



The SOA Market To Hit \$51.9B in 2012

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The market for service-oriented architecture (SOA) software and services has hit a hyper-growth stage: both the number of customers working on SOA projects and the amount spent are growing rapidly. While vendors report the bulk of their revenue coming from large financial services and telecommunications companies, our 2007 spending survey showed significant SOA investment by companies of every size in every industry:

- **SOA adoption is broad based**—Asia, Europe, and the United States showed adoption growth rates of over 100%.
- **SOA spending is significant**—The average SOA adopter spent nearly \$1.4M, and 45% reported spending over \$500K on SOA software and services.

SOA adoption has spread beyond the large financial services and telecommunications companies in Europe and North America to every other potential part of the market. 53% of the companies we surveyed in the United States, Germany, and China reported at least one SOA project completed or underway in 2007, with the differences between geographies, industries, and company size smaller than ever before. SOA is becoming a global enterprise IT requirement.

Market segments

SOA is changing the competitive forces in existing market segments, rather than creating large, new ones. It underpins today's Web 2.0, business process management (BPM), and enterprise application integration (EAI) markets. SOA also influences all major enterprise software and service sectors, is a key ingredient in every major enterprise application vendor's strategy, and a main feature in most software infrastructure vendor's products. Systems integrators have also made massive investments in integrating SOA into how they provide their services. It's the "sizzle" that helps vendors differentiate their products and services.

Market structure

The SOA market is still in an early stage, with software vendors of all sizes having demonstrated success:

- Mega-vendors **Microsoft, IBM, SAP, and Oracle** are exploiting their deep pockets to build broad product suites. They're also using their powerful relationships with customers to actively direct the market.
- Others like **Progress Software, Software AG, and TIBCO** have built broad suites, but lack the market power of the Big Four.
- SOA specialists like **AmberPoint** and **HP Systinet** are growing with the market and flourishing by serving niches ignored by the suite vendors.
- Vendors outside the historical SOA market are embracing and extending it in their products, which range from business process management (BPM) tools (**Savvion**), to end-user mash-up environments (**Serena**), to ERP suites (**Infor**).

On the services side, our latest spending survey showed IBM well ahead of its traditional competitors, with **Accenture, Capgemini, and Infosys** making up the second tier. Most surprising was the relatively poor penetration of the rest of the large consulting firms.

Technology trends

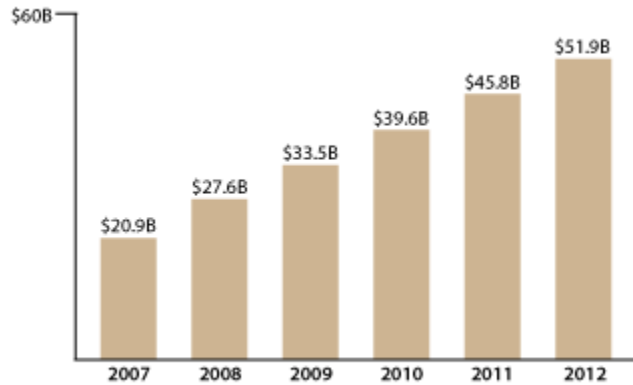
While enterprise service buses and integrated development environments have garnered much of the attention among early adopters, it's increasingly clear they are not the be-all, end-all SOA platform for most customers. Companies are increasingly looking for BPM and Web 2.0 tools in their SOA suites. Tools for the SOA enablement of existing IT assets, like legacy applications, messaging systems, and databases, will play a crucial role. Companies simply can't afford to rewrite their legacy systems from scratch.

Many companies will also use the packaged application services offered by application vendors to ease the transition to an SOA. The software for managing the development, operations, and security of a service-oriented architecture is gaining in popularity as well. Additionally, the definitions of an SOA product and SOA vendor are broadening.

Market forecast

AMR Research estimates 2007 worldwide SOA spending at \$20.9B and forecasts it will grow to \$51.9B by 2012. The significant size of the market in 2007 is a direct result of the rapid adoption of SOA across geographies, industry verticals, and company sizes. The market's forecasted growth is the product of SOA's further penetration across and within companies.

