

The State of Enterprise Tech Spend



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Budgets, AI Use Case Identification and Hiring Looking Up

BUDGETS INCREASING

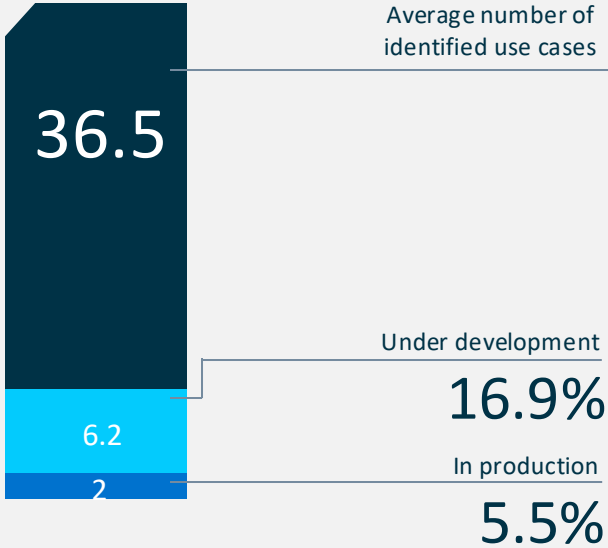
● Up ● Flat ● Down



Q3 2022 Q1 2023 Q3 2023 Q1 2024 Q3 2024

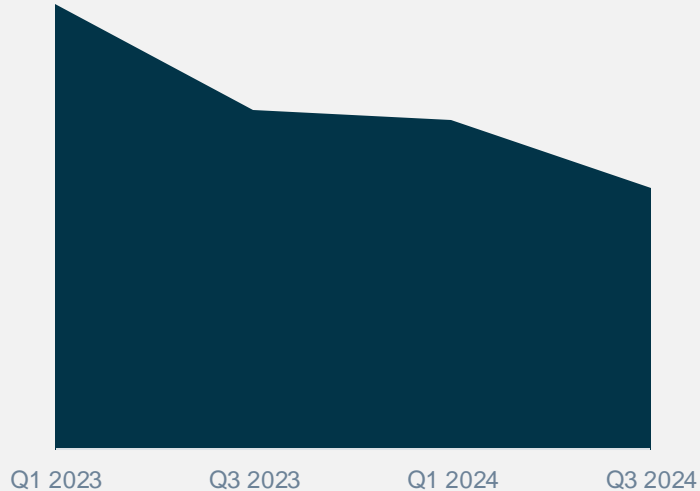
Budgets continue to **trend upward with 74% of respondents planning to increase budgets vs. 55% in Q1'24**. Fewer enterprises are staying flat, showing incremental budget increases and stabilization. Of those increasing, **59% cite Experimental Budgets – New Technologies as the driver**, favoring adoption of new technologies over existing vendor growth.

AI WAVE STILL COMING



Generative AI deployments increased but are pacing behind the optimism respondents expressed in both Q3'24 and Q1'24. **The vast majority of identified use cases still haven't moved to production**, with many not even under development. One reason seems to be a lack of in-house expertise: 2/3 of enterprises are seeking external assistance with implementations.

STABILIZED HIRING DOWNSIDE



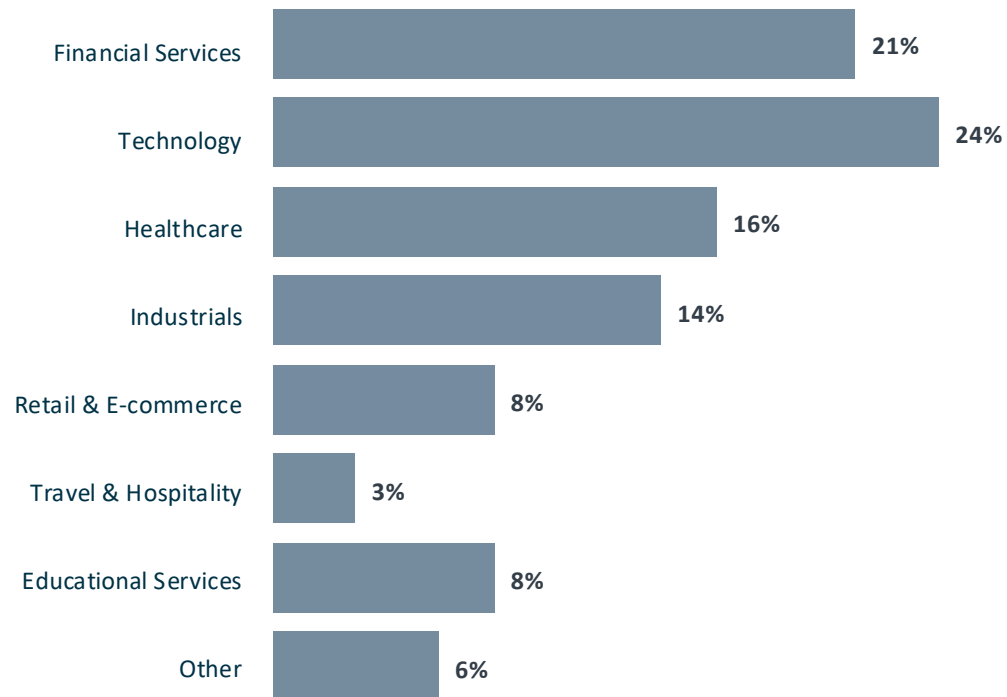
Q1 2023 Q3 2023 Q1 2024 Q3 2024

Despite the continued news about layoffs, our survey revealed some stabilization—especially welcome news for those companies selling SaaS with seat-based pricing. The number of organizations looking to **slow down or enter a hiring freeze has dropped 19-pp from 46% in Q1 2023 to 27% in Q3 2024**.

