SALES PULSE RESEARCH

Technology Trends

Sales Pulse Research Update **February 3, 2024**

SPR Update -Summary of AI Field Observations in our Universe of Coverage

(MSFT, AMZN (AWS), GOOG, ORCL, IBM, INFA, SNOW, MDB, BASE, CFLT, GTLB, ESTC, FROG, DT, DDOG, CRM, TDC, NOW, PANW, ZS, CRWD...)

All vendors have an AI story and we are working to deliver field views to help understand who is executing well and delivering the features and strong ROI they promise in Cyber Security, BI and Analytics, Observability, UC/CC/CP, Cloud Computing and IT infrastructure.

Demographics - This note is based on recent conversations with Systems Integrators (5 GSIs, 6 RSIs), 2 MSPs (cloud apps), 1 Healthcare MSP, and 8 end users in the enterprise market as well as 9 Industry Analysts and a number of surveys and reports from Gartner, Silicon Angle, IDC, and Forester.

General Business Outlook - Integrators and VARs we speak with see high activity and plenty of new projects in their sales pipelines. There is still caution and uncertainty regarding timing of approval to move these projects forward but after a year of optimization and cost cutting, end users appear more ready to spend on digital transformation for outcomes that improve efficiencies and differentiate themselves from their competitors.

Summary of Recent AI Views from Field Contacts

- During 2023 the vendors that Systems Integrators and our other industry contacts saw as introducing the most effective AI features for monitization were Microsoft Azure, Oracle OCI, Teradata, Salesforce, IBM and ServiceNow.

- Our channel contacts are impressed with Salesforce Einstein being integrated with a Generative AI engine for their suite of products including Mulesoft, for integration, Tableau for visualization, Slack for real-time communications and SDFC for CRM. Salesforce just partnered with AWS for deployment in their datacenters integrated with Salesforce data centers to produce outcomes without having a zillion APIs to be managed.

- AI has started to drive increased demand for cloud databases to the benefit of Snowflake, Databricks, MongoDB and Couchbase. AI Engines can store exponential data volumes in the cloud and instantly scale capacity more effectively. These databases will have to be real-time for many use cases and allow integration of legacy data.

- SIs anticipate strong demand for Observability platforms from Dynatrace, Datadog, Cisco/AppD/Splunk as important new applications are launched and need to be monitored. Use cases will be deployed on-premise and in the cloud (systems, services, containers, network devices, edge devices, firewalls, etc.). As discussed in our recent note on Observability, we believe Q4 was likely in line but integrators see demand for Observablity accelerating into the new year.

- JFROG has outlined their plans to leverage AI to apply more mature ML algorithms to manage applications by DevOps. SIs believe that this application of AI will yield strong and measurable results (see our recent note on Jfrog). Confluent will also offer more efficiency to end users for streaming in real-time Kafka data and industry contacts believe this will be very productive as well.

- Gitlab - SAs we've spoken to state that the AI engine that Gitlab is rollout out is pretty impressive and should help them with revenue increase this year.

- In Q3, Elastic reported traction with Vector Search embedded in their search engine and the SIs we spoke with saw this ramp continue in Q4/20023. They expect further ramp on into 2024 driven by AI use cases. An important differentiator is that vector search is part of Elastic's search model at very little additional cost vs. alternatives offered by the Hyperscalers who charge a premium price for a native service. AWS Partner contacts told us that most customers would just rather deploy Elastic.

- INFA has embedded AI/ML into their Cloud Data Integration. SIs see this use case as promising and we will be watching if/when they gain traction for hybrid configurations that require on-premise and cloud under one dashboard integrating data from many legacy and real-time sources.

- IBM’s business partners are very impressed with Watson and the new WatsonX and expect their hybrid applications and cloud deployments to drive new use cases for their larger enterprise customers. IBM Business partner contacts stated that IBM has nearly abandoned their own cloud, hence the new contract and Collaboration Agreement with AWS.

- Cloud optimization has become a normal part of Well Architected Reviews as the largest pillar of day-to-day operations. Now that this process has been adopted and streamlined, new deployments and expansions are starting to move froward again. The biggest benefactors are the cloud service providers and infrastructure is expected to continue to grow at a brisk pace as digital transformation continues. AWS has the most mature Well Architected Revues with hundreds of partners conducting them.

- GSIs have become critical advisors on the highest-level issues of the enterprise. What they recommend in a hybrid-cloud solution is what the companies are going to standardize on. This will be the "AI solution" discussion driving business for all of the previous mentioned companies.

- IT talent shortages bodes well for MSPs and MSSPs as end users need to outsource Operations Centers to augment DevOps and DevSecOps.

- Industry analysts and end users believe that Cybersecurity is the very largest use case for AI, helping end users with breach prevention. All SOAR products will run beside an AI engine. (See our recent notes on Cybersecurity)

- Sixty-eight percent of tech advisors said Cybersecurity is getting the most customer demand of any technology right now. Moreover, 85% of them predicted security to see the most demand in the next two years. This will drive business for Palo Alto, Crowdstrike, Zscaler, and Microsoft and others... The Global Security and Compliance Acceleration team at AWS manages partners and security is the single fastest growing partner development team at AWS.

- 85% of SI tech advisors engage with clients because the customer is looking to replace legacy technology. The movement from on-prem, unified communications to cloud-based unified communications (UCaaS) is a perfect example. (See recent note on UC/CC/CP…)

As always, we are happy to discuss in more detail, Important Disclosures:

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