

SHIFT HAPPENS - PART II

The Israeli SDLC Ecosystem Survey

Top insights from founders of SDLC-focused startups and their customers

We believe that now is the time to build SDLC category leaders


We interviewed dozens of prominent industry leaders and gathered top insights from both **founders** of SDLC-focused companies in early-growth-to-IPO phases, as well as their **customers** (CTOs, VPs of Engineering, Heads of DevOps/Infrastructure).


Our aim was to bring invaluable insights to the surface, shed light on new market paradigms, and better understand the process involved in the **development, marketing, and adoption** of products for the SDLC.




Who did we talk to?

Founders of SDLC-Focused Startups


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Israeli **founders**, from series **A** to **pre-IPO**
- 


Employing over **8,000 people & 4,000 engineers**
- 

Accumulated market cap of **\$12 Billion**

Customers of SDLC-Focused Products

- 

CTOs, VPs of Engineering, Heads of DevOps and Infrastructure
- 

Employing **35,000 employees & 15,000 engineers**
- 

Local and global, **growth-stage** and **public** enterprises

PART 01

CUSTOMER SIDE



Decision-Making Dynamics of Customers of SDLC-Focused Products: CTOs, VPs of Engineering, Heads of DevOps & Infrastructure

Where is the money?

🔄 2023 is a **year with financial scrutiny.**

🔄 However, only **28% decreased their budgets.**

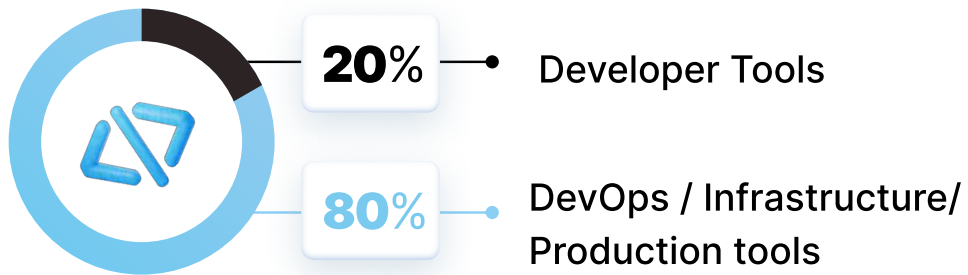


✓ **Even in a year of economic efficiency, software infrastructure budgets remained resilient.**

Here is the money!

When asked to describe their **budget allocation**, engineering executives estimated that their budgets are split 50/50 between Developer Tools and DevOps/Infrastructure/Production products

However, in practice **80% of SDLC budgets are allocated to DevOps, Infrastructure and Production tools**




WHILE DEVOPS RETURN ON INVESTMENT IS CLEAR, FINDING BUSINESS JUSTIFICATIONS FOR DEV TOOLS IS VERY DIFFICULT.


EVP Platform @ Public company




Budget owners are not necessarily separating their engineering spends by departments, and founders of companies that provide Developer Tools receive a small portion of engineering budgets

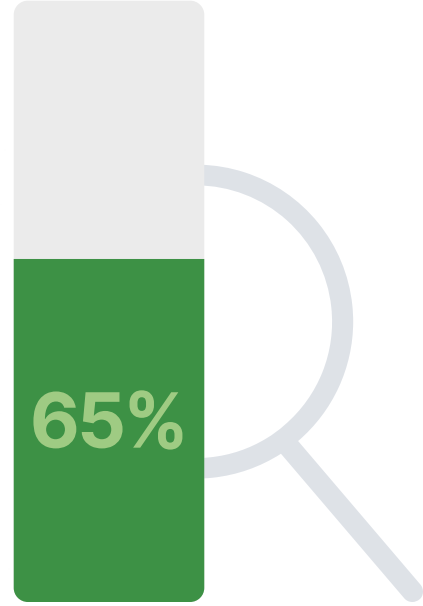
Awareness is a key


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Using tags for service classification allow costs governance, and can dramatically increase transparency and efficiency within the engineering organization.
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However, most of the organizations fail to implement tags effectively, due to high management complexity, low perceived value and limited capabilities. *
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Remarkably, **65%** of respondents already monitor expenses linked to teams, services, and clients.



