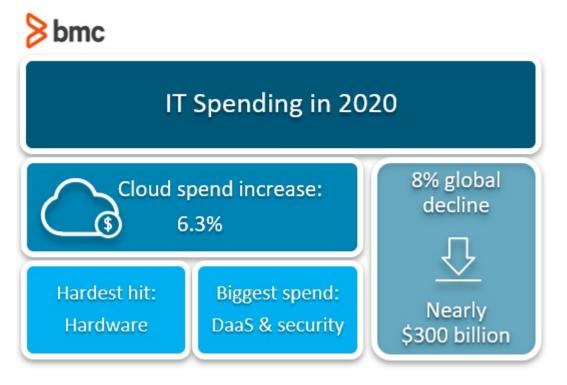# IT SPENDING TRENDS OF 2020

At the beginning of 2020, forecasters predicted that IT spending would greatly increase, with many organizations making it a priority to upgrade outdated infrastructure. Before we could even make it out of the first quarter of the year, however, nearly every industry was forced to go into crisis mode.

Although this year might look extremely differently from what anyone predicted, there are still plenty of IT spending trends in 2020 worth breaking down and comparing.

Worldwide IT spending

According to Gartner's latest forecast, worldwide IT spending is projected to decline 8% in 2020 compared to 2019. That 8% decrease is estimated at nearly $300 billion.

With the huge global downturn, CIOs are being forced to respond with contingency planning. They must prioritize what initiatives are mission critical to the organization.

"CIOs have moved into emergency cost optimization which means that investments will be minimized and prioritized on operations that keep the business running, which will be the top priority for most organizations through 2020," said John-David Lovelock, Distinguished Research Vice President at Gartner.

"Recovery will not follow previous patterns as the forces behind this recession will create both supply side and demand side shocks as the public health, social, and commercial restrictions begin to lessen."

Hardest hit industries

Not surprisingly, some of the industries and organizations that were hit the hardest are those that greatly rely on tourism and hospitality. These personal and consumer services are the most negatively impacted sectors and are expected to see a decline in IT spending of 5% or more.

"While industries that offer digitally-enabled or critical services offer some bright spots, those industries that rely on physical products, an in-person presence, or provide luxury services are struggling," said Jessica Goepfert, Program Vice President of Customer Insights & Analysis at IDC.

"Once the near-term reprioritization is underway, the next step is to understand the path to recovery. For instance, industries which have suffered major shutdowns and layoffs will be slower to invest in technology than those that have been able to maintain somewhat normal operations. In order to mitigate risk and exposure to the economic downturn, technology suppliers must reprioritize and refocus their efforts toward the more resilient segments."

IT spending cuts

IT hardware will see the largest spending cuts in terms of technology, as companies plan to pull back on some of their originally planned infrastructure investments. Major tech companies who used to focus heavily on hardware sales are already making huge shifts in where they obtain their revenue, with cloud-computing and security sales becoming a big priority.

"Hardware spending in general is always identified for rapid spending cuts during any economic crisis, as a means for enterprises to quickly protect short-term profitability,"

Stephen Minton, Program Vice President in IDC's Customer Insights & Analysis group, continues:

"In previous economic crashes, IT hardware has tended to overshoot the economic cycle on both the downside and in the recovery phase. That's because underlying demand drivers don't change overnight, but the timing of purchases is shifted and delayed, and this can now be done even more quickly than in the past. What's different now is that cloud is a bigger factor than it was in any previous global recession, and this should mean that overall spending is less volatile than in the last two major IT spending downturns."

IT spending is also expected to decline for network hardware and server/storage, despite the

demand for cloud. Although total infrastructure spending will increase by 5.3%, this growth will come from cloud providers spending more on servers and enterprises increasing their spending on Infrastructure as a Service.

"IT spending recovery will be slow through 2020, with the hardest hit industries, such as entertainment, air transport and heavy industry, taking over three years to come back to 2019 IT spending levels," continued Mr. Lovelock.

"Recovery requires a change in mindset for most organizations. There is no bouncing back. There needs to be a reset focused on moving forward."

It's not all bad news...

Meanwhile, industries that are more resistant to the economic backslide, such as healthcare and government, are actually seeing more growth than what was originally forecasted for 2020, with some services increasing their IT spending 1.7% compared to last year. Telecommunications is also seeing an increase in their spending, with companies quickly pivoting to online video and conference options.

Another point that comes as no surprise is the growth seen in spending on remote work, including apps, platforms, and equipment. In fact, Gartner predicts that the increase in services spent on remote workers will increase 19% in 2020, with this number potentially being even higher by the end of the year.

"There will be pockets of opportunity for software and related services during the next six months, as organizations create response measures focused around increased remote work and collaboration," said Minton.

"Organizations that are further along the digital transformation and cloud migration scales are likely to be best-positioned in terms of integrating these technologies into effective and agile response plans."

2020: The year of the cloud

With a big majority of employees working from home, and no clear end in sight, many businesses have been forced to heavily rely on public cloud services as well as cloud-based conferencing, messaging, and telephones. According to the latest forecast, worldwide public cloud services spending is expected to grow 6.3% in 2020 to total $257.9 billion.

"When the hit, there were a few initial hiccups but cloud ultimately delivered exactly what it was supposed to," said Sid Nag, Research Vice President at Gartner. "It responded to increased demand and catered to customers' preference of elastic, pay-as-you-go consumption models."

One of the largest areas of cloud to experience an increase in demand is desktop-as-a-service (DaaS), with a predicted growth of 95.4% in 2020. DaaS is an inexpensive option for organizations that are looking to support their remote workers by providing secure access to enterprise applications remotely.

"The use of public cloud services offer CIOs two distinct advantages...: cost scale with use and deferred spending," said Mr. Nag.

"CIOs can invest significantly less cash upfront by utilizing cloud technology rather than scaling up on-premises data center capacity or acquiring traditional licensed software."

IT spending trends

Overall, IT spending will decrease in 2020, despite the increase in specific areas like cloud-based services and security. Although the year ended up looking like nothing we could have predicted, organizations are adjusting their budgets and plans in whatever way that best supports their workers and customers.

Additional resources

BMC offers a variety of enterprise technology solutions, including software and strategies for how to maximize value and minimize cost. For more on this topic, explore these resources:

- IT Cost Management Guide
- BMC Business of IT Blog
- IT Budget Trends: How Companies Spend on IT
- How Multi-Cloud Can Enable Cost Savings
- Mainframe Cost Control: Why It's Time to Take a Fresh Look