The AI Moment & the IT Industry AI Pivot

Preparing for the Next Era

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Outlook for Economy and IT Demand

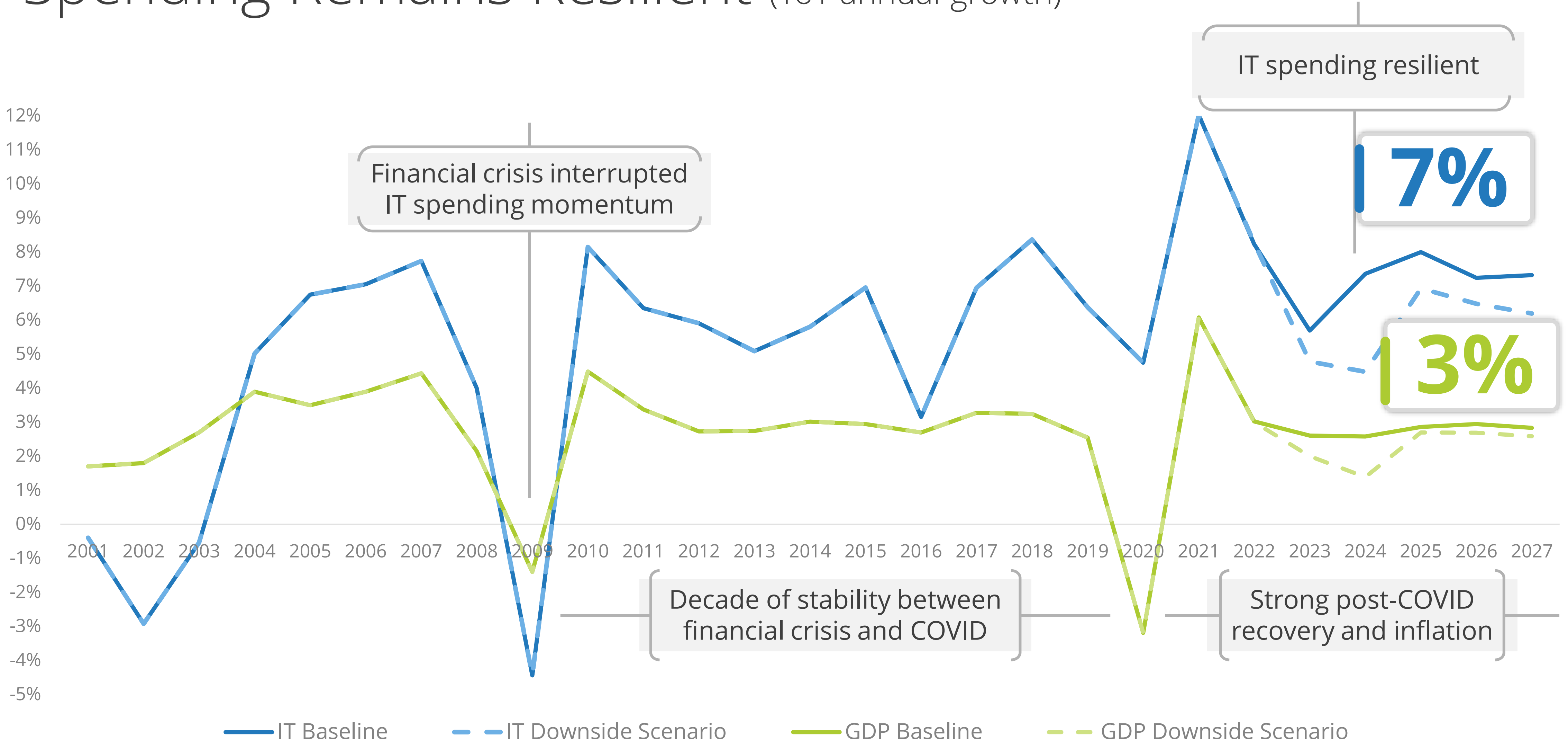
At the start of 2024, 83% of IT leaders expect full year spending in 2024 to increase or remain stable with a majority of North American respondents expecting increases.

Based on current conditions, what is your best estimate of your organization's IT spending plans for 2024?

	Worldwide	North America	WE	AP
% mean change	+ 5.29%	+ 5.31%	+6.38%	+ 4.40%
IT spending in 2024 will be lower than 2023	15%	11%	18%	17%
IT spending in 2024 will be the same as 2023	41%	33%	38%	57%
IT spending in 2024 will be higher than 2023	42%	55%	40%	26%

Source: Future Enterprise Resiliency & Spending Survey Wave 2, IDC, February, 2024, N=896, NA: 371, WE: 225, AP: 300

IT Spending Remains Resilient (YoY annual growth)



Source: IDC Worldwide Black Book (February 2024) growth in constant currency; excludes telecom spending and business services

North American Tech Leaders Perspective

Economic Outlook

43% expect 2024 GDP be lower expected

- **28%** anticipate higher

Just **28%** expect a recession in 2024

- It was **83%** in 2023

IT Spending Outlook

55% expect 2024 spending to be higher than in 2023

Only **11%** anticipate a decline.

