



April 2024

State of Enterprise Tech Spending



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Tech Spending Picks Up as AI Drives Growth + Disruption

AI is putting wind in the sails of enterprise buyers, who remain enthusiastic about the technology's ability to enhance productivity and automate routine tasks. In the market, we see both established incumbents and agile startups compete for the attention of buyers who are increasingly interested in experimenting with new vendors.

MACRO AND TECH SPEND

1. TECH SPENDING HOLDS STEADY

Only 22% of CXOs expect to decrease budgets this year, down from 27% this time last year, suggesting that tech buyers are seeing signs of market stability.

2. AI + DATA SPENDING = PRIORITY

Generative AI skyrocketed to the #2 priority for enterprise tech buyers, a powerful signal of buyer intent, with data warehouse and data ops following right behind.

GENERATIVE AI

3. GENERATIVE AI REMAINS A NEAR-TERM FOCUS

84% of enterprise buyers expect to deploy generative AI / LLMs in production in the next 12 months, slightly up from 79% only 6 months ago.

4. GENERATIVE AI ISN'T OFF-THE-SHELF READY (YET)

Of the companies who are leveraging generative AI / LLMs in production, 89% of them use more than one tool / technique to improve performance.

AI COPILOTS

5. AI COPILOT INTEREST REQUIRES ENTERPRISE OVERSIGHT

75% of enterprise tech buyers are looking to implement AI-powered copilots, but only 29% of those are willing to let employees implement their own.

6. AI COPILOTS FROM INCUMBENTS VS. STARTUPS

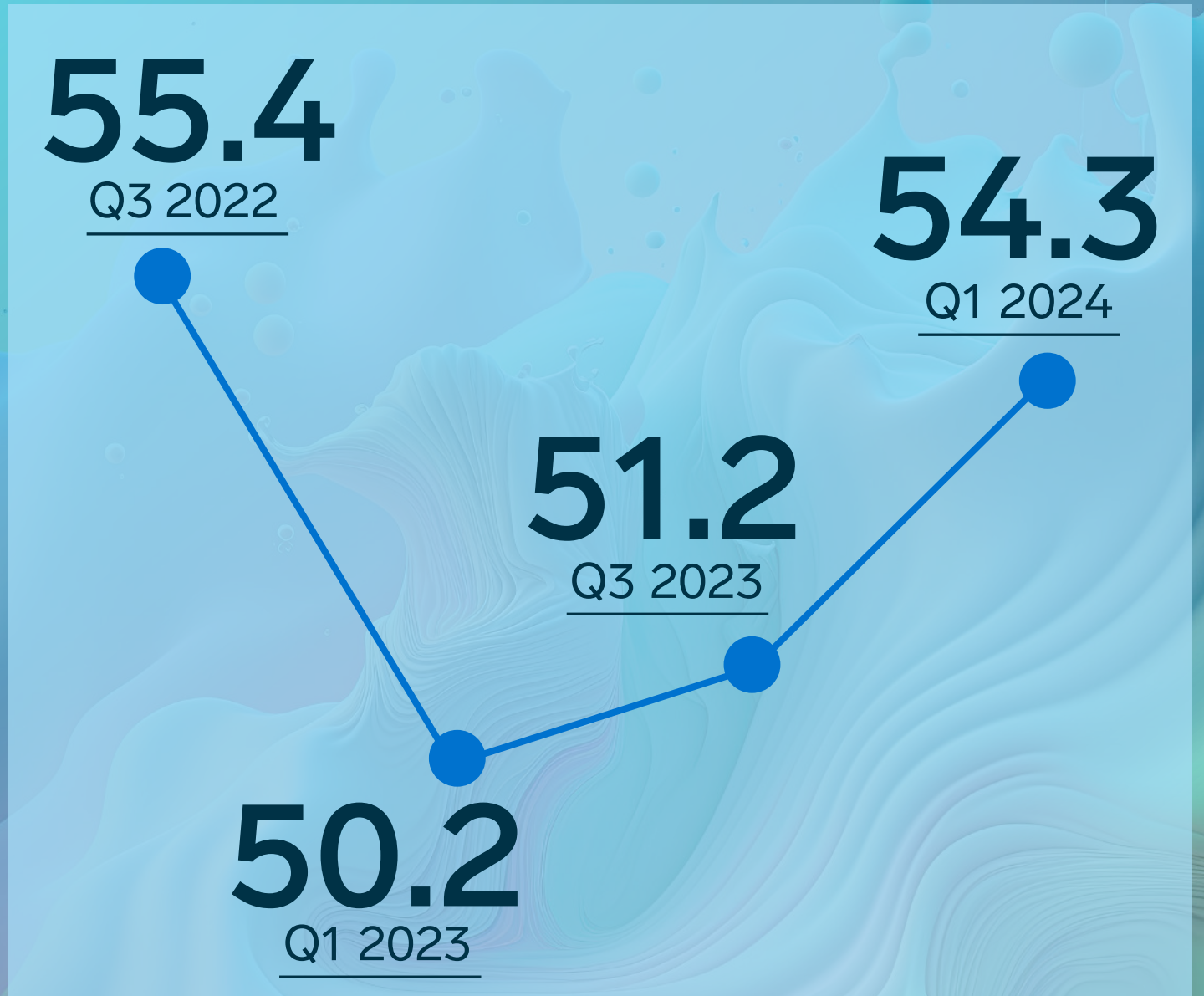
Nearly half – 45% – of enterprise organizations are interested in exploring what new vendors have to offer when it comes to AI copilot capabilities.

Enterprise Tech Spend Sentiment Index

Buyer sentiment continues to rise, relative to prior quarters, which could indicate a rebound in technology spending from buyers across industries.

We attribute this rebound to sustained buyer enthusiasm for AI and ML tooling, coupled with increased market stability, and anticipate that it will extend into how enterprises predict and plan for their futures.

Source: Battery Q1 2024 Cloud Software Spending Survey
This presentation includes proprietary information of Battery Ventures



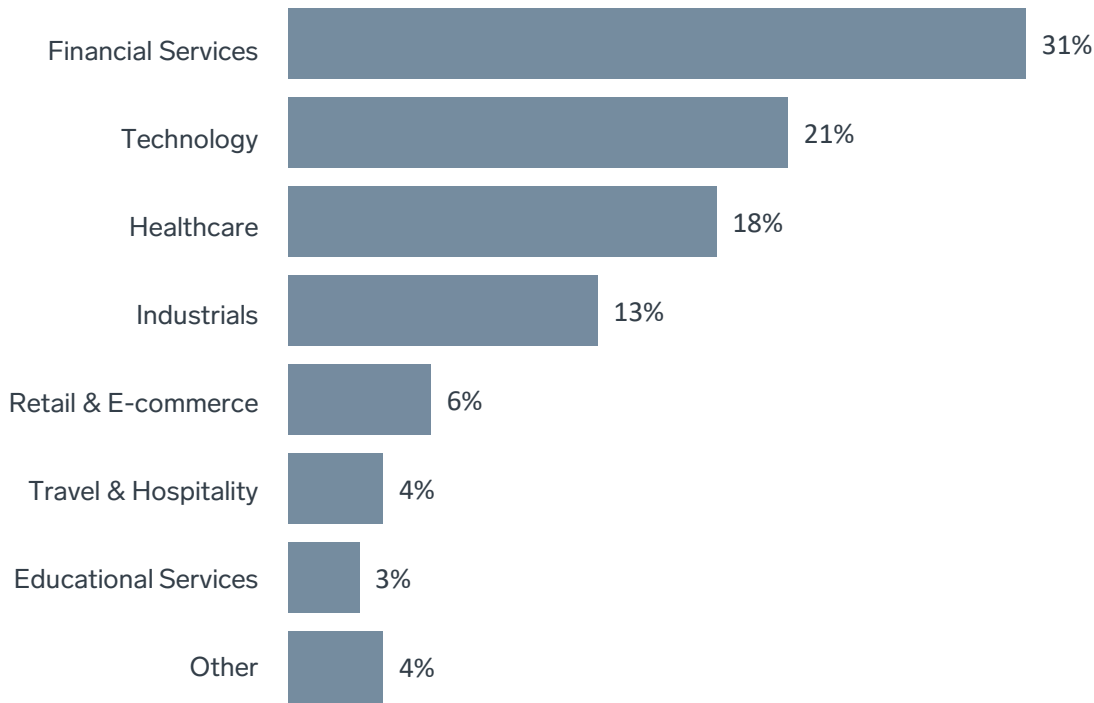


Demographics and Macro Trends

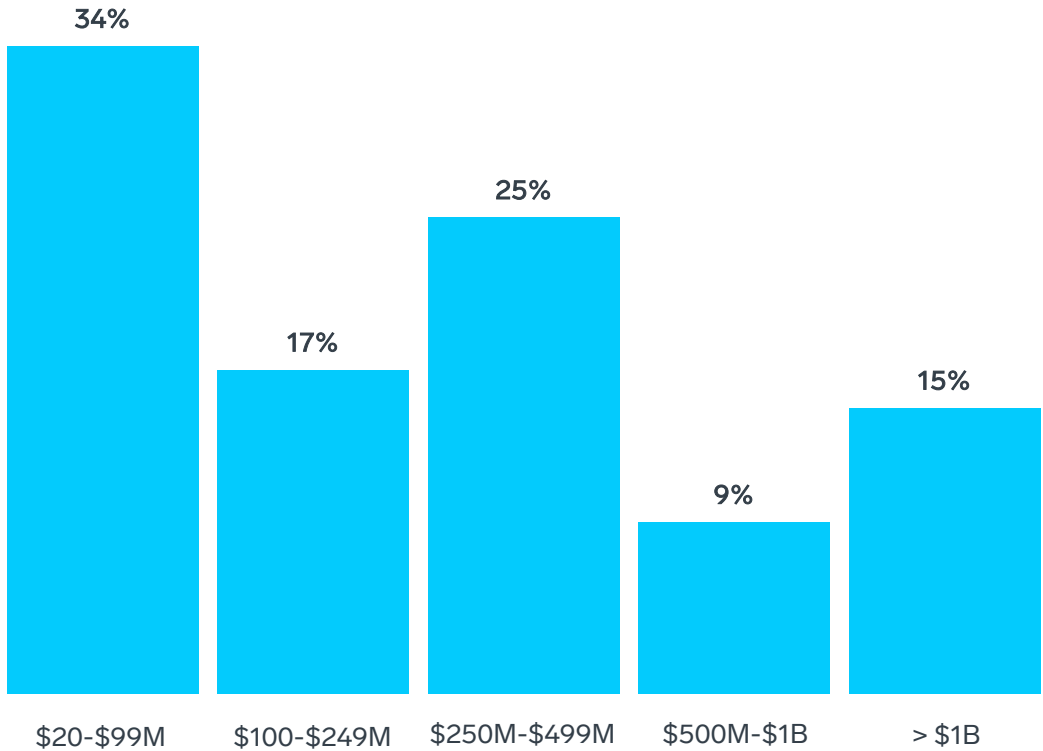
Survey Composition

- Battery’s Cloud Software Spending Survey saw participation from **100 CXOs** representing **~\$35.8B** in annual technology spend.
- **66%** of respondents spend **\$100M+** on cloud infrastructure, application software, data platforms and ML tooling.
- **93%** of respondents are from **companies with 1,000+ FTEs** in industries such as financial services, technology, healthcare and manufacturing.