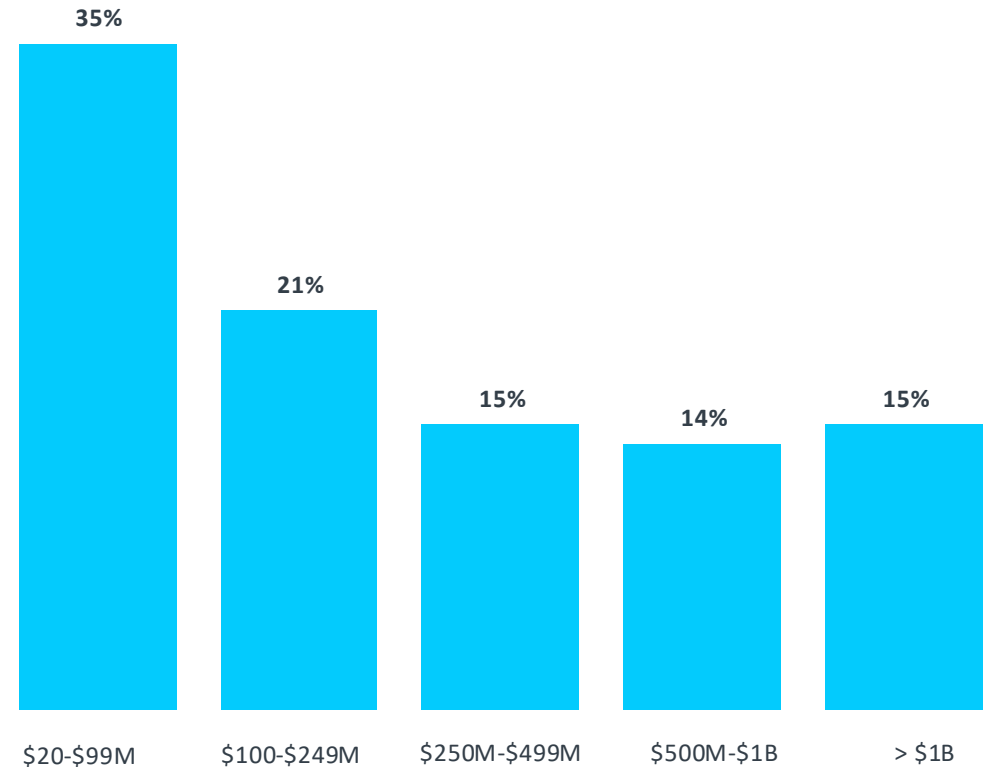
Survey Composition

- The Battery Cloud Software Spending Survey saw participation from **100 CXOs representing over \$35B in annual technology spend.**
- **65% of respondents spend \$100M+ on cloud infrastructure, application software, data platforms and ML tooling.**
- **89% of respondents are from companies with 1,000+ FTEs** in industries such as financial services, technology, healthcare and manufacturing.

