

ESG BRIEF

Network Spending Trends for 2021

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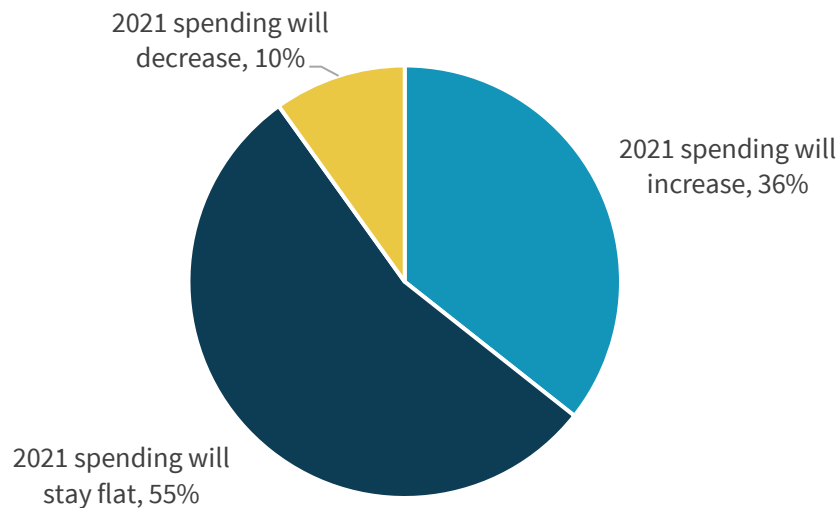
ABSTRACT: Coming off an unprecedented year, the majority of organizations are increasing their IT budgets. While slightly more than one-third of these organizations will increase their network spending in 2021, the majority expect to hold steady compared to last year’s investment levels. This year, organizations also state that they are looking to take advantage of cloud-based network management solutions to drive optimization. The research further demonstrates how organizations with mature digital transformation efforts differ from their counterparts with less mature environments.

2021 Network Spending Change

ESG recently completed its annual technology spending intentions survey of 664 senior IT decision makers at midmarket (i.e., 100 to 999 employees) and enterprise (i.e., 1,000 or more employees) organizations across North America and Western Europe.¹ As part of that research, respondents with purchasing influence or authority for networking products and services were asked about their organization’s spending plans in this area over the next 12 months. While 60% of organizations plan to increase overall IT spending, more than one-third (36%) will increase their networking equipment and connectivity budget relative to last year, with 55% expecting no year-over-year change (see Figure 1).

Figure 1. 2021 Networking Equipment and Connectivity Spending Change

To the best of your knowledge, to what extent will your organization’s 2021 IT spending for network equipment and connectivity technologies change relative to 2020 spending? (Percent of respondents, N=230)

