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Gartner Says Worldwide Spending on Enterprise Application Software to Increase 4.5 Per Cent in 2012

Analysts to Reveal Latest Global IT Spending Forecast on 28 June

Stamford, Conn., 20 June, 2012 — Worldwide spending on enterprise application software will total \$120.4 billion in 2012, a 4.5 per cent increase from 2011 spending of \$115.2 billion, according to Gartner, Inc. With only limited signs of improvement in the near term, the growth projection for 2012 has been adjusted downward from 5 per cent in the previous forecast in the first quarter of 2012.

"The global marketplace is still experiencing a series of conflicting and contrasting economic news reports, and the full impact of the economic uncertainty on the enterprise software markets may not be readily assessable until the end of the first half of 2012," said Tom Eid, research vice president at Gartner. "Spending in 2012 is anticipated to focus on industry-specific applications; upgrades to established, mission-critical software; integrating and securing established systems and infrastructure; and software as a service (SaaS) deployments representing extensions to, or replacement of, existing applications and new solutions."

The key enterprise application software market segments in 2012 include business intelligence (BI); content, communications and collaboration; customer relationship management (CRM); digital content creation (DCC); enterprise resource planning (ERP); office suites and personal productivity; project and portfolio management (PPM); and supply chain management (SCM).

ERP is the largest enterprise application software market with revenue projected to reach \$24.9 billion in 2012, followed by office suites at \$16.5 billion. BI revenue is forecast to reach \$13.0 billion, and CRM is on pace to exceed \$13.0 billion this year.

Gartner analysts said that cost optimisation and shifts in spending from "megasuities" to the automation of processes, will continue to benefit alternative software acquisition models as organisations look for ways to shift spending from capital expenditure to operating expenditure. Because of this, vendors offering SaaS, IT asset management and virtualisation capabilities will continue to benefit from organisations looking to shift upfront capital expenses to operational expenses.

An increasing number of organisations are demanding software functionality as a service (infrastructure as a service [IaaS], platform as a service [PaaS] and SaaS) or via cloud-based services rather than on-premises. As a result, vendors are offering more technology as subscription-based solutions and "pay as you go" offerings, positioning them as more cost-effective and as a way to counter the effects of economic belt tightening. SaaS and cloud-based services help vendors to expand revenue growth by making it easier for end users to test and evaluate new types of software, provision new users to current technologies, and migrate users off older versions to newer versions of software.

"After more than a decade of SaaS and cloud service use, adoption continues to grow and evolve within the enterprise application markets. This is occurring as tighter capital budgets demand leaner alternatives, popularity and familiarity with the model increase, and interest in SaaS and cloud computing grows," said Mr Eid. "Adoption varies between and within markets. Although use is expanding to a wider range of applications and solutions, the most widespread use is still characterised by horizontal applications with common processes, among distributed virtual workforce teams and within web 2.0 initiatives."

Mr Eid said that the increase reflects overall market demand, with more buyers evaluating their options during the current technology refresh cycle, and returning buyer confidence for enterprise software as the market slowly recovers and organisations resume investing in technology. SaaS and cloud-based services are forecast to grow in usage, expanding from 11 per cent of enterprise application spending in 2010 to 16 per cent in 2015.

Additional information is available in the Special Report "Forecast: Enterprise Software Markets, Worldwide, 2011-2016, 2Q12 Update" which is available on Gartner's website at <http://www.gartner.com/resId=2054422>.

Gartner analysts will provide more detailed analysis regarding the overall IT market during the Gartner webinar "IT Spending Forecast, 2Q11 Update" on 10 July at 16:00 BST. To register for this complimentary webinar, please visit <http://my.gartner.com/portal/server.pt?open=512&objID=202&mode=2&PageID=5553&resId=2036215&ref=Webinar-Calendar>.

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