2023 Telarus Tech Trends Report

Exclusive findings from leading U.S. digital CXOs and fellow Telarus technology advisors to help you navigate growth opportunities in the channel.

constellation RESEARCH + Redpoint

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Introduction

Telarus proudly presents its first Telarus Tech Trends Report to our valued technology advisors. This report offers exclusive insights from leading digital CXOs and Telarus technology advisors to help you navigate the growth opportunities in established and emerging technologies as you shape your selling strategies for the upcoming year.

Why now? Companies today leverage technology in ways vastly different from the pre-pandemic era to foster collaboration, spark innovation, ensure resilience, and drive growth. While numerous technology analysts have approached this subject from a broad industry standpoint, we noticed a gap. Current, quality research tailored specifically to channel-focused business strategies is scarce. We engaged two independent research agencies to bridge this gap, garnering insights that provide IT decision-maker and technology advisor perspectives.

See what's driving top CXO's IT purchasing decisions for the next five years. Gain insights into buying behaviors and trends from high-growth Telarus technology advisors and uncover opportunities to bolster your customers' capabilities with cutting-edge solutions — propelling their business and yours. We look forward to building on these insights each year in our ongoing effort to empower you with the education and insights you need as a technology advisor.

NOTE: In this report, "CXO" refers to all C-suite executives. "Digital CXO" refers to all CXOs with major digital responsibilities (CIO, CDO, CMO, CAO, etc.)

Click to watch *the Introduction Video by Adam Edwards, CEO for Telarus, and Dion Hinchcliffe, VP and Principal Analyst for Constellation Research*

Section 1 | Key Findings

Click to watch *"Digital CXO Key Findings" featuring Dion Hinchcliffe, VP and Principal Analyst, Constellation Research*

Section 1 | Key Findings

1. Tech spending to preserve innovation is on the rise.

Despite post-pandemic economic turbulence, investment in tech innovation is more essential than ever. While IT leaders look to reign in expenses on outdated software and legacy technologies, they are not holding back investments in emerging technologies to meet the needs of remote workers and level-up customer experience to remain competitive.

With access to a vast network of technology suppliers and best practices in the digital-first landscape, technology advisors are well-equipped to guide IT executives in allocating their budget strategically for maximum impact and ROI.

Only 6% of CXOs reported **cost-cutting** as one of their **top three business issues** driving technology buying decisions.

85% of tech advisor survey respondents indicated that **replacing legacy technology** is the top reason their clients seek new solutions.

Top Trends Driving C-Suite Tech Buying Decisions

- Digital Innovation
- Cybersecurity Strategy
- AI
- Brand and Digital Experience (DX)
- Modernizing IT

75% of 2023 Digital CXO Survey respondents indicated these as the top six trends

2. The top business issues driving IT buying decisions are digital innovation, cybersecurity, AI, and DX.

CXO respondents indicated digital innovation – the next phase after digital transformation – is a primary issue driving their 2023 investments. Consequently, as businesses expand into virtual domains, boards increasingly emphasize the need for robust cybersecurity plans. AI experimentation and what that tech stack will look like present yet another set of challenges.

Beyond 2023, forward-looking buying trends include: the evolution of AI impacting virtually all areas of an organization, next-gen cybersecurity to protect virtualized and AI-powered environments, and a brand focus shift from CX (customer experience) to DX (digital experience), where every internal and external interaction is supported by a completely integrated brand-centric, digital-first experience.

As the lines continue to blur across these IT categories, technology advisors are well-positioned to be trusted allies in the decision-making process, with access to a breadth of advanced solutions suppliers to deliver on specific client needs.

3. IT decision-makers have yet to unleash the full potential of the cloud in digital innovation.

According to Constellation Research, investments in cloud have been primarily focused on customer-facing apps, with 70% of back-office IT workloads still on-premise and far from cloud-ready. However, our surveyed CXOs and technology advisors indicate cloud migration will dominate advanced solutions sales over the next five years as organizations work to create a scalable, secure infrastructure tailored to now ubiquitous hybrid work models.

While the market is still in the nascent stages of the shift to the cloud, technology advisors can find tremendous ability to create bottom line impact in this space. For companies who rushed to get remote work up in the cloud in 2020, there is an opportunity to help them reset strategy, recalibrate cost, and secure their perimeter.

85% of tech advisors predict cybersecurity solutions will see the greatest demand in the market in **next two years** and **68%** indicated it is **currently** showing the most demand.

46% of CXOs indicated they plan to **shift their legacy technologies to the cloud** within 2-5 years.

4. The AI revolution is in full play but comes with challenges; the lion's share of AI acquisition remains.

AI's market presence is growing, with over a third of surveyed CXOs prioritizing generative and non-generative AI applications, especially for customer and employee experience functions. Leaders view AI as an avenue for contact center cost-savings, efficiency, and productivity and for driving actionable insights for improved employee performance. Even so, most AI acquisition has yet to happen, with over a quarter of respondents pausing or banning new AI features largely due to privacy regulation and compliance concerns.

Educating businesses about responsible AI integration is paramount. Technology advisors can play an important role in helping organizations think strategically about their AI roadmaps including guidance for governance, security, quality, and speed.

35% of CXOs have started active **AI implementations**.

5. IT executives are hungry for trusted advice but significantly underutilize the channel.

Nearly half of CXOs surveyed allocate 25% or less of their spending to the channel or consultancies. However, they highly value expertise and are open to assistance in procurement and streamlining the purchasing process. Notably, the technology advisor survey revealed that deep technical knowledge and the ability to meet a client's budget are the biggest factors in customer closing rates.

CXOs value expertise (38%) and **industry peer recommendations** (22%) most when considering outside tech advisory

There is no question that technology advisors have an opportunity to claim a larger stake in the IT spending landscape, and the great news is that their expertise is welcomed by leaders who are making business decisions pivotal to the success of their organizations.
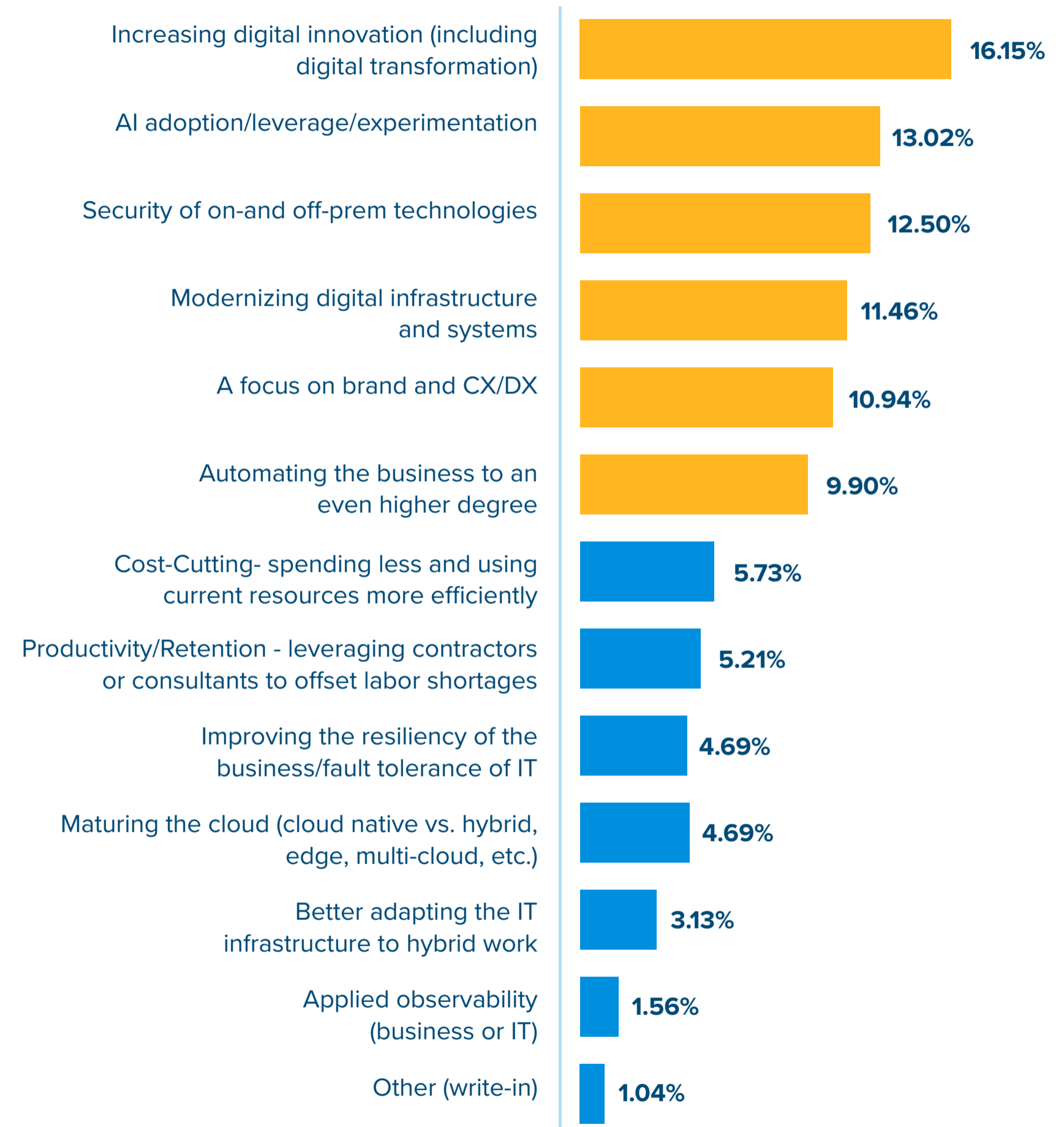
Section 2 |
Top Trends and Opportunities for the Channel

