Gartner Top End User Predictions for 2010: Coping with the New Balance of Power

Summary Report

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Top End User Predictions for 2010

By 2012, 20% of businesses will own no IT assets.

By 2012, India-centric IT service companies will represent 20% of the leading cloud aggregators in the market.

By 2012, Facebook will become the hub for social networks integration and Web socialization.

By 2014, most IT business cases will include carbon remediation costs.

In 2012, 60% of a new PC's total life greenhouse gas emissions will have occurred before the user first turns the machine on.

Internet marketing will be regulated by 2015, controlling more than $250 billion in Internet marketing spending worldwide.

By 2014, more than three billion of the world's adult population will be able to transact electronically via mobile and Internet technology.

By 2015, context will be as influential to mobile consumer services and relationships as search engines are to the Web.

By 2013, mobile phones will overtake PCs as the most common Web access device worldwide.

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This is a summary review of Gartner's Predicts 2010 Special Report, which focuses on the new balance emerging in IT as organizations worldwide shift from a cost containment mode and prepare for a return to economic growth. Previous assumptions about revenue flows and ownership will continue to be challenged as a new balance between supply, consumer demand and regulation emerges.

Our predictions for 2010 reflect the extent to which IT has extended beyond the confines of business to become intrinsic to every aspect of society.

For example:

- Cloud computing, which abounds with opportunities to shift IT resources outside the enterprise, help boost liquidity and rebalance short and longer term financial commitments.
- Green IT, which will play a significant role in companies' efforts to reduce their carbon footprint in response to global climate changes attributed to greenhouse gases.
- Globalization and the potential impact of regulation—both national and international—on the way organizations exploit the Internet for marketing communications and demand generation.
- The democratization of IT, which drives change in the way organizations relate to their customers and users.
- Mobile devices and context-aware computing, which will enable the growth of huge new markets, particularly in third-world countries.

This report is a summary of a more-comprehensive research document available only to Gartner's end-user clients.

The full report includes:

- Nine end-user-specific predictions
- Key findings that led our analysts to develop their predictions
- The full range of market implications that each prediction will spur
- Actionable recommendations for each prediction that industry IT leaders should consider
- Related research to help you tackle your key initiatives in 2010

Analysis

By 2012, 20% of businesses will own no IT assets.

Market implications:

- While the need for computing hardware will not go away, the shift of actual ownership of it will reverberate throughout every facet of the IT hardware industry.
  —For example, enterprise IT budgets either will shrink or—in more enlightened organizations—be re-allocated to more strategic projects. IT staffers, and hardware specialists in particular, will face layoffs or will need to be retrained to meet other requirements. Laid-off hardware specialists find themselves chasing a declining job pool.
- Hardware distribution will have to change radically to meet the requirements of the new IT hardware buying points such as cloud services providers, vertical application value-added retailers (VARs), server farm maintenance organizations as well as end users for PCs, notebooks and handheld communications devices. This, in turn, will mean that hardware OEM sales strategies must adapt to meet the requirements of the new buyers.
- Enterprise sales of servers will become a shrinking part of overall share.
- Low-margin, bare metal sales will increase.
- Turn-key solutions will become increasingly important for traditional enterprise customers.
- PC sales will shift toward end-user, personal buyers. The employee purchases may be out-of-pocket from consumer channels or from employer-subsidized plans.

By 2012, India-centric IT service companies will represent 20% of the leading cloud aggregators in the market (through cloud service offerings).

Market implications:

As cloud computing continues to emerge as a disruptive force, organizations will want to assess its potential for their organizations. This change in the market will help CIOs and business unit heads understand and delineate the vendors, IT services, software and infrastructure components.

- Many Indian vendors have used transparency as a way to build the confidence of Western buyers in foreign IT service providers. Thus, if India-centric providers play a substantial role in developing cloud service offerings, CIOs and business unit leaders will embrace this transparency to an even greater extent.
- The R&D efforts of Indian vendors will speed development of cloud-based solutions from all types of IT providers, which will create more choice and more competition in the market. Over time, it will result in deeper, higher-quality offerings. These new offerings, in turn, will accelerate the transition from traditional to industrial offerings and the growth of utility and cloud-based services.
- Buyers—business unit teams and IT organizations—will be forced to separate unique business process areas that truly drive competitive advantage from those that simply deliver competitive parity. Organizations that can appropriately adopt newer utility and cloud-based offerings in select areas of their enterprises—with a heavy dose of strong risk management skills—will gain an important advantage within their industries.

