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Gartner Says Worldwide Server Shipments Grew 1.5 Per Cent in the First Quarter of 2012 While Revenue Declined 1.8 Per Cent

EMEA Server Shipments Decline 2 Per Cent in the First Quarter of 2012 and Revenue Declined 10.5 Per Cent

STAMFORD, Conn, May 30, 2012 —Worldwide server shipments grew 1.5 per cent in the first quarter of 2012, while server revenue declined 1.8 per cent year-on-year, according to Gartner, Inc.

“The first quarter of 2012 produced relatively weak shipment growth on a global level with a variation in results by region,” said Jeffrey Hewitt, research vice president at Gartner. “All regions showed growth in server shipments except Western Europe which posted a decline of 6.4 per cent. In terms of revenue, Asia/Pacific, the Middle East and Africa, and Western Europe posted declines. These results are not that surprising considering the current variations in regional economic conditions.”

“x86 servers forged ahead and grew 1.7 per cent in units in the first quarter of 2012 and 5.6 per cent in revenue. RISC/Itanium Unix servers declined 5.7 per cent in shipments and dropped 15.2 per cent in vendor revenue compared to the same quarter last year. The ‘other’ CPU category, which is primarily mainframes, showed a decline of 16.4 per cent in vendor revenue,” Mr Hewitt said.

From a regional standpoint, Eastern Europe grew the most significantly in shipments with a 16.0 per cent increase. Japan posted the highest vendor revenue growth at 10.6 per cent for the period.

IBM had the lead in the worldwide server market based on revenue (see Table 1) – the company posted nearly \$3.5 billion in server vendor revenue for a total share of 28.1 per cent worldwide for the first quarter of 2012. IBM’s server revenue declined 7.2 per cent. Most of IBM’s revenue contribution came from its Power Systems brand with some contribution by System x as well.

Among the top five global server vendors, Fujitsu was the only company to post positive revenue growth (at 4.5 per cent).

**Table 1
Worldwide: Server Vendor Revenue Estimates, 1Q12 (US Dollars)**

Company	1Q12 Revenue	1Q12 Market Share (%)	1Q11 Revenue	1Q11 Market Share (%)	1Q11-1Q12 Growth (%)
IBM	3,490,477,200	28.1	3,761,762,079	29.7	-7.2
HP	3,455,759,513	27.8	3,826,499,364	30.2	-9.7
Dell	1,857,578,951	14.9	1,892,881,243	14.9	-1.9
Oracle	739,825,931	5.9	798,599,723	6.3	-7.4
Fujitsu	618,818,853	5.0	591,959,434	4.7	4.5

Other Vendors	2,275,395,408	18.3	1,798,805,381	14.2	26.5
Total	12,437,855,857	100.0	12,670,507,223	100.0	-1.8

Source: Gartner (May 2012)

In server shipments, HP remained the worldwide leader in the first quarter of 2012 (see Table 2) with relatively flat shipment growth (-0.4 per cent). This decline was driven primarily by drops in HP's ProLiant and Integrity brands. HP's worldwide server shipment share was 29.2 per cent in the first quarter of 2012.

Fujitsu and Cisco were the two vendors among the top five to experience server shipment growth in the first quarter of 2012 (see Table 2).

In terms of server form factors, blade servers fell 1.3 per cent in shipments and grew 5.6 per cent in revenues for the quarter. The rack-optimised form factor climbed 0.4 per cent in shipments and fell 5.3 per cent in revenue for the first quarter of 2012.

Table 2
Worldwide: Server Vendor Shipments Estimates, 1Q12 (Units)

Company	1Q12 Shipments	1Q12 Market Share (%)	1Q11 Shipments	1Q11 Market Share (%)	1Q11-1Q12 Growth (%)
HP	685,015	29.2	687,502	29.7	-0.4
Dell	503,450	21.5	508,650	22.0	-1.0
IBM	267,556	11.4	272,238	11.8	-1.7
Fujitsu	86,360	3.7	76,648	3.3	12.7
Cisco	40,498	1.7	23,690	1.0	70.9
Other Vendors	763,205	32.5	742,970	32.1	2.7
Total	2,346,083	100.0	2,311,698	100.0	1.5

Source: Gartner (May 2012)

In Europe, the Middle East and Africa (EMEA), server shipments reached 626,085 units in the first quarter of 2012, a decrease of 2.2 per cent from the equivalent period in 2011 (see Table 4). Server revenue totalled \$3.2 billion in the first quarter of 2012, a decline of 10.5 per cent (see Table 3).

