



# The Israeli IT Experience

Trying to understand 2022  
and forecast 2023 & 2024





Good morning to those that connected online to this webinar and good day to those that will be listening later the recording.



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We would like to **express our deepest gratitude** to the following people for their exceptional contributions to our annual research on the Israeli Market :

To our dedicated **team of professionals (Sylvia, Ety, Dikla, Inbal & Sari)** who scheduled an enormous number of meetings (z & p2p), briefings, round tables and other engagements, we extend our sincerest appreciation. Your meticulous planning and organization were instrumental in keeping our project on track and ensuring effective collaboration.

To all those **involved in this research (vendors big and small, IT departments in the government, security and enterprises)** we are immensely grateful for your **contributions** that have propelled us towards achieving our goals and have set new standards of excellence. We couldn't have done it without each and every one of you.



A heartfelt thank you goes out to the families of our hardworking analysts who tirelessly supported them throughout the research. Your unwavering patience, understanding, and sacrifices allowed our team to work around the clock and deliver outstanding results. Your support is truly invaluable.

Finally, we extend our deepest thanks to our super analysts who dedicated their time, effort, and expertise to thoroughly research and write the Israeli IT Market Study 2023. Your commitment to excellence, analytical prowess, and collaborative spirit made this project a resounding success. Your contributions will undoubtedly shape the industry's future.



STKI Israel IT Market Study 2023 can be downloaded  
(30/5/2023 after 14:30)

<https://www.stki.info/it-tiering>



# Introduction (steps)

1. Research Israel **economic data and forecast its impact** on the IT Market
2. Forecasting **market sizes for all 150+** different IT product categories
3. **Identifying vendors, in Israel, that are active** in each category; sending surveys, scheduling briefings and analyzing the individual data.
4. Scheduling briefings & meetings with **users of IT technology in order to understand trends, budgets, procurement forecast and “vendor specific mindset”**
5. With all this data we publish the study that includes:



- **Economic data about Israel**
- **IT budgets of different industries**
- **Forecasted market sizes of 150+ categories**
- **Ranking 450+/- vendors in the 150+ categories**
- **Trends (presenting today, here)**





# THE BUSINESS WORLD IS CHANGING

companies must do more with less (and fast)

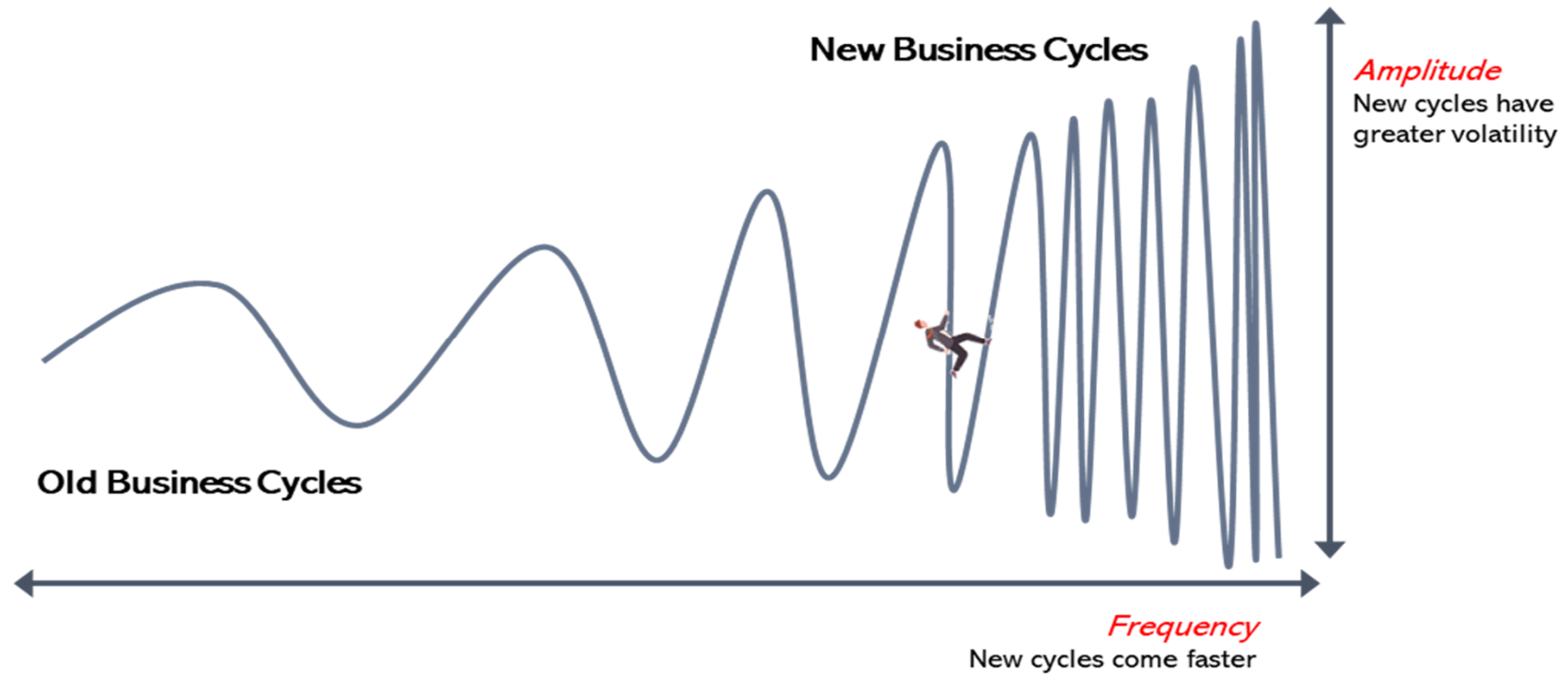
Economic Crisis

Labor Crisis

Technical Debt  
Crisis

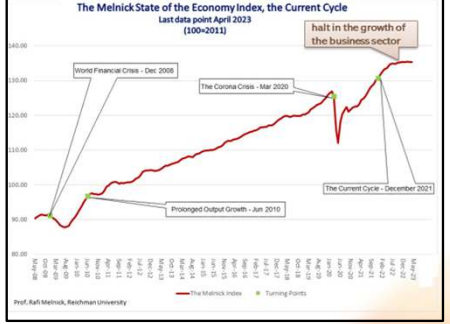
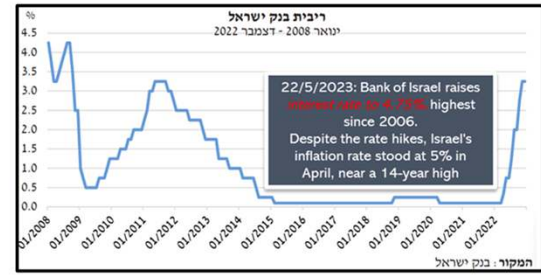
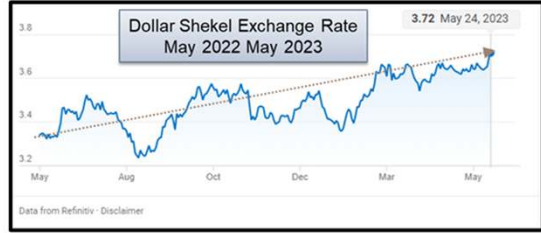
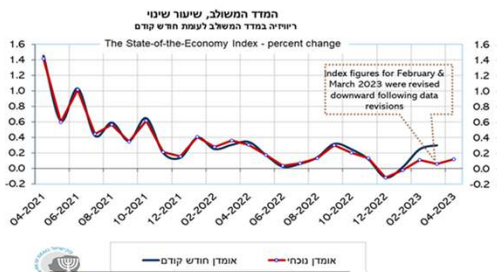
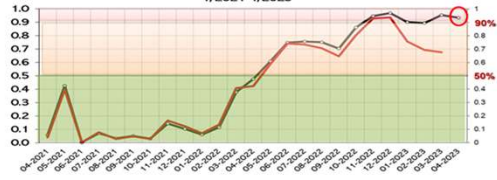
**Postponed**

New Technologies





**Probability of slowdown relatively to the long-term growth**  
**ההסתברות לאטה**  
4/2021-4/2023



**Economic Crisis**



**Israel's High-tech Crisis: Treasury Examining if Forecast and Budget Need Readjustment**

Israel's high-tech industry's troubles are not caused only by the global crisis and credit matters, but also due to local market uncertainty caused by government's steps to overhaul the judiciary and amid harsh criticism from financial institutions like Moody's.

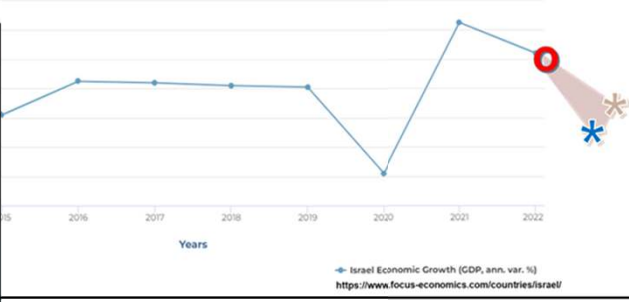
**BUSINESS INNOVATION**  
Israeli Consumer Price Index rises 0.8%, almost double the forecast

A series of Israeli companies and importers have announced significant price hikes in recent weeks.

**Economic Growth (GDP, annual variation in %) for Israel from 2013 to 2022.**

according to focus economics growth is projected to moderate from a strong 6.3% in 2022 to 2.8% in 2023 and 3.4% in 2024.

according to S&P economic growth is forecasted: from an increase of 2%, it is now estimated that the Israeli economy will grow by only 1.5% in 2023



**באוצר מעדכנים לרעה ותחזית אינפלציה וצמיחה: הרפורמה והגדלת קצבאות האבטלה יכולות לפגוע עוד יותר**

הקבלות הראשיות באוצר חוזות את תחזית התחזית ל-2023 ב-2023. מולות את תחזית האינפלציה ל-2023 ב-2.2%, ואת תחזית הצמיחה ל-2023 ב-1.5%. הרפורמה והגדלת קצבאות האבטלה יכולות לפגוע עוד יותר.

**Israel economy grows 2.5% in Q1, likely to see another rate hike**

Story by By Steven Scheer and Mayan Labell • Tuesday  
First quarter growth slowed from 5.3% in the fourth quarter, unrooled from a peak of 6.3% in the third quarter. The central bank is expected to raise rates in the coming weeks, also following the high US Federal Reserve.

**BUSINESS INNOVATION**  
Israeli unicorns to build hub somewhere other than Israel as legal reform looms

The hubs are looking at relocating to Greece or Cyprus so that workers can commute home on the weekends.

