

Gartner Says Worldwide Application Infrastructure and Middleware Market Revenue Increased 6.9 Per Cent in 2008

Analysts Examine the State of the Industry at Gartner SOA & Application Development and Integration Summit 2009, June 24-25 in London

STAMFORD, Conn., May 6, 2009 — Revenue in the application infrastructure and middleware (AIM) software market* totaled \$15.1 billion worldwide in 2008, a 6.9 per cent increase from 2007, according to Gartner, Inc. In 2007, worldwide AIM revenue grew 13.3 percent and totalled \$14.1 billion.

"Both the slowdown of the economy and the effects of the acquisition of BEA Systems, the second-largest middleware player, by Oracle played a major role in shaping the performance of the market," said Fabrizio Biscotti, research director at Gartner. "Because of budget cuts, there has been a gradual reduction of spending with consequent downsizing, delay or cancellation of projects that has undoubtedly hit vendors' revenues. On the other hand, an acquisition of such magnitude has led to the typical uncertainty that always follows major M&A activities. The combined net result of these two factors for the AIM market has been a single-digit growth rate after three consecutive years of double-digit growth."

As the global economy goes through recession tunnelling, the AIM market will experience a slight decline of 0.8 per cent in 2009. In turn, when recovery does occur, Gartner expects it to be solid for this technology, because pent-up demand has already started to build up. "Once the recent acquisitions have been digested from an operational and product portfolio perspective, we expect the competition at the top end of the market to become more fierce, to the benefit of customers," Mr Biscotti.

Market concentration remained fairly stable and in line with the overall software industry average. The top five vendors accounted for approximately 53 per cent of the AIM market. IBM maintained its leading position and accounted for 30.8 per cent of the total software revenue in 2008 (see Table 1). Among the largest players, some significant shifts occurred with Oracle becoming the No. 2 vendor, followed by Microsoft and Software AG, which in 2008 both gained positions against their immediate competitors.

Table 1

Worldwide Vendor Revenue Estimates for Total AIM Software, 2008 (Millions of U.S. Dollars)

| Company | 2008 Revenue | 2008 Market Share (%) | 2007 Revenue | 2007 Market Share (%) | 2007-2008 Growth (%) |
|--------------|-----------------|-----------------------|---------------|-----------------------|----------------------|
| IBM | 4,659.4 | 30.8 | 4,090.3 | 28.9 | 13.9 |
| Oracle | 2,061.0 | 13.6 | 1,203.3 | 8.5 | 71.3 |
| BEA | 310.2 | 2.0 | 1,323.9 | 9.3 | -76.6 |
| Microsoft | 550.0 | 3.6 | 425.7 | 3.0 | 29.2 |
| Software AG | 436.6 | 2.9 | 313.0 | 2.2 | 39.5 |
| Tibco | 434.3 | 2.9 | 426.6 | 3.0 | 1.8 |
| Others | 6,694.2 | 44.2 | 6,389.8 | 45.1 | 4.8 |
| Total | 15,145.7 | 100.0 | 14,173 | 100.0 | 6.9 |

Source: Gartner (May 2009)

Among the 12 segments in which Gartner divides the AIM market, integration appliances were the fastest-growing segment with a 44 per cent increase in 2008, followed by service-oriented architecture (SOA) governance technologies, business process management suites (BPMSs), and enterprise service bus suites, which all grew at double-digit rates. These segments continued to benefit from the demand for SOA.

"SOA governance technologies are an innovative and dynamic market where there are still many smaller players, implying that there is likely to be consolidation in the near future," said Teresa Jones, senior analyst at Gartner. "The BPMS market continues to show strong growth, demonstrating particular value in a challenging economy. This value comes partly through enabling process automation that supports cost-cutting initiatives, and by helping companies focus on quickly improving their business processes."

North America and Western Europe remained the largest regional markets, followed by Japan and Asia/Pacific. These regions were also the slowest-growing. In Asia/Pacific, traditionally the fastest-growing region, Oracle's acquisition of BEA contributed to the slowdown.

"Oracle's acquisition of BEA had a profound effect in Asia/Pacific because BEA historically had been a significant vendor controlling a huge portion of the regional market, particularly in China," said Asheesh Raina, principal analyst at Gartner, and lead analyst for AIM in Asia/Pacific. "The process of combining BEA and Oracle, and the relative uncertainty surrounding the outcome, has driven potential or undecided customers to delay their purchases."

"Overall, the AIM market is in flux with vendors at the high end consolidating between major acquisitions, and solid organic growth of up-and-coming players," concluded Mr Biscotti. "Nonetheless we are witnessing vibrant activity in emerging technology areas, such as extreme transaction processing platforms and complex event processing, which are stimulating the growth of highly specialised and innovative vendors that will surely gain visibility in the near future."

*The AIM market includes 12 segments that comprise general-purpose portal products, business-process-management-enabling technologies, application integration and platform middleware, business-to-business/multi-enterprise products, integration as a service, SOA governance technologies, and integration appliances.

Additional information is available in the Gartner report "Market Share: Application Infrastructure and Middleware Software, Worldwide, 2008." The report is on Gartner's website at http://www.gartner.com/DisplayDocument?ref=g_search&id=955112&subref=simplesearch.

Gartner analysts will present additional findings on the future of the AIM industry at the Gartner SOA & Application Development and Integration Summit, June 24-25 at the Royal Lancaster Hotel in London, UK. The Summit gives the richest view of SOA, application development, application integration, and emerging trends available. Additional information is available on the Web at www.europe.gartner.com/soa. Members of the media can register by contacting Holly Stevens at holly.stevens@gartner.com.

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