IT budgets remain steady in uncertain times
We surveyed businesses of all types and sizes, across the US and Canada, about their technology budgets and spending priorities for 2018. Their responses show some uncertainty about the market but investment in IT is continuing, with a strong majority having budgets that are growing or stable, and very few expecting a decline.

The 2018 Business IT Trends Annual Report contains responses from 998 individuals in decision-making positions, or in positions to strongly influence their organization’s purchasing priorities and choices.

These priorities cover hardware and software, cloud services and on-premises installations, and more.

Read on to discover just where your colleagues, contemporaries and competitors are planning to invest their technology budgets and see how your plans stack up.
The business environment is always changing, and companies of all sizes must be ready to adapt. The Harvey Nash/KPMG CIO Survey 2017 showed that nearly two-thirds (64%) of CIOs think “the political, business and economic environment is becoming more unpredictable”.

Key sources of this uncertainty include tensions with North Korea, the unknown impact of Brexit, the commencement of the EU’s general data protection regulation (GDPR), instability in the Middle East and the refugee problems it causes, and the possibility of a return to global tariff barriers.

Yet despite this uncertainty, local operations are confident that the regional economy is strong and they’re continuing to invest, and the forecasts made by analysts at Gartner and IDC last year remain on track.

Critically, these included global IT spending trending upwards at 6.2% in 2018, led by Enterprise Software, IT Services, and Devices — trends echoed in our own data.
How does 2018 expenditure compare to 2017 budgets?

The answer is simple: budgets are holding steady. More than one-third (37%) of respondents are planning to spend more on IT than last year; only 11% plan to spend less.

This accords well with the Harvey Nash/KPMG CIO Survey 2017, which forecast two-thirds of organizations would adapt their technology strategy, necessitating increased or at least steady spending on IT as systems are evaluated and, where necessary, upgraded.

Looking more closely at the numbers, we see that in 2018, 9% are planning budget increases of 20% or more (with 6% planning 30% or more). This is an increase over 2017, when just 4% of respondents reported increases of 20% or more (with 3% reporting 50% or more).

The other notable data point is that while respondents aren’t planning to increase their spending much in 2018 compared to 2017, they’re not decreasing it either: 42% report flat budgets in 2018 (compared to 35% in 2017) and fewer respondents didn’t know their budget plans: just 11% in 2018, versus 15% in 2017. This indicates that there’s greater certainty around budgets and the necessity for continued spending on IT.

This aligns with IDC’s CIO Agenda 2018 prediction that companies are working on infrastructure and application re-platforming, requiring expenditure until 2019 when the projects will be complete.
Finance (48% of organizations), manufacturing (44% of organizations) and professional services (43% of organizations) lead the way with above-average commitments to increased IT budgets.

Manufacturing also sees greater than average flat spending (45% of organizations) and a smaller than average proportion of decreased spending (11%, versus the average of 21%).

Real estate (31% of organizations) and retail (27% of organizations) are looking at the largest falls, both being more than five points more than the all-organizations average (21%).

Smaller companies (1–20 people) are reining their budgets in; only lower midsize companies (21–50 people) are looking to increase their budget considerably (50% of organizations), while companies 51 people and larger are looking at increases closer to the all-organizations average.

Larger organizations (251 or more people) are still looking at increases, but almost the same number will simply maintain their budget.

This makes sense in the context of IDC’s finding that major re-platforming projects are due for completion by the end of calendar 2018: budgets for mid-size and larger organizations are being maintained as these projects wrap.
Digital transformation is the main order of business for organizations of all sizes, whether they call it by that name or not. Thus, we see a remarkable consistency of spending priorities between hardware, software and cloud across organizations at all budget ranges: every category, at every budget range, is within five points of the all-organizations average.

One distinguishing factor is that respondents with budgets less than $50,000 are closer to the averages while those with higher budgets varying a little more, perhaps suggesting that they have specific requirements to meet.

More broadly, customers are demanding ‘anywhere, anytime, any device’ access to information and services. New devices and new applications must be accounted for in business strategies, and new online capabilities and services integrated.

As Forbes notes, this means businesses now must respond to customer demands (for improved experiences and products), become process oriented (digitizing processes to improve capability and efficiency), and embrace innovation (to create new products and business models).

This requires investment across all categories of IT expenditure, which our data clearly reflects.
In which hardware categories are IT buyers investing?

Across all companies, desktops, laptops, networking, security and servers are the top five categories. These represent the building blocks of any modern business, and as noted, companies of all types and sizes are rebuilding themselves as digital enterprises – some intentionally and with a clear strategy, others incrementally and almost accidentally, as the normal upgrade cycle introduces them to new capabilities.

This matches Gartner’s prediction that the main drivers of IT spend will be digital business, blockchain, internet of things (IoT) and the steady progression from big data to algorithms to machine learning to artificial intelligence.