**דוח התיקון**  
שיעור המשכנתאות בסיוון גבוה הכפיל עצמו בחמש שנים

**דוח התיקון**  
מבחן לחץ: במשבר חריף כל הבנקים יעברו להפסד, אך אין סכנה ליציבותם

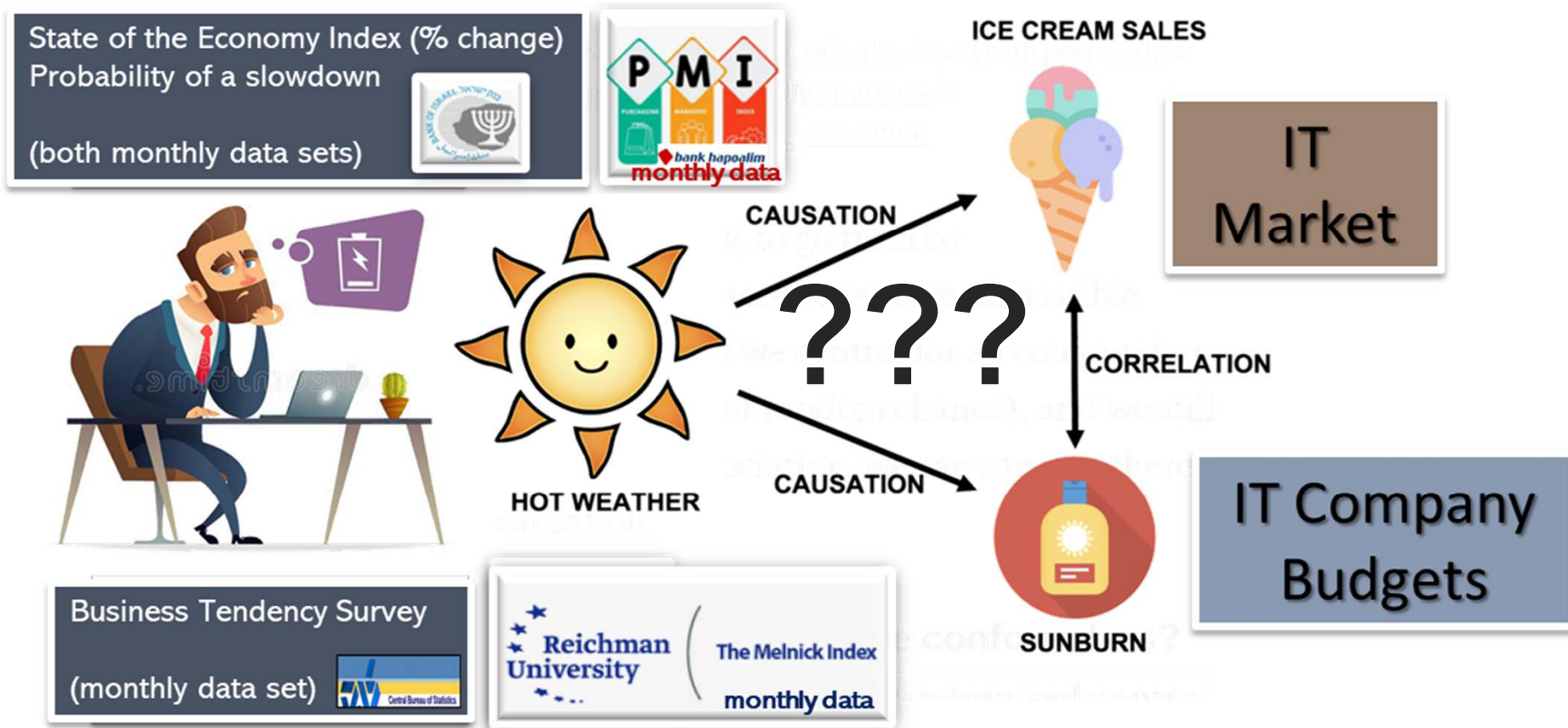
**כלכליסט**  
בנק ישראל בוחן חרוש קיצון שבמסגרתו, בנק ישראל תאבטלה והרביית מנאות תהיה האופציה האחרונה. האופציה האחרונה היא הפסד לירות - לאי היותה.

09.30 | 24.05.2023 | גרין אביזר

**REUTERS**  
IMF flags Israel's judicial reforms as downside economic risk

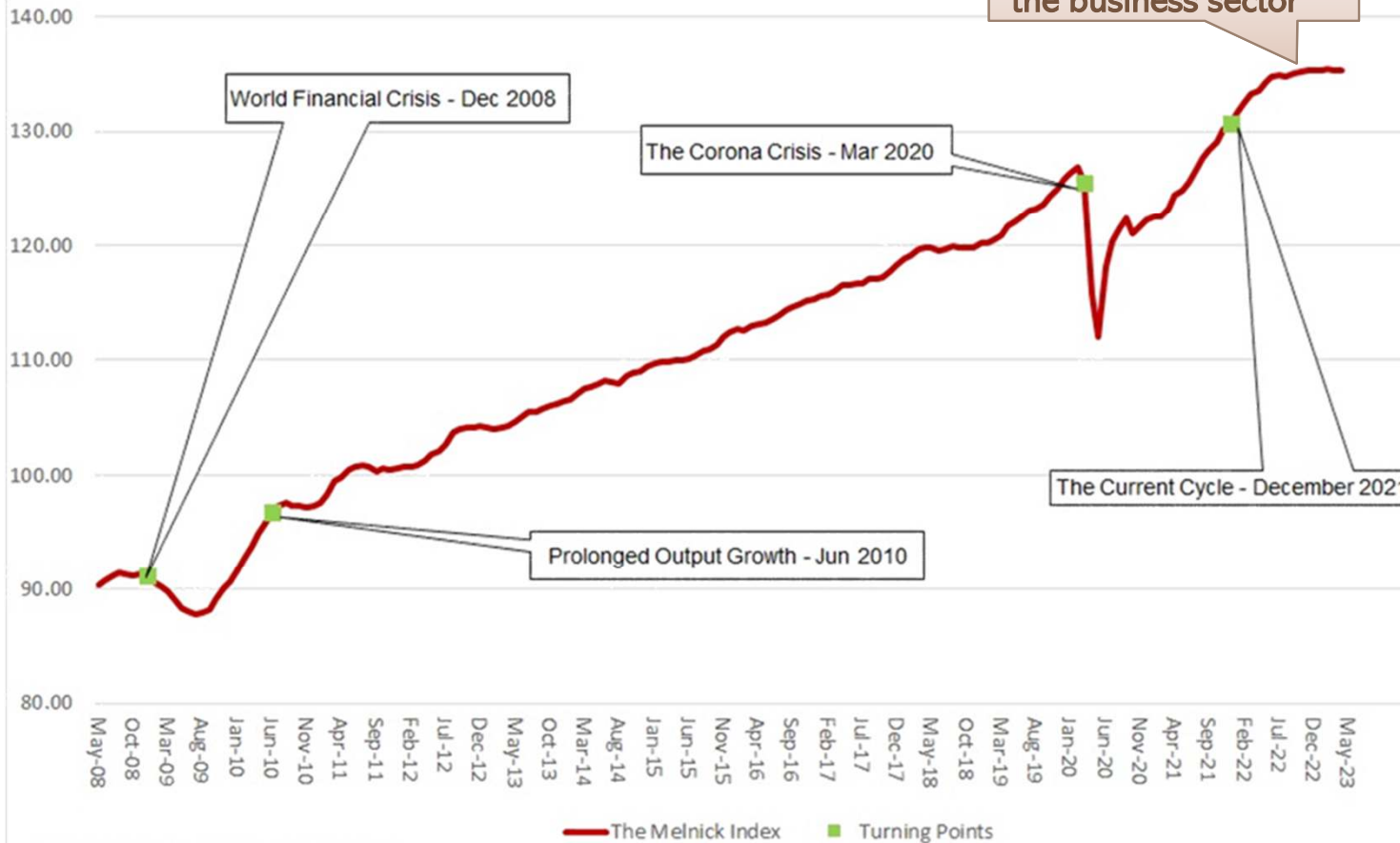
**INTERNATIONAL MONETARY FUND**  
IMF: Continued uncertainty around the judicial reform presents a notable downside risk to growth.

# How we check our economic forecasts



## The Melnick State of the Economy Index, the Current Cycle

Last data point April 2023  
(100=2011)



Prof. Rafi Melnick, Reichman University

The Melnick State of the Israeli Economy Index remained unchanged in April 2023, indicating a halt in the growth of the business sector.

According to the Index, the level of activity in the business sector during April 2023 is similar to that of November 2022.

This slowdown in business sector activity began in the last quarter of 2022, primarily due to *negative global developments and further exacerbated by attempted government legal legislation.*

# Forecasted Budgets (IT) for 2023 & 2024

industry	Budgets 2023
high tech	\$1,750
government	\$1,720
banks	\$1,000
manuf	\$840
security	\$700
fin other	\$600
education	\$510
transport	\$510
SMB/SME	\$510
health	\$500
insurance	\$475
retail	\$370
media	\$280
utilities	\$210
telecomm	\$200
IT local vendors	\$172

industry	change from 2022
retail	21.31%
education	8.51%
media	7.69%
SMB/SME	6.25%
health	4.17%
fin other	3.45%
security	2.94%
banks	2.04%
government	-1.71%
insurance	-2.06%
high tech	-2.78%
manuf	-4.55%
IT local vendors	-5.49%
telecomm	-6.98%
transport	-7.27%
utilities	-19.23%



industry	Budgets 2024
government	\$1,900
high tech	\$1,800
banks	\$1,070
manuf	\$900
security	\$800
fin other	\$650
SMB/SME	\$580
education	\$560
health	\$550
transport	\$520
insurance	\$500
retail	\$425
media	\$300
utilities	\$230
telecomm	\$220
IT local vendors	\$175

industry	change from 2023
retail	14.86%
security	14.29%
SMB/SME	13.73%
government	10.47%
health	10.00%
telecomm	10.00%
education	9.80%
utilities	9.52%
fin other	8.33%
manuf	7.14%
media	7.14%
banks	7.00%
insurance	5.26%
high tech	2.86%
transport	1.96%
IT local vendors	1.74%

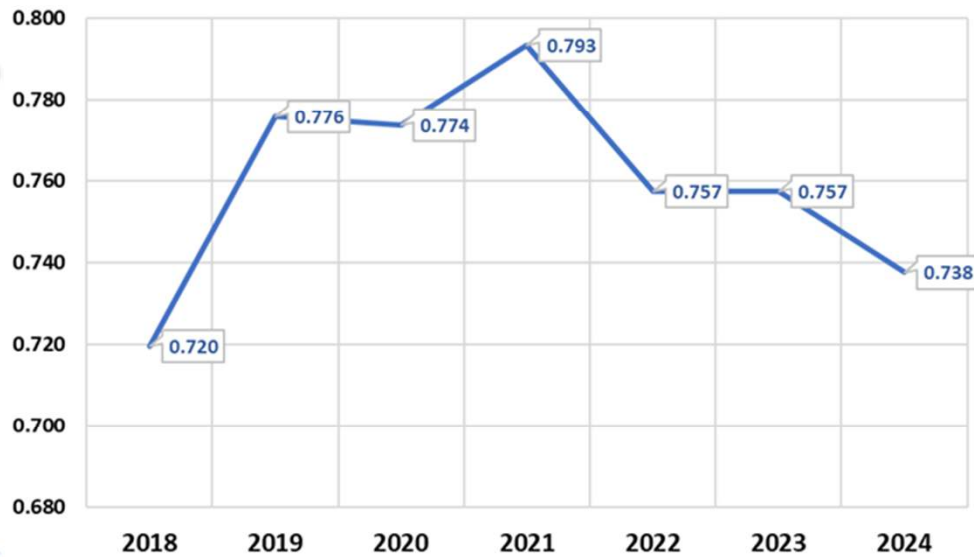
all amounts in M \$ USD

**stki.info** IT Knowledge Integrators

## STKI IT Market Health Index

over 1 excellent, .99-.85 very good  
.7 to .84 good  
under .70 bad and under .50 a recession

