THE STATE OF THE ECM MARKET: 2018

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THE BOTTOM LINE

Enterprise Content Management (ECM) as we know it today will be unrecognizable in five years as ECM becomes integrated with or embedded in other business process tools. Vendors who wish to remain competitive will need to expand the usability and functionality of their ECM solutions by innovating and adding additional services, merging with enterprise self-service solutions, or acquiring other companies.

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OVERVIEW

Historically, ECM has encompassed technology that enables users to store, access, manage, and share information. However, ECM vendors are looking to do more than that. As Nucleus considers the next one to five years, we see a market where the number of competing solutions will decrease as vendors merge or are acquired. ECM solutions will start to become background applications integrated with or embedded in other business technology solutions. Unstructured and semi-structured content will continue to grow and will necessitate greater investment in artificial intelligence (AI) and machine learning (ML). There will also be an increased emphasis on the security of customers' data.

WHAT WAS INTERESTING IN 2017

EMBEDDED AND INTEGRATED ECM

In 2017, Nucleus noted a shift from standalone ECM solutions to ECM solutions that are either integrated with or embedded in other business software tools (Nucleus Research *r147 – ECM Technology Value Matrix 2017*, August 2017). ECM solutions are shifting towards becoming either a *lead application* or a *background application*. A *lead application* is primarily an ECM solution that includes other processes such as business process management (BPM). A *background application* embeds ECM into the role of a different application.

MERGERS AND ACQUISITIONS

The ECM market saw multiple mergers and acquisitions in 2017. Notable among these were the following deals:

- OpenText acquired the Dell EMC Enterprise Content Division. In January 2017, OpenText completed its $1.7 billion purchase of the Dell EMC Enterprise Content Division, including Documentum, InfoArchive, and LEAP.

- Hyland acquired the Perceptive business unit of Lexmark. In July 2017, Hyland acquired the Perceptive business unit of Lexmark International including Perceptive Content, Perceptive Intelligent Capture, Acuo VNA, PACSgear, Claron, Nolij, Saperion, Pallas Athena, ISYS, and Twistage.

- Micro Focus merged with a spin-off of HPE. In a transaction valued at $8.8 billion, Micro Focus completed its merger with a spin-off of Hewlett Packard Enterprise's (HPE) IT management, big data, and security lines in September 2017 (Nucleus Research *r187 – Micro Focus after the spin-merger*, October 2017).

ARTIFICIAL INTELLIGENCE

The ECM market saw more vendors develop their solutions' AI and ML capabilities in 2017. Notable among these developments were the following:

- OpenText released Magellan. In July 2017, OpenText released Magellan, an AI, ML, and predictive analytics platform. The platform provides users with business intelligence and task automation capabilities.

- Box released Box Skills. In October 2017, Box released Box Skills. Box Skills is a framework for applying machine learning tools to content stored in Box. At BoxWorks 2017, Box demonstrated examples of applying tools from Google Cloud, IBM Watson, and Microsoft Cognitive Services.

- M-Files partnered with ABBYY. The partnership was formed in June 2017. ABBYY creates software that helps convert paper documents into digital files and data with capabilities that include optical character recognition, document recognition, data capture, and language processing.

GOVERNANCE AND REGULATORY COMPLIANCE

In 2017, the ECM market also began to see the increasing importance of governance and regulatory compliance. Most notably, ECM vendors began to prepare for the European Union General Data Protection Regulations (GDPR) to take effect on May 25,2018 (Nucleus Research *r151 – GDPR and privacy security*, August 2017). Nucleus has found that among ECM vendors, Micro Focus, OpenText, M-Files, Digitech Systems, Laserfiche, and Fabasoft offer the most GDPR-compliant ECM solutions.

WHAT TO LOOK FOR IN 2018

MARKET CONSOLIDATION

The ECM market will continue to see activity in mergers and acquisitions in 2018. Vendors will need to continue to develop more comprehensive solutions that are integrated with or embedded in other business technology tools as either *lead applications* or *background applications*. Because ECM is a mature market and research and development is expensive, Nucleus predicts that comprehensive solutions that include ECM will arise through mergers and acquisitions rather than the organic growth of a single ECM vendor. Currently, most ECM solutions appear as *lead applications*. However, with the changes that occur through these continued mergers and acquisitions, Nucleus expects that more ECM solutions will become *background applications*.

GOVERNANCE BECOMES MORE IMPORTANT

Governance and regulatory compliance will become increasingly important for ECM vendors in 2018. This is not limited to the GDPR—although the European Union has set the precedent for strict privacy regulation requirements—and is applicable at local, regional, national, and international levels. Companies who have as little as the personally identifiable information (PII) of a single European customer will need to be GDPR compliant. In the United States, end-users are increasingly looking to have solutions that are compliant with the Federal Risk and Authorization Program (FedRAMP) and the Health Insurance Portability and Accountability Act (HIPAA), in addition to other regional and local compliance requirements. Nucleus predicts that the cost of and need for increased governance and regulatory compliance will further drive mergers and acquisitions within the market.

LOOKING AHEAD TO 2023

BETTER MANAGEMENT OF UNSTRUCTURED CONTENT

ECM provides end-users with a way to store, access, find, and manage information. This information can be structured, semi-structured, or unstructured. Structured information is easy to find and manage because it exists in an accessible database and can be stored in a way that describes it and all its content. Semi-structured and unstructured content—such as contracts, presentations, invoices, and audio recordings—are harder to manage. Often, users can only identify semi-structured and structured content by the folder location or file name. However, unstructured content constitutes the majority of all content and is growing at a faster rate than structured content. As more companies move to store their information electronically, companies will need a better way to find and analyze the information stored in unstructured content. Contextual search methods will become more widely available as ECM vendors expand the use of ML in their offerings.

AI WILL NEED TO DO MORE

ECM vendors who wish to stay competitive in the market will need to develop their AI, ML, and deep learning (DL) capabilities so that their ECM solutions can provide information management based on content, not folder structure. ML and DL provide ways to find, manage, and analyze unstructured content. The vendors who will be most competitive in 2023 are those who enable end-users to manage unstructured content as easily as structured content and provide ways for end-users to derive insights from masses of unstructured content.

VENDORS TO WATCH

While no ECM vendors will see massive disruption in the short run, the next five years will reveal the weaknesses in some ECM vendors' strategy. Nucleus expects that Dropbox will fall behind the market because it has a slow pace of innovation and most if its users do not pay for its services. Currently, Dropbox offers file sync and share (EFSS) capabilities, storage plans, and third-party app integrations, but it has yet to reveal a plan to do more.

Google Drive faces a similar problem because it does not offer functionality suitable for enterprise-level customers. When Google reworked the desktop Google Drive in 2017, customers did not respond well to the changes. However, Google Drive is set to roll out a new version that has the potential to increase its usability and functionality.

Meanwhile, Documentum – now part of OpenText – does not show promise for long-term staying power. Most Documentum end-users have been clients for more than ten years, and Documentum has struggled to onboard new customers in the past five years.

CONCLUSION

The viability of vendors offering solely ECM as a standalone product is reaching the end of its lifecycle. End-users want more than basic content management; they either want a full suite ECM solution with connectors for integration with other applications, or they want ECM as an embedded application within existing BPM, enterprise resource planning (ERP), or customer relationship management (CRM) applications. In short, businesses want their ECM software to be able to deliver actionable insights within a highly usable product. ECM vendors can make this happen through investing in AI and embedding capabilities into other business processes.