INDUSTRY REPRESENTATION

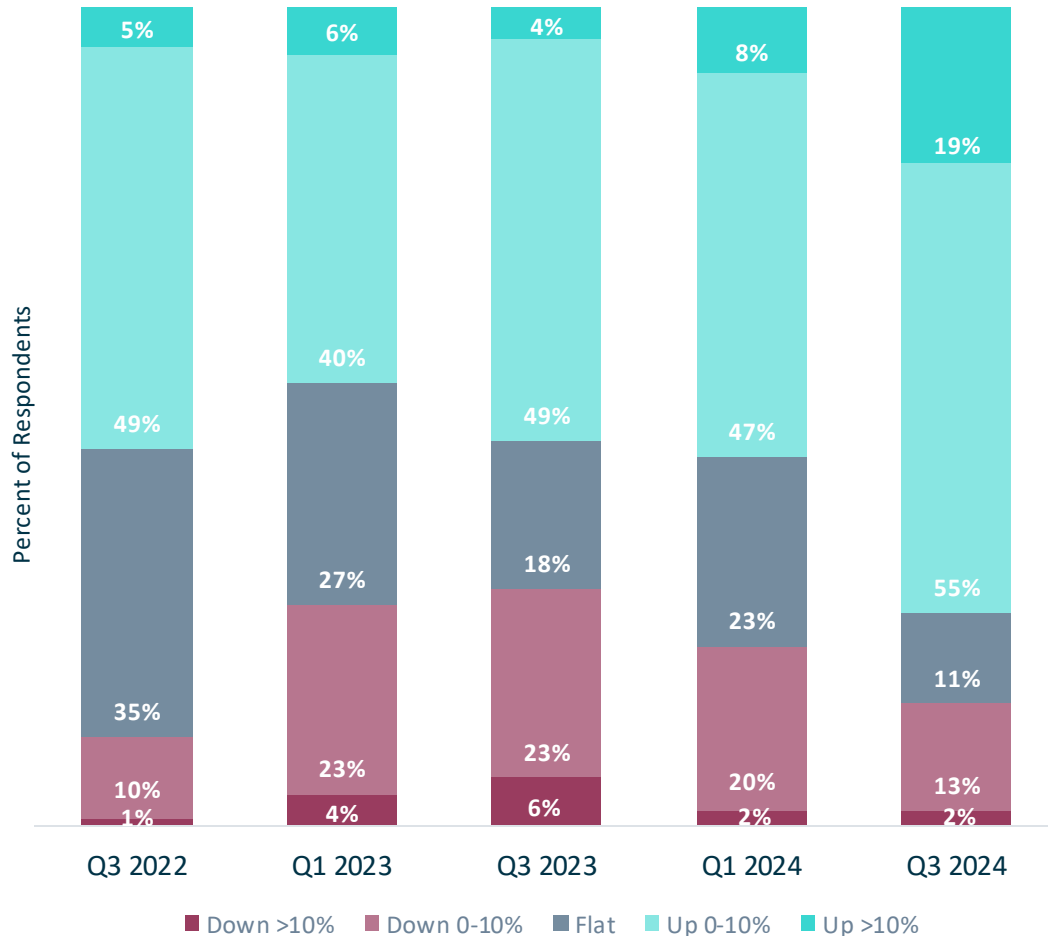


BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND PER COMPANY



Technology Budget and Spending Trends

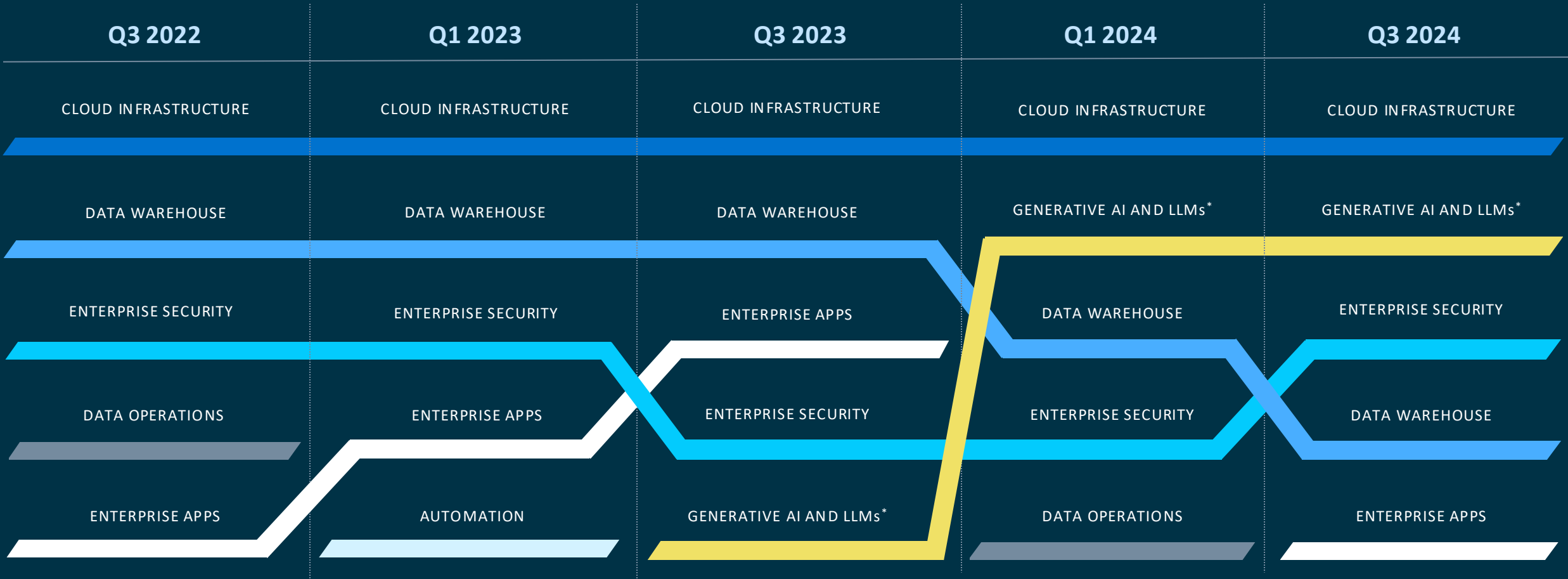
POSITIVE MOMENTUM IN CXO BUDGET PLANS



BUDGET DISTRIBUTION: TOTAL TECHNOLOGY SPEND

1. In comparison to Q1'24 overall budgets are continuing to trend upward with 74% vs. 55% expecting an increase in budgets. The most notable increase occurred in those reporting 0-10% increases.
2. Fewer companies are holding budgets flat and technology executives are beginning to invest these new dollars.
3. For companies with increasing technology budgets, 59% cite Experimental Budget – New Technologies as the driver.
4. Of those companies decreasing budgets, the top two levers for reducing spend are vendor consolidation (87%) and workforce reduction (67%)
5. For SaaS contract renewals, the importance of a Generative AI component ranged from 34% rating it high (above 7) and only 28% rate it low (below 3) on a 10-point scale of importance.

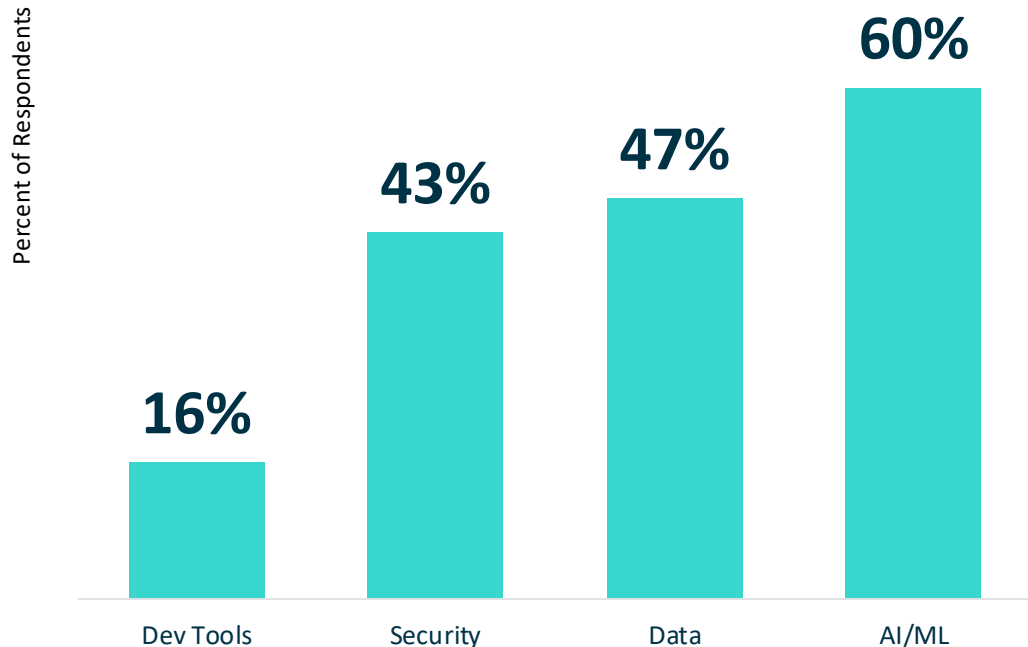
Top 5 CXO Spending Priorities (Next 12 Months)



