

Cambridge International Advisory Group

Cloud, Technology, & Software Sector



Agenda

The technology, cloud computing, and software and platforms sector is experiencing rapid growth and innovation, with new technology being developed every day. Due to the many intricacies within this sector, we have put together this white paper to help navigate this complex landscape.

Industry Overview

Cloud computing services are services that create access to computing resources such as physical or virtual servers, data storage, software, and various platforms through the Internet with pay-per-use pricing. Some benefits of the cloud are its cost-effectiveness, less physical infrastructure needed to maintain or implement, its scalability, and its speed and flexibility. The backbone for cloud computing is data centers, which house the cloud storage systems and physical hardware needed to create the underlying infrastructure and foundation for cloud computing.

Cloud platforms are built on cloud computing services. They provide the industry with specific cloud-based platforms to solve their various challenges. These platforms offer companies better ways to manage their workloads and accelerate change against particular business, data, or compliance needs in their specific segment. It is expected that by 2027, 70% of enterprises will use industry platforms to accelerate their businesses.

Software is built on cloud computing platforms, where cloud computing allows software to be accessed remotely rather than installed on a device. The current software trends are being driven by artificial intelligence and harnessing it to accelerate changes in products, workflows, and workforce management.

Business Essentials

When innovating a service-based business model, it's essential to focus on three key priorities to help ensure the success of the service-based business model and align it with the overall business strategy. Understanding and fulfilling customer pain points, challenges, and desires; turning customer insights into successful business outcomes by enabling all departments to connect, protect, analyze, and act on business-wide data. Midsize businesses need a service-based business model with a compelling value proposition. This may involve adding new features, improving performance, streamlining processes, and reducing the costs of existing models to address unmet customer needs.

Considering the constant changes across the industry, midsize high-tech companies need to be ready for anything, including the ability to scale responsively and sustainably. This practice helps ensure the business can adapt whenever market shifts and industry changes arise, so it can thrive over the long run.

Market Performance and Industry Outlook

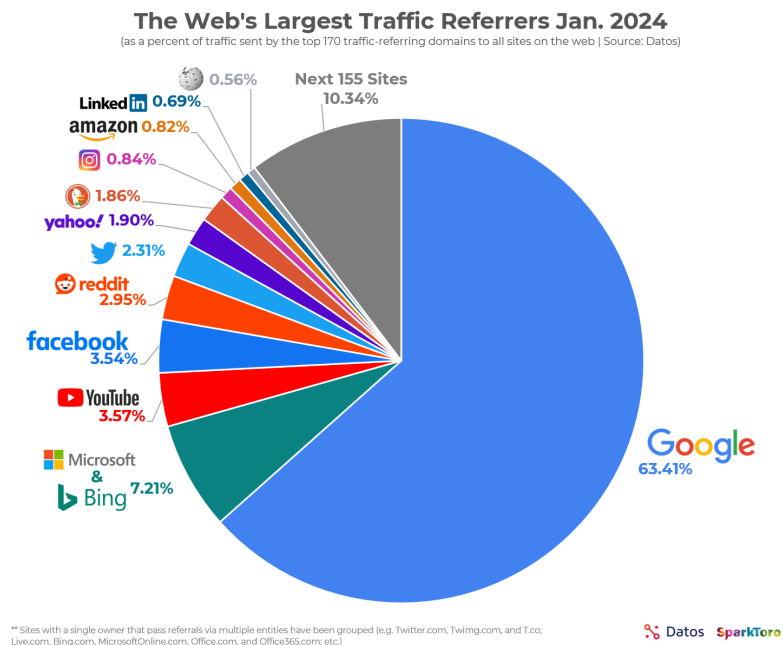
The technology, cloud computing, and software and platforms sector is poised for continued growth. Currently, the Infrastructure as a Service (IaaS) market is set to grow to 212.34 billion USD by 2028, with an annual compound growth rate of 14.2%. Additionally, the cloud platform sector is growing steadily, and as of November 2023, 39% of enterprises had started the adoption of this technology, and another 14% were in the pilot stages. More recently, the shift towards edge computing, AI integration, and industry-specific cloud solutions is expected to drive significant changes in how businesses leverage technology for innovation and growth.

