AI & Analytics Demand Outlook

Deals, Budgets & Deployment Trends

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AI budgets have increased:

Budgets from $500k to $5M have increased by 55% YoY, with only 26% reporting budgets under $500k, signaling broader market maturity.
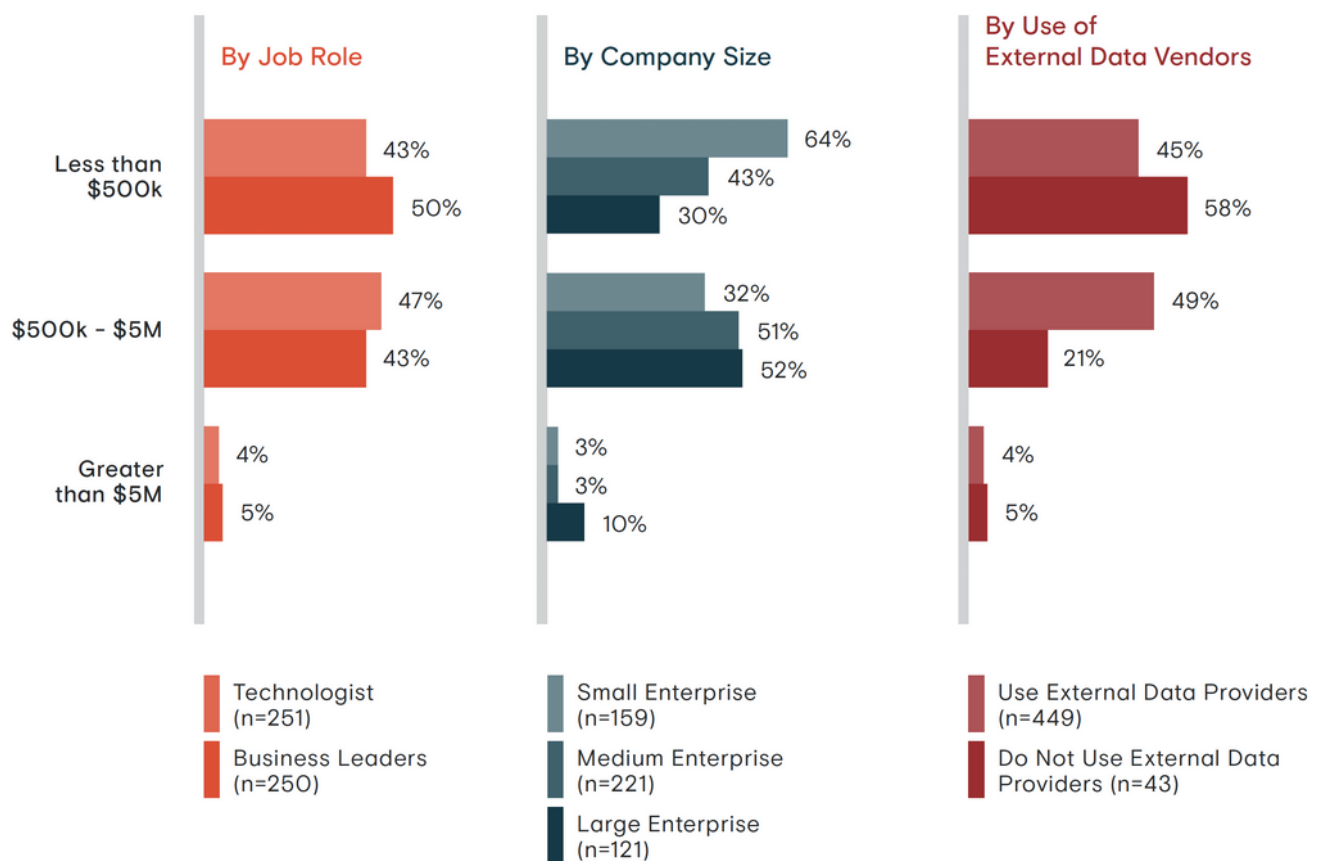
AIQRATE carried out a survey with 100+ global AI-consuming enterprises. The survey respondents indicated that allocated budgets for AI initiatives are increasing in 2021, with 53% of AI consuming enterprises respondents reporting budgets in the $500k to $5 million range .This trend is a strong signal that the industry continues to grow and AI is becoming more critical to the successfor companies large and small across all industries.

Figure 1: Does your company have a budget formally allocated for any AI initiatives and if so, how much?

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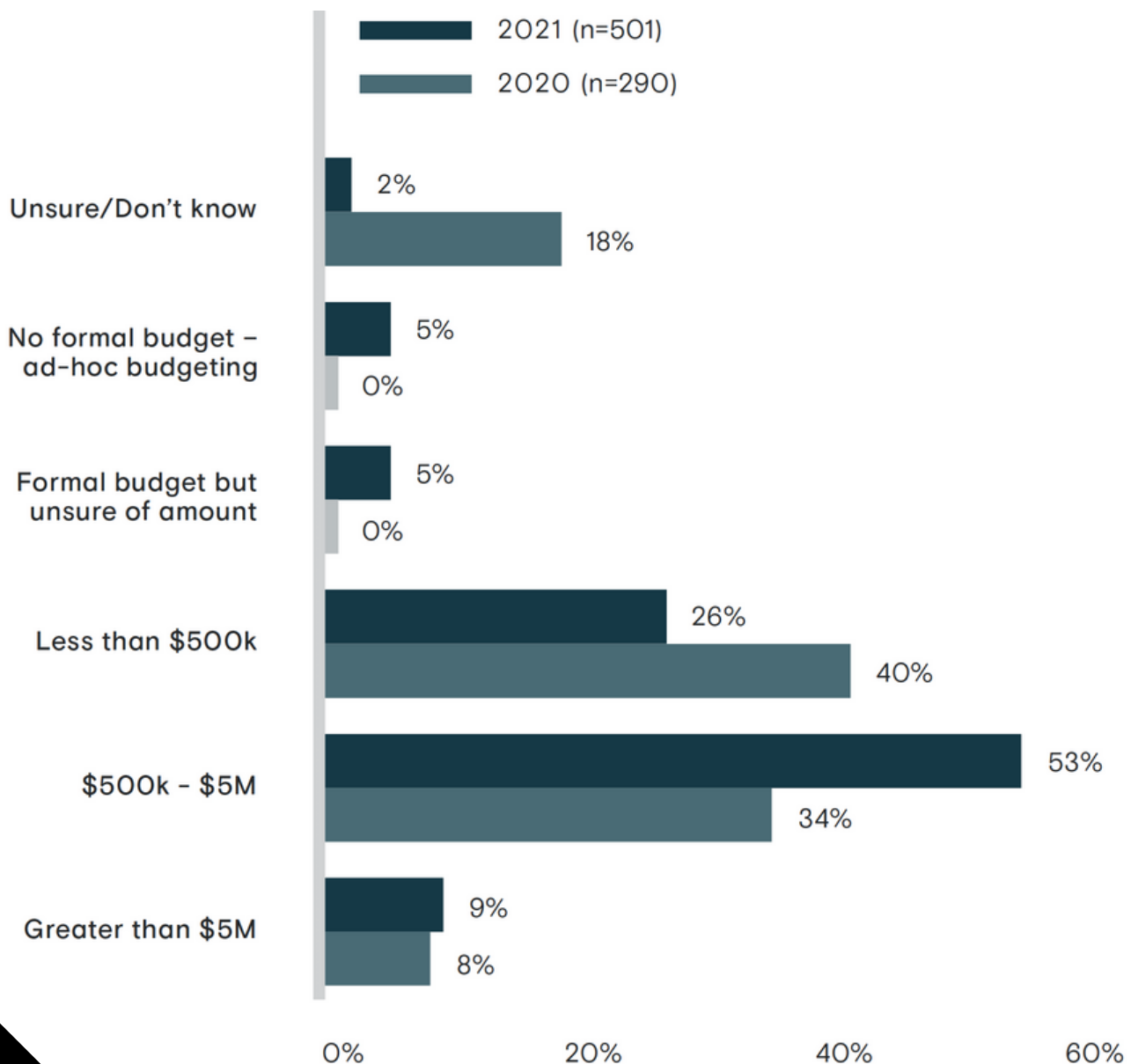
Not surprisingly, AI budget is highly correlated with company size, with large organizations dominating the $5 million+range. Notably, companies partnered with an external data provider have larger budgets in the $500k to $5 million range compared to the ones that don't work with a data provider.
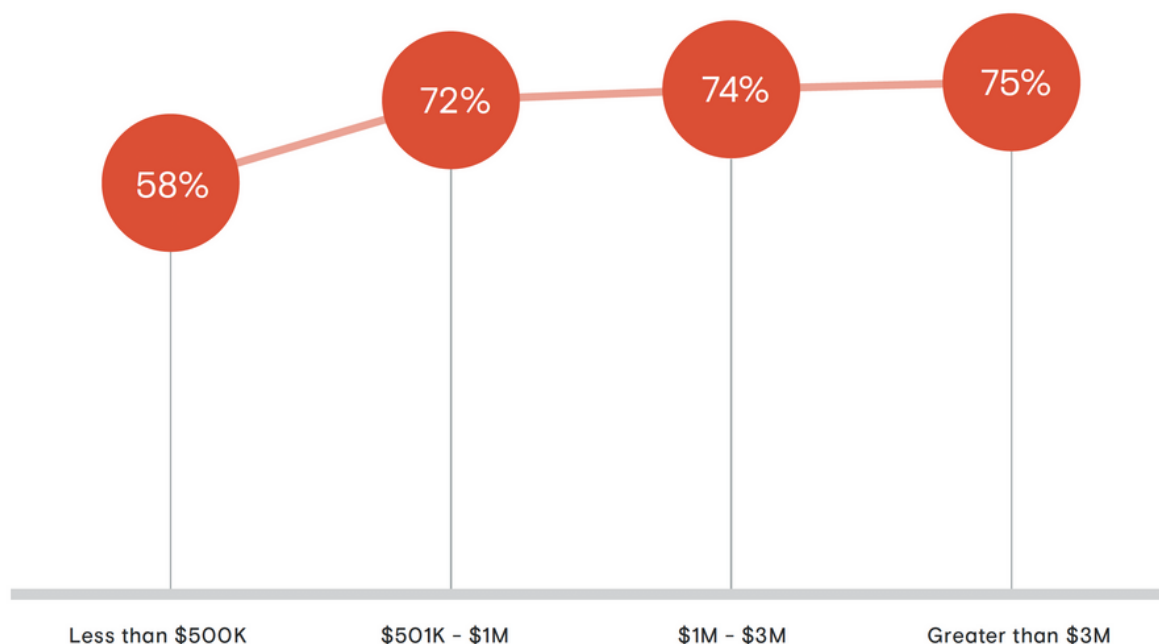
Figure 2: Which of the following best reflects your budget allocation for AI data related to vendors and/or services?