 **This proves that effective tracking and labeling of organizational data and unit costs is possible, which contradicts the prevailing notion of complexity.**

* Implementing a Tagging Strategy for Cloud IaaS and PaaS, Gartner (2019)

FinOps is an emerging trend

🕒 The FinOps Foundation recently estimated that **~40%** of organizations adopted a FinOps function*



However, our research suggests that 75% of respondents already have a dedicated FinOps function in 2023.

In a year of operational efficiency, an essential question arises:



Is the rapid rise in FinOps adoption driven by a real, lasting shift in engineering culture, or by a desire to save on development costs in response to the current economic period?

* 2022 FinOps Foundation Survey

Cloud waste? Not today!

- At least **30%** of startups' cloud infrastructure costs are considered "cloud waste"*.
- However, **45%** of engineering executives said that their organization only has **0-10%** "cloud waste".



Israeli engineering leaders are either underestimating the amounts of their organizations' "cloud waste", or they run a very efficient infrastructure.

*The Hidden Costs Of Cloud And Where To Find Overspending, Forbes (2023)

Platform Engineering is Trending



Earlier this year, platform engineering was selected by Gartner as a Top Strategic Technology Trend



63% of customers have a dedicated platform team in 2023



Many customers mentioned they experience platform engineering challenges. Each company builds it differently:



PLATFORM ENGINEERING IS NOT A ONE-AND-DONE PRODUCT, IT'S LIKE A NEVER-ENDING DESIGN-PARTNERSHIP

VP Platform Engineering @ a tech unicorn



What about AI?



The majority of organizations (56%) have already started to adopt GenAI code assistants.

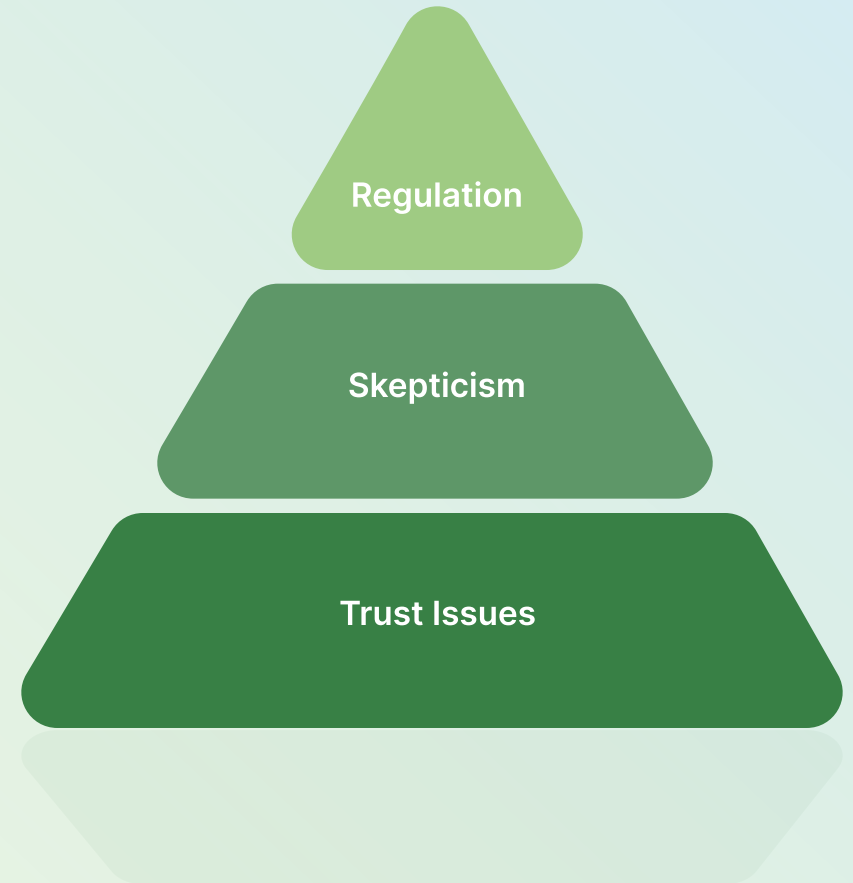


Although software engineers are usually early adopters, **0% integrated AI/ML** in their software development life cycle, besides GenAI code assistants.



We believe that the adoption of GenAI code assistants might be an opportunity for startups that offer new AI-based solutions for the SDLC.

