Gartner®

The AI Vendor Race

A strategic guide for technology leaders to build a position that lasts

A multifront race for a $4.7T market

The popular narrative surrounding the AI vendor landscape is seductively simple: A few hyperscalers are pulling ahead, well-funded startups are disrupting from below, and everyone else is running out of time. That narrative is also dangerously incomplete.

As the market experiences an unprecedented shift in capital from non-AI initiatives to AI programs, tech providers must pivot to monetizing and operationalizing AI, or risk falling behind.

Use these insights to inform your strategies for 2026 and beyond.

AI spending is passing a critical inflection point

The window between the peak of expectations and marketwide adoption is where competitive positions are established — or lost.

Inflection — 2025

$1.8T

AI spending in 2025 — largely infrastructure build-out and early enterprise pilots

Peak of Inflated Expectations

Acceleration — 2026

+47%

Projected AI spending growth in a single year — the fastest single-year acceleration

Trough of Disillusionment to Slope of Enlightenment transition

Scale — 2029

$4.7T

Projected total AI spending by 2029 — enterprise-scale adoption drives the majority of growth

Plateau of Productivity

GenAI investment: **$640B** in 2025 → **$1.3T** by 2028

Providers that establish defensible positions before 2027 gain compounding advantages. Those that hesitate risk falling behind.

Consolidation is coming. What side of it are you on?

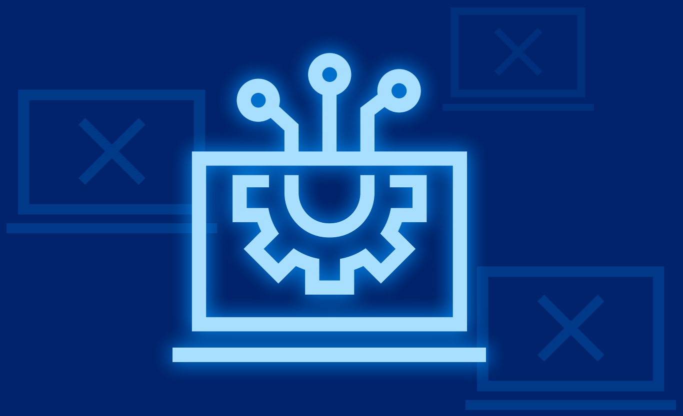
The AI vendor market will shrink — but the winners won't be the most technologically advanced. They'll be the ones with the most defensible economic position.

52% of GenAI POC projects will be retired before production — consolidating spend toward proven providers.

By 2028,

80% of self-serve platforms will account for most of the market.

40% of all apps will use agentic AI systems — **up 5x from today.**



By 2028, **software and services without AI will be irrelevant** — vendors with durable AI revenue streams will lead the market.

It’s not one race. It’s hundreds.

The AI vendor race encompasses multiple, overlapping contests — each with a different endgame, different rules and different winners. Some providers are competing to own foundational infrastructure. Others are competing to own vertical workflows or to become the integration layer enabling everything else. These are fundamentally different competitions. Conflating them is one of the riskiest strategic errors product leaders can make.

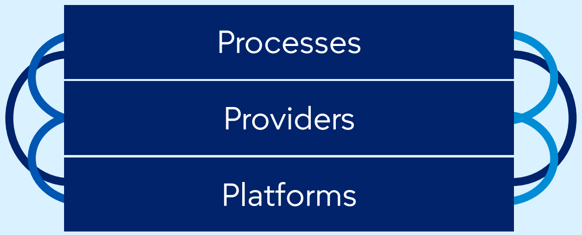
What makes this moment genuinely unprecedented is the underlying structural shift: We are moving from the digital supercycle — two decades of cloud, mobile and SaaS — to the **intelligence supercycle** — which is reshaping the race by moving value creation from process efficiency to control over data, insights and autonomous decision making.

The AI ecosystem shift: From vendors to stacks

Old way: Modular

Services and solutions were swappable; modern “agentic AI” creates **tight coupling** between platforms, providers and processes (business workflows).

The new “operating spine” of enterprise AI



Selecting a partner now means adopting **their entire stack:** model, agents, orchestration and tooling.