Key Business Challenges Driving CXO Buying Decisions

The CXO survey revealed that digital innovation — the creation of new digital products, solutions, or business models that did not previously exist — is a primary driver behind large IT purchasing decisions. Investing in digital innovation is no longer just an exploratory endeavor; it aims to establish a robust foundation to support growth both now and in the future. Relying on legacy infrastructure is becoming untenable for many companies due to its high costs and lack of flexibility. To accommodate distributed work and foster digital-first customer experiences, IT needs to transition to more agile and automated technology environments.

Given the move towards a digitized and dispersed workforce and clientele, AI experimentation and security planning are also topping the list of strategic priorities. As companies look to manage the business risk posed by escalating threats, Gartner forecasts that worldwide information security and risk-management spending will reach $188.3 billion in 2023, up 11.3% from 2022.[1]

Digital innovation, AI, security, and CX/DX are the top issues driving IT purchasing

Increasing digital innovation (including digital transformation)	16.15%
AI adoption/leverage/experimentation	13.02%
Security of on-and off-prem technologies	12.50%
Modernizing digital infrastructure and systems	11.46%
A focus on brand and CX/DX	10.94%
Automating the business to an even higher degree	9.90%
Cost-Cutting- spending less and using current resources more efficiently	5.73%
Productivity/Retention - leveraging contractors or consultants to offset labor shortages	5.21%
Improving the resiliency of the business/fault tolerance of IT	4.69%
Maturing the cloud (cloud native vs. hybrid, edge, multi-cloud, etc.)	4.69%
Better adapting the IT infrastructure to hybrid work	3.13%
Applied observability (business or IT)	1.56%
Other (write-in)	1.04%

What are the top business issues driving your C-suite buying decisions as it pertains to technology?

Source: Constellation Research 2023 Digital CXO Survey

Good News: IT Leaders are Ready and Willing to Spend on Innovation

Despite technology advisor perceptions that pricing is the top factor for their customers when evaluating new technology (75%), top IT leaders are not focusing on immediate cost-cutting. Instead, they are investing in software solutions and services to preserve innovation and long-term cost-savings. Companies have learned from economic cycles of the past that if they press pause on transformational projects, it is very difficult to regain momentum—therefore they remain committed to investing toward their evolved digital future.

Only 6% of CXO survey respondents indicated cost-cutting as a top business priority

IT spending is set to reach $4.7 trillion by the end of 2023 (Gartner)

- A 4.3% increase vs 2022, and an 8.8% increase in 2024 vs 2023.

- The software category is expected to experience the most growth in 2023 and 2024.
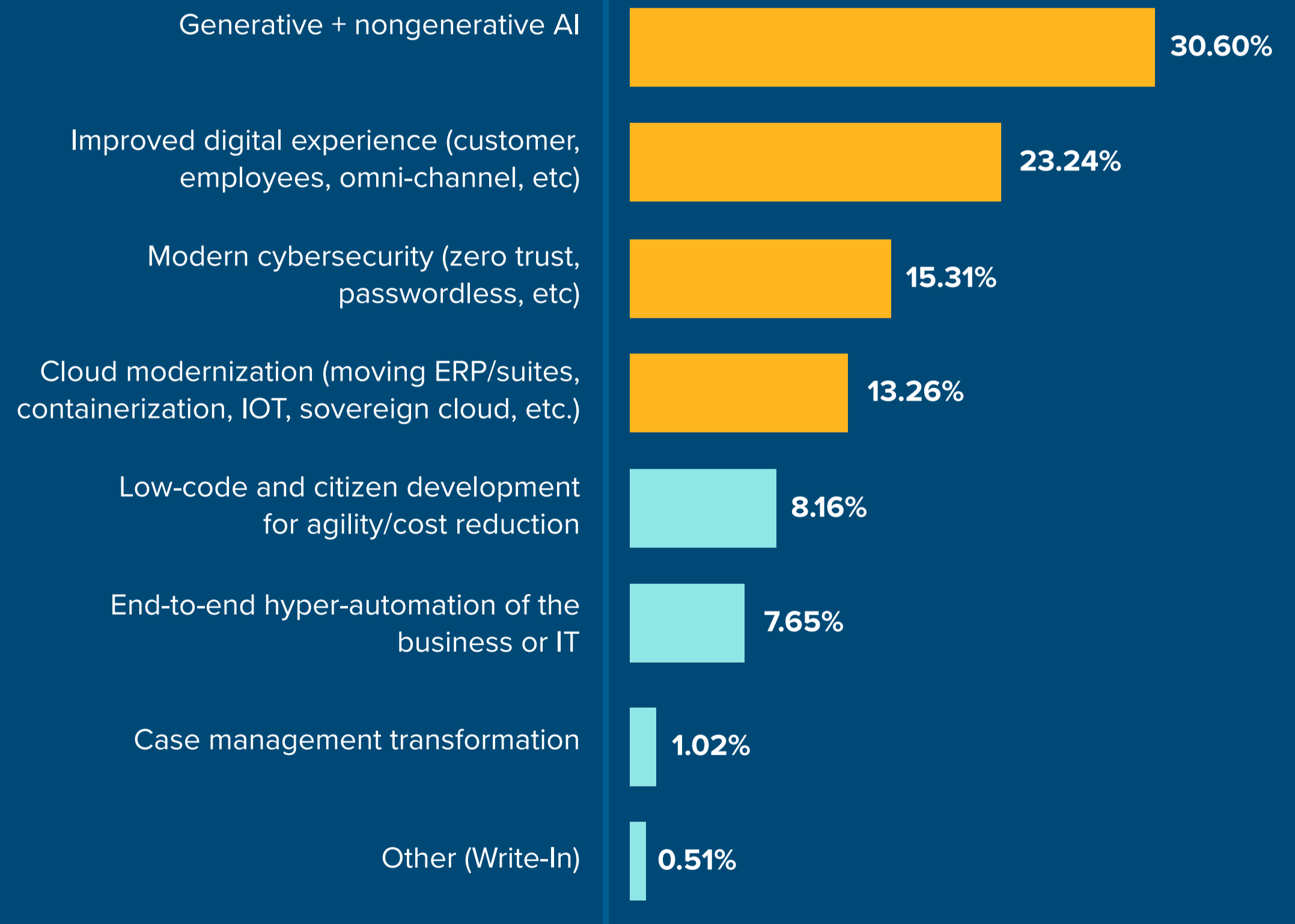
Buying Trends: The New Wave of Tech Spending for 2023 and Beyond

Leaders De-Emphasize Traditional Networking and On-Premises Solutions, with Increased Interest in AI, CX, Security and Cloud.

