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Gartner Says Worldwide Server Revenue and Shipments Posted Historically Low Declines in First Quarter of 2009

STAMFORD, Conn., June 1, 2009 — Worldwide server revenue declined 24 per cent in the first quarter of 2009, and shipments dropped 24.2 per cent, compared to the first quarter of 2008, according to Gartner, Inc. These were the most significant declines the server industry has experienced on a year-on-year basis.

"The significant decline that occurred in the fourth quarter of last year has extended into the beginning of this year," said Jeffrey Hewitt, research vice president at Gartner. "While this was not unexpected, the severity of the decline was greater than predicted on a worldwide level."

"The ongoing weakness of the global economy affected all server segments. x86-based servers fell 23.9 per cent in units and 27.1 per cent in revenues. UNIX servers also were impacted in quarterly results with drops of 31.3 per cent in units and 20.4 per cent in vendor revenues," Mr Hewitt said.

The server market was negatively impacted in all geographic regions. Asia/Pacific felt the least downward pressure in terms of revenue and units with a 13.5 per cent and 12.7 per cent declines, respectively. The US had shipment declines of almost 27 per cent for the quarter. In server vendor revenues, the US dropped 21.2 per cent.

Of the top five global vendors, IBM, HP, Dell, Sun and Fujitsu/Siemens all had double-digit revenue declines for the first quarter of 2009. IBM continued to lead the worldwide server market based on revenue (see Table 1)--the company posted just over \$3 billion in server revenue, and its market share reached 30.7 per cent in the first quarter of 2009. This share was up 1.4 per cent year-on-year. While IBM retained the No. 1 position, it sustained a 20.4 per cent revenue decline, with all of its server brands posting year-on-year decreases.

Table 1
Worldwide: Server Vendor Revenue Estimates, 1Q09 (US Dollars)

Company	1Q09 Revenue	1Q09 Market Share (%)	1Q08 Revenue	1Q08 Market Share (%)	1Q08-1Q09 Growth (%)
IBM	3,116,339,359	30.7	3,912,784,267	29.3	-20.4
Hewlett-Packard	2,923,706,928	28.8	3,938,570,388	29.5	-25.8
Dell Inc.	1,235,116,170	12.2	1,641,112,202	12.3	-24.7
Sun Microsystems	975,540,776	9.6	1,318,044,370	9.9	-26.0
Fujitsu/Siemens					
Siemens	598,529,005	5.9	732,355,158	5.5	-18.3
Other Vendors	1,309,665,442	12.9	1,818,497,899	13.6	-28.0
Total	10,158,897,680	100.0	13,361,364,284	100.0	-24.0

Source: Gartner (June 2009)

Of the top five vendors in server shipments worldwide, all posted double-digit decreases in units for the first quarter. HP remained the worldwide leader for the first quarter of 2009 (see Table 2) in spite of a shipment decline of 22.3 per cent for the year. All of HP's server brands had a year-on-year decline for the period.

The weak economic environment also impacted overall x86 server demand as x86 server shipments fell by 23.9 per cent and revenue dropped by 27.1 per cent for the first quarter of 2009. The least impacted server segment was x86 blade servers which fell 20.6 per cent in units and 19.5 per cent in vendor revenue for the first quarter. All blade server shipments declined 19.1 per cent, and revenue decreased 13.8 per cent.

Table 2

Worldwide: Server Vendor Shipment Estimates, 1Q09 (US Dollars)

Company	1Q09 Shipment	1Q09 Market Share (%)	1Q08 Shipment	1Q08 Market Share (%)	1Q08-1Q09 Growth (%)
Hewlett-Packard	530,849	30.8	683,433	30.1	-22.3
Dell Inc.	382,385	22.2	516,499	22.7	-26.0
IBM	230,984	13.4	302,057	13.3	-23.5
Sun Microsystems	60,294	3.5	84,313	3.7	-28.5
Fujitsu/Fujitsu Siemens	59,029	3.4	78,867	3.5	-25.2
Other Vendors	458,161	26.6	605,883	26.7	-24.4
Total	1,721,702	100.0	2,271,052	100.0	-24.2

Source: Gartner (June 2009)

"The outlook for 2009 suggests that it will be a weak year on the whole in the server space, and that from a yearly standpoint, the global server market is unlikely to return to a position of growth until 2010," said Mr Hewitt.

