

## **Economic downturn hits EMEA enterprise infrastructure spending – Networking and security investment resilient in Q4 2008, but telephony fell**

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For immediate release**

Businesses across EMEA (Europe, the Middle East and Africa) were forced to reprioritise their IT budgets in Q4 2008, as the banking problems sent shockwaves through the global economy. The threat of recession created challenging environments in many countries. Sales cycles lengthened and final budget sign-off on many non-critical projects was either delayed or cancelled. The latest research from Canalys shows that the initial effect on enterprise IT infrastructure spending differed across telephony, networking and security.

Investment in call control systems, which provide PBX telephony functionality, declined sharply in Q4. The total lines shipped fell 11% year-on-year to 5.8 million, representing end-user revenue of €828 million. “Enterprise telephony sales are primarily driven by replacement in EMEA, and especially in Western Europe, and these are typically large CAPEX-based deals,” said Matthew Ball, senior analyst at Canalys. “With pressure to cut costs immediately, many sales that were expected to close in Q4 were delayed. Businesses shifted available budget to higher-priority IT projects. Some telephony projects will be cancelled altogether as needs are re-evaluated and a greater emphasis is placed on ROI in the future,” Ball continued. “Consequently, it was a tough quarter for all vendors, though Cisco continued to grow to close on the market leaders. Overall, Alcatel-Lucent remained the leading vendor, closely followed by Aastra, which leads the sub-100 extensions segment in Western Europe, and Siemens, which is undergoing significant restructuring.”

In contrast, investment in security and networking remained resilient, although this was partly boosted by US dollar to euro exchange rates. Total EMEA end-user hardware and software security revenue increased 12% over Q4 2007, to reach €793 million. “Cisco was the overall market leader, with revenue driven increasingly by sales of its Adaptive Security Appliance range of integrated threat management products,” said analyst Nikki Babatola. “Enterprises are looking to consolidate infrastructure and cut costs by adopting a single appliance for all security functions. This reduces the need for individual point products, which take up valuable space and need a lot of power and cooling.”

Infrastructure security investment rose, while client security software spending continued to be scaled back. Babatola added, “Symantec struggled in this segment, overtaken for the first time by McAfee, and Trend Micro also made gains. Greater demand for single security appliances helped grow the market shares of Juniper Networks and Check Point.”

The EMEA networking market (comprising enterprise and service provider routers, switches and wireless access points) also finished strongly in 2008, with Q4 end-user revenue increasing both sequentially and year-on-year to reach €2.5 billion. “Investment was driven by service providers replacing legacy networks to cope with the growing demand for fixed and wireless capacity, especially for mobile broadband, video on demand and IPTV,” said research analyst Alex Smith. “Enterprise spending, which represented 56% of the total, also grew, though investment in modular routers and edge equipment fell year-on-year.” Cisco remained the dominant vendor in networking, while HP and Juniper Networks gained share to reaffirm their positions as the leading challengers.

Canalys expects 2009 to be tough for all enterprise IT infrastructure market segments. “The key questions are when businesses will decide to replace existing infrastructure and whether buying behaviour will change to favour more OPEX-based models. Businesses are more likely to prioritise IT budget for technologies that can help save money and generate profit,” said Ball. “Budgets will be under pressure, but Canalys expects investment in enterprise security to remain strong due to compliance requirements and the continued threat of attacks. The client security software market will be more of a challenge, however, with the PC market shrinking. Investment in networks will weaken, and telephony will continue to fall down the IT priority list.”

### **About the research**

The shipment estimates discussed in this release come from the Canalys Enterprise Networking Analysis, Enterprise Security Analysis and Unified Communications Analysis services. Canalys’ market data is used by vendors the world over to provide a coherent view of the enterprise infrastructure markets. Canalys offers services looking at the markets by country in EMEA, as well as providing global market overviews.

### **About Canalys**

Canalys specialises in delivering high quality market data, analysis and advice to the world’s leading technology vendors. It is recognised as a key provider of continuous advisory services and confidential custom projects for marketing managers and strategists within blue-chip IT, telecoms, navigation and consumer electronics companies. It has unrivalled expertise in routes to market for all kinds of high technology products and services in the consumer, SMB and large enterprise segments, and provides worldwide market data and trends analysis.

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