IDC Predictions 2009

An Economic Pressure Cooker Will Accelerate the IT Industry Transformation

Frank Gens
SVP & Chief Analyst

and **Q&A** with the
2009 IDC Predictions Team

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IDC Predictions: How the Process Works

Global brainstorm of almost 1,000 IDC analysts

How we choose our prediction themes…

- Opportunity-oriented
- Impact many market segments
- Involve structural changes, require strategic choices
- Unique opportunities to establish market leadership

2009 IDC Predictions Global Team

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- Michelle Bailey
- Shiv Bakhshi
- Ray Boggs
- Angele Boyd
- Philip Carter
- Gabriella Cattaneo
- Crawford DelPrete
- Lee Doyle
- Matt Eastwood
- Michael Fauscette
- Jill Feblowitz
- Susan Feldman
- Lídice Fernández
- Steven Frantzen
- John Gantz
- Frank Gens
- Al Gillen
- Randy Giusto
- Stephen Hendrick
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- Mark Levitt
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- Henry Morris
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- Craig Williamson
- Mark Winther

Collaborating with 100s of IDC colleagues

Industry Transformation Meets Recession

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The global recession will "pressurize" the IT industry in 2009

- Global growth will be cut in half
- The ongoing transformation of the the IT industry will accelerate
  - Emerging markets-, SMB-, Consumer-influenced
  - Internet (Cloud)-infused
  - Solutions-packaged
  - Mobile
  - Sustainable
  - Heavily instrumented and flooded with information

#1: Global IT Growth Halved (best case)

Growth will drop to 2.6% or less

- Latest data trending to “downside”

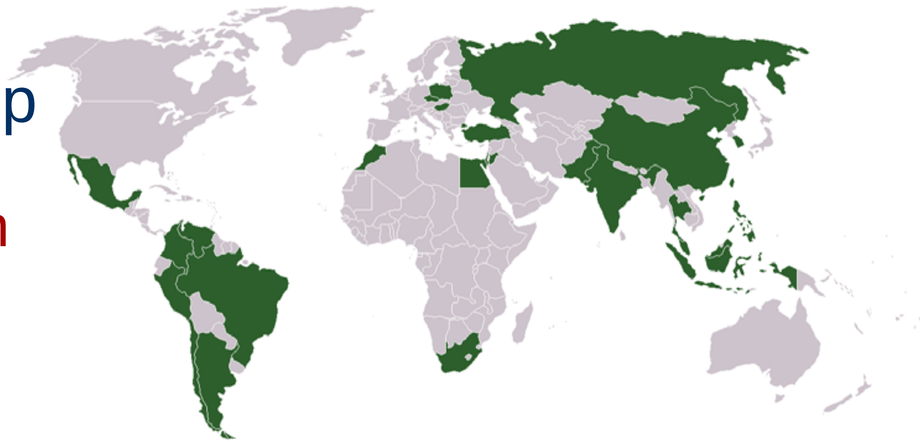
IT hardware will have a rough year

Software and Services will be slower, with growth off by one-third or more

Major economies will be close to flat

- Downside scenario would take them below 0% growth

#2: Emerging Markets, SMB Outperform



Emerging markets growth will drop

- But be 3X overall market growth
- “BRIC + 9” will drive this growth
- Africa will be a bright spot