INDUSTRY REPRESENTATION



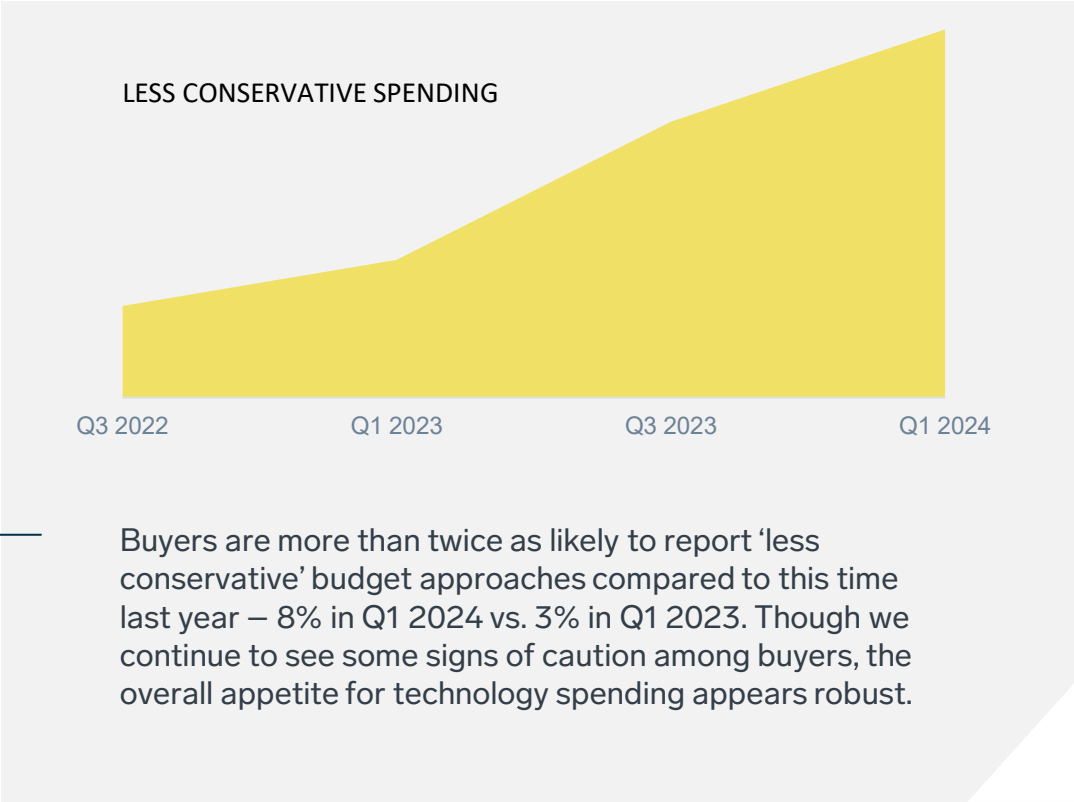
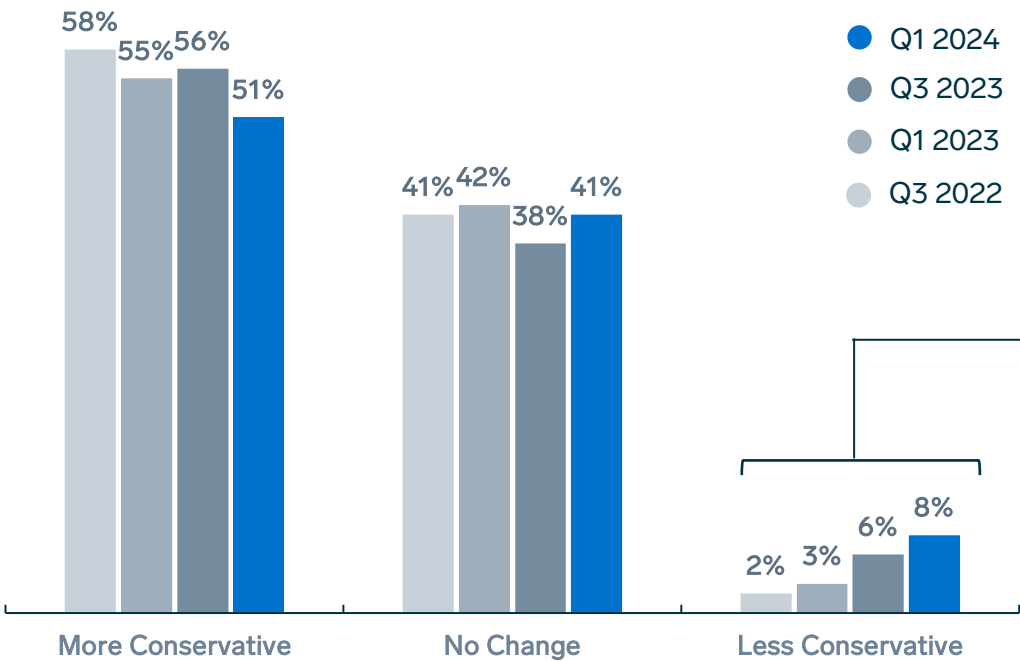
BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND PER COMPANY



Source: Battery Q1 2024 Cloud Software Spending Survey
Note 1: Industrial segment includes aviation, construction, utilities, transportation and warehousing.
Note 2: Annual technology spend calculated based on mid-point of total technology budget.

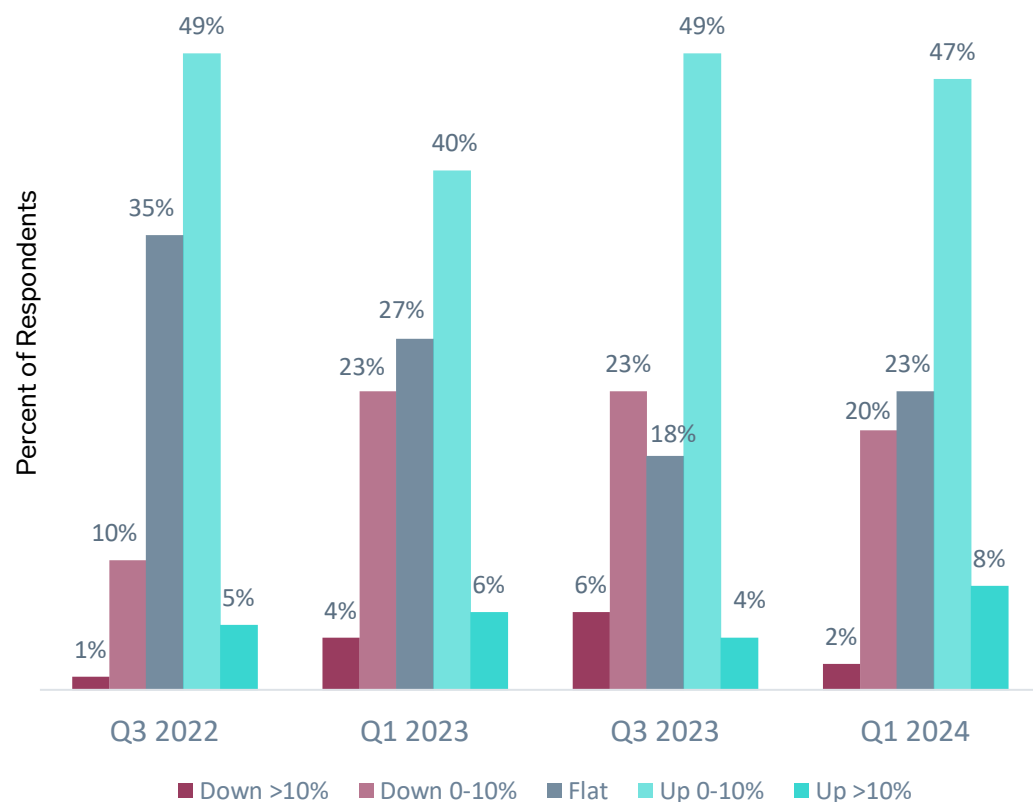
Impact of Economic Conditions on Technology Spending Strategy