The CXO survey revealed that AI experimentation and planning is a leading trend in 2023, followed by DX, cybersecurity, and cloud. That attitude is reflected in Gartner's 2023 CIO Agenda that found CIOs' top areas of increased investment for 2023 include cyber and information security (66%) and cloud platforms (50%).[2]

In which categories are you seeing the most new/emerging technologies for your organization?

Category	Percentage
Generative + nongenerative AI	30.60%
Improved digital experience (customer, employees, omni-channel, etc)	23.24%
Modern cybersecurity (zero trust, passwordless, etc)	15.31%
Cloud modernization (moving ERP/suites, containerization, IOT, sovereign cloud, etc.)	13.26%
Low-code and citizen development for agility/cost reduction	8.16%
End-to-end hyper-automation of the business or IT	7.65%
Case management transformation	1.02%
Other (Write-In)	0.51%

Source: Constellation Research 2023 Digital CXO Survey

Companies will continue to need more education about how these solutions can and should work together holistically. For example, as more companies migrate CX and back-office workflows to the cloud, there will be a greater need for cybersecurity to protect their data, applications, and infrastructure from evolving cyber threats. Technology advisors can play a vital role in helping businesses choose the most appropriate add-ons for their specific cloud and security requirements, with access to a breadth of experts and suppliers in the continuously evolving cybersecurity landscape.

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> There has always been a big focus on the hyperscalers, mainly Microsoft Azure and AWS [public cloud], because they are the fastest and easiest platforms to access. However, we see huge private and hybrid cloud growth as new players step in with more product sets to support full cloud modernization for better cost optimization and security. Utilizing a hybrid IT team management approach that includes the client's internal teams combined with MSPs that bring additional resources and expertise will be the answer for many businesses trying to keep pace with remote work and ensuring their digital transformation projects stay on track.
>
> - Koby Phillips
>   *VP of Cloud*
>   *Telarus*
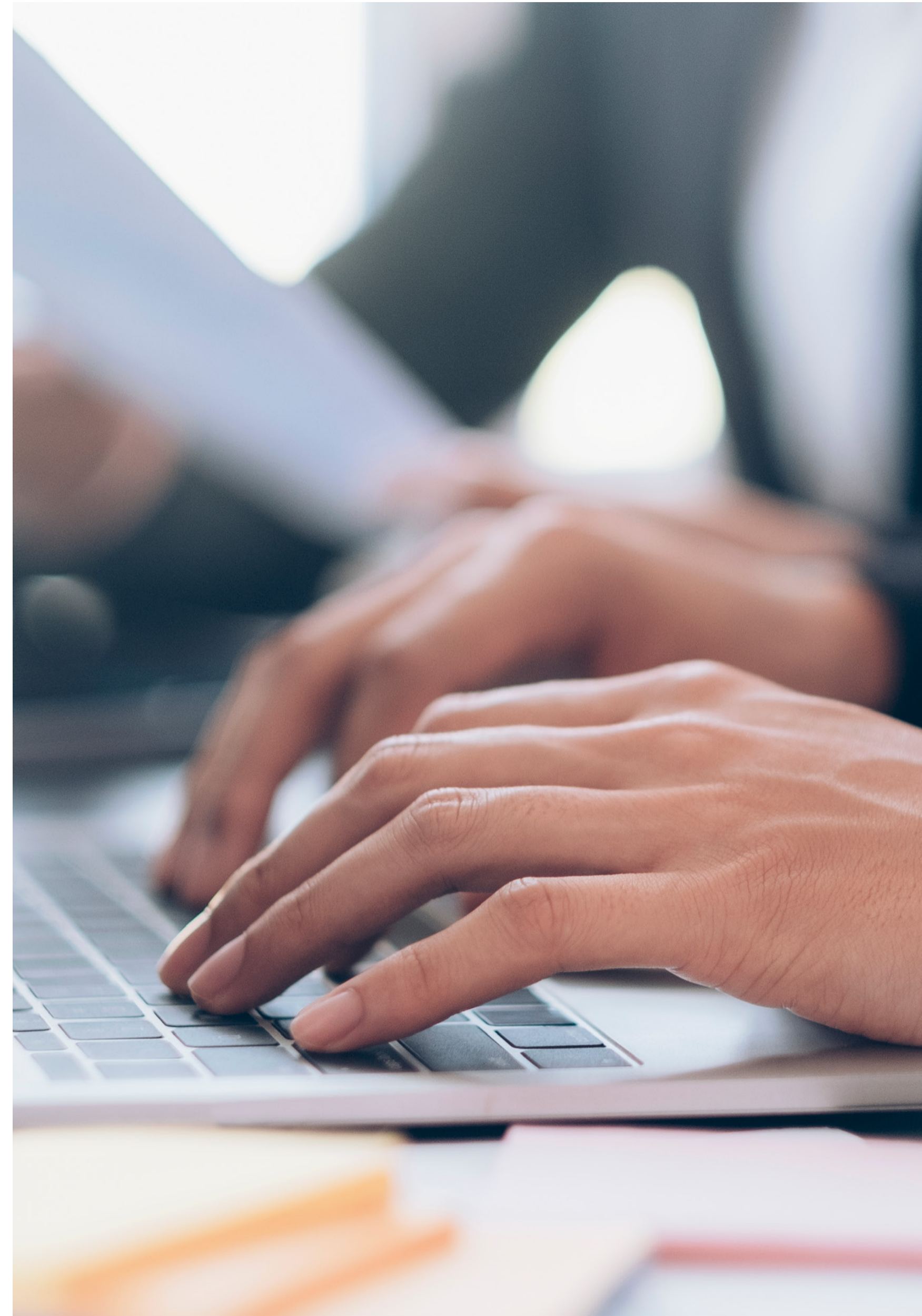
CXO respondents anticipate cloud migration and modernization to dominate IT investments over the next five years. This shift reflects organizations' strategies to phase out outdated systems, database storage, applications, and productivity tools. Gartner predicts that almost two-thirds (65.9%) of spending on application software will be directed toward cloud technologies in 2025, up from 57.7% in 2022.[3]
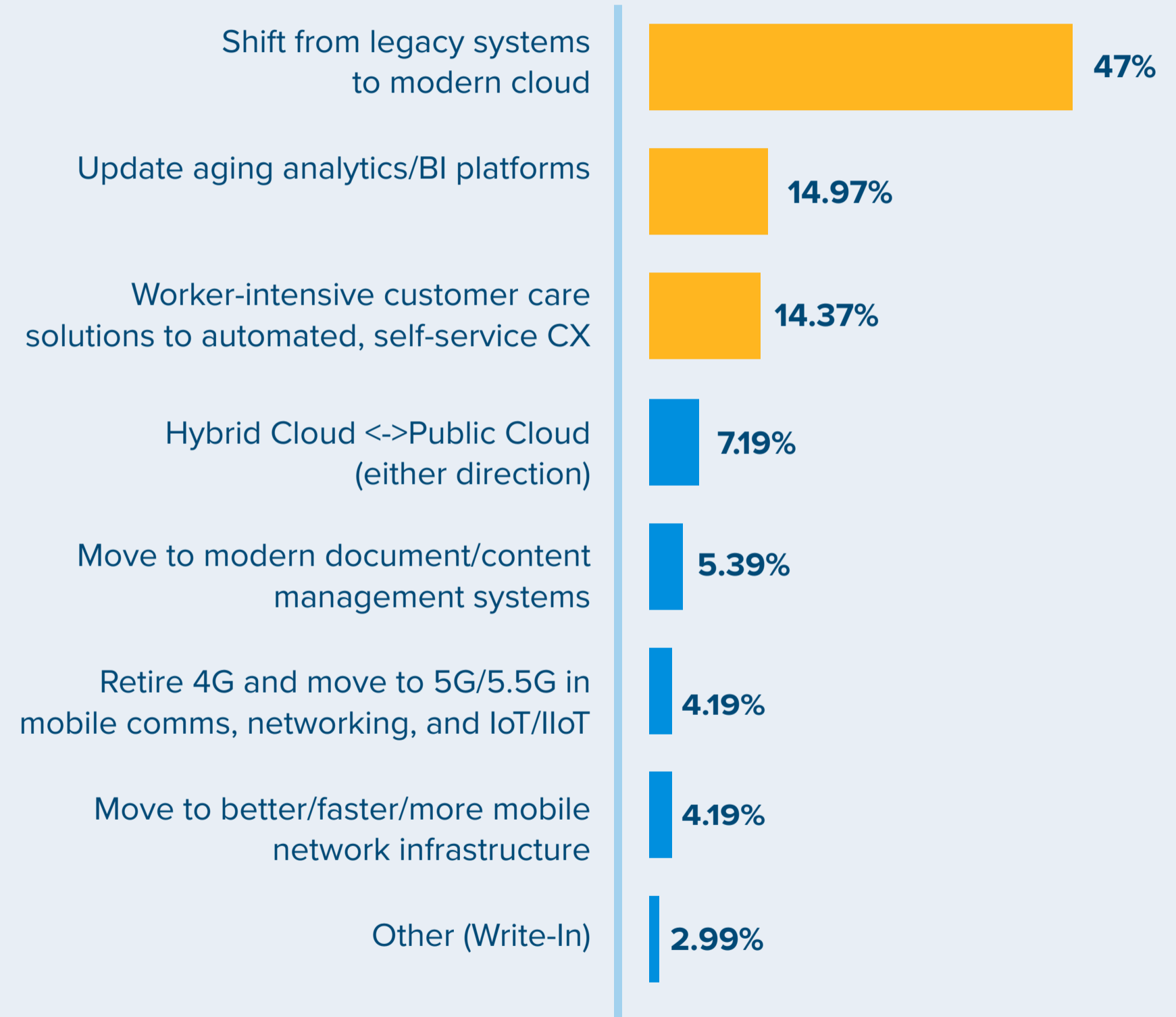
> We are at a tipping point with CX where more and more interactions are falling under a holistic digital experience (DX). Advisors have an opportunity to help customers take traditional on-premise systems and make them cutting-edge by adding ancillary solutions to their original tech stacks. This trend transcends well beyond the contact center. More sales and marketing leaders are asking what tools they can leverage to scale their efforts and improve the overall customer and employee experience. CX applications like chatbots, AR interfaces, and AI-driven insights redefine how businesses can connect, engage, and win customers profoundly.