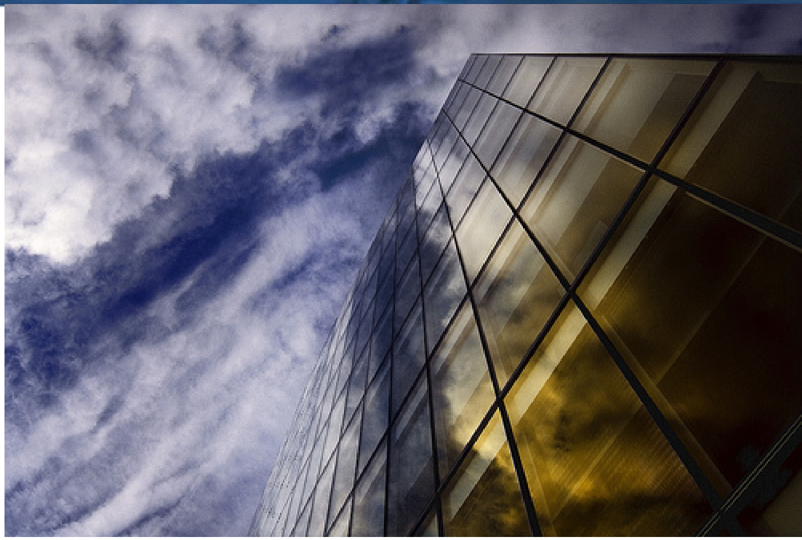
SMB IT spending will drop

- But be 1.4X market growth

#3: Expansion to the Cloud Accelerates

Growth will slow, but still expand growth edge over traditional offerings

Lots of vendor movement…



- Oracle, HP get strategic on Cloud
- IBM will go into "fast ramp" phase
- IT Services players will get on board
- Google will acquire Salesforce (or *another* SaaS apps ecosystem)
  - Cisco will be thinking about the same thing
- Lots of cross-sector Cloud partnerships
- Next generation, cloud-enabled systems ("enterprise cloud")
- "Bridges" between Cloud services and on-premise systems

#4: Offline Misery Drives Online Sales

Online people will exceed 1.5 billion in 2009 (~1/4 of the planet)

Online commerce – while slower – will break the $8 trillion barrier, take share

Online advertising – under pressure – will reach 10% of total ad revenues in the U.S.

Lots of online ad network consolidation

#5: Telecom Consolidates *and* Expands

Telecom growth will also be cut in half in 2009

Consolidation will abound…

- Second-tier carriers in developed markets
- Wireless land grab in developing markets
- Continuing wireline displacement by wireless

Telecom players will expand aggressively into the Cloud Services business

#6: Grim Year for Mobile Gadgets

Mobile phones unit growth will be near flat

Notebook PC volume growth will be positive, but supported by big price drops

- Netbooks (mininotebooks) – from all except Apple – will be a double-edged sword

Portable media player shipments will drop – for the first time

Portable navigation device business ripe for consolidation

#7: Crumbling Business/Personal Wall

More Consumer, Enterprise “2.0” software connections

More business IT vendors will “go consumer”

Consumer Internet brands will go harder after SMBs (and large enterprises)

More dual-mode devices

Desktop virtualization will get a boost

Beware becoming a new IT dinosaur

#8: Reinvention of Information Access

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"Eureka 2.0" technologies will expand from niche to enterprise adoption

- Driven by greater pressure – continuing explosion of consumer and enterprise data, fragmentation from Cloud deployments, and financial fiasco blow-back
- Major vendors are coming to market – for the last strategic "real estate" in IT
  - Lots of small innovators will be snatched up
- Go to market will be increasingly industry-focused

#9: Green/Sustainable Tech Will Thrive

Green IT will be disguised as “cost savings” in 2009

- Offerings with near-term payback will rise; big ticket will be pushed down the agenda

Green Energy investments will focus on efficiency and conservation in 2009

- Smart metering, home area nets, in-home displays, etc.

Emerging markets will be the epicenter of innovation

#10: Government Initiatives Seed Growth

Economic development & education

- Online (cloud) economic development, training and innovation zones

Health and Energy industry restructuring/streamlining

- Notably in the U.S. and Europe

Financial markets stability and transparency

- Information management, access/discovery, analytics

Essential Guidance for 2009

While it's vital to carefully manage investments, it's an important time to not "hunker down"

- While the recession is slowing down the entire market, it is *accelerating* the transformation of the industry
- The disruptive vectors of the market will be among the *highest-growth* sectors in 2009, as their advantages are magnified in a down economy

Suppliers who slow down their transformation will limit long-term viability *and* miss near-term growth

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Technology

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