(banks + insurance + fin other) IT budgets  
divided by  
(government + education + health) IT budgets

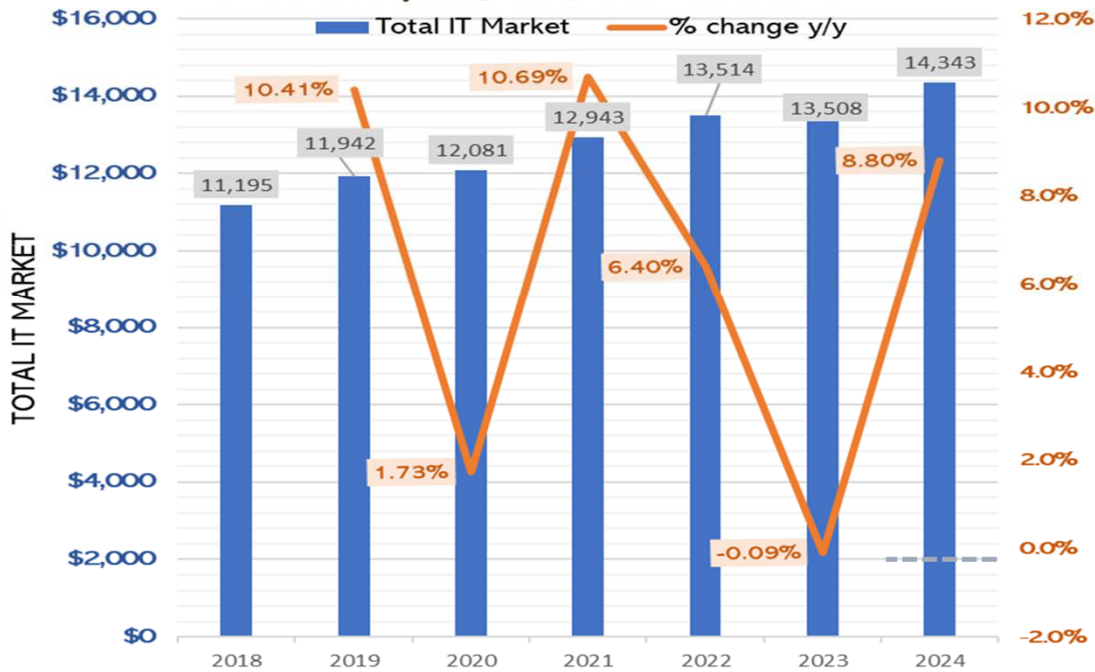


good



bad

# IT Market 2018-2024



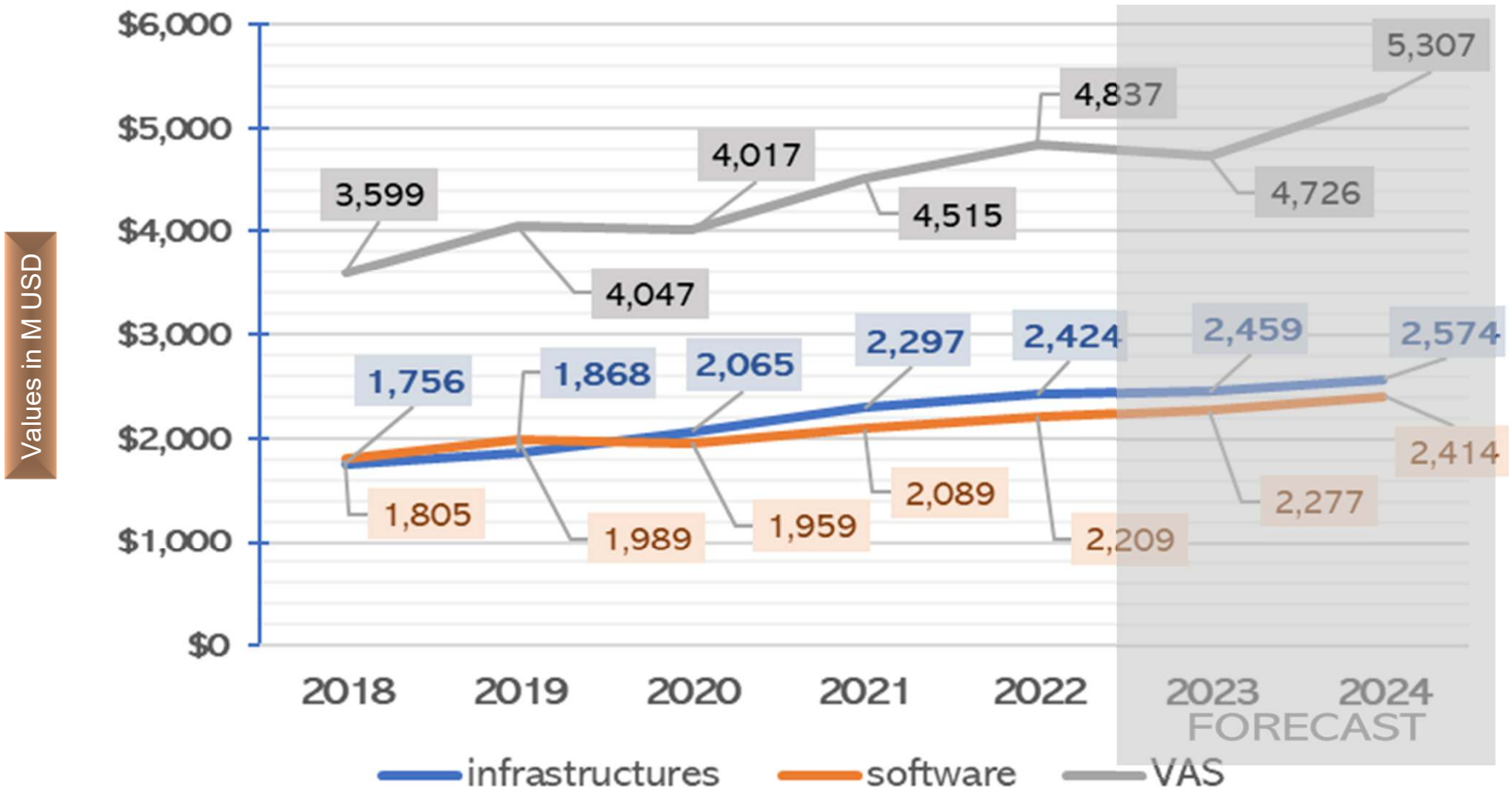
2022	2023	2024
\$13,514.41	\$13,507.54	\$14,342.61
6.40%	-0.09%	8.80%
FORECAST		