In Europe, the Middle East and Africa (EMEA), server shipments totalled just over 500,000 units in the first quarter of 2009, a decline of 29 per cent from the same period last year (see Table 4). Server revenue totalled \$3 billion in the first quarter of 2009, a decline of 34 per cent over the same quarter last year (see Table 3).

"Economic weakness continued to negatively affect the EMEA server market in the first quarter of 2009, with all segments of the market declining," said Errol Rasit, senior research analyst at Gartner. "The quarter exhibited the worst year-on-year shipment and revenue declines for more than 15 years. Eastern Europe, a region that has previously shown positive performance during slowing spending patterns exhibited the largest decline in EMEA, with revenue decreasing by almost 50 per cent in the first quarter of 2009."

In the x86 market, total volumes in EMEA declined 29 per cent compared to the first quarter of 2008. The declining performance in the x86 segment in EMEA was highlighted by the first quarter of year-on-year decline in blade servers since they were introduced. Of the top five vendors, Sun's shipments decreased the slowest at 7.4 per cent, although Sun only accounted for 2.4 per cent of total server shipments. HP's shipments dropped 24.7 per cent. Dell, IBM and Fujitsu each declined more than 30 per cent, representing the wide-spread slowdown in demand for x86 servers.

Following a weak 2008, RISC and Itanium UNIX revenues declined 31 per cent in the first quarter of 2009. Of the top five vendors in this segment, Group Bull resisted the trend and showed a 24 per cent year-on-year growth, driven by strong public sector demand that helped the vendor mitigate weakness seen elsewhere. Sun, ranked No. 2 in this segment, saw its market share decline 39 per cent year-on-year. The vendor suffered marginal impact from uncertainty of future ownership changes at the end of the first quarter of 2009. Fujitsu Siemens Computers' result was the weakest in this segment with a decline of 77 per cent in the first quarter of 2009. The vendor continued to be affected by its organisational change that finalised in the quarter to emerge as Fujitsu.

Table 3
EMEA: Server Vendor Revenue Estimates, 1Q09 (US Dollars)

Company	1Q09 Revenue	1Q09 Market Share (%)	1Q08 Revenue	1Q08 Market Share (%)	1Q09-1Q08 Growth (%)
Hewlett-Packard	1,083,593,035	35.9	1,620,617,017	35.3	-33.1
IBM	876,236,012	29.0	1,297,161,537	28.3	-32.4
Sun	341,945,891	11.3	537,402,995	11.7	-36.4
Dell	290,108,343	9.6	467,055,194	10.2	-37.9
Fujitsu/Fujitsu	199,814,235	6.6	371,790,976	8.1	-46.3
Siemens					
Other Vendors	229,798,145	7.6	295,995,452	6.4	-22.4
Total	3,021,495,661	100.0	4,590,023,170	100.0	-34.2

Source: Gartner (June 2009)

In server shipments, HP maintained its No. 1 position and increased its market share by 2.5 per cent compared to the first quarter of 2008. In a declining market, HP's year-on-year growth rate is not decreasing as fast as its competitors as a result of improvements made in its x86 business over the past few years. In addition, HP's breadth of coverage strengthens its position to exploit market share's gains in the future.

Table 4
EMEA: Server Vendor Shipment Estimates, 1Q09 (Units)

Company	1Q09 Shipment	1Q09 Market Share (%)	1Q08 Shipment	1Q08 Market Share (%)	1Q09-1Q08 Growth (%)
Hewlett-Packard	218,296	43.0	289,687	40.5	-24.6
Dell	86,828	17.1	136,749	19.1	-36.5
IBM	63,948	12.6	94,681	13.2	-32.5
Fujitsu/Fujitsu	34,243	6.8	52,062	7.3	-34.2
Siemens					
Sun	21,404	4.2	29,639	4.1	-27.8
Other Vendors	82,457	16.3	111,920	15.7	-26.3
Total	507,177	100.0	714,739	100.0	-29.0

Source: Gartner (June 2009)

"We foresee that the second quarter of 2009 will exhibit a similar level of decline and it's unlikely that the server market in EMEA will show growth before 2010," concluded Mr Rasit.

Gartner YouTube Channel

Additional comments regarding the first quarter results for the server market are available on the Gartner YouTube channel at <http://www.youtube.com/watch?v=BL87caWFNx4>. Additional Gartner videos are available at <http://www.youtube.com/user/Gartnervideo>.

More information is available to subscribers of Gartner Dataquest's Servers Quarterly Statistics Worldwide program. This program 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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