These advances require investment in basic IT infrastructure – like workstations, networking, security and servers – and this is confirmed by our respondents.

Interestingly, mobile devices and tablets were a lower priority, but this also accords with Gartner’s prediction that phone sales would be largely flat (comprising fewer sales but at higher unit prices).
As companies undergo their digital transformations, they are gathering, handling and storing more data than ever before. So, it makes sense that when it comes to software spending, security, backup and servers are the top priorities, followed by databases and virtualization.

Breaking the data out by budget, backup is a key requirement across the board. For high budget organizations, CRM and virtualization account for nearly half the anticipated software spend; for low budgets, after backup and security the remaining budget areas take a roughly equal proportion of the spend.

Gartner’s predictions are again borne out by our data – the analyst predicted 9.5% growth in software spend in 2018 (and another 8.4% in 2019), partly thanks to adoption of enterprise applications and growth of software as a service (SaaS) in key segments including finance, human resources and analytics.
As noted in our comment for the software category, Gartner has predicted an increased spend on SaaS products in key segments including finance, human resources and analytics. This aligns with our top three cloud investment categories (discounting the second-place ‘N/A’ responses): backup and recovery; application hosting; and email hosting.

This holds true for low as well as high budget spenders. Cloud services are becoming ubiquitous and their many advantages – including financial (e.g. being costed as OpEx rather than CapEx), operational (e.g. rapid scalability) and security (e.g. dedicated expert teams) – make them in many cases ‘too good to refuse’.

Forrester has predicted that cloud services will accelerate digital transformations, and that in 2018 more than half of all global enterprises will rely on at least one public cloud platform. This puts our findings into context – companies are moving basic services to the cloud as they embrace its transformative power.
Investment category by industry

When we compare each industry's breakdown to the all-industries average, clear differences in investment priorities emerge.

- **Construction** – Investing considerably more in hardware than in cloud.
- **Educational services** – Investing strongly in hardware.
- **Finance and insurance** – Investing strongly in cloud.
- **Healthcare and social assistance** – Closely match the average but prioritizing software.
- **Manufacturing** – Investing strongly in hardware.
- **Professional, scientific and technical services** – Investing strongly in cloud.
- **Retail trade** – Close to the average in all categories but spending less on software.

These priorities are unsurprising. BusinessWire has predicted IoT spending in manufacturing to grow by nearly 30% through to 2020. This is reflected in our data, a strong hardware investment for manufacturing as the industry rolls out sensors and control systems.

Similarly, Gartner has noted that finance applications are rapidly shifting to the cloud, and professional services organizations are being rapidly digitized, necessitating a similar shift.

Meanwhile Forrester has noted that 67% of retailers will be unprepared to exploit intelligent agents, a curious lag that's also reflected in our data, with its lack of emphasis on software.

One finding not reflected in the figures above was that construction, real estate and retail – which are closely connected to consumer spending and broadly reflective of confidence in the economy – had considerably higher numbers of unsure respondents.
The most notable trend here is that while the hardware:software spend ratio is reasonably consistent across all company sizes, cloud spend trends upwards with size.

This makes sense: larger organizations are embracing the cloud and its attendant shift of IT spend away from on-premises hardware to hosted services. IDC has forecast continued re-platforming through 2018 for such companies, along with the need for agile processes and a shift toward digital products.
What is driving IT investment?

It's clear that parts replacement – upgrades and products reaching end of life – is driving the majority of IT spending. As the development cycle for new products becomes shorter, these upgrades are effectively taking the place of more traditional projects, as feature sets and new capabilities expand.

It is perhaps curious that security rated so low as a distinct item when it rates so highly as an IT priority (as noted by ZDNet and Harvey Nash/KPMG, among others). But this might be explained by the fact that security features now come ‘as standard’ on many products – indeed, they’re becoming selling points – rather than being an extra purchase.

In the case of cloud services in particular, security is a key selling point, with providers noting that on-premises security is handled by a small IT team with responsibility for their organization’s entire infrastructure, whereas cloud providers have dedicated teams of security experts.
Security and automation were the two technologies most used, and most planned to be used, by our respondents; VR/AR, and AI were the least.

The top priorities were no surprise: organizations of all types and sizes understand the need for security and are looking for ways to use IT to automate workflows and business processes.

The low priority given to VR/AR is unsurprising, as the technologies aren’t yet mainstream and their business use, outside a few niche industries like tourism and entertainment, aren’t clear.

This is probably also why AI rated last. It’s understood as a technology that will be important in the future, but at present its applications are little appreciated. However, it’s making significant inroads in accountancy and legal firms (i.e. finance and insurance, and professional services).
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About this survey

These survey results are based on an annual global survey conducted by OneAffiniti from December 2017 through February 2018. 998 North American businesses responded.