

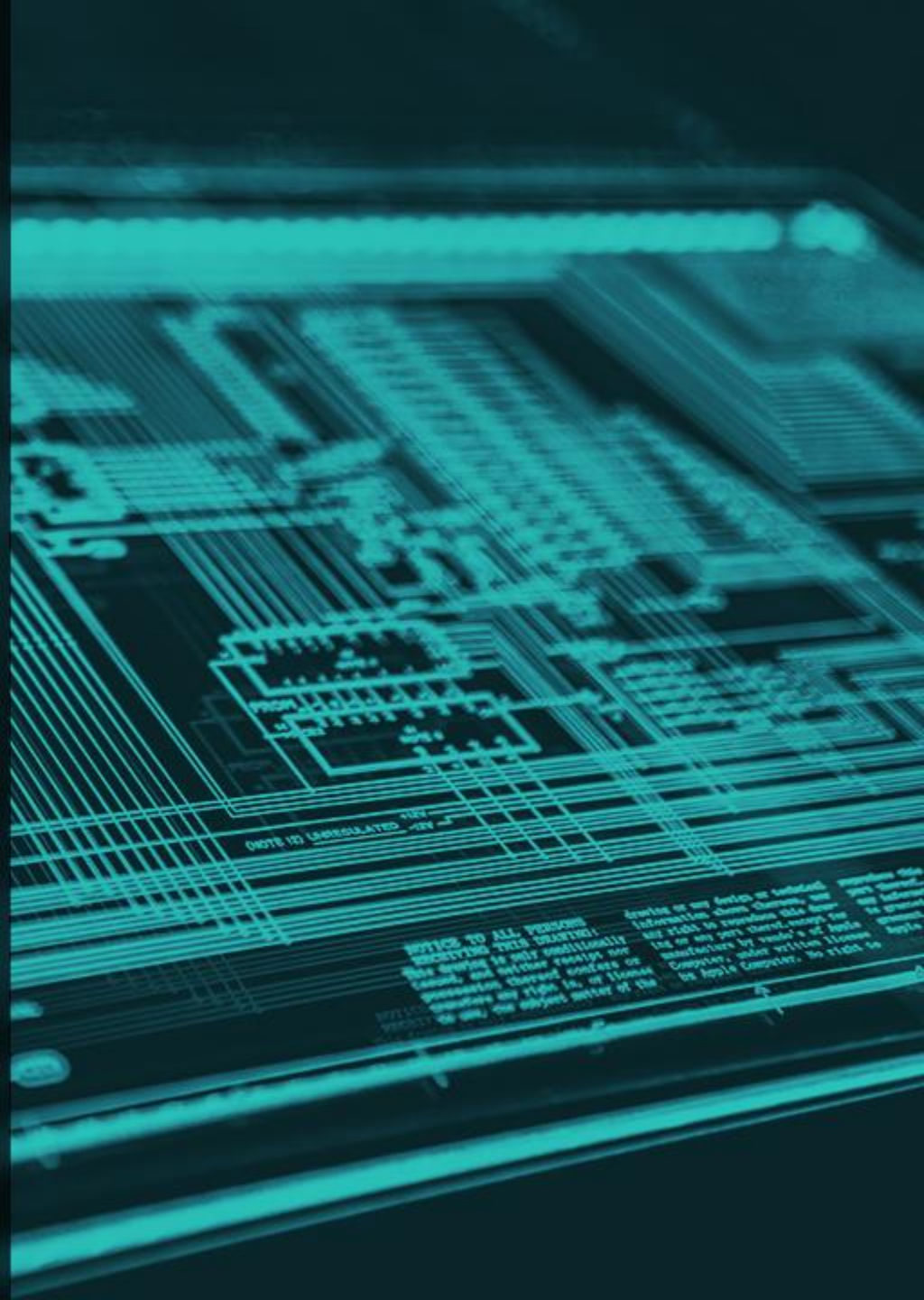


FEBRUARY 2023

Be Alert – Not Alarmed

Analyst Guidance
for Tech Providers

TEAM ECOSYSTEM





Facing the Uncertainties with Resilience

There is no doubt that 2023 is off to an uncertain start. However, despite the economic headwinds we expect that some areas of technology will see continued growth. In fact, from our conversations with business and technology leaders, it appears that many organisations will take the opportunity to right-size their businesses, remove excess fat and waste, and accelerate their transformation efforts. The plan is to emerge from a global slowdown – leaner, smarter and better.