By Job Role

Less than $500k	43%
	50%
$500k – $5M	47%
	43%
Greater than $5M	4%
	5%

Technologist (n=251)
Business Leaders (n=250)

By Company Size

Less than $500k	64%
	43%
	30%
$500k – $5M	32%
	51%
	52%
Greater than $5M	3%
	3%
	10%

Small Enterprise (n=159)
Medium Enterprise (n=221)
Large Enterprise (n=121)

By Use of External Data Vendors

Less than $500k	45%
	58%
$500k – $5M	49%
	21%
Greater than $5M	4%
	5%

Use External Data Providers (n=449)
Do Not Use External Data Providers (n=43)

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AIQRATE analyzed correlation between budgets, market leadership perceptions and successful AI deployment rates. For this, we zoomed in and looked at organizations spending less than $500k, those spending between $500k and $1M, those spending between $1M and $3M and over $3M.

This is where we found a direct relationship between budget and market leadership perception, as companies with an annual budget of less than $500k were much less likely to describe themselves as a market leader. This suggests budget allocation is a limiting factor to gainingAI leadership.

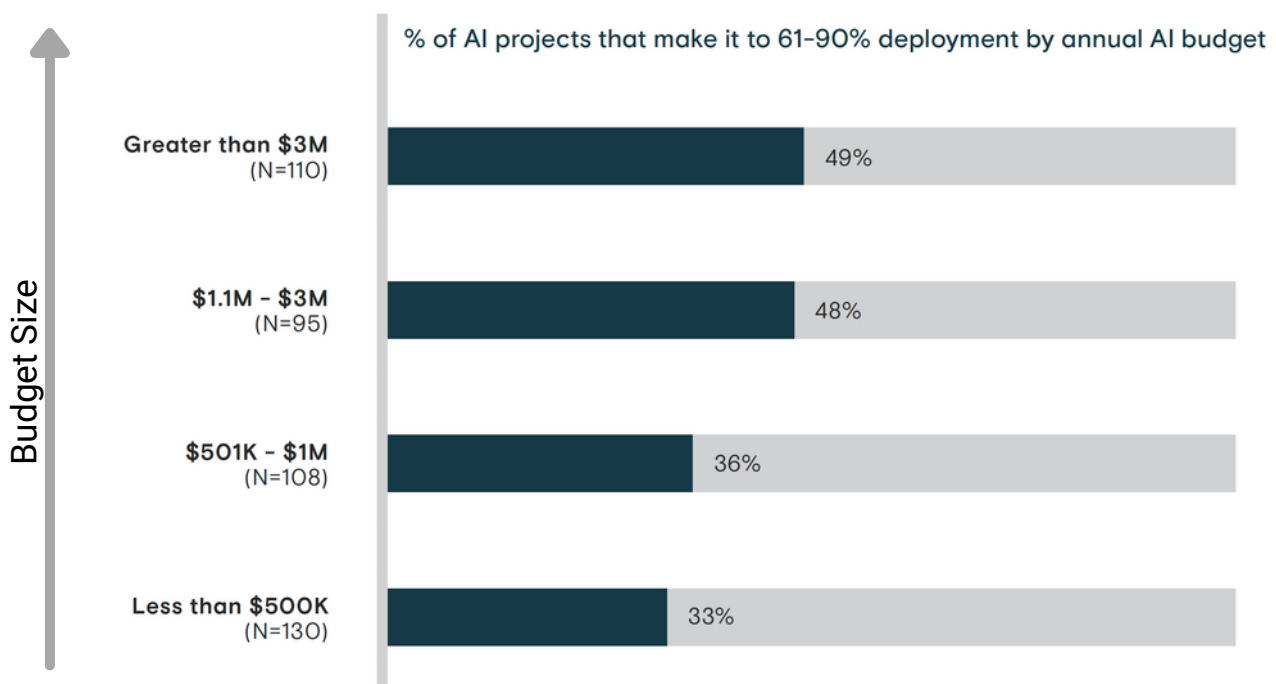**Figure 3:** When it comes to adopting AI, would you say that your organization is a market leader?

| 58% | 72% | 74% | 75% |
| Less than $500K | $501K - $1M | $1M - $3M | Greater than $3M |

Based on Total Annual AI Budget Allocation

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AIQRATE also found that companies with an annual AI budget of at least $1 million are more likely to reach deployment with their AI projects, and that budget allocations correlated well with obtaining ROI from AI deployments.

We found that almost 48% of organizations that had budgets between $1M and $3M and 49% of organizations that had budgets greater than $3M experienced a deployment rate of 61 - 90%. This is significantly higher than those that reporter budgets under $1M.

Figure 4: Relationship between budget and deployment

% of AI projects that make it to 61-90% deployment by annual AI budget

Budget Size	
Greater than $3M (N=110)	49%
$1.1M - $3M (N=95)	48%
$501K - $1M (N=108)	36%
Less than $500K (N=130)	33%

Based on Total Annual AI Budget Allocation

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In 2021, AI responsibility has trended away from the C-suite and into   the rest of the organization, making AI projects more operational. C-level executives continue to be responsible for AI initiatives for 39% of the organizations. Large companies are delegating AI responsibilities to the VP-level (28%) and Director-level (25%), whereas smaller organizations are seeing managers (31%)be more responsible for AI.

Figure 5: Who is ultimately responsible for all the AI initiatives in your organization?

By Job Role

	Technologist (n=251)	Business Leaders (n=250)
Manager-level	21%	19%
Director-level	26%	18%
VP-level	16%	21%
More than one C-level executive	12%	15%
C-level executive	25%	27%

By Company Size

	Small Enterprise (n=159)	Medium Enterprise (n=221)	Large Enterprise (n=121)
Manager-level	31%	19%	7%
Director-level	19%	23%	25%
VP-level	9%	20%	28%
More than one C-level executive	11%	15%	13%
C-level executive	28%	24%	27%

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In 2021, large enterprises are much more focused on reducing business costs (rating them as the third highest use case) compared to smaller and medium-sized organizations. Very few (4%) of survey respondents reported that they are still in the researching and piloting phases.

We're seeing a shift away from the AI "silver bullet" and to a more fit for purpose and internal facing suite of applications — for IT operations, internal efficiency gains, and cost reduction, as well as understanding company data. AI-based features for products or services scored lower, signalling the migration of AI to internal use cases, which are less risky for their reputation.
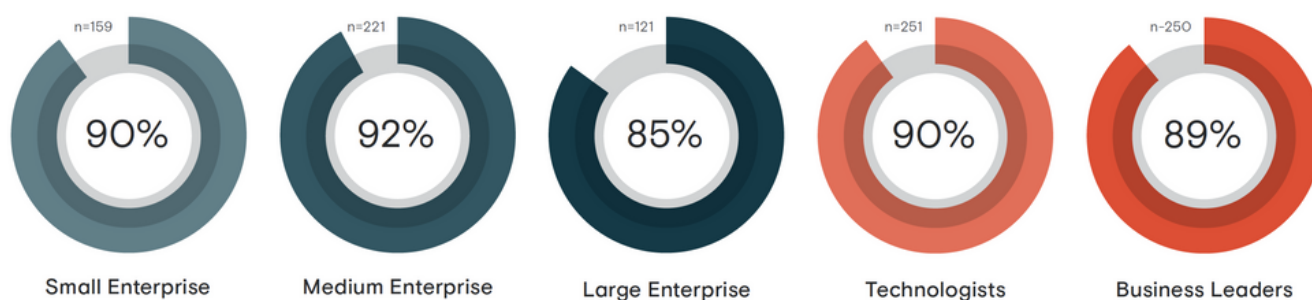
Figure 6: Which of the following best describes the use of AI in your organization?

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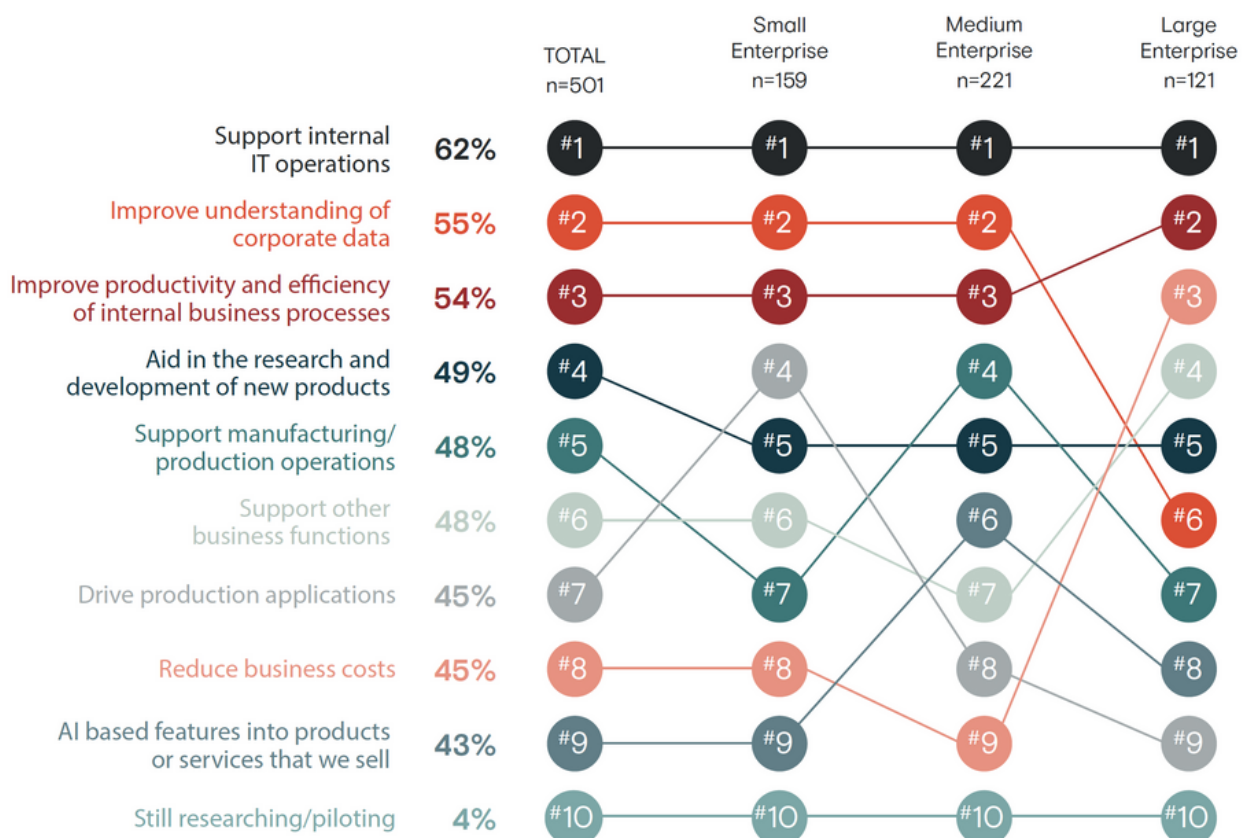
An overwhelming majority of organizations have partnered with external data providers to deploy and update AI projects at scale.