SPENDING STRATEGY



Technology Budget and Spending Trends

EVOLVING CXO BUDGET PLANS

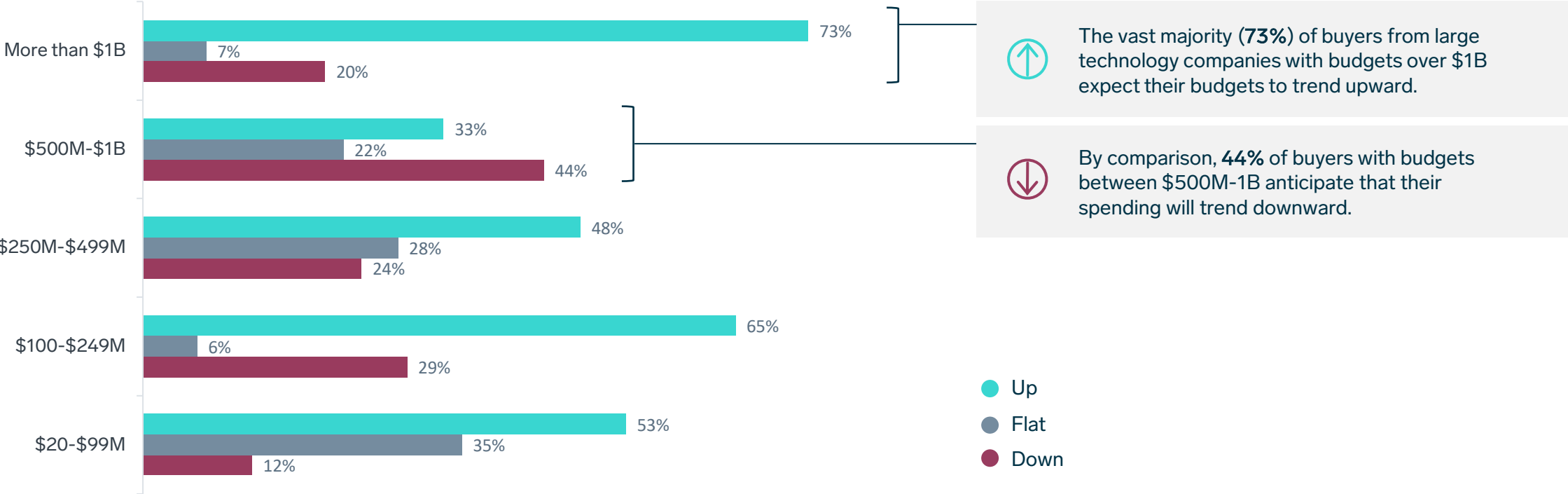


BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND

1. Technology spending is not only resilient but growing: 55% of respondents plan to increase their budgets. And compared to Q3 2023, twice as many buyers plan to increase budget by 10% or more.
2. Budget reductions are not as top-of-mind, with only 22% of buyers indicating plans to cut budget, a 7-point drop from Q3.
3. Many organizations are prioritizing budget allocation for AI/ML tools, even if their overall budgets remain flat or are reduced. While 55% of all respondents plan to increase overall budgets, 84% of all respondents plan to increase AI/ML budgets.
4. More than one in three (37%) technology buyers are considering infrastructure and cloud-observability alternatives in the next twelve months, primarily due to price.
5. Large technology organizations with annual budgets greater than \$1B are continuing to invest in new tools: 73% report budget increases this quarter, compared to 20% reporting budget reductions.

Technology Spending Trends in 2024 Relative to 2023

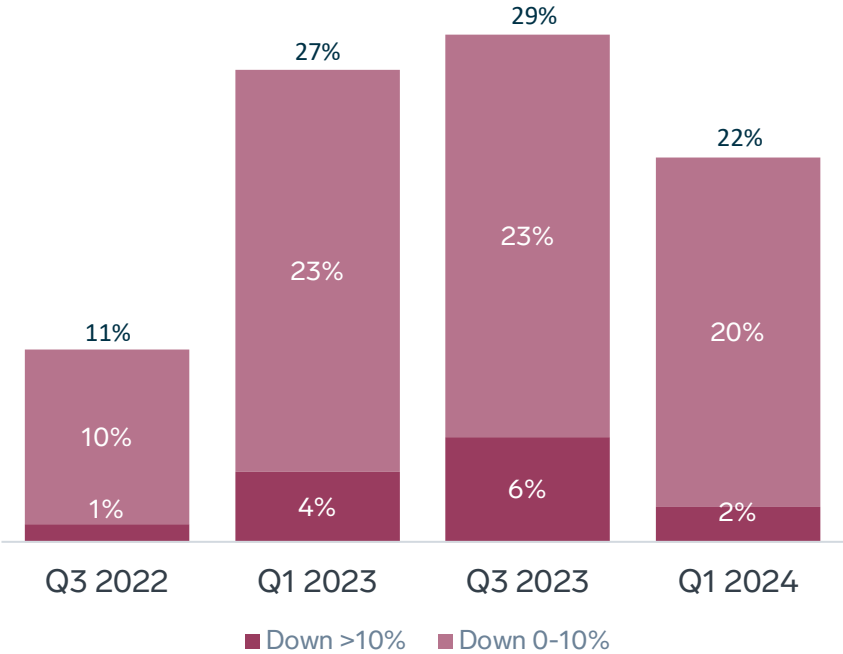
OVERALL SPENDING TREND RELATIVE TO LAST YEAR (2023) BY TOTAL TECHNOLOGY BUDGET



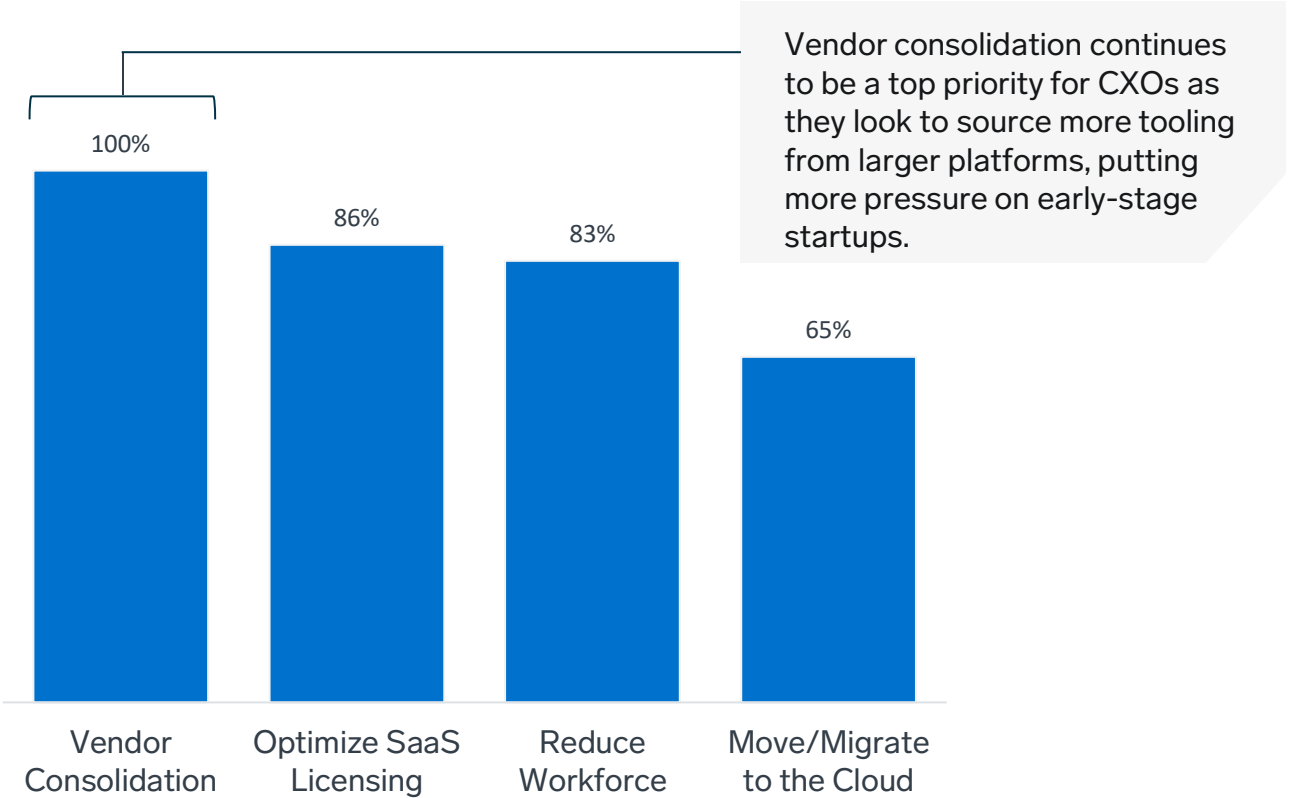
Outlook for CXOs Who Are Planning to Reduce Budget

CXOs PLANNING TO REDUCE BUDGET

Percent of Respondents Planning to Reduce Budget



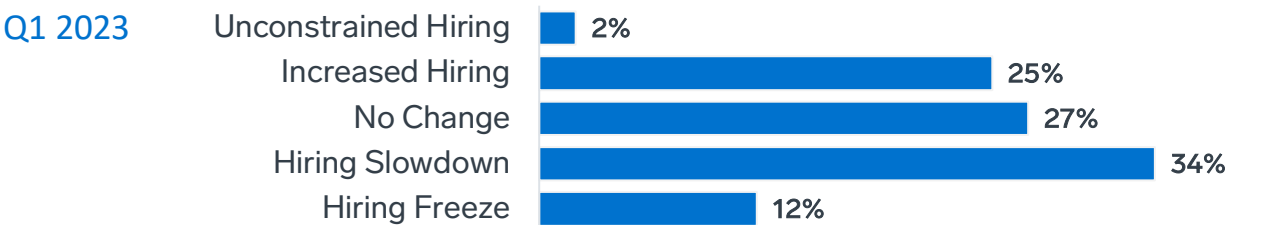
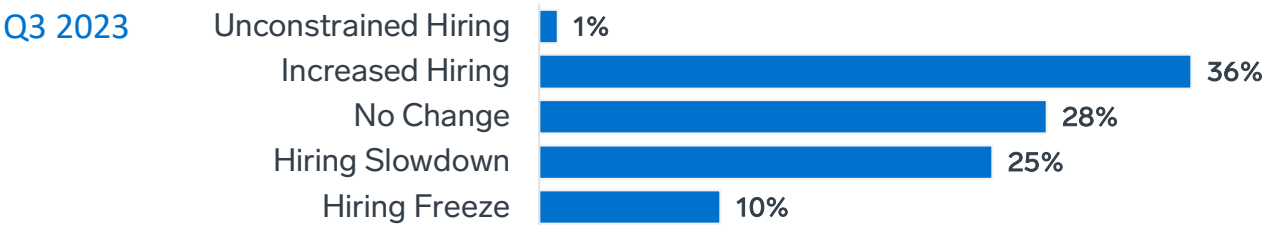
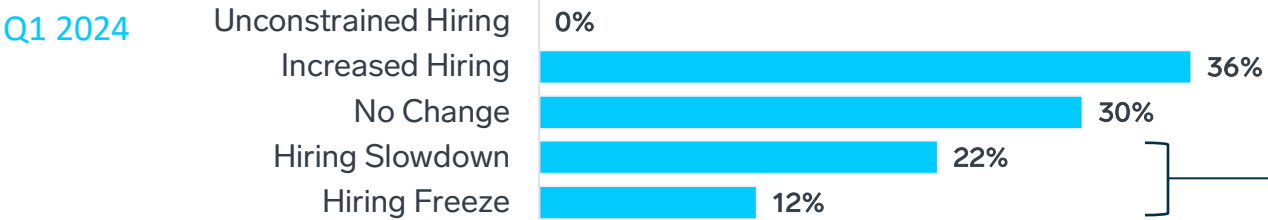
TOP 3 PRIORITIES FOR REDUCING TECHNOLOGY BUDGET FOR CXOs



Buyers are signaling optimism for the coming year, demonstrated by a reported 7-pp decrease in planned budget reductions compared to Q3 2023. Interestingly, nearly 1 in 2 (49%) buyers view a SaaS platform’s generative-AI features as important in deciding renewals.