Values in M USD

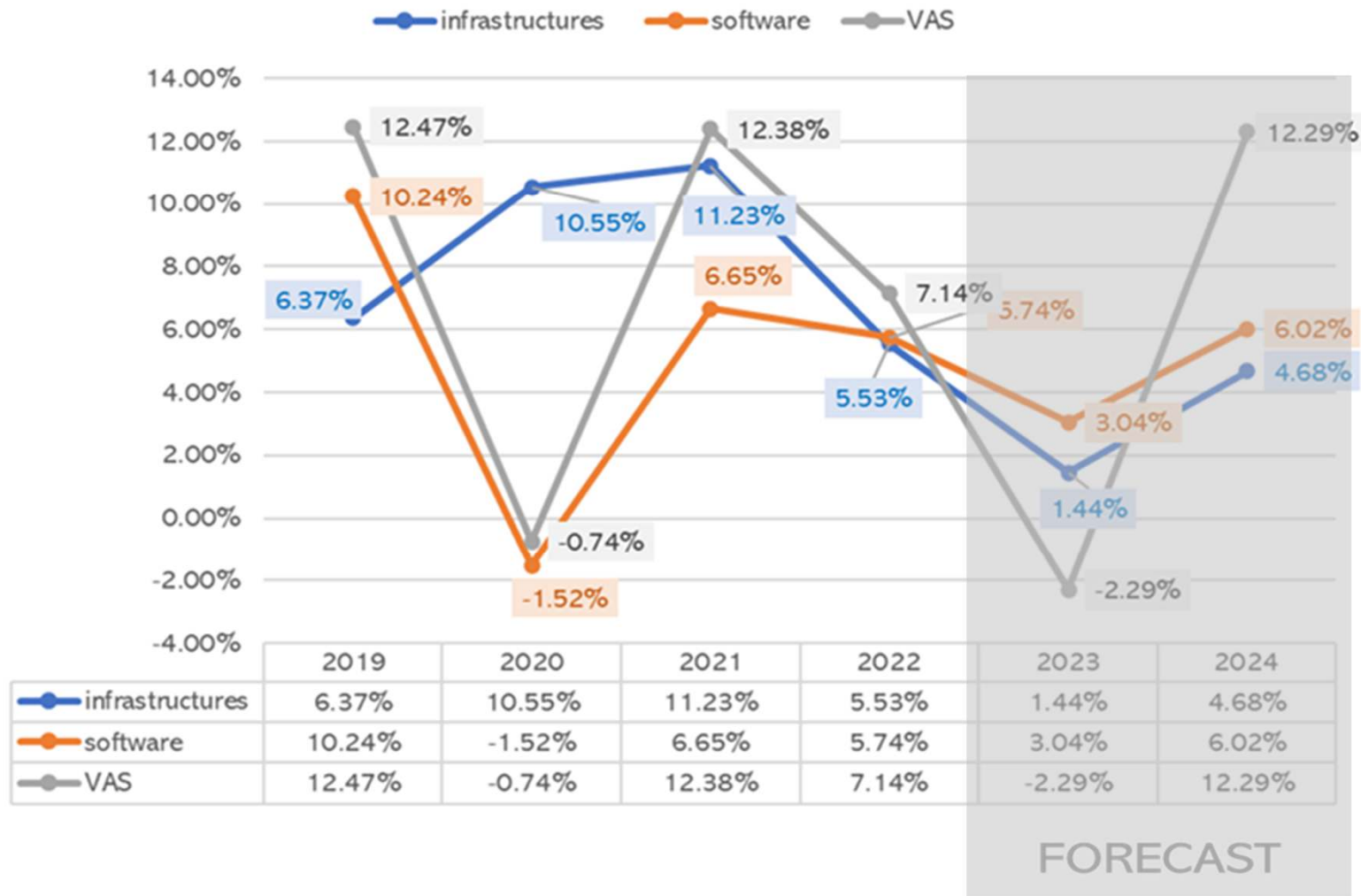
TOTAL IT MARKET

% CHANGE Y/Y

# Israeli IT Market 2018-2024



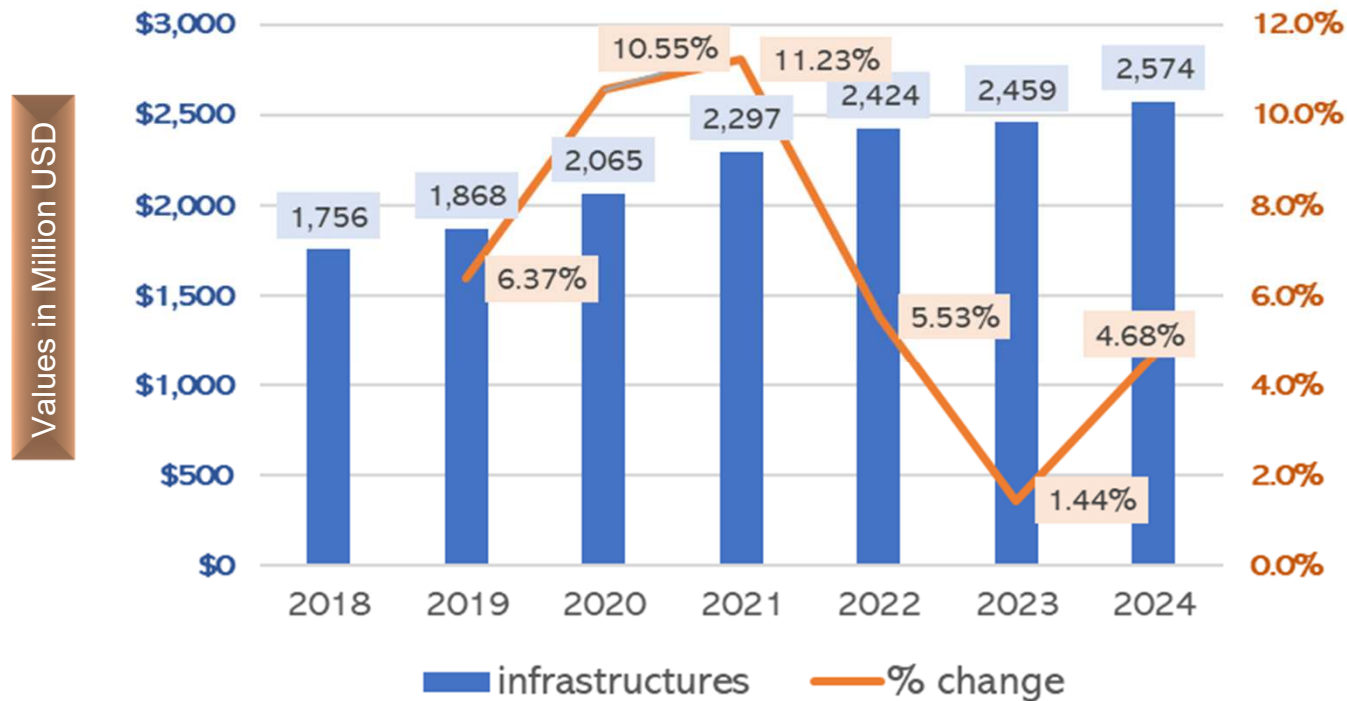
# Israeli IT Market (% change)



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# Infrastructure Market 2018-2022



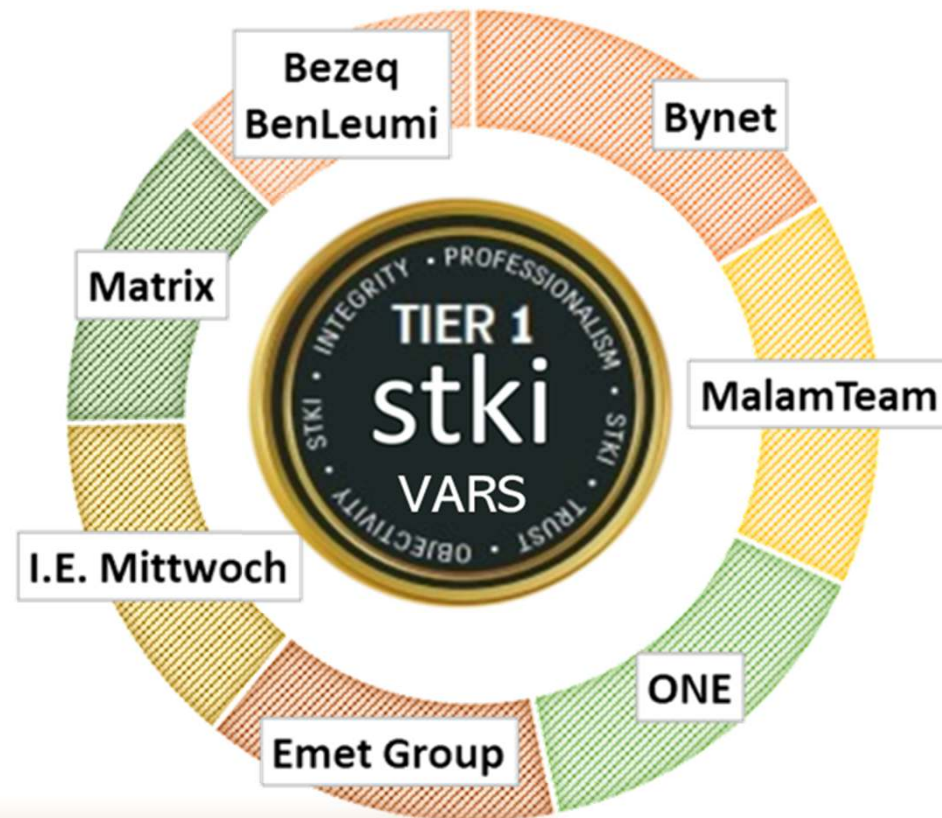
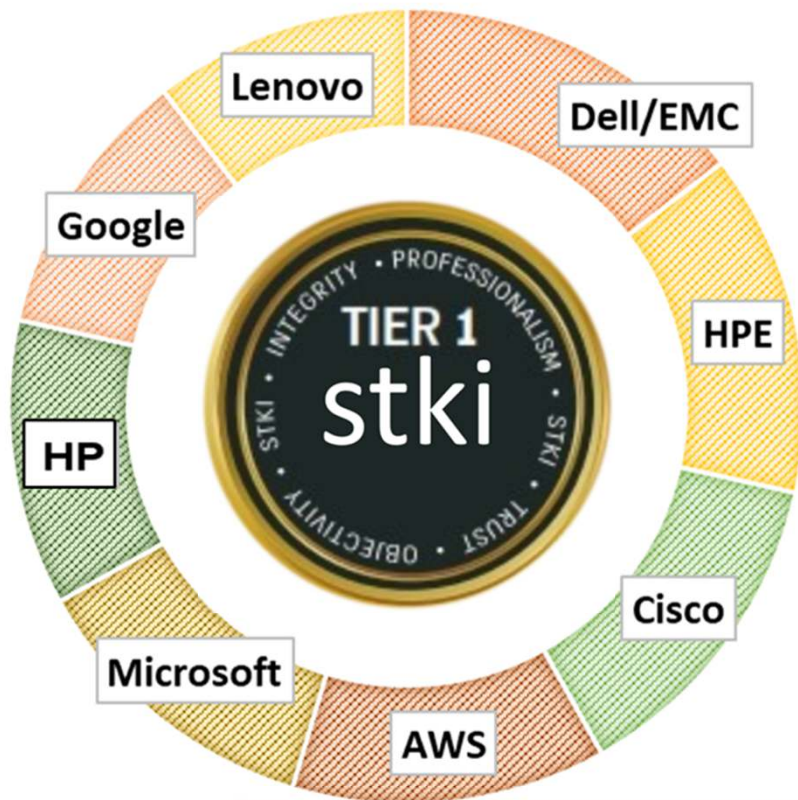
2018	2019	2020	2021	2022	2023	2024
\$1,756.15	\$1,868.00	\$2,065.00	\$2,297.00	\$2,424.00	\$2,459.00	\$2,574.00
	6.37%	10.55%	11.23%	5.53%	1.44%	4.68%

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# TOP VENDORS: Hardware-Infrastructure Markets

## Infrastructure Suppliers

## Infrastructure VARS

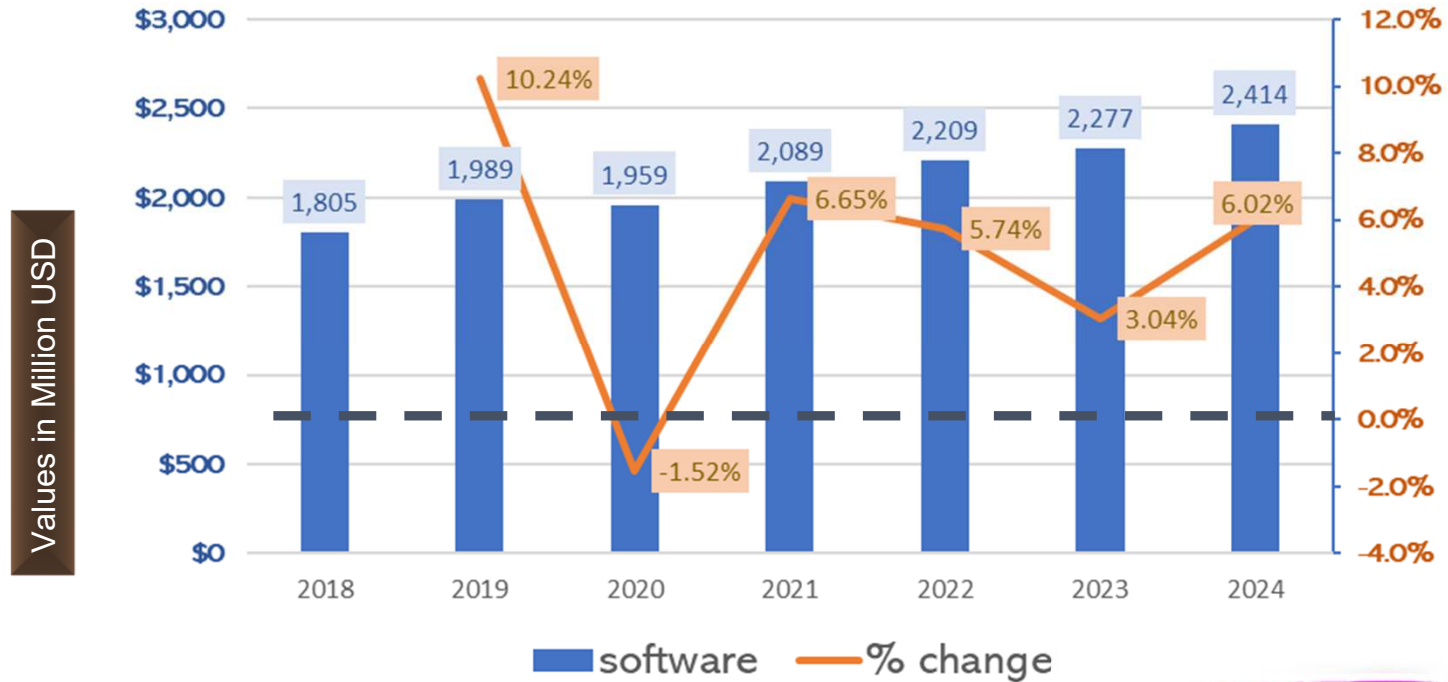


We rank VENDORS by  
REVENUE  
and  
CLIENT MINDSHARE

rankings are based partly on new projects, new names and market penetration growth