Top Reasons for **avoiding AI** in the SDLC:



SDLC Bottlenecks

If you detected a bottleneck - you would spend time and money to eliminate it... Or so we thought.

40% of surveyed engineering executives mentioned 'testing and quality' as their primary bottleneck, yet budgets were not directed there:

40%

'Testing and quality' is the primary bottleneck

20%

Built in-house platforms for testing

4%

Spend more than \$25K annually on testing tools



Code testing and quality are amongst the hottest GenAI verticals. Therefore, we believe that this gap is likely to narrow in the near future.

Who cares about developers' productivity?




Measuring developers' productivity is a growing trend. Engineering executives are engaged in discussions on its necessity and the best ways to do it.

THIS IS A VERY PHILOSOPHICAL QUESTION
 EVP Engineering @ growth company

Key Takeaways

28%

of engineering organizations decreased their software infrastructure budgets, a small percentage in a year of economic efficiency. This proves that software infrastructure budgets remained resilient.

80%

of the engineering budget is allocated to DevOps/Infrastructure/Production tools, while only 20% is allocated to Developer Tools.

63%

of surveyed organizations have a dedicated platform engineering team.

75%

of respondents already have a Finops function in their organizations. This marks a significant growth in FinOps adoption, which is driven either by a real engineering culture shift or by organizations' desire to become more cost-aware in 2023.

40%

of executives mentioned 'testing and quality' as their primary software development bottleneck. However, they rarely allocated a significant part of the budget to testing tools.

56%

have already started to adopt GenAI code assistants. No-one (0%) integrated other AI/ML in their SDLC. We believe that the adoption of GenAI code assistants might be an opportunity for startups that offer new AI-based solutions for the SDLC.

PART 02

GO-TO-MARKET



A deep dive into the Go-to-Market strategies of SDLC-focused startups

Great minds think alike?

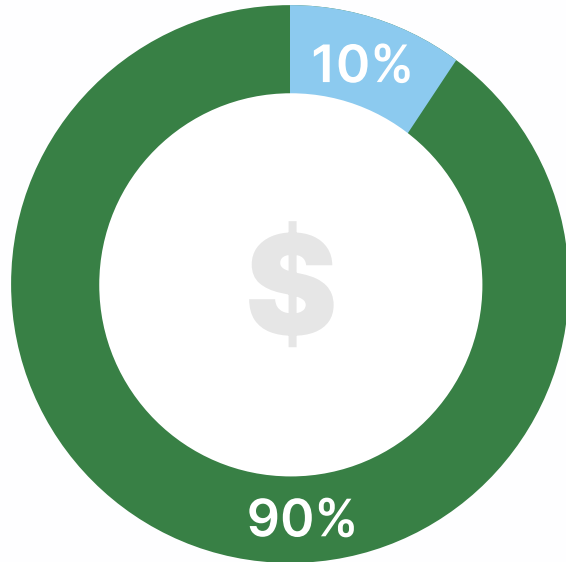


We asked founders to share their contrarian view on the market, a truth that they know and no one else agrees with. A staggering **80% of founders** offered the same 'atypical market perspective' when asked: they **lost their faith in PLG.**



As the PLG strategy became more and more popular, the competition for the individual developer's attention surged and standing out became harder than ever.

PLG is dead, long live SLG



An astounding **90% of founders** said their leading GTM strategy is **Sales-Led-Growth**

■ Sales Led Growth (PLG) ■ Product Led Growth (PLG)

✓ The majority of growth stage companies prefer a mixed method: they rely mainly on enterprise sales and use PLG as a marketing tool to increase brand awareness and generate leads. As PLG became a popular GTM strategy, its competitive advantage declined. The competition for the individual developer's attention surged and standing out became harder than ever.

When is the right time to bring a professional sales person onboard?

Many believe that founders should sell their product on their own, waiting until reaching product-market-fit before hiring a sales representative. We learned that:



of founders of successful startups brought a **sales representative** early on - **before having 20 customers or an ARR of USD 250K**



Founders kept a 'hands on' approach with their customers, and used sales representatives to help with lead generation and sales operations. Many founders said that in retrospect, they would have brought in a sales representative even sooner.