Headcount Plan and Hiring Focus for CXOs

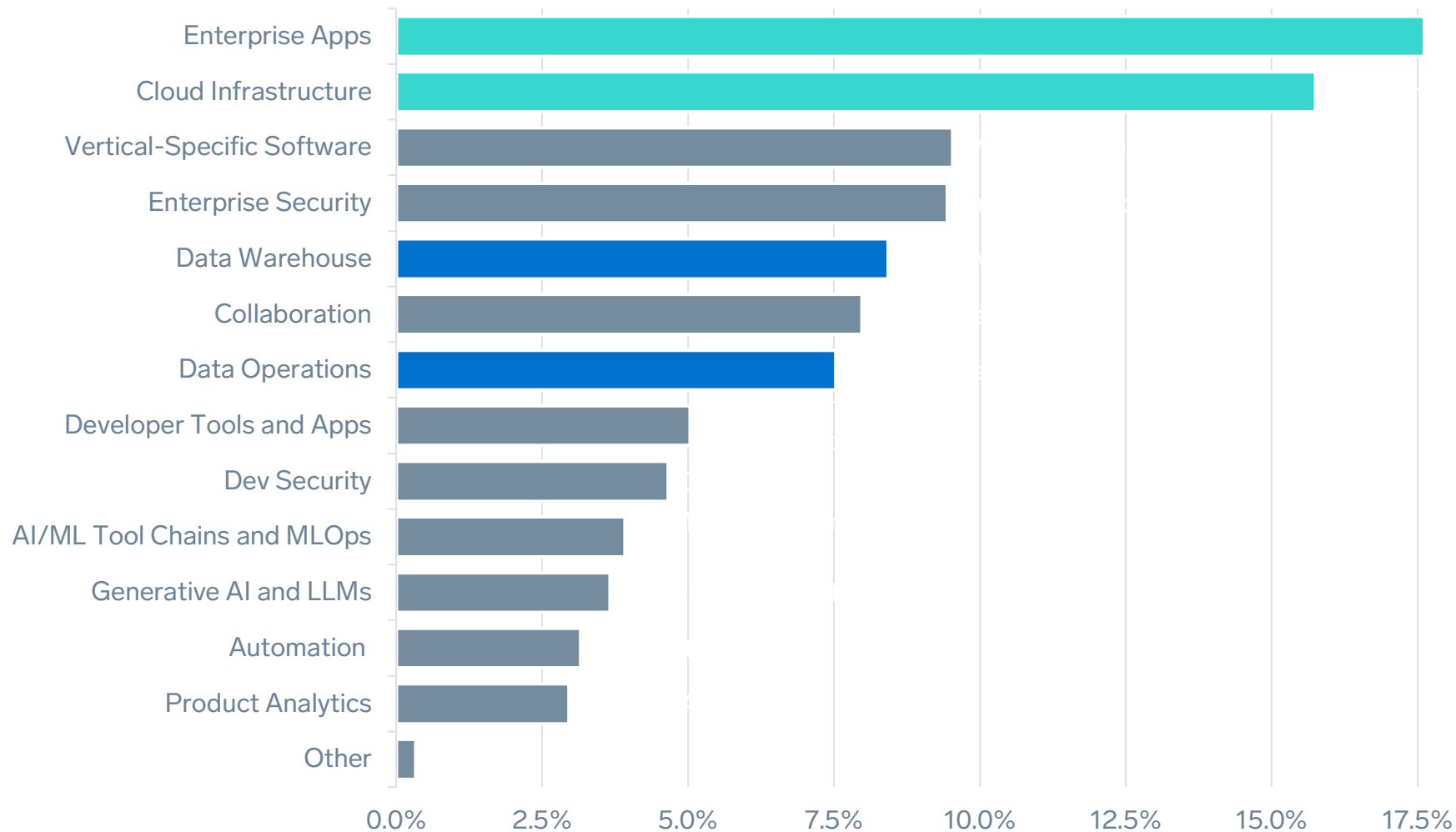
PLANS FOR HEADCOUNT





Spend Allocation and Priorities in 2024

Budget Allocation Priorities



30%+

of tech budget is dedicated to **enterprise apps and cloud infrastructure**, the core pillars of every enterprise's tech stack.

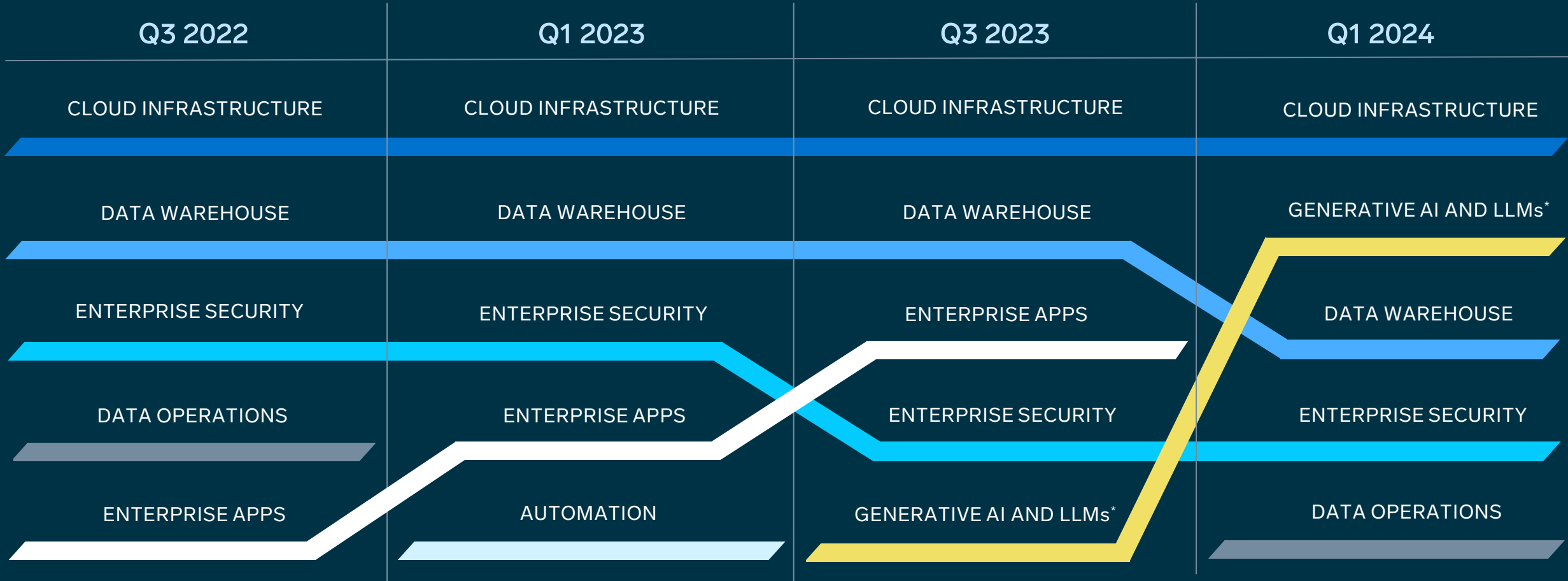
15%+

of tech budget is now allocated toward data warehousing and data operations, as we **continue to see enterprises focus on wrangling and preparing their data** for business and AI/ML use cases.

Despite the momentum in AI and LLMs, the lion's share of budget is still allocated to existing priorities, providing opportunity to companies with an AI-native approach.

Evolution of Cloud Software Spending Priorities

Cloud Software Top 5 Priorities for CXOs Over Next 12 Months

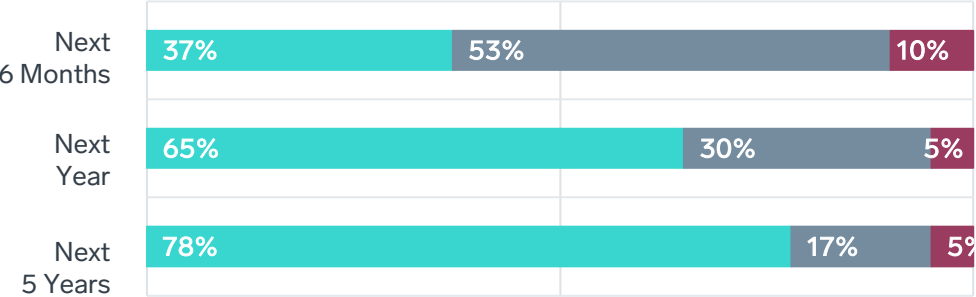


Generative AI and LLMs are cementing themselves as a top priority for CXOs this quarter, as enterprises refocus on building the right data tooling to enable AI-powered applications

Expected Cloud Software Spending Change by Category

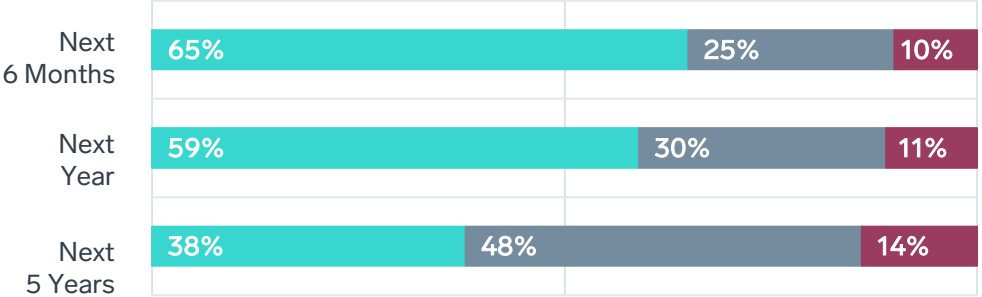
SECURITY

Q1 2024



DEV TOOLS

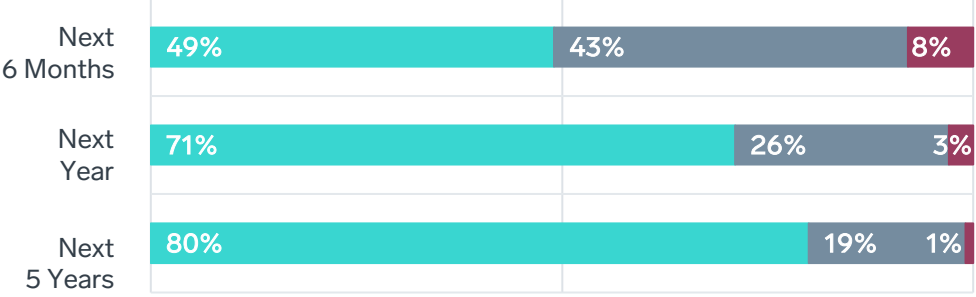
Q1 2024



Predicted dev tool cloud software spending trends downward over the next 5 years.