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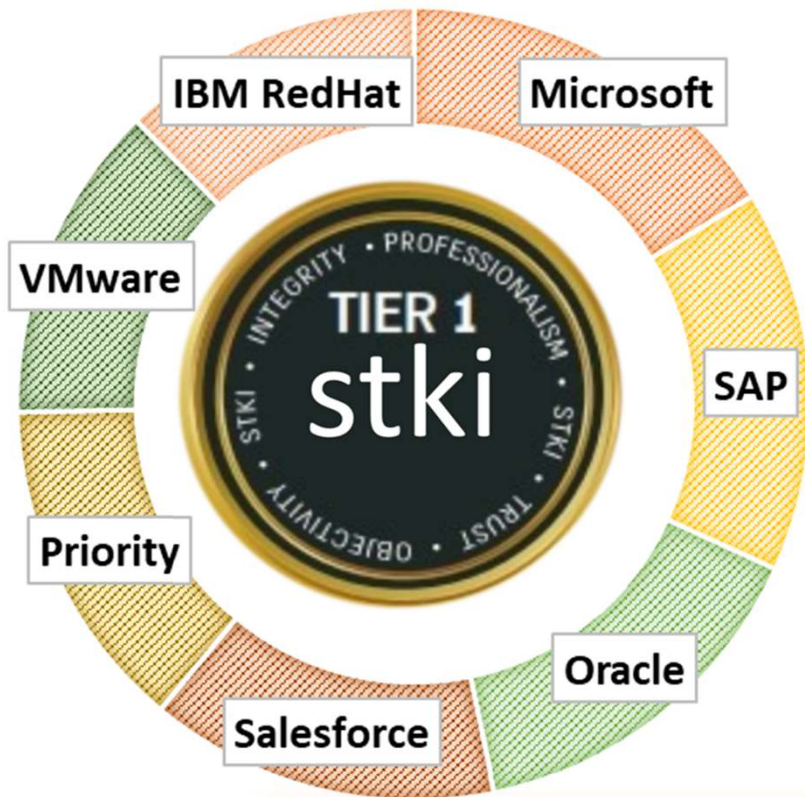
# Software (on-prem & cloud) Market 2018-2024



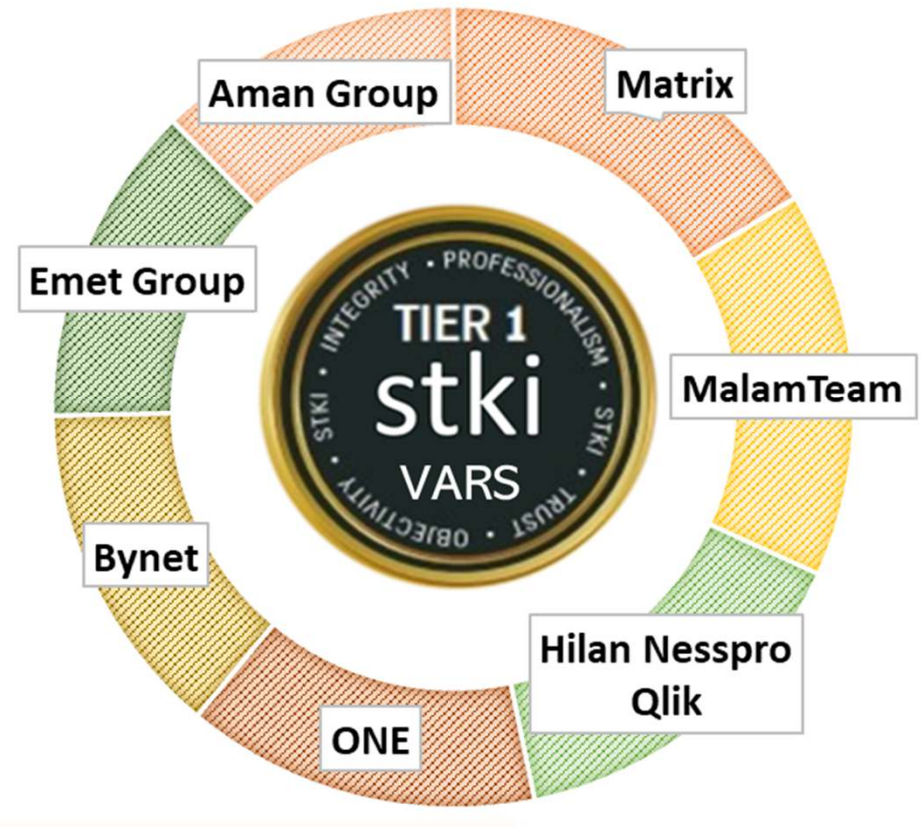
2018	2019	2020	2021	2022	2023	2024
\$1,804.50	\$1,989.20	\$1,959.00	\$2,089.30	\$2,209.30	\$2,276.50	\$2,413.50
	10.24%	-1.52%	6.65%	5.74%	3.04%	6.02%

# TOP VENDORS: Software Markets

## Software Companies



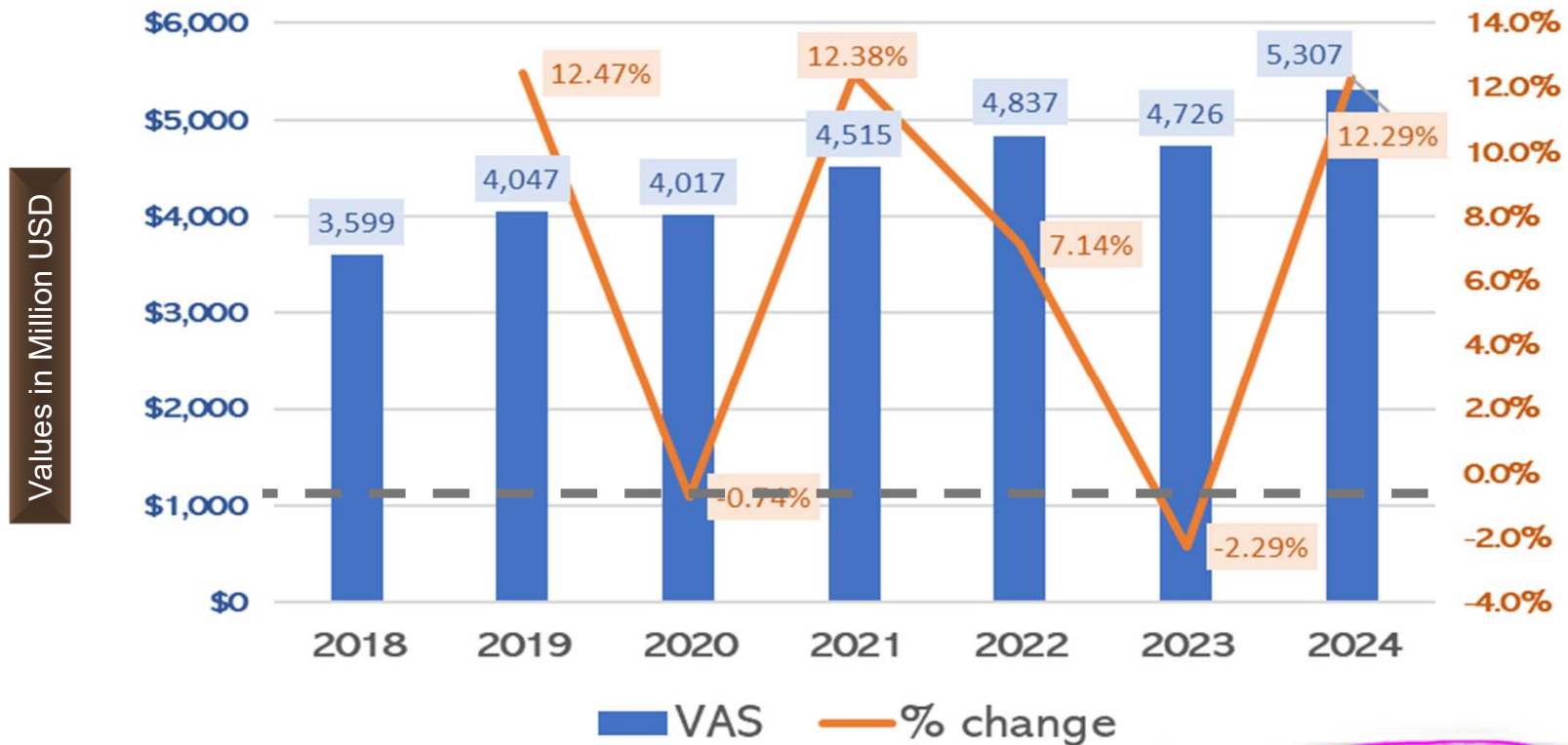
## Software VARS



We rank VENDORS by  
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rankings are based partly on new projects, new names and market penetration growth

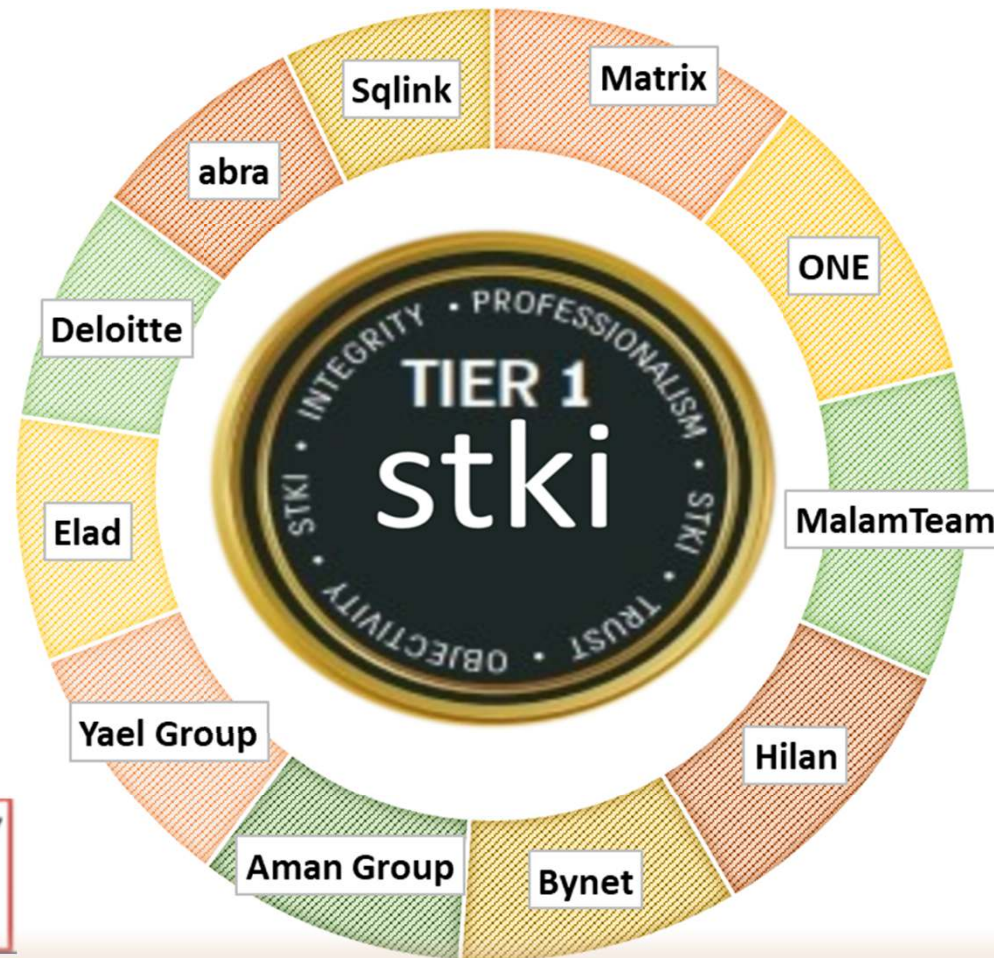
# VALUE ADDED SERVICES MARKET



2018	2019	2020	2021	2022	2023	2024
\$3,598.50	\$4,047.10	\$4,017.00	\$4,514.50	\$4,837.00	\$4,726.00	\$5,307.00
	12.47%	-0.74%	12.38%	7.14%	-2.29%	12.29%