Obtaining enough high-quality data to deployAI is a significant barrier to success for organizations of all sizes. It's unsurprising that most companies have turned to external data providers at some level—a reflection of the fact that data acquisition, preparation and management are the top challenges AI practitioners face.

Figure 7: Do you use external providers for AI training data collection and/or annotation in your organization?

Small Enterprise	Medium Enterprise	Large Enterprise	Technologists	Business Leaders
n=159	n=221	n=121	n=251	n=250
90%	92%	85%	90%	89%

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Companies who use external data providers are 1.5 times more likely to say their company is ahead of others in AI deployment, and 4 times less likely to say that they are lagging. This is likely tied with the fact that companies that use external data providers deploy substantially more projects than those that don't, as well as to achieving meaningful ROI.

Figure 8: When it comes to adopting AI, would you say that your organization is:
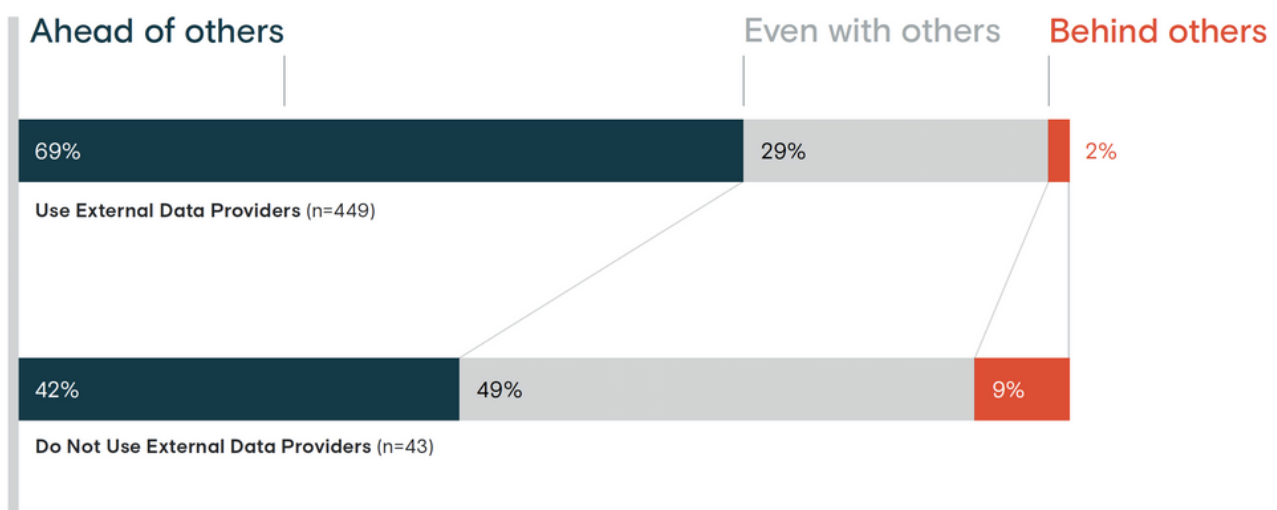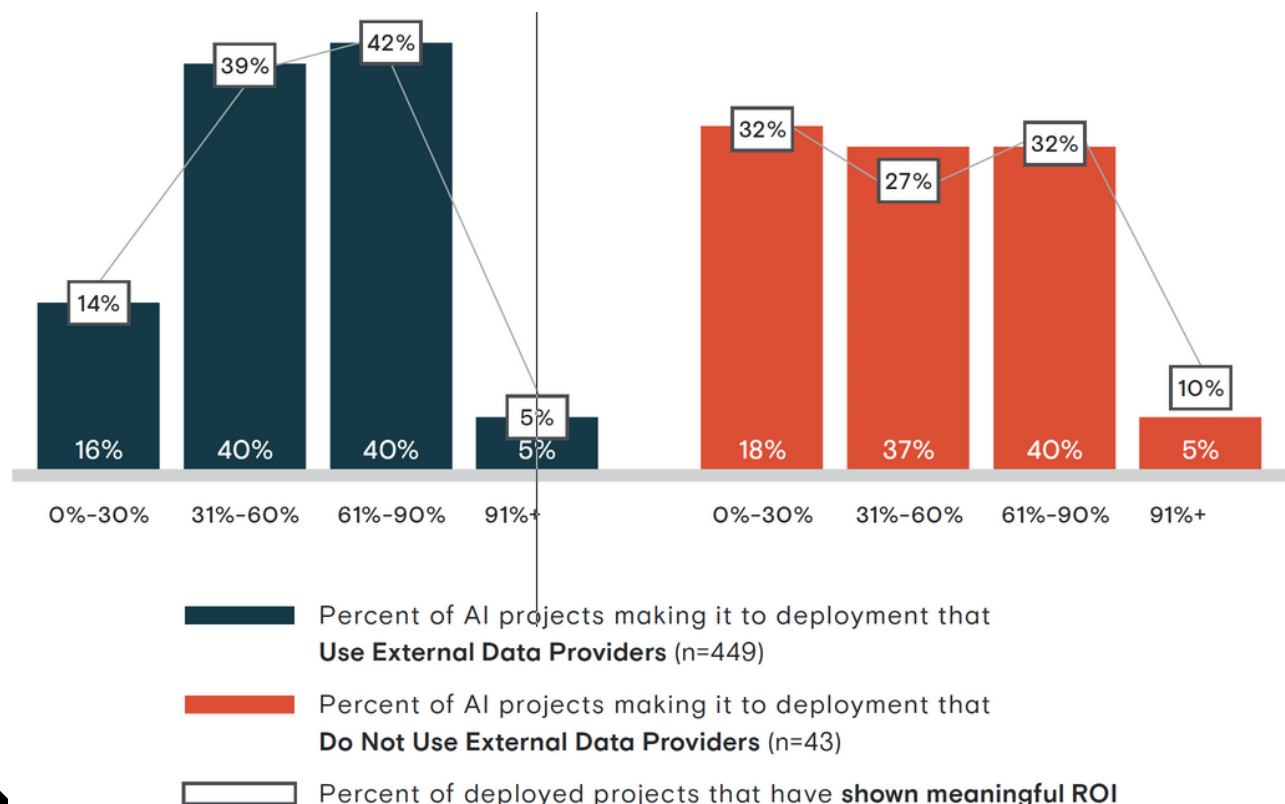
AIQRATE also found that organizations using external data providers are significantly more likely to deploy their AI to production — with only 16% reporting deploying 0-30% of projects, versus 32% of organizations not using data providers deploying at the same 0-30% rate.

Not only does working with a data partner enable companies to deploy more, but it is also more likely for the AI to produce meaningful ROI. For organizations working with a data partner, it is much less likely to not achieve meaningfulROI, with only 14% of respondents reporting 0-30% meaningful ROI numbers, compared to 32% of respondents not working with a data partner.

On the other end of the spectrum, 42% of companies deploying with a data provider reported ROI for 61-90% of their projects, versus only 32% of companies deploying without an external data provider

Figure 9: AI Project deployment and ROI

Legend:
- ■ (dark navy) Percent of AI projects making it to deployment that **Use External Data Providers** (n=449)
- ■ (orange) Percent of AI projects making it to deployment that **Do Not Use External Data Providers** (n=43)
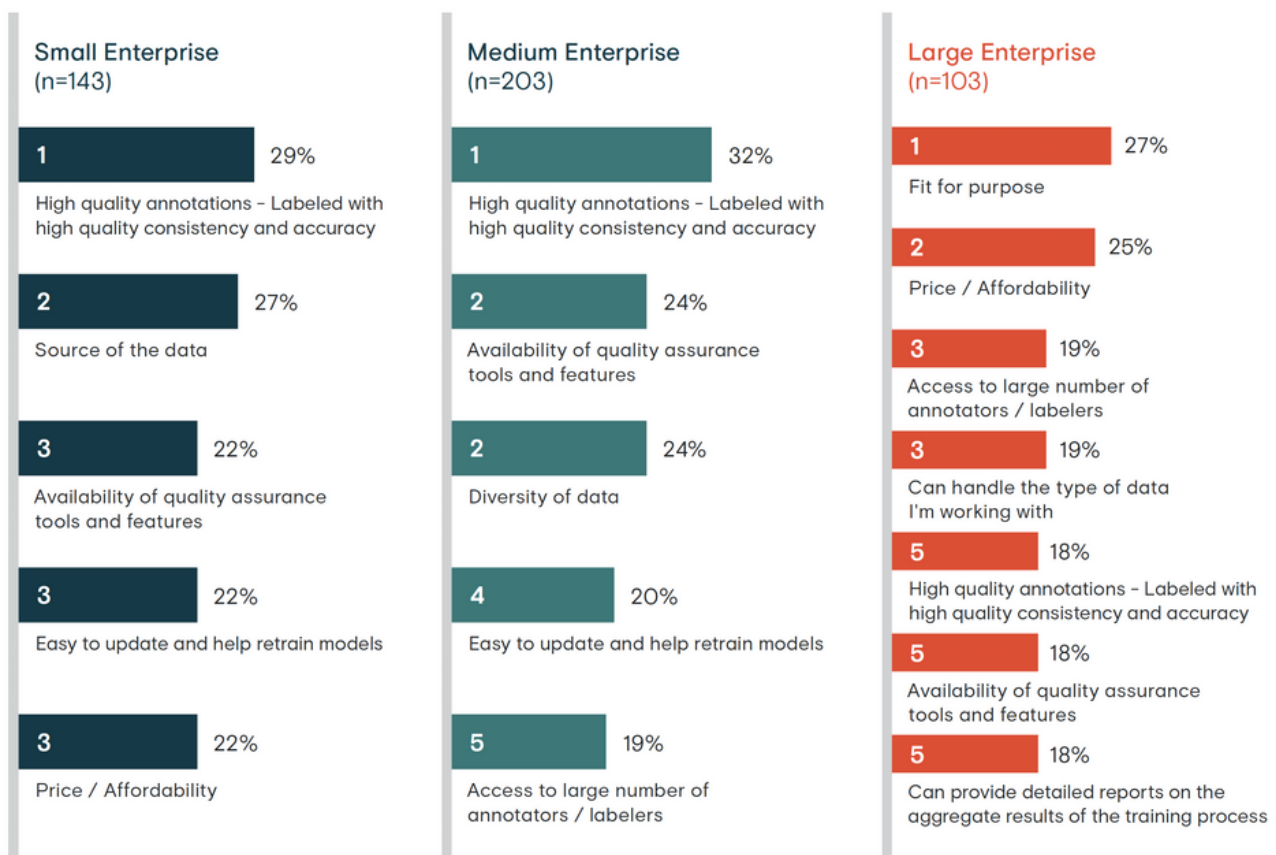- ▭ Percent of deployed projects that have **shown meaningful ROI**

