

Forecast Analysis: Enterprise Application Software, Worldwide

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Initiatives: [Technology Market Essentials](#)

The worldwide enterprise application software market will grow to \$295.3 billion (in current U.S. dollars) in 2022, with a constant currency growth rate of 11.4%. The market will reach \$468.6 billion in 2026, with a constant currency CAGR of 11.5% (2021 through 2026).

Overview

Forecast Assumptions

- More than 50% of organizations will see cost pressures arising from current global situations affecting their software spending in 2022 through 2023.
- Existing investment and contract expansion by end users in cloud-based subscription services will help tech provider organizations to carry growth forward through 2022 and 2023, which will partially offset the impact of adverse macroeconomic scenarios.
- Emerging Asia/Pacific and Greater China will see more focus on digitization and cloud acceleration compared with other regions through 2026.

Market Impacts

- Overall spend on enterprise application software will grow by \$23.6 billion and \$32.8 billion in 2022 and 2023, respectively, compared with \$33.5 billion in 2021.
- Overall spend in cloud software will continue to grow through 2026, with a five-year compound annual growth rate (CAGR) of 17% versus an 11.5% CAGR for the overall market — 5.5 percentage points higher.
- The end-user spending share for emerging Asia/Pacific and Greater China in the worldwide enterprise application software market will increase from 6.2% in 2021 to 7.0% in 2026.

Notable Changes

This 2Q22 forecast update contains the following changes made since our 1Q22 update:

- Revised forecast assumptions, which are described in the Influencing Factors and Assumptions section.
- Changes due to improvements in our forecasting model, newly available data and updated historical market sizes to calibrate with [Market Share: Enterprise Application Software, Worldwide, 2021](#).
- Name change for AI and data science platforms. AI and data science platforms within analytic platforms have been renamed as data science and AI platforms without any change in definition or coverage.
- Updated labels in software Forecasts (within the Excel and CSV files):
- Changed Revenue (M) Constant Currency to End-User Spending Constant Currency (\$M)
- Changed Revenue (M) to End-User Spending (\$M)

Russian Invasion of Ukraine

In response to Russia's invasion of Ukraine that began on 24 February 2022 and was ongoing at the time of this publication, Gartner is suspending forecast coverage of Russia and the Eurasia region. The definition of Rest of Eastern Europe has been expanded to include Russia and the countries previously covered in the Rest of Eurasia.

Exchange Rate Alert

In the current environment, currency exchange rate fluctuations will be more volatile. Foundational factors, such as interest rates, tariffs and economic sanctions, will change more rapidly and with less predictability throughout 2022. For the near term, expectations for exchange rates should be treated with a heightened level of caution.

For more details about the forecast methodology used to create our “Forecast: Enterprise Application Software, Worldwide” updates, see [Market Definitions and Methodology: Software](#).