Related research:

"Forecast: Sizing the Cloud; Understanding the Opportunities in Cloud Services"
G00166525

"Economic Factors Accelerate Employees' Use of Personally Owned Equipment"
G00164283

"The Impact of Cloud Computing on Sourcing Strategy Models"
G00170661

"Cloud-Enabled Outsourcing: New Ideas for Effective Governance and Management"
G00170364

"Service Value Chains Will Be at the Heart of Cloud Services"
G00167831

"Successful Outsourcing Strategy Requires a Clear View of Future Market Disruption"
G00171795

Analysis

By 2012, Facebook will become the hub for social networks integration and Web socialization.

Market implications:

- The number of active users on Facebook—already the largest social network community—is expected to rocket to more than a billion by the end of 2010. More than 15,000 websites, devices and applications have implemented the Facebook Connect APIs and protocols to interface with Facebook. This interoperability will become critical to the success and survival of other social networks, communication channels and media sites.
- Facebook is simply too big for firms not to factor it into their B2C strategies. Its potential for advertising, communication, marketing and client support is huge. That said, there are two aspects of the Facebook phenomenon that organization should track carefully. They include:
  - **Privacy issues**, which will only get thornier as Facebook's role in integration with other websites and networks increases.
  - **The possible disruptive influence from the Far East,** specifically QQ in China, which could outstrip Facebook should the Chinese government allow it to compete on the open market. While this is an unlikely scenario, it remains a possibility and will be tracked closely by Gartner throughout 2010.

By 2014, most IT business cases will include carbon remediation costs.

Market implications:

- Incorporating carbon costs into business cases will help provide organizations with a measure of savings, as well as help prepare organizations for increased scrutiny of their carbon impact.
- Energy savings aside, the link between carbon dioxide (C02) emissions and climate change is widely accepted by politicians and mainstream media in developed economies. Therefore, policies are emerging that will penalize companies for CO2 emissions. These penalties could easily range of between $10 and $50 per ton of CO2 emitted. Incorporating carbon analysis gives a manager the ability to better understand the impact of policy changes on the business.
- In practical terms, carbon costs shadow energy costs, requiring the addition of an emissions factor (carbon emissions per kWh) and a projected cost of carbon remediation. Therefore, updating the spreadsheets is a moderately simple task. As carbon emissions are a global issue, we expect most organizations to include carbon costs in IT business cases by 2014.

Related research:

"Lessons from Facebook: Five Tips to Help Control Your Content"
G00166083

"Facebook and the Emerging Social Platform Wars"
G00152268

"Dataquest SWOT: Facebook, Worldwide, 2008"
G00155995

"Hype Cycle for Data Center Power and Cooling Technologies, 2009"
G00169853

"How to Prioritize Green IT Projects in an Economically Constrained World"
G00165139

Analysis

In 2012, 60% of a new PC's total life greenhouse gas emissions will have occurred before the user first turns the machine on.

Market implications:

- Due to the complex nature of PC production, 80% of the energy a PC consumes during its lifetime occurs during production and transport.
- PC upgrading, which can delay the need to purchase new PCs, has long been suggested as an effective strategy for reducing the environmental impact.
- In an environmentally ideal world, PCs would be more modular and robust, allowing them to be upgraded to extend life. Due to the obvious implications on demand, the industry has not pursued upgrading as a strategy. As usage-related CO2 emissions grow, PC manufacturers and vendors can expect pressure to deliver more modular, upgradable PCs.
- How manufacturers, vendors and PC users will need to respond to this growing trend will be a focus of Gartner research during the coming year.

Internet marketing will be regulated by 2015, controlling more than $250 billion in Internet marketing spending worldwide.

Market implications:

- The potential backlash from consumers on Internet marketing cannot be underestimated. Eventually marketers WILL abuse the Internet channel and annoy customers enough to generate an outcry strong enough to push legislation regulating Internet marketing activity. Consequences will include:
  - That companies focusing primarily on the Internet for marketing purposes could find themselves unable to market effectively to customers, putting themselves at a competitive disadvantage.
  - Vendors that focus solely or predominately on producing Internet marketing could find themselves faced with a declining market, as companies shift marketing funds to other channels to compensate.