- Samantha Nelson
  VP of Contact Center
  Telarus

Leaders set their sights on more large-scale shifts to the cloud in next 5 years

Category	Percentage
Shift from legacy systems to modern cloud	47%
Update aging analytics/BI platforms	14.97%
Worker-intensive customer care solutions to automated, self-service CX	14.37%
Hybrid Cloud <->Public Cloud (either direction)	7.19%
Move to modern document/content management systems	5.39%
Retire 4G and move to 5G/5.5G in mobile comms, networking, and IoT/IIoT	4.19%
Move to better/faster/more mobile network infrastructure	4.19%
Other (Write-In)	2.99%

Where are you planning a rebalance/sunsetting of your technology portfolio in the next 2-5 years?

Source: Constellation Research 2023 Digital CXO Survey

Embracing the Age of AI

Today's next-gen AI is still in its early stages but evolving quickly. As businesses continue to look for ways to make it easier for employees to get their jobs done more efficiently and securely, AI and automation will extend across every line of business.

While non-generative and generative AI are a strategic priority for many business and IT leaders, they have yet to impact IT spending levels significantly. Gartner envisions generative AI primarily integrated into enterprises through their existing spending channels. As new features are continually added to tech products and services, organizations are likely to incorporate AI gradually, while being mindful of privacy and compliance risks.[4]

Click to Watch *"Moving Past the Hype of AI: Real Applications and Considerations" with Dan Foster, CRO for Telarus, and Jason Lowe, Solutions Architect for Telarus*

Companies Are Optimistic About the Future of AI, but Proceeding with Caution
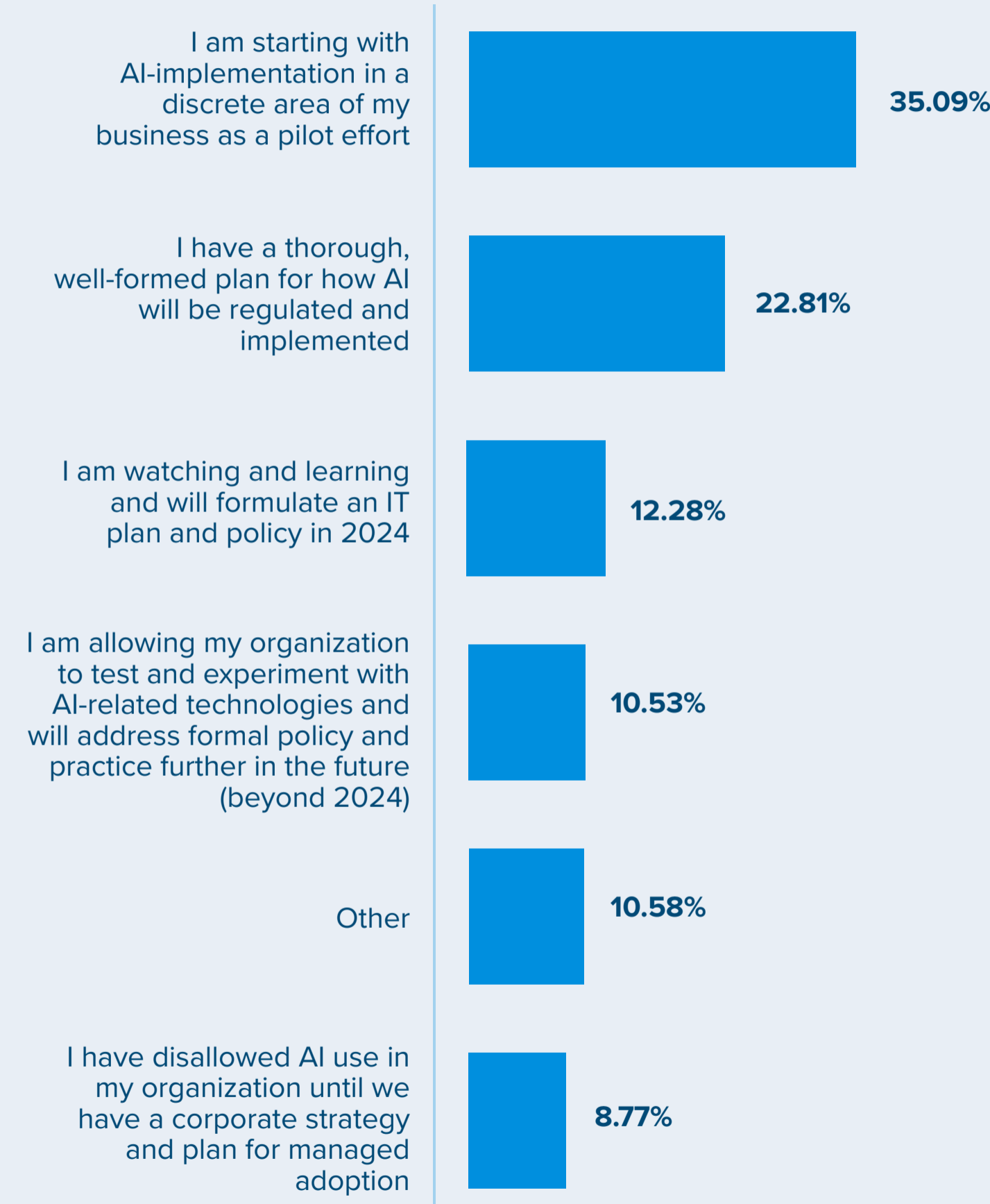
While many companies are in the early phases of formulating organization-wide AI strategies, over one-third are proceeding with focused pilots. Most application experimentation is taking hold in customer-facing departments like the contact center, marketing, and sales.

