

Revenue Growth Rate Jumps for Linux Servers in Slow Market

Gartner's survey of the global server market in the third quarter of 2002 showed Linux servers growing revenue by 65 percent from 2001. IA-32- and IA-64-based systems also fared far better than RISC-based machines.

Event: On 25 November 2002, Gartner announced that vendor server revenue fell 2.9 percent in 3Q02, dropping from \$10.86 billion in 3Q01 to \$10.5 billion. IBM continued to lead the market, but Sun Microsystems fell to third place from second after the addition of Compaq Computer's revenue to Hewlett-Packard's (HP's). Dell Computer and Fujitsu rounded out the top five.

First Take: Worldwide server shipments showed signs of recovery since 1Q02, with much of it fueled by the United States, which has shown double-digit growth for three consecutive quarters. In other regions, Asia/Pacific shipments grew by more than 10 percent compared with 3Q01. Western Europe continued to show signs of distress with flat shipments and an 11 percent revenue decline. Japan showed improvement sequentially, with unit increases of 17.3 percent and revenue gains of 27.7 percent.

RISC-based systems continued to decline in 3Q02, with a 3.9 percent decrease in shipments compared with the year-ago quarter. Revenue also dropped, at a rate of 7.9 percent, over the same period. Of the top three vendors, IBM showed a 2.2 percent revenue decrease, while HP and Sun posted decreases of 10 percent and 9.7 percent, respectively. The contraction of the RISC segment has resulted in fierce competition among the top three vendors.

Systems based on the IA-32 and IA-64 architectures fared better, with 3Q02 shipment increases of 7.2 percent and revenue gains of 1.3 percent compared with 3Q01. During that period, among the top three vendors, Dell posted the largest gain in shipments at 19.2 percent while IBM had the largest revenue gain at 25.8 percent. HP led the segment in market share for both shipments and revenue, with a lead of 10 percentage points in both shipments and revenue over Dell. IBM trailed both in shipments and revenue but showed strong sequential growth in revenue and narrowed the gap with Dell.

Linux continued to grow strongly in 3Q02, with a shipment increase of 46.8 percent over 3Q01. Revenue growth over the same period was an impressive 64.7 percent. Once viewed as suitable only for small-scale applications such as Web and e-mail servers, Linux has now started to handle large computing tasks. The increase in its computing capabilities, combined with a lack of licensing fees, makes Linux an attractive choice for enterprises and forces vendors to introduce Linux-based products or lose potential profits.

Analytical Sources: Shahin Naftchi, Joseph Gonzalez and Jeffrey Hewitt, Gartner Research

Recommended Reading and Related Research

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- “Server Sales Up But Market Recovery Unlikely in 2002” — A worldwide recovery in shipments will likely not occur before 2003. **By Shahin Naftchi, Joseph Gonzalez and Jeffrey Hewitt**
- “United States Growth Fuels Worldwide Server Market Shipments” — In the 3Q02, vendors shipped a total of 1,106,332 units. **By Shahin Naftchi and others**

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This FirstTake was excerpted from a Gartner Dataquest Market Analysis, HWPW-WW-NT-0247, “Hardware Platforms Weekly, Issue 47,” which was first published on 25 November 2002. To see more about Gartner’s analysis of the hardware market, go to <http://www.gartner.com/pages/section.php.id.2037.s.8.jsp>.