

# Market Share: Application Development Software, Worldwide, 2004 (Executive Summary)

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**The total application development software market grew 5.2 percent to more than \$3.7 billion in 2004. IBM remained the market share leader at nearly 35 percent, despite low single-digit growth from 2003 through 2004.**

## ANALYSIS

Product license revenue for the application development software market increased by 5.2 percent in 2004, totaling more than \$3.7 billion. The top five application development vendors worldwide in 2004, in terms of new license revenue, were IBM/Rational, Microsoft, Computer Associates, Mercury and Compuware. These vendors hold more than 75 percent of the worldwide application development market share, totaling more than \$2.8 billion in 2004 (see Table 1).

In terms of ranking, IBM/Rational and Microsoft have held steady in the No. 1 and No. 2 positions, respectively, during the past several years. In 2003, Computer Associates took the No. 3 rank from Compuware and held that position in 2004. In 2004, Mercury moved ahead of Compuware (by approximately \$8 million in license revenue), causing Compuware to lose its No. 4 ranking. All vendors in

the top five saw license revenue growth from 2003 through 2004, and Mercury and Compuware outpaced the overall market growth at 22.6 percent and 12.6 percent, respectively.

In addition to the top five vendors, it is worth noting that several other vendors outpaced the overall market growth. Because this report includes only recognized license revenue of a specific vendor, Serena appears to have nearly doubled license revenue in 2004 (see Table 2). (When a company is acquired, the vendor's previously reported revenue is moved into the "other vendors" category.)

More accurately, if combined (as shown in Table 2), Merant's 2003 license revenue and Serena's 2003 license revenue would indicate new license revenue growth of approximately -3.9 percent in 2004.

Despite good results from many of the vendors in most application development market segments, several other vendors experienced year-over-year declines, ranging from approximately -3 percent to -46 percent. As predicted, the Java development tool market segment experienced year-over-year declines of nearly 10 percent. Borland's Jbuilder product saw license revenue decline nearly 40 percent from 2003

**Table 1. Application Development Software New License Revenue, Worldwide, 2003-2004**

	2003	2004	Market Share 2003	Market Share 2004	Growth 2003-2004
IBM/Rational	1,259.9	1,288.6	35.8%	34.8%	2.3%
Microsoft	567.9	595.3	16.1%	16.1%	4.8%
Computer Associates	393.8	416.8	11.2%	11.2%	5.8%
Mercury	222.9	273.3	6.3%	7.4%	22.6%
Compuware	235.5	265.3	6.7%	7.2%	12.6%
Others	844.1	866.6	24.0%	23.4%	2.7%
<b>Total</b>	<b>3,524.1</b>	<b>3,705.9</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.2%</b>

Source: Gartner (August 2005)

**Table 2. New License Revenue for Serena and Merant, 2003-2004**

	<b>2003</b>	<b>2004</b>	<b>Growth 2003-2004</b>
Serena	38.1	75.4	97.9%
Merant	40.3	0	-
Total for Serena (including Merant's 2003 reported new license revenue)	78.4	75.4	-3.9%
Source: Gartner (August 2005)			

through 2004. This Java development tool market segment will continue to see declines, mainly because of the increased adoption of open source software development tools.

The market for application development software at the regional level remains very similar to previous years, with North America and Europe being the

prime consumers. All regions experienced growth, with Europe showing the highest year-over-year growth of nearly 8 percent, closely followed by the Asia/Pacific region, at more than 7 percent. Very similar patterns also occurred across vertical industries from 2003 through 2004.