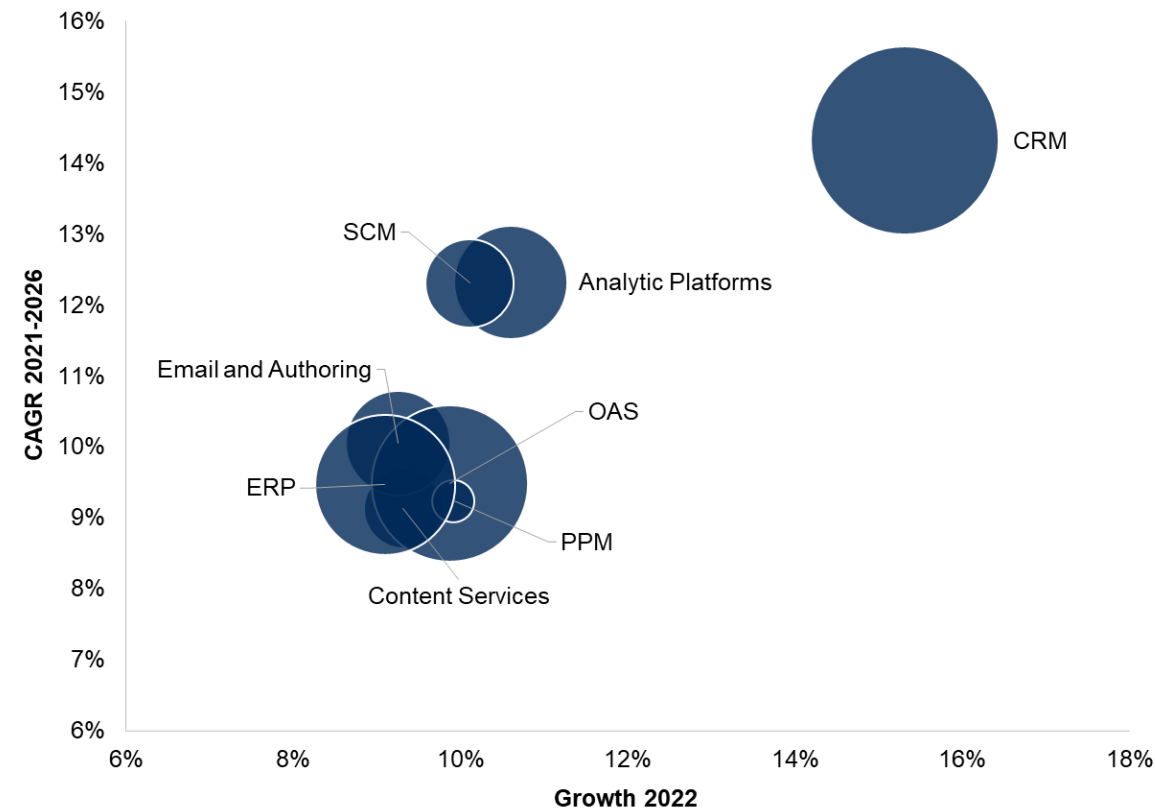
Forecast Data Summary

According to [Forecast: Enterprise Application Software, Worldwide, 2020-2026, 2Q22 Update](#), the worldwide enterprise application software market will grow to \$295.3 billion (current U.S. dollars) in 2022, with a constant currency growth rate of 11.4%. The market will reach \$468.6 billion in 2026, with a constant currency CAGR of 11.5% (2021 through 2026). Short-term growth for the application software market will be impacted by ongoing political and economic uncertainties such as inflation, resource challenges and geopolitical tensions. All these factors, together with the negative trend of a global economic slowdown, will affect business decisions and investments. As a result, software growth in 2022 will not be as strong as in 2021. The incremental growth in 2022 over 2021 will be 30% less than in 2021 over 2022.

Figure 1 shows the 2022 market size (bubble size) in current U.S. dollars, the 2022 growth estimate in constant currency (x-axis) and CAGRs in constant currency (y-axis) for the enterprise application software markets.

Figure 1. End-User Spend in the Enterprise Application Software Market

Enterprise Application Software



Note: The size of each bubble represents 2021 end-user spending by enterprise application software segment in current U.S. dollars.
Source: Gartner (August 2022)
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Table 1 shows end-user spend in millions of current U.S. dollars and annual growth rates (AGRs) and CAGRs in constant currency for segments of the enterprise application software market.

Table 1: Enterprise Application Software Forecast by Segment, 2020-2026 (Millions of U.S. Dollars)

(Enlarged table in Appendix)

