

NUCLEUS
RESEARCH

UNDERSTANDING THE VALUE MATRIX

ANALYST

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THE BOTTOM LINE

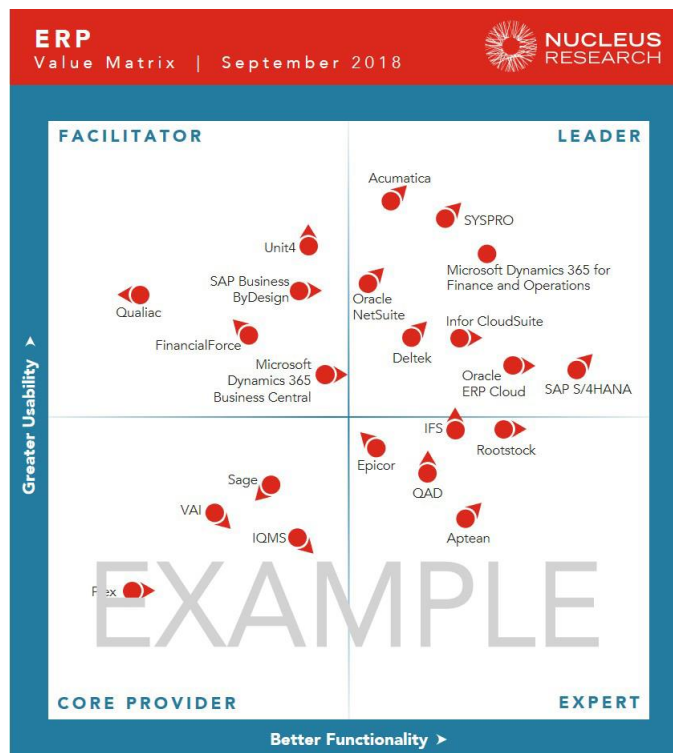
The Nucleus Research Technology Value Matrices are published at least once a year in Nucleus's core research areas. Building on the analysis of actual end-user experiences, vendors are measured on both usability and functionality – key drivers of value – and placed into four categories: Leaders, Experts, Facilitators, and Core Providers.

The Value Matrix is a relative ranking and the center point is reassessed with each publication. This recognizes that markets are always moving forward and solutions that were Leaders in the previous Matrix could fall behind if vendors do not maintain adequate investments. The Matrices are designed to help evaluate vendor short lists and choose the solution that delivers the greatest return for a customer's environment.

THE TECHNOLOGY VALUE MATRIX

Nucleus Research regularly publishes Value Matrices in its core research areas including customer relationship management (CRM), human capital management (HCM), data management, enterprise content management (ECM), marketing automation, enterprise resource planning (ERP), and supply chain management (SCM). Each Matrix is divided into four quadrants: Leaders, Experts, Facilitators, and Core Providers.

It is important to note that there is no “bad” quadrant in the Value Matrix, just as there is no “best” technology solution for all companies. The Value Matrix is designed to highlight the market position of a solution relative to others rather than specify a best solution in the market. Solutions that rank in the upper right quadrant offer a high degree of usability and functionality, but often come with an associated high price.



Organizations with minimal functionality demands may choose to look in other quadrants for solutions that can meet their needs at a lower price point. For example, a company with limited budget and a sales cycle with low complexity may achieve the most value from a Core Provider in CRM; a Facilitator is often the perfect match for a company where broad, rapid, and consistent user adoption is more important than industry-specific or other more sophisticated functionality. Experts offer deep functionality for organizations willing to invest in user training.

In addition to a dot positioning a solution, the Matrix includes a small arrow mark that provides an estimate of where the solution is trending relative to other solutions. This mark is based on Nucleus Research's assessment of vendor investments, roadmaps, and customers' expectations. For example, an arrow pointing straight up indicates the solution is expected to increase usability relative to others in the market.

