Gartner

Press Release

Gartner Says 2009 Worldwide Server Market Decline Was Softened by Improved Fourth Quarter Performance

EMEA Server Shipments Declined 4 Per Cent in Fourth Quarter 2009; Revenue Fell 9.8 Per Cent

STAMFORD, Conn., February 24, 2010 — In the fourth quarter of 2009, worldwide server shipments grew 4.5 per cent year-on-year, while revenue fell 3.2 per cent, according to Gartner, Inc.

“The recovery that began in the third quarter of 2009 based on x86 servers extended into the fourth quarter,” said Jeffrey Hewitt, research vice resident at Gartner. “However, it is important to put this into context. The fourth quarter of 2008 was quite weak, so the fourth quarter of 2009 did not have to produce huge x86 server numbers to result in an increase. At the same time, other segments like RISC/Itanium Unix and mainframes remained constrained and that exerted downward pressure on overall vendor revenue results.”

"Blade servers pushed ahead with growth of 11.1 per cent in shipments and 22.1 per cent in vendor revenue for the period. RISC/Itanium Unix servers, on the other hand, dropped 30.5 per cent in shipments and fell 20 per cent in revenue in the fourth quarter," Mr Hewitt said.

Regions that grew in shipments were Asia/Pacific, the Middle East and Africa, and the US, at 19.6, 13.4, and 9.0 per cent, respectively. Canada, Eastern Europe, Japan, Latin America and Western Europe had shipment declines of 9.4, 13.3, 1.7, 6.8, and 4.0 per cent, respectively. Regions that grew in vendor revenue were Asia/Pacific, Latin America, and the Middle East and Africa at 9.1, 22.1, and 9.4 per cent, respectively. Canada, Eastern Europe, Japan, the US and Western Europe had sales declines of 1.7, 26.2, 6.7, 5.1, and 9.2 per cent, respectively.

IBM continued to lead the worldwide server market based on revenue (see Table 1). In the fourth quarter of 2009, IBM's server revenue was about $4.1 billion, reflecting a 5.9 per cent year-on-year decline. IBM's market share was 32.7 per cent, a 1 percentage point decline. System x grew, while System p and System z posted declines for the quarter.

Of the top five global vendors, HP, Dell and Fujitsu grew in revenue for the quarter while IBM and Sun posted declines.

Table 1
Worldwide: Server Vendor Revenue Estimates, 4Q09 (US Dollars)

Company	4Q09 Revenue	4Q09 Market Share (%)	4Q08 Revenue	4Q08 Market Share (%)	4Q09-4Q08 Growth (%)
IBM	4,125,145,125	32.7	4,384,617,846	33.7	-5.9
HP	3,951,339,524	31.3	3,935,135,353	30.2	0.4
Dell	1,519,699,047	12.1	1,403,027,996	10.8	8.3
Sun Microsystems	960,830,493	7.6	1,256,435,607	9.7	-23.5
Fujitsu	563,384,642	4.5	560,392,872	4.3	0.5
Others	1,486,168,259	11.8	1,477,943,169	11.4	0.6
Total	**12,606,567,089**	**100.0**	**13,017,552,843**	**100.0**	**-3.2**

Source: Gartner (February 2010)

In server shipments, HP remained the worldwide leader for the fourth quarter of 2009 with a year-on-year shipment increase of 3.8 per cent (see Table 2). The ProLiant brand showed growth in shipments while all of its other brands fell in the fourth quarter of 2009 compared with the fourth quarter of 2008.

Of the top 10 vendors in server shipments worldwide, all but NEC and Sun had shipment increases for the period.

The results for the quarter were centred around demand for x86 servers which increased in shipments by 6.3 per cent and in revenue by 14.3 per cent for the fourth quarter of 2009.

Table 2
Worldwide: Server Vendor Shipments Estimates, 4Q09 (Units)

Company	4Q09 Shipments	4Q09 Market Share (%)	4Q08 Shipments	4Q08 Market Share (%)	4Q09-4Q08 Growth (%)
HP	717,212	32.1	690,666	32.3	3.8
Dell	484,702	21.7	464,072	21.7	4.4
IBM	320,007	14.3	289,635	13.5	10.5
Sun Microsystems	61,866	2.8	81,229	3.8	-23.8
Fujitsu	67,391	3.0	65,088	3.0	3.5
Others	584,007	26.1	548,910	25.7	6.4
Total	**2,235,185**	**100.0**	**2,139,601**	**100.0**	**4.5**

Source: Gartner (February 2010)

2009 was highly challenging for the worldwide server space. Worldwide server shipments declined 16.6 per cent in 2009 compared with 2008, while 2009 server revenue declined 18.3 per cent from 2008.

Blade servers posted a revenue increase of 1.3 per cent and a shipment decrease of 11.4 per cent for the year. HP was the 2009 leader with blade servers at 46.8 per cent shipment share. IBM was in the No.2 position at 28.2 per cent. These two vendors continued to dominate this form factor.

The outlook for 2010 suggests a return to shipment growth in the middle or high single digits and revenue growth at a slightly lower level. These increases are being buffered by the use of x86 server virtualisation to consolidate physical machines as they are replaced.

