Gartner

Press Release

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Gartner Says Worldwide Application Development Software Market Declined 2 Per Cent in 2009

STAMFORD, Conn., April 29, 2010 — Worldwide project application development (AD) software revenue fell to $7.25 billion in 2009, a decrease of 2 per cent from 2008 revenue of $7.39 billion, according to Gartner, Inc.

"One of the main reasons for the decline in revenue in the AD market in 2009 was the de facto spending freeze on new projects in the early part of the year, which caused organisations to cut spending on new tools to support any new projects," said Laurie Wurster, research director at Gartner. "AD tool spending tends to be cyclical in nature with strong years of spending, as we saw in 2007, followed by a year or two of low or reduced investment."

Ms Wurster said that despite the restrictions imposed on AD spending due to the recession, the ongoing need to invest in security testing was one of the key drivers for the market. This segment grew during the year as security breaches continued to highlight the need for good testing, making up for some of a lack of spending on more-mature and less-dynamic tools.

IBM continued to be the market leader, as its market share increased to 27.7 per cent in 2009 (see Table 1). This performance was helped, in part, by strategic acquisitions such as Watchfire 2007 and Ounce Labs 2009, which provided growth in the aforementioned security testing market. In addition, IBM's 2008 acquisition of Telelogic continued to bring moderate growth in areas such as requirements management.

Gartner analysts said Microsoft's share of the market remained fairly constant given the company's preannouncement of Visual Studio 2010, which meant that many companies decided to postpone any upgrades in 2009 and wait for the new version. CA's 1 per cent revenue decline was more a reflection of the company's subscription-based business model that causes a delay in revenue recognition.

Table 1
Worldwide Application Development Software Revenue Estimates for 2009 (Millions of US Dollars)

Company	2009 Revenue	2009 Market Share (%)	2008 Revenue	2008 Market Share (%)	2009-2008 Growth (%)
IBM	2,005.52	27.7	1988.00	26.9	0.9
Microsoft	1,065.37	14.7	1,069.48	14.5	-0.4
CA	795.01	11.0	803.10	10.9	-1.0
HP	757.44	10.5	816.96	11.1	-7.3
Compuware	428.22	5.9	488.07	6.6	-12.3
Others	2,195.59	30.3	2,227.60	30.1	-1.4
Total	**7,247.15**	**100.0**	**7,393.21**	**100.0**	**-2.0**

Source: Gartner (April 2010)

"There is some pent-up demand for AD products, and 2010 should see a return to growth," said Teresa Jones, senior research analyst at Gartner. "However, vendors should not be complacent — the need remains to do more for the same cost, and open source offerings in the AD market remain attractive,

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frequently delivering good-enough functionality in a flexible manner. Software vendors need to ensure that they can provide value add, with flexible deployment options."

"We expect AD software spending to increase 2 to 3 per cent in 2010," said Ms Wurster. "Java platform and Dynamic Web application tools will continue to see the biggest impact from open-source alternatives. We expect consolidation of this market to continue with larger vendors acquiring pure-play and point products to round out their suits and portfolio offerings."

Additional detail is available in the Gartner report "Market Share: Application Development Software, Worldwide, 2009." The report is available on Gartner's website at http://www.gartner.com/resId=1353333.

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