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# TOP VENDORS: Value-Added Services Markets



We rank VENDORS by  
REVENUE  
and  
CLIENT MINDSHARE

rankings are based partly on new projects, new names and market penetration growth

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last summit..... we imagined:

- ① attaching **old propeller airplane engines** to a modern commercial jet airframe
- ② attaching **a jet engine** to an old airframe
- ③ attaching **one jet and one propeller engine** to the same airframe



- ① The old propeller engines would *not have the power needed* for the plane to take off or stay aloft
- ② The old design airframe *could not possibly keep the aircraft safe* during flight
- ③ The mix of technologies make it *impossible to pilot & maintain without data for prediction and management software*

most enterprises have a mix of all situations (mentioned above) in their technology departments

1. They rely on a mix of new and old technologies (technical debt) knowing that *modern engines* are the *cloud-based technology solutions (onprem or cloud implementations)*
2. They rely on simple data analytics and not on *algorithm-based AI systems*
3. They rely on *older* versions of *IT organizational structures* delaying the move toward *“frames”* that support the modern IT engines : *“Product Teams” based organization*

Technical Debt Crisis

**Postponed**



# Finally paying our “technical debt”?????

## Not in 2023-24

- Outdated infrastructure (software/ hardware)
- Outdated software (several versions behind latest vendor version)
  - ERP and/or CRM
- Core systems based on outdated technologies (not in itself broken systems) but are critical to day-to-day operations
- Outdated data management tools (ETL, DW, BI)
- Inability to integrate applications or processes (in-house or partners)
- Missing documentation
- Un-commented configuration
- Un-documented code changes

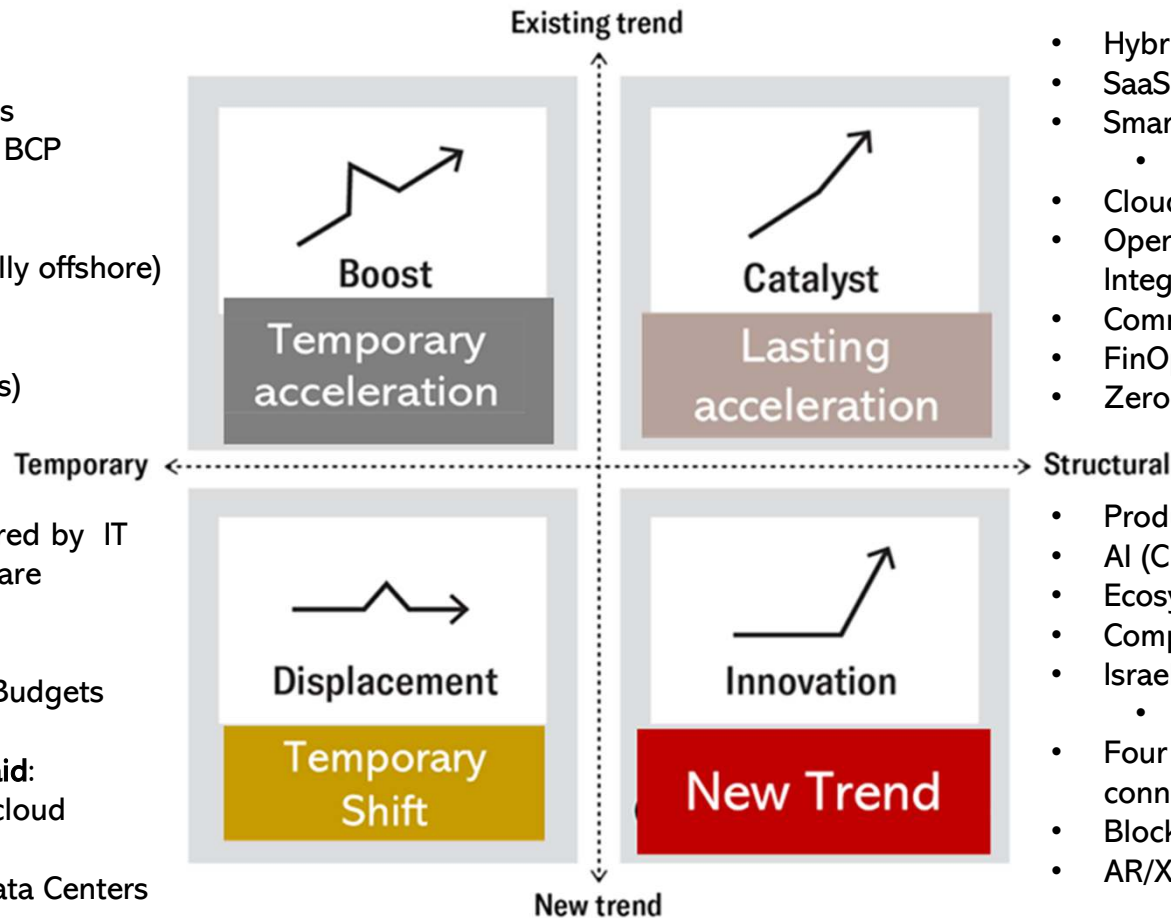


## New Technologies

# technology changes don't stop

- Hybrid Workspace & Workers
- Regularly modified & tested BCP
- Self-service Analytics
- Outsourcing
- Staff Augmentation (especially offshore)
- Managed Services
- Co-location services
- Low code (citizen developers)

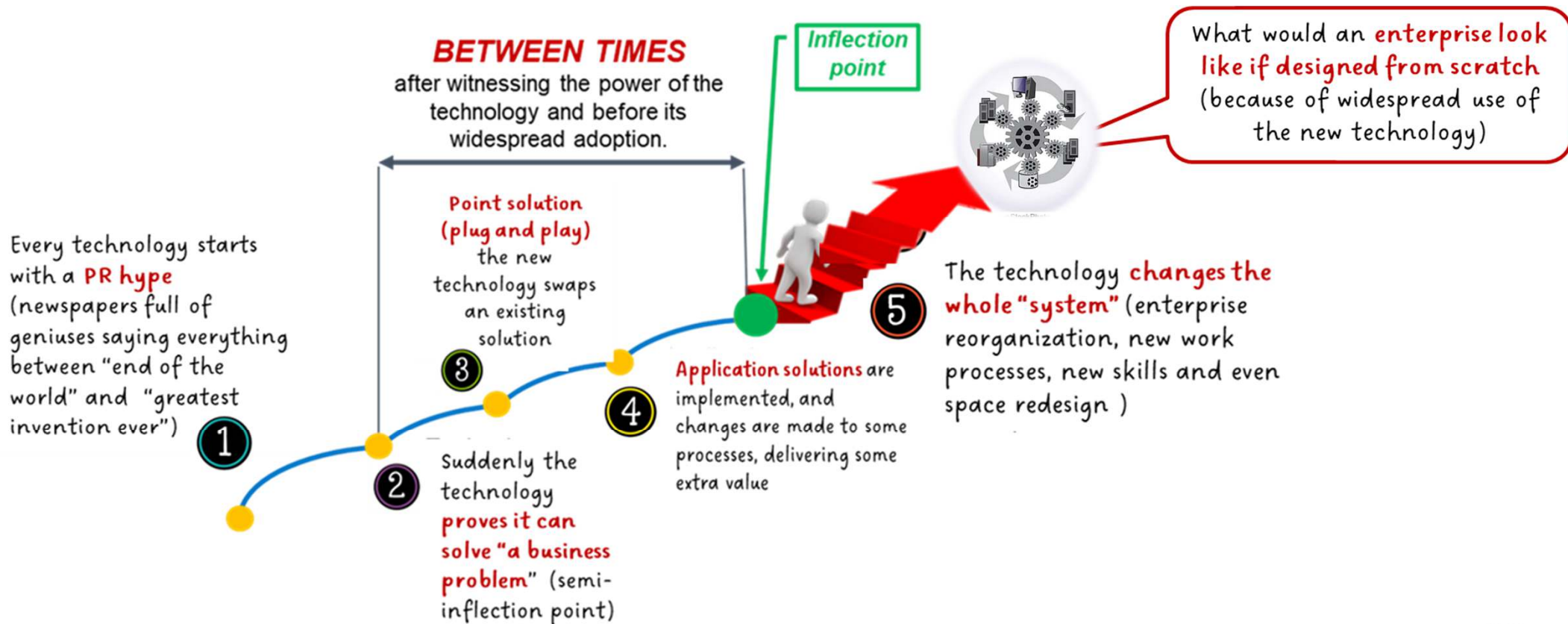
- CDOs (digital or data) powered by IT
- Cloud/SaaS/Software/hardware
  - Moving perpetual to subscriptions
  - CAPEX to OPEX in IT Budgets
- Uniting NOC & SOC centers
- Technical Debt **should be paid**:
  - Old on-prem ERP to cloud
  - SaaS core apps
  - Closing of on-prem Data Centers



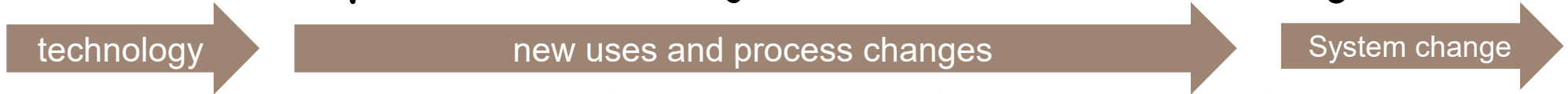
- Hybrid-cloud Core Technology Stack
- SaaS Enterprise Solutions as first choice
- Smart Automation
  - (processes, testing, operations, etc.)
- Cloud First Development
- Open Industry (banks, insurance, health) Integration (APIs)
- Communication & Knowledge Software
- FinOps software & managed services
- Zero-trust SASE
- Product-led organizations
- AI (ChatGPT ++ ) & Data Science
- Ecosystems & Super Apps(composable apps)
- Composable Software (center office)
- Israeli-Based Hyper-scalers
  - Industry-specific Clouds
- Four (4) undersea cables (1/Q 2024) connecting to Europe
- Blockchain
- AR/XR (augmented reality & extreme reality))


