



December 2006

Document **G90**

RESEARCH NOTE **TOP TEN PREDICTIONS FOR 2007**

THE BOTTOM LINE

As SOA and on demand drive changes in the way organizations buy, deploy, and outsource software, 2007 will show a greater focus on enabling end users. Data virtualization, data mining technologies, and the continued evolution of IP and wireless technologies will further challenge traditional vendors.

ON DEMAND EVOLUTION

The past year saw a lot of innovation in the on-demand market — a new partner model and infrastructure for rapidly delivering and marketing new solutions (AppExchange), a development environment and language for customization of applications (Apex and Sandbox), and broad adoption of on-demand solutions by small and large organizations alike — and it's just the beginning.

Organizations will continue to adopt on demand and expand their existing on-demand solution environments — and IT will increasingly embrace on demand as a way to reduce ongoing management hassles and accelerate project delivery.

A recent Nucleus survey found that 51 percent of organizations had already adopted on-demand technology and 66 percent planned to do so in the near future. Key areas to watch include CRM (still), project management, content management, and collaboration — and, of course, whatever Google comes out with next week. The flexibility and low initial cost of on demand, as well as the pace of innovation being delivered in on-demand solutions, will continue to challenge traditional vendors to justify their more rigid pricing and deployment models.

SOA CHANGES THE ARCHITECTURE EQUATION

In 2006, we saw service-oriented architecture (SOA) become more than just an acronym for many companies as broader adoption and greater reuse enabled some to achieve measurable ROI from SOA. As SOA becomes more widespread and services become more interdependent, so will the challenges in managing the supporting architecture. Look for metering and SLAs to help drive justification of the infrastructure supporting SOA and a renewed focus on data connectivity strategies to ensure performance across a distributed services infrastructure.

Service-oriented architectures will drive greater ROI — and changes in the way traditional IT infrastructure is evaluated.

RELATED RESEARCH

- F126 Digitech ROI case study – Labconco
- E34 Getting more from content management
- D2 Hummingbird ROI case study – Guidant
- C58 Open Text content management

VISUALIZE WORLD DATA

In the past, traditional BI and analytics solutions have delivered a positive ROI by providing businesses with valuable information to make key business decisions. However, these applications were often limited in value because they required a significant amount of training or statistical knowledge to be used properly. This year, data visualization and analysis tools that simplify report creation, data modeling, and real time analysis will provide the business user with more meaningful access to data.

Data visualization and analysis tools for business users will drive greater adoption and more rapid decision making — while challenging the traditional BI approach.

In addition to empowering the business user, data visualization and analysis tools will improve the integration of information by providing users with the ability to manipulate data and respond to questions with real-time analysis. This year, the most valuable solutions will be the ones that are as easy to use and as accessible as Google but that have the sophistication and depth of traditional analytical tools.

CONTENT MANAGEMENT: RIP AND REPLACE

Rapid adoption of content management tools has led most organizations to information overload: a recent Nucleus survey found that two out of three workers are overwhelmed by the amount of information and data repositories they must sift through in order to do their jobs. With information overload driving down employee productivity and a maturing content management market, 2007 will see enterprises evaluating their current content management mix and looking for rationalization opportunities.

Content management consolidation will drive down prices and make rapid deployment, usability, and ongoing TCO key decision factors for migration efforts.

Smart enterprises are already starting to examine integration possibilities and purchasing options to improve ROI by reducing costs, improving productivity, and replacing inefficient and unintegrated systems. For businesses that have yet to implement a coherent content management strategy, now is the time to do so in order to gain competitive advantage and improve information management within the organization.

HOLISTIC DATA MINING

Data mining and text mining enable organizations to analyze and explore both unstructured and structured data to identify patterns, relationships, and trends. Organizations have used data and text mining to analyze surveys, call center notes, e-mails, Web chat, and other types of content to identify relationships in large sets of data that explain how customers, partners, employees, or other entities respond to events and interact with each other.

More and more organizations will look to integrated data mining to achieve ROI by reducing marketing costs and better targeting customer interactions.

In 2007, we'll see continued innovation from players such as SPSS and a rising presence of new smaller innovators in the marketplace. We'll also see greater

integration between voice, data, and text mining to provide a complete picture. Expect data mining tools to become easier to learn and use for the average business person as well, à la Google.