Mean Increase of **5.3%**

Top 2 Threats to Plans

36% managing anticipated AI costs

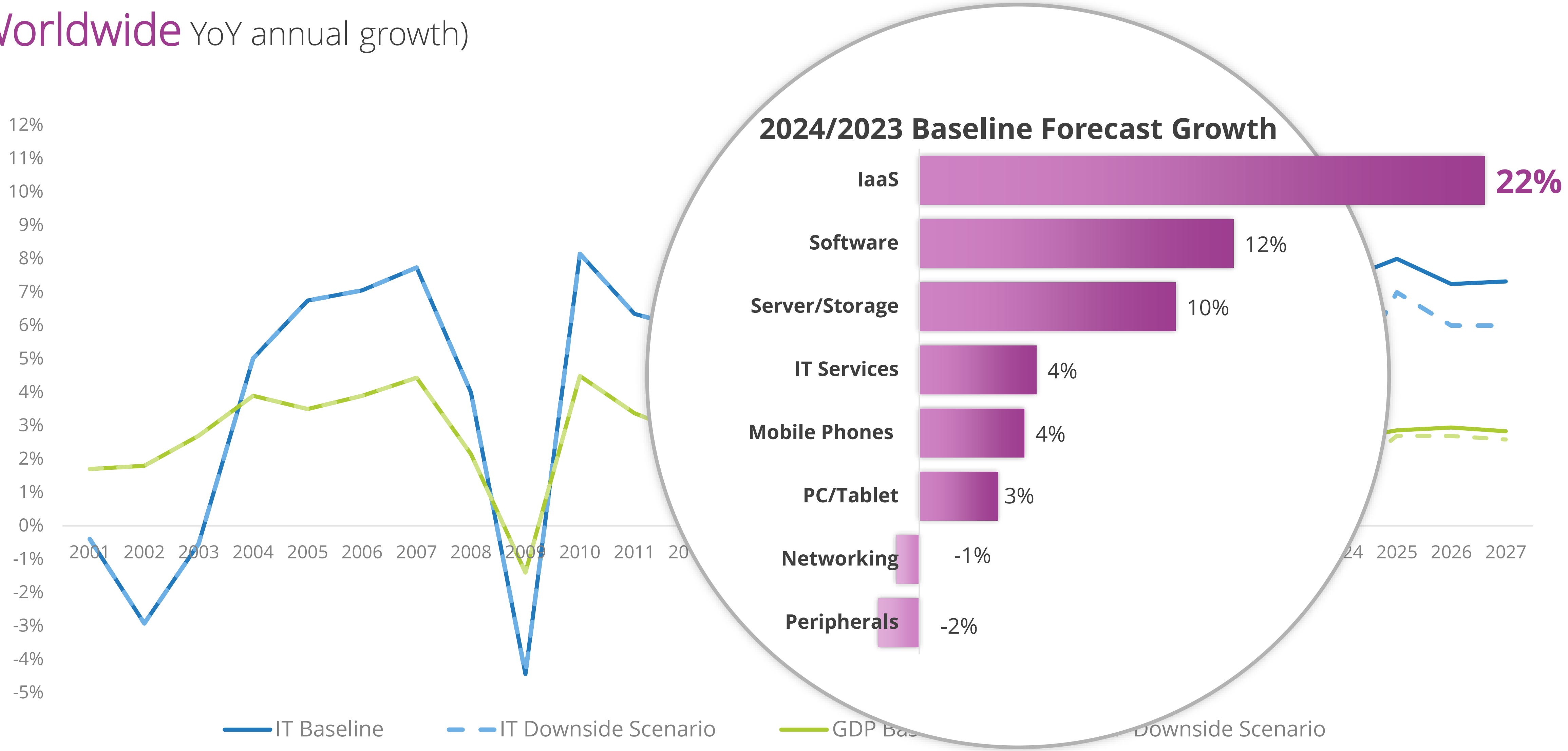
35% dealing with IT supply chain constraints

32% inflated vendor prices

Source: Future Enterprise Resiliency & Spending Survey Wave 2, IDC, February 2024, N=896

Where Is The Growth?

(Worldwide YoY annual growth)



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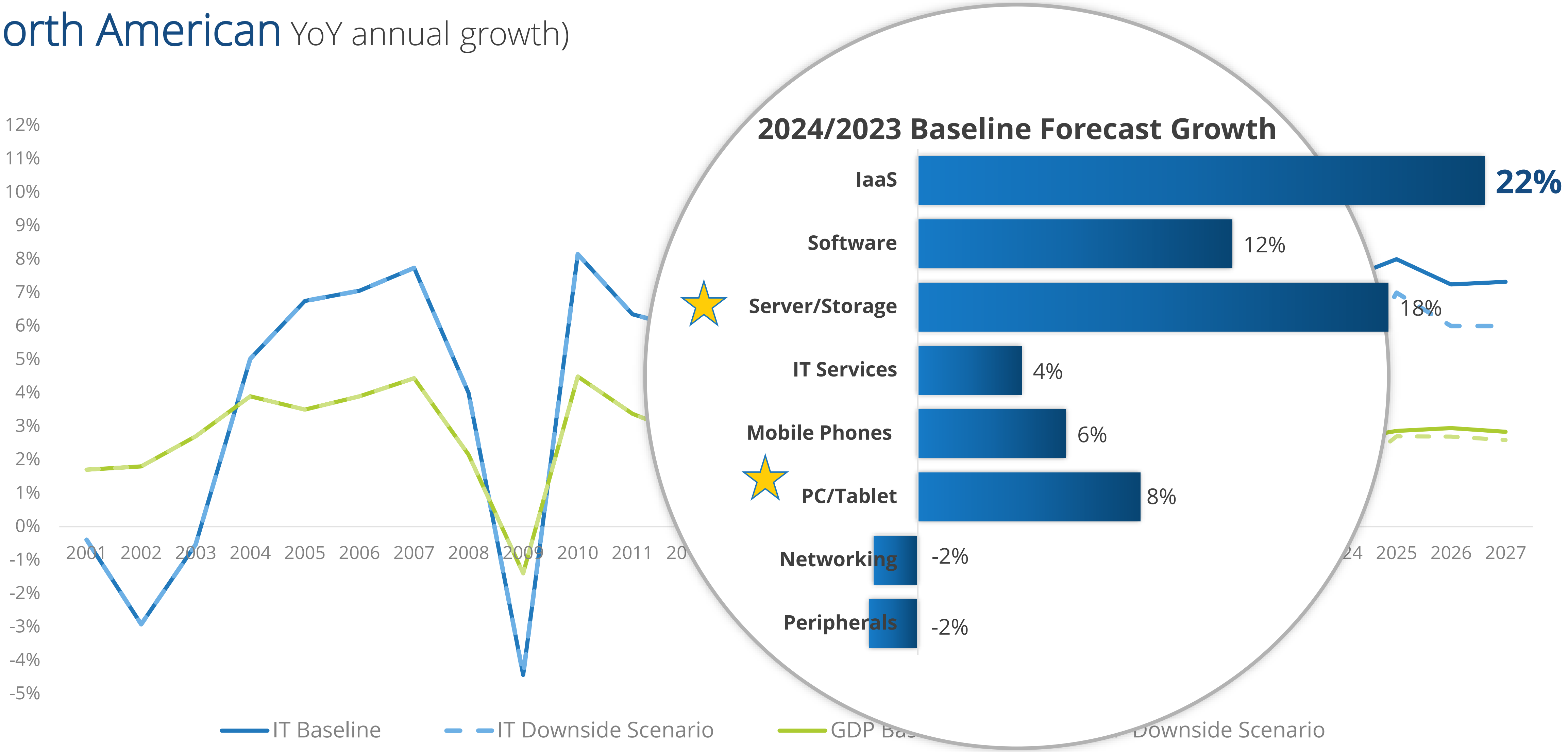
Where Is The Growth?