Enterprises are less focused on pure data, both warehouse and operations, a trend reflected in slowing revenue growth in companies like Snowflake.¹

Trends in Spending by Category (Next 6 Months)

GROWTH IN CXO BUDGET PLANS OVER NEXT 6 MONTHS



WHERE ARE BUDGETS MOVING?

We asked respondents to forecast budget trends over the next six months. **AI/ML, Data and Security** saw the most significant increases.

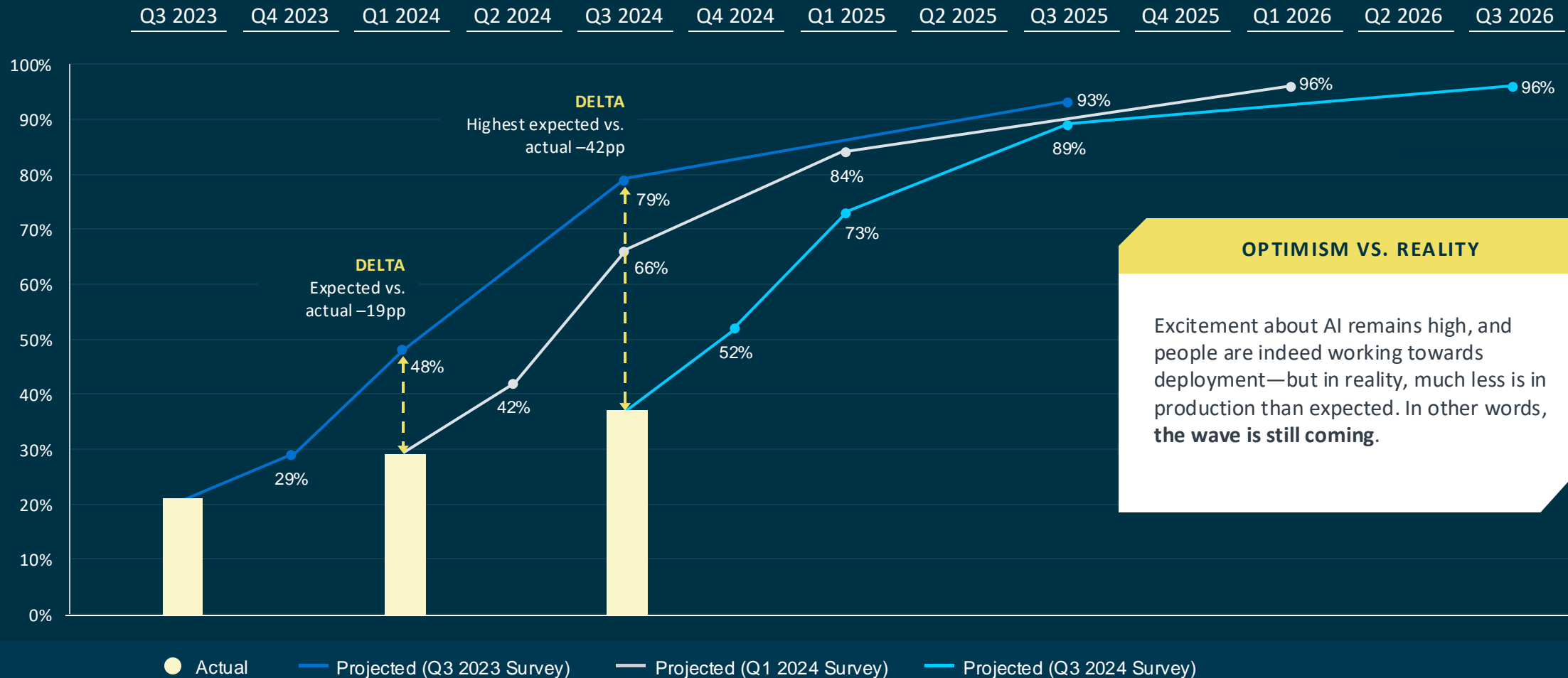
AI/ML Takes the Lead - A notable **60% of enterprises plan to increase their AI/ML spending**, driven by its potential to enhance efficiency, automate processes and deepen data insights. This underscores the growing emphasis on AI/ML capabilities.

Data and Security Rising - As companies face exponential data growth and an increasingly complex threat landscape, investments in **data strategy and security have become essential**. This growth outpaces the modest 16% rise in developer tool investments.

Opportunities for Startups - With **74% of enterprises increasing their overall budgets and 59% focusing on experimental initiatives and new technologies**, early-stage companies have fresh opportunities. Enterprises are **actively seeking solutions in AI/ML, Data and Security**, creating demand for innovative technologies outside their existing vendor relationships. Early movers in these sectors stand to gain significant market traction.