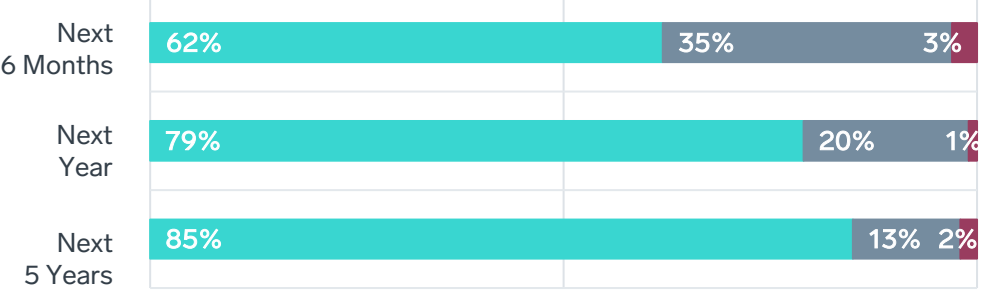
DATA

Q1 2024



AI/ML

Q1 2024



Buyers' predictions for AI/ML spending for the next 6 months increased slightly since last quarter: 62% in Q1 2024 compared to 59% in Q3 2023.

● Increase Spend ● No Change in Spend ● Decrease in Spend



AI/ML Adoption and Spend Trends

“IT teams must embrace a mindset where data is not just a technical asset, but a core business asset, deserving of the same strategic consideration as any other pivotal business resource. The era of data driven IT has begun.”

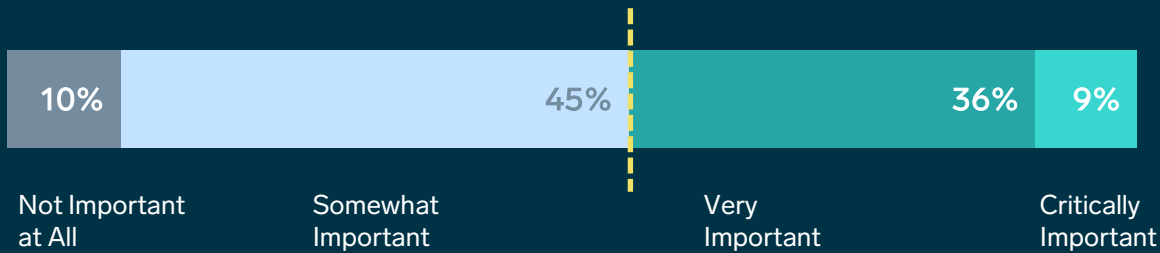
Katherine Walther

Chief Strategy Officer
Trace3

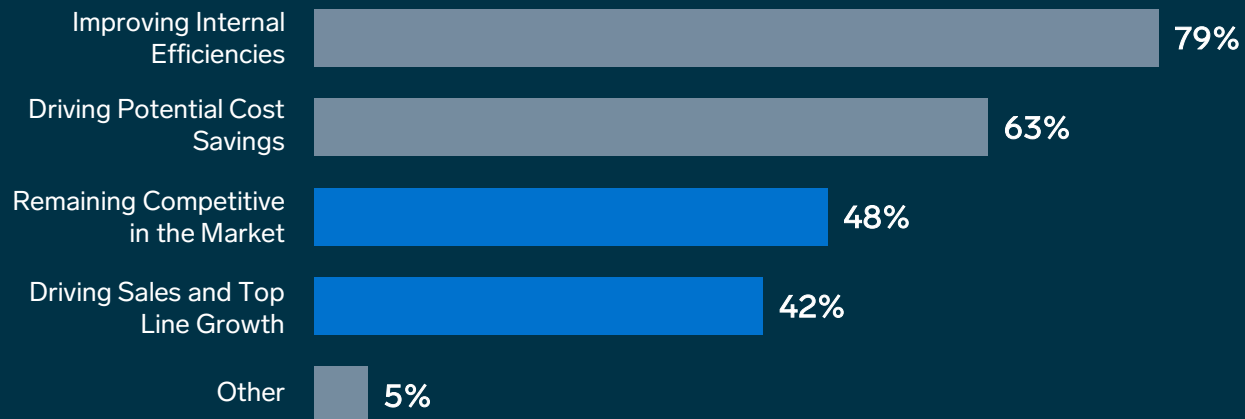


AI: Enterprise Table Stakes

PERCEIVED IMPORTANCE OF AI AS IT RELATES TO BUSINESS SUCCESS



WHY AI IS AN IMPORTANT DRIVER TO SUCCESS



Key Takeaways

AI Tsunami

1. AI is quickly becoming table stakes for enterprises – only 10% of CXOs report that AI is “not important at all” to business success.
2. It’s not just efficiency: While a large majority (79%) of CXOs see AI as a core driver to achieving internal efficiencies and potential cost saving, nearly half see AI as a **potential driver of topline growth and even a competitive advantage in the market.**
3. Buyers continue to invest in AI at a notably accelerated pace compared to Q1 2023: **Respondents plan to deploy an estimated \$1.5B+ on these technologies over the next 5 years.** The majority (63%) plan to increase AI/ML spending over 10% for generative AI and LLMs.

AI/ML Budgets and Model Utilization Are Soaring

84%

OF ORGANIZATIONS
ARE PLANNING
TO INCREASE THEIR
AI/ML BUDGETS OVER
THE NEXT 12
MONTHS.

Among respondents increasing AI/ML budget, 34% plan to increase by more than 20% to pursue generative AI and LLM initiatives.

93%

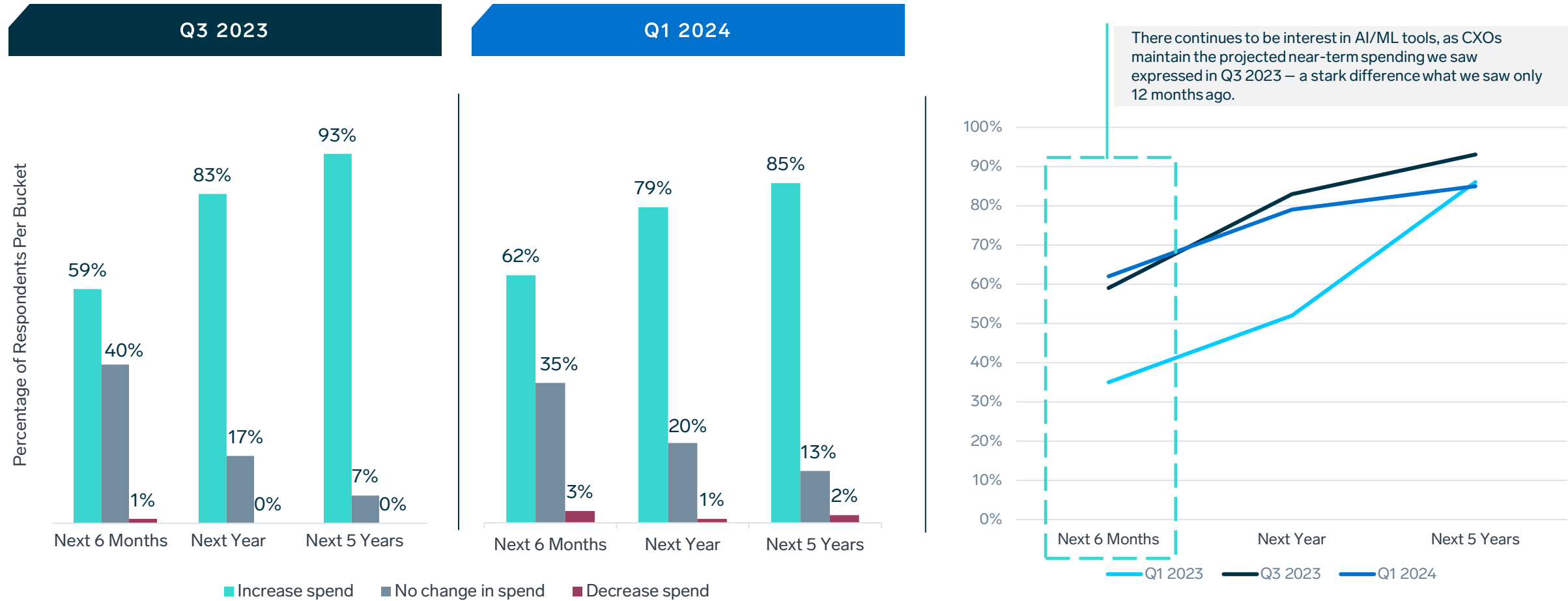
OF ORGANIZATIONS
EXPECT AN INCREASE IN
ML MODELS IN
PRODUCTION OVER THE
NEXT 12 MONTHS.

Out of the organizations that use ML models, 44% have more than 10 models in production, while 13% have over 50 models in production.

It's Not All Generative AI in Production

In our Q1 2024 survey, 79% of respondents stated they are currently using 'traditional ML models' (non-generative models) in production today.

