ISG Network Modernization Study

Network Budgets Continue to Increase

Spending focuses on capacity and security.

- Next-generation apps and a heavy reliance on cloud are driving a shift towards spending on **internet connectivity**.

- This shift has not reduced investment into **private connectivity** capacity.

- This spending suggests enterprises are working to address their changing needs in security and connectivity.

Connectivity budgets 2023 and expected change for 2024/5

Internet Connectivity **58%** ▲ +2.1% y-o-y

Private Connectivity **42%** ▲ +3.3% y-o-y

Priorities Are a Balancing Act

The need to futureproof is running into cost.

Even with big budgets, CIOs struggle to manage the costs of competing needs. The most common expense is updating legacy infrastructure. But high-performing tech is also costly: 61% of enterprises rated their **network security** above their peers'—but it was also rated the biggest management challenge and investment priority.

Top network infrastructure investment priorities *(% mentioned in top 5)*

Network Security	**75%**
Cost Optimization	66%
Network Modernization	53%

Top network management challenges *(% mentioned in top 5)*

Network Security	**58%**
Infrastructure Complexity	51%
Legacy Equipment/Applications	45%

SD-WAN Roll Out Continues at Pace

Over 80% of enterprises run SD-WAN

SD-WAN now accounts for 24% of private connectivity spending overall, and 46% of enterprises expect that to increase in the next year as network modernization programs expand to additional sites. Uses of Wireless and Fabric WAN are also growing.
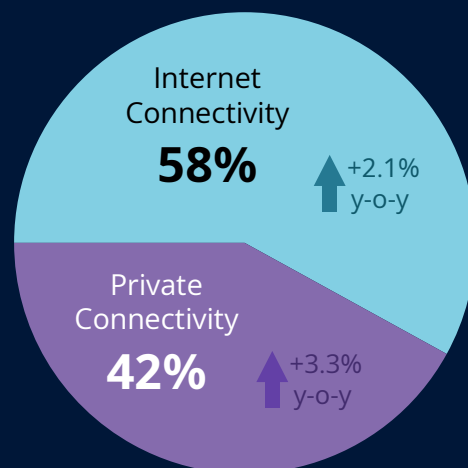
Planned initial adoption in the next 24 months:

Fabric WAN	31%
Wireless Access	27%
Virtual Networks (NFV)	24%
SASE	19%
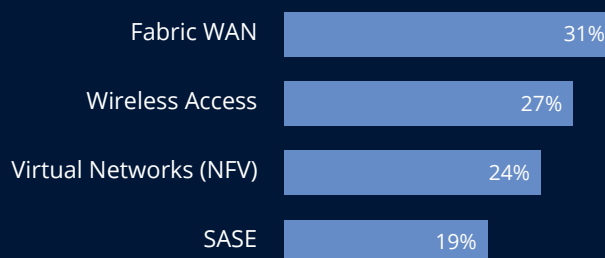
Note: Multiple responses allowed; will not add up to 100.

Cost Savings Are Being Realized, Not Value

Value for money fell short in nearly all cases

Enterprises rated network costs and efficiency as the lowest out of twelve KPI categories. In terms of where enterprises were outperforming their peers:

- Only 35% rated value for money from network investments.

- Only 31% rated value for money from provider investments.

8.5%

Average cost savings achieved over 3 years from network modernization efforts

199 executives in G2000 firms interviewed from the U.S. and Europe, from network infrastructure companies.

20% board-level roles (including CIO, CTO, COO), 30% Network roles, 20% Infrastructure/Security, 30% other senior IT roles

Contact us for a readout of this study. If your organization needs help navigating the technologies, processes and culture needed to refocus your initiative, ISG can help.