Is it Time for Technology Manufacturers to Take More Risks?

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When technology manufacturers' backs are up against the wall, like other manufacturers, they have a natural tendency to focus on things like cutbacks and cost savings, and to make things like product innovation and sales and marketing lower priorities.

Refraining from investing in new product development and sales and marketing might have made sense during the height of the recession, but does it make sense now?

According to the 2011/2012 *IT Spending & Staffing Benchmarks* study put forth by Computer Economics, 60 percent of IT organizations increased their operational budgets in 2011. As budgets increase, one of the big questions technology manufacturers today have got to be asking themselves is: Is it better to continue to play it safe, or is it time to take some calculated risks?

My own company, Vendere Partners, recently performed analyses based on the more than 100,000 sales conversations we had on behalf of our clients beginning in Q3 2010 and ending in Q1 2012. According to our analyses, purchasing interest in computers and electronics, manufacturing, software/internet solutions, and telecommunications was highest in Q3 2010 and lowest in Q3 2011. Somewhat predictably, high interest in buying within these categories began climbing back up again in Q4 2011 and Q1 2012.

The Computer Economics study shows that IT operational budgets are increasing, but it also shows that "the percentage growth in IT operational budgets has not reached the growth rates seen prior to the recession." According to the study, "the IT spending recession may be over, but recovery is weak."

Vendere Partners' recent analyses support these statements. While high purchasing interest appears to be increasing in the categories previously listed, it has not increased above the levels we saw in Q3 2010.

In addition to noting the correlation between the rise in IT manufacturing operational budgets and buyer interests, I have noted related trends. For instance, despite the upward swing in the overall economy and in the technology industry, in particular, there is still hesitation on the part of a number of technology manufacturers when it comes to investing in sales and marketing. There is much less hesitation when it comes to investing in new product development.

While I understand the impulse to invest in product innovations and development before investing in sales and marketing, and also, that budgets are still limited, from where I sit, it makes very little sense to put money into one and not the other—not in spite of the fact that the US economy is still volatile, but because it is still volatile.

I believe that unless the majority of technology manufacturers today properly assess the risks of investing in sales and marketing, spending recession recovery will be weak for longer than is appropriate. I also believe that resistance to partnering with B2B sales lead generation firms and engaging in sales outsourcing, despite the need for some IT companies to focus more than ever on their core competencies rather than on expanding their internal sales teams, will lengthen the recovery period.

In the B2B sales industry, when IT sales numbers improve, improved sales numbers in other markets typically follow. If more technology manufacturers were to take steps to assert their selling power now, it is relatively safe to assume that other industries would follow suit sooner rather than later.

Is it a stretch to make the claim that US-based technology manufacturers today have the power to help accelerate the healing of our country's economy? I don't think so. What remains to be seen is whether or not enough of them will take the calculated risks required to do it.

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