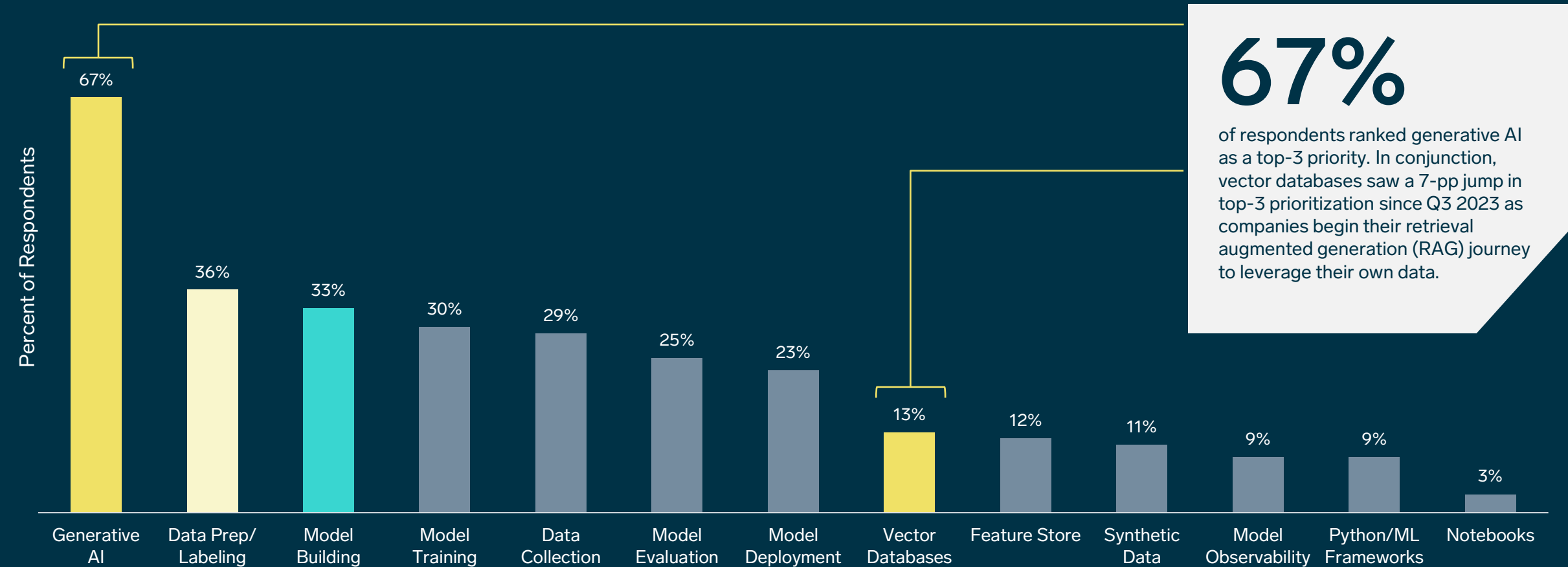
Expected Cloud Software Spending – AI/ML



Buyers continue to invest in AI at a notably accelerated pace compared to Q1 2023: respondents plan to deploy \$1.5B+ on these technologies over 5 years. The majority (63%) plan to increase AI/ML spending over 10% for generative AI and LLMs.

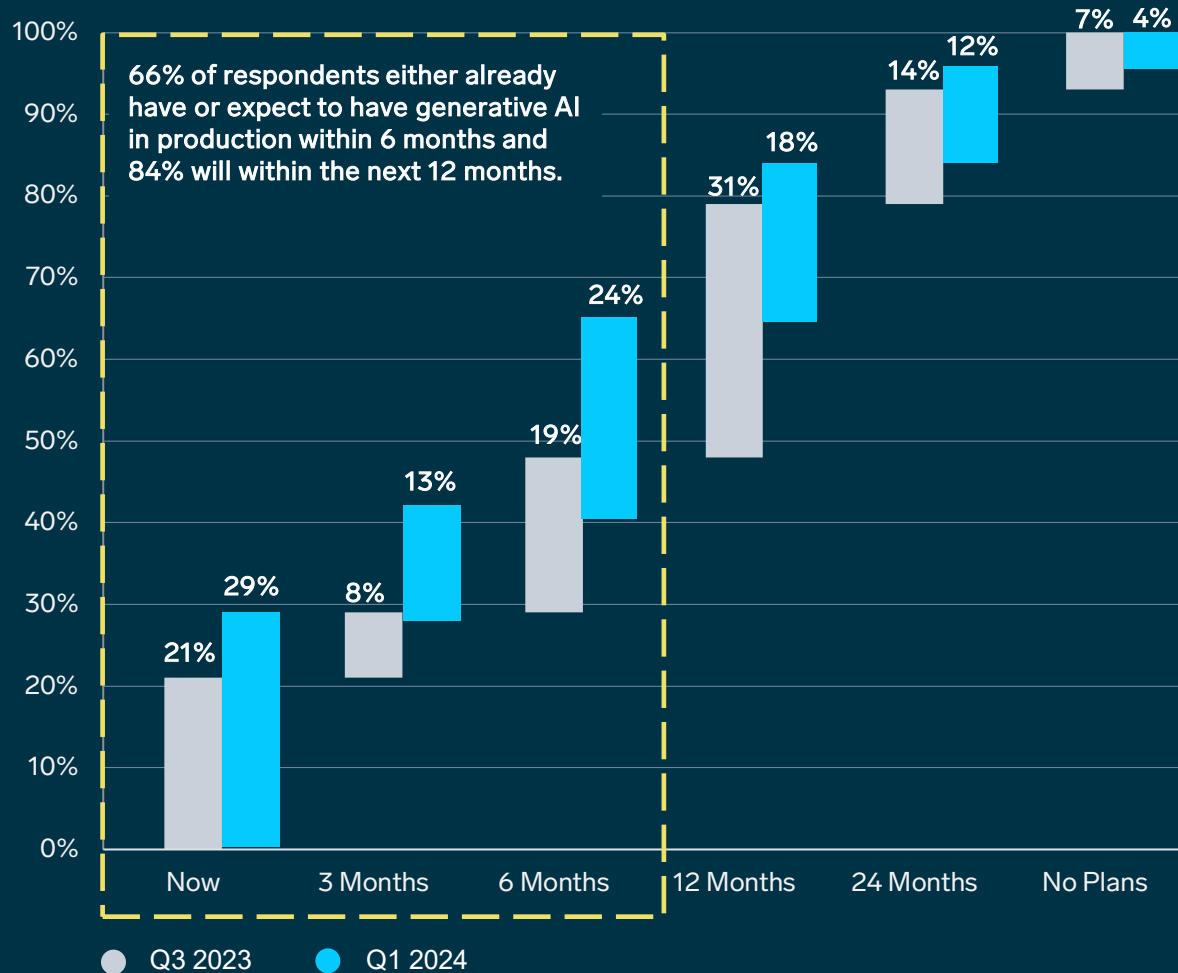
Priority Themes Within AI/ML

AI/DATA THEMES THAT CXOS CONSIDER TOP-3 PRIORITY OVER NEXT 12 MONTHS



Production Deployment for Generative AI

DEPLOYMENT PLANS



Early In Evolution – What's Next?

1. Enterprises are **accelerating plans to adopt generative AI**, likely due to the growing number of tools that streamline the deployment processes for the technology.
2. CXOs who are cautious and skeptical with implementing generative AI production **continue to hold out**, with 16% either expecting to implement in 24 months or never, only a 5-pp decrease from Q3 2023.
3. Enterprise adoption of generative AI in production **continues to grow**, with an 8-pp increase in the number of CXOs that have it deployed in production today.

“Enterprise IT organizations should focus on building a strong foundation with the right data and AI governance, invest in organizational capabilities, and launch an impactful and scalable initial set of generative AI-powered products to enhance customer and employee experience.”

