IDC 50th Anniversary
TRANSFORMATION EVERYWHERE
THE BEGINNING

In 1964, a new computer was born — the IBM System/360. This was the first time a computer manufacturer launched a product that allowed a customer to grow without a total reinvestment in software and peripherals each time a computer upgrade was needed.

It would be a year before one of these computers would actually ship to a customer, but the announcement was lauded at the time as momentous.

For more than 200 executives in the 10-year-old computing industry, however, the news was not a surprise.

Two weeks earlier, they had been alerted in the inaugural issue of a newsletter published out of Newton, Massachusetts — the *EDP Industry and Market Report* — by a start-up called International Data Corporation (IDC), founded by Patrick J. McGovern. The newsletter was published on a gray sheet of paper and was soon nicknamed *The Gray Sheet*.

Since the founding of IDC — 50 years ago! — the industry we analyze and forecast has experienced astounding change and growth.
Innovative Industry Solutions

THE IT INDUSTRY’S 3RD PLATFORM FOR INNOVATION AND GROWTH

The IT industry is now in the midst of a massive structural shift — from the PC- and client/server-based “2nd Platform” of technology growth and innovation to the “3rd Platform” — built on the disruptive innovations of Big Data/Analytics, Cloud, Mobile, and Social Business.

This platform will be the foundation for the next 20 years of IT and business growth as millions of new and transformative solutions leverage these innovations.

The 3rd Platform will drive nearly 100% of the IT industry’s growth from 2014 through 2020, with an unprecedented portion of that growth driven outside of traditional IT organizations — by consumers and line-of-business executives, many in emerging markets. The 3rd Platform will create value in all corners of the marketplace, allowing companies to create value where never before possible.
TRANSFORMATION EVERYWHERE

1964
Mainframe - Terminal

1981
LAN/Internet - Client/Server

2006
Cloud - Big Data/Analytics - Social Business - Mobility

Users: Billions
Applications: Millions
Products: Designed for the consumer enhanced for the enterprise
Drivers: Information > Innovation

1st Platform

Users: Millions
Applications: Thousands
Products: Designed for the enterprise first and only
Drivers: Systems > Services

2nd Platform

Users: Hundreds of Millions
Applications: Tens of Thousands
Products: Designed for the enterprise first, "downsized" for the consumer
Drivers: IT Agility > Business Agility

3rd Platform

© IDC. Visit us at IDC.com and follow us on Twitter: @IDC
NEW BUYERS

New buyers operate in new ways and more independently. Armed by mobile devices, blogs, communities, forums, and peer networks, they are increasingly able to get the information — and gain the trust — they need to make a purchase without regard for a vendor’s marketing and sales cycles.

The sales cycle has changed, as have the type and number of players involved. We see a future where line-of-business executives make as many IT decisions as their CIO counterparts.

As a result, the number of buyers has exploded and now includes multiple roles from all areas of the enterprise.
4 PILLARS OF TRANSFORMATION

Tomorrow’s innovations will come from all aspects of the marketplace. Enterprise and consumer solutions leveraging Mobile, Social Business, Cloud, and Big Data/Analytics will drive the vast majority of market growth.

INVESTMENTS IN A NEW GENERATION OF 3RD PLATFORM “INNOVATIVE INDUSTRY SOLUTIONS” WILL NEAR $100 BILLION BY 2016
Cloud services are changing the way IT is delivered and consumed across the world. Cloud is unleashing new levels of innovation across industries as it greatly reduces the cost and time to deploy technology. Cloud is transformational for business.

The cloud movement is about much more than the cloud. Cloud cannot be sufficiently understood as a stand alone phenomenon in the IT market, but rather as a core ingredient of a larger transformation of the IT industry – and many other industries using IT to transform themselves.

A few points to consider:

By 2020, penetration of software as a service (SaaS) versus traditional software deployment will be over 25%. Packaged software will shrink to 10% of new enterprise installations.

In 2012, 60% of SaaS providers delivered services from do-it-yourself datacenters. By 2020, that number will be less than 50%. SaaS will begin to “live” in the cloud.

Service provider datacenters will hold 34% of installed servers in datacenters in 2013; that number that will climb to 50% in 2017 and nearly 70% by 2020.

In 2012, over 50% of all installed x86 servers were outside of datacenters, but by 2020, that number will decline to 40%.
SOCIAL BUSINESS

Social business is about making possible a new kind of workflow enabling social connections and information as well as fostering more informal communication channels in business. Social business is about adding value — and ultimately allowing companies to move from today’s “make/sell” business models to a more flexible “sense/respond” way of doing business.

Social business tools enable new kinds of interactions and deliver relevant information to help companies make better business decisions. These innovations will greatly reduce waste associated with building the wrong product, or too little of the right product. Social business will change business.

