RESEARCH NOTE
NUCLEUS TOP 10 PREDICTIONS FOR 2013

THE BOTTOM LINE

This year presented some significant shifts in the strategies of some long-dominant vendors toward cloud, social capabilities, services, integration, analytics, and partner ecosystem plays — showing that all dogs must learn new tricks or will likely lose market share and dominant positions in 2013.

THE PREDICTIONS

Nucleus's 2013 Predictions are influenced by our ongoing analysis of IT investment and decision makers as part of our ongoing research and case study analysis, as well as the macro and microeconomic factors that shape buying decisions in the technology industry. They fall into three key areas: emerging technologies, trends in key application markets, and the broader impact of technology on consumer and business activity.

A BI CHICKEN IN EVERY POT AND A BIG DATA INTERPRETER IN EVERY VILLAGE

Nucleus expects BI adoption will double worldwide in 2013 as greater usability for non-expert analytics users, lower-cost options including cloud and SaaS, and further efforts by vendors to make BI accessible to every user will drive broader adoption of business intelligence (BI) and predictive analytics. The great potential ROI opportunities from pervasive BI will make 2013 the watershed year for BI adoption and vendors with usability advantages and adoption paths for individual end users beyond the data geeks will reap the rewards. The increased availability of analytics has led to a new sort of statistics-driven genius, the superstar data interpreter embodied by the likes of Moneyball's Billy Beane or the New York Times's Nate Silver. Although these stars are fluent in analytics and statistics, their primary value is derived from their ability to translate statistical analysis into business decisions. To maximize analytics ROI, every organization needs to identify its own Billy Beane and give that person access to pervasive and predictive analytics.

In 2013, the biggest value proposition for Big Data will not come from the trendy topics of social media or governance, risk management, and compliance (GRC). Instead, Big Data will help companies that have greedily latched onto every piece of data that they can grab from customers, partners, markets, and the outside world and stored them as a dragon's den of accumulated treasure. With the emergence of Big Data search and analysis tools

to support Hadoop distributions and other large data repositories, these data hoarders will finally gain the ability to filter and translate these multi-terabyte and petabyte stores of data on a daily or weekly basis to gain valuable insight on their existing revenue-producing operations.

INTEGRATION INDIGESTION

With all the merger and acquisitions, particularly in the HCM space, vendors will need to invest in integration to keep their customers – or customers may find another path. Nucleus expects further acquisition activity in the integration technology space as well as development of more turnkey integration approaches for both cloud and on-premise applications that reduce the cost, complexity, and risk of integration. Companies should be cautious about integration because what works perfectly from a technological perspective may not work so well from an organizational perspective. In other words, transferring data between various solutions is relatively easy to do, but transferring the right information at the right time, to the right people, is not that easy, and often requires significant planning and investment.

THE YEAR OF THE EDGE APPLICATION

Many companies that made large investments in ERP in the last 15 years are not planning to make a big move any time soon, but they need more capabilities than their old ERP application provides. At the same time, both core ERP vendors and others are seeking to sell applications that leverage and extend ERP into other areas such as supply chain and collaboration. As opposed to traditional add-ons or third party solutions, these applications can be plugged into the core ERP solution, just like apps on a mobile device. The pre-built connections with ERP and the delivery in the cloud will eliminate the need for IT to manage them and worry about what's going to happen when the next upgrade is being installed. This perfect storm of opportunity and need will make 2013 the year of the edge application and highlight the ease of integration (or lack thereof) of both existing ERP and new edge solutions. We'll also see increasing attention on the potential of the partner ecosystem to deliver value with more digestible edge applications.

3-D PRINTING

As 3-D printing technologies fall into the price range of those with a reasonable credit card limit (http://cubify.com), new opportunities for innovation – and crime – abound. We think the ability to turn a drawing into an object will be the most important technology advance during the next 10 years. The Lotus Formula 1 team – sponsored in part by the Microsoft Dynamics folks – already applies 3-D printing to race ready parts (http://www.wired.co.uk/news/archive/2012-10/19/graeme-hackland-interview). But with advancement comes disruption. The ability to print a replacement part for your car avoids inventory and shipping costs for the dealer but also customs and import duties. Of greater interest, when anyone can download the plans for a weapon (http://defensedistributed.com/) and print it at home, traditional weapons control debates become irrelevant. The cynic in us believes it's not these threats but the threat to

reproduce a Montblanc pen or Ferrari-logoed paperweight that will drive legislative restrictions. The optimist in us knows that no amount of legislation will slow this technology.