Source: Gartner

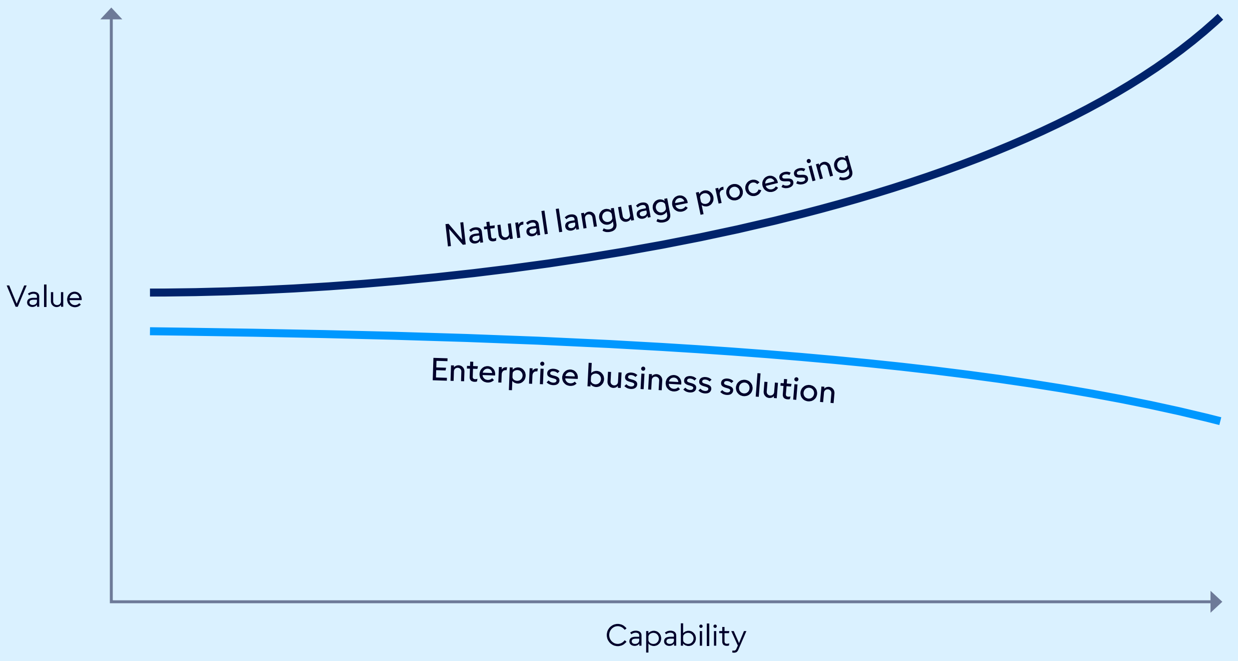
The value gap is a legitimate threat

The gap between AI investment and AI value realization is wide — and it is eroding buyer confidence at the wrong moment.

Despite massive market momentum, only 35% of organizations report fully realizing value for money invested in AI. The supply of solutions is already exceeding demand.

The value gap is not primarily a technology problem. There are also critical talent, data quality, ROI measurement and regulatory concerns. Ask your product and go-to-market teams: Can we point to three documented outcomes with quantified business impact that we would put in front of a skeptical CFO today? If the answer is no, closing that gap is your most important near-term priority.

The public LLM value paradox



Source: Gartner

The layers of the AI race

The AI vendor landscape is organized across interconnected layers. The competitive dynamics at each are fundamentally different, and your strategy must account for all three. To carve out an economic advantage, vendors must identify exactly where they fit into the broader technology ecosystem.

AI services & consulting	Agentic engineering & orchestration services • AI advisory services • AI in services: Methodologies • AI model engineering services • AI service platforms • AI skills & enablement services • AI TRiSM services • Confidential computing services • Data & context engineering services • Physical AI services • Sovereign AI services
Physical & industrial AI	Autonomous drones • Autonomous vehicles • Intelligent simulation • Polyfunctional robots • Smart spaces • Special purpose robots
AI horizontal solutions	CRM/sales • CX • Finance • HR • Legal • Marketing • Productivity
AI industry solutions	Agriculture • Banking & finance • Communications • Education • Government • Healthcare • Legal • Manufacturing • Media • Power & utilities; oil & gas • R&D • Real estate • Retail • Supply chain & logistics
AI agents	Expert agents • Simple agents
AI security	Agentic identity • AI security platforms • Cyber-kinetic security • Disinformation security • Physical AI security • Preemptive cybersecurity • Prompt injection firewalls
AI engineering	AI SDKs • Code assistants • DevOps • Enterprise application cortex • Ephemeral code • Intent engineering • Maintenance & traceability • Testing QA
AI platforms	Agent management platforms • AI communications hubs • AI observability • AI operating systems • LLM evaluation platforms • Large quantitative models • Model IDEs • Model interface middleware • Model optimization • ModelOps/LLMOps • Multimodel simulation (SimOps)
AI models	AI model networks • Audio/speech foundation models • Diffusion models • Domain-specific models • Frontier models • Image & video generation models • Large language models • Large quantitative models • Reasoning models • Small language models • Sovereign AI models • Vision language action models • World models • Downloadable skills • Space & earth intelligence • Spatial AI
AI data	AI databases • AI file system • Context management • Data labeling • Feature stores • Synthetic data platforms • Unstructured data ETL
AI infrastructure & hardware	AI-native quantum • AI-optimized storage • Analog AI chips • Edge AI • Emerging chip technology • General purpose AI chips • NeoCloud • Network routing • On-device GenAI accelerators • Satellite orchestration • SI supercomputers • Special-purpose AI chips