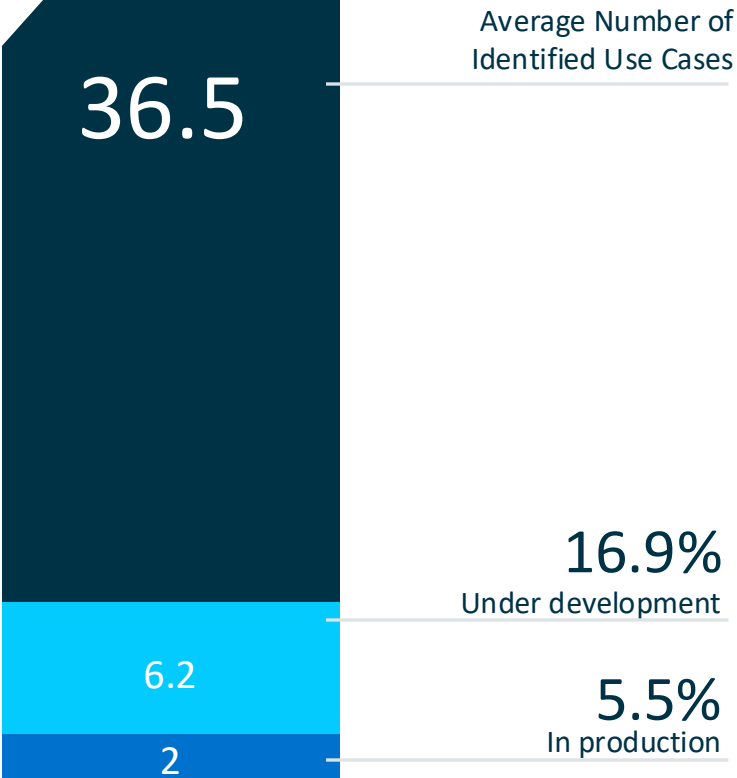
Timeline Expectations for Generative AI

DEPLOYMENT PLANS

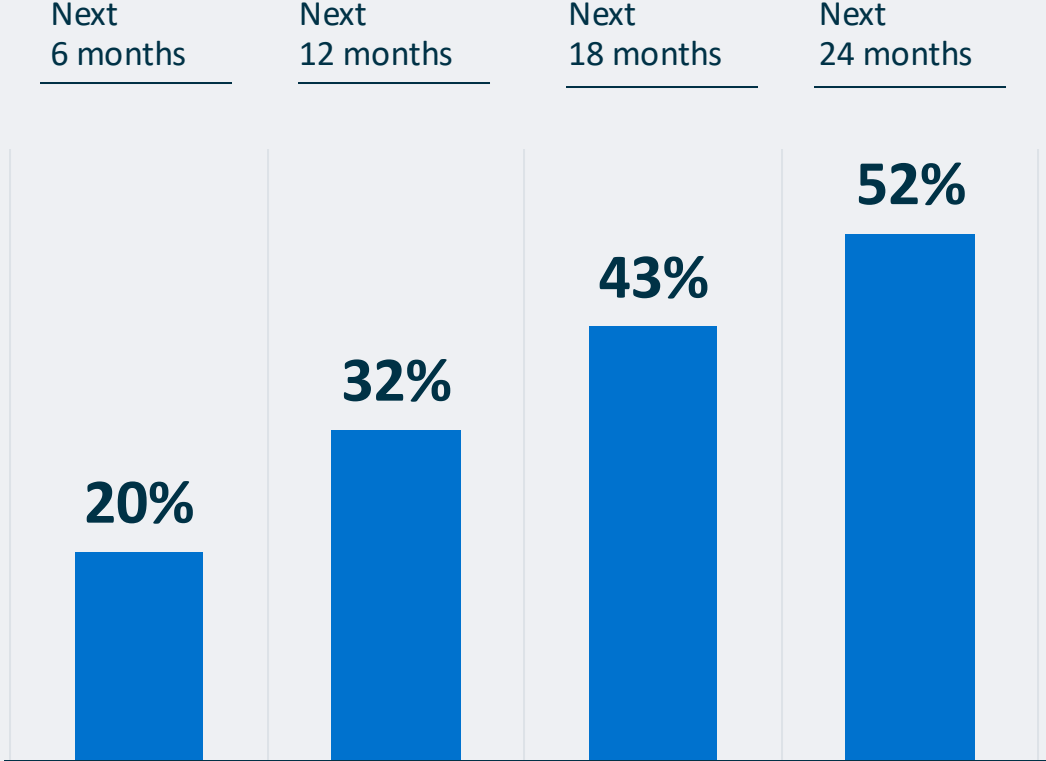


Building Wave of Generative AI Use Cases

STATUS OF AI ADOPTION OF USE CASES



EXPECTED PERCENT OF AI USE CASES INTO PRODUCTION



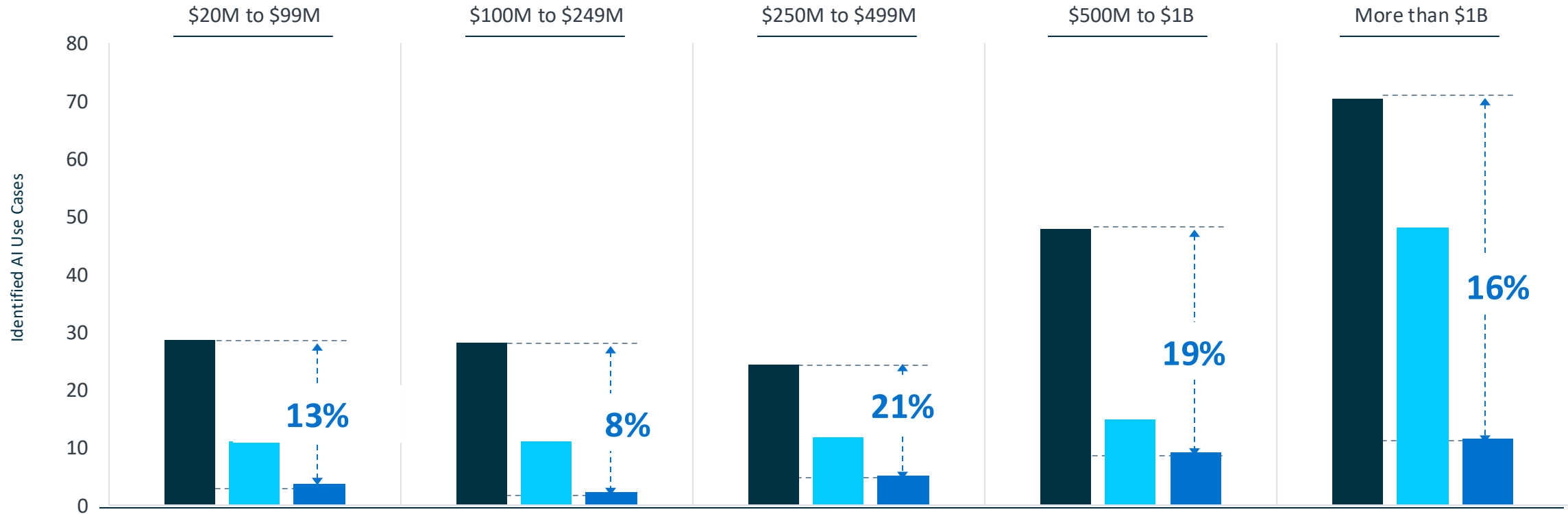
52%
of identified use cases are planned to be in production over the next 24 months. Moreover, 47% of enterprises expect to increase the number of identified use cases into production over the next 6 months.