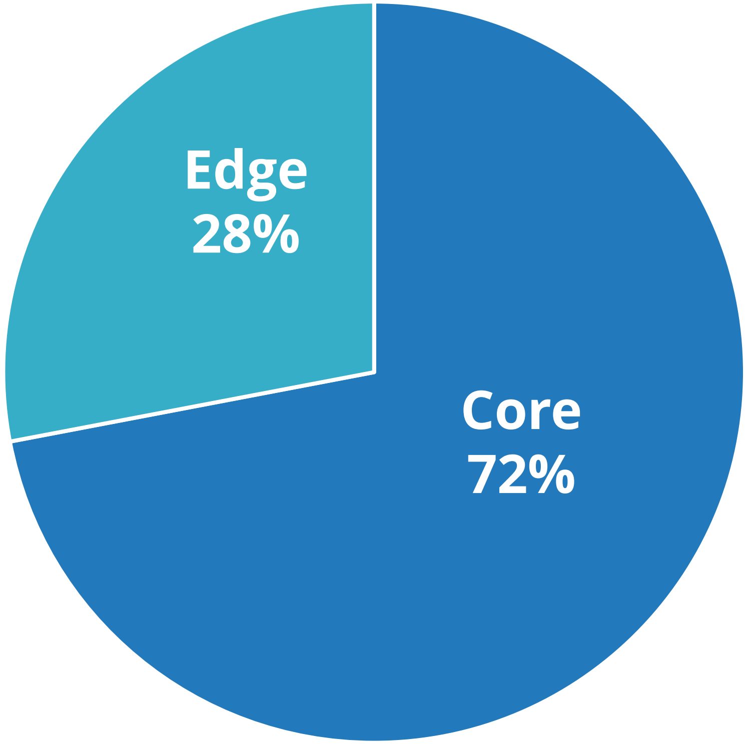
(North American YoY annual growth)



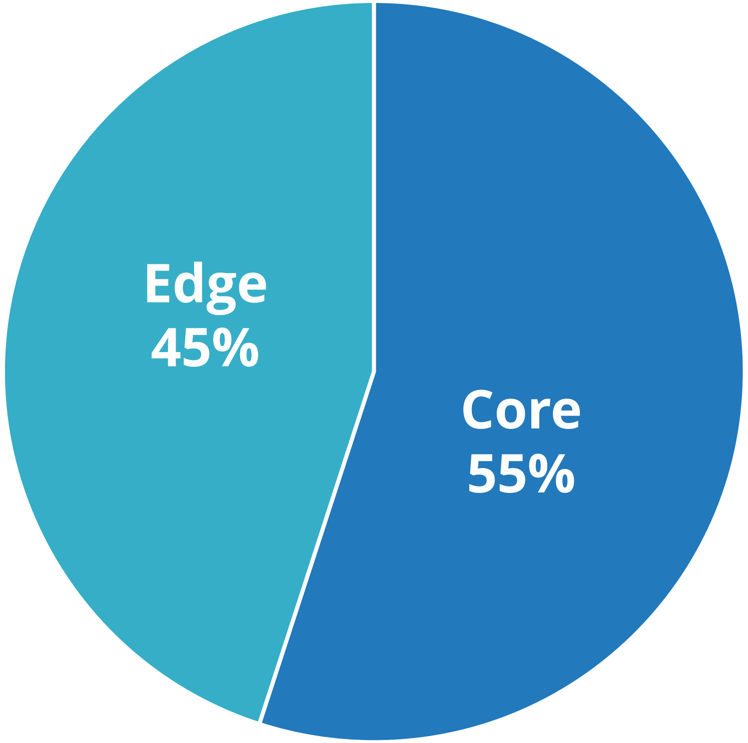
Source: IDC Worldwide Black Book (February 2024) growth in constant currency; excludes telecom spending and business services

What about the Edge?

