% about the fact that this information can be stolen. Nearly 42% of Internet buyers are concerned about receiving spam after purchasing a product through the Internet, while 36% are worried about the dangers involved in transmitting credit card numbers via the Net.
[Full Story]

Competitiveness improvement, the main benefit of Intranets
Title: Measuring the ROI of Intranets
Source: Prescient Digital Media and Katz School of Business of the Pittsburg University
Date: 2002
Abstract: Measuring the ROI of an intranet appears to be more art than science. Indeed, few organizations are actually measuring an Intranet’s benefit in monetary terms. The Prescient Digital Media and the Katz School of Business at the University of Pittsburg have conducted a survey to identify the major benefits of Intranets. Although they are elaborating the second part of this two-part survey now, the results of the first part, conducted in the spring and summer of this year among 275 participants, are available. According to the report, 90% of those interviewed consider that the main benefit is competitiveness improvement, followed by content management optimization (87%), the improvement of the communications (87%), a hard cost reduction (86%) and a better client service (85%). Traditional areas of focus for ROI benefits, including procurement (63%), sales (81%) and time to market (71%) were rated among the lowest benefit categories.
[Full Story]

99% of online music files were unauthorised
Title: Music Piracy Report 2002
Source: IFPI
Date: 2002
Abstract: In 2001, approximately 99% of music files available online were unauthorised says the IFPI, representing the recording industry worldwide, in its survey Music Piracy Report 2002. The IFPI estimates that in May 2002 there were approximately three million users and 500 million files available for copying at any one time on all of the peer-to-peer services worldwide. Moreover, there are approximately 200,000 Web and FTP sites hosting or linking to some 100 million unauthorised recorded music files. According to the report, important developments in the move away from a largely pirate internet market towards a true digital music market include the appearance or development of several legitimate online music services such as the launch of MusicNet, pressplay and Rhapsody in the US. Innovative models such as OD2 launched in Europe, while Europe-based consumer services such as Vitaminic and Musiwave continued to expand.
[Full Story]

European ICT, behind the USA
Title: Measuring the Information Economy
Source: Organisation For Economic Co-operation and Development (OECD)
Date: 2002
Abstract: An ever increasing number of people in OECD countries are hooking up to Internet at home but fewer than
50% of them access it daily. When they do go online, it's mainly to e-mail and check prices, not to make purchases. In countries where more than 70% of individuals search for prices online, only 20 to 40% actually buy over the Internet. In fact, online transactions account for only 2% of total sales in 2002 and the overwhelming majority of these sales are to domestic customers.

The report also identifies several positive trends. **Investment in information and communication technologies** has been the most dynamic component of overall investment over the last decade, **rising from less than 10% of total non-residential investment in the business sector in the early 1980s, to between 10% and 35% in 2000**.

In spite of everything, most **European countries**, with the exception of those in northern European, are **lagging behind the United States** in terms of **specialisation in ICT production and diffusion**.

**COMPANIES**

**Amazon to run online music shop CDnow**

Jeff Bezos’ company will operate CDNow’s Web site, although it will **continue to belong to Bertelsmann**. The agreement establishes that Amazon will manage the sales, but will pay a percentage of the sales price to the German group.

From **New York Times** [Full Story]

**NTT will invest €4.1 billion in broadband**

Nippon Telegraph & Telephone (NTT) estimates that its **revenues from conventional telephones will fall 80%** in the next five years. To cover these losses, the Japanese operator will invest **€4.1 billion in broadband**.

From **CNN** [Full Story]

**WE RECOMMEND**

**The 100 most profitable IT companies**

*Business Week* magazine has elaborated a ranking with the 100 biggest, fastest-growing, most profitable and with best returns IT companies- with data supplied by Standard & Poor’s.

**CACI International** and **GTSI** rank first and third, respectively, in *BusinessWeek'*s Info Tech 100. They are **computer providers for the Pentagon and the Government**.

The biggest dot-com star remains **eBay (5)**. It’s a natural winner in a down market: Hard-pressed users raise cash by selling baseball cards and old trumpets. And it has become a familiar rite for companies gone belly-up to unload their PCs and routers on eBay.

According to the magazine, each of our eight sectors declined following a punishing stock market ride and the whole list dropped 16.2%. In this sinking market, **Internet companies** on the list fared better than the others, **dropping only 4.4%**. Two of the brightest stars are in travel: Hotels.com and Expedia has obtained the best results.

From **Business Week** [Full Story]

**Reaching the Next Generation**

Current kids are the first to have grown up never knowing a world without the Internet. For advertisers and news executives who want to reach this generation -soon to enter its teens- it’s crucial to understand this shift. This media transition will be bigger than the impact of television on Boomers. TV really wasn’t a new medium -it was radio with pictures. The social context of broadcast had been established by radio decades earlier: the notion that millions of Americans sit in front of boxes in their living rooms, entertained by distant personalities funded by advertising.

A truly interactive medium such as the Internet, however, is another matter. There are a couple of early lessons one can draw about what the next generation is going to expect from media: first, the ability to **customize all content**, and second, **built-in tools enabling the user to act on that content**. For example, who will buy an entire CD for only a few songs, when it is possible to download the exact tracks they want? On the other hand, once they learn about something in media, they will want to be able to immediately take action.

From **MSNBC** [Full Story]

http://www.ebcenter.org/newsletter/newsletters/EnglishNewsletter/EnglishNewsletter_02_12_02.htm (4 of 5) [28/10/2003 16:11:45]