Meeting customer needs in exciting and novel ways remains the traditional innovation strategy among midsize high-tech businesses. But increasingly, they are also considering opportunities that can help them quickly adapt to market changes while growing market share, profitability, and value over time. IDC recently echoed this reality in a paper based on research sponsored by SAP. Nearly 60% of surveyed businesses prioritize innovation of value-adding business models, services, channels, or touch points as the most significant way to address evolving customer expectations. Such offerings include subscriptions, direct-to-consumer, marketplace, and everything-as-a-service alongside experiences with mobile apps, social commerce, and conversational AI.

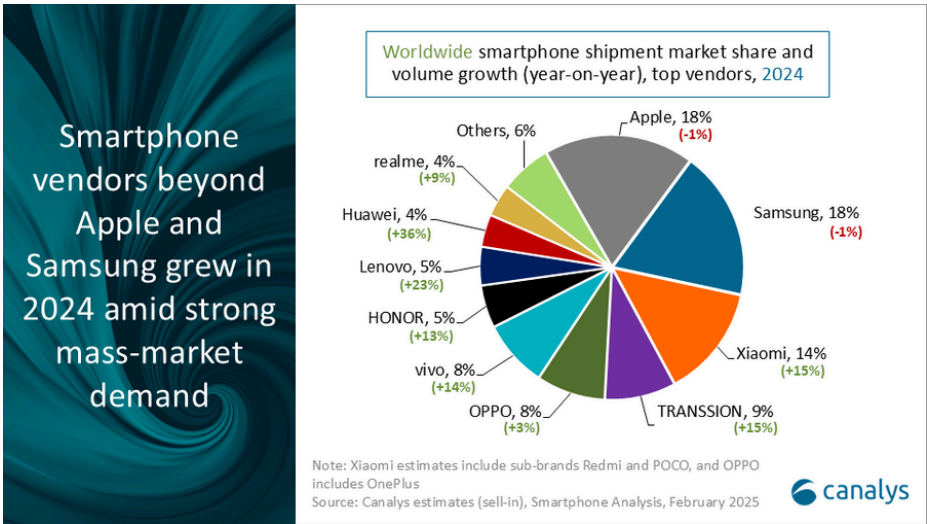
Deal volume in the technology sector is set to grow for a variety of reasons, including lower interest rates, strong public equity and financing market conditions, and financial fund sponsor dynamics. Currently, the M&A market is recovering, and the economic outlook, because of rate cuts, points towards more potential for strategic M&A deals, especially with the integration of Artificial Intelligence within industries. Beyond that, fund sponsorship has

been a huge growth driver for the technology sector in the past, and although it has slowed in the past few years, it is expected to make a resurgence coming forward into 2025.

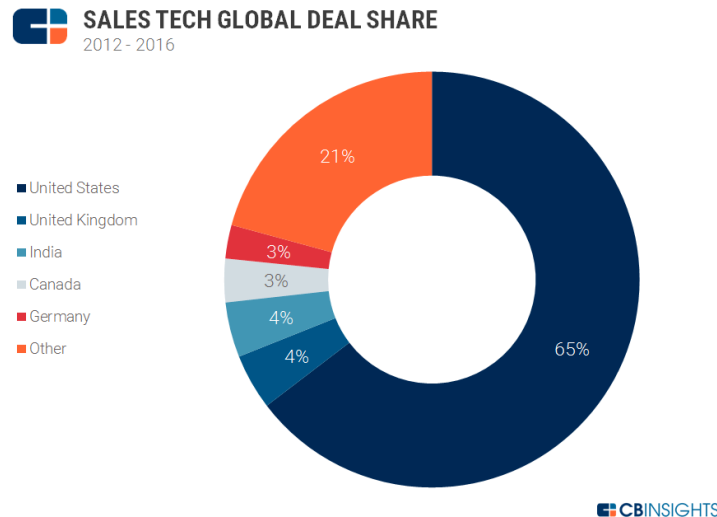
Publicly traded-wise, the technology sector exceeded expectations, gaining 37.39% following 2023’s gain of 57%. In comparison, the S&P 500 gained 25.02% in 2024. The technology sector was dominated by big names, including the “Magnificent Seven,” driving that growth. Though beyond the “Magnificent Seven,” there has still been solid growth for technology companies, with many companies doing well after their IPOs.