LEADERS

Vendors in the Leaders quadrant have invested in both functionality and usability features that are likely to deliver the greatest potential returns. These vendors have both diverse and comprehensive product offerings, which enable organizations to maximize ROI, and the resources to help organizations deploy large-scale applications.

With high functionality and usability scores, these vendors are recognized for relatively advanced capabilities across all core application areas, user interaction methods, and other factors that contribute to quicker deployment and user adoption. Leaders are continually developing and investing in new functionalities to respond to market and user expectations.

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EXPERTS

Vendors in the Experts quadrant have invested in deep functional capabilities that, by nature, make their application more complex and thus require more training and expertise to use than Leaders. These vendors invest in industry-specific capabilities to provide best-of-breed functionality in specific application areas for unique market verticals. They have invested in robust and complex functionalities that typically require additional consulting, training, or expertise resources when compared to Leaders. Because the functionality provided can be more advanced than is commonly available in the general market, there may be fewer analysts and developers who are sufficiently experienced to support these applications.

FACILITATORS

Facilitators are focused on providing solutions that solve a specific niche in the market and are relatively easy to use and quick to implement. Vendors in the Facilitators quadrant have

invested in making their applications intuitive and easy to use, driving rapid adoption with limited training requirements. For example, these applications can achieve high levels of usability related to specific role-based interfaces and improved end-user productivity. However, these applications may also lack the deeper functionality required by more sophisticated users.

CORE PROVIDERS

Vendors in the Core Providers quadrant are point solutions or those that provide limited functionality at a relatively low cost, giving them a high value proposition when limited functionality is needed. These vendors often represent a good starting point for companies seeking core capabilities with a limited budget because they enable faster and less expensive adoption.

These vendors have an opportunity to move upward and to the right as they improve their ability to deliver broadly functional and highly usable deployments while challenging the competitive positions of the leaders. However, Core Providers are also challenged to win customers and fund research and development to keep them from being overtaken by leaders that can afford discounting and special attention to win deals.

METHODOLOGY

The Value Matrix is based on functionality and usability, the two characteristics that Nucleus has found indicate an application's ability to deliver both initial return on investment (ROI) and, ultimately, maximum value over time.

The functionality and usability scores are based on interviews Nucleus analysts have had with end users as part of their ongoing research and end-user TechAdvisor inquiries. Through these conversations, analysts gather data on both the applications customers select as well as the applications they shortlisted but did not select and why.

Usability composite scores are based on a number of factors including the modernity of the interface, intuitiveness of the application, availability of role-based views and in-application coaching and training, training requirements, mobile access, and the impact on user productivity.

Functionality composite scores are based on the breadth and depth of functionality in the core application, the availability of industry-specific functionality in key verticals, the availability and ease of integration of add-on functionality that delivers additional benefit, and the vendors' investment in innovative functionality outside the core that delivers additional benefit.

The center point of the Matrix represents the composite average point in the market, which Nucleus expects to move up and to the right over time as vendors make more investments in functionality and usability. At each publication of the Matrix, the center point is effectively reset at the average – meaning that vendors that have not maintained pace with the market in either functionality or usability will naturally fall down and to the left. Trending arrows are included to show where Nucleus expects each solution will appear in the next edition of the Matrix, based on vendor investments and roadmaps and customers' expectations.

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Measuring usability and functionality is subjective but we've minimized the variation and standardized the process we use to gather data. Behind the scenes we score each solution on a scale of 1-10 for each axis, rebalance the average so that 5,5 is the center of the Matrix, then plot each solution on the axis. The score is based on data gathered from three sources, in this order:

1. Customers using the solution who are interviewed during case studies, industry events, user inquiry, or outreach to our database of end users.
2. Customers using a competing solution that considered the solution being scored but decided against it.
3. Nucleus Research analyst view of the solution based on briefings and demos of the product.