U.S. Enterprise Edge Server Distribution



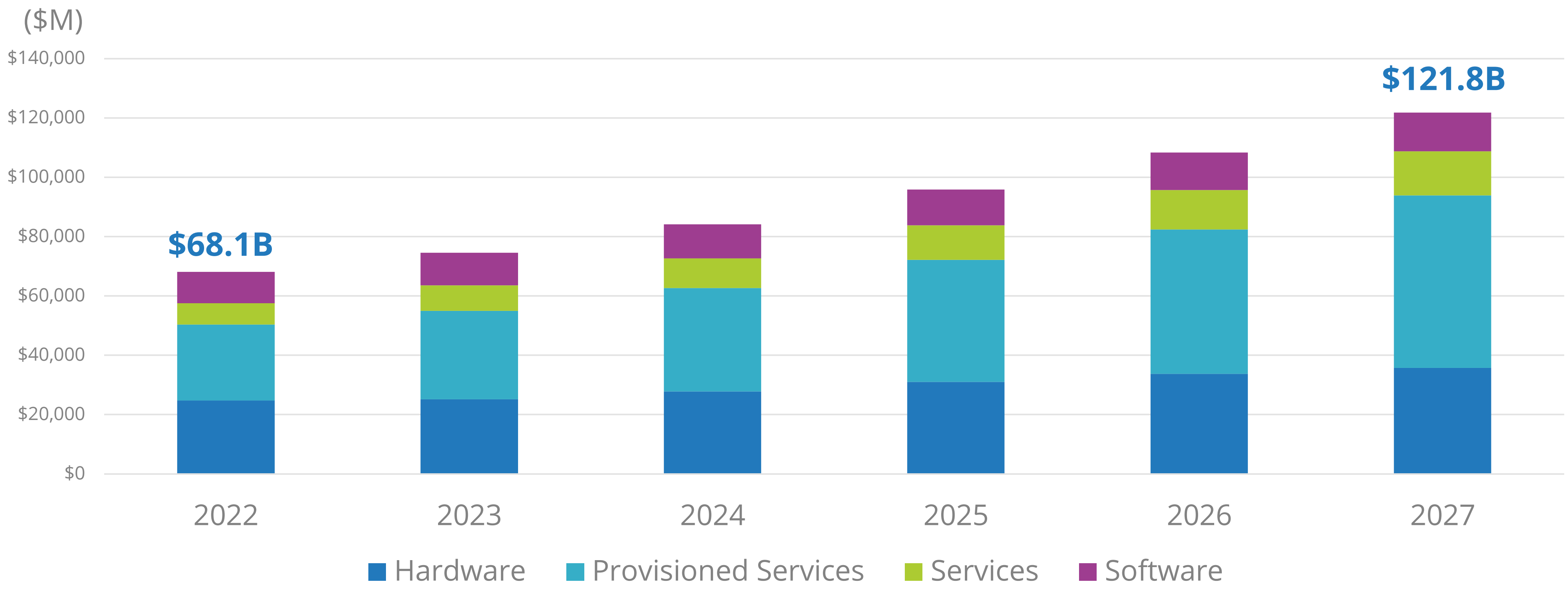
2022 Revenue total = $20.2b



2027 Revenue total = $22.1b

Source: Worldwide Quarterly Infrastructure Tracker: Buyer and Cloud Deployment, March 2024

IDC Edge Spending Guide:
Americas Enterprise Edge Spending by Technology Category, 2022-2027



Small footprint AI models that can deliver business value using traditional CPUs and smaller sets of parameters and data are garnering consideration by 85% of organizations

Source: Worldwide Edge Spending Guide, February 2024

Enterprise Investment Priorities

Critical Investment Domains in North America

Which of the following are immune to budget reduction regardless of the economic environment?

1 — 2nd year in a row
Security, Risk, & Compliance

2 — Up from #5 last year
Infrastructure & IT Operation optimization initiatives/ projects