With so many enterprise generative AI use cases going into production, new tooling will be required for IT to manage them, including security and governance.

AI Adoption of Use Cases

TREND IN DEPLOYMENT OF AI USE CASES INTO PRODUCTION

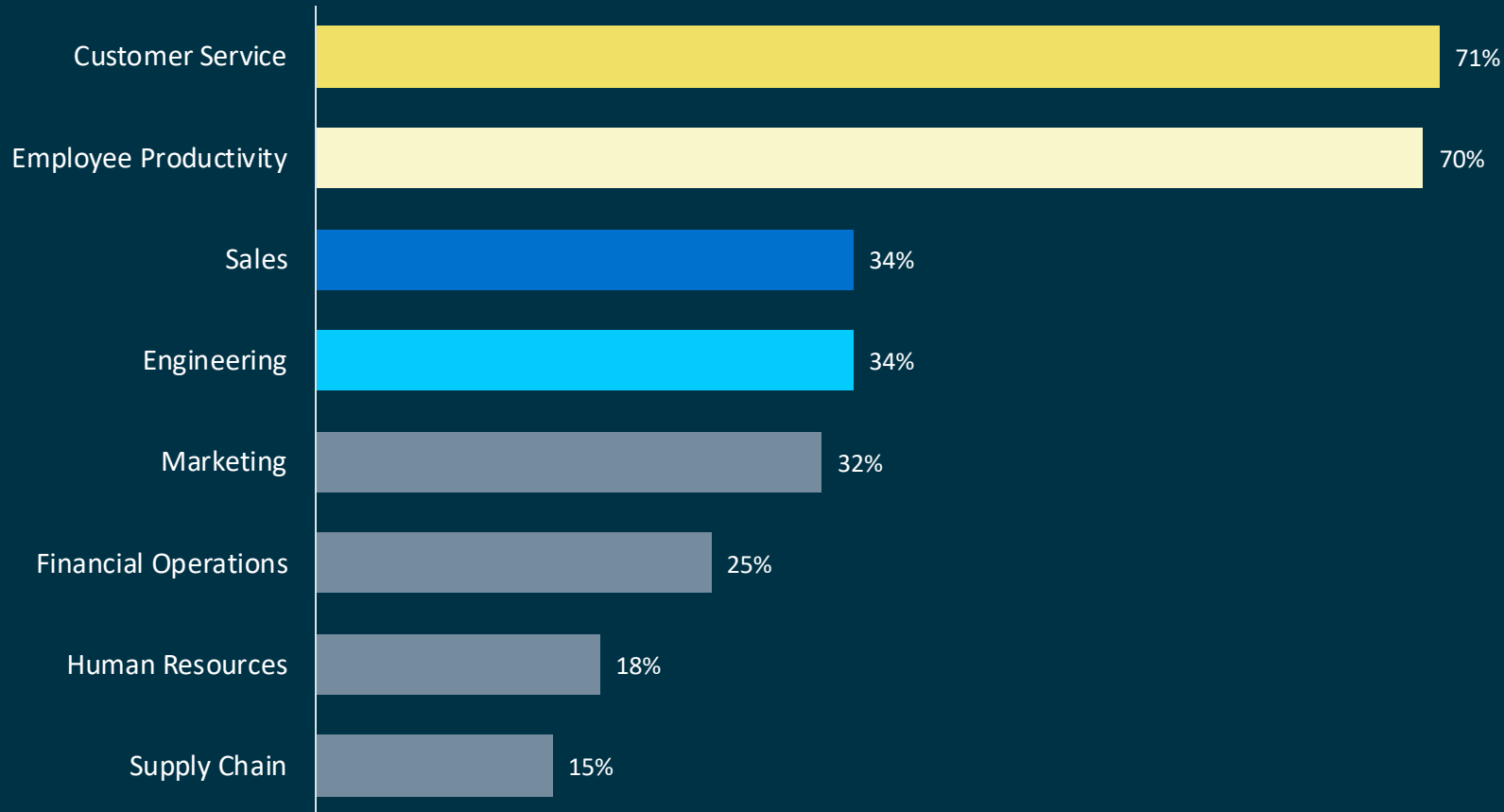
● Identified ● Under Development ● In Production



Based on our conversations with some of the largest F500 companies, we expect the use cases to increase by **10x over the next 24 months**. Certain industries already lead the pack in production: specifically, Financial at 15%, Healthcare at 16% and Technology at 20%.