AIQRATE found large organizations mainly consider whether the annotation platform fits their purpose and its level of affordability. In looking for a data provider, organizations can evaluate based on a variety of factors: quality of annotations, price, quality assurance features, fit for purpose, reporting tools, and more.
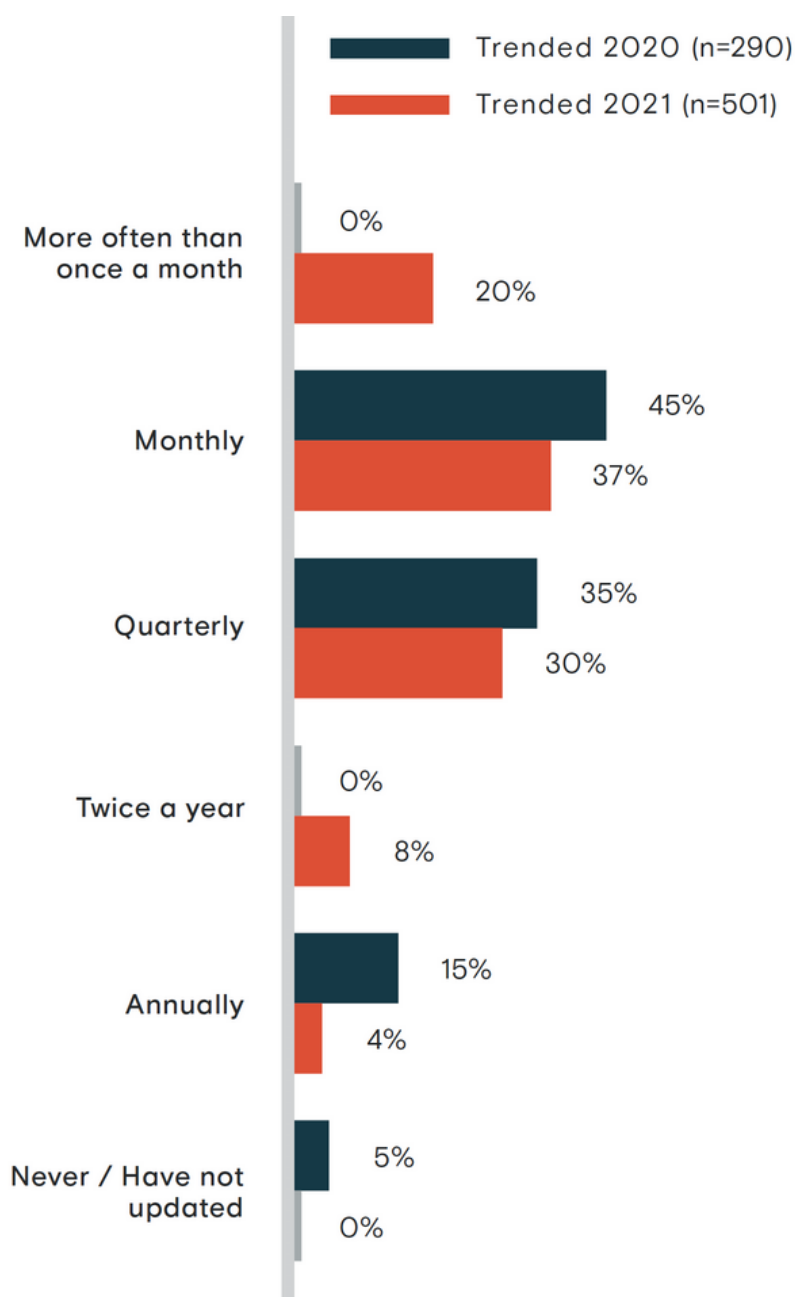
We interpret "Fit for purpose" as the platform and data partner being flexible in matching the customer's use case. Smaller and medium-sized organizations instead look for high-quality annotations as their number one priority. Source of data is important for all organizations, and is a key priority for organizations under 10,000 employees.

Figure 10: What are the top 3 features you look for in a data annotation platform?

Small Enterprise (n=143)

1	29%	High quality annotations – Labeled with high quality consistency and accuracy
2	27%	Source of the data
3	22%	Availability of quality assurance tools and features
3	22%	Easy to update and help retrain models
3	22%	Price / Affordability

Medium Enterprise (n=203)

1	32%	High quality annotations – Labeled with high quality consistency and accuracy
2	24%	Availability of quality assurance tools and features
2	24%	Diversity of data
4	20%	Easy to update and help retrain models
5	19%	Access to large number of annotators / labelers

Large Enterprise (n=103)

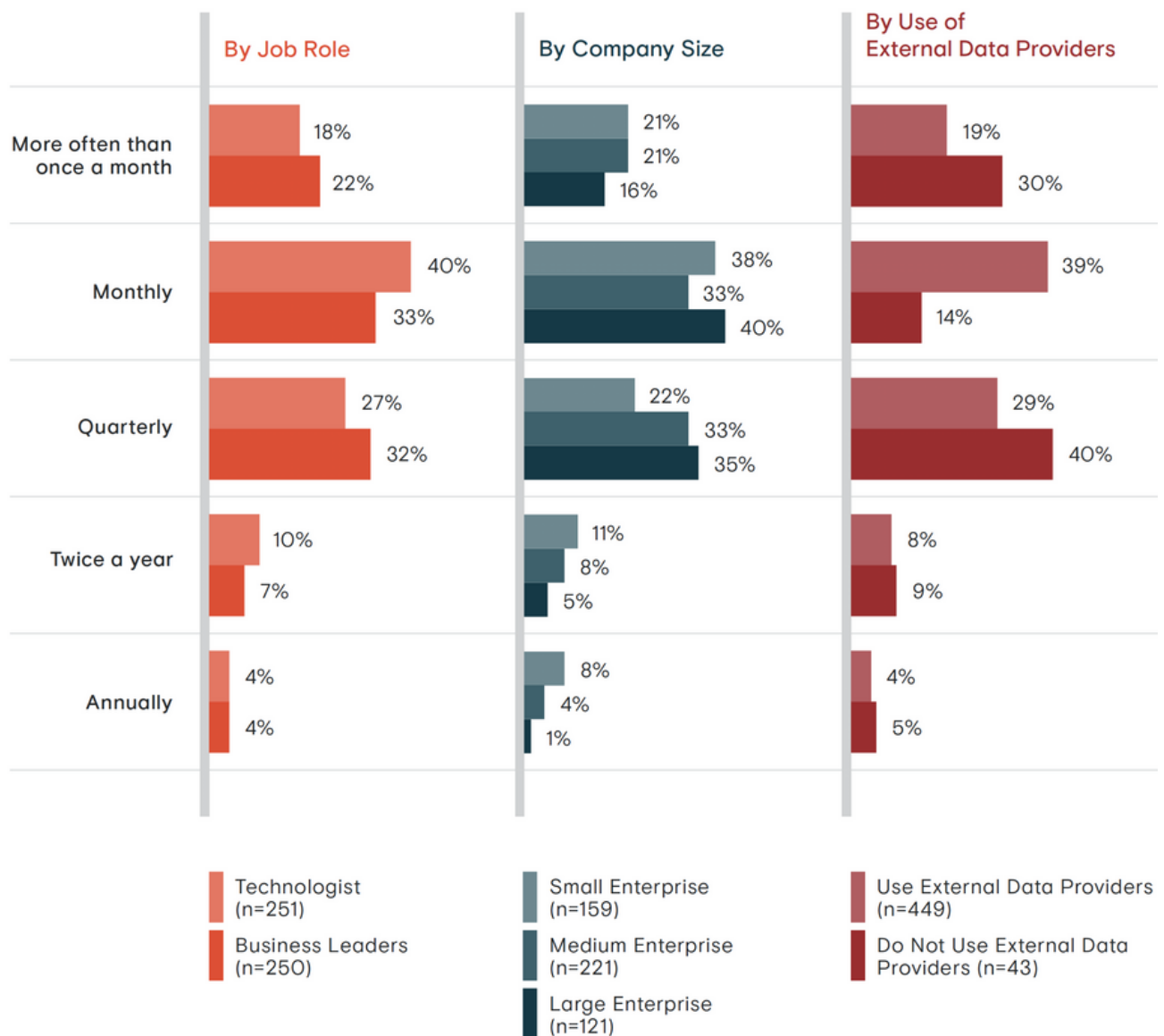|		
1	27%	Fit for purpose
2	25%	Price / Affordability
3	19%	Access to large number of annotators / labelers
3	19%	Can handle the type of data I'm working with
5	18%	High quality annotations – Labeled with high quality consistency and accuracy
5	18%	Availability of quality assurance tools and features
5	18%	Can provide detailed reports on the aggregate results of the training process

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AI deployment is a continuous process, not a set and forget. This is reflected in the high number of organizations leveraging data providers, as well as in the data points we have measured regarding the need to update models on an ongoing basis. Last year, 80% of organizations updated their models at least quarterly, with an increase to 87% this year. In 2021, 57% reported they update their models at least monthly, growing from 45% in 2020.

Figure 11: Model retraining frequency comparing this year and last

Trended 2020 (n=290)
Trended 2021 (n=501)

More often than once a month	0%	20%
Monthly	45%	37%
Quarterly	35%	30%
Twice a year	0%	8%
Annually	15%	4%
Never / Have not updated	5%	0%

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Organizations of all sizes update their models regularly, and larger organizations are more likely to update their models than smaller companies with 91% updating on at least a quarterly basis. We also found that organizations using external data providers are most likely to update their models on a monthly basis.

Figure 12: How often are you retraining/updating your machine learning models?

	By Job Role	By Company Size	By Use of External Data Providers
More often than once a month	18% / 22%	21% / 21% / 16%	19% / 30%
Monthly	40% / 33%	38% / 33% / 40%	39% / 14%
Quarterly	27% / 32%	22% / 33% / 35%	29% / 40%
Twice a year	10% / 7%	11% / 8% / 5%	8% / 9%
Annually	4% / 4%	8% / 4% / 1%	4% / 5%

Technologist (n=251)
Business Leaders (n=250)

Small Enterprise (n=159)
Medium Enterprise (n=221)
Large Enterprise (n=121)

Use External Data Providers (n=449)
Do Not Use External Data Providers (n=43)

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AI priorities vary by organization size, with scaling notably more important for larger enterprises while data diversity is more important among small and medium organizations.

As ethics and fairness topics gain more traction in the public domain, and the industry is having important conversations, we are seeing a clear focus on data diversity, bias reduction, as well as scalability. While data bias and scaling are strong concerns, especially in larger companies, data diversity is the top need across organizations. For medium and large organizations, bias reduction—while still important —is the least important of the three surveyed features, except for small organizations, where it's tied with scaling in importance.