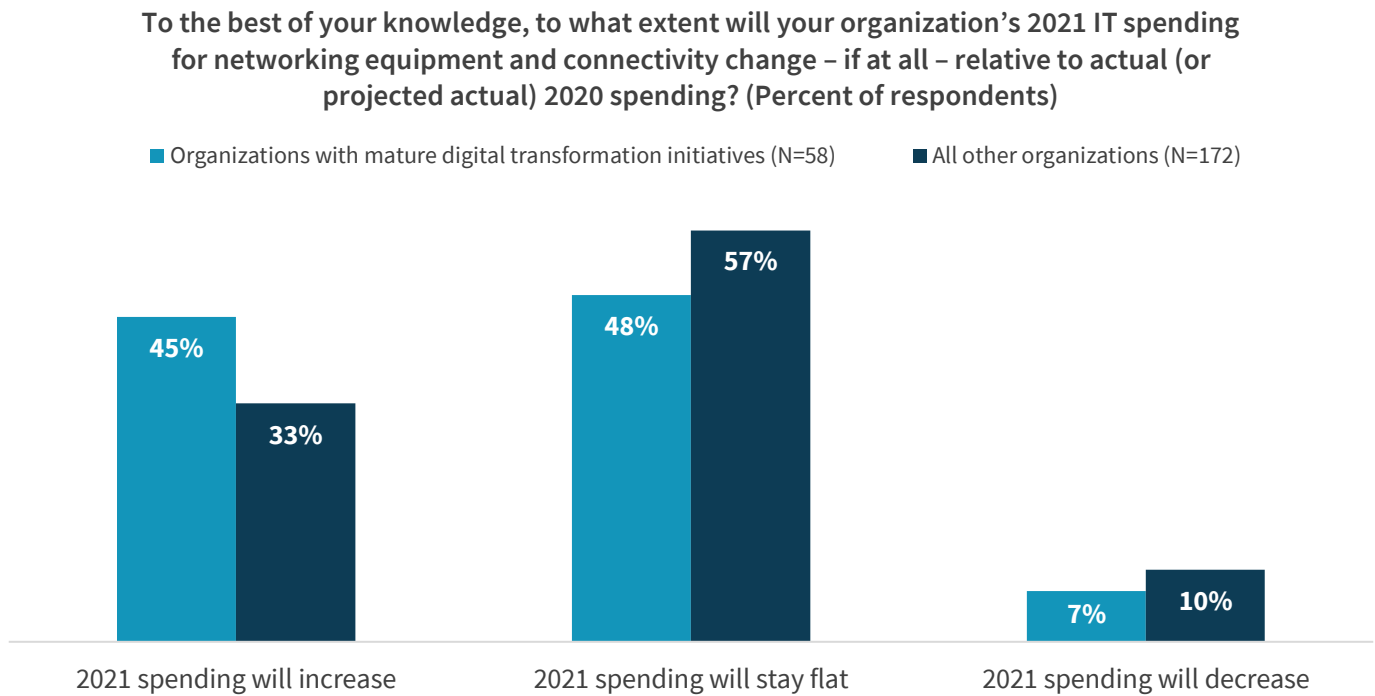


Source: Enterprise Strategy Group

¹ Source: ESG Research Report, [2021 Technology Spending Intentions Survey](#), January 2021. All ESG research references have been taken from this ESG Research Report unless otherwise noted.

Organizations that are more mature in their digital transformation efforts are likelier to increase spending on networking equipment and connectivity. As shown in Figure 2, nearly half (45%) of organizations with mature digital transformation initiatives will increase their spending on networking equipment and connectivity, while only 33% of all other organizations will increase their spending.

Figure 2. 2021 Networking Equipment and Connectivity Spending Change by Digital Transformation Maturity

