Gartner

Press Release

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Gartner Says Worldwide Server Revenue Grew 7.9 Per Cent and Shipments Increased 7 Per Cent in 2011

In EMEA Server Revenue Grew 5 Per Cent and Shipments Increase 3.3 Per Cent in 2011

EGHAM, UK, 29 February, 2012 — The worldwide server market ended 2011 with mixed results, as worldwide server revenue declined 5.4 per cent in the fourth quarter of 2011 and server shipments increased 4.5 per cent, according to Gartner, Inc. For the year, worldwide server revenue grew 7.9 per cent (see Table 3), and server shipments increased 7 per cent (see Table 4).

"The shortage of hard-disk drive (HDD) inventory because of the Thailand floods in October 2011 provided supply issues, and many providers could not meet the demand in the last weeks of 2011, said Jeffrey Hewitt, research vice president at Gartner. "We expect the negative impact of these drive supply issues to continue into the first quarter of 2012."

From a geographic perspective, all regions grew year-on-year in shipments for the quarter, with the exception of Western Europe which fell 3.1 per cent for the period. In vendor revenue for the fourth quarter of 2011, Asia/Pacific, Eastern Europe, Japan and Middle East/Africa all posted mid-high-single-digit to low-double-digit year-on-year growth, while Canada, Latin America, USA and Western Europe all posted high-single-digit to low-double-digit declines.

IBM was the market leader in the worldwide server market based on revenue (see Table 1) - the company ended the year with $4.7 billion in revenue for the fourth quarter of 2011 for a total share of 33.7 per cent. IBM's revenue was down 10.2 compared to the same quarter in 2010. IBM's growth was fuelled by its Power Systems product line.

Of the top five global vendors, Dell was the only vendor to experience a growth in worldwide server revenue with 7.3 per cent growth in the fourth quarter of 2011.

Table 1
Worldwide: Server Vendor Revenue Estimates, 4Q11 (US Dollars)

Company	4Q11 Revenue	4Q11 Market Share (%)	4Q10 Revenue	4Q10 Market Share (%)	4Q11-4Q10 Growth (%)
IBM	4,682,403,526	33.7	5,213,930,594	35.4	-10.2
HP	3,744,672,592	26.9	4,457,791,867	30.3	-16.0
Dell	2,060,795,399	14.8	1,920,161,049	13.1	7.3
Oracle	735,403,237	5.3	805,582,264	5.5	-8.7
Fujitsu	496,164,699	3.6	560,391,957	3.8	-11.5
Other Vendors	2,192,866,498	15.8	1,753,824,781	11.9	25.0
Total	**13,912,305,950**	**100.0**	**14,711,682,511**	**100.0**	**-5.4**

Source: Gartner (February 2012)

In server shipments, HP remained the worldwide leader for the fourth quarter of 2011 (see Table 2). HP accounted for 28.1 per cent of global shipments in the fourth quarter of 2011, despite a shipment decline of 8.1 per cent.

Of the top five vendors in server shipments worldwide, Lenovo and Dell were the only vendors to post shipment increases. Lenovo's shipments grew 51 per cent, and Dell increased 11.2 per cent compared to the fourth quarter of 2010.

The results for the quarter were centred around x86 server demand which increased in shipments by 5 per cent and revenue by 2.6 per cent for the fourth quarter of 2011.

Table 2
Worldwide: Server Vendor Shipments Estimates, 4Q11 (Units)

Company	4Q11 Shipments	4Q11 Market Share (%)	4Q10 Shipments	4Q10 Market Share (%)	4Q11-4Q10 Growth (%)
HP	704,853	28.1	767,026	32.0	-8.1
Dell	573,125	22.9	515,274	21.5	11.2
IBM	329,232	13.1	332,254	13.9	-0.9
Fujitsu	69,918	2.8	75,716	3.2	-7.7
Lenovo	49,084	2.0	32,516	1.4	51.0
Other Vendors	777,971	31.1	674,338	28.1	15.4
Total	**2,504,184**	**100.0**	**2,397,124**	**100.0**	**4.5**

Source: Gartner (February 2012)

In 2011, the server market was fuelled primarily by x86 servers which are the predominant platform used for large scale data centre build outs, particularly in North America while emerging regions like Asia Pacific and Latin America also added to the growth for the year.

"2011 was a year that saw worldwide server growth driven by mega data centres and the explosion of client devices such as smartphones and tablets accessing web content," Mr Hewitt said. "We have definitely seen a more pronounced segmentation between hyper-scale data centres and the traditional enterprise and mid-sized customer."

"Ongoing blade server and 'skinless' server growth in the x86 segment also helped push 2011 results in spite of ongoing constraints in other segments such as RISC/Itanium Unix platforms," Mr Hewitt said.

Blade servers posted a revenue increase of 14.5 per cent and a shipment increase of 4.2 per cent for the year. HP was the 2011 leader in blade servers accounting for 44 per cent of shipments, with IBM being in second place at 21 per cent. Cisco grew to an 8 per cent shipment share in the form factor to end the year in fourth place, just behind Dell who had 9.3 per cent.