Figure 13: To what extent are the following AI features important to you?
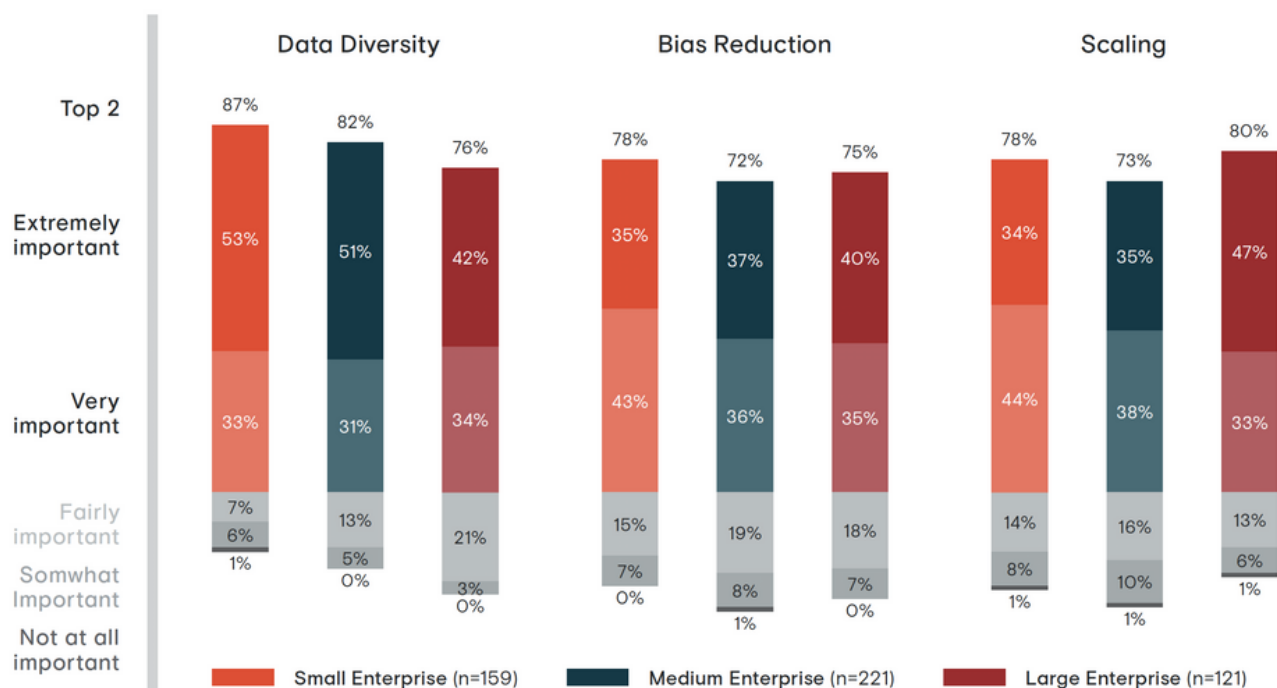
When we look at how respondents who use external data providers versus those who don't rank these features, we saw that data diversity is significantly more important to those who use external data providers.Likewise, bias reduction and scaling are of greater importance to those who use external data providers. This focus on data diversity and bias reduction signals the maturity of organizations working with data partners.

Figure 14: Important features differentiated by whether company uses external data provider
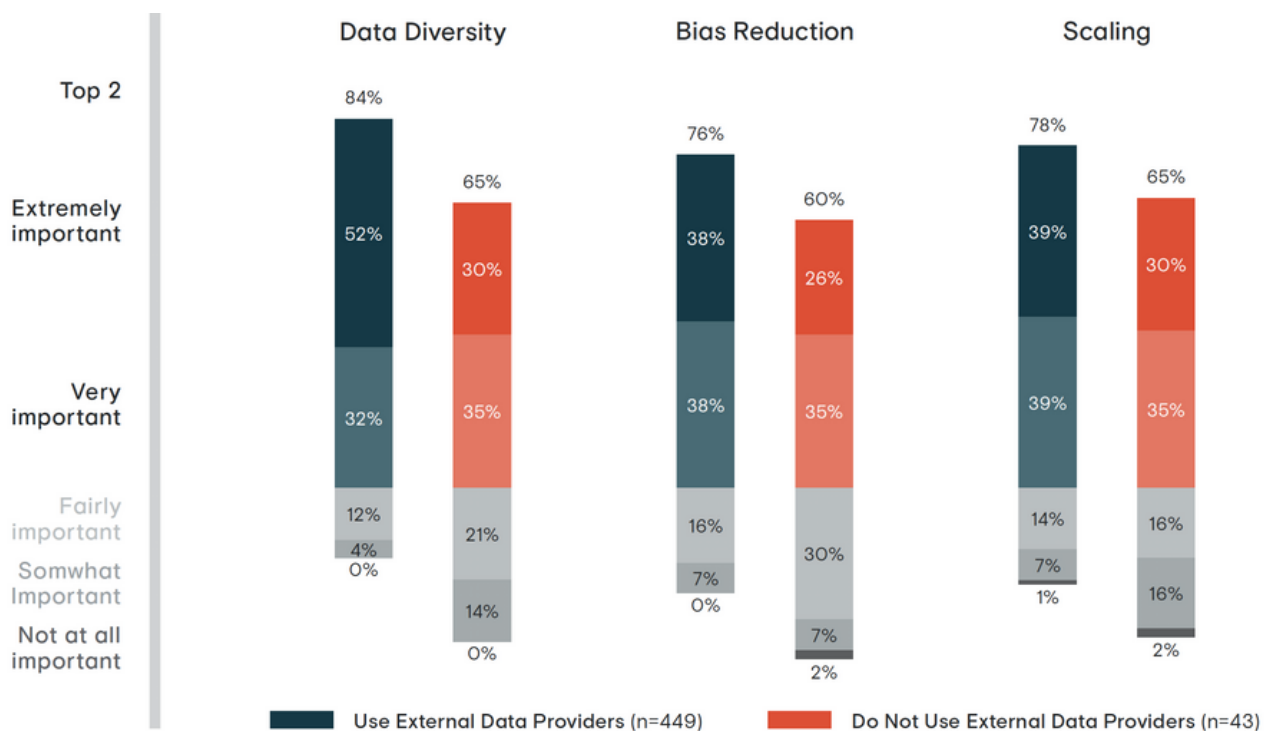
While there are many concerns about responsible AI, risk management is the primary lens through which responsible AI is viewed across all company sizes. Only about one third of companies cite fairness and ethics as top of mind when it comes to building responsible AI. Notably, governance is significantly more important for large organizations.
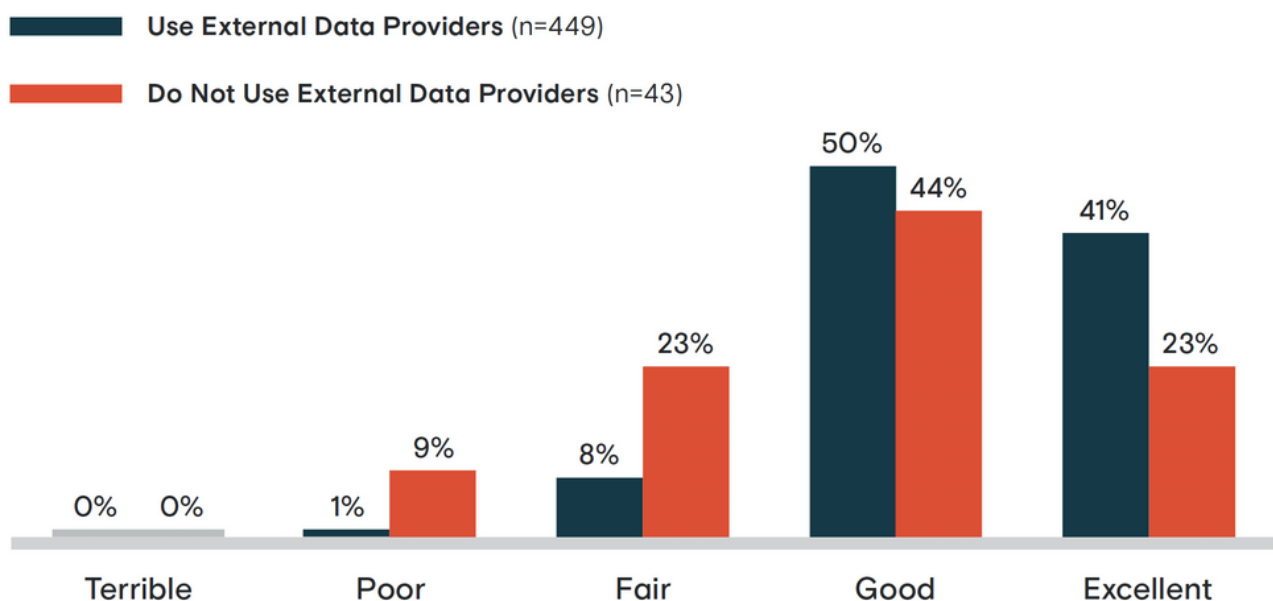
Figure 15: When you think about Responsible AI, what lenses are you using?
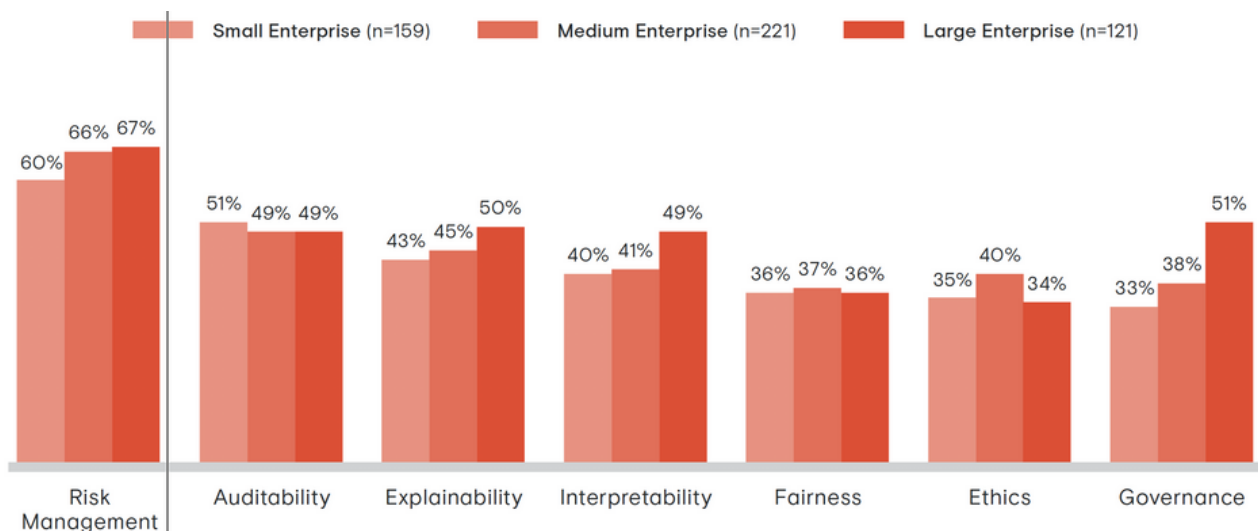
Companies report a high commitment to data security and privacy, and are open to sharing their data with others.

Nearly 9 out of 10 respondents state their company is excellent or good about addressing privacy and security issues related to AI. Companies that use external data providers are 1.8 times more likely to say their company is excellent in this area, and 9 times less likely to say they're poor at it. Many data providers include security and compliance checks and tools to ensure data privacy, so it's unsurprising that the survey reflects this as an area of priority.

Figure 16: How would you rate your company when it comes to addressing privacy/security issues related to AI?