A Marketing Hack

Marketing to software developers is a challenge, particularly in the initial stages of a company, when brand recognition and community reach are low.

An interesting marketing hack surfaced:



Many founders recommended appointing an engineer from within the organization to a leading position in the marketing team, citing it helped them achieve community growth and overall success.

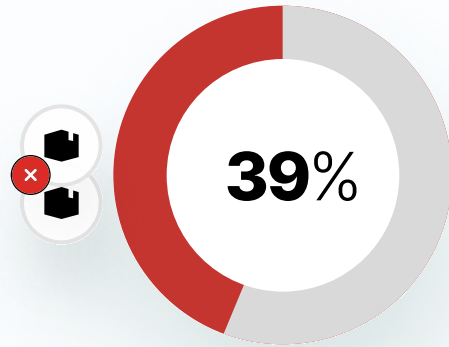


Although these engineers were often marketing rookies, they were able to deploy demand generation automation processes and incorporate data-driven systems to optimize the company's messaging strategies.



Customers are surprisingly loyal

In 2023 we expected to see a surge in product churn and the discontinuation of products. However:



Only 39% of customers dropped more than 2 products in the last year

Customers are more loyal than expected.
Customer retention rates are relatively high once they choose to adopt your product

Top reasons for product churn:

#1



Not enough value from the product

#2



Consolidation of tools

#3

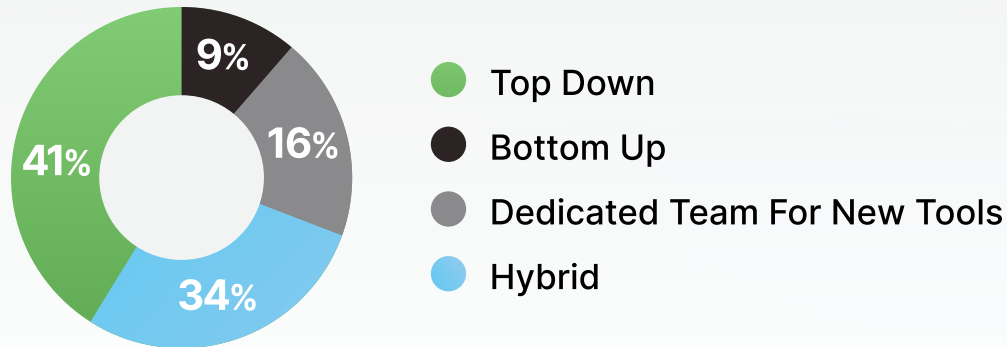


Displacement

Top-down or bottom-up?

Over the past decade, the ruling assumption was that many tools are bought and adopted bottom-up, with developers serving as gatekeepers. However, the survey suggests otherwise:

Engineering Organizations' Buying Habits:



The Bottom-Up Sales Approach is Being Challenged:

Only **16%** of companies purchase their developer tools exclusively bottom-up.

” THE URBAN LEGEND THAT SAYS THAT ORGANIZATIONS WILL PAY FOR DEVELOPER PRODUCTS IF THEIR DEVELOPERS USE THEM AND LIKE THEM - IS NOT REALLY TRUE... “

VP Engineering @ a tech unicorn

Key takeaways



90% of founders stated that they lost faith in the PLG model and mentioned that their leading GTM strategy is Sales-Led-Growth.



Only 16% of companies purchase their developer tools exclusively bottom-up. It turns out that even if developers use and like certain developer tools, organizations are not always willing to pay for them.



While **PLG is a great lead engine**, many startups are struggling to reach significant business traction with this method alone - **90% mentioned enterprise sales as their leading sales strategy.**



90% of founders of successful startups brought a sales representative early on - before having 20 customers or an ARR of USD 250K. Founders kept a 'hands on' approach with their customers, and used sales representatives to help with lead generation and sales operations. **Many founders said that in retrospect, they would have brought in a sales representative even sooner.**



To increase brand awareness and engagement, we noticed that quite a few companies found a hack to the traditional marketing approach by **focusing on engineering-led marketing.**



Customers are more loyal than expected: In 2023, we expected to see a surge in product churn. However, **only 39% of customers dropped more than 2 products in the last year.**

THANK YOU!



Do you have feedback? Thoughts or insights?

We want to keep the discussion going.

Send your thoughts to:

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