IDC: Server Demand Remains Weak
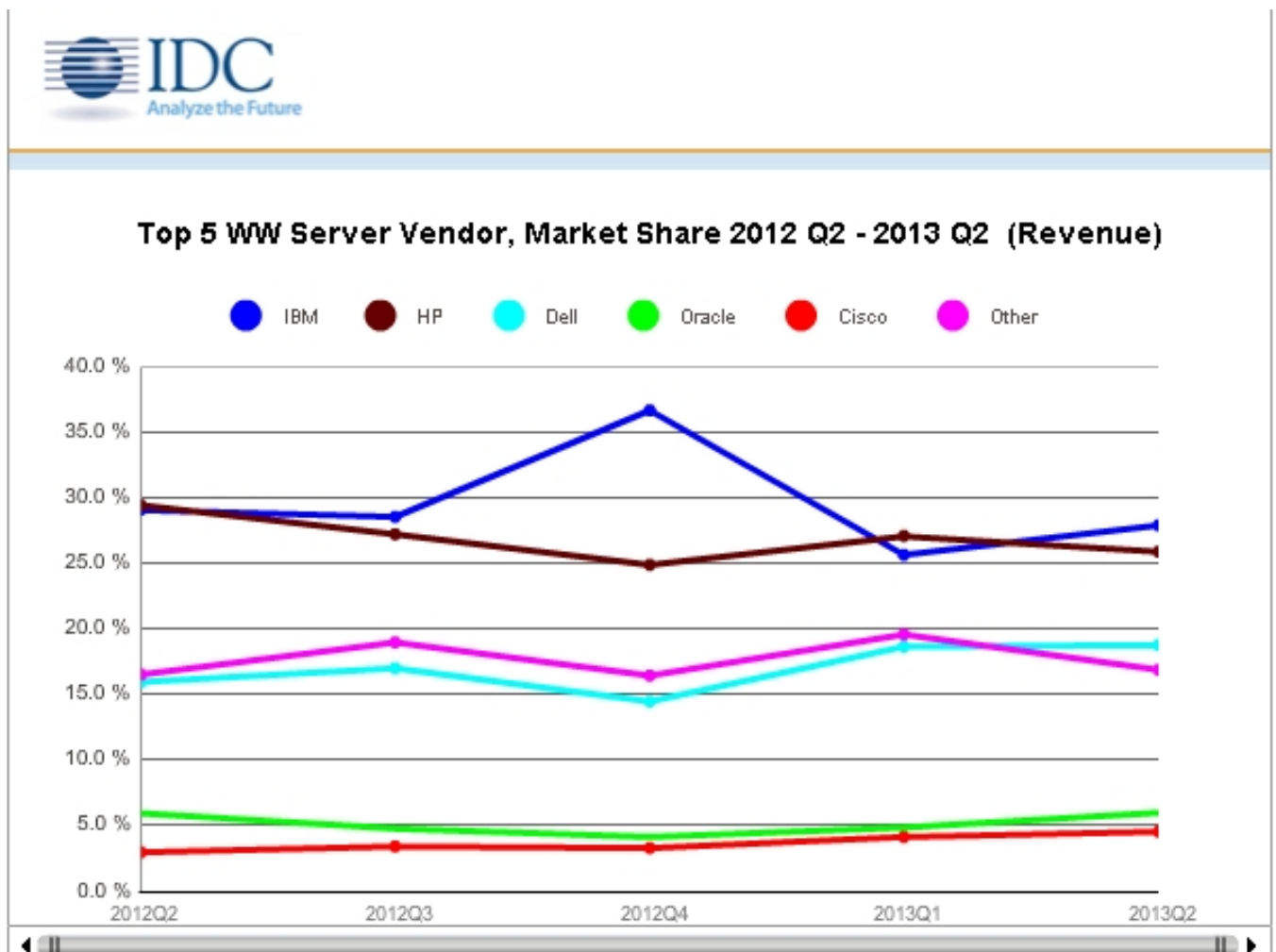
Written by Marco Attard

29 August 2013

Global Q2 2013 server revenues drop by -6.2% Y-o-Y to $11.9 billion IDC reports-- a second consecutive quarter of Y-o-Y revenue declines as server demand remains soft in most geographical regions.

Server unit shipments decline by -1.2% Y-o-Y to 2.0 million units, making Q2 2013 the third consecutive quarter of Y-o-Y server shipment declines.

Volume system revenues drop by -2.4% Y-o-Y, midrange server revenues decline by -22.3% Y-o-Y and high-end systems are down by -9.5%, with relatively difficult Y-o-Y compares combined with transitions in technology refresh cycles.

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"Mainstream SMB and enterprise server customers around the world continue to focus on consolidation, virtualisation, and migration initiatives aimed at increasing efficiency and lowering datacentre infrastructure costs." IDC says. "At the same time, challenging economic conditions are dampening demand for new IT projects necessary to grow the server market globally... [T]he competitive dynamics in the server market remain fierce as the leading server vendors work to offset weak demand for generally higher margin Unix and blade servers with lower margin rack and density optimized servers."

IBM remains on top in the global vendor rankings with 27.9% Q2 2013 revenue share-- if with a -10% Y-o-Y revenue decline caused by soft System x and Power System demand. HP follows with 25.9% revenue share and a -17.5% Y-o-Y revenue decline through "disappointing" ProLiant server demand and Integrity shipment declines.

Dell sees some revenue growth (10.3% Y-o-Y) and highest-ever server market share according to IDC, 18.8%. Oracle maintains 4th place with 6% revenue share, followed by Cisco breaking its Q1 2013 tie with Fujitsu via 4.5% revenue share and 42.6% Y-o-Y revenue growth.

The Q2 2013 x86 server market remains "weakened" the analyst says-- revenues drop by -1.3% Y-o-Y and shipments remain flat (-0.1%) at 1.9m units making Q2 2013 the second consecutive quarter of Q-o-Q declines for the segment. HP leads the market with 31.3% revenue share (despite -14.8% Y-o-Y revenue declines), followed by Dell (25.7% revenue share) and IBM (12.8% share).

Blade server revenues reach $2.0bn with -6.2% Y-o-Y declines. The segment accounts for 16.9% of overall server revenues, and is led by HP (44.8% revenue share), Cisco (19.6%) and IBM (17.2%).

The only segment seeing growth is Density Optimised servers used in large hyperscale datacentres-- Q2 2013 revenues grow by 26.6% Y-o-Y to $735m, while shipments grow by 13.8% Y-o-Y to 200000 units.

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"The non-x86 server market is in the middle of a major transformation, as hardware platforms associated with Unix continue to look for a bottom in their secular decline, mainframes find new 3rd platform workloads, and the market prepares for new RISC-based system-on-a-chip architectures to enter," IDC continues. "As the lines between x86 and non-x86 workloads continue to blur, customers will find compelling cases outside of x86 for hyperscale and scale-up solutions for their analytics, cloud, mobile, and social platforms."

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