Know your growth stage and what it demands

The strategic requirements for winning change significantly depends on where your organization sits in its growth trajectory. Misalignment between growth stage and strategy is a leading indicator of execution failure. Identify the stage that accurately describes your current revenue, customer profile and operational capability. Then, ask whether your roadmap, go-to-market strategy and investments are calibrated for the challenges of that stage.

Startup and early scale-up

Focus: Minimum viable product, market validation, early customers

Key friction: Limited resources, credibility, repeatable sales

Next phase: Secure steady revenue, build readiness for complex clients

Market expansion and operational maturity

Focus: Winning larger clients, scaling R&D, streamlining operations

Key friction: System integration, compliance, scaling hiring, long sales cycles

Next phase: Move from opportunistic to strategic growth

Industry leadership and global scale

Focus: Shaping market standards, continuous innovation, defending against disruption from below

Key friction: Outpacing competitors, global operational complexity, managing M&A activity

Next phase: Become the undisputed front-runner

Winning requires clarity, not just speed

The AI vendor race rewards organizations that can make progress on multiple fronts while maintaining the strategic clarity to prioritize when resources are constrained.

Here’s a practical framework for action:

1

Assess your position honestly.

Most tech providers only monitor direct competitors. Map your value chain position, growth stage, revenue defensibility, data maturity and ecosystem positioning.

2

Balance urgency with clarity.

Product leaders who consistently outperform in fast-moving markets are those who move fastest in the right direction. Set a 12-month direction with strategic bets, defined resource commitments and clear metrics.

3

Build AI readiness across three dimensions.

Infrastructure, data and humans are the three dimensions where AI readiness is crucial for steady growth. Solution providers that build durable positions treat all three as simultaneous priorities.

4

Make the “what comes next” decision now.

The intelligence supercycle will drive significant market consolidation. The positions that matter will be established before the consolidation dynamics become fully visible.

Deploy the right tactical instruments for full-market visibility

Navigating the AI vendor race requires more than general guidance. It requires precise, current intelligence about market dynamics, competitor positioning, buyer behavior and technology trajectory — all calibrated to your specific competitive context.

Gartner equips product and services leaders with the following strategic instruments:

Market evaluation

Magic Quadrants and emerging market assessments that identify market gaps and validate where capital is moving

AI startup intelligence

Analysis of 275+ startups building domain-specific language models that collectively raised $11.9 billion in VC funding

Emerging tech impact radars

Trajectory and maturity signals for emerging capabilities before they restructure markets

Strategic planning insights

Translating complex macro signals into actionable guidance for your specific market context

Actionable, objective insights

Explore these additional complimentary resources and tools on the AI vendor race:

Virtual Briefing
The New Realities in the Intelligence Supercycle

Unlock AI-driven growth with strategies and actionable insights.

Watch Now

Webinar
SaaSpocalypse — $234B of Enterprise Apps Spending Will Be Exposed to Agentic Arbitrage

Protect and grow SaaS value as AI disrupts enterprise apps.

Watch Now

Webinar
How Technology and Services Leaders Can Overcome the AI Value Crisis

Explore how to navigate into the intelligence supercycle.

Watch Now

Already a client? Get access to even more resources in your client portal. Log In ↗

Connect with us

Get actionable, objective business and technology insights that drive smarter decisions and stronger performance on your mission-critical priorities.

U.S.: 1 855 322 5484

International: +44 (0) 3300 296 946

Become a Client

Learn more about the AI vendor race
gartner.com/en/industries/high-tech/ai-vendor-race

Stay connected to the latest insights

Gartner®