	2020	2021	2022	2023	2024	2025	2026	2021 AGR	2022 AGR	2023 AGR	2024 AGR	2025 AGR	2026 AGR	CAGR 2021- 2026
Analytic Platforms	26,021	29,349	31,653	35,067	39,827	45,672	52,341	10.6%	10.6%	11.0%	12.5%	13.4%	14.1%	12.3%
Content Services	12,649	14,010	14,921	16,251	17,953	19,804	21,695	8.8%	9.3%	9.1%	9.3%	8.9%	9.0%	9.1%
CRM	68,338	81,114	91,594	104,825	120,913	139,091	158,442	16.7%	15.3%	14.7%	14.4%	13.8%	13.4%	14.3%
Email and Autho ring	22,865	25,102	26,744	29,287	32,726	36,494	40,350	8.0%	9.3%	9.7%	10.8%	10.4%	10.1%	10.1%
ERP	40,152	44,445	47,176	51,534	57,200	63,661	70,206	8.3%	9.1%	9.3%	9.6%	9.7%	9.7%	9.5%
OAS	48,806	55,940	59,891	65,332	72,821	80,343	87,738	12.7%	9.9%	9.4%	10.4%	9.1%	8.6%	9.5%
PPM	3,646	4,090	4,422	4,822	5,309	5,833	6,363	10.6%	9.9%	9.2%	9.4%	9.0%	8.7%	9.2%
SCM	15,701	17,657	18,946	21,122	24,069	27,591	31,519	10.4%	10.1%	11.6%	12.8%	13.4%	13.8%	12.3%
EAS Total	238,179	271,707	295,346	328,240	370,819	418,490	468,655	12.0%	11.4%	11.3%	11.9%	11.6%	11.5%	11.5%
CRM = customer experience and relationship management; ERP = enterprise resource planning; OAS = other application software; PPM = project and portfolio management; SCM = supply chain management, EAS = enterprise application software														
Note: The forecast values are in current dollars, while the AGRs and CAGRs are in constant currency.														

Source: Gartner (August 2022)

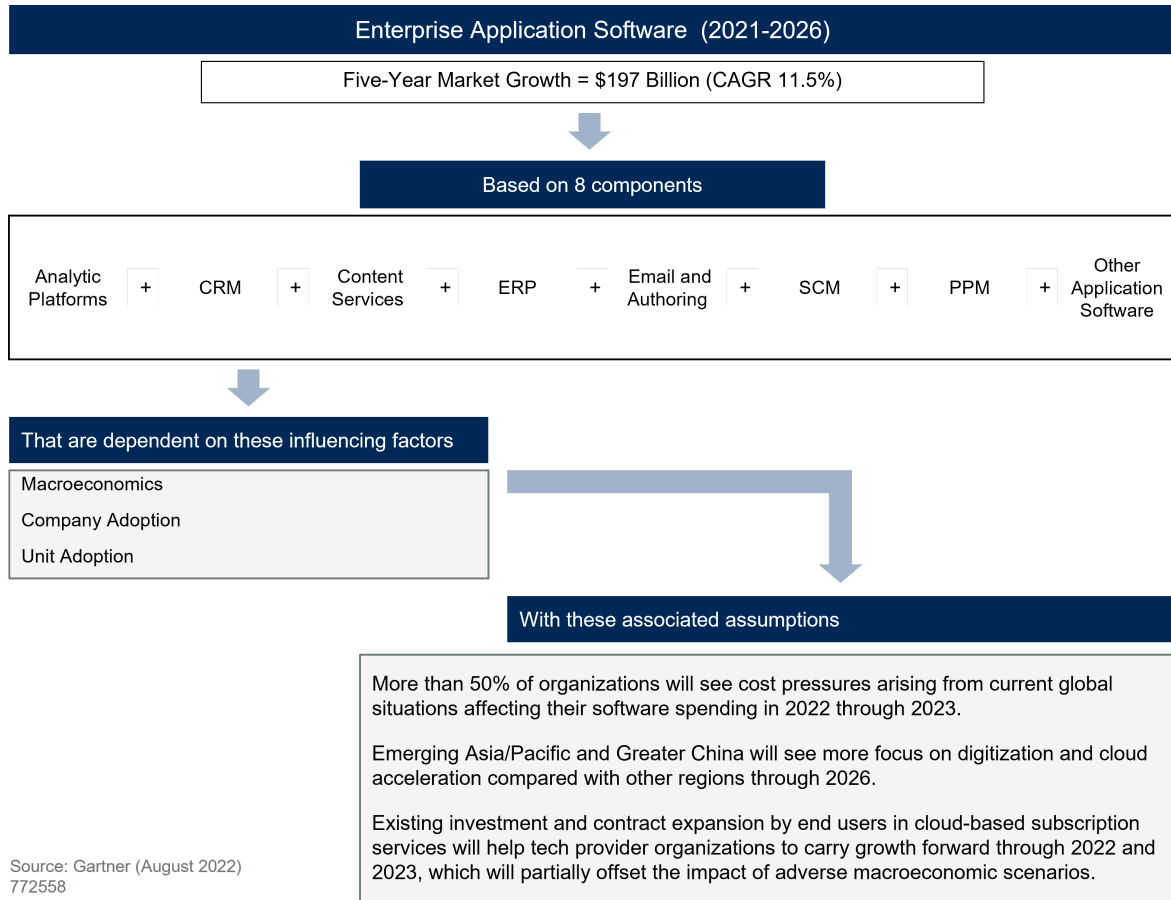
With continuing and growing economic uncertainty, organizations are not in a similar position as in 2021 to increase spending to enhance technology strategies and capabilities. Inflationary pressures, which have now become a global phenomenon, are proving difficult for governments to control effectively. This in turn is putting cost pressures on technology buyers as their costs of operations rise, leaving less money to invest in additional technology. The situation is further worsened by a shortage of suitably skilled workers and an inability to hire the required resources for technology buyers and providers. Wage inflation, which typically follows economic inflation, is making it difficult for organizations to hire and retain talent at preexisting expense levels, further pushing up their costs. These factors, however, will be slightly offset by continued spend with existing vendors and the inherent nature of growth carrying forward in a cloud-based subscription model.