Figure 1: SOA market forecast, 2007–2012



Source: AMR Research, 2008

Methodology

We based the forecast on our 2007 SOA spending survey of small, midsize, and large companies in the United States, Germany, and China (see "The SOA Spending Report, 2007-2008: Spending Reaches New Heights" for more). In this survey, we analyzed a number of companies at various stages of SOA maturity, their rates of maturation, and the median spend at each stage of maturity. Based on these figures, we extrapolated the size of the worldwide market and the market growth rate over the next five years. To develop our forecast, we made two assumptions:

- **A growing number of companies will adopt SOA**—Our most recent studies show SOA adoption grew by over 100% in 2007. We project adoption will continue to grow, but at a slower rate. By our estimates, 77% of all companies with more than 1,000 employees will adopt SOA in some form by 2012.
- **Companies will spend more as their use of SOA matures**—In 2007, companies that had completed several SOA projects spent over twice as much as those that were just starting out. In 2012, we forecast that just over half of SOA adopters will become mature customers, with the average spend rising to \$1.8M.

Growth drivers

Consider the following:

- **SOA is becoming a requirement in most projects.** It's universally acknowledged as the best approach to building and integrating business applications. Once a company is comfortable with SOA, it becomes a requirement in most new projects. For most, it triggers little incremental spending, but commands the budget that would have been spent on older technology.
- **SOA usage is maturing.** Most companies have just begun using SOA technology, with few having more than a year or two of experience. Companies limit their investments when exploring SOA, but are willing to invest much more when it becomes a part of their corporate standard. Plus, more applications, services, developers, users, and volume require more infrastructure and tools for management and governance.
- **SOA is coming to customers, whether they want it or not.** Most enterprise application vendors are moving to SOA technology for application development and integration. Enterprise application upgrades will drive additional demand for SOA infrastructure and skills over the next five years.
- **Early majority buyers buy more and build less.** Mainstream companies spend more money with vendors and service providers than early adopters to cut their risk. SOA spending per average customer will increase, as mainstream companies come to dominate the mix.

Growth inhibitors

Consider these growth inhibitors:

- **A recession would hurt the growth of the SOA market, since it would hurt overall IT spending.** A cut in IT spending would reduce the number of new projects that might use SOA as well as postpone its adoption as a corporate standard. Companies would more likely stick to older technology they know well in the few new projects that were funded.
- **The lack of SOA skills could inhibit market growth.** We expect demand for experienced architects to exceed supply for some years now.
- **Many SOA products are too complex for the IT staff of early majority customers.** Much of the most popular SOA software was designed for technically sophisticated developers in early adopter customers and enterprise application vendors. Most mainstream IT staff need the SOA equivalent of PowerBuilder.
- **A rapid growth in SaaS, technology outsourcing, or business process outsourcing services could slow the market for SOA technology and services.** Outsourcers require less SOA software and services than the IT department staff they displace because they can spread SOA investments across many customers. Furthermore, they are more likely to use open source or in-house SOA software and

less likely outside consulting services.

Conclusions

- The market for SOA software and services is large and growing rapidly. We estimate the SOA market at \$20.9B in 2007, growing at a 20% CAGR until 2012.
- The rapid, global growth of the market favors established vendors with broad industry and geographical coverage.
- The early state of the market favors breadth over depth, for both products and services.
- SOA will become a core requirement for most software and service selections.
- Early majority buyers will come to dominate the market, driving market growth, particularly for application vendors and systems integrators.
- Over time, the market for independent SOA products will be subsumed into existing software categories as they incorporate SOA technology.
- The demand for SOA services will be more stable, as companies look to outside providers for help transforming their IT organizations and existing architectures.

Related research

- "SOA: The State of the Market" *The structure of the SOA market and 2007's leading vendors*
- "The SOA Spending Report, 2007-2008: Spending Reaches New Heights" *Customer spending in 2007 by geography and industry*
- "The Future of the SOA Market: Early Majority Rules" *The defining influence of early majority buyers*
- "SOA Is Not Enough" *The broadening definition of SOA software*
- "The Battle for SOA Rages On" *The importance of the SOA market to the larger market for enterprise software and services*