Approaches to AI implementation strategy:
- Over one-third are proceeding with implementation via focused pilots
- Nearly a quarter have a thorough implementation and compliance strategy in place
- Nearly a quarter are taking a watch-and-learn approach until 2024

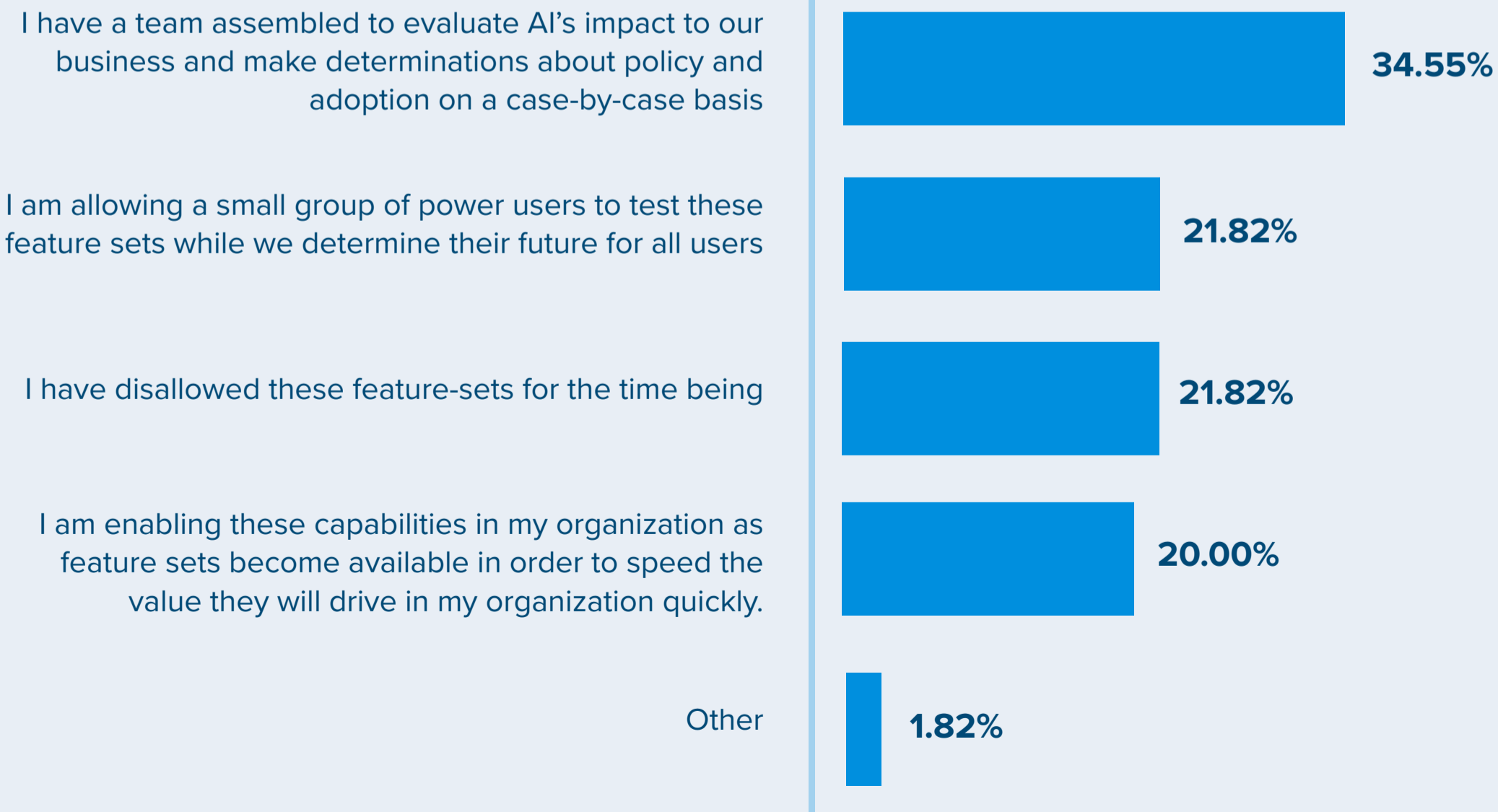## CXOs describe their current AI implementation as follows:

Category	Percentage
I am starting with AI-implementation in a discrete area of my business as a pilot effort	35.09%
I have a thorough, well-formed plan for how AI will be regulated and implemented	22.81%
I am watching and learning and will formulate an IT plan and policy in 2024	12.28%
I am allowing my organization to test and experiment with AI-related technologies and will address formal policy and practice further in the future (beyond 2024)	10.53%
Other	10.58%
I have disallowed AI use in my organization until we have a corporate strategy and plan for managed adoption	8.77%

Assuming AI is currently being leveraged in your business, what is your AI implementation strategy?

Source: Constellation Research 2023 Digital CXO Survey

Feature set experimentation is well under way

Of the respondents that have existing platforms that offer new AI feature sets/add-ons:

- Over 40% are testing or enabling capabilities as they become available, particularly in customer-facing departments where solutions can have an immediate impact on ROI
- One-third have assembled a formal team to explore AI feature set adoption in their organization
- Nearly a quarter are pausing new AI feature sets to existing IT systems until further guidance on privacy and security standards become available.
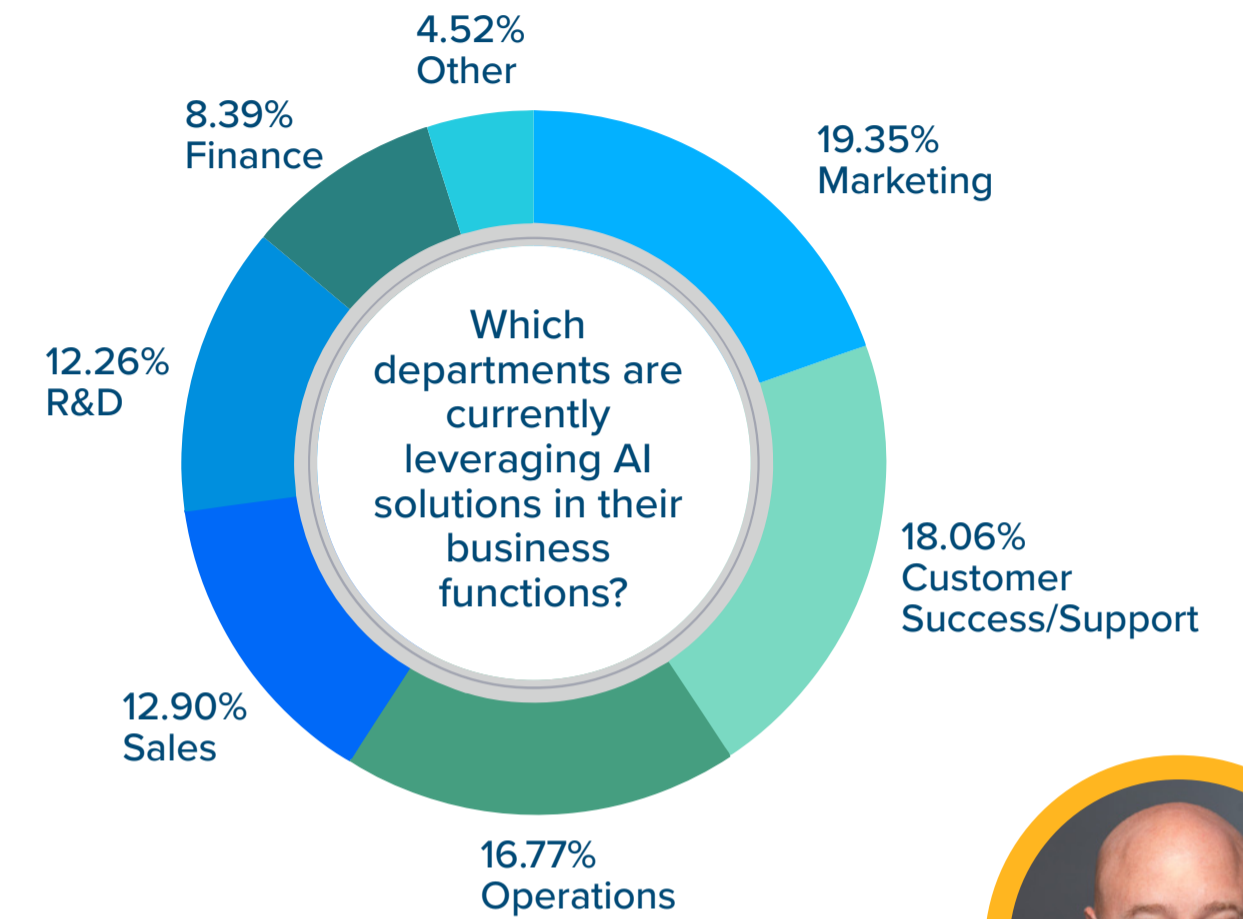
When AI-powered feature sets are enabled in my existing platforms...