3 — Debuted #7 in June
AI and Automation Initiatives

4
Application Development

5
Data & Analytics initiatives

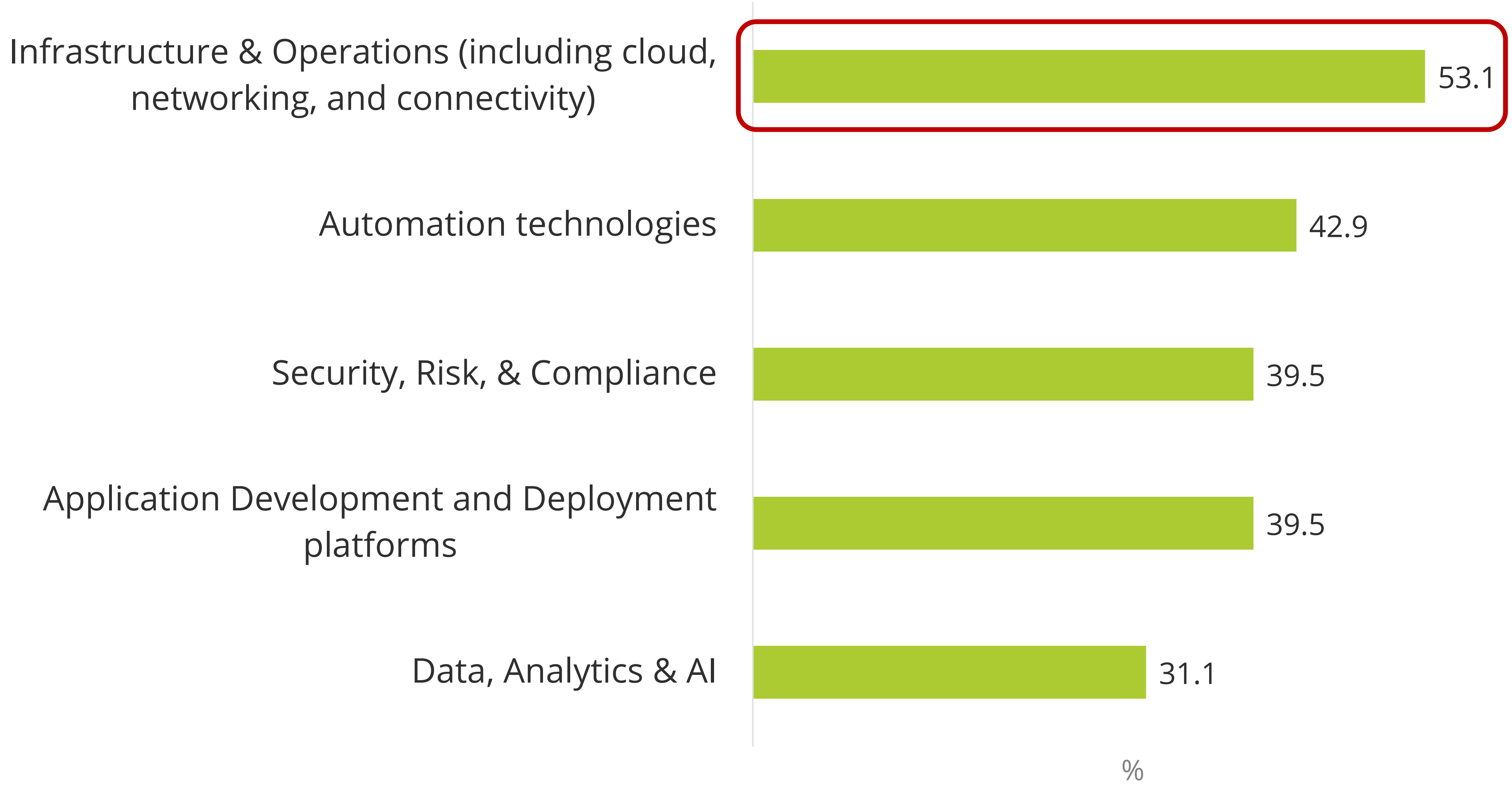
44%

27%

Greatest GenAI driven budget Increases

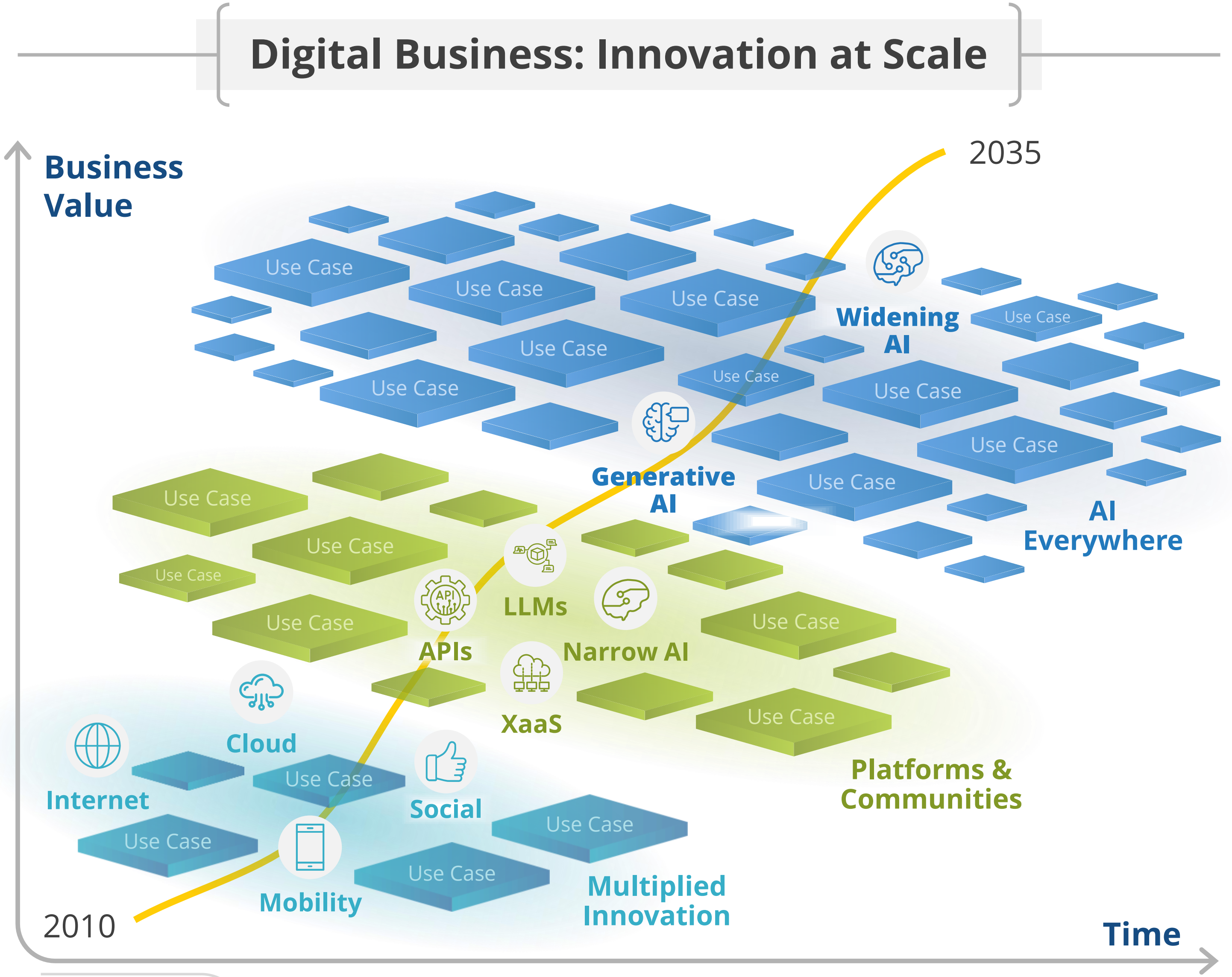
Source: Future Enterprise Resiliency & Spending Survey Wave 2, IDC, February, 2024, NA: 371

The CEO Perspective: Where Must Enterprises Invest?



Source: IDC Worldwide CEO Survey, February 2024; n=354.

The AI Everywhere Era



83% of enterprises believe GenAI has or will soon disrupt their business

Intelligence Architecture. A data-centric platform underpinning the enterprise

Digital Operations At Scale. Cost-effective digital infrastructure for AI workloads

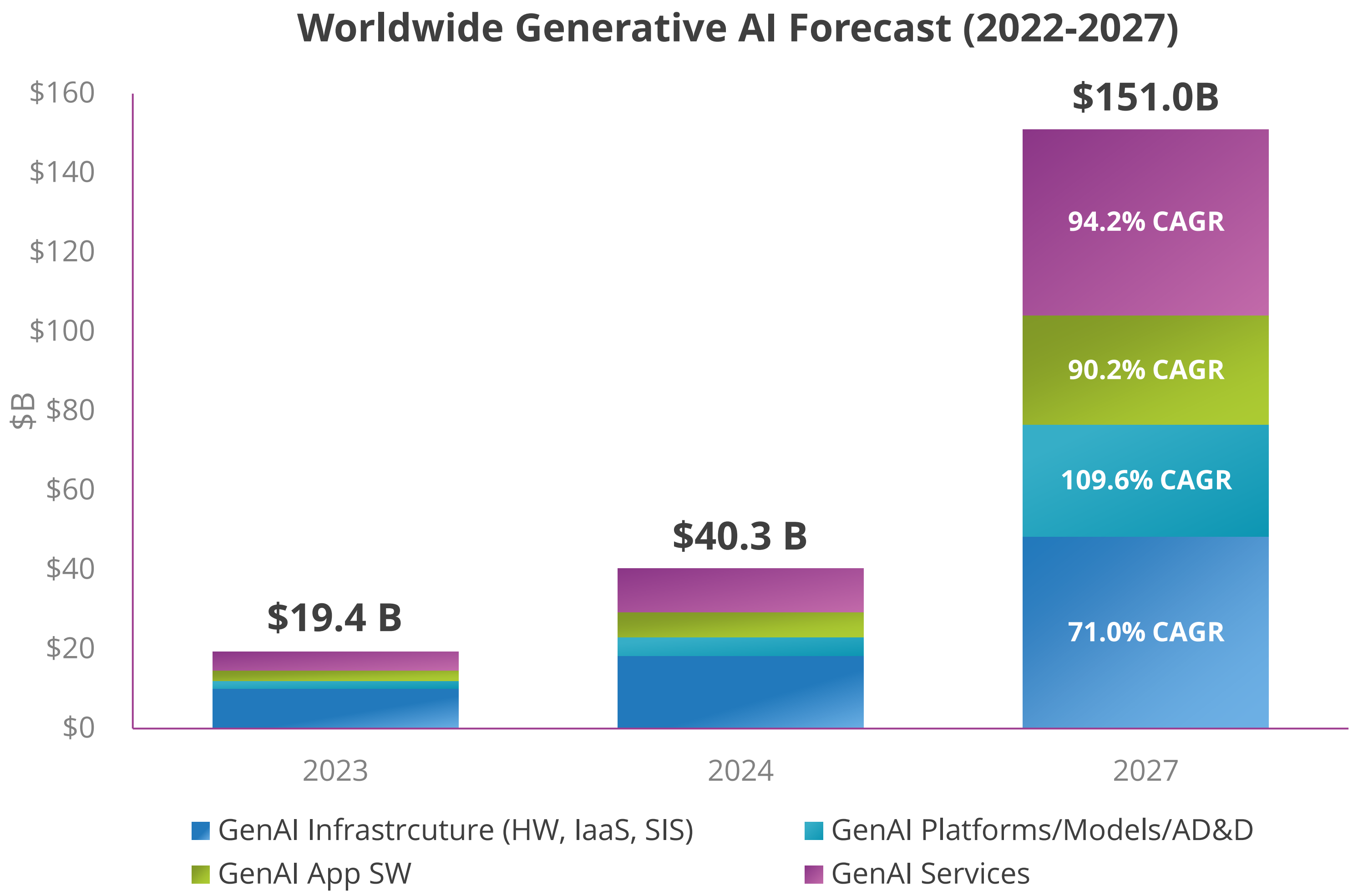
Skills. Attracting and reskilling talent for transformed work models

