Gartner Says Worldwide Server Shipments Grew 14.2 Per Cent and Revenue Increased 15.3 Per Cent in the Third Quarter of 2010

EMEA Server Shipments Increased 10.4 Per Cent While Revenue Grew 7.4 Per Cent

STAMFORD, Conn., November 29, 2010 — Worldwide server shipments in the third quarter of 2010 grew 14.2 per cent year-on-year, while revenue moved upward 15.3 per cent year-on-year, according to Gartner, Inc.

"The third quarter produced some solid year-on-year growth globally in both shipments and vendor revenue," said Jeffrey Hewitt, research vice president at Gartner. "All regions showed growth in both shipments and vendor revenue save one. The Middle East and Africa fell 2.9 per cent in vendor revenue in spite of shipment growth of 4.2 per cent for the quarter.'"

"As in the first half of this year, x86-based servers were the main driver of the market; they grew 14.9 per cent in units and 29.5 per cent in revenue in the third quarter of 2010. Also following earlier trends, the x86-based server market provided an increase in average selling prices from more robust server configurations to accommodate virtualisation; these higher average selling prices pushed revenue higher than shipments, and this was the case in the third quarter for all regions. The 'Other' CPU category, which is primarily mainframes, also added to the revenue increase for the quarter with growth of 9.9 per cent. RISC/Itanium Unix servers remained in a slump with drops of 10.1 per cent in shipments and 9.5 per cent in vendor revenue compared with the same quarter last year," Mr Hewitt said.

From the regional standpoint, Latin America grew the most significantly in shipments with a 28.3 per cent increase. Eastern Europe posted the highest vendor revenue growth at 33.3 per cent for the period. The US climbed 17 per cent in shipments and 16.3 per cent in vendor revenue with sales being driven by demand from large-scale data centre purchases; Western Europe grew 8.8 per cent in shipments and 5.7 per cent in vendor revenue.

HP led the worldwide server market on the basis of revenue (see Table 1). The company posted over $3.9 billion in server vendor revenue for a total share of 32.1 per cent worldwide for the third quarter of 2010. This revenue share was up 1.9 per cent year-on-year. All of the top five global vendors except Oracle had year-on-year revenue increases for the third quarter of 2010.

Table 1
Worldwide: Server Vendor Revenue Estimates, 3Q10 (US Dollars)

Company	3Q10 Revenue	3Q10 Market Share (%)	3Q09 Revenue	3Q09 Market Share (%)	3Q09-3Q10 Growth (%)
HP	3,942,615,230	32.1	3,219,767,761	30.2	22.5
IBM	3,717,419,666	30.2	3,383,768,798	31.7	9.9
Dell	1,789,631,319	14.6	1,424,751,880	13.4	25.6
Fujitsu	582,244,543	4.7	553,406,410	5.2	5.2
Oracle	763,964,420	6.2	784,566,516	7.4	-2.6
Other Vendors	1,493,629,820	12.2	1,296,196,855	12.2	15.2
Total	**12,289,504,997**	**100.0**	**10,662,458,221**	**100.0**	**15.3**

Source: Gartner (November 2010)

In server shipments, HP remained the worldwide leader in the third quarter of 2010 (see Table 2) with a year-on-year shipment increase of 16.2 per cent for the quarter. This growth was driven by increases produced from HP's ProLiant brand. HP's worldwide server shipment share was 32.6 per cent, representing a 0.6 per cent increase in share from the same quarter in 2009.

Of the top five vendors in server shipments worldwide, Dell, Fujitsu, HP and IBM posted increases in units for the third quarter.

As noted above, the primary driver of the market growth for the quarter remained the x86-based server hardware platform as it has been for the first half of 2010. One difference for this quarter was the increase in revenue for the "Other" CPU category. RISC/Itanium Unix continued to produce worldwide declines in both shipments and revenue for the period despite growth of that platform in areas such as Asia/Pacific, Japan and Latin America.

Another difference in the third quarter compared with the first two quarters was in form factor growth. While blade servers continued to grow, they were outpaced by rack-optimised servers (with significant contributions from "skinless" server versions) this quarter. Blade servers grew 7 per cent in shipments and 26 per cent in vendor revenue; rack-optimised servers increased 23.7 per cent in shipments and 31.2 per cent in revenue for the quarter.