I have a team assembled to evaluate AI's impact to our business and make determinations about policy and adoption on a case-by-case basis	**34.55%**
I am allowing a small group of power users to test these feature sets while we determine their future for all users	**21.82%**
I have disallowed these feature-sets for the time being	**21.82%**
I am enabling these capabilities in my organization as feature sets become available in order to speed the value they will drive in my organization quickly.	**20.00%**
Other	**1.82%**

Customer-facing departments are paving the way for AI

Which departments are currently leveraging AI solutions in their business functions?

- 4.52% Other
- 8.39% Finance
- 12.26% R&D
- 12.90% Sales
- 16.77% Operations
- 19.35% Marketing
- 18.06% Customer Success/Support

> "CX applications are one of the easiest ways for technology advisors to lean into AI today. Proven game-changers like conversational bots, real-time agent assistants, and reporting analytics that instantly uncover performance recommendations in the contact center can tremendously impact customer satisfaction and employee productivity. We're also seeing a lot of movement with AI in the security space. It's being used to spot patterns for threat detection, identify software bugs, automate QA capability, and so much more.

> *- Jason Lowe*
>   *Solution Architect - Contact Center*
>   *Telarus*

Technology Advisor Survey Trends Parallel the CXO Survey Findings

Currently, UCaaS (86%) and traditional networking (76%) are the top solutions sold among technology advisors surveyed, followed by cloud (65%) and CX (66%). However, Telarus internal data indicate that the UCaaS and traditional networking markets are approaching saturation.

Looking ahead, technology advisors predict increased importance and demand for selling cybersecurity and cloud solutions to customers to help them succeed in operating and scaling their businesses safely and efficiently in predominantly remote and digital-first work settings.

While businesses of almost every size have basic phone and internet services, traditional networking will remain relevant for certain clients. However, for the majority, it will be overshadowed by advanced networking solutions, such as SD-WAN.

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> With the shift to the remote workforce, cloud and security are becoming part of the same sales conversation. SD-WAN, layered with SASE and Zero Trust security, will be a powerful differentiator for advisors looking to grow their business. It will bring IT teams critical security implementations to the remotest edge of their cloud-based networks. We are seeing incredible attendance at our education events as technology advisors are eager to learn how to open these new conversations confidently.
>
> - Jason Stein
>   *VP of Cybersecurity*
>   *Telarus*
>
> "

Where technology advisors are seeing an increased demand:

85% of respondents indicated cybersecurity solutions will see the greatest demand in the market in the next two years (vs 68% for current greatest demand).

Cybersecurity (80%), cloud (56%), and **AI-enabled tech (46%)** were ranked as the top three emerging technologies in which respondents are seeing increased interest, followed by **DX (40%)**.

50% say their company should emphasize cybersecurity as the leading product; driven by those with 10+ years in their channel.

Traditional networking (46%) and **UCaaS (22%)** were also top solutions respondents said they plan to de-emphasize from their portfolio.* However, **83%** of respondents have no plans to de-emphasize any solution.

Source: Redpoint Research 2023 Technology Advisor Survey

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[Cloud, security and AI] are broad, wide, and far reaching and can cover many aspects of a business. Advancements in AI are exponential, and we need suppliers that can address and help. Security is and I think now will always be a top priority.

- 2023 Telarus Technology Advisor Survey Respondent

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Section 3 |
The Rise of the Technology Advisor

There is broad interest in tech advisory now more than ever. Decision makers are strapped for the time, expertise, and resources required to evaluate, procure, and manage advanced IT solutions to meet productivity, customer experience, and growth demands in our increasingly digital world.
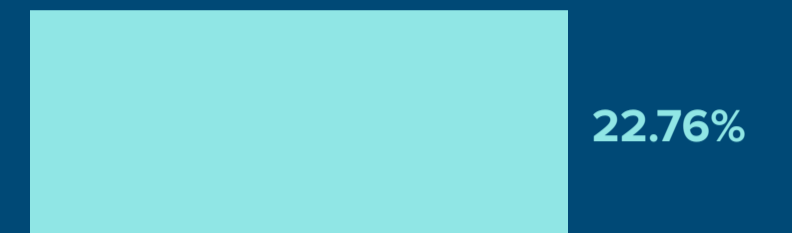
> "
> We want to be all things technology to our customers to lock out any competition.
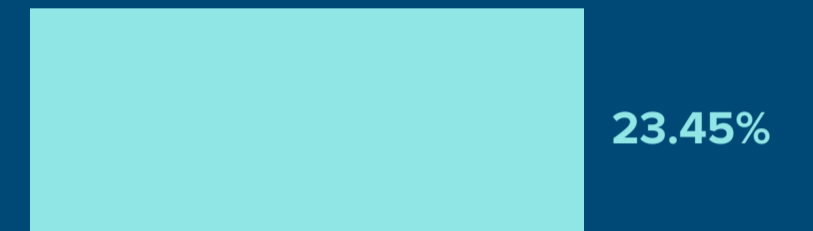>
> *2023 Telarus Technology Advisor Survey Respondent*
> "

**Complexity and friction in IT procurement present a major opportunity for technology advisors**

It's increasingly difficult to maintain talent that can properly oversee acquisitions in emerging tech — **22.76%**

Technology reviews (compliance, cybersecurity, etc.) are taking more time — **23.45%**

More key stakeholders and executives now have to weigh in and/or approve — **17.24%**
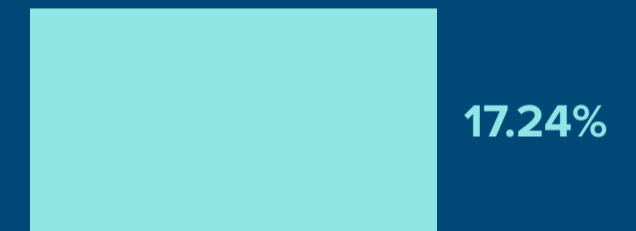
IT is struggling with the sheer number of new IT system acquisitions — **15.86%**

The end-to-end process has become more complex and bureaucratic — **15.86%**

How has the IT procurement and acquisition process become more challenging for you over the last 5 years?

Source: Constellation Research 2023 Digital CXO Survey

The CXO survey revealed that most IT leaders are willing to engage with a new advisor, especially if they demonstrate profound knowledge of emerging technologies or come highly recommended by peers.

CXOs value deep expertise and peer recommendations the most.

21.98% Comes recommended by a peer from another company

19.78% Displays unique expertise or value in their outreach to me

17.58% Has specific, deep expertise in one area of technology

14.29% Has a broad understanding of technology use and selection in the enterprise

8.79% Comes recommended to me by a fellow employee

Opportunity!

48%

of top digital CXOs only spend 25% or less through the channel or consultative sources

Section 4 |
Conclusion & Recommendations

The digital workplace is morphing before our eyes, becoming increasingly complex. The channel is an ideal avenue to help IT leaders navigate these uncharted waters. As a technology advisor, you are not pushing a particular brand. You are genuinely aligned with the best interests of the customer. If the leading digital CXOs in the country are eager for this type of partnership, imagine the possibilities for you and your customers.