Forecast Model Summary

Figure 2 depicts Gartner's market model for the enterprise application software market worldwide.

Figure 2: Market Model for Enterprise Application Software

Market Model for Enterprise Application Software



Gartner

Influencing Factors and Assumptions

Influencing Factor: Macroeconomics

Variations in firmographics and macroeconomics, including enterprise growth, enterprise size, industry type, GDP growth trends and unemployment rates, are driving changes in enterprise demand. This has had a direct impact on the size of the enterprise application software market.

Forecast Assumption: More than 50% of organizations will see cost pressures arising from current global situations affecting their software spending in 2022 through 2023.

New — 2021 was a very good year for software providers. End-user spending grew more than 12% in constant currency and 13.1% in current U.S. dollars. However, a series of events at the beginning of 2022 aggravated an already worsening macroeconomic situation globally, which increased the fear of uncertainty and will slow down additional investments in software. Furthermore, the talent crisis has been putting additional cost pressure on companies as hiring and retaining the required talent is becoming costlier and harder than previously expected. With the level of investments made in 2020 and 2021, companies cannot avoid this talent crisis, as they need an increased and upgraded skill set to realize the value from prior investments. This cost pressure will force organizations to be more selective in their investment priorities.

CRM, which saw high end-user spending in the last two years, will see a slight dip in annual growth compared with 2021 but will continue to be the fastest-growing application market. Most end-user spending in CRM is through cloud/subscription deployment, which should protect near-term future growth rates. SCM, PPM and analytical platforms will also see a slight slowing in growth through the end of 2023. Email and authoring and content services, because they have been supporting collaboration and remote/hybrid work, will see modest growth even in the present scenario. A lot of pandemic-related spending in these two markets occurred in 2020, causing a one-time peak that has hollowed out spending for the next few years. Investments in ERP had been delayed and rationalized during the peak and recovery period of the COVID-19 pandemic. This market will catch up with relatively stronger growth in coming years.

Beyond 2023, inflationary pressures are expected to recede, paving the way for some recovery and stabilization of growth in the market. CRM, SCM and analytic platforms will lead growth through 2026 within the EAS market. Government-led mandates are relevant for faster growth within supplier e-invoicing, a subsegment within the procurement segment of SCM. Broader issues, such as sustainable sourcing, cash optimization and supply chain orchestration, will also drive growth in the SCM software market.

