

# WORLDWIDE IT TRENDS FOR 2010-11



Adapted from the Gartner Perspective: IT Spending in 2010

## WORLDWIDE IT SPENDING FORECAST

According to recent research conducted by Gartner, growth in worldwide IT spending during 2010 and 2011 may come as the result of the government stimulus packages deployed across the globe during 2009. However, IT spending in 2012 and 2013 is expected to return to more sustained growth as the economic recovery continues. This follows IT budget cuts that have occurred in 2009 as enterprises vied to preserve short-term spending on critical business operations and focus on long-term technology investments. Notwithstanding, worldwide IT spending is expected to grow in 2010 by 3.3%.

### Worldwide End-User Spending on IT (Billions of US Dollars)

	2008	2009	2010
Total Market	3,372	3,198	3,304
Annual Growth %	6.0	-5.2	3.3

Source: Gartner (September 2009)

IT vendors need to be sensitive to the challenges faced by their customers and introduce pricing strategies accordingly. In addition, during the next two (2) years IT vendors should rebalance priorities between customer acquisition and retention. As the sales environment has become more challenging, business will focus much harder on retaining existing customers. IT vendors also need to provide realistic business return on investment statistics, benchmarks and proofs of concept and ensure that products and services deliver tangible and demonstrable business benefits.

## WORLDWIDE COMPUTING HARDWARE OUTLOOK

Traditionally, hardware is the easiest segment of IT to cut from budgets and has been impacted by difficulties in obtaining credit to fund capital expenditure. Hardware will therefore see the steepest decline of all IT segments with a decrease of 16.5 % in 2009.

“Meeting the challenges of 2010 and beyond will require CIOs to make harder decisions that impact more than just the IT organisation.”

ROBERT WAGNER, PARTNER  
HARRISS WAGNER MANAGEMENT CONSULTANTS

Users, especially professional users, have increased average hardware lifetimes in response to the ongoing economic slowdown. Subsequently, in 2010 hardware spending is forecast not to grow beyond 2009 levels as companies review their deployment strategies and make decisions such as permanently lengthening life cycles, deploying virtualisation, consolidating devices, migrating from higher-cost platforms or cutting non-core infrastructure.

### Worldwide End-User Spending on Computing Hardware (Billions of US Dollars)

	2008	2009	2010
Total Market	380	317	317
Annual Growth %	2.5	-16.5	0.0

Source: Gartner (September 2009)

## WORLDWIDE SOFTWARE OUTLOOK

Software acquisition models focused on cost optimisation will benefit as organisations look for ways to shift spending from capital expenditures to operating expenditures. Subsequently, vendors offering software as a service (SaaS), IT asset management, virtualisation capabilities and good open source strategies are expected to benefit. Worldwide software spending in 2009 will total \$221 billion, a 2.1 percent decline from 2008. Software spending is projected to return to growth in 2010, reaching \$231 billion, a 4.8 percent increase from 2009.

### Worldwide Enterprise Spending (Billions of US Dollars)

	2008	2009	2010
Total Market	225	221	231
Annual Growth %	7.9	-2.1	4.8

Source: Gartner (September 2009)

## WORLDWIDE IT SERVICES OUTLOOK

Today companies must harness information to create competitive advantage as it is no longer possible to leverage information without technology. This has led to company information and supporting technologies to manage the information to become more complex. Therefore, leading-edge IT implementations generally require the expertise and discipline of external service providers.

Although many businesses are focused on improving internal processes and reducing costs, investing in innovation does continue. Likewise, business executives are recognising that a downturn can be a perfect time to undertake projects that impact future growth.

Worldwide spending on IT services is expected to reach \$781 billion in 2009, a 3.5 percent decline from 2008. In 2010, spending on worldwide IT services is forecast to increase by 4.5 percent. Further, as many companies are seeking to control labour costs, including IT labour, they are turning to external providers as an immediate solution to effectively resource IT projects.

#### Worldwide End-User Spending on IT Services (Billions of US Dollars)

	2008	2009	2010
Total Market	809	781	816
Annual Growth %	8.3	-3.5	4.5

Source: Gartner (September 2009)

#### WORLDWIDE IT SPENDING BY REGION

All regions across the globe experienced a decline in IT spending during 2009. However, the timing and strength of the recovery will vary across regions with Asia expected to lead the way, the U.S. following and Europe lagging behind. This will also vary across industries, with consumer markets reviving first.

#### IT Spending by Industry Vertical Markets Worldwide (Millions of US Dollars)

INDUSTRY	2008	2009	2010
Financial Services	548,025	502,616	515,927
Communications	215,060	201,882	206,386
Services	182,374	172,061	175,046
All Industries	2,450,920	2,283,325	2,335,453

Source: Gartner (October 2009)

#### End-User Spending on IT Products and Services by Region (Billions of US Dollars)

REGION	2007	2008	2009	2010
United States \$	929	957.2	932.1	958.3
Annual Growth %	-	3.1	-2.6	2.8
Western Europe \$	872	906	811.9	836.1
Annual Growth %	-	3.9	-10.4	3.0
Asia Pacific	472	503.6	490.9	515.6
Annual Growth %	-	6.8	-2.5	5.0
Worldwide \$	3,156	3,372	3,197	3,304
Annual Growth %	-	6.0	-5.2	3.3

Source: Gartner (September 2009)

#### CIO AGENDA 2010

Leading during 2009 was relatively simple as economic conditions headed in one (1) direction. In 2010 CIOs face an array of business, operational, technical and strategic challenges as conditions are forecast to improve. Eighty-eight percent (88%) of enterprises reported reducing their IT budgets during 2009. Even with strong increases in revenue in 2010, CIOs will face the future with essentially the same resource levels they had in 2006 or 2007. CIOs report that unlike past recessions, they are being pulled in two (2) directions at once. The business requires cost savings to protect financial results, yet it also needs new solutions to retain current customers and attract new customers.

Senior executives recognise that IT's contribution to economic performance extends beyond managing expenditures and expect IT to play a role in reducing enterprise costs, not merely with cost cutting but by changing business processes, workforce practices and the use of information. Meeting the challenges of 2010 and beyond will require CIOs to make harder decisions that impact more than just the IT organisation. They will need to more effectively lead internal resources, while engaging reputable external expertise to create results that go beyond their own productive capacity.

#### Top Ten (10) Business and Technology Priorities during 2009

RANK	BUSINESS PRIORITIES	TECHNOLOGY PRIORITIES
1	Business process improvement	Business intelligence
2	Reducing enterprise costs	Enterprise applications (ERP, CRM and others)
3	Improving enterprise workforce effectiveness	Servers and storage technologies (virtualisation)
4	Attracting and retaining new customers	Legacy application modernization
5	Increasing the use of information/analytics	Collaboration technologies
6	Creating new products or services (innovation)	Networking, voice and data communications
7	Targeting customers and markets more effectively	Technical infrastructure
8	Managing change initiatives	Security technologies
9	Expanding current customer relationships	Service-oriented applications and architecture
10	Expanding into new markets and geographies	Document management

Source: Gartner Executive Programs (2009)