

ISVs Lose Sight Of Customer Trust In The Generative AI Gold Rush

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Executive Summary

Like other disruptive technologies, the emergence of generative AI (genAI) has triggered a gold rush, with organizations moving quickly from exploration to adoption and racing to uncover the most lucrative opportunities. Independent software vendors (ISVs) are heavily investing in genAI driven by the need to capitalize on its transformative potential.

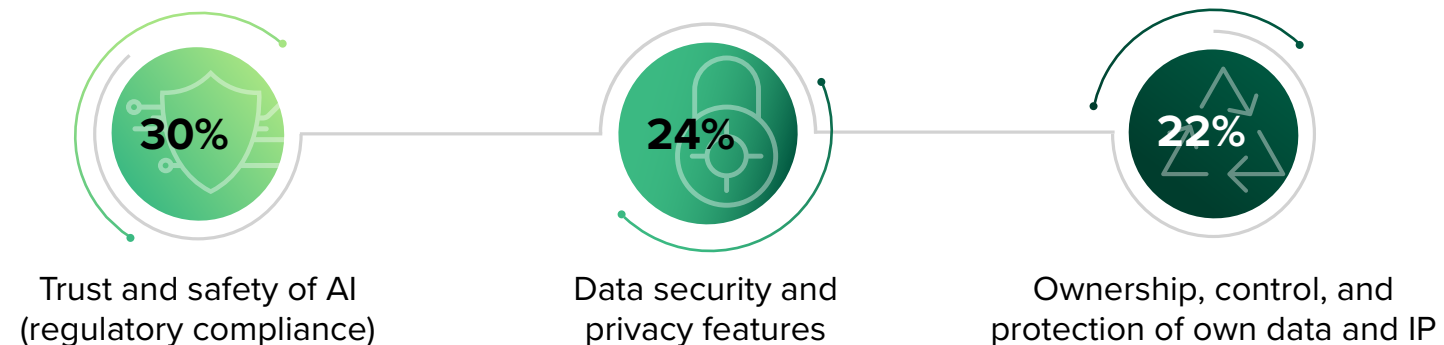
In this rushed enthusiasm, ISVs overlook the importance of data privacy and security, which are critical for customer trust and regulatory compliance. This oversight could lead to increased costs, loss of customer confidence, and potential regulatory penalties — emphasizing the need for robust data governance.

ISVs Underestimate Their Clients' Desire For Trust And Security

The pressure to join the genAI gold rush pushes ISVs to move quickly — often at the expense of understanding and addressing customer needs and concerns. As a result, many ISVs overlook essential factors, such as regulatory compliance, data security, and IP protection, with less than one-third recognizing these as critical to their customers.

“How important are the following aspects of genAI products to your customers?”

(Showing “Critically important”)



“Data security concerns were already high around everything related to cloud and multitenancy — genAI further complicates that. Clients have significant concerns that we can meet not only their governance and compliance standards, but also that of their own customers.”

— HEAD OF PRODUCT, GLOBAL SOFTWARE

Consequently, ISVs Sideline Trust In Their Selling Efforts

ISVs' current value propositions are overly focused on financials, neglecting crucial aspects around trust, transparency, and governance. When we asked decision-makers at ISVs how they sell the value of their genAI services to customers, trust ranked only tenth, highlighting a significant oversight by ISVs in addressing their customers' needs.

ISVs are missing a significant opportunity to lead in the trust space, particularly in heavily regulated industries and customer experience-focused sectors.



Less than 1/3 of ISVs focus on trust, transparency, and governance when selling their services.

“How do you sell the value of your genAI services to customers?”

