

Gartner Says Worldwide IT Services Revenue Declined 5.3 Per Cent in 2009

STAMFORD, CONN., May 4, 2010 — Worldwide IT services revenue totalled \$763 billion in 2009, a 5.3 per cent decline from 2008 revenue of \$805 billion, according to Gartner, Inc.

"2009 was a year like no other before it for IT services providers," said Kathryn Hale, research vice president for Gartner's worldwide IT services group. "Their priorities changed and their business focus rushed from aggressive sales or tactical revenue acquisition, to strategies designed to simply maintain revenue levels, keep a handle on costs and manage profitability."

Each of the five largest IT services providers in 2009 declined in revenue, with HP and Accenture reporting the largest declines at 10.4 per cent and 11.8 per cent, respectively (see Table 1). The top 20 vendors as a group gained ground slightly over their smaller competitors in 2009, with the group accounting for 37.5 per cent of the market, up marginally from 37.3 per cent in 2008.

Table 1
Worldwide IT Services Vendors by Revenue (Millions of U.S. Dollars)

Company	2009 Revenue	2009 Market Share (%)	2008 Revenue	2008 Market Share (%)	Growth (%)
IBM	55,000	7.2	58,892	7.3	-6.6
HP	34,585	4.5	38,584	4.8	-10.4
Fujitsu	23,342	3.1	23,444	2.9	-0.4
Accenture	20,939	2.7	23,732	2.9	-11.8
CSC	16,004	2.1	17,112	2.1	-6.5
Others	613,191	80.4	643,681	80.0	-4.7
Total Market	763,061	100.0	805,445	100.0	-5.3

Source: Gartner (May 2010)

While global sourcing makes the location of a provider's headquarters increasingly less relevant, Gartner tracks this information for more than 300 vendors, which collectively account for more than 70 per cent of end-user spending worldwide.

India-based vendors grew only 3.6 per cent, in terms of U.S. dollars in 2009, down from 15.4 per cent growth in 2008. India-based vendors were impacted early in the economic downturn. This would be expected, as these providers sell especially heavily to the financial sector and typically lead with offshore application development services, which are relatively easy to delay in tough times.

The economic uncertainties and the crisis in industries have had negative implications on the worldwide consulting market in 2009, and many providers' revenue growth rates were negatively impacted. However, business outcome-focused providers of consulting services with established business relationships were often successful in growing their market share better than the market average. Suppliers with a broad range of advisory services were attractive to buyers (for example, if they could provide assistance on how to migrate financial risks of an underperforming complex business operation). Some providers were also able to capitalise from already recovering economies by selectively co-investing with buyers for innovative and growth-focused projects as a source to increase their consulting services market share.

"2010 will be a year of focussed readjustment for IT services providers," said Ms Hale. "The discipline exercised in 2009 leaves the industry profitable and relatively nimble. But investors will expect to see

revenue growth and managing those expectations, while maintaining margins will be more challenging than the comparatively unambiguous goals of 2009, a year in which expectations were modest."

Additional information is available in the Gartner report "Market Share Analysis: IT Services Rankings, Worldwide, 2009." The report is available on Gartner's website at <http://www.gartner.com/resId=1361622>.

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