



Market News Snapshots

Economic crisis means pockets of opportunities

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IDC believes that the Asia-Pacific excluding Japan (APEJ) region still presents great opportunities, despite the economic slump.

While it is expected that most businesses will rethink their growth strategies, there will still be pockets of opportunities as APEJ bounces back.

Even while overall IT spending slows, IDC believes that the negative economic force will actually intensify the focus on emerging markets and emerging technologies, as businesses look to cut costs, improve business models, and reach their customers more effectively. IT companies looking for growth in 2009 will need to accelerate their pace of change and align their offerings with the pockets of opportunity that these new marketplaces provide.

The top 10 trends that IDC believes will shape the ICT industry in 2009:

1. Asia-Pacific IT spending growth will be down but not out

Compared to the US and the rest of the world APEJ is still viewed as the bright spot with IT spending expected to reach \$196 billion by year-end. IDC predicts the APEJ IT market growth will slow from the previous forecast of 9.5% to a 'post-crisis' forecast of 5.8%. While a decline in IT spending is expected with some areas of spending pulled back further than others, there will be pockets of opportunities which will remain as the economic pressures accelerates growth in emerging technologies and in emerging markets.

The PC and peripherals markets are expect to be hit the hardest, with consumer spending declining and businesses stretching existing product shelf-lives, whereas the services market, operating on longer contract cycles, should have a better ongoing revenue streams. Public sector spending will increase to offset weakening economies and essential services such as utilities and telecommunications will witness less change to IT expenditure. While projections for economic growth in virtually all countries have been lowered for 2009 and 2010, many APEJ countries boast GDP growth well above the worldwide average of 1.8% for 2009. IDC therefore expects that many APEJ countries' IT markets will continue to grow at greater rates than expected worldwide.

2. Government spending will drive IT value optimization and infrastructure development

IDC expects to see governments coming up with various packages to stimulate economic activity. While not all measures announced include ICT-related expenditure, the net effect is likely to strongly impact on the ICT industry within the respective economies. IDC expects some key government projects to be brought forward as part of the stimulus exercise, in particular, those that involve greater infrastructure components. While the business community expects governments to be the key driver for expenditure, their responsibilities to citizen constituents remain and they are



expected to maintain good governance, striving for both cost and value in their projects moving forward.

3. The Cloud will grow despite and because of the economy

The current economic meltdown coincides with the availability of rapidly maturing cloud-based services that are offered by a wide range of vendors. New mode of acquiring and delivering services promises the valuable benefit of low up-front costs combined with usage-based pricing are now available. These benefits alone will ensure that this new model will be considered as a viable alternative to traditional delivery models. As a result, IDC forecasts that the use of cloud-based services will increase in 2009 despite, and because of, the economic conditions. IDC also predicts rationalization and consolidation among the cloud vendors, with struggling vendors having strong vertical offerings being acquired by larger, more diversified players.

4. Accelerated push to next-gen customer care

IDC predicts a further acceleration of the use of web 2.0 technologies in the enterprise segment in 2009 as businesses look for not just more, but also efficient, ways to connect with customers. Next Generation Customer Contact tools will provide smart organizations with the ability to access the new spending generation that has grown up in the internet age. While most markets decline during tight economic times, IDC predicts that IP contact center revenue across APEJ will increase from \$278 million in 2008 to \$518 million in 2012 at 17% compound annual growth rate (CAGR), accelerated by the economic pressure to keep customers. These new disruptive technologies will dramatically transform contact centers and create the next generation of customer contact in 2009.

5. Major players will look to Asia-Pacific for acquisition as the enterprise search market accelerates

The significance of controlling the costs of information search within organization has increased during these cost-conscious times and, as a result, the enterprise search market has grown in strategic importance. Aligned to this is the growth of cloud computing which also accelerates the importance of enterprise search. IDC predicts that a slowing economy, and the increasing strategic importance of search, will drive further consolidation among enterprise search vendors in 2009, opening the way for search companies such as Google and Yahoo! to enter the market traditionally dominated by companies such as Autonomy, Microsoft and IBM. The attraction for Asian-developed search algorithms and non-English based search engines will result in Asian companies and developers being targeted by global enterprise search vendors as they try to maintain growth.

6. Green will become sustainable in line with greater cost reduction

In 2009, with even greater economic pressures on businesses, IDC expects investments in green technologies will continue to increase, such as virtualization for cost savings. Environment sustainability will shift from the mature economies in the region to the developing nations, based on results of the latest iteration of IDC's Green Poll in September 2008, which found rising energy costs in India and China remained the most pressing reason impacting Green IT adoption. IDC



believes that, with increased cost pressures, the adoption of sustainable IT technologies in 2009 will expand from a focus on the tactical reduction of energy consumption in the data center and the distributed environment to a broader leverage of Green IT to achieve business process optimization.

7. Market slowdown will force many telecom operators to rethink strategies

IDC predicts that telecom incumbents with healthy balance sheets will continue to focus capex on enhancing core and backhaul networks, while consumer or enterprise tier 2 operators will delay new and large capex projects to focus on faster ROI investments. Broadband growth in developing Asia-Pacific economies will still provide the quickest ROI as subscriber access growth continues in these markets. A number of emerging technologies will feel the impact of the downturn, e.g. 3G in India, China and Vietnam; Wimax, IPTV, carrier Ethernet, multimedia services, mobile Radio Access Network (RAN) and broadband wireless services. But the level of impact will depend on what benefits the technology can genuinely offer to service providers.

8. Enterprises will revisit the managed data center model to drive down costs

IDC believes that the downturn in the economy will spur interest in data center initiatives and solutions that can dramatically bring down operating cost. Organizations will revisit the managed data center model and embrace it, starting with data center consolidation. Beside saving costs, engaging a managed data center service providers gives organizations access to many of the cutting-edge data center technologies, such as new forms of server and storage architecture, virtualization, WAN optimization, cloud computing, disaster recovery and others. IDC estimates that only 23% of organizations in the region currently use an external service provider for their data center needs. Hence, there is a large untapped market and opportunity for managed service providers, and having an end-to-end solution offering will be critical for success in this market.

9. Thin clients will ride the wave of cost cutting and desktop virtualization

As the market matures, and better vendor collaboration results in software standards merging, virtualization to cut costs will extend beyond server virtualization in data centers to virtualizing the desktop. In addition, deploying thin clients and a virtualized desktop environment will also reduce the carbon footprint. IDC is therefore optimistic and predicts that thin-client deployments on the back of desktop virtualization will gain traction in 2009, and further accelerate into 2010, as PC replacement cycles peak across the region. Full year 2009 thin-client shipments are expected to grow within the 12–15% range over 2008, to about 765,000 units.

10. The economy and mini-notebooks will challenge the way computers are used and sold in Asia-Pacific

IDC expects mini notebooks, a new product category created due to demand for devices that support mobility, to increase from around 5% of total notebooks shipped in the APEJ region in 2008 to more than 10% in 2009. The small cutesy form factor will be the primary selling point, but it will also change the way these devices are being used. With limited processing power and storage, users will be heavily dependent on being connected to the Internet, eventually running applications



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through the cloud. This demand for connectivity will further change the way mini notebooks are sold – instead of retail stores, partnerships with mobile operators are expected to proliferate with devices sold in service bundles like mobile phones, leveraging operators' cellular 3G infrastructures. With vendors already looking at ways to overcome the challenges associated with this product category, IDC believes that mini notebooks will change the way traditional notebooks are used and sold.