"Following a period of relative recovery in 2010, the EMEA server market has suffered a second consecutive quarter of volume decline and a third consecutive quarter of revenue decline," said Adrian O'Connell, research director at Gartner. Although Eastern Europe achieved a 6.7 per cent revenue increase, both the Middle East and Africa and Western Europe declined by 10.7 per cent and 13.1 per cent, respectively. "The economic environment continues to be a key factor limiting overall spending, but the structural changes in the European market for server infrastructure, as well as the lack of growth drivers seen in other regions, are causing the current challenges," said Mr O'Connell.

The first quarter of 2012 saw mixed results in the key segments. x86 system revenue declined 2.1 per cent, but the main weakness was in the RISC/Itanium Unix and "Other CPU" segments, which suffered decreases of 25.7 per cent and 29.4 per cent, respectively. "The Unix segment in particular is struggling, and, although we are seeing results vary by vendor, the overall segment appears to be rapidly approaching a tipping point, which could undermine the long-term viability of the segment," Mr O'Connell said.

In the first quarter of 2012, Dell was the only one of the top five vendors to achieve revenue growth. Dell saw its revenue share increase by 2.6 percentage points year-on-year. HP's poor revenue performance cost it close to 4 percentage points year-on-year. HP continued to suffer from weakness in its Business Critical Server (BCS) division, particularly with its Unix line, but it also performed worse than the market average in the x86 space.

Overall, RISC/Itanium Unix revenue decreased 25.7 per cent in the first quarter of 2012. Platform migrations continued but HP in particular has been impacted by Oracle's withdrawal of support for Itanium. Although IBM continued to gain share in this segment, with an increase of almost 57 percentage points, its revenue declined 2.4 per cent.

Given the aforementioned structural changes and continuing economic challenges, the outlook for server vendors in Europe remains highly challenging. "We are going through a period of significant disruption in which a combination of platform migrations, business challenges and technology changes is sending ripples through the industry," said Mr O'Connell. "Even the x86 segment that has driven the market for so long will start to face challenges as new servers based on extreme-low-energy processors threaten to undermine the strength of its ecosystem. There is an increased need for vendors to excel at execution, in order to maximize opportunities in the market segments that continue to show some demand."

Table 3

EMEA: Server Vendor Revenue Estimates, 1Q12 (US Dollars)

Company	1Q12 Revenue	1Q12 Market Share (%)	1Q11 Revenue	1Q11 Market Share (%)	1Q11-1Q12 Growth (%)
HP	1,182,133,525	36.2	1,459,191,996	40.0	-19.0
IBM	820,816,620	25.1	969,193,594	26.6	-15.3
Dell	435,061,700	13.3	391,621,950	10.7	11.1
Oracle	221,947,780	6.8	252,826,246	6.9	-12.2
Fujitsu	218,336,602	6.7	236,247,372	6.5	-7.6
Others	385,808,665	11.8	339,963,979	9.3	13.5
Total	3,264,104,891	100.0	3,649,045,137	100.0	-10.5

Source: Gartner (May 2012)

Table 4

EMEA: Server Vendor Shipment Estimates, 1Q12 (Units)

Company	1Q12 Shipments	1Q12 Market Share (%)	1Q11 Shipments	1Q11 Market Share (%)	1Q11-1Q12 Growth (%)
HP	251,947	40.2	281,683	44.0	-10.6
Dell	128,833	20.6	111,394	17.4	15.7
IBM	63,993	10.2	68,843	10.8	-7.0
Fujitsu	40,127	6.4	44,028	6.9	-8.9
Oracle	9,615	1.5	11,958	1.9	-19.6
Others	131,570	21.0	122,225	19.1	7.6
Total	626,085	100.0	640,131	100.0	-2.2

Source: Gartner (May 2012)

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

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