IDC Forecasts Strong 12.3% Growth for AI Market in 2020 Amidst Challenging Circumstances

FRAMINGHAM, Mass., August 4, 2020 – Worldwide revenues for the artificial intelligence (AI) market, including software, hardware, and services, are expected to total $156.5 billion in 2020, an increase of 12.3% over 2019. While this year's growth is somewhat slower than previous years due to the economic impact of COVID-19, International Data Corporation (IDC) believes investment in AI will recover quickly. A new forecast from the IDC Worldwide Semiannual Artificial Intelligence Tracker shows worldwide revenues surpassing $300 billion in 2024 with a five-year compound annual growth rate (CAGR) of 17.1%.

Software is the largest AI technology group delivering roughly 80% of all AI revenue. Most of the software revenue comes from AI Applications ($120.4 billion in 2020) with AI Software Platforms ($4.3 billion) delivering the remainder. CRM AI Applications and ERM AI Applications are the two largest segments with 20% and 17% share of the AI Applications market. Other key segments include AI for Content Workflow and Management Applications, Production Applications, and Collaborative Applications. While software will remain the largest category throughout the forecast, it will also see the slowest growth with a five-year CAGR of 16.7%.

"The role of AI Applications in enterprises is rapidly evolving. It is transforming how your customers buy, your suppliers deliver, and your competitors compete. AI applications continue to be at the forefront of digital transformation (DX) initiatives, driving both innovation and improvement to business operations," said Ritu Jyoti, program vice president, Artificial Intelligence Research at IDC.

CRM AI Applications are expected to take center stage within the AI Applications market, both in terms of its sheer size and growth opportunities, in the coming years. "Customer

Experience (CX) is the new brand. Leading CRM vendors are driving the intersection of CRM and CX, that help build strategies that improve both your customers' and your employees' experience with your business," added Ritu.

In terms of vendor share, Adobe had the top spot for AI-centric CRM Applications while Microsoft was #1 in AI non-centric CRM Applications. Meanwhile, in ERM AI Applications, Ceridian and Intuit take the top spots in AI-centric and AI non-centric types, respectively. As for the rest of the AI Applications market, IBM is in first position under AI-centric type while Microsoft occupies the top spot under AI non-centric type.

Figure 1
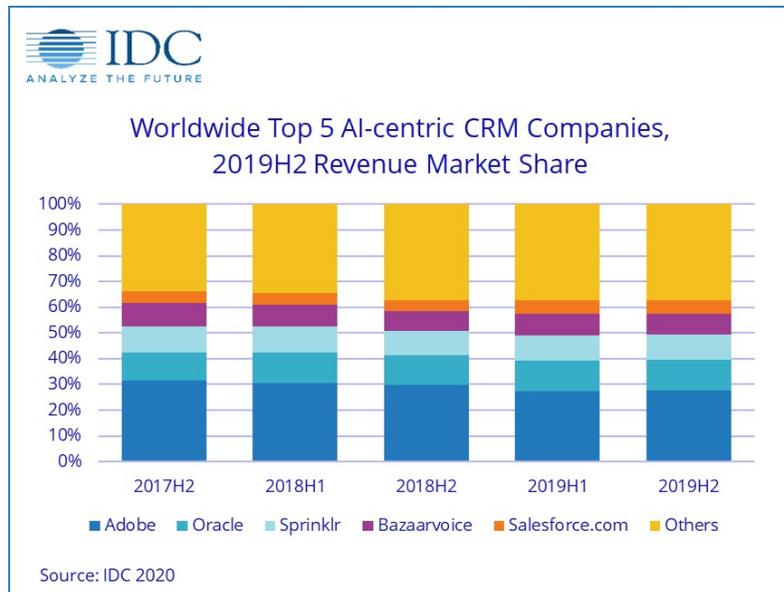
The second largest AI category is services, which IDC forecasts will reach $18.4 billion in 2020, an increase of 13% year over year.

Within the AI services market, AI IT Services accounts for nearly 80% of the category's revenue with AI Business Services delivering the rest.

"The pandemic has interrupted the momentum of AI services market growth in nearly all regions," said Jennifer Hamel, research manager, Analytics and Intelligent Automation Services. "However, enterprise demand for AI capabilities to support business resiliency and augment human productivity will sustain double-digit expansion in 2020 even as other discretionary projects experience delays."

Rising demand for expertise in embedding AI-enabling technologies into business analytics and intelligent automation programs has led to a highly competitive and fragmented AI services vendor landscape. The Tracker currently publishes more than 150 companies under AI services. The top 5 companies in terms of market share – IBM, Accenture, Deloitte, Infosys, and Cognizant – captured roughly one third of the worldwide AI services market in 2019.