Table 3
Worldwide: Server Vendor Revenue Estimates, 2011 (US Dollars)

Company	2011 Revenue	2011 Market Share (%)	2010 Revenue	2010 Market Share (%)	2011-2010 Growth (%)
IBM	16,084,692,948	30.5	15,045,308,591	30.8	6.9
HP	15,320,675,791	29.0	15,332,765,040	31.3	-0.1
Dell	7,739,416,989	14.7	7,187,356,464	14.7	7.7
Oracle	3,233,735,150	6.1	3,095,981,831	6.3	4.4
Fujitsu	2,528,149,487	4.8	2,141,541,849	4.4	18.1
Other Vendors	7,886,618,272	14.9	6,121,005,750	12.5	28.8
Total	**52,793,288,638**	**100.0**	**48,923,959,524**	**100.0**	**7.9**

Source: Gartner (February 2012)

Table 4
Worldwide: Server Vendor Shipments Estimates, 2011 (Units)

Company	2011 Shipments	2011 Market Share (%)	2010 Shipments	2010 Market Share (%)	2011-2010 Growth (%)
HP	2,805,210	29.5	2,798,773	31.5	0.2
Dell	2,111,149	22.2	2,070,118	23.3	2.0
IBM	1,162,695	12.2	1,155,451	13.0	0.6
Fujitsu	297,486	3.1	289,782	3.3	2.7
Lenovo	159,725	1.7	100,528	1.1	58.9
Other Vendors	2,986,906	31.4	2,482,661	27.9	20.3
Total	9,523,171	**100.0**	8,897,313	**100.0**	**7.0**

Source: Gartner (February 2012)

“The outlook for 2012 suggests that growth will continue,” Mr Hewitt said. “These increases continue to be buffered by the use of x86 server virtualisation to consolidate physical machines as they are replaced, but the introduction of new processors from Intel and AMD is likely to help fuel and initiate a new round of server replacement cycles.”

In Europe, the Middle East and Africa (EMEA), server shipments reached 700,755 units in the fourth quarter of 2011, a decrease of 0.8 per cent from the same period last year (see Table 6). Server revenue totalled $4.1 billion in the fourth quarter, a decline of 4.6 per cent from the same quarter last year (see Table 5). For the year, EMEA server revenue grew 5 per cent, and server shipments increased 3.3 per cent.

"Following the recovery that started in 2010, the EMEA server market suffered a second consecutive decline in the fourth quarter, this time with both units and revenue declining," said Adrian O'Connell, research director at Gartner. "Whilst the Eastern Europe and Middle East and Africa regions saw growth, this was not enough to offset the weakness in Western Europe where revenue declined by nearly 8 per cent. The market has failed to recover to anywhere near pre-downturn levels. Current market revenue levels are only around three quarters of what we saw in the fourth quarter of 2007, which underlines how much pressure vendors are currently under."

The fourth quarter of 2011 saw mixed results in the key segments. While x86 system revenue was flat growing at 0.6 per cent in the fourth quarter of 2011, the "Other CPU" category declined 20.9 per cent and RISC/Itanium UNIX systems declined 3.9 per cent. "The "Other CPU" category is highly cyclical and prone to swings up and down, but the RISC/Itanium UNIX segment in particular is increasingly facing longer term challenges as many users look at alternative platforms. The economic challenges in EMEA also continue to impact the server market as spending is constrained in each of the key technology segments," said Mr O'Connell.

Of the top five vendors, only Dell and Oracle — ranked No. 3 and No. 4 respectively — managed to achieve revenue growth in the fourth quarter of 2011. HP held onto the No. 1 position, despite a 10.9 per cent decline year-on-year. Second-ranked IBM also declined, by 8.2 per cent, largely due to cyclical weakness in its System z product line. In volume terms, Dell and Cisco — ranked No. 2 and No. 5 respectively — were the only vendors in the top five ranking to achieve year-on-year growth.

Mr O'Connell added: "Overall, RISC and Itanium Unix revenue decreased 3.9 per cent in the fourth quarter of 2011, although this top-level figure does not tell the whole story. HP had weak results in this segment, but IBM is benefiting from the difficulties of other vendors and consolidating its lead." IBM grew RISC/Itanium UNIX revenue by 21.4 per cent and ended the fourth quarter with a 48.4 per cent share of revenue in this segment.

"With a weak economic backdrop expected to persist throughout 2012, server vendors are likely to continue facing difficult market conditions over the next few quarters," said Mr O'Connell. "However, with the x86 segment going through a replacement cycle this year there will be opportunities to gain share for vendors with the best execution."

Table 5
EMEA: Server Vendor Revenue Estimates, 4Q11 (US Dollars)

Company	4Q11 Revenue	4Q11 Market Share (%)	4Q10 Revenue	4Q10 Market Share (%)	4Q11-4Q10 Growth (%)
HP	1,394,256,341	34.0	1,565,689,575	36.4	-10.9
IBM	1,274,476,789	31.1	1,388,060,314	32.3	-8.2
Dell	485,004,371	11.8	441,637,041	10.3	9.8
Oracle	244,889,278	6.0	217,507,212	5.1	12.6
Fujitsu	209,486,138	5.1	252,238,215	5.9	-16.9
Other Vendors	496,304,972	12.1	438,815,084	10.2	13.1
Total	**4,104,417,889**	**100.0**	**4,303,947,440**	**100.0**	**-4.6**

Source: Gartner (February 2012)

Table 6
EMEA: Server Vendor Shipment Estimates, 4Q11 (Units)

Company	4Q11 Shipments	4Q11 Market Share (%)	4Q10 Shipments	4Q10 Market Share (%)	4Q11-4Q10 Growth (%)
HP	290,194	41.4	307,959	43.6	-5.8
Dell	134,684	19.2	118,874	16.8	13.3
IBM	97,601	13.9	98,172	13.9	-0.6
Fujitsu	36,023	5.1	43,007	6.1	-16.2
Cisco	11,580	1.7	4,987	0.7	132.2
Other Vendors	130,673	18.6	133,204	18.9	-1.9
Total	**700,755**	**100.0**	**706,202**	**100.0**	**-0.8**

Source: Gartner (February 2012)

Additional information is available to subscribers of Gartner's Servers Quarterly Statistics Worldwide programme. This programme 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 systems and distribution channels.

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