Trust. An upfront focus on trust

$521B AI spend in 2027

Source: Future Enterprise Resiliency & Spending Survey Wave 2, IDC, February 2024, N=896

The Generative AI Market Opportunity



By 2027

GenAI represents 29% of AI spend

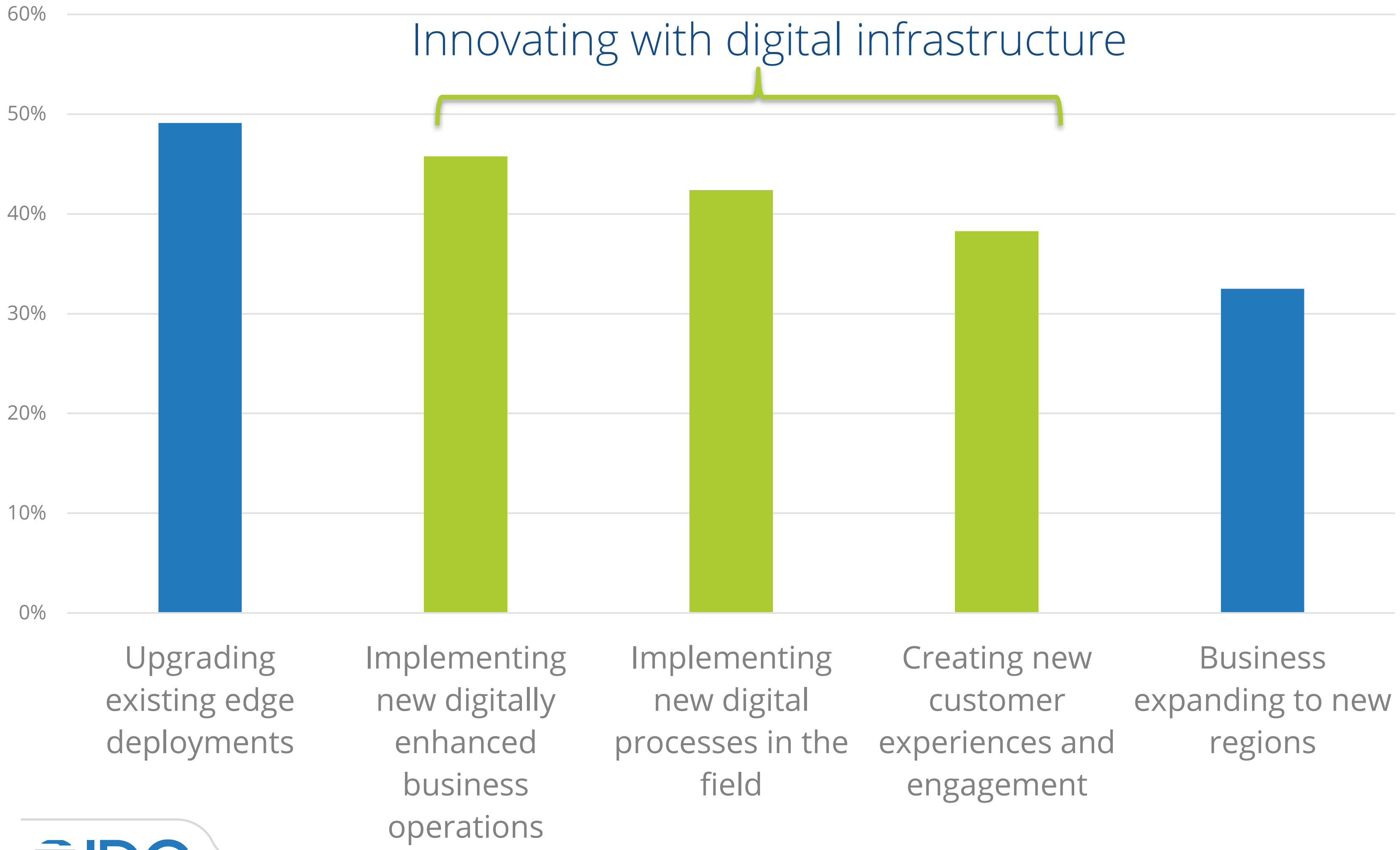
Technology Category	2024 Spend
GenAI infrastructure	$18.3B
GenAI models, platforms, AD&D	$4.7B
GenAI-enabled apps	$6.3B
GenAI enablement services	$11B

NA accounts for **60%**

Source: Source: IDC, GenAI Forecast Update December 2023

Edge investments tightly aligned with digitally infused operations, engagement… and AI Expansion

What is driving your organization's need for new edge infrastructure?