Legend:
- Use External Data Providers (n=449)
- Do Not Use External Data Providers (n=43)

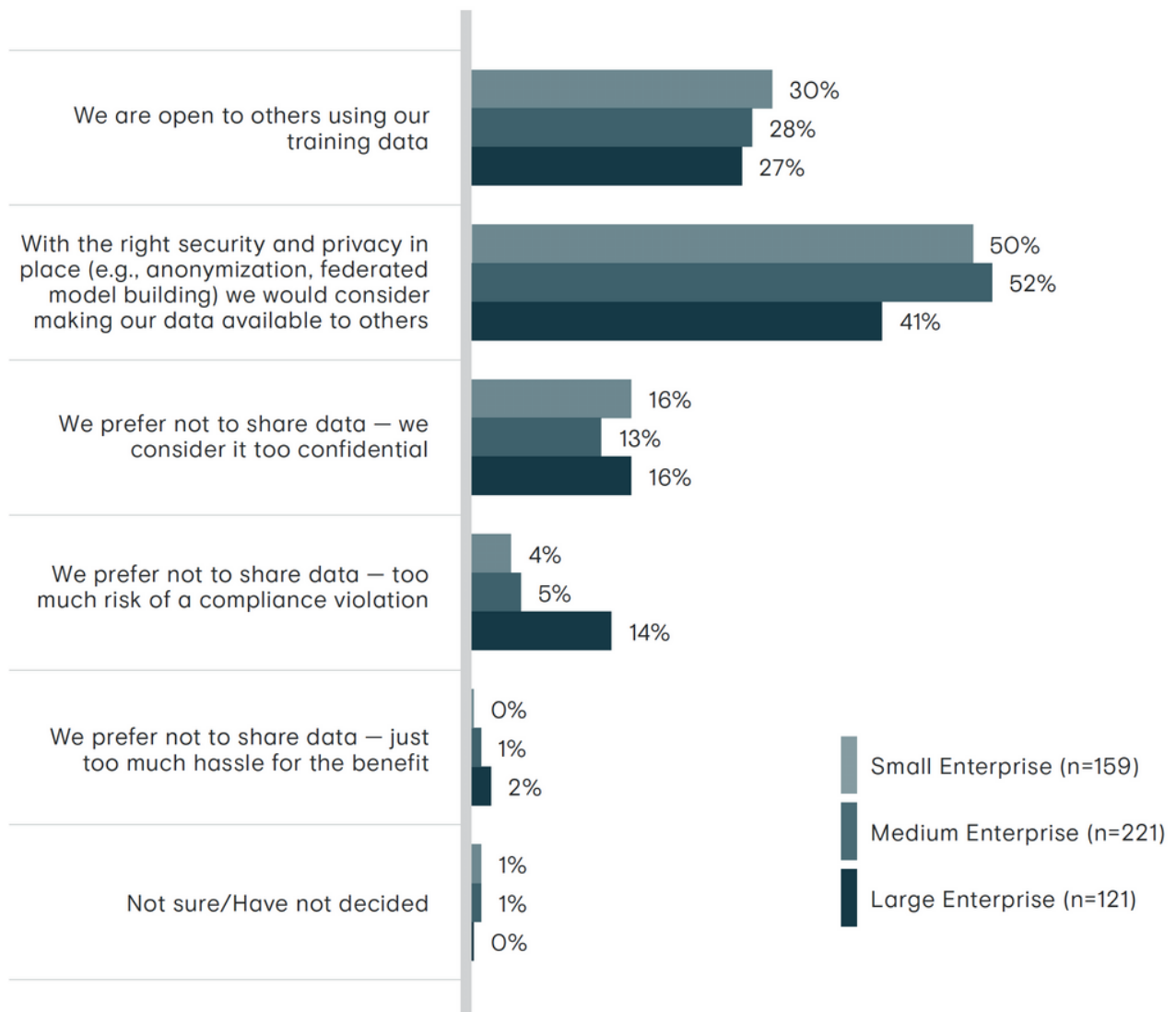|	Terrible	Poor	Fair	Good	Excellent
Use External Data Providers	0%	1%	8%	50%	41%
Do Not Use External Data Providers	0%	9%	23%	44%	23%

There is a significant difference in the appetite for sharing training data outside the organization, both when it comes to companies using data providers, and depending on the size of the organization. While over 75% of respondents are open to sharing data with the right protocols, less than half of those who are not using external providers are willing—suggesting that they are using more sensitive data sets—which meet their specific needs as well as their expectations for accuracy and cost.

Figure 17: What is your viewpoint about sharing your AI training data with other organizations?
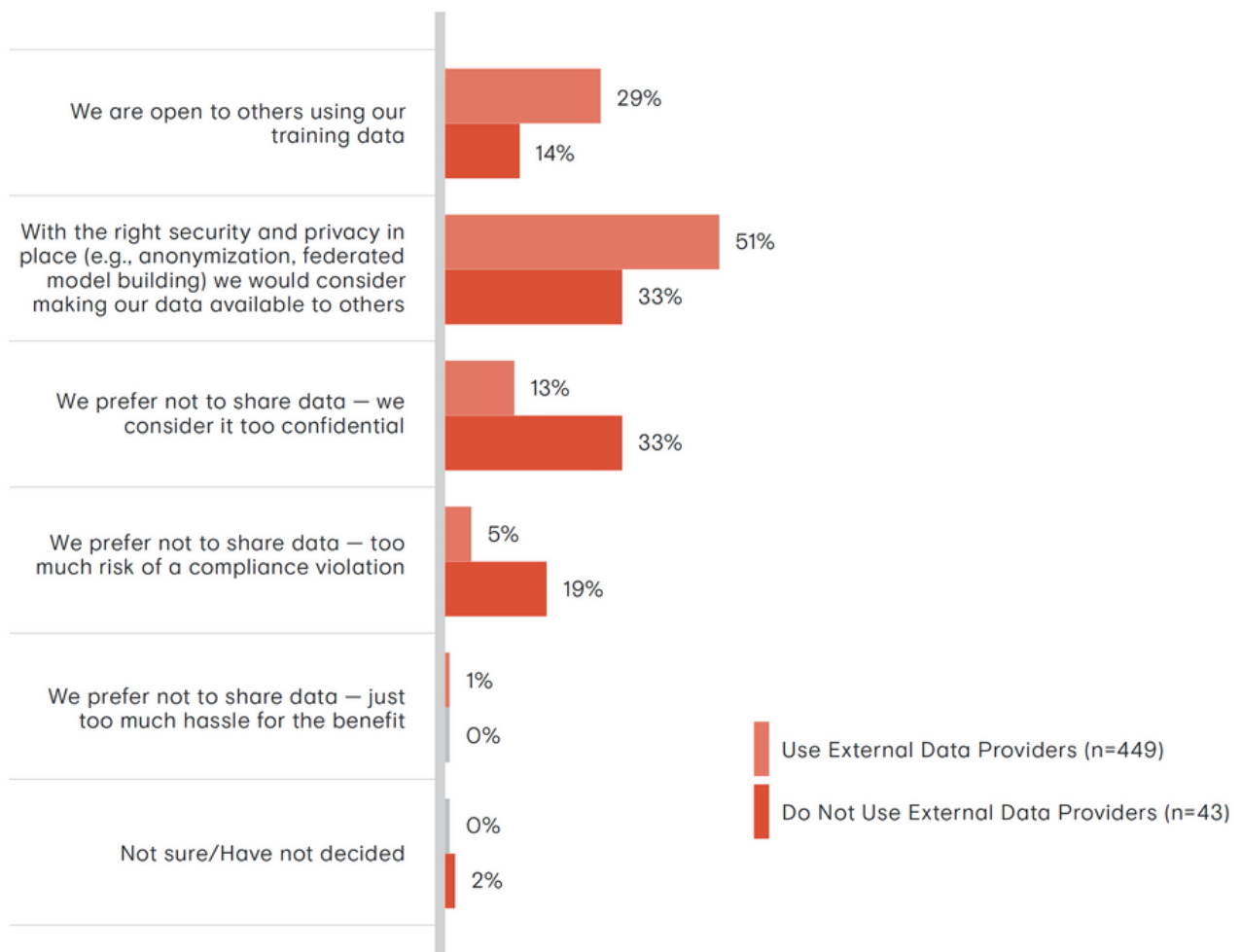
We also found that larger companies are much less likely to share data than smaller due to compliance concerns.

Figure 18: Viewpoint on sharing data differentiated by company size

	Small Enterprise (n=159)	Medium Enterprise (n=221)	Large Enterprise (n=121)
We are open to others using our training data	30%	28%	27%
With the right security and privacy in place (e.g., anonymization, federated model building) we would consider making our data available to others	50%	52%	41%
We prefer not to share data — we consider it too confidential	16%	13%	16%
We prefer not to share data — too much risk of a compliance violation	4%	5%	14%
We prefer not to share data — just too much hassle for the benefit	0%	1%	2%
Not sure/Have not decided	1%	1%	0%

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Business leaders and technologists tend to agree more in 2021, with some core disconnects
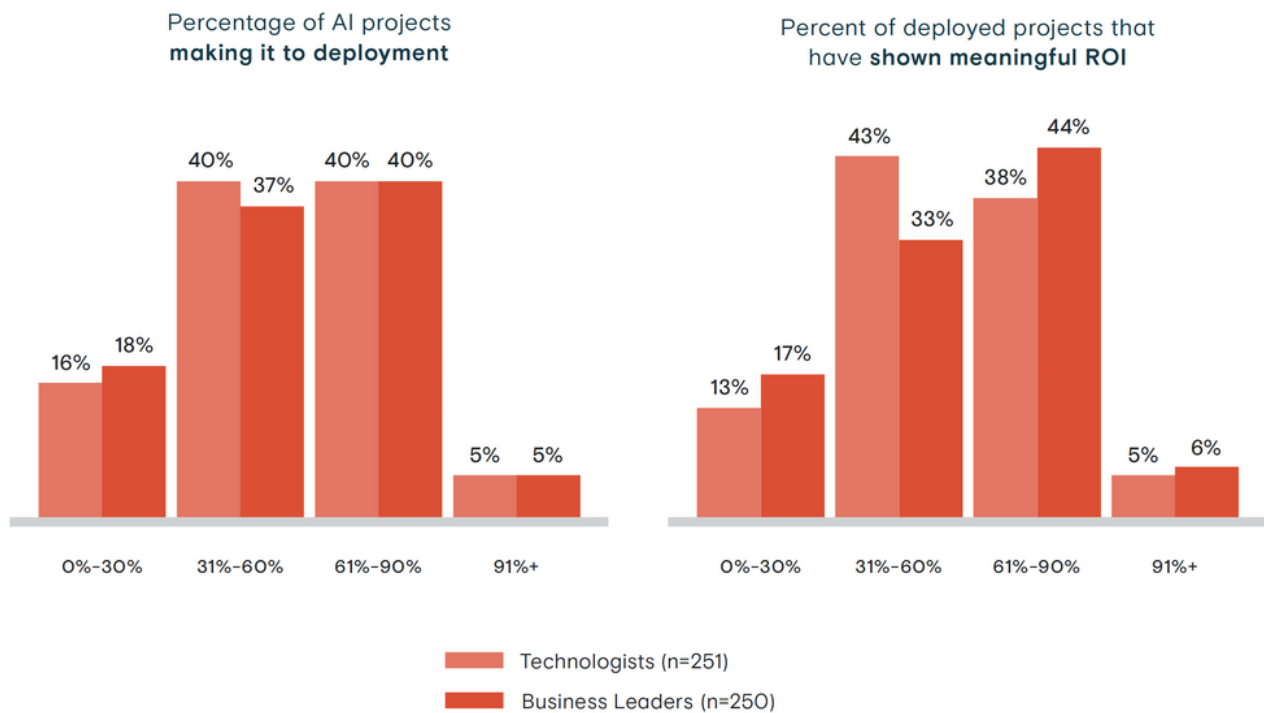
AIQRATE also noticed how business leaders and technologists differed in their viewpoints on AI priorities and bottlenecks. We found that compared to 2020, the two groups tend to align in more areas, such as the usage of AI and data vendors, but gaps remain in key areas like ethics and interpretability.