Revenue generation: Projecting the potential increase in customer revenue

51%

Cost savings: Estimating the reduction in operational costs for customers

44%

Customer satisfaction: Assessing the impact on customer experience and satisfaction

44%

Market demand: Analyzing the market's demand and willingness to pay

42%

Compliance and risk management: Assessing the value in terms of compliance and risk mitigation

42%

Competitive advantage: Evaluating how the service differentiates customers from their competitors

38%

Innovation potential: Estimating the potential for innovation and new opportunities

38%

Efficiency gains: Measuring improvements in productivity and time savings

37%

Benchmarking: Comparing against industry standards and competitor offerings

34%

Trusted AI: Transparency and AI governance

31%

Overlooking Trust And Compliance Hinders Adoption And Jeopardizes ISVs' Profitability

The financial burden of genAI development is substantial for ISVs and the cost of compliance is a major challenge. Furthermore, widespread enterprise adoption of genAI still faces significant obstacles because risks are still top of mind for many ISVs. On top of an already expensive development strategy, overlooking trust and compliance could lead to loss of customers and regulatory penalties. Without a viable business model with trust as a core pillar, the profitability of these initiatives is at risk, proving that enthusiasm alone isn't enough for success in the genAI landscape.

44%

say the top cost- and budget-related challenge is the cost of compliance.

“Many still find the risk involved with using AI bigger than the benefit. Getting sued by a copyright holder can be immensely costly. Think of it in terms of the cost and quality of the data: Is the juice worth the squeeze?”

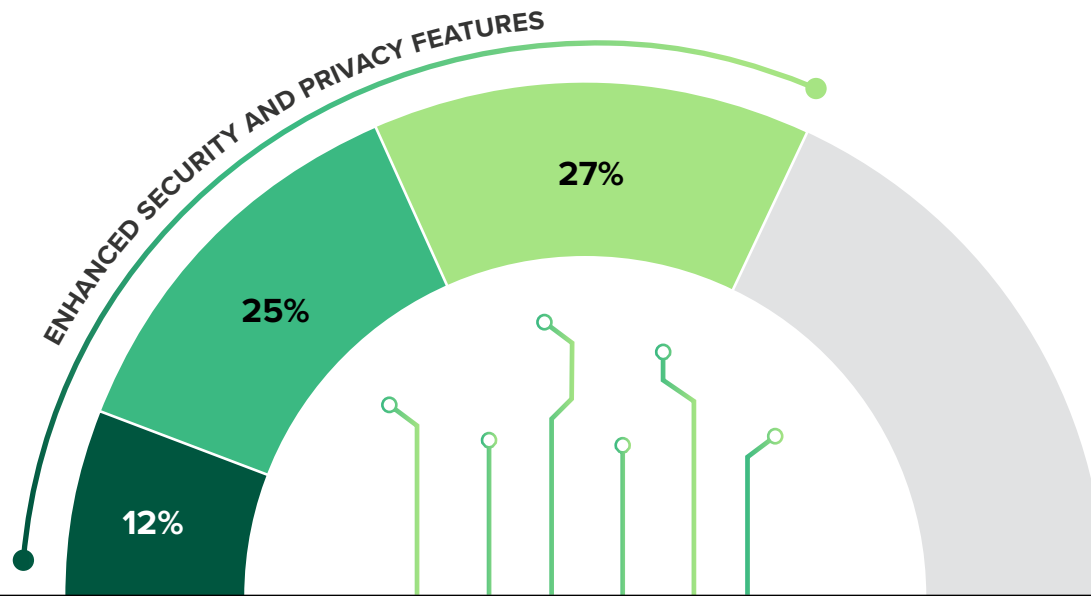
— HEAD OF PRODUCT, GLOBAL SOFTWARE

ISVs Have Ambitious Plans To Bolster Compliance And Security

The majority of ISVs (69%) say ensuring compliance with AI regulations and standards is an important business priority in the next 12 months.

“What new features or capabilities are you planning to add to your genAI products?”

