



## Gartner: 2014 IT Spending To Grow, But Not As Quickly As Earlier Projections

IT spending is on the rise, but it isn't growing as quickly as originally projected, according to Gartner's latest IT spending outlook report.

Gartner projected that IT spending will grow 2.1 percent this year over 2013 and hit a total of \$3.7 trillion this year. While the spending market is still on the rise, the growth rate is less than an earlier projection of 3.2 percent growth for the year.

In particular, Gartner attributed the dip in growth to slower outlooks for spending on devices, data center systems and IT services.

"Price pressure based on increased competition, lack of product differentiation and the increased availability of viable alternative solutions has had a dampening effect on the short-term IT spending outlook," Richard Gordon, Gartner managing vice president, said in a statement.

While Gartner saw a drop in spending, Gordon said that the research company expects to see a return to what he called "normal spending growth" from 2015 to 2018.

Scott Fluegge, president and general manager of Fort Lauderdale, Fla.-based **JDL Technologies**, said some but not all of the Gartner numbers are in line with what he is seeing in his business.

"The new Gartner numbers are interesting, and some of the projections track with what we're seeing in the IT marketplace, although others do not," Fluegge said. "For example, we are seeing some pretty intense downward pressure on infrastructure pricing, in particular end-user devices where the technology continues to become ever more compact in size and robust in function. The upside is we're moving more product this year, as customers seem to feel more comfortable upgrading their older infrastructure. We take that as a sign of gradually increasing confidence in the economy."

**JDL Technologies** conducted its own survey of IT executives late last year and found that 57 percent had reduced their 2014 budgets from the year before. However, as a result, Fluegge said that the survey found 40 percent are outsourcing their services this year to help save costs.

"In 2014, most are tasked with maintaining or increasing the level of performance with the same, or even fewer, resources," Fluegge said.

Breaking down the spending forecast, lower price points for mobile and tablet devices as well as a forecast decrease in sales due to market penetration has slowed device sales growth to \$685 billion, a 1.2 percent increase over 2013. Data centers also felt the hit, with a projected 0.4 percent increase from 2013 as spending continues to lag. Lower-cost options are taking precedence in data center spending, with external controller-based storage sales taking a hit as a result.

Beyond hardware, IT services also are feeling the heat following reduced vendor pricing, particularly in the cloud services market, and slow implementation by risk-averse clients. Gartner said that public cloud services in particular are slowing the market as they "cannibalize" traditional data center services.

**JDL Technologies** sees the health-care market as an exception to Gartner's slow services growth, according to Fluegge, as he is seeing "high demand" for services due to HIPAA and HITECH regulations.

"Health-care providers in private practice are overwhelmed by competing initiatives and need expert IT support so that they can focus on providing good care and running their practices," Fluegge said. "We see that demand continuing to grow throughout 2015, especially with the Meaningful Use Stage 2 deadline extended."

Finally, Gartner predicted that telecom spending would reach \$1,635 trillion, up 0.7 percent from 2013. Declining use of voice services and increased price competition in particular are driving the market down, Gartner's Gordon said, with average revenue per user expected to drop 10 percent annually through 2018.

On the bright side, Gartner found that enterprise software sales are projected to increase 6.9 percent over last year to \$321 billion. While the forecast for the applications market was down, infrastructure software is showing very strong growth and causing an overall positive outlook for the market.

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