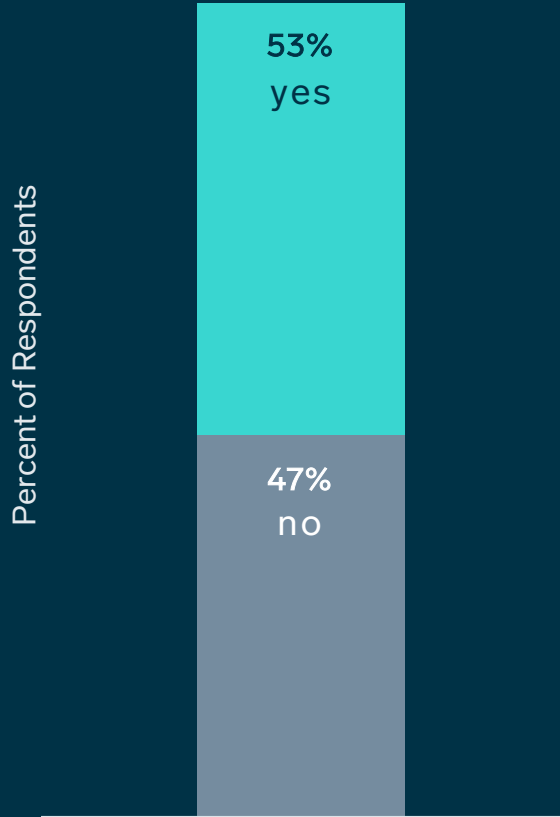
Ibrahim Gokcen

Chief Data Officer
AON

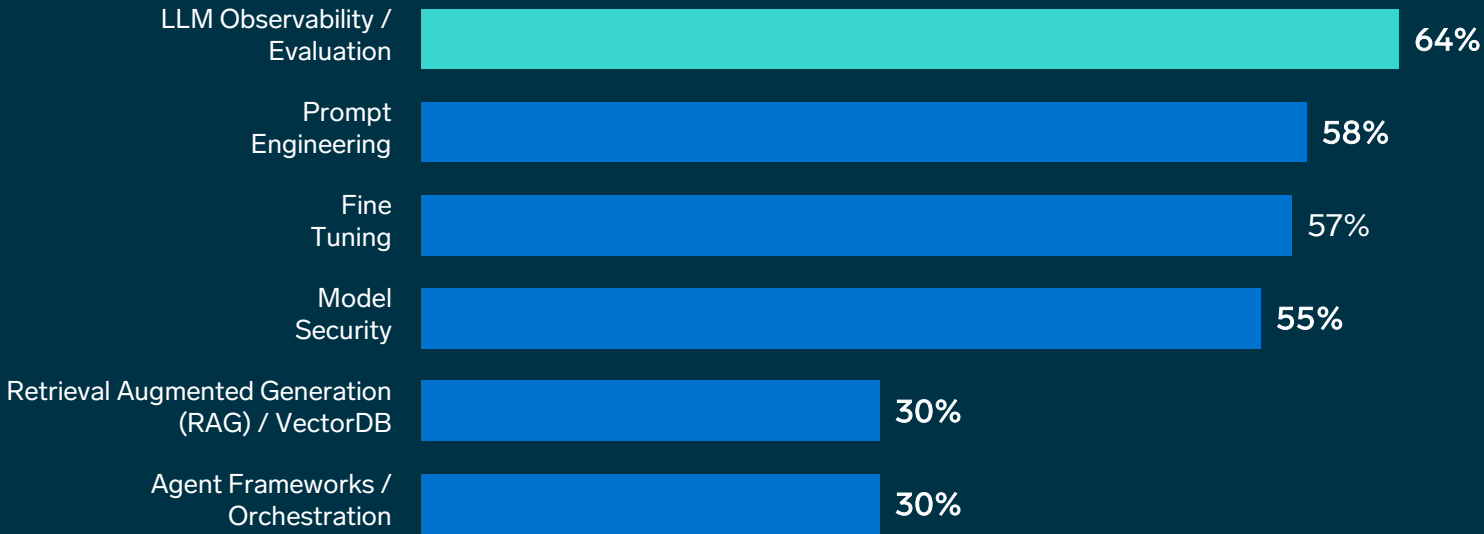


LLM Use Cases

ORGANIZATIONS CURRENTLY LEVERAGING LLMs IN PRODUCTION



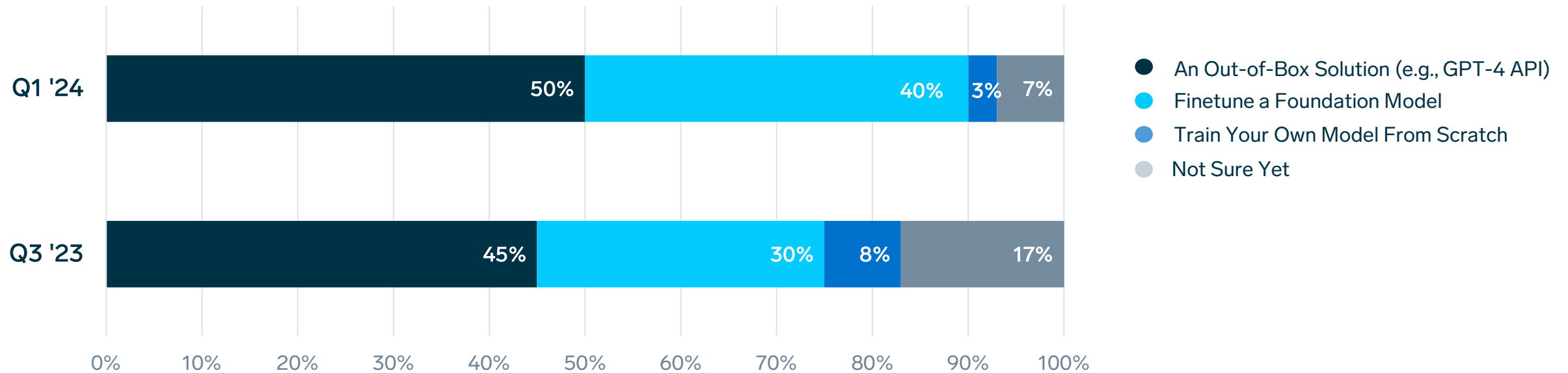
TOOLS AND TECHNIQUES UTILIZED



89%

of organizations currently leveraging LLMs in production report utilizing more than one tool/ technique to improve model performance. Businesses are realizing that LLMs are not as simple as plug and play and require a suite of tools in the background to ensure consistent, quality performance.

Utilize Foundation Model(s) or Build... or Something in Between?



As many CXOs solidified their AI strategy over the last 6 months, we saw a 10-pp drop in the percentage of buyers unsure over which model strategy to adopt and a 5-pp drop in those interested in training their own. This is likely an outcome of recent model improvements from both closed and open-source foundation model companies.

“Every company is a data company – whether you are Amazon, Delta Airlines, ADP or Ford. Data is the underlying asset.”

Jack Berkowitz

CDO @ Securiti
Former CDO @ ADP

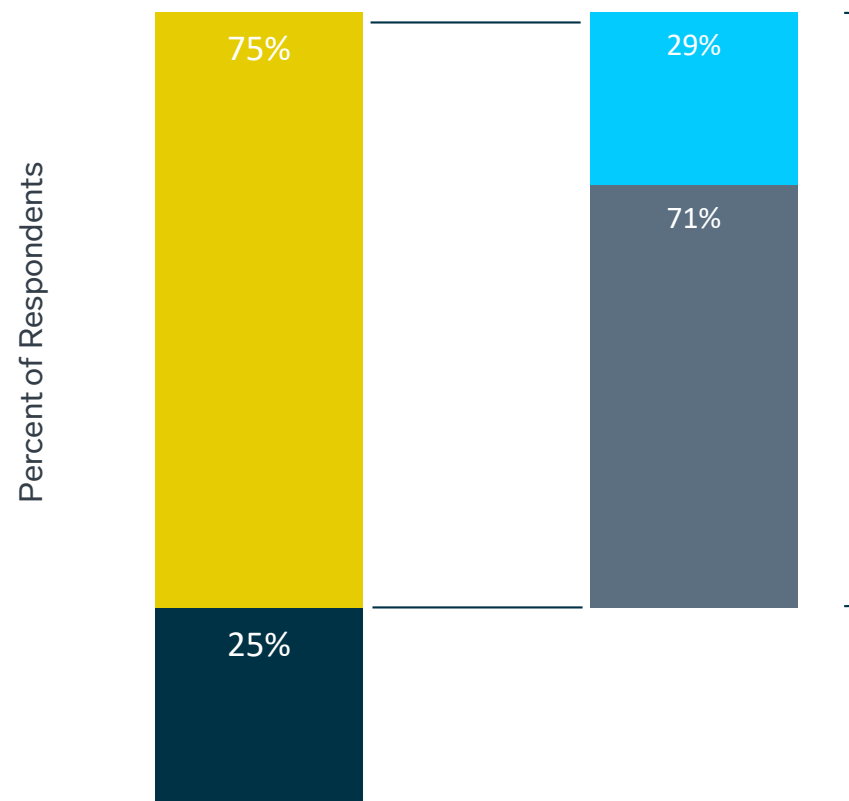




Interest and Concerns for AI Copilots

Rise of Copilots

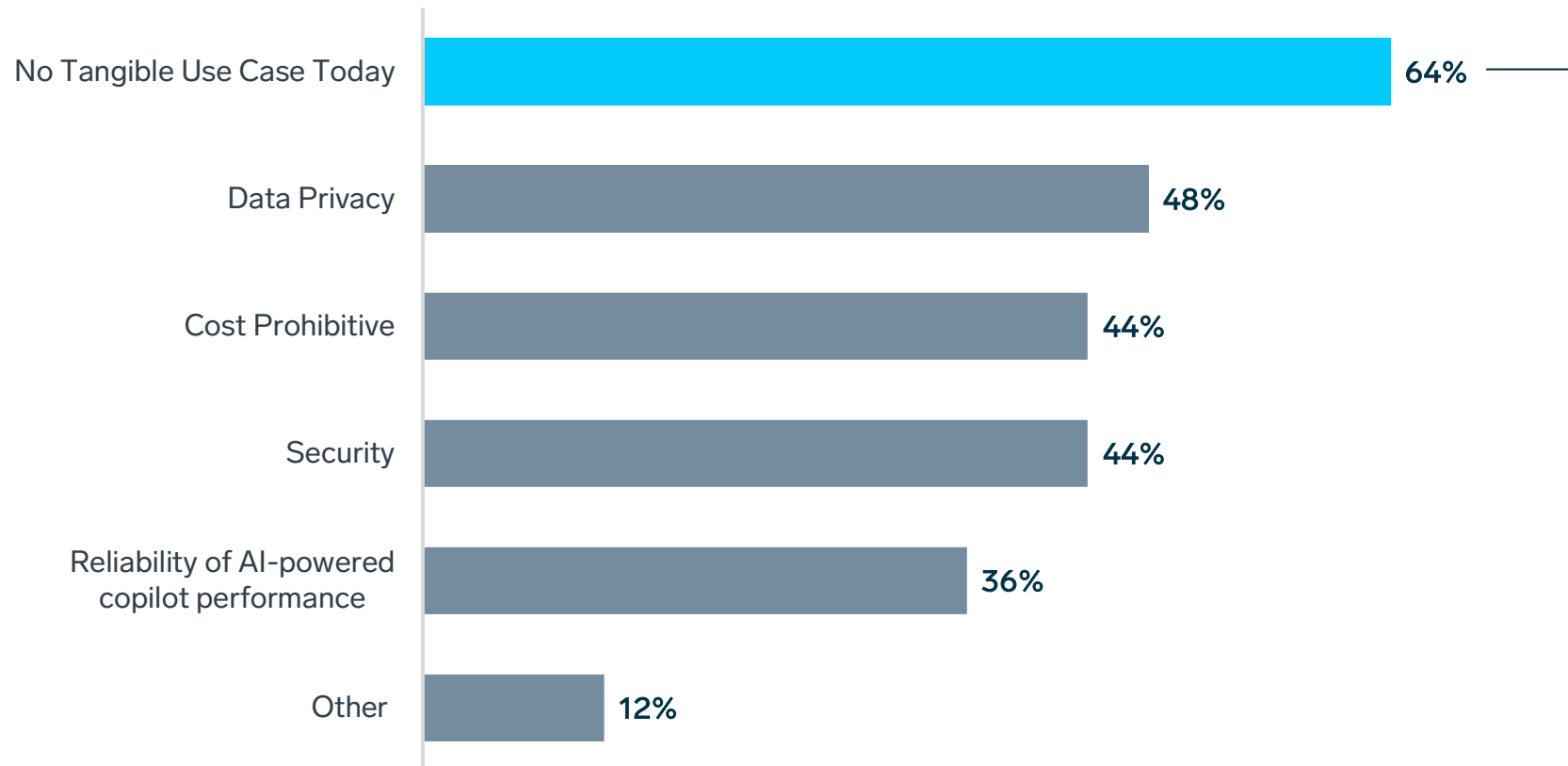
ORGANIZATIONS CURRENTLY IMPLEMENTING, OR
PLANNING TO IMPLEMENT, AI-POWERED COPILOTS



Copilots Are an Enterprise-Level Decision:
Over **75% of Q1 2024 respondents** are **looking to implement AI-powered copilots** but only **29% of this group** plan to **allow employees to build their own**.

