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Gartner Identifies Three Growth Opportunities in the Server Market Through 2015

Key Issues Facing the Server Market to Be Examined at Gartner Data Center Summit 2012, 27-28 November in London and Gartner Data Center Conference 2012, 3-6 December in Las Vegas

STAMFORD, Conn., 4 October, 2012 — Three key server segments — hyperscale data centres, hosted virtual desktop (HVD) workloads and extreme low-energy (ELE) servers — will offer opportunities for growth through 2015, according to Gartner, Inc. Servers represent the control points of hardware infrastructure in data centres, where workloads and applications reside, and Gartner analysts estimate that end-user spending on servers accounts for about 60 per cent of overall data centre hardware.

"The server market was worth \$52.8 billion worldwide in 2011, and although it's mature, it will offer considerable growth opportunities in the coming years," said Kiyomi Yamada, principal research analyst at Gartner. "These opportunities will arise as demand for certain types of workloads increase and use of servers' shifts to very large data centres, virtualisation and energy-efficient products."

"Currently, the server market is highly competitive, and despite its size, offers only small profit margins," said Jeffrey Hewitt, research vice president at Gartner. "The prevalence of standardised (x86) platforms also makes it hard for companies to differentiate their products. In response, server providers, aiming for higher profit margins, have been making more effort to create fabric-based infrastructure and converge around integrated systems. To succeed in the server market in the next few years, companies must innovate and respond quickly to shifts in demand."

Opportunity 1: Increasing Demand for Hyperscale Data Centres Creates an Opportunity for Providers to Boost Server Shipments

Companies such as Google, Amazon and Facebook have huge data centres that serve external customers. These data centres need large numbers of servers and are called hyperscale data centres. The hyperscale/cloud data centre segment already accounts for about 11 per cent of server shipments and Gartner expects the segment to continue to experience strong growth, making it about 17 per cent of the total x86 server market in unit terms by 2015.

"The hyperscale data centre market is a big one, but limited, with only a few dozen — albeit, large — potential customers," said Ms Yamada. "This strong, concentrated buying power inevitably means intense competition and lower margins, as well as fluctuating demand. Order schedules are more likely to be unpredictable, aligning with these companies' infrastructure build-out phases, which depend on each company's business plan. In order to be successful in this opportunity, organisations must offer custom design, manufacturing, installation and support capabilities that specifically target the segment."

Opportunity 2: Flexibility of HVDs Means More Enterprises Will Move Their Workloads, Increasing Demand for Virtualised Servers

Gartner estimates that by 2015, virtualised physical servers deployed for HVD workloads will reach about 368,000 units and will account for 16.7 per cent of virtualised physical servers for all workloads. HVD workloads are among the fastest-growing server workloads. Users have taken to them quickly and in large numbers, chiefly because of the business continuity and operational efficiency they offer. Demand for HVDs will also be supported by organisations' increasing use of media tablets and use in enterprise data centres.

The main target for HVDs is large enterprises or public-sector organisations, but small or midsize businesses (SMBs) are also interested, and demand from this market segment has increased. There is also a good opportunity to offer optimised HVD solutions that cover servers, storage and networking.

Opportunity 3: Efficiency and Energy-Saving Factors Will Boost Demand for ELE Servers, Offering a New Opportunity for Providers to Diversify

This is a very new market, but Gartner estimates that ELE servers will replace about 2.4 per cent of the total x86 market by 2015, as the need for power efficiency and greener IT solutions becomes more prevalent. ELE servers can be used to increase performance per watt for simple tasks such as static web pages, streaming content, web serving, Apache Hadoop analytics and memcached (a parallel database caching scheme), which can help to free power for conventional servers dealing with other workloads.

Although potentially lucrative, the ELE market isn't for everyone. Gartner said that organisations need to investigate whether an investment in developing ELEs fits with their broader business goals. As very new servers, they require a large amount of R&D before products can be launched, so not only must companies be able to introduce low-power servers with small footprints, but they must also be willing to do the necessary development and testing.

Additional information is available in the Gartner report "Marketing Essentials: Three Growth Opportunities in the Server Market Through 2015." The report is available on Gartner's website at <http://www.gartner.com/resId=2140215>.

Additional analysis on the server market will be discussed at the Gartner Data Center Summit 2012 taking place from 27 to 28 November in London and at the Gartner Data Center Conference 2012, from 3 to 6 December in Las Vegas. These events deliver a wealth of strategic guidance and tactical recommendations on the hottest issues, including servers, next-stage virtualisation, and the impact of cloud computing, mobility, storage, facilities, business continuity and disaster recovery.

For further information on the London Summit visit <http://www.gartner.com/eu/datacenter>, or to register for the Summit, the media can contact Rob van der Meulen on + 44 1784 26 7738 or at rob.vandermeulen@gartner.com. Information from the event will be shared on Twitter at http://twitter.com/Gartner_inc using the hashtag #GartnerDC.

About Gartner Data Center Summit 2012

At the Gartner Data Center Summit 2012 Gartner analysts will explore the full spectrum of issues that impact the data centre including servers, operating systems, storage, mobility and business continuity and disaster recovery. The aim of the Summit is to help data centre professionals deliver cost-effective services that generate clear business benefits, by capitalising on disruptive trends such as virtualisation and cloud computing.

About Gartner

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