A few points to consider:

Customer communities will become a strategic component of an experience strategy. By 2020, 80% of the Fortune 5000 (F5000) will have an active customer community (up from 30% today).

By 2020, in consumer-facing industries, traditional sales models will be rendered largely irrelevant by the socially enabled customer.

Enterprise social networking platform wars will breed near-term customer frustration. By 2020, a handful of platform suppliers will connect disparate enterprise social networks.

Innovation management solutions disrupt how companies source requirements and feedback, with 60% of the F5000 deploying innovation management solutions by 2020.
Big Data and analytics are changing the way companies make decisions. These next-generation technologies and systems are designed to extract value economically from very large data sets from of a wide variety of data types by enabling high-velocity capture, discovery, and/or analysis.

One of the biggest challenges associated with Big Data and analytics is skills. There are just not enough talented people who can make the business case, use advanced tools, and define key performance indicators. That’s where other innovations like the cloud come in. Big Data/analytics in the cloud is growing three times faster than on-premise. By 2020, 25% of Big Data/analytics applications and services will be cloud based.

A few points to consider:

By 2020, 70% of F500 companies will make decisions from a mash-up of more than five third-party data sources.

In 2020, the newly created chief analytics officer (CAO) will challenge the CIO for relevance.

Big Data spending will explode and shift. 2014 spending will grow by 30% to $14+ billion. Growth will shift to analytic tools and apps.

Big Data/analytics services will see impressive growth. 2014 spending will exceed $4.5 billion, growing 21%. The number of providers will triple in three years.
MOBILITY

Smart connected devices — the combination of PCs, tablets, and smartphones — will accelerate to nearly 2.5 billion shipments annually by 2017. Interestingly, much of the growth — at least in the developed regions of the world — will be in 5in.+ screen-size phones, while in tablets, the smaller, more mobile 7–8in. variety will see the most growth.

From 2013 to 2020, a new category of mobile device — the “wearable” — will emerge. These will start as devices that focus on a single or small number of “apps” to transform all aspects of life. We expect wellness, fitness, and security/authentication to be the most popular use cases.

A few points to consider:

IDC expects that in 2020, one out of five Internet users will be mobile only, and mobile advertising spending will reach 45% of the digital market ($110 billion).

On a given weekday in 2020, the average adult will use 1.5 wearable devices (in developed markets) — 30% of mobile device market revenue will be made up of disposables.

Smartphones and tablets will lead 2014 growth, accounting for over 60% of total IT market growth.

PCs versus tablets and smartphones — the onslaught continues. In 2014, sales of smartphones and tablets will exceed sales of PCs by 2.5:1.
EMERGING MARKETS

In this decade, IT spending growth in emerging markets is three times greater than the predicted growth in developed markets. And in 2014, emerging markets will account for over 60% of all worldwide IT spending growth.

In 2014, the number of smart connected devices shipped in emerging markets will be almost double the number shipped in developed markets.

While emerging markets accounted for just 23% of the Digital Universe, the volume of the world’s information, in 2010, that number will exceed 40% in 2014 and a whopping 62% by 2020.

And by 2017, ICT spending from the top 6 big emerging markets will rival that in the United States.
The four technology pillars of the 3rd Platform — Cloud, Mobile, Social Business, and Big Data/Analytics — are being “mashed up” in unprecedented ways to create new business and consumer solutions: reinventing existing and creating entirely new industries.

By 2018, hundreds of industry-specific, cloud-based app marketplaces and innovation communities will be launched by leaders in health, financial services, manufacturing, retail, government, energy, media, IT, and many other industries.

By 2020, one-third of the top 20 market share leaders in most global industries will be significantly disrupted by new competitors (and reinvented traditional ones) that use the 3rd Platform to create new offerings, new innovation communities, and new ways of doing business.
So what comes after the 3rd Platform? Wrong question! Innovation and growth on the 3rd Platform are just beginning: a rapidly expanding community of developers will spend the next decade or two creating new solutions with Cloud, Mobile, Social Business, and Big Data/Analytics.

But IDC does see an ever-expanding array of emerging “accelerator” technologies that will become part of the 3rd Platform, speeding its adoption and dramatically widening the range of new solutions on it. These technologies include the expanding “Internet of Things,” including wearables, smart vehicles, and smart home/building technologies; increasingly ubiquitous broadband technologies and services; breakthrough battery technologies; and 3D printing and other “maker” technologies — to name just a few.

The number of new 3rd Platform offerings we’ll see over the next decade and beyond will absolutely dwarf the number — and value — of the offerings that shaped the past 50 years of IT. Literally millions of innovators will create many millions of new apps, solutions, services, and experiences — ones that surprise, delight, and greatly expand the marketplace. At IDC, we’re looking forward to analyzing and forecasting that new world of opportunity — for at least the next 50 years!