

# Challenges in SA IT services market expected to continue

International Data Corporation's (IDC) *South Africa IT Services Market 2017-2021 Forecast and 2016 Analysis* shows that, while flat in US dollar terms, the South African IT Services market grew 15.13% in local currency terms last year.



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Jon Tullett, research manager of IT Services at IDC Africa, says the ongoing macro-economic difficulties in the market are expected to continue, and this will, in turn, continue to inhibit growth in dollar terms.

"2016 was another challenging year for IT Services, and IT in general in South Africa," says Tullett. The economic climate and several years of austere spend are starting to come to a head with confidence in future growth at a very low level. Opportunities remain in key areas such as outsourcing and cloud, but more strategic and longer-term engagements are under pressure and may remain on the back burner until the economy improves."

## A trend that is starting to decline

In the previous years, there has been a notable trend by enterprises to rely on services to facilitate cost-cutting and to restructure infrastructure spend, improve efficiency, and position themselves for digital transformation. "This trend is starting to decline because of continued economic pressure, with many organisations now operating in a fully defensive model, with longer-term strategic investment on hold," he says.

“ IDC forecasts that IT services spend in South Africa will slowdown to a single-digit percentage in 2017. ”

These forecasts do, however, remain subject to ongoing exchange rate fluctuations, with questions remaining over economic and political stability.



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Some notable developments in the market included Microsoft's announcement earlier this year that it would establish an Azure cloud region in South Africa, deploying infrastructure in collocated data centres in Johannesburg and Cape Town to

offer locally hosted cloud services to customers. This follows announcements by IBM, in partnership with Vodacom and Gijima, and T-Systems, in partnership with Huawei, to provide cloud infrastructure in the country. “Another key development was the conclusion of Telkom’s acquisition of BCX.”

## **Aligning more closely with customers' positions**

Tullett says continued market pressures mean that vendors will have to align themselves more closely with their customers’ positions in their respective markets. “They will have to restructure contracts and relationships where necessary and focus on delivering immediate value while positioning capabilities in advanced or emerging technologies cautiously.

“Vendors will also have to evaluate local resources and right-size these to reflect the realistic expectations of local business opportunities. Vendors using South Africa as a base for other African operations will most likely also find themselves undergoing similar evaluations in other territories on the continent.”

## **About the *South Africa IT Services Market 2017–2021 Forecast and 2016 Analysis***

IDC’s research of the IT-services market covers those services provided by external companies to various buyer segments for the planning, building, support, and management of information systems and technology-enabled processes. IDC breaks down the individual components of the total technology services, referred as foundation markets.

For more, or to purchase the report, go to [www.idc.com](http://www.idc.com).

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