Where there is an opportunity to automate organisations will take it – and technology spend will trump people spend in 2023.

But it won't all be smooth sailing as technology buyers become more discerning than ever and manage costs closely.

Here is what tech providers should focus on to remain resilient in these uncertain times.



#1 Be Prepared to Work Harder for Growth



Tim Sheedy

Principal Advisor
Ecosystem

This is especially true for cloud and SaaS providers, who will see customers reducing their capacity – both human and technology. If a business reduces its headcount by 10%, that means it needs 10% less SaaS licenses/ cloud capacity for internal applications.

2023 will be a year of reckoning for cloud and SaaS providers. Some will increase prices to compensate for the decrease in licenses or capacity. In a year of tightening budgets, price increases will appear to be price gouging and will not be received well.

Greater customer loyalty can be earned by looking at long-term opportunities and actively helping customers renegotiate deals that reflect their smaller, streamlined businesses to ensure they thrive in a challenging economy.



#2 Help Customers Optimise Cost



Darian Bird

Principal Advisor
Ecosystm

Cost optimisation will be top of mind for every business leader this year. Pricing is being re-evaluated across industries, as wage inflation and supply chain challenges continue to bite. At the same time, CIOs are looking for ways to optimise their tech spend without affecting the service level they can provide.

Tech providers should showcase the offerings that assist with cost optimisation – including cost visibility tools (such as department tagging and identification of orphaned services); shift from on-demand cloud services to more cost-effective reserved instances; and opportunities to rationalise data centre and network spending by deploying energy efficient infrastructure, SD-WAN, and managed services.

Undoubtedly, some organisations will tighten their IT budgets and sales cycles will lengthen. Tech providers who can clearly articulate rapid ROI, will see more market opportunities.



#3 Accelerate Innovation to Stay Ahead of M&A Activity



Tim Sheedy

Principal Advisor
Ecosystem

Even if the economic forecasts are incorrect and markets continue to grow at pace, most tech providers will not be in a position to capture that growth. Having laid off many HR staff (the ones that employ people!), and experienced (and therefore high-cost) salespeople and engineers, they won't be able to hire, develop, and sell at the rate they were doing in mid-2022.

Growth by acquisition will be a norm for tech providers. They will merge with similar sized companies or acquire smaller ones for a share of revenue and margins. Fewer players typically means less competition – but in the highly fluid technology market this isn't always the case as competition often comes from new and emerging players with different tech capabilities. Tech providers with broader product sets will have a competitive edge.

Tech providers must accelerate product and service innovation to ensure they remain ahead of their competitors – both big and small.



#4 Employ Security to Manage Risk



Darian Bird

Principal Advisor
Ecosystem

CIOs today face greater pressure to demonstrate that they can provide high levels of IT security and ensure resiliency in the event of a breach. Although ransomware has been the greatest threat in recent years, attacks with the aim of creating chaos in critical industries are likely to grow as the world becomes increasingly multi-polar. Leading cyber insurance firms are tightening up their policies to account for the different nature of state-sponsored attacks.

During these uncertain times, tech providers should include security, resiliency, and risk management at the forefront of any engagement.

The messaging should not only be on the ability to reduce financial and reputational impact of any breach, but also on minimising operational disruption in critical industries.



#5 Prepare for Product-led Growth



Tim Sheedy

Principal Advisor
Ecosystem

Many tech providers are examining the opportunity to switch from service-led to product-led growth. These plans are being accelerated as they look to increase margins to compensate for slowing growth, with the economic slowdowns.

As technology and software providers take their products direct to the market, their distributors, resellers, systems integrators and other channel partners may find their revenue streams all but disappear. Many customer relationships – especially in Asia Pacific – are held and managed by the channel. The impacts of a poorly devised product-led growth strategy could be catastrophic for revenue and brand perception.

Channel alliance leaders need to create programs to help their partners successfully make the transition to add business value on top of the core product offerings.

ecosystem Predicts 2023



The Top 5 Trends for the Experience Economy in 2023



The Top 5 Trends for Cybersecurity & Compliance in 2023



The Top 5 Trends for the Intelligent Enterprise in 2023



The Top 5 Trends for the Distributed Enterprise in 2023



The Top 5 Forces of Innovation in 2023



5 Trends Impacting Tech Investments in 2023



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