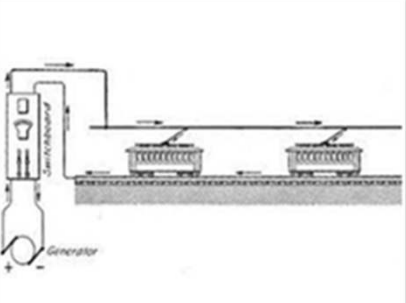
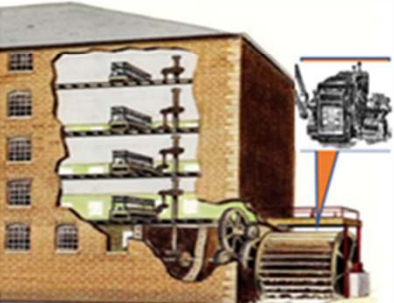


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# In order to understand "technological & organizational" trends we will use this model



# Example of technological timeline: electricity



1	2	3	4	5
new technology demonstrates its capabilities	<b>BETWEEN TIMES</b>			What would an enterprise look like if designed from scratch, given knowledge about the new technology?
1879, Edison demonstrated the electric light bulb	<p><b>Proving new uses</b> for electricity: Edison focused on light (used at night); Sprague focused on electric motors for factories, streetcars and building elevators. (daytime electric power)</p>	<p>Entrepreneurs took steam, horses and other power supplies swapping it for new "plug and play"</p> <p><b>POINT SOLUTIONS</b> (that did not offer a reason to use more power)</p>	<p><b>Application Solutions</b> started when electric drives were mounted on single machines (had to be totally redesigned in order to take advantage of its own engine)</p>	<p>The value of electricity was recognized when the possibility of "buying" power only when needed and only in the amount needed was understood.</p> <p>This insight required a <b>complete "system" reorganization, work processes and space redesign</b>,</p>
				



- CIO's legacy & organizational impact
- Talent import-export
- Budget based on subscriptions (OPEX)
- From PROJECTIT organization to PRODUCT based organization
- Apps & Digital Processes Re-design
- Process (discovery, optimization and automation)
- SuperApps
- AI (predictive, generative) and analytics
- Cloud computing technologies (also on prem)
- Cloud native enterprise software
- Infrastructure services & platform engineering
- Immersive Cyber
- IoT, OT, sensors for a hyperconnected world
- Technical debt (postponed again)



Trend 2022-2024:  
CIO's legacy & organizational impact

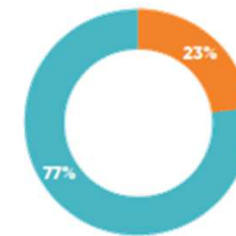
CIOs have a decision to make  
- "get involved and evolve, or stagnate" -

"Entire industries are pivoting, and even 'traditional' companies are transforming into technology-led businesses"

 Nash Squared  
Nash Squared Digital Leadership Report 2022



Is it possible to successfully run a company without a CIO



All respondents



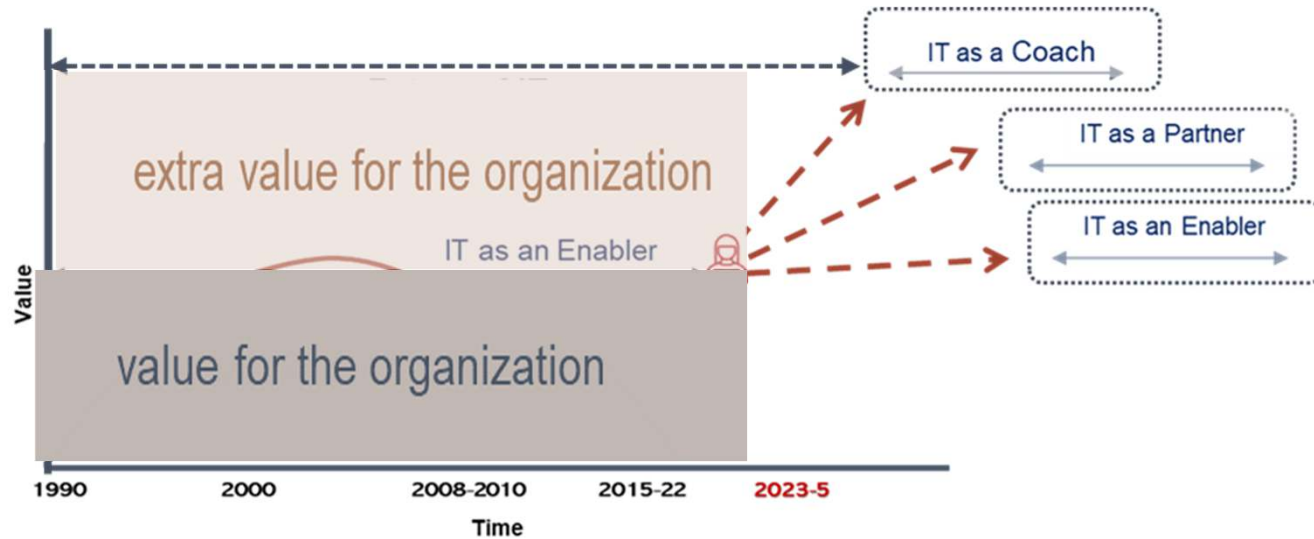
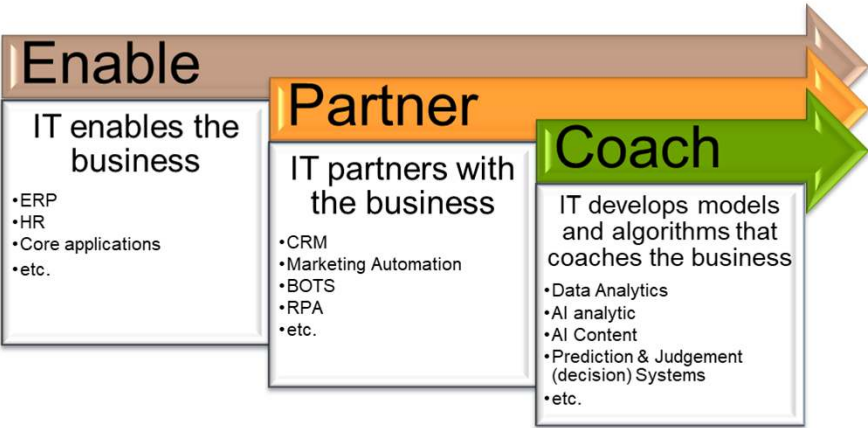
CIO respondents

 Nash Squared  
Nash Squared Digital Leadership Report 2022



# Trend 2022-2024: CIO's legacy & organizational impact

This isn't just about the CIO's direct impact to the organization, it's also about the legacy that the CIO will leave behind.





Trend 2022-2024:  
talent export-import

Labor Crisis

Because of the massive layoffs in startups & high-tech (will get worst, very quickly, likely after 2Q2023 results) traditional IT "imported" talent together with new ideas, technologies and organizational structures.

### How everything turns around in less than 1 year



2023

מפוטרי הייטק גלחמים על מקומם בשוק  
 "המעסיקים הם כמו ילד בחנות ממתקים" תהליכי  
 מיון ארוכים ועמוסי מועמדים חברות שמבטלות את  
 התקן רגע לפני חתימת החוזה וכאלה שפשוט  
 מפסיקות לחזור לפגיות מועמדים ■ מאחורי העלייה  
 החדה במספר מבקשי העבודה בהייטק מסתתרים  
 סיפורים אישיים: "צריך להקיז דם רק כדי שישקלו  
 את המועמדות שלך"

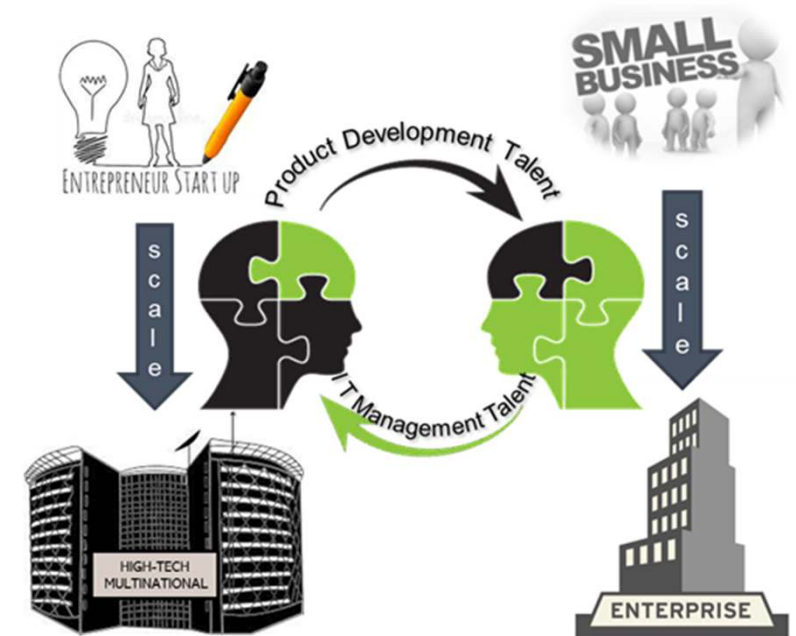
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Trend 2022-2024:  
talent export import :

The economic “turn around” that started 2H2022 brought with it the **“export” of CIO talent** from traditional enterprises into the high-tech ecosystem

This group of CIOs **brought with them the knowledge** in order to migrate into robust SaaS enterprise applications, project & portfolio management tools, etc







Trend 2022-2024:

## The CAPEX vs OPEX debate : user perspective

Enterprises are shifting from legacy/traditional setups to cloud-enabled, subscription-based models... **XaaS (anything as a service)**

This shift has several implications:

- **State of the Art Products & Services:** Starting from scratch, greenfield allows enterprises to get applications and tools without being constrained by legacies. By building sets of APIs, everything can be connected.
- **Less physical overhead.** Services mean less physical overhead, such as space, power and cooling. This translates to reductions in IT staff and enables IT to focus on more important projects and business processes
- **Flexibility:** companies can easily scale up or down as their needs change. They can also experiment with different tools.
- **Updates and Maintenance:** SaaS and cloud providers handle updates and maintenance,
- **Security and Compliance:** Cloud services and SaaS platforms often have robust security measures in place and ensure that these services comply with all relevant regulations and standards ( but companies also must install their own cloud security products).