Forecast Assumption: Emerging Asia/Pacific and Greater China will see more focus on digitization and cloud acceleration compared with other regions through 2026.

New — Entering 2022, increasing political and economic uncertainties are slowing down global economic growth. Russia's invasion of Ukraine deepened the geopolitical tensions. North America and Western and Eastern Europe are negatively impacted by increased volatility, including but not limited to inflation, currency exchange rates and energy prices. Economic growth will be sluggish across mature Western countries. In contrast, China- and the India-led emerging Asia/Pacific region have much brighter prospects in both the short and medium term. This macro trend and relatively stable outlook will drive spending and investment toward the software market.

Despite China's "zero COVID" strategy imposing stringent lockdowns that created short-term disruptions in 1H22, the long-term "Build Digital China" strategy introduced in its 14th five-year plan set in 2021 has been continuously implemented with a string of supportive policies. Greater China will be one of the fastest-growing regions for enterprise application software through 2026.

Within emerging geographies, India will also likely see higher investments in software. Its business leaders are concerned about inflation, which is likely to continue for another year, so the pace of investment will likely continue but slow down in the short term. As the impacts of inflation subside, growth is likely to return in 2024.

According to a recent Gartner survey, ¹ in the Asia/Pacific region, 71% of the respondents said they will increase their investments in digital capabilities in fiscal 2022 compared with the previous year, while only 5% said that they will decrease spending. Business leaders recognize that digital technology is critical to staying competitive, and everyone is accelerating in this digital race. The impacts of the pandemic, inflation and other macro challenges will continue to add to cost pressure, but that does not mean that organizations will pause their digital initiatives — they just might slow down somewhat compared with 2021. Over the next five years, the combined share of emerging Asia/Pacific and Greater China in the worldwide enterprise application software market will increase from 6% in 2021 to 6.9% in 2026. The CAGR for this region is expected to be three percentage points higher than the worldwide CAGR of 11.6% between 2022 and 2026.

Influencing Factor: Company and Unit Adoption

In our forecast market model, we look at software adoption in two ways — organizational adoption and unit adoption within organizations. The key parameters of these functions are the same, as we consider initial adoption, maximum adoption and growth during the forecast period.

Company adoption: Spending on software depends, ultimately, on the number of organizations needing to purchase any functionality, and how long it will take these organizations to make their initial purchase.

Unit adoption: Closely tied to company adoption is unit adoption, which identifies how the software technology is sold and establishes how many units an organization would purchase initially.

Forecast Assumption: Existing investment and contract expansion by end users in cloud-based subscription services will help tech provider organizations to carry growth forward through 2022 and 2023, which will partially offset the impact of adverse macroeconomic scenarios.

New — Acceleration in cloud adoption gained further momentum during the peak and recovery of the pandemic. This not only resulted in relatively high growth of software in 2020 and 2021, but also helped accelerate the move to subscription-based revenue.

Cloud adoption, which has helped end-user organizations in their digital transformation initiatives and provided quick and easy access to the latest solutions in an agile manner, is expected to grow even during uncertain times. The overall share of cloud end-user spending in 2023 will reach 65% of annual software spend, up from 54% in 2020. It will further grow to reach 75% by year-end 2026, signifying the continued focus of business leaders on acceleration to the cloud even in the face of uncertainty.

Subscription-based end-user spending starts with commencement of the subscription anytime during a year and leads to growth in that same year, as well as in one subsequent year. (This is because the subsequent year includes full-year spending compared with the previous year when the subscription commenced midyear, unless the subscription started in the beginning of the year.)

Hence, the impact of cost pressures that we anticipate in 2022 and 2023 will be offset to some extent by this recurring revenue adoption model. Subscription models will also continue to see higher customer retention as in previous years. We might also see the impact of job cuts affecting software subscriptions, but this impact is expected to be mild and limited to the usage part of a typical subscription arrangement.