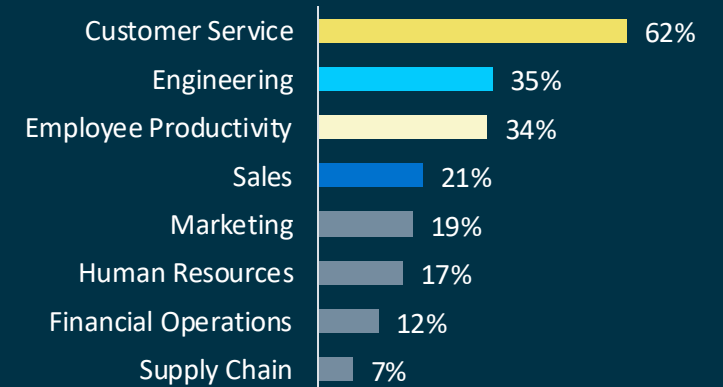
Top 3 Generative AI Focus Areas

PRIORITY FOR GENERATIVE AI CAPABILITIES RANKED TOP-3 BY CXOs



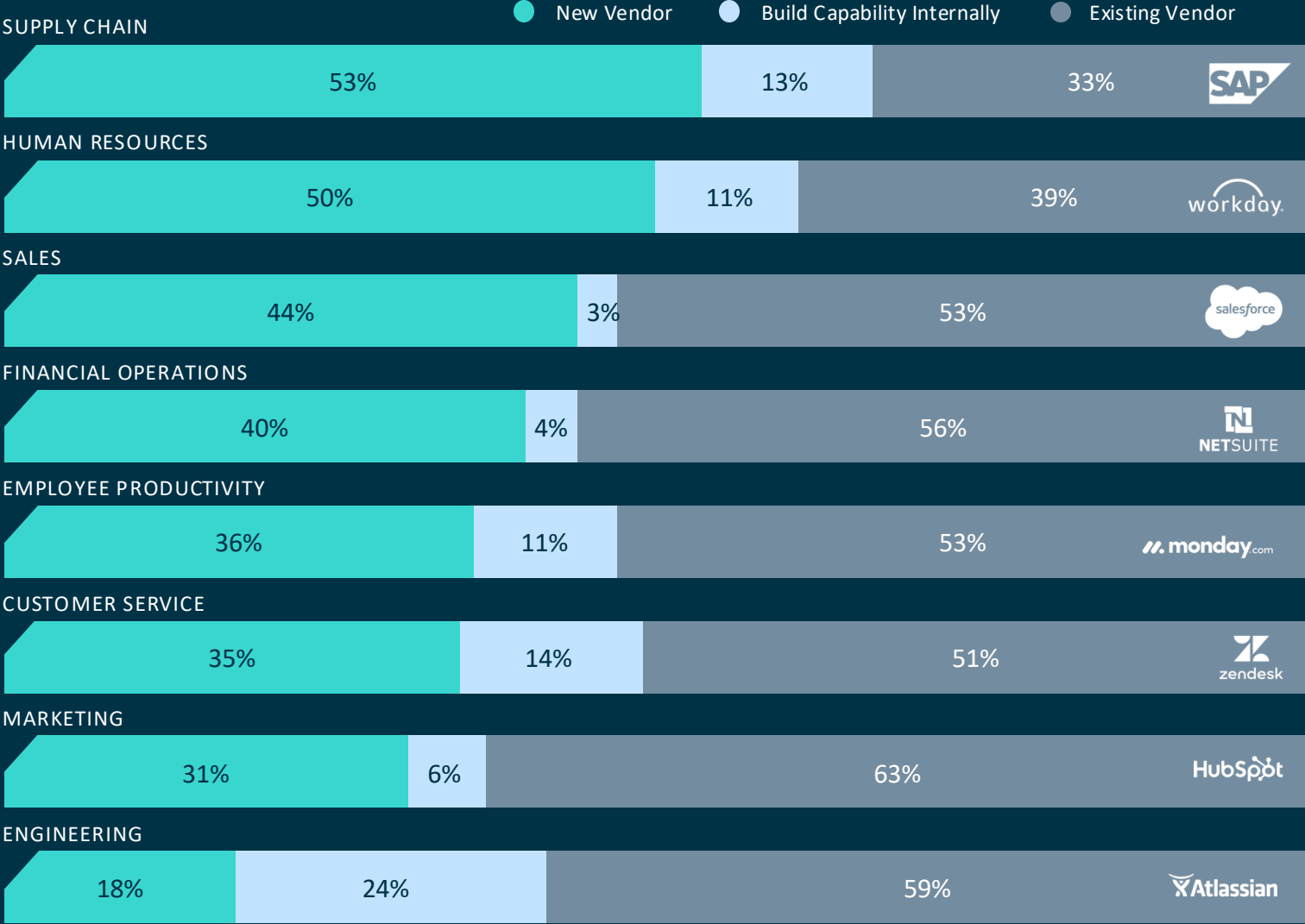
Most respondents want to use Generative AI today for Customer Experience and Employee Productivity. **Of companies with over \$1B in tech spending, 80% ranked Customer Service in their top 3.**