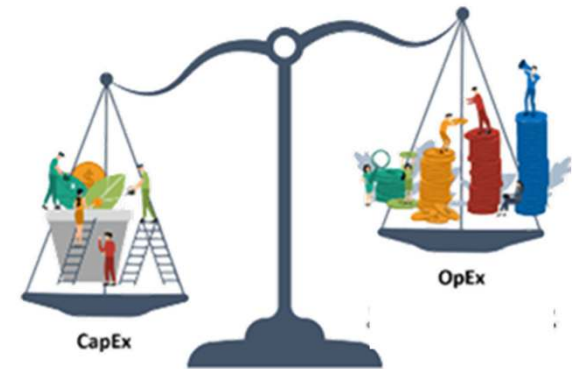
Trend 2022-2024:

## The CAPEX vs OPEX debate: CFO debate

Enterprises are shifting from **Capex based** purchasing to **Opex based** purchasing models (Israeli IT budgets moved from 50% Opex to over 80% and will get to 99% in couple of years)

This shift has several implications:

- **Profit Margins:** decrease in operating profit margins
- **Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA):** decrease due to the increase in operating expenses.
- **Depreciation Deductions:** With fewer CAPEX, there will be fewer assets to depreciate, which increases tax liabilities over the long term.
- **Profitability and Earnings Per Share (EPS):** shift to OPEX leads to a decrease in profitability or EPS, this negatively impacts stock price



CAPEX appears on the balance sheet,  
OPEX appears on the income statement.



Trend 2022-2024:

## The CAPEX vs OPEX debate: vendor perspective

Vendors are shifting from legacy/traditional products to cloud-enabled, subscription-based, XaaS products  
This shift has several implications:

- 1. Predictable and recurring revenue*
- 2. Customer retention and lifetime value*
- 3. Scalability and growth potential*
- 4. Adaptability and product innovation*
- 5. Change of sales skills and remuneration models (consumption vs revenues)*
- 6. Improved customer support and maintenance*
- 7. Offering new services like FINOPS, CFO consulting, XaaS consulting*

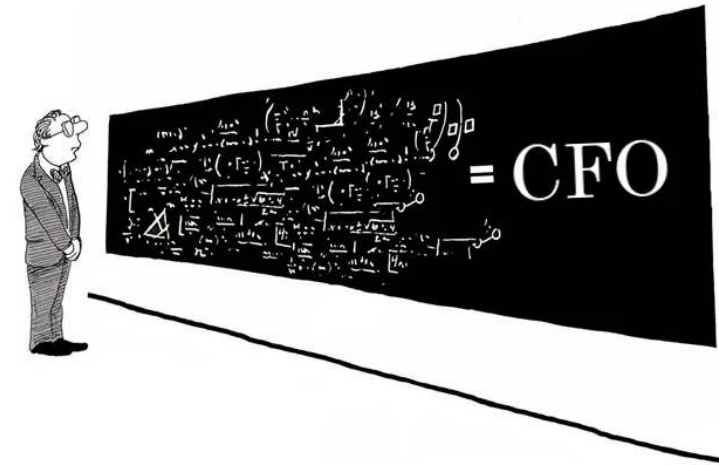




Just a Word.

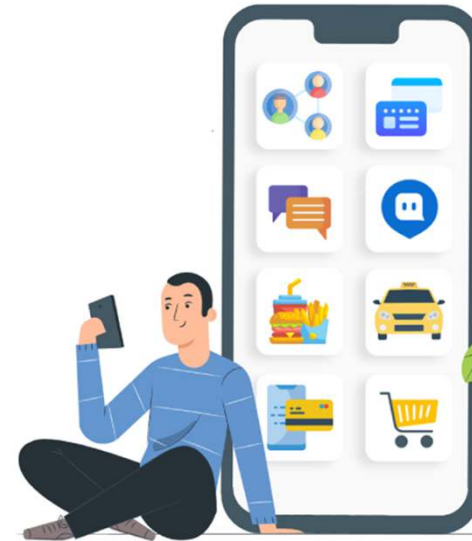
## A word to Users & Vendors:

1. CFOs must introduce rapid changes:  
for **managing risks, modernizing techniques for budgeting, working with IT to optimize financial decisions** (optimizing the spread of expenditures and delay/avoid any extra costs)
2. Vendors should make CFOs aware of the fact that any **failure to evolve their finance function to match the changing XaaS environment can lead to financial turmoil**. Once they understand the risks and advantages of the underlying costs, they can resume contributing to their organization's success and growth.





Trend 2022-2024  
 Driving value through ecosystems:  
**Platform-oriented vs SuperApp-oriented** businesses



**Platform (Marketplaces) Ecosystems** focus on a specific industry, connect buyers and sellers (2 ecosystems: sellers and customers) within that industry, and facilitate transactions (offering specialized services: logistics, payments, etc.).

**SuperApps** offer an ecosystem of services within a single platform, aiming to become a one-stop solution for users' daily needs (integrate many functionalities, target a wider user base, form partnerships, and employ various monetization strategies)

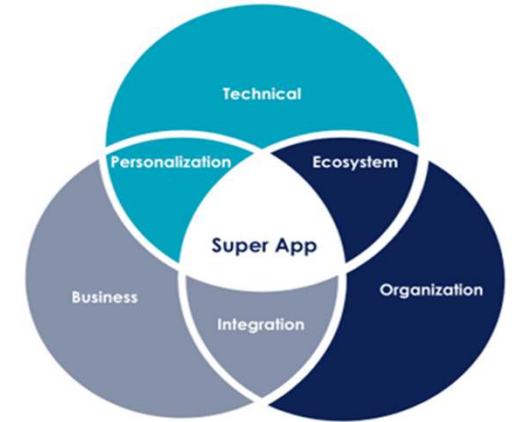


Trend 2022-2024

Driving value through ecosystems:

**Platform-oriented** vs **SuperApp-oriented** businesses

## So why do I believe that in Israel SuperApps will be more successful than Platform Marketplaces ?



1. Israel is a **small market**
2. Suppliers are **very competitive** and very few
3. Israelis are **“not” be very happy being part of several marketplaces** (same services)
4. Most people use only **5-10 applications daily** (health, bank, retail, groceries, payment, whatsapp, camera, gov.il, mail and news) **with no APIs or data transferred between APPS**
5. SuperApp is an all-encompassing self-contained commerce and communication online platform that **connects (single sign on, data transfer, etc.) many APPS for the user** (personal and commercial) Newer SuperApps provide certain **levels of customization or personalization for individual users**. While the **core functionalities and services remain the same** for all users, they offer settings that **allow users to customize**.
6. SuperApps are **not popular yet in Israel** as they are in Asia but: **Medical (HMOs), gov.il, retail/energy, rideshare, and payment companies are likely to succeed** in developing successful first generation Israeli SuperApps by 2025



Just a Word.

# A word to Users:

Here are some steps you can take to create your own SuperApp:

1. **Identify the services you want to offer** within your app, establish “partnerships” to create the ecosystem of apps.
2. Determine the **APIs (integration), features and functionality you will need to support these services** and integrate the different services into a single platform.
3. Develop a **standard user interface** that is easy to use and navigate.
4. **Test your app** thoroughly to ensure that it is stable and reliable.
5. **Launch your app and promote** it to your target audience.





# A word to Vendors:

Just a Word.

Here are some common challenges that developers face:

**Integration:** Integrating different services into a single platform can be complex and time-consuming.

**User experience:** Creating a user interface that is easy to use and navigate can be challenging, especially when dealing with multiple services.

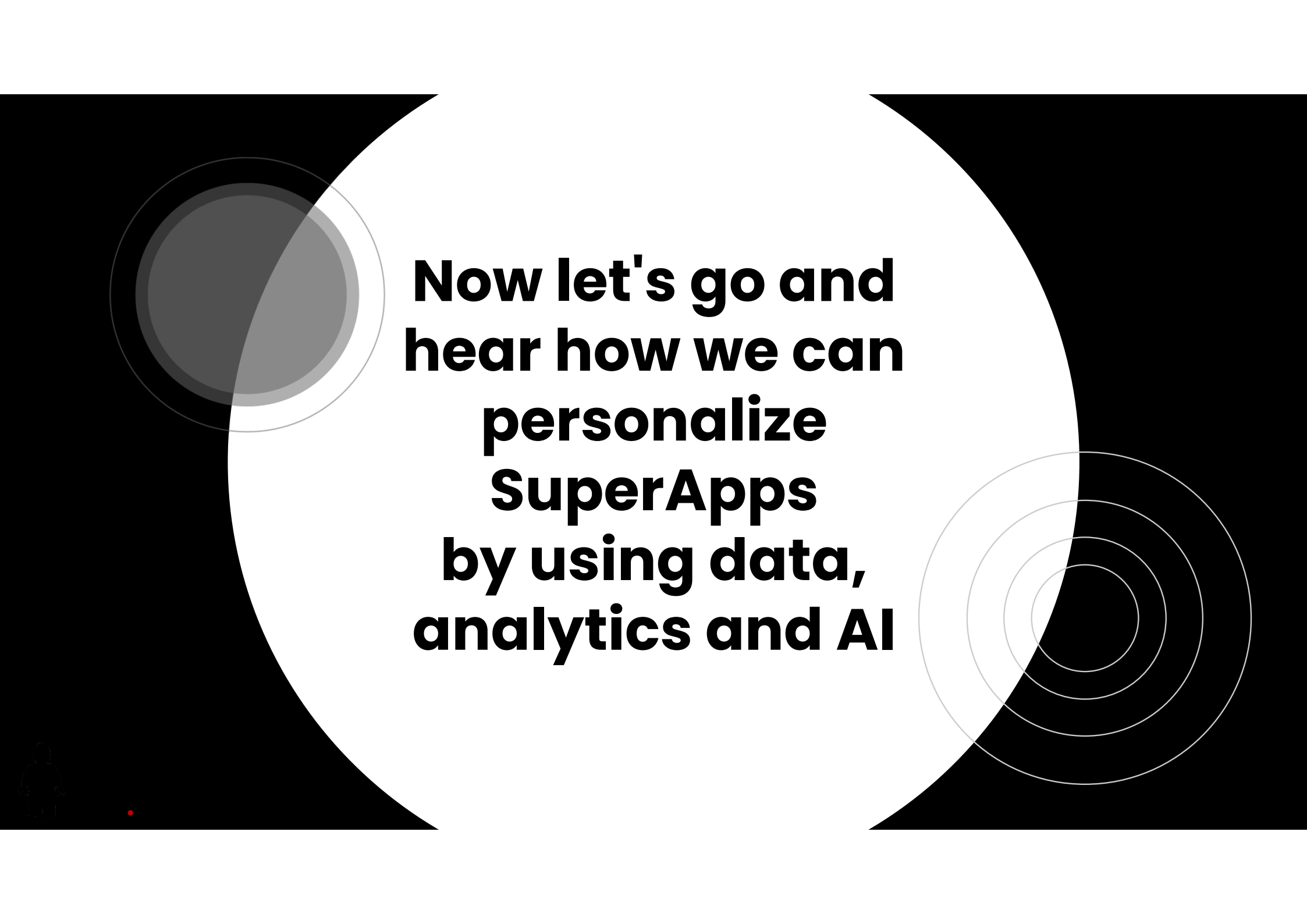
**Security:** SuperApps often deal with sensitive user data, so ensuring that the app is secure is critical.

**Scalability:** As the number of users grows, the app must be able to scale to meet demand.

**Maintenance:** Maintaining can be challenging due to the complexity of the platform.







**Now let's go and  
hear how we can  
personalize  
SuperApps  
by using data,  
analytics and AI**

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