Table 2
Worldwide: Server Vendor Shipment Estimates, 3Q10 (Units)

Company	3Q10 Shipments	3Q10 Market Share (%)	3Q09 Shipments	3Q09 Market Share (%)	3Q09-3Q10 Growth (%)
HP	715,481	32.6	615,693	32.0	16.2
Dell	501,593	22.9	437,447	22.8	14.7
IBM	287,574	13.1	246,493	12.8	16.7
Fujitsu	75,479	3.4	68,728	3.6	9.8
NEC	37,099	1.7	37,863	2.0	-2.0
Other Vendors	577,256	26.3	516,069	26.8	11.9
Total	**2,194,483**	**100.0**	**1,922,293**	**100.0**	**14.2**

Source: Gartner (November 2010)

In Europe, the Middle East and Africa (EMEA), server shipments surpassed 581,000 units in the third quarter of 2010, an increase of 10.4 per cent from the same period last year (see Table 4). Server revenue totalled $3.3 billion in the third quarter of 2010, a growth of 7.4 per cent from the same quarter last year (see Table 3).

“The EMEA server market’s recovery continues but growth rate levels remain lower than in 2008,” said Adrian O’Connell, research director at Gartner. “While the recovery is encouraging, ongoing economic uncertainty in many European countries continues to inhibit higher levels of demand and spending.”

In the third quarter of 2010, Dell grew its shipments 22.6 per cent and was the only top five vendors to exhibit growth above the average market growth. Dell benefited in part from a weak performance last year and an increased focus on its enterprise business which is starting to pay dividends. HP maintained the No. 1 position but saw its market share drop slightly this quarter. Oracle was the only vendor of the top five ranking to show a decline year-on-year. “Following the acquisition of Sun’s hardware business, the company now faces the challenge of preventing further declines in the hardware segment,” Mr O’Connell said.

In the x86 market, total volume in EMEA grew 11.0 per cent in the third quarter of 2010. “The x86 market continues to grow in importance for the overall server market performance. In the third quarter of 2010, it accounted for 70 per cent of total market revenue, up 10 per cent from the same period in 2009," said Mr O'Connell. "The x86 segment also highlights the relative performance of vendors as x86 revenue increased 25.9 per cent year-on-year and is the one key segment to have surpassed the shipment levels achieved in the third quarter of 2008. Vendors in the other segments continued to suffer from ongoing weakness in demand."

Overall, RISC and Itanium Unix revenues declined 21.7 per cent in the third quarter of 2010. HP moved to the No. 1 position in the third quarter of 2010, and despite a decline of 18.5 per cent, it increased its share to 36.9 per cent. IBM moved to the No. 2 position and recorded the sharpest decline of 28.3 per cent. IBM's poor performance was exacerbated by its transition to the new POWER7 based systems. Oracle slipped to third position with a decline of 18 per cent. Bull and Fujitsu maintained their respective fourth and fifth places.

"This year has been very challenging for RISC Itanium Unix vendors," said Mr O'Connell. "The outlook for 2011 poses continued challenges for server vendors as revenue is expected to grow by only 0.8 per cent. A weak economic environment will inhibit overall levels of server spending which will place a premium on vendors who are able to successfully execute on competitive attack programmes."

Table 3
EMEA: Server Vendor Revenue Estimates, 3Q10 (US Dollars)

Company	3Q10 Revenue	3Q10 Market Share (%)	3Q09 Revenue	3Q09 Market Share (%)	3Q09-3Q10 Growth (%)
HP	1,375,233,250	42.1	1,200,848,662	39.5	14.5
IBM	841,400,217	25.8	874,013,643	28.7	-3.7
Dell	381,616,100	11.7	303,349,472	10.0	25.8
Fujitsu	206,240,478	6.3	197,864,687	6.5	4.2
Oracle	203,354,075	6.2	256,463,165	8.4	-20.7
Other Vendors	259,405,291	7.9	210,841,028	6.9	23.0
Total	**3,267,249,411**	**100.0**	**3,043,380,657**	**100.0**	**7.4**

Source: Gartner (November 2010)

Table 4
EMEA: Server Vendor Shipments Estimates, 3Q10 (Units)

Company	3Q10 Shipments	3Q10 Market Share (%)	3Q09 Shipments	3Q09 Market Share (%)	3Q09-3Q10 Growth (%)
HP	257,863	44.4	236,051	44.8	9.2
Dell	109,447	18.8	89,293	17.0	22.6
IBM	70,897	12.2	64,407	12.2	10.1
Fujitsu	38,495	6.6	36,442	6.9	5.6
Oracle	10,098	1.7	15,611	3.0	-35.3
Other Vendors	94,494	16.3	84,747	16.1	11.5
Total	**581,294**	**100.0**	**526,551**	**100.0**	**10.4**

Source: Gartner (November 2010)

Additional information is available to subscribers of Gartner's Servers Quarterly Statistics Worldwide program. This program provides worldwide market size and share data by vendor revenue and unit shipments. Segments include: region, vendor, vendor brand, sub-brand, CPU type, CPU group, Max CPU, platform, price band, operating system and distribution channel.

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