Source: IDC EdgeView 2024, n = 800

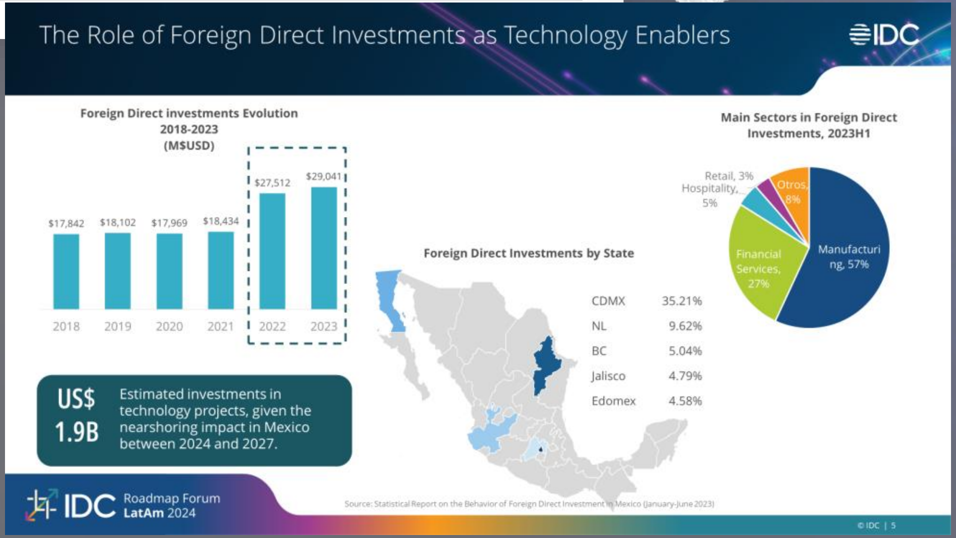
AI Hot Spot

19% Y/Y increase in x86 Server spending

IDC Enterprise Infrastructure Tracker

For First Time in Two Decades, U.S. Buys More From Mexico Than China

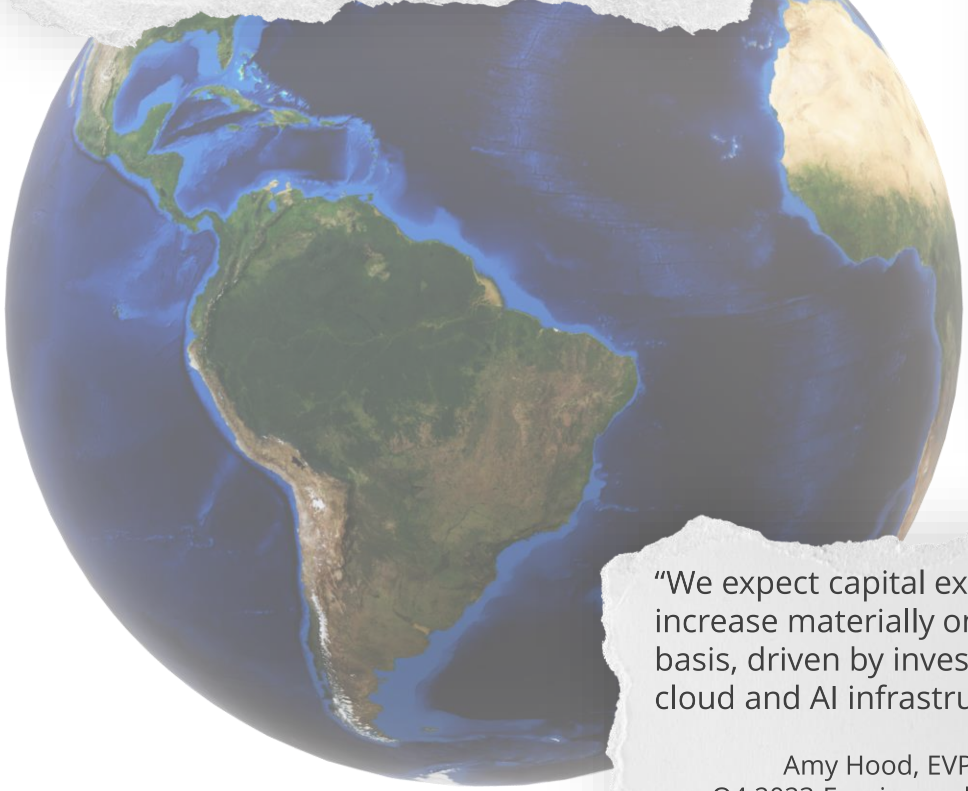
New York Times, February 7, 2024



The Global IT Industry AI Pivot

With tech providers allocating 50% of R&D, staffing, and CAPEX investments for AI and automation through 2026, CIOs will struggle to align vendor selection and IT Ops priorities with new use cases.

IDC Worldwide IT Industry FutureScape, 2024



Dell Names Jeff Boudreau Chief AI Officer, Creates AI Business Unit

"We expect capital expenditures to increase materially on a sequential basis, driven by investments in our cloud and AI infrastructure"

Amy Hood, EVP & CFO, Microsoft.
Q4 2023 Earnings call, January 30, 2024

100+ M&As

accenture, Microsoft, Meta, servicenow, cisco, intel, DataRobot, IBM, Alphabet

Key AI Pivot Points

The Great Data Grab
Providers aggressively expand their private/open-source data models and AI platform portfolios, making partnering decisions more challenging.

Multi-quarter order backlogs for key products, but no where to put them

Infrastructure Turbulence
Enterprises continue to deal with uncertain infrastructure supply, costs, and accessibility.

Services Industry Transformation
40% of services engagements include GenAI-enabled delivery, triggering a shift in human-delivered services.

64% of NA enterprises expect Services providers to deliver faster, at greater volume, and with better quality and insight

Future Enterprise Resiliency & Spending Survey Wave 1, IDC, January, 2024

Top GenAI Inhibitors

30% Loss of control over data and IP

26% Excessive GenAI app add-on costs

25% Excessive infrastructure costs for models & training

Future Enterprise Resiliency & Spending Wave 1, January 2024

The Critical Next Stage of the AI Pivot

From An Economy of Scarcity

Supply constrained

Concentration of assets

Risk Avoidance

The Critical Next Stage of the AI Pivot

To An Economy of **Abundance**

Abundant supply

Wide distribution of assets

Reduced experimental risk

The Foundations of Abundance in 2027

Embeddable AI Silicon – Everywhere
Deliver AI acceleration in embeddable chiplets for PCs/devices and smart "things"

60% of PCs in 2027

A Digital High Frontier
Leverage low Earth orbit satellite connectivity to create a unified fabric for resilient/ubiquitous access and guaranteed data fluidity.