Figure 2

Worldwide Top 5 AI Services Companies, 2019H2 Revenue Market Share
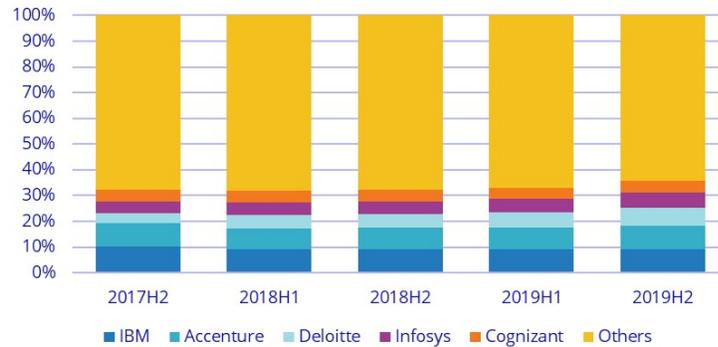
Source: IDC 2020

IDC expects AI hardware (server and storage combined) revenues to reach $13.4 billion in 2020, representing 10.3% year-over-year growth, which is a significant drop from the prior year when it grew 33.4%. Within the hardware market, AI Storage is forecast to grow 11.4% this year, slightly ahead of AI Server, which is expected to grow 10.1%. However, from a size perspective, AI Server is responsible for more than 80% of total AI hardware revenues. The overall hardware market is forecast to have a strong recovery with 35.5% year-on-year growth next year, led by AI Storage, which is expected to grow 43.1% year over year.

Amita Potnis, research director in IDC's Enterprise Infrastructure Practice explains further, "While the overall market has seen a slowdown due to the COVID-19 pandemic, investments for AI

and analytics infrastructure will continue, and perhaps increase, in specific industries such as life sciences, healthcare and Media & Entertainment. Storage will see stronger growth than servers owing to new data generation along with existing datasets that will be curated to support AI models with increased adoption of high-performance parallel file systems and all-flash object stores."

"The AI server market is expected to return to its previous growth trajectory in 2021, but with the US not having the pandemic under control, 2021 growth in the US will be lower than in China and Western Europe," said Peter Rutten, research director in IDC's Enterprise Infrastructure Practice.

In terms of vendor share, the top 3 companies in AI Server are Dell, Hewlett Packard Enterprise, and Inspur. They are the only 3 competitors with double-digit market share in that market space. In the AI Storage market, Dell Technologies, NetApp, and Hewlett Packard Enterprise hold the top 3 positions.

Figure 3

Worldwide Top 5 AI Server Companies, 2019H2 Spend Market Share
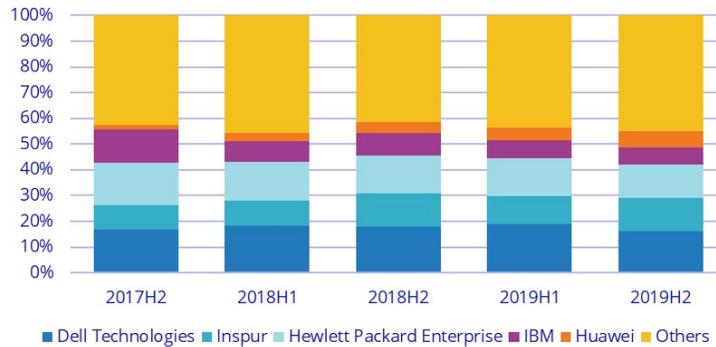
Source: IDC 2020

The IDC Worldwide Semiannual Artificial Intelligence Tracker publishes AI vendor share and market forecast data on a semi-annual basis. It provides data and insights into all the key technology areas – server, storage, software, and services – built on IDC's comprehensive methodology involving vendor product, market, and workload modeling. More than 400 vendor companies are currently published in the Tracker, ensuring that the competitive landscape is well represented. Through its broad and in-depth coverage, the Tracker can be relied on by users to assess which sectors within the AI market are expected to grow in demand during these unusually challenging times and optimize their business plans accordingly. In the next release scheduled for January 2021, IDC plans for the Tracker to expand with more details including country-

level breakdown and introducing System Infrastructure Software and Application Development & Deployment in the primary markets.

About IDC Trackers

IDC Tracker products provide accurate and timely market size, vendor share, and forecasts for hundreds of technology markets from more than 100 countries around the globe. Using proprietary tools and research processes, IDC's Trackers are updated on a semiannual, quarterly, and monthly basis. Tracker results are delivered to clients in user-friendly excel deliverables and on-line query tools.

For more information about IDC's Worldwide Semiannual Artificial Intelligence Tracker, please contact Kathy Nagamine at 650-350-6423 or knagamine@idc.com.

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International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.

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