You can lean on Telarus to help guide the way. We continuously invest in the education, tools, and expertise needed to ask questions to identify the right opportunities to meet your customers' unique digital innovation challenges. Simultaneously, we're finding that suppliers are scaling back their direct sales forces, instead looking to the channel for financial efficiency. This transition isn't merely economic; customers also drive it. When faced with intricate IT challenges, leaders gravitate towards technology advisors for solutions. This dynamic fosters a powerful environment where everyone, from suppliers to advisors to customers, rides a wave of collective success.

Click to Watch "Looking Ahead" with Adam Edwards, Telarus CEO

Recommendations

1 **Cloud migration will continue for at least another five years and is poised to be the channel's largest selling segment of solutions. Have robust cloud solutions that support complete cloud modernization so customers can benefit from all that cloud-native environments have to offer.**

Build relationships with trusted and experienced cloud MSPs for customers who could benefit from a hybrid IT team management approach to alleviate long-term shortages and free up in-house teams for more development.

2 **AI adoption and cybersecurity are top business issues driving IT buying decisions in 2023.**
As the adoption of new technologies continues, companies will need more assistance understanding AI's implications on cybersecurity.

3 **While the lion's share of AI acquisition remains untapped, AI-powered CX solutions are taking the lead.**
As more CX interactions transition to a fully holistic digital experience (DX), capitalize on your technology solutions distributor and supplier relationships to become a trusted provider of AI solutions like ChatGPT and predictive analytics for the contact center, marketing optimization, and more.

4 **There is a critical need to educate and assure users about the safety of AI. Technology advisors have a unique position to fill this gap.**
Take advantage of the latest education resources and training programs available to pass on timely guidance to your customers.

5 **IT decision-makers view time-intensive processes and growing bureaucracy as key obstacles to purchasing advanced technologies.**
You are in a unique position to play a vital role in helping organizations streamline the procurement process.

6 **IT organizations significantly underutilize the channel, from solutions discovery to the complex buying cycle.**
This is YOUR time to ride the wave of opportunity as the most trusted advisor to your customers!

Let's get started!

TELARUS

I'm an existing technology advisor and ready to plan my growth goals.

Click here

I want to learn more about becoming a Telarus technology advisor.

Click here

Telarus is the #1 global technology solutions brokerage focusing on accelerating technology advisor success. We provide proprietary, award-winning, and patented services, solutions, and tools that assist our technology advisors from pre-sale to post-implementation. For 20 years, Telarus has provided comprehensive guidance and support for our technology advisor community as they have pursued their objectives. To learn more or become a technology advisor, go to

www.telarus.com/become-a-partner/

Sources

[1] Rosenbush, S. (October 17, 2022). Cybersecurity Tops the CIO Agenda as Threats Continue to Escalate - WSJ. The Wall Street Journal.

[2] Goldman, S. (January 26, 2023). The CIO agenda in 2023: Driving growth and transformation | VentureBeat. Venture Beat.

[3] Gartner. (February 9, 2022). Gartner Says More Than Half of Enterprise IT Spending in Key Market Segments Will Shift to the Cloud by 2025. [press release]

[4] Gartner. (July 19, 2023). Gartner Forecasts Worldwide IT Spending to Grow 4.3% in 2023. [press release]
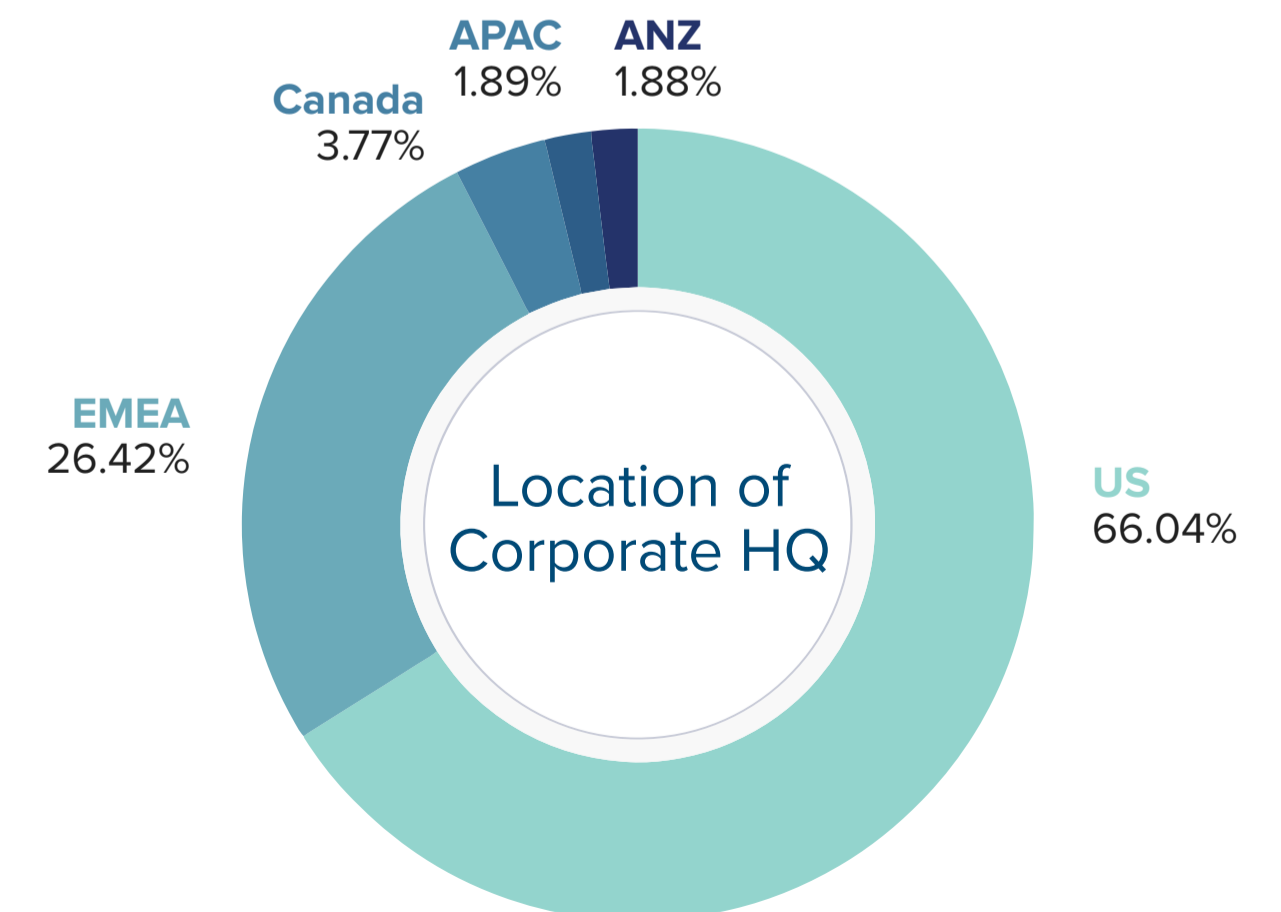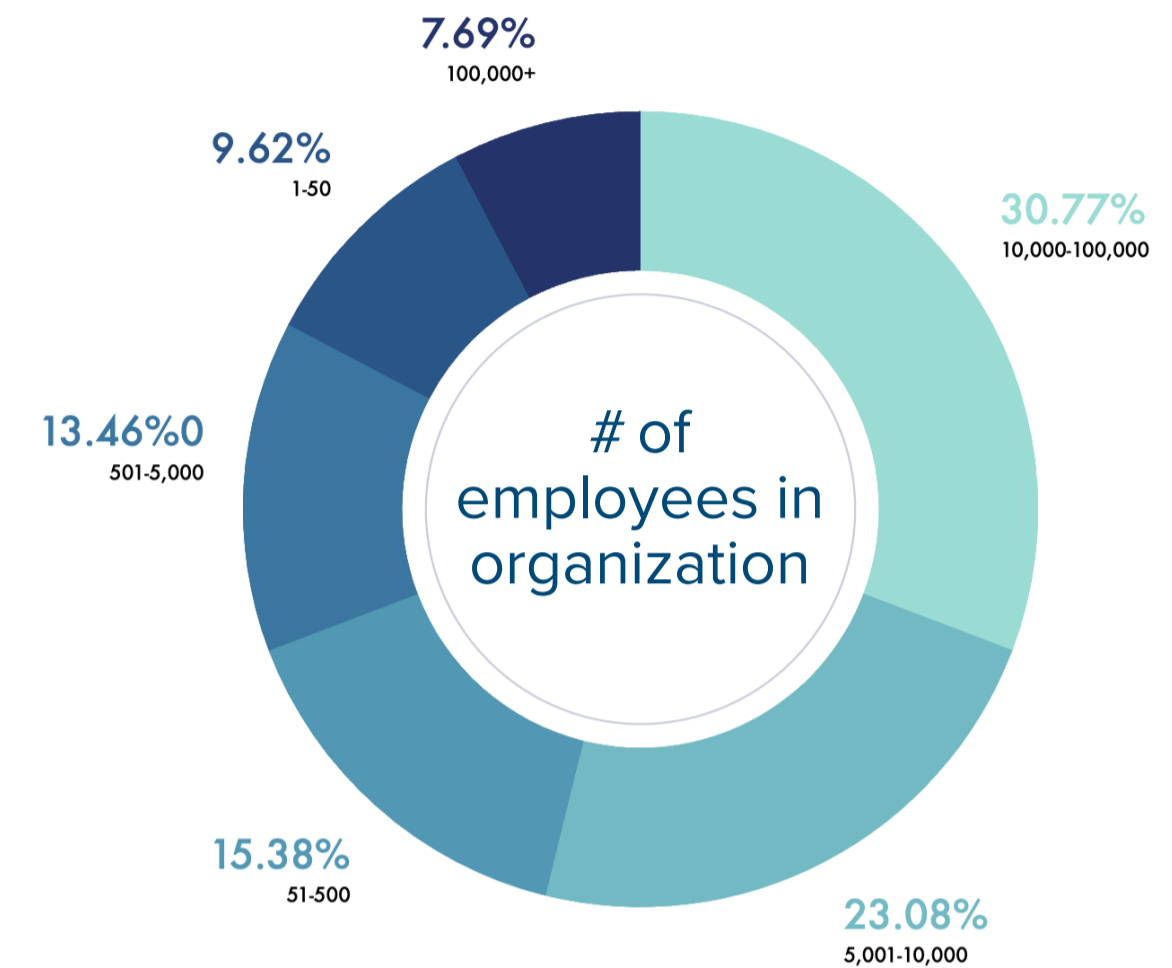
Section 5 | Appendix: Survey Methodology & Demographics

