Gartner

Press Release

Gartner Says Worldwide IT Outsourcing Services Spending on Pace to Surpass $251 Billion in 2012

Key Issues Facing ITO Industry to Be Examined at Gartner Outsourcing & Strategic Partnerships Summits 2012, 10-12 September in Orlando and 8-9 October in London

STAMFORD, Conn., August 7, 2012 — Worldwide spending for IT outsourcing (ITO) services is on pace to reach $251.7 billion in 2012, a 2.1 per cent increase from 2011 spending of $246.6 billion, according to the latest outlook by Gartner, Inc.

The fastest-growing segment within the ITO market is cloud compute services, which is part of the cloud-based infrastructure as a service (IaaS) segment. Cloud compute services are expected to grow 48.7 per cent in 2012 to $5.0 billion, up from $3.4 billion in 2011.

"Today, cloud compute services primarily provide automation of basic functions. As next-generation business applications come to market and existing applications are migrated to use automated operations and monitoring, increased value in terms of service consistency, agility and personnel reduction will be delivered", said Gregor Petri, research director at Gartner. "Continued privacy and compliance concerns may however negatively impact growth in some regions, especially if providers are slow in bringing localised solutions to market."

Data centre outsourcing (DCO), a mature segment of the ITO market that represented 34.5 per cent of the market in 2011, will decline 1 per cent in 2012. "The data centre outsourcing market is at a major tipping point, where various data centre processing systems will gradually be replaced by new delivery models through 2016. These new services enable providers to address new categories of clients, extending DCO from traditional large organisations into small or midsize businesses," said Bryan Britz, research director at Gartner.

The application outsourcing (AO) segment is expected to reach $40.7 billion, a 2 per cent increase from 2011 spending of $39.9 billion. This growth reflects organisations' needs to manage extensive legacy application environments and their commercial off-the-shelf packages that run the business.

"Change is afoot in the AO market. The burdens of managing the legacy portfolio, along with the limitations of IT budgets, have shifted the enterprise buyers to be cautious and favour a more evolutionary approach to other application services, such as software as a service (SaaS)," said Mr Britz. "New applications will largely be packaged and/or SaaS-deployed in order to extend and modernize the portfolio in an incremental manner. While custom applications will remain 'core' for many organisations, the trend in the next few years to SaaS enablement in the cloud will reflect in the growth of the AO outlook."

While there will be some impact from the ongoing business slowdown due to sovereign-debt issues in Europe and slowing exports in China, Gartner expects the ITO market in the emerging Asia/Pacific region to represent the highest growth of all regions.

-more-

A challenging economic scenario that worsened in late 2011 continues to affect the government policies and end-user sentiment in many key European countries, resulting in a forecast for Western Europe ITO growth decline of 1.9 per cent in US dollars during 2012. Reinvigorated economic pressure is delaying the willingness of many commercial organisations to focus on enhancing competitiveness rather than cost reduction. In addition, the European public sector will continue to see a cautious budget environment throughout 2012. This will force many central and local government entities to concentrate on outsourcing initiatives aimed at reducing IT cost through IT efficiencies and rationalisation.

Spending on ITO in the Asia/Pacific region will grow 1 per cent in US dollars in 2012 and exceed 2.5 per cent growth in 2013. With the exception of Japan, Australia, New Zealand, and to a lesser degree, Singapore and Hong Kong, the countries in Asia/Pacific are quite new in terms of outsourcing usage, understanding and sophistication. The growth is being driven by the large inflow of capital into Asia over the past three to five years, leading to the need among global and regional businesses to scale up their operations.

In North America, Gartner expects that buyers will seek to transition more IT work to annuity-managed service relationships for cost take-out and IT costs. This will keep ITO growing through 2016. Organisations' reluctance to hire or make large capital purchases, as well as their pursuit of asset-light IT strategies, continues to push clients toward consuming externally provided services.

Additional information is available in the report "Forecast Analysis: IT Outsourcing, Worldwide, 2010-2016, 2Q12 Update," which is available on Gartner's web site at http://www.gartner.com/resId=2092915.

About the Gartner Outsourcing & Strategic Partnerships Summits 2012
The Gartner Outsourcing & Strategic Partnerships Summit series provides an in-depth exploration of the significant developments and trends shaping vendor and strategic sourcing management practices, as well as the sourcing marketplace.

For additional details about the Gartner Outsourcing & Strategic Partnerships Summit 2012 taking place 10-12 September in Orlando, Florida, please visit www.gartner.com/us/outsourcing. Members of the media can register by contacting Janessa Rivera at janessa.rivera@gartner.com.

The Gartner Outsourcing & Strategic Partnerships Summit 2012 in London will be held 8-9 October. More information is available at http://www.gartner.com/technology/summits/emea/outsourcing/. Members of the media can register by contacting Laurence Goasduff at laurence.goasduff@gartner.com.

Additional information from the event will be shared on Twitter at http://twitter.com/Gartner_inc and using #GartnerOUT.

About Gartner
Gartner, Inc. (NYSE: IT) is the world's leading information technology research and advisory company. Gartner delivers the technology-related insight necessary for its clients to make the right decisions, every day. From CIOs and senior IT leaders in corporations and government agencies, to business leaders in high-tech and telecom enterprises and professional services firms, to technology investors, Gartner is the valuable partner to clients in 12,000 distinct organizations. Through the resources of Gartner Research, Gartner Executive Programs, Gartner Consulting and Gartner Events, Gartner works with every client to research, analyze and interpret the business of IT within the context of their individual role. Founded in 1979, Gartner is headquartered in Stamford, Connecticut, USA, and has 5,200 associates, including 1,280 research analysts and consultants, and clients in 85 countries. For more information, visit www.gartner.com.

# # #