Figure 19: Which of the following best describes the use of AI in your organization?

Use of AI	Technologists (n=251)	Business Leaders (n=250)
Support internal IT operations	61%	62%
Improve understanding of corporate data	56%	54%
Improve productivity and efficiency of internal business processes	55%	53%
Aid in the research and development of new products	50%	48%
Support manufacturing/production operations	49%	47%
Support other business functions	47%	48%
Drive production applications	43%	47%
Reduce business costs	42%	48%
AI based features into products or services that we sell	45%	40%
Still researching/piloting the potential applications	3%	4%

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There is still a disconnect between business decision makers and technologists when it comes to the percentage of AI projects deployed that have seen meaningful ROI. While they generally tend to agree on the deployment numbers, business leaders report more ROI from AI in production than technology leaders.

Figure 20: What percentage of your AI projects make it to deployment and of those, what percentage have shown meaningful ROI?

Percentage of AI projects **making it to deployment**

Range	Technologists	Business Leaders
0%-30%	16%	18%
31%-60%	40%	37%
61%-90%	40%	40%
91%+	5%	5%

Percent of deployed projects that have **shown meaningful ROI**

Range	Technologists	Business Leaders
0%-30%	13%	17%
31%-60%	43%	33%
61%-90%	38%	44%
91%+	5%	6%

Technologists (n=251)
Business Leaders (n=250)

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Both business leaders and technologists cite risk management as the top lens they're using to think about responsible AI. Organizations agree that AI projects need to be launched with a risk management approach.Ethics is of higher concern among technologists, with 41% versus 33% rating it as a priority. For business leaders, interpretability is more important with 47% rating it as a priority.

Figure 21: When you think about responsible AI, what lenses are you using?
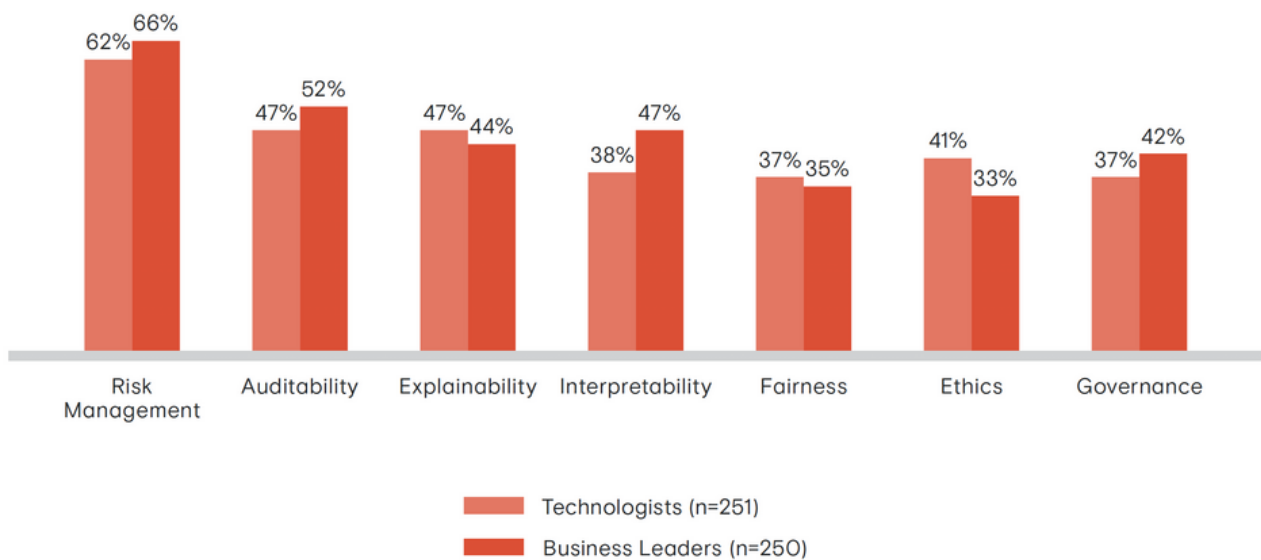
Technologists (n=251)
Business Leaders (n=250)

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Generally, business leaders and technologists agree on the importance of data diversity, bias reduction, and scaling in their organizations. Data diversity in particular is rated highly by both, with nearly half of each group rating it as "extremely important."
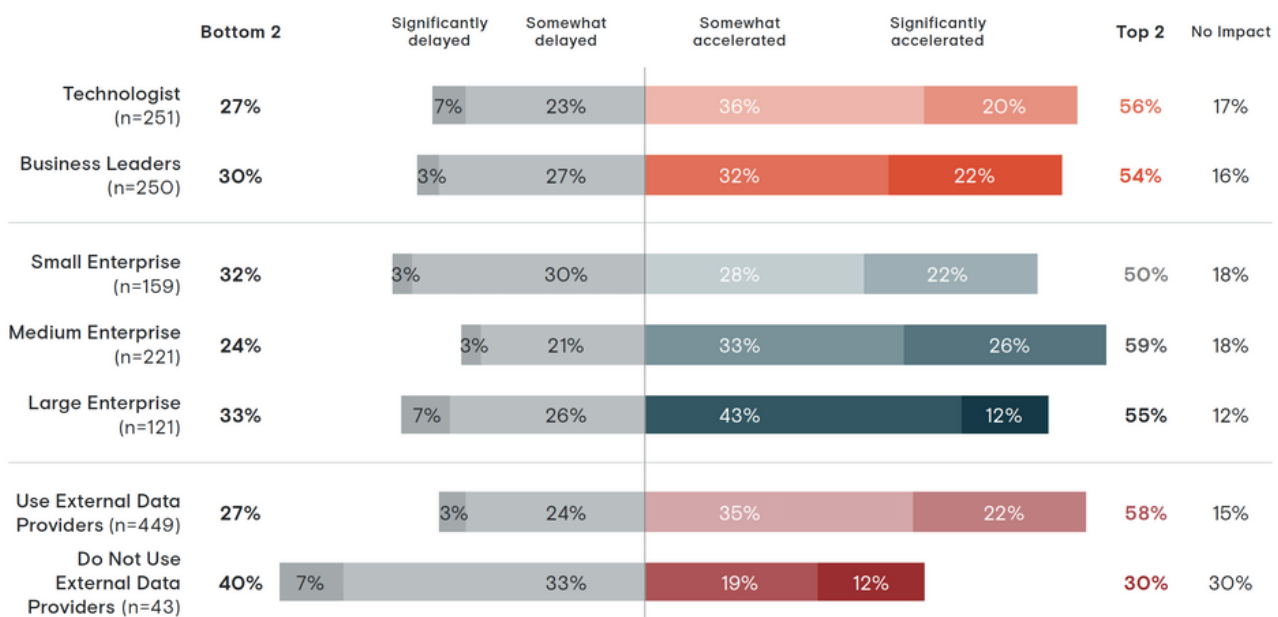
Figure 22: To what extent are the following AI features important to you?