In Europe, the Middle East and Africa (EMEA), server shipments surpassed 676,000 units in the fourth quarter of 2009, a decline of 4 per cent from the same period last year (see Table 4). Server revenue totalled $3.9 billion in the fourth quarter of 2009, a decline of 9.8 per cent from the same quarter last year (see Table 3).

“The EMEA server shipment market exhibited a single-digit decline in the fourth quarter of 2009, which is an improvement from the double-digit decline registered in the third quarter of 2009,” said Errol Rasit, senior analyst at Gartner. “It also exhibited sequential growth from the third quarter of 2009. These recent market results indicate that levels of demand are starting to steadily recover, however customers remain relatively cautious.”

In the x86 market, total volumes in EMEA declined 2.6 per cent compared to the fourth quarter of 2008.”This is a marked improvement from the 22 per cent decline seen in the third quarter of 2009. However, the fourth quarter’s growth is compared to a weaker 2008 result,” said Mr Rasit. In the fourth quarter of 2009, HP held the No. 1 position exhibiting a marginal decline of 0.5 per cent and further extended its market share lead. Dell in the No. 2 spot declined 6.5 per cent in shipments and 8.7 per cent in revenue in the fourth quarter of 2009. IBM, ranked No. 3, was the only one of the top five vendors to exhibit growth, with a 6 per cent increase in the fourth quarter of 2009. Its performance was primarily driven by its rack-optimised and blade business. Of the top five vendors, Fujitsu exhibited the weakest performance with a decline of 13 per cent, although Fujitsu grew x86 revenues as a result of improved sales with richer configurations and a new blade product.

RISC and Itanium UNIX revenues declined 22 per cent in the fourth quarter of 2009. Sun led the segment in the fourth quarter despite a decline of 28 per cent and a loss of 2 per cent revenue share year-on-year. HP, ranked No. 2, exhibited a revenue decline of 31 per cent year-on-year, while IBM in the No. 3 position saw its revenue decline 9 per cent. For these three vendors, the slower recovery of RISC IPF UNIX compared to x86 in EMEA is similar to global trends. IBM and HP will release major platform refreshes in 2010, which will ultimately delay purchases among some customers in anticipation of the new systems. The acquisition of Sun by Oracle which was not complete in the fourth quarter of 2009 made some customers hold back investment in anticipation of news following the completion of the acquisition. Bull held the No. 4 position and grew revenue by 13 per cent as a result of strong investment in France. Fujitsu, which ranked No. 5 in this segment, declined revenue by 45 per cent in the fourth quarter of 2009 as a result of increased focus on x86 sales.

Table 3
EMEA: Server Vendor Revenue Estimates, 4Q09 (US Dollars)

Company	4Q09 Revenue	4Q09 Market Share (%)	4Q08 Revenue	4Q08 Market Share (%)	4Q09-4Q08 Growth (%)
HP	1,443,545,108	37.0	1,599,639,831	37.0	-9.8
IBM	1,164,043,329	29.9	1,293,262,988	29.9	-10.0
Sun	376,587,374	9.7	480,107,281	11.1	-21.6
Dell	340,412,586	8.7	372,994,488	8.6	-8.7
Fujitsu	220,199,623	5.6	224,792,001	5.2	-2.0
Others	352,704,831	9.0	349,931,717	8.1	0.8
Total	**3,897,492,851**	**100.0**	**4,320,728,305**	**100.0**	**-9.8**

Source: Gartner (February 2010)

In 2009, the second half outpaced the first half in both shipment or revenue terms as the server market began to recover. HP maintained its No. 1 position in shipment terms, improving share by 1.3 per cent from 2008. Although Dell and IBM lost market share by less than 1 per cent each, they maintained their respective No. 2 and No. 3 positions. In revenue terms, HP remained the market leader improving share along with second-placed IBM by 0.3 per cent. Sun, in the No. 3 position lost 1 per cent share declining 33 per cent in 2009.

In the first quarter of 2010, Gartner foresees a continued improvement in server market demand, primarily driven by the x86 segment. “Based on improvements in the x86 market it is likely the EMEA server market will return to volume growth in the first half of 2010, although revenue will take slightly longer to recover,” said Mr Rasit.

Table 4
EMEA: Server Vendor Shipments Estimates, 4Q09 (Units)

Company	4Q09 Shipments	4Q09 Market Share (%)	4Q08 Shipments	4Q08 Market Share (%)	4Q09-4Q08 Growth (%)
HP	285,206	42.2	289,747	41.1	-1.6
Dell	112,777	16.7	120,600	17.1	-6.5
IBM	106,746	15.8	102,549	14.5	4.1
Fujitsu	35,691	5.3	41,242	5.9	-13.5
Sun	21,382	3.2	27,469	3.9	-22.2
Others	114,620	16.9	123,223	17.5	-7.0
Total	**676,420**	**100.0**	**704,830**	**100.0**	**-4.0**

Source: Gartner (February 2010)

Additional information is available to subscribers of Gartner Dataquest'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 system and distribution channels.

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