



Intelligent Approaches to Business Processes and Customer Experience Will Drive European Spending in Artificial Intelligence Close to \$21 Billion by 2023, Says IDC

LONDON, September 2, 2019 — European spend on artificial intelligence (AI) is estimated to reach more than \$7 billion in 2019 and to almost triple over the next four years, growing at a 32% CAGR. European AI spending is forecast to reach over \$21 billion in 2023, according to the IDC Worldwide Semiannual Artificial Intelligence Spending Guide. Banking, retail, and discrete manufacturing will be the industries with the highest spend in AI systems by 2023, absorbing 39% of spend. Healthcare remains an attractive market for AI and, although many hospitals are piloting projects and have not started full implementation, increasing investments in AI-enabled diagnosis and treatment systems will support fast growth in spending, which will accelerate at a 38% five-year CAGR across the health sector.

Investments in AI are largely fueled by increasing efforts around customer experience and digital transformation, as companies are focusing on providing empathy at scale while using intelligent approaches to scale production and processes and "allocate attention" among employees. Product recommendation is expected to be one of the three fastest-growing use cases through 2023, showing that European companies have acknowledged the importance of embedding customer centricity and AI into their business models. In particular, retailers are moving away from traditional product recommendation and are adopting customer-centric intelligent approaches that enable them to gather insight into customers and provide personalized recommendations based on individual preferences.

The new IDC Worldwide Semiannual Artificial Intelligence Spending Guide country data estimates that more than half of the spend on AI by 2023 will be driven by the U.K., Germany, and France, while almost a third of the same spend will be driven by the rest of Western Europe (including Austria, Belgium, Denmark, Finland, Greece, Ireland, the Netherlands, Norway, Portugal, Sweden, and Switzerland). Italy and Spain only account for a small portion of the spend. The U.K., Germany, and France have AI-focused start-up hubs in London, Berlin, and Paris, and will account for a large proportion of future investments, especially in fintech, health tech, and marketing and advertising. These countries also have large AI investors that provide incentives and accelerated growth for start-ups and bigger tech companies hoping to digitally transform and disrupt the market using AI.

"It's essential for companies to innovate by investing in emerging technologies such as AI to stay competitive and tackle start-ups disrupting the market and creating challenges to traditional

businesses," said Andrea Minonne, senior research analyst, IDC Customer Insights and Analysis in Europe. "AI is revolutionizing business processes and customer experiences. It's widely adopted to fight crime and cyberthreats in banks, target customers with personalized product recommendations in retail, and automate lengthy HR processes across all industries."

Even if Central and Eastern Europe (CEE) has a relatively small market share in terms of AI spending within Europe as a whole (6.5% in 2018), organizations are increasingly adopting AI as it becomes a key part of their digital transformation. The biggest spenders for AI systems are banking and manufacturing. The main AI projects in finance involve automation of customer service, fraud protection, and optimization of processes. Improving production and quality control and performing preventative maintenance are driving AI investments in manufacturing in CEE.

"Although some industries are spending more in AI than others, all verticals will maintain double-digit growth in CEE over the forecast period," said Lubomir Dimitrov, senior research analyst, IDC Customer Insights and Analysis in Europe. "The majority of organizations in the region will have AI as a key part of their IT infrastructure, bringing high innovation and automation to their business models."

IDC's Worldwide Semiannual Artificial Intelligence Spending Guide provides guidance on the expected technology opportunity around the AI market across nine regions. Segmented by 32 countries, 19 industries, 26 use cases, and 6 technologies, the guide provides IT vendors with insight into this rapidly growing market and how the market will develop over the coming years.

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