According to a recent Gartner survey, ¹ 88% of respondents said they will either maintain their digital transformation pace or adopt a more ambitious digital vision in 2022 and beyond. The focus on automation and business processes automation will continue to drive cloud growth as the majority of business leaders see more reward than risk in these operational areas, even during uncertain times.

Expansion of existing and new investments, primarily through cloud, will help drive growth for CRM, SCM, analytic platforms, and email and authoring, all of which are likely to grow by more than 10% from 2021 through 2026.

Within analytic platforms, acceleration to cloud will continue as the “lift and shift” of existing enterprise reporting platforms to cloud is expected to continue. Gradually, the solution will be replaced by ABI platforms as they will provide richer capabilities. Data science and AI platforms and ABI platforms will see further growth due to more usage of automated modeling, NLP and interoperability of workbenches.

Within SCM, procurement solutions will see higher growth owing to increased regulations related to e-invoicing that will become mandatory in many additional regions, such as Europe, the Middle East and Asia/Pacific. Also, as organizations try to realize greater value out of enhanced solutions, the overall adoption of composable solutions across the supply chain and across the world will prompt adoption in emerging regions as well.

CRM will continue to see high growth albeit slightly slower than in 2021, and the majority of this growth will be in cloud as CRM is one of the most cloud-adopted solutions. Prominently, marketing growth will pick up from the single digits back to the high double digits. Digital commerce will likely continue its growth as digital channels gain priority over offline channels.

The automation and modernization of legacy applications will ensure continued growth in enterprise application software markets. However, the pace of modernization will slow compared with 2021. This will also likely push growth to subsequent years.

Acronym Key and Glossary Terms

ABI	analytics and business intelligence
AGR	annual growth rate
AI	artificial intelligence
CAGR	compound annual growth rate
CRM	customer experience and relationship management
EAS	enterprise application software
ERP	enterprise resource planning
NLP	natural language processing
OAS	other application software
PPM	project and portfolio management
SCM	supply chain management

Evidence

2022 Gartner CEO and Senior Business Executive Survey: This survey was conducted to examine CEO and senior business executive views on current business issues, as well as areas of technology agenda impact. The survey was conducted from July through December 2021, with questions about the period from 2021 through 2023. One-quarter of the survey sample was collected in July and August 2021, and three-quarters was collected in October through December 2021. In total, 410 actively employed CEOs and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 28 telephone interviews. The sample mix by role was CEOs (n = 253); CFOs (n = 88); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 50). The sample mix by location was North America (n = 176), Europe (n = 97), Asia/Pacific (n = 86), Latin America (n = 40), the Middle East (n = 4) and South Africa (n = 7). The sample mix by size was \$50 million to less than \$250 million (n = 58), \$250 million to less than \$1 billion (n = 81), \$1 billion to less than \$10 billion (n = 212) and \$10 billion or more (n = 59). Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

Document Revision History

[Forecast Analysis: Enterprise Application Software, Worldwide - 15 July 2021](#)

[Forecast Analysis: Enterprise Application Software, Worldwide - 29 October 2020](#)

[Forecast Analysis: Enterprise Application Software, Worldwide - 7 August 2020](#)

[Forecast Analysis: Enterprise Application Software, Worldwide - 21 May 2020](#)

[Forecast Analysis: Enterprise Application Software, Worldwide - 29 January 2020](#)

[Forecast Analysis: Enterprise Application Software, Worldwide - 24 July 2019](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 4Q18 Update - 8 January 2019](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 3Q18 Update - 19 October 2018](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 2Q18 Update - 20 July 2018](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 1Q18 Update - 10 April 2018](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 4Q17 Update - 31 January 2018](#)

[Forecast Analysis: Enterprise Application Software, Worldwide, 1Q17 Update - 18 April 2017](#)

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[Forecast: Enterprise Application Software, Worldwide, 2020-2026, 2Q22 Update](#)

[Forecast Analysis: Enterprise Application Software, Worldwide](#)

[Market Definitions and Methodology: Software](#)

[Market Share: Enterprise Application Software, Worldwide, 2021](#)

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