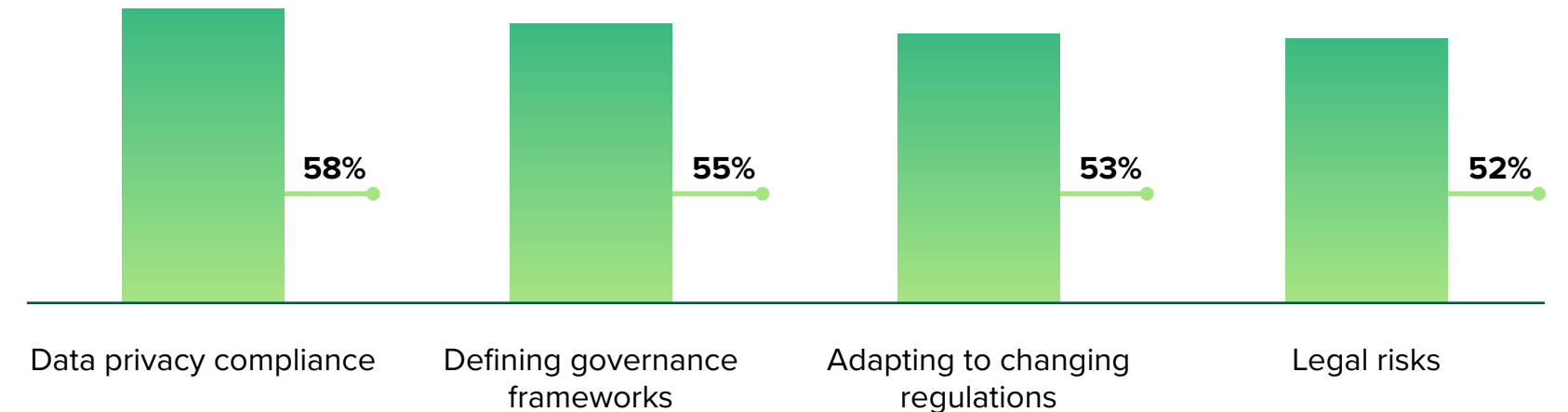
- Exploratory/research phase
- Planning to invest
- Requesting and securing investment



ISVs Need Help To Implement Compliance In Product Development

Ensuring compliance consistently emerges as a top challenge in the development of genAI services and products at ISVs. However, it is crucial for preventing harm, decreasing vulnerabilities, and fostering customer trust.

“What are your top regulatory and compliance challenges in developing and offering genAI services?”



Key Recommendations

ISVs are in the early stages of genAI adoption, needing to transform rapidly alongside their customers. As ISVs transition from laying their foundation to delivering impactful solutions to customers, they will need to lay a strong focus on compliance and security to win customer trust and see growth and revenue emerge. To achieve this, ISVs must:

Make their products safe and compliant. ISVs should look for partners that can help them build a strong genAI security strategy.

Put trust as a core pillar of their value propositions. ISVs must highlight their security capabilities and commitment to ethical and responsible practices to holistically foster trust in AI.

Demonstrate what a genAI-driven company looks like to foster customer trust. Customers struggle to imagine what they will look like after a genAI transformation. ISVs need to showcase customers what they can expect.

Methodology

In this study, Forrester conducted an online survey of 657 executives and decision-makers at ISVs in APAC, EMEA, and North America. Survey participants included decision-makers with responsibility or influence of AI strategy for their organizations. Respondents were offered a small incentive for time spent on the survey. Furthermore, Forrester also completed customer interviews with executives and decision-makers at ISVs in APAC, EMEA, and North America. The study began in September 2024 and was completed in December 2024.

Demographics

REGION	
APAC	33%
EMEA	34%
North America	33%

ROLE	
C-level executive	15%
Vice president	25%
Director	32%
Project manager	28%

NUMBER OF EMPLOYEES	
20,000 or more	11%
5,000 to 19,000	19%
1,000 to 4,999	31%
500 to 999	40%

Explore More

Download the full study: Mining The Generative AI Gold Rush

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