Cloud-based Control
Cloud-based for zero-touch provisioning and zero trust security required for distributed AI

Key Takeaways

GenAI Models/Platforms are major new workloads that will require new approaches to Build/Buy decision making. The focus will be scaling use of data and models.

Use cases are critical for prioritizing data & models but enterprise scale requires a scalable and distributed approach plus a solid app/data/model governance foundation.

With greater levels of special training/tuning with private data and broader inferencing, enterprises must focus on location, infrastructure, facilities, and skills constraints.

IDC

GenAI-optimized Workload Deployment Options

Private

Self-Built and/or Managed PIC* Infrastructure

- Deployed as **traditional IT or dedicated cloud infrastructure**

Computing Platforms	Network & Storage Systems	Storage and Computing Infrastructure Software
NVIDIA, intel, WEKA.io, cisco, ORACLE	DELL, NUTANIX, AMD, FUJITSU, IBM, Red Hat	Hewlett Packard Enterprise, vmware, Lenovo, SUPERMICRO, and others

Hybrid

Public

PIC as a Service (PIC* as a Service)

- Deployed as **dedicated or public cloud infrastructure as a service**

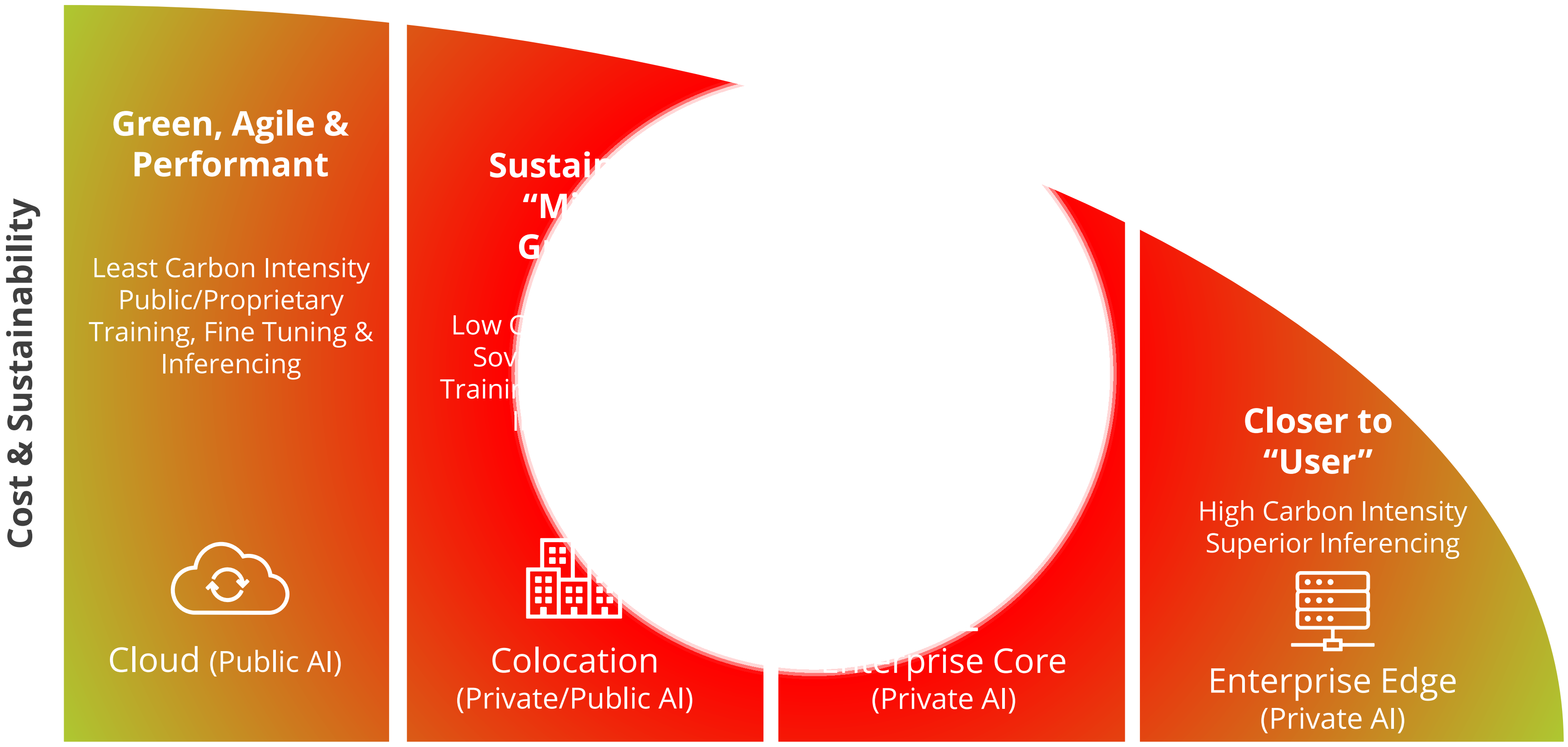
Public and Dedicated Cloud IaaS (Compute and Storage)	PaaS	SaaS
IBM, ORACLE, SAP, salesforce	aws, Microsoft Azure, OpenAI, servicenow	Google Cloud, snowflake

* performance intensive compute/network

For Your Consideration: What Color Is Your AI

Balancing Resource Implications with Governance Objectives

Selecting the optimal infrastructure—whether public cloud platforms, colocation, or on-premises data centers—demands a balance between environmental considerations and strategic imperatives.



Meeting Strategic Governance Objectives

Data Privacy, Sovereignty, Compliance & Performance

Capitalizing on the AI Moment

Look for Hot Spots
identify critical use cases

Prepare for Abundance
invest in enabling the economic shift to AI-enable business

Cost, Data, Code
Establish your role in enabling control

Local Partner
enterprises are thinking globally, but need help locally

IDC

Thank You

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