USING THE MATRIX

The Value Matrix is effectively a market position map. For companies undertaking an initial selection process the Value Matrix provides a framework to move from a short list of vendors to the solution that delivers the greatest return on investment. It allows companies to assess price against the usability and functionality they actually need.

For organizations with a current solution, the Value Matrix provides a trend for that solution and options for replacement should the trend not match company requirements. With cloud or SaaS solutions companies have lower barriers to switch to alternative solutions that provide greater value or can use the information in the Matrix during their recurring SaaS contract negotiations to better align costs.

FREQUENTLY ASKED QUESTIONS

WHEN DID NUCLEUS START PUBLISHING THE VALUE MATRICES, AND WHY?

Nucleus began publishing the Value Matrix in key application areas in 2013, and has continued to expand its Value Matrix coverage based on customer demand. Gartner's Magic Quadrant has been a fixture in the technology space for years and has served the market well by providing a comparative shortlist of vendors in a specific market. However, in the past few years a number of things have changed:

- The emergence of sophisticated cloud applications and broader availability of low-cost, high-value solutions from emerging vendors meant Gartner's annual ranking of vendors was not fully serving a market that faced accelerated technology change. Nucleus end-user customers were increasingly asking for justification for applications that were not in the Gartner leader quadrant but provided higher value than the traditional large vendors.
- The buying process has evolved from companies predominantly selecting a leading vendor to companies seeking solutions that are best for their specific users' needs.
- The cloud subscription renewal process and the cloud application upgrade process requires companies to reevaluate not just vendor leadership but value for money on an annual basis at subscription renewal time.

Nucleus designed the Value Matrix to complement the Gartner Magic Quadrant by looking at the characteristics of a solution that drive value (usability and functionality), and projecting how that relative value will increase or decrease in the near future.

HOW IS THE VALUE MATRIX DIFFERENT FROM THE MAGIC QUADRANT?

The Nucleus Value Matrix differs from the Gartner Magic Quadrant in three important ways:

- The Value Matrix is a relative ranking against competitors rather than an absolute ranking. This matches the user buying process of comparing the features and usability among the vendors under consideration against the cost of the solution. A solution with less functionality but much lower cost may be more attractive than a solution with more functionality but much greater cost.
- The Value Matrix is updated on an ongoing basis according to the pace of the market and shows trending. The pace of market change is rapid and vendors who lead the market today can fall behind in months. An industry-leading feature is quickly adopted and becomes common. The Value Matrix takes account of this ongoing change and highlights vendors whose solutions remain dynamic.

- The Value Matrix is based on the relative ROI or value customers can expect to achieve from the solution based on two factors: usability and functionality, as evaluated by Nucleus analysts and the customers they interview.

WHY USABILITY AND FUNCTIONALITY AS THE AXES?

We looked back on more than 700 published ROI case studies and analyzed the characteristics of solutions that deliver value. How functional a product is and how easy it is to adopt and use were the two characteristics that defined the value the customer ultimately received.

HOW DO VENDORS INFLUENCE THEIR POSITION?

All vendors are notified of their inclusion in the Value Matrix and have the opportunity to provide feedback and input to both their profiles and their positioning in the Matrix. Vendors fare best when they can make the case with tangible examples of how their solution delivers greater functionality and usability than their competitors.

Vendors that have more regular interactions with the analyst team will likely have a fuller understanding of their positioning, but all vendors are treated equally and given an equal amount of time to provide input. A vendor does not need to be a client, nor do they need to provide reference customers or other information to be included in the Value Matrix.

CAN A VENDOR OPT OUT OF INCLUSION IN THE MATRIX?

No. The Value Matrix is Nucleus's assessment of all the viable options in the marketplace and, as such, is published with or without input from the vendor. This is necessary to provide end-user clients with a complete view of the value proposition of market players.

HOW DO I KNOW WHEN THE VALUE MATRIX WILL BE PUBLISHED?

Nucleus publishes its planned Value Matrix agenda annually, and all vendors that are included are notified in advance of their opportunity to review.