WE'RE INTERESTED IN KNOWLEDGE MANAGEMENT — SHHH

Although we're still scared to use the dirty word that drove millions in spending and little ROI in the late 1990s, knowledge management technologies such as filtering, alerts, wikis, and agents are popping up as the latest way to wring more value from CRM and other systems — and seamless integration of the office desktop with those applications isn't far behind.

Agent, filtering, and collaboration technologies will become more prevalent in CRM, ERP, and other applications — as will other features designed to make them more intuitive and easier to use.

MORE VENDORS GET THEIR HANDS DIRTY

Although many vendors have offered consulting services — or consulting partners — for some time, that didn't necessarily mean they brought best practices, prescriptive guidance, and vertical expertise to the table. Challenged by shrinking margins and greater competition, vendors are looking for long-term engagement with their customers — and that means building partnerships to help customers achieve initial value faster and continuing to explore new opportunities to deliver more value. Look for expanded offerings in the business intelligence and analytics space as well as SOA, CRM, and content management, to name a few.

To win, cement, and expand customer relationships, successful vendors will enhance their services offerings to provide blueprints, templates, and other prescriptive guidance — free of charge.

Those vendors that continue to follow the traditional delivery model — ship the boxes and let the consultants and the customers figure it out — will find not only that they are more out of touch with how their customer achieve success, but that their customers are more out of touch with them.

THE LEAPFROG EFFECT

Government organizations in both developed and developing countries and nonprofit organizations have habitually been challenged by small IT budgets, minimal technology access, time constraints, and in some cases little technological know-how; however, with the development of on-demand technology and broader access to low cost technology, these organizations have the opportunity to accelerate growth, buck bureaucracy, and leapfrog the value chain.

As technology options become more accessible and affordable for organizations, we'll see a rise in the adoption of low-cost and quick-returns solutions like predictive analytics and on demand in the public and nonprofit sector — driving greater demands for accountability in government IT spending.

Companies like Salesforce.com are driving the charge by providing nonprofit organizations with free access to its software; expect more vendors and users to take part in 2007. Smart nonprofit and governmental organizations will find

significant benefits in the deployment of on demand and other solutions including improved productivity, reduced IT costs, and increased efficiency.

BPO 2.0

On-demand technology, nearly ubiquitous network access, and the drive to improve customer service quality will make outsourcing to a cheap labor market yesterday's news. Companies focused on growth and customer retention are turning to the next generation of BPO.

BPO 2.0 leverages on-demand technology and secure remote network access to employ a distributed labor force, enabling more flexible, higher quality, more agile, and more focused customer interaction on a global basis.

BPO 2.0 breaks down the physical constructs of the office or call center and the geographical characteristics of the labor pool to enable companies to outsource jobs or parts of jobs to the most qualified worker. This is way beyond "virtual office" — this is about applying traditional outsourcing rules (highest quality and lowest cost, regardless of location) to a distributed labor pool. The benefits include flexibility, agility, cost-effectiveness, and scalability. The challenges are about disintermediation: when an individual resume is globally viewed and vetted, who needs unions or HR?

SKYPE ME SKYPE YOU

Skype is not just for Scandinavian teenagers anymore. With the integration of voice-over-IP into numerous on-demand applications and the rising frustration with the draconian customer service and pricing structure of traditional wired and wireless telecommunications providers, expect more companies to include Skype in their portfolio of communication tools. Already a grassroots effort in many organizations, the Skype factor will drive reduced international telecommunications costs and careful investigation of network security and privacy concerns. And we won't pay Verizon a buck a minute to call someone from Europe anymore. Just wait until the upcoming Skype phone is a Skypeberry.

Continued adoption of IP telephony and free tools like Skype will challenge traditional carriers' pricing models and drive public broadband efforts.

Nucleus Research is a global provider of investigative technology research and advisory services. Building on its unique ROI case study approach, for more than 6 years Nucleus Research has delivered insight and analysis on the true value of technology and strategies for maximizing current investments and exploiting new technology opportunities. For more information or a list of services, visit NucleusResearch.com, call +1-781-416-2900, or e-mail info@NucleusResearch.com.