IDC: Sharp Q1 2017 Decline for Servers in W. Europe

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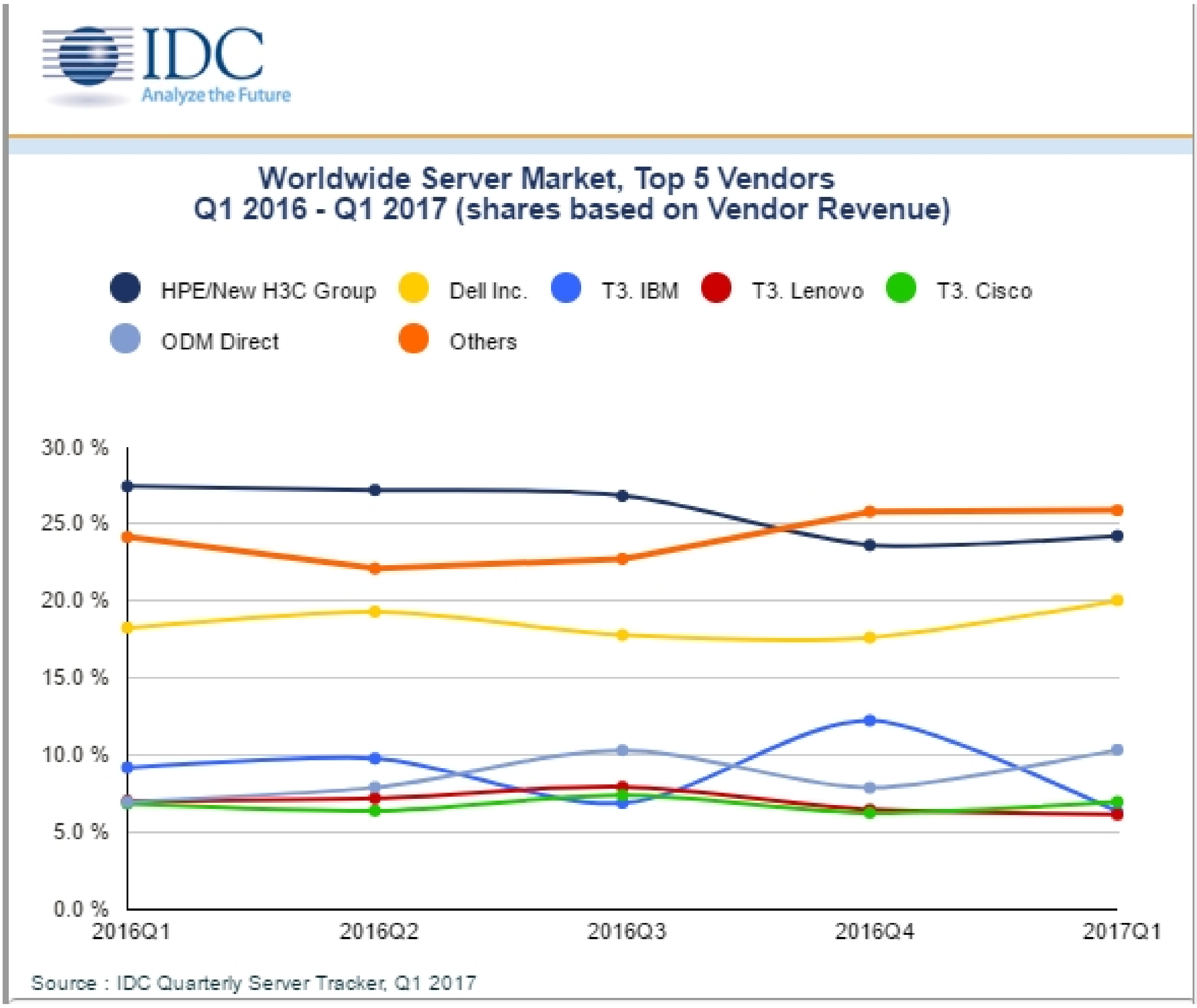
IDC reports the W. European server market down by -14.3% Y-o-Y in Q1 2017-- in contrast with CEE, the region showing the fastest growth at 7.2% Y-o-Y.

On a global basis, the Q1 2017 server market is also on the decline, specifically by -4.6% Y-o-Y to $11.8 billion. Causing such slowdown is hyperscale services providers waiting until H2 2017 for the deployment of Intel Skylake processors, while high-end server sales remain a "drag" on overall market performance. Another factor negatively affecting the market is DRAM prices.



Server shipments are actually the rise-- by 1.4% Y-o-Y to 2.21 million, with one customer accounting for over 10% of servers shipped during the quarter.

Volume server revenues are down by -3.4% Y-o-Y to $9.5bn, while midrange server revenues show 16.5% Y-o-Y to $1.3bn. High-end systems revenues drop by -29% Y-o-Y to $1bn, and the analyst expects long-term secular declines in high-end system revenue.

"The server market continues to struggle to find growth," IDC remarks. "As the market prepares for the switch to Intel's Skylake this year, we may be witnessing a shift in how workloads are deployed in the future, and what architectural choices will be made around modularity, operating environments, software, and cloud services. As indicated by this quarter's results, one large server customer appears to be betting on a major transition to cloud services, as it alone accounted for approximately a quarter of a million servers deployed in the first quarter."

When it comes to vendors, HPE retains the top position with 24.2% Q1 2017 market share, even as revenues drop by -15.8% Y-o-Y to $2.9bn. The HPE market share and growth rate includes revenues from the H3C joint venture in China that started in May 2016, and as a result the HPE/New H3C Group results combine server revenues for both companies globally.

Dell maintains 2nd place with 20.1% Q1 2017 vendor revenue and 4.7% Y-o-Y growth to $2.4bn. Meanwhile 3rd place sees a statistical tie (since the difference in revenue share among 2 or more vendors is 1% or less) between Cisco, IBM and Lenovo. Cisco has 7% share, with revenues declining -3% Y-o-Y to $825m. IBM has 6.3% share, with revenue dropping -34.7% to $745m. Lenovo has 6.2% share, with revenue declining -16.5% to $727m. In 5th place is the ODM Direct group, with 41.8% revenue growth.

Dell and HPE are statistically tied in 1st place in overall unit share with 21% and 20.8% of WW server shipments respectively.

"Results for the quarter were right in line with what IDC had forecast in Q4 2016. Demand for two-socket form factors continues to control a majority of unit shipments now and going forward as they are the sweet spot for density-optimised servers," the analyst concludes. "Two-socket machines are attractive for datacentre deployment in terms of both power usage and cost per server. Their growth rate may slow down over the short term and, because they control a significant portion of the overall server market, the overall server market growth rate will be dampened worldwide."

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