In this pie chart, Google stands out as the overwhelming leader, accounting for 63.41% of all traffic referrals from the top 170 domains, underscoring its unparalleled influence as a gateway to the web. Facebook follows as a distant second, contributing 10.34%, reflecting its continued relevance as a social media and traffic driver. Amazon, while primarily an e-commerce platform, still plays a notable role with 0.82% of referrals, showcasing its expanding reach in the digital ecosystem. LinkedIn, a professional networking site, contributes 0.69%, emphasizing its niche but significant role in driving traffic. The remaining 0.56% is attributed to the next 155 sites, indicating a highly fragmented landscape where smaller entities collectively hold minimal influence compared to the tech giants.



Recent research from Canalys indicates that the global smartphone market saw a 7% increase in 2024, totaling 1.22 billion units, which marks an increase following two years of decline. Apple maintained its leading position, however, it fell by 1% to 225.9 million units for the year. Samsung came in second, with its shipments also experiencing a 1% dip to 222.9 million units. Countering this trend, Xiaomi demonstrated strong growth, particularly in Mainland China and emerging markets, with a 15% rise in shipments to 168.6 million units.



The US accounted for 65% of global deals, underscoring its position as the leading hub for sales tech innovation and investment. In comparison, other countries lagged significantly: the United Kingdom and India each represented 4%, while Canada and Germany contributed 3% and 4%, respectively. This data emphasizes the overwhelming concentration of sales tech activity in the United States during this period, with other nations playing relatively minor roles.

Risks and Challenges

Mid-sized businesses find themselves in a traditional phase where they successfully navigated the early stages, but are not yet corporate behemoths with more money, more resources, and better processes. Develop a comprehensive growth strategy that includes market analysis, resource allocation, and risk assessment. A clear roadmap can help medium-sized businesses navigate the uncertain waters of expansion.

Embracing technology solutions such as ERP systems and customer relationship management (CRM) tools can streamline operations, enhance communication, and improve scalability. Investing in professional development for employees can ensure that the workforce remains adaptable and skilled, helping the business keep pace with growth. Focusing on delivering exceptional customer experiences can help medium-sized businesses build a loyal customer base and gain a competitive edge.

Attracting and retaining skilled employees is another significant challenge for medium-sized businesses. They often find themselves sandwiched between larger corporations that offer

more attractive salaries and benefits and smaller businesses that have flexible work environments.

While medium-sized businesses may not match the financial might of larger corporations, offering competitive salaries and benefits can still be a powerful draw. Creating clear career development paths and offering training and mentorship opportunities can make medium-sized businesses more appealing to prospective employees. Providing flexible work arrangements, including remote work options, can help attract candidates who value work-life balance. Medium-sized businesses should focus on nurturing a strong, unique company culture that sets them apart from competitors.

Companies must walk a fine line, managing their finances effectively to support growth and operational needs while avoiding overspending. Develop and adhere to a well-defined budget to help allocate resources more efficiently. Explore various financing options, such as bank loans, venture capital, or angel investors, to provide the capital needed for growth. Regularly monitor cash flow and implement strategies to improve collections and payments to help maintain a healthy cash position. Identify and address potential financial risks, such as economic downturns, currency fluctuations, and supply chain disruptions, through insurance or hedging strategies.

Conclusion

The technology sector continues to experience rapid innovation driven by advancements in cloud computing, software platforms, and artificial intelligence. As businesses adopt industry-specific cloud solutions, AI-driven workflows, and scalable service-based models, the competitive landscape will continue to evolve.

The market outlook remains strong, with continued growth in Infrastructure as a Service (IaaS), increasing cloud platform adoption, and rising deal volume in the technology sector.

However, as mid-sized businesses seek to capitalize on these opportunities, they must also navigate challenges related to strategic planning, financial management, talent acquisition, and maintaining a customer-centric approach. Success in this dynamic environment will depend on their ability to balance innovation with operational efficiency.

As the industry moves forward, organizations that effectively integrate emerging technologies, adapt to shifting consumer demands, and invest in scalable business models will be best positioned to thrive in the evolving technology landscape.

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