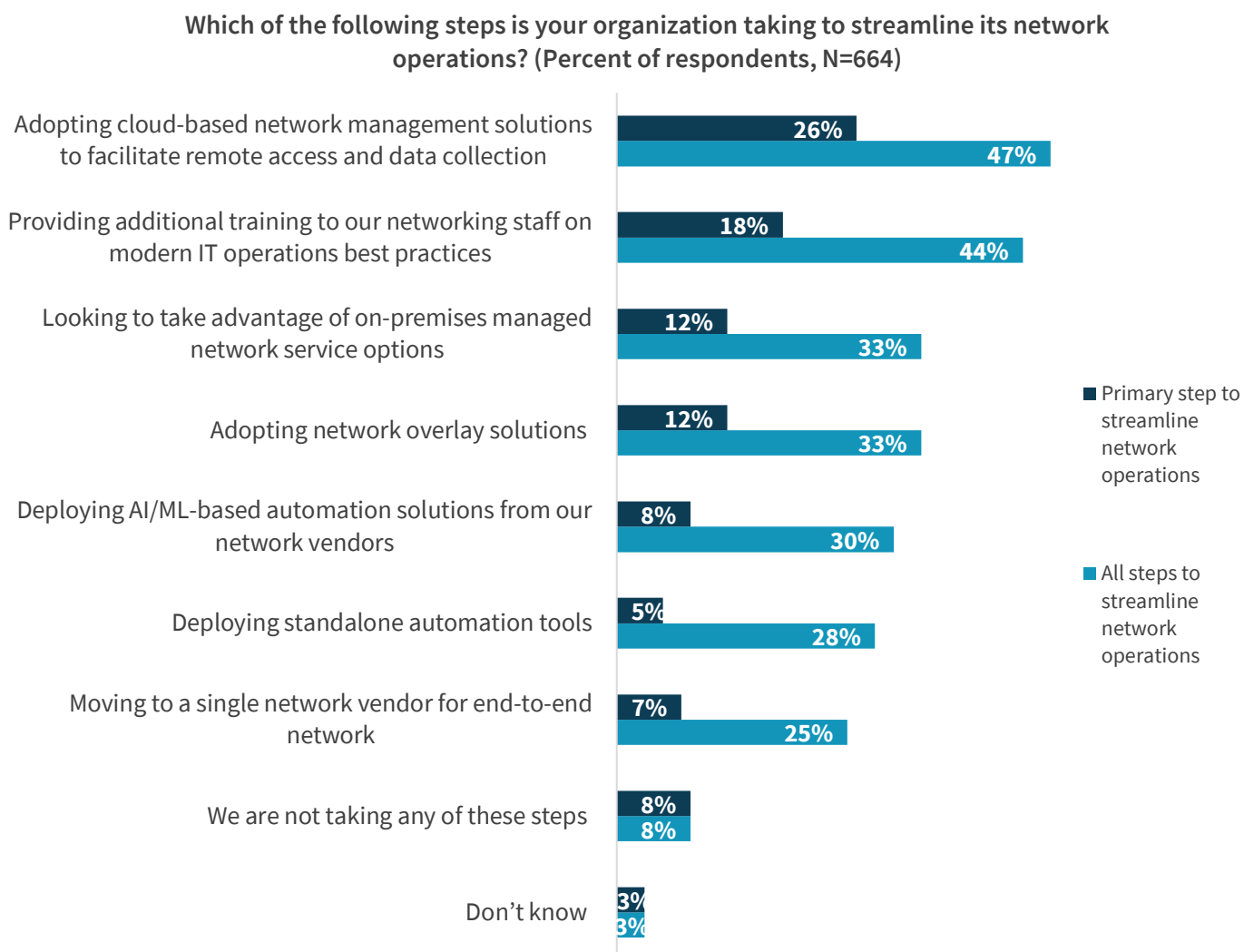


Source: Enterprise Strategy Group

Given that modern IT environments are highly distributed and complex, ESG also asked respondents to identify all the actions that they would take to streamline network operations. According to Figure 3, nearly half (47%) of organizations expect to adopt cloud-based network management solutions to facilitate remote access and data collection, with more than one-quarter (26%) stating that cloud-based management would be their primary action, while 44% will provide additional training to their networking staff on modern IT operations best practices. Additionally, one-third (33%) will look to leverage on-premises managed network services and/or implement network overlay solutions.

Looking at this question through the lens of digital transformation maturity yields some interesting differences. While the top action taken remains the same, with 58% of more digitally transformed organizations adopting cloud-based network management, 43% of these digitally mature organizations also place greater emphasis on deploying automation solutions (see Table 1).

Figure 3. Actions Taken to Streamline Network Operations



Source: Enterprise Strategy Group

Table 1. Actions Taken to Streamline Network Operations by Digital Transformation Stage

Which of the following steps is your organization taking to streamline its network operations? (Percent of respondents)			
	Stage of digital transformation maturity		
	Mature (N=146)	Early stages (N=440)	Planning only (N=64)
Adopting cloud-based network management solutions to facilitate remote access and data collection	58%	45%	45%
Deploying AI/ML-based automation solutions from our network vendors	43%	26%	30%

Source: Enterprise Strategy Group

The Bigger Truth

Over the past year, organizations have accelerated their digital transformation initiatives. These initiatives have been compounded by pervasive work-from-home mandates tied to COVID-19, resulting in highly distributed application and employee environments. Subsequently, the network will play an increasingly important role in connecting users with those applications, regardless of location. It follows, then, that nearly one-half of organizations with mature digital transformation initiatives plan to maintain, or even increase, their network spending over last year's levels to meet these demands.

A distributed environment also means additional network complexity. Therefore, it should come as no surprise that organizations state that their top action to streamline network management is to adopt a centralized cloud-based network management solution. In addition to driving greater operational efficiencies, a centralized cloud-based network management solution can also serve as a platform for incorporating automation, either from the vendor, or in a standalone fashion, thus enabling network operations teams to shed repetitive manual tasks, and focus on more strategic, value-added initiatives.

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