#1 PICK BASED ON URGENCY



Startups vs. Incumbents for GenAI

GENERATIVE AI CAPABILITIES - EXISTING VENDORS, NEW VENDORS OR BUILD IN-HOUSE

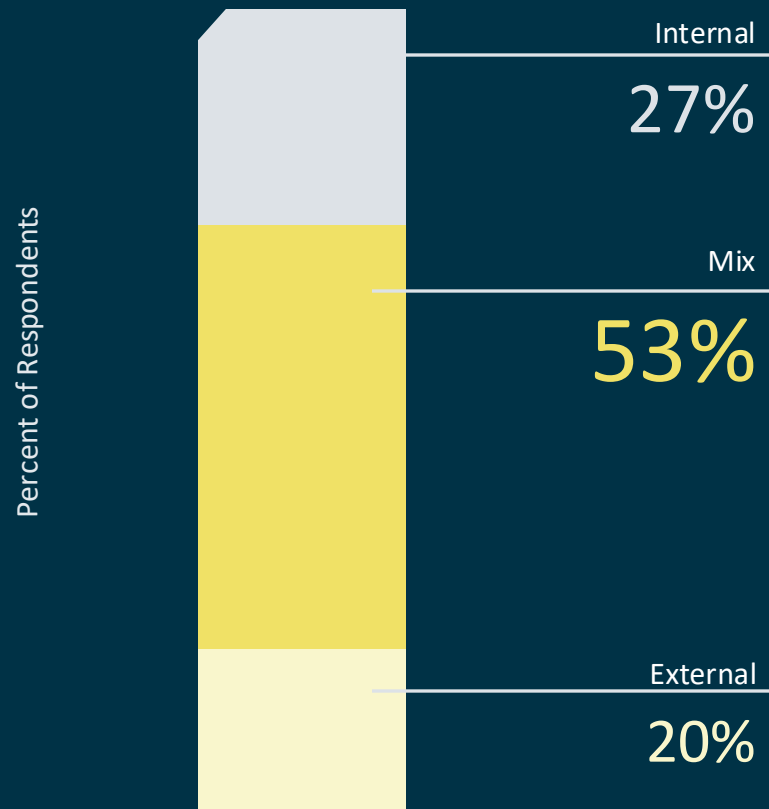


AI is shifting the landscape as executives consider alternatives over incumbents

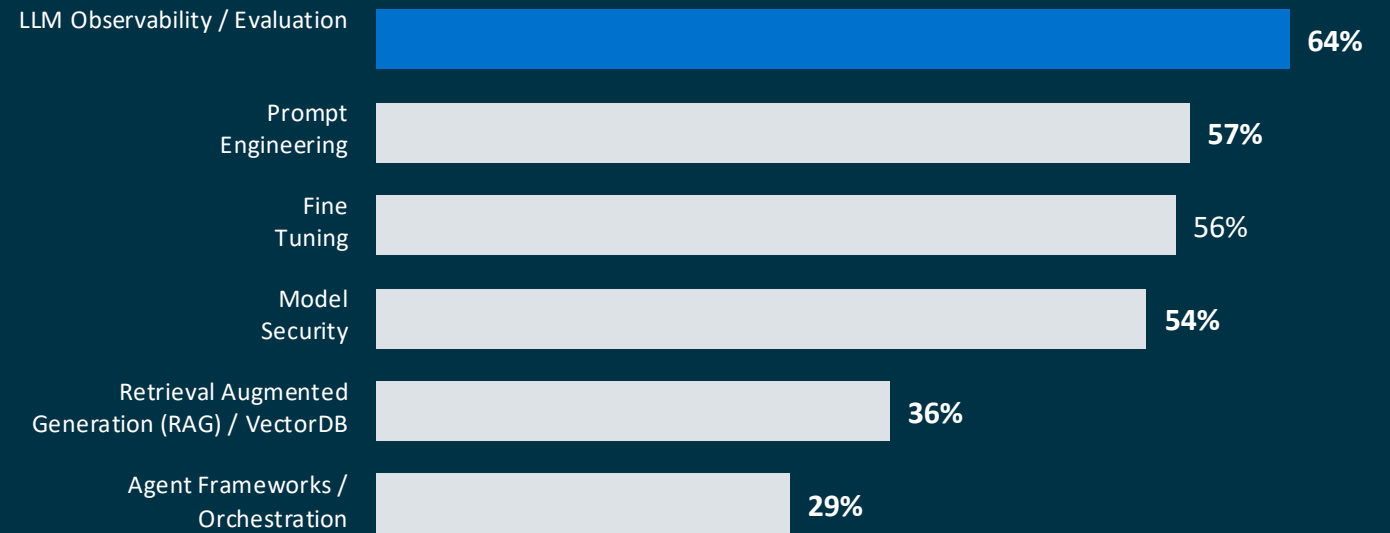
1. Over 45% of those enterprises seeking Customer Experience or Employee Productivity tools are looking to buy from new vendors or build their own solutions, putting pressure on incumbents.
2. Supply Chain, Human Resources, Sales and Financial Operations are the categories that appear to have the most pressure on incumbents. Engineering is the only category with over 20% looking to build capabilities internally.

LLM Use Cases

IN-HOUSE VS. EXTERNAL IMPLEMENTATION



TOOLS AND TECHNIQUES UTILIZED



73%

of organizations are using **external resources** to implement AI. Production deployments may be slower than expected due to a lack of in-house expertise: many organizations are bringing in external talent and services.

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