Gartner will monitor and evaluate trends in this arena closely and offer strategies for both advertisers and Internet marketing firms that can help delay or avoid the pitfalls that lie ahead.

Related research:

"IT Vendors, Service Providers and Users Can Lighten IT's Environmental Footprint"
G00153634

"Forecast: IT Hardware Energy Consumption, Worldwide, 2005-2012"
G00164397

"Dataquest Insight: IT Providers Must Build Sustainability Into The Core of Their Strategy"
G00169010

"Generation Virtual: Sell to the Online Persona, Not the Person"
G00170076

"The Business Impact of Social Computing on CRM"
G00164858

"The Business Impact of Social Computing on Marketing and 'Generation Virtual'"
G00161081

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Analysis

By 2014, more than three billion of the world's adult population will be able to transact electronically via mobile and Internet technology.

Market implications:

- Two trends are merging that will drastically alter the future of the world's trading economy:
  —The rapid rise of mobile and Internet technology adoption in emerging economies.
  —Advances in mobile payment, commerce and banking.
- Together they will open the way for a significant portion of the world's adult population to transact electronically. For many of these newly enfranchised consumers from emerging economies, the ability to use short message service (SMS), e-mail or payment accounts will constitute their first and only access to the estimated $1 trillion global economy.
- For global firms such as Coca Cola and Carrefour, it will provide electronic reach and the ability to transact with a significant majority of adults on the planet.
- For entities such as eBay, TaoBao or Craigslist, it will open a huge opportunity for consumer-to-consumer transactions.
- For mobile operators, Internet companies and financial institutions, it will open vast new markets for the provision of transactional and funds transfer capabilities.

Gartner will track and analyze the intricacies of these interlocking trends throughout 2010.

By 2015, context will be as influential to mobile consumer services and relationships as search engines are to the Web.

Market implications:

- Context-aware computing will have a transformation, disruptive effect on business—particularly for retailers, financial services, media, healthcare, and telecom firms
- The most powerful position in the context business model will be the context provider. We expect firms like Google, Nokia, Apple, Microsoft, and communication service providers to lead the way in creating these services, platforms and business ecosystems.
- Alliances will be key, since many organizations have part of the technical or commercial foundations for context, but no vendor as yet has them all.
  —For example, an alliance between a network operator and a social network—where the former could provide location and billing and the latter brings customers, developers and some software tools—could yield a strong competitive position

Related research:

"Dataquest Insight: Mobile Payment, 2007-2012"
G00167197

"Rethinking Commerce in Emerging Economies"
G00163815

"How to Get Started With an Enterprise Mobile Retail Financial Services Approach"
G00163056

"Developing a Mobile Retail Business-to-Consumer Strategy"
G00163754

"Context-Aware Computing: A logical model for context providers"
G00170296

"Context-Aware Computing: It's time to carefully choose your vendors"
G00170548

Analysis

By 2013, mobile phones will overtake PCs as the most common Web access device worldwide.

According to Gartner estimates:

- The total number of PCs in use will reach 1.62 billion units in 2012, all of which are capable of Internet access, even if some are not connected.
- By 2012, the combined installed base of smartphones and browser-equipped enhanced phones will exceed 1.69 billion units. From 2012 onwards, this combined installed base will be greater than the installed base for PCs.

Nevertheless, most users in 2012 will use a PC as their primary Web access device and their phone as a secondary access device. However, as use of smartphones spreads globally, they will overtake the PC as the most common primary device for Web access sometime in 2015.

This shift means that many websites will need to be reformatted or rebuilt. Mobile device users typically make many fewer "clicks" on a website than PC users, and websites not optimized for smaller screen formats will risk reduced customer interaction and fewer transactions.
This market barrier will be of particularly concern to:

- Organizations in geographies where the PC is not as prevalent.
- Organizations with consumer-facing websites.
- Informational portals used by educational institutions and the government sector.

Online retailers, banks and financial service providers will be the most exposed to this risk.

Related research:

"Forecast: PC Installed Base, Worldwide, 2005-2014, October 2009 Update"
G00172111

"Forecast: Smartphones by Operating System and End User Segment, Worldwide, 2007-2013"
G00171459

"Magic Quadrant for Mobile Consumer Application Platforms"
G00171503

Learn more

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