



Gartner Dataquest Says Worldwide Software Spending To Stabilize in 2003
Spotlight Report Examines Trends For the Software Industry

SAN JOSE, Calif., March 17, 2003 — The worldwide software industry is experiencing the combined effects of economic uncertainty and lower business confidence in software investments, which is severely constraining corporate spending, according to Dataquest Inc., a unit of Gartner, Inc. (NYSE: IT and ITB).

The industry will return to positive, stabilized growth in 2003, as worldwide end-user spending on software is forecast to reach \$76.1 billion, a 3.5 percent increase from 2002 spending. In 2002, worldwide software revenue declined 0.7 percent, with revenue of \$73.5 billion. "Renewed IT software spending will only occur in many organizations after a prudent review of the supplier options and the business priorities," said Joanne Correia, vice president for Gartner Dataquest's Software Industry Research group "Despite the backlog of pent-up demand, vendors will continue to deal with a new extended sales cycle, resulting in more pressure on margins."

"Uncertainty is riding high with a very restrained economic outlook, so it can only be sensible to advise continued caution for the near future," said Thomas Topolinski, vice president for Gartner Dataquest's Software Industry Research group. "While some sectors are seeing increased demand, other sectors are losing their share. The most prudent planning assumption is that, at least for the next 12 months, overall global demand for software licenses will remain as static as it is today."

While the continued tightening of budgets hinders short-term software license revenue, Gartner Dataquest analysts said that this is good news for the top-tier software vendors who will continue to take market share from the pure-play vendors.

Gartner Dataquest analysts refer to these top-tier vendors as titans (vendors that have achieved dominant market share in more than one software market segment by offering a diversified and often integrated line of software products). Pure-play vendors derive most of their software revenue from the sale of products within one market. The realities of the weak economy continue to shift the competitive advantage from pure-plays to titans.

Through 2003 and 2004, enterprises will continue to invest primarily in technologies that drive business process cost efficiencies from their existing investments. The business value of IT has become a major factor in decision making. For enterprises to make new software investments, it will be critical for simultaneous investment in new technologies (hardware, wireless and Web services) that will help achieve short and long term return on investment (ROI).

More analysis is available in the Gartner Dataquest research Spotlight [Software Market Stalled in Global Economy's Slow Engine](#). This Spotlight features reports that look at the current condition of the software market and outlines Gartner's predictions for the enterprise software market during the next few years. This Spotlight can be found on

Gartner's Web site.

This information is produced by Gartner Dataquest's Worldwide Software Industry group. This research group provides analysis on infrastructure and application product market trends, player positioning and channels of the packaged business application software market. To subscribe to Gartner Dataquest's Software Applications or Infrastructure Worldwide programs, please call 408-468-8000. Reports can be purchased on the Internet at

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