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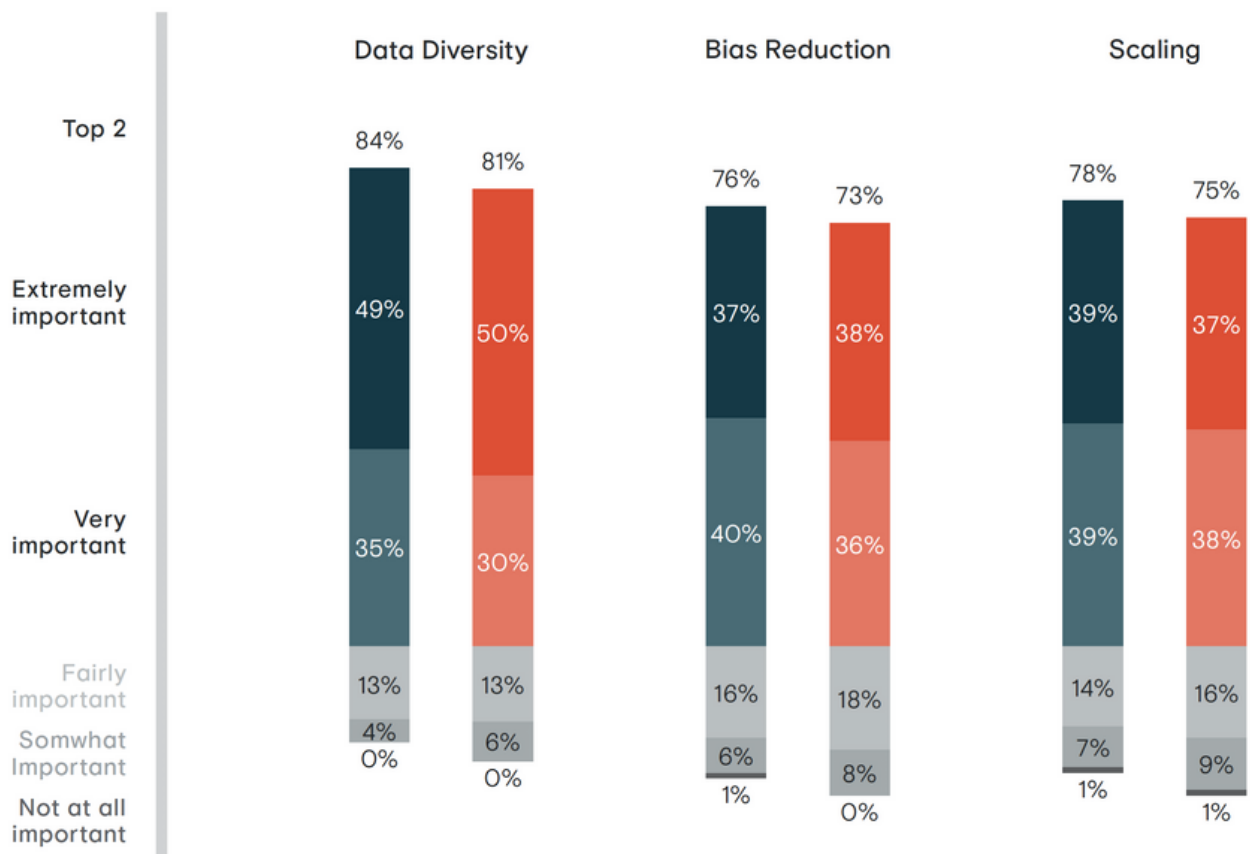
Enterprises of all sizes confirmed they accelerated their AI strategy as a result of COVID-19 in 2020 and will continue to do so in 2021
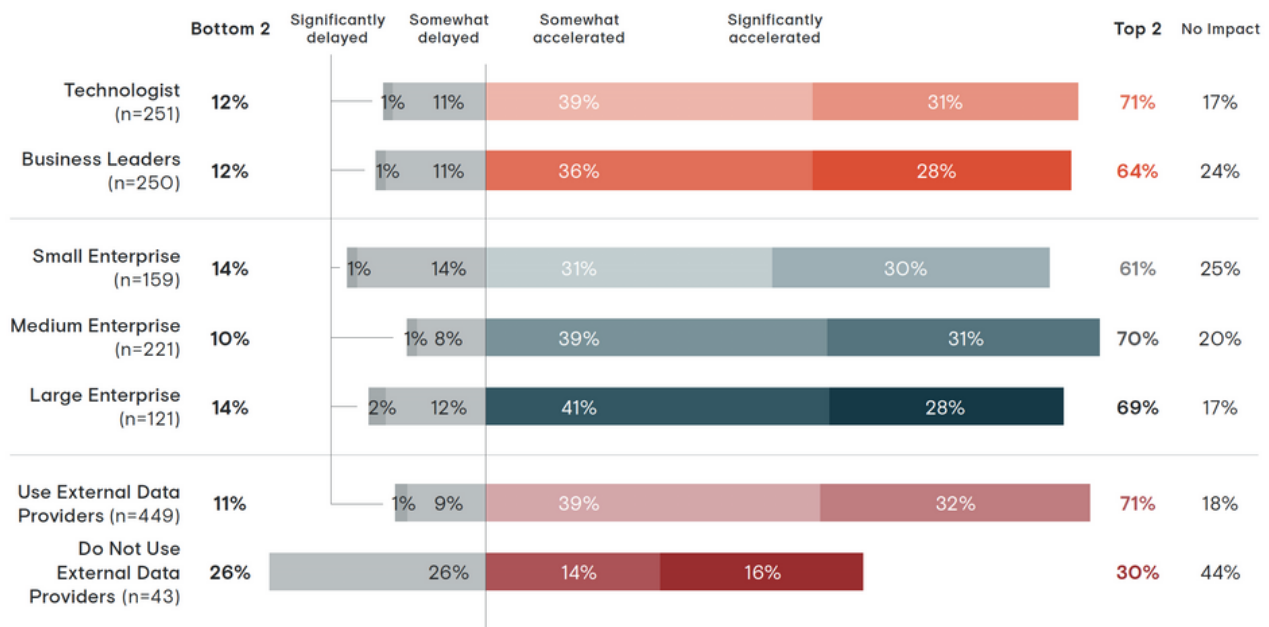
On-balance, Covid-19 has had an accelerating effect on AI efforts — small companies were the most likely to have been negatively impacted, but the majority still felt things continue a pace or speed up. Nearly 75% of those using external data providers saw an acceleration.

Figure 23: To what extent did COVID impact your AI strategy in 2020?

	Bottom 2	Significantly delayed	Somewhat delayed	Somewhat accelerated	Significantly accelerated	Top 2	No Impact
Technologist (n=251)	27%	7%	23%	36%	20%	56%	17%
Business Leaders (n=250)	30%	3%	27%	32%	22%	54%	16%
Small Enterprise (n=159)	32%	3%	30%	28%	22%	50%	18%
Medium Enterprise (n=221)	24%	3%	21%	33%	26%	59%	18%
Large Enterprise (n=121)	33%	7%	26%	43%	12%	55%	12%
Use External Data Providers (n=449)	27%	3%	24%	35%	22%	58%	15%
Do Not Use External Data Providers (n=43)	40%	7%	33%	19%	12%	30%	30%

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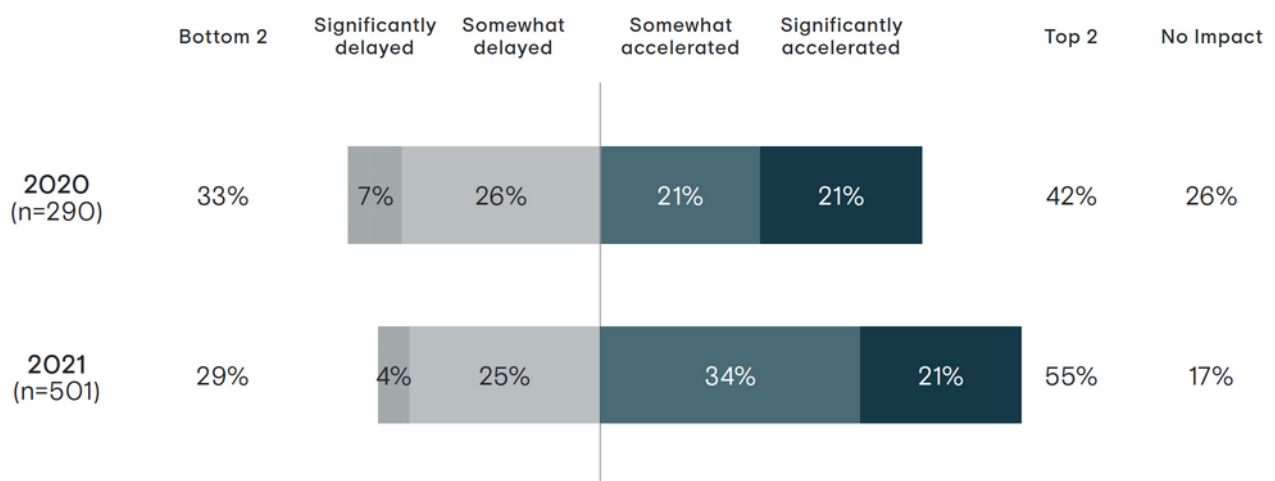A Bespoke AI Advisory & Consulting Firm

Generally, business leaders and technologists agree on the importance of data diversity, bias reduction, and scaling in their organizations. Data diversity in particular is rated highly by both, with nearly half of each group rating it as "extremely important."

Figure 24: What extent do you foresee COVID impacting your AI strategy in 2021?

	Bottom 2	Significantly delayed	Somewhat delayed	Somewhat accelerated	Significantly accelerated	Top 2	No Impact
Technologist (n=251)	12%	1%	11%	39%	31%	71%	17%
Business Leaders (n=250)	12%	1%	11%	36%	28%	64%	24%
Small Enterprise (n=159)	14%	1%	14%	31%	30%	61%	25%
Medium Enterprise (n=221)	10%	1%	8%	39%	31%	70%	20%
Large Enterprise (n=121)	14%	2%	12%	41%	28%	69%	17%
Use External Data Providers (n=449)	11%	1%	9%	39%	32%	71%	18%
Do Not Use External Data Providers (n=43)	26%		26%	14%	16%	30%	44%

The pandemic prompted the shift to more remote and virtual interactions between businesses and customers; it seems businesses are accordingly accelerating their development of AI to meet increasing customer demands in a more technologically savvy world. In comparing2020 to 2021, we can see the overall extent COVID-19 impacted and is anticipated to impact AI strategy. Evidently, companies are optimistic that 2021 will foster even faster development in the AI space.

Figure 25: COVID-19 Impact on AI Strategy in 2020 vs. 2021

	Bottom 2	Significantly delayed	Somewhat delayed	Somewhat accelerated	Significantly accelerated	Top 2	No Impact
2020 (n=290)	33%	7%	26%	21%	21%	42%	26%
2021 (n=501)	29%	4%	25%	34%	21%	55%	17%

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Conclusion

The AI industry continues to grow rapidly year-over-year, to the point where organizations that haven't yet invested in their own AI initiatives are at risk of being left behind. Companies are still challenged by data acquisition and data management, but are working through these bottlenecks with external data providers and investing more capital in AI projects. The benefits of these actions are evident: more successful deployments are reported from companies that allocate enough resources.

AIQRATE noted that COVID-19 appeared to be an accelerator rather than a setback, and in 2021, that remains true. In fact, changes brought by the pandemic are driving leading advances in AI as business-to-consumer interactions are forced to evolve.

AI priorities continue to shift across all companies as greater investments of money and other resources enable the deployment of more AI projects, and therefore better blueprints for success when looking to scale. Growing budgets and the shift towards practical applications

demonstrate that more organizations are learning how to make AI work —both for external and, increasingly, internal use cases. Business leaders and technologists are increasingly aligned on priorities around data diversity, bias reduction, and scaling, although the push for more responsible AI seems to be led largely by technologists.

Nonetheless, what seems clear is that AI is becoming less optional for businesses looking to gain a competitive edge in their respective industries. While AI may not be a critical offering for all organizations yet, those hoping to obtain market leader status will likely depend on the success of their AI initiatives. Fortunately, the database of AI success stories to learn from is larger than ever—and growing.

Our goal in developing this report is to provide the current demand outlook amongst organizations that are deploying AI & Analytics from the perspective of top decision- makers across industries and companies.

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AIQRATE Advisory & Consulting

AIQRATE, A bespoke global AI advisory and consulting firm. A first in its genre, AIQRATE provides strategic AI advisory services and consulting offerings across multiple business segments to enable clients on their AI powered transformation & innovation journey and accentuate their decision making and business performance.

AIQRATE works closely with Boards, CXOs and Senior leaders advising them on navigating their Analytics to AI journey with the art of possible or making them jumpstart to AI culture with AI@scale approach followed by consulting them on embedding AI as core to business strategy within business functions and augmenting the decision-making process with AI. We have proven bespoke AI advisory services to enable CXO's and Senior Leaders to curate & design building blocks of AI strategy, embed AI@scale interventions and create AI powered organizations.

AIQRATE's path breaking 50+ AI consulting frameworks, assessments, primers, toolkits and playbooks enable Indian & global enterprises, GCCs, Startups, SMBs, VC/PE firms, and Academic Institutions enhance business performance and accelerate decision making.

We have a proven AI advisory approach for enterprises, technology behemoths & platform players to enable CXOs and senior leaders to curate, design building blocks of AI strategy, embed AI @ scale interventions. We have collectively executed 3000+ AI/Analytics engagements across 350+ global clients for 14 industry segments and have built & scaled 100+ AI Center of Excellence.

AIQRATE also provide advisory services to Technology companies, business consulting firms, GCCs, AI pure play outfits on curating discerning AI capabilities, solutions along with differentiated GTM and market development strategies for accomplishing high growth trajectory.

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