THE CUSTOMER EXPERIENCE ARMS RACE CONTINUES

Marketing and acquisition spending around customer experience management reached a fevered pace in 2012, even for many vendors not traditionally considered as CRM market players. Nucleus expects this will accelerate further in 2013 as companies seek to take advantage of the 80 percent of ROI potential that has yet to be delivered by CRM (Nucleus Research *m132 – CRM: 80 percent of returns are yet to be achieved*, October 2012). We expect some real shifts in perceived market leadership as well, as customer experience takes a broader set of technologies and capabilities than basic CRM.

THE END OF CUSTOMIZATION

Given the ongoing cost of supporting customizations, the rise of software that can be configured by business users, and the push of vendors to reduce complexity and cost in their customers' application deployments, custom development budgets will plunge as a percentage of overall application spending plans in 2013. Also declining will be those hefty services contracts that made EDS and some other acquisitions a bad bet in 2012 (see "the funeral of HP").

THE FOREVER UNEMPLOYED

Unemployment is still a big topic for debate in the United States and beyond in 2013, but one thing is clear: technology is again creating a step-function change of magnitude in the employability of adults without college degrees. The ability of the college educated to reach gainful employment has been higher than those without a university degree for decades. However, automation and instrumentation of basic job tasks will accelerate the already-declining base of opportunities for those whose education stopped at or near high school.

SECURITY SPENDING DIPS

As more and more CIOs report to the CFO, and CFOs take a closer look at their security investments versus the history of breaches, they are finding that when the sky does fall it's often in spite of that platinum umbrella the CSO insisted was necessary. The coming year will see both an increased scrutiny on new security investments and demand on IT to rationalize and consolidate what they've already bought.

SOCIAL PERFORMANCE MANAGEMENT TAKES HOLD

More companies are adopting social collaboration technologies in areas like HR and performance management, and companies from Salesforce.com to SAP are picking up or developing social performance management and gamification capabilities. Add this tech trend to the influx of millenials (who are used to constant praise and encouragement) into the workforce, and Nucleus sees social performance management as both an important

productivity driver and liability for companies with poor performers and managers. When a performance review happens in a companywide application on a daily or weekly basis instead of at quarterly reviews, both sides have a more clear and consistent path to argue for – or against – termination.

BYOD WILL DECLINE AS ENTERPRISE MOBILITY GROWS UP

The hype behind BYOD (Bring Your Own Device) is that it is cheaper and drives more productivity than traditional corporate-procured mobility. However, the reality is that the support costs, compliance risks, and usage reimbursement typically lead to a higher total cost of ownership with no discernable Return on Investment or productivity gains. As enterprise CFOs take a closer look at the true pros and cons of BYOD in 2013, they will seek to pursue the most fiscally responsible option: corporate-based accounts.

BONUS PREDICTION: THE FUNERAL OF HP

We hate to say we told you so, but Nucleus warned in our 2011 Predictions that Hewlett Packard had lost its way and needed to rethink itself in a post-millennium world. Three CEOs, a number of bad quarters, and at least one big writeoff later, Meg is on the ropes and Wall Street isn't buying it. It's time to make sure HP has signed its organ donor card.

BONUS PREDICTION: WINDOWS 8 WILL BE THE BIGGEST PRODUCTIVITY KILLER OF 2013

Remember Windows Vista? Those moving to Windows 8 may yearn for the good old days. Although Windows 8 is easier to use from an end-user perspective than Vista was, it will require a steep learning curve for millions of employees who have become used to Windows over the past quarter-century. With an estimated 200 million people expected to switch over to Windows 8 in 2013, businesses could lose as much as $50 billion in lost productivity alone.