But It Is a 2024 Priority:
As CXOs bear witness to the copilot wave, many hope to implement them quickly at the enterprise level – 84% of respondents plan to implement copilots in the next 12 months.

Main Concerns for Those Not Planning to Implement AI Copilots

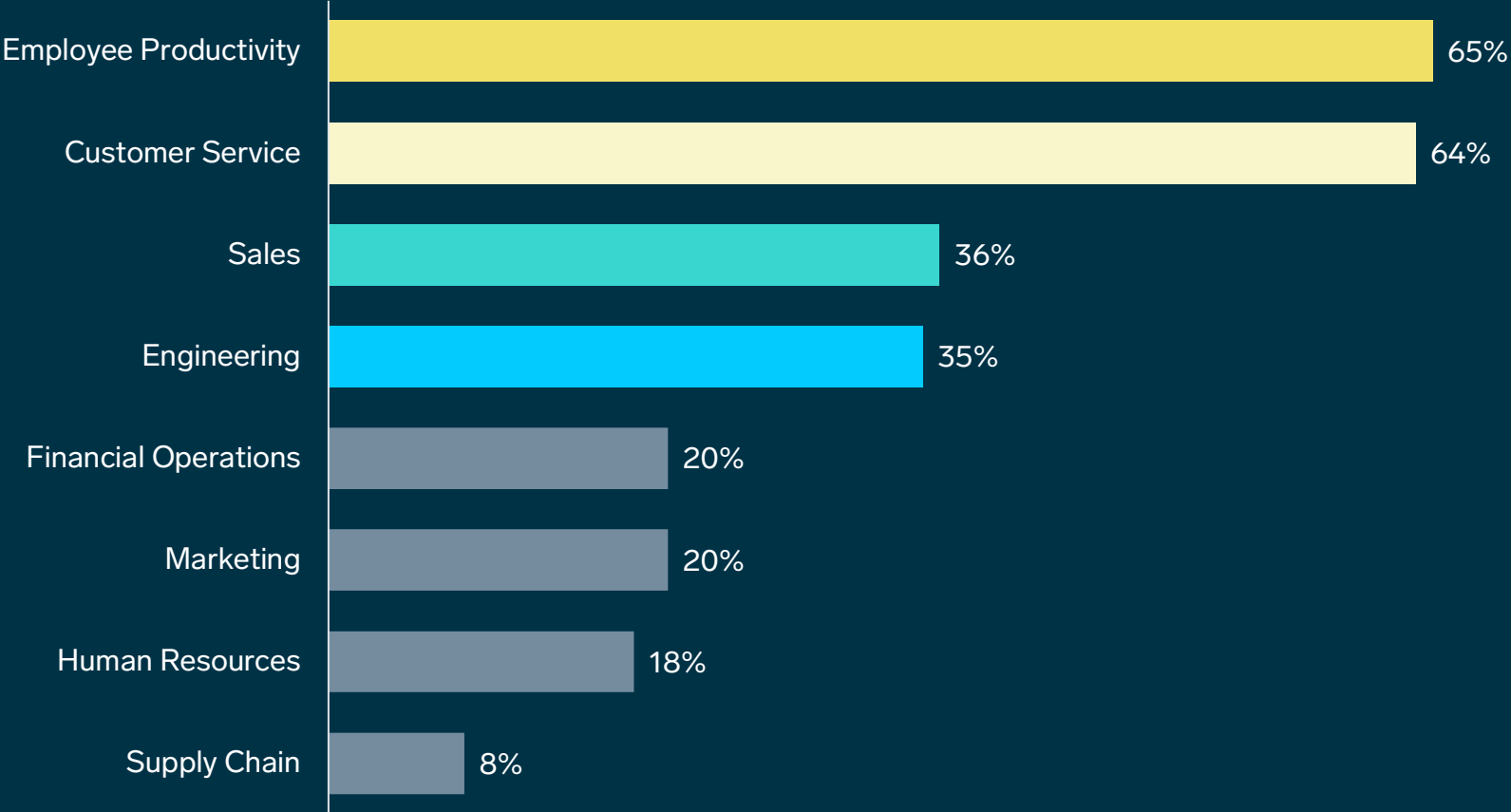


64%

of CXOs not planning to implement AI-powered copilots cite **lack of clear use case** as their key reasoning.

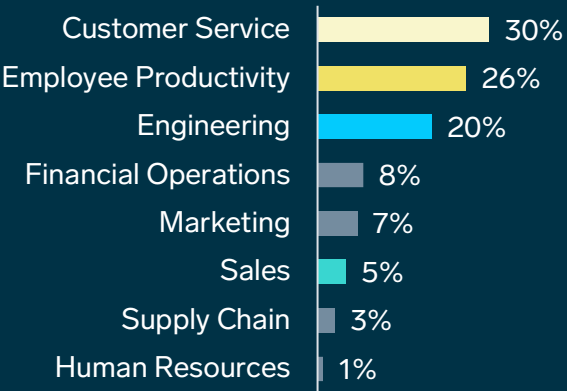
Top 3 AI-Powered Copilot Use Cases

USE CASES FOR AI-POWERED COPILOTS RANKED TOP-3 BY CXOs



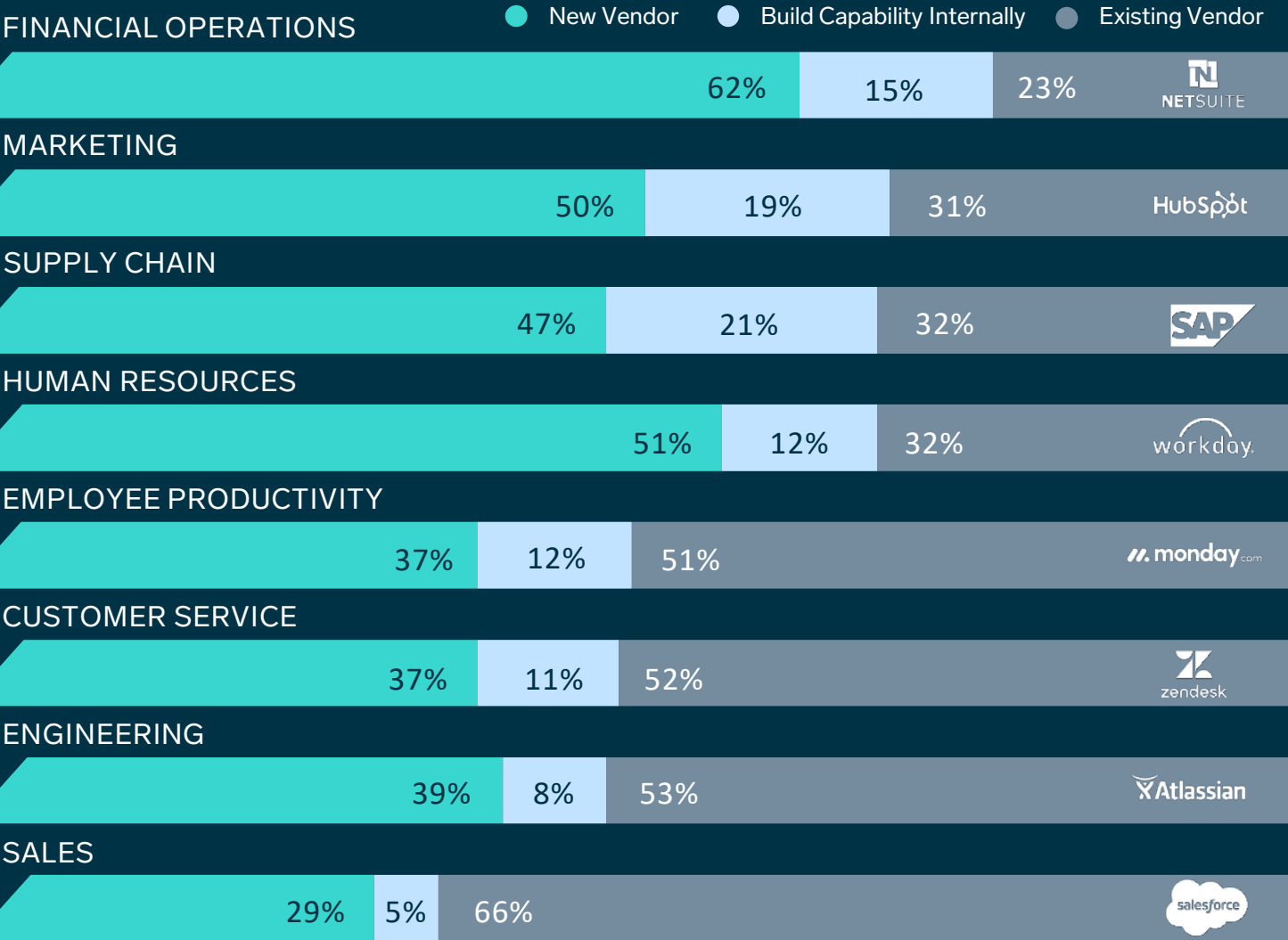
AI copilots are of particular interest to CXOs for both **employee-productivity** and **customer-service** use cases. Sales was also selected by nearly one-third (30%) of CXOs as a top-3 priority, but only 5% ranked sales as a #1 priority.

#1 PICK BASED ON URGENCY



Startups vs. Incumbents for AI

COPILOT PREFERENCE FROM EXISTING VENDORS, NEW VENDORS OR BUILD IN-HOUSE



Disruption is coming to incumbents with AI as a driving force

- 1. On average, 45% of organizations are looking toward new vendors to bring a wave of disruption within enterprises looking for vendors built for the age of AI.
- 2. Despite expected resistance from HR and marketing departments on the adoption of AI-powered copilots, CXOs believe AI startups have a meaningful opportunity to shake things up.

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