This report was commissioned by Telarus and conducted by two independent research firms. **Constellation Research** surveyed its elite Business Transformation 150 annual inductees of top global digital CXOs. Roughly two-thirds of the 65 respondents are headquartered in the U.S., with the remainder across EMEA, Canada, and APAC. **Redpoint Research** surveyed over 500 respondents from Telarus' database of multi-industry technology advisors serving US-based SMB, mid-market, and enterprise companies. Both studies were administered in May and June 2023.

2023 Digital CXO Survey by Constellation Research
- 1,285 CXOs were asked to take the survey
- 65 respondents completed the survey
- Leading Fortune 500, Global 2000 and mid-market enterprises
- 63% were CIOs, the remainder an equal mix of CDOs, CTOs, CDAOs, etc.
- 66% US-based; 26% EMEA; 8% other
- Survey conducted at 92% confidence, +/- 4% margin of error

Over half CXOs represent large, enterprise-level companies.

# of employees in organization

- 7.69% — 100,000+
- 9.62% — 1-50
- 13.46% — 501-5,000
- 15.38% — 51-500
- 23.08% — 5,001-10,000
- 30.77% — 10,000-100,000

Location of Corporate HQ

- US 66.04%
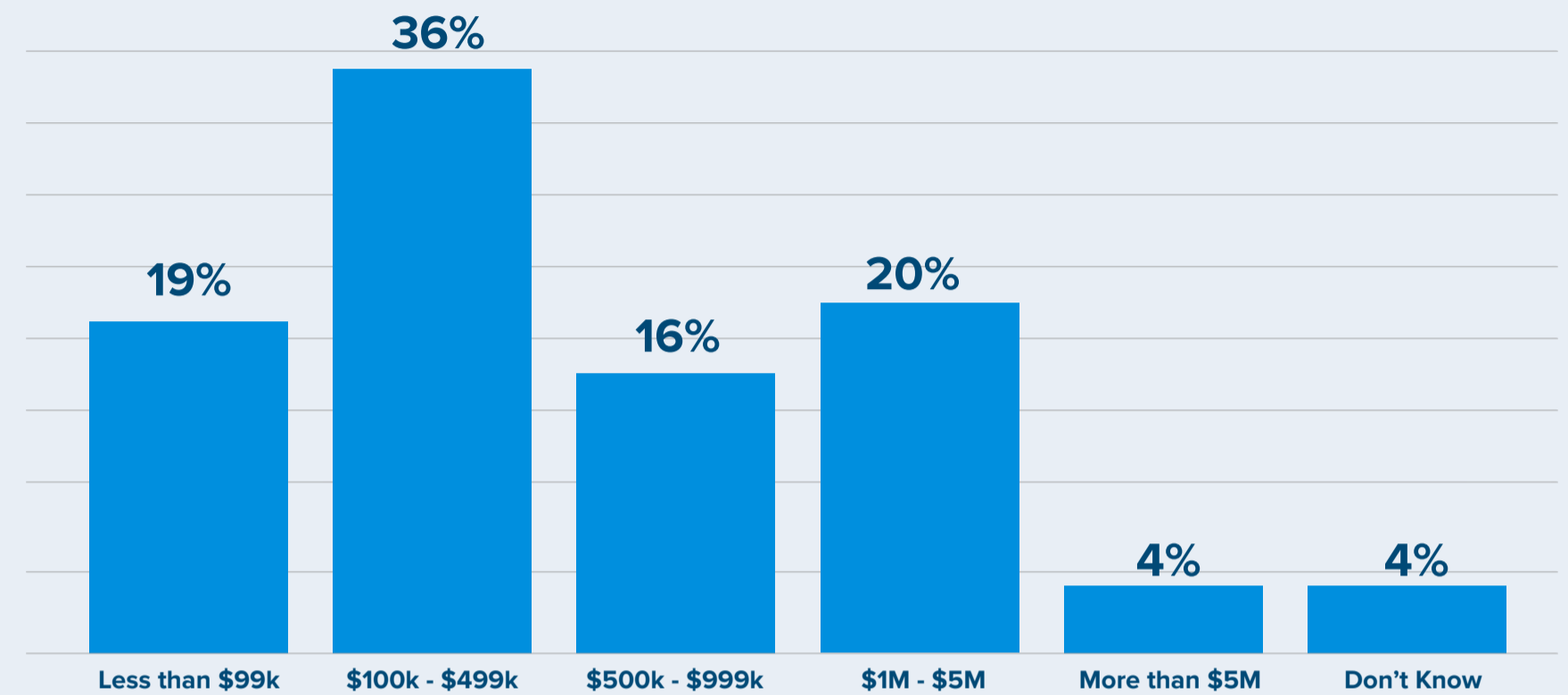- EMEA 26.42%
- Canada 3.77%
- APAC 1.89%
- ANZ 1.88%

Telarus Technology Advisor Survey by Redpoint Research
- 517 Telarus technology advisor respondents
- 92% Owners/Presidents with multiple functions (e.g., management, sales, operations)
- 93% US-based; 7% Other
- Respondent qualifiers: C-suite executives, business owners, or VPs carrying out management, operations, sales, and/or engineering functions (marketing and finance included only if multiple functions reported)
- Survey conducted at 95% confidence, +/- 3% margin of error

24% advisors report revenue >$1 million

Less than $99k	$100k - $499k	$500k - $999k	$1M - $5M	More than $5M	Don't Know
19%	36%	16%	20%	4%	4%

51% in the channel 10+ years

Less than 1 year	1-4 years	5-10 years	10+ years
5%	22%	22%	51%

Source: Redpoint Research 2023 Technology Advisor Survey