

WHEN THE COMPUTER BUILDERS WILL  
BUYING THE \$225 MILLION GOVERNMENT  
PURCHASE OF RDP EQUIPMENT...PAGE 6

# IDC INDUSTRY AND MARKET REPORT

A SEMI-MONTHLY NEWSLETTER FOR EXECUTIVES  
IN THE ELECTRONIC DATA PROCESSING INDUSTRY,  
AND THE FINANCIAL COMMUNITY.

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## IBM EXPECTS TO INSTALL 5,000 OF ITS NEW COMPUTER SYSTEMS IN NEXT FIVE YEARS

An official estimate given in a report by a marketing spokesman at IBM's Data Processing Division indicates that IBM expects to install 5,000 units of its as yet unannounced new computer series in the next five years. This number represents a cumulative purchase cost of over \$3.5 billion. First models of the new computer series are expected to be installed in the summer of 1965. The smaller computers of the series will be installed first, with the larger machines scheduled for delivery in 1966.

The announcement date for the new series is expected on or about April 15th. The main features of the family of computers will be:

- equivalent processing power at about one-half the cost of IBM 7000 series computers.
- a compatible, integrated series of binary machines. The word length for the larger machines will be 64 bits, while 32 and 16 bits will probably be used on the smaller members of the series.
- a range of rental prices starting at \$2500 per month and going up to \$120,000 per month for the giant member of the series.
- the use of hybrid circuitry (active circuit elements deposited on a substrate containing passive elements) in the processors of the series, reducing it to one-sixth the size for equally powerful transistored CP's.
- the processing units will operate in a hybrid system. Data to be processed will be transmitted to high-speed digital processing units which will select the data character by character and forward it to the processors. The flow rate of bytes through the processing units will be about 3.3 million per second. A byte is a group of 8 bits used to encode a character. The byte size for the series will probably be eight bits.

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Big Data  
Analytics



Cloud



Social  
Business



Mobility

Energy  
Financial  
Government  
Health  
Manufacturing  
Retail

3rd Platform

2nd Platform

1st Platform

# IDC 50th Anniversary

TRANSFORMATION EVERYWHERE







Innovative Industry Solutions

## THE IT INDUSTRY'S 3RD PLATFORM FOR INNOVATION AND GROWTH

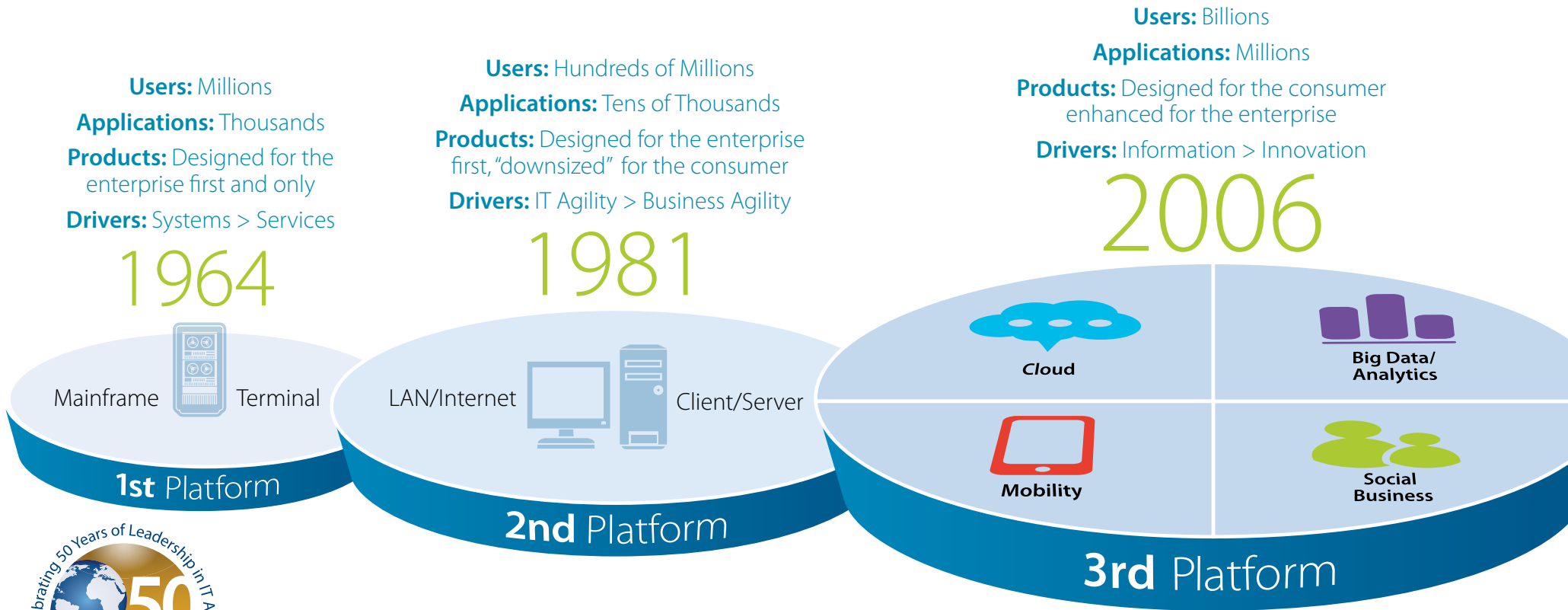
The IT industry is now in the midst of a massive structural shift — from the PC- and client/server-based “2nd Platform” of technology growth and innovation to the “3rd Platform” — built on the disruptive innovations of Big Data/Analytics, Cloud, Mobile, and Social Business.

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




## NEW BUYERS

ACCORDING TO  
FUNCTIONAL  
EXECUTIVES,  
BUSINESS FUNDS

# 61%

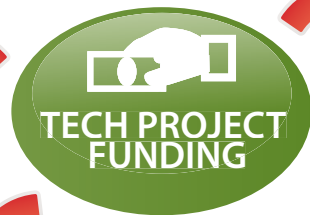
OF TECHNOLOGY PROJECTS

  
**19%**  
IT Project


IT FUNDS PROJECTS

  
**20%**  
Joint IT and  
Business Projects

IT FUNDS PROJECT



TECH PROJECT  
FUNDING

  
**21%**  
Joint IT and  
Business Projects


BUSINESS FUNDS PROJECT



# 23%

Business Projects

BUSINESS FUNDS PROJECT

  
**17%**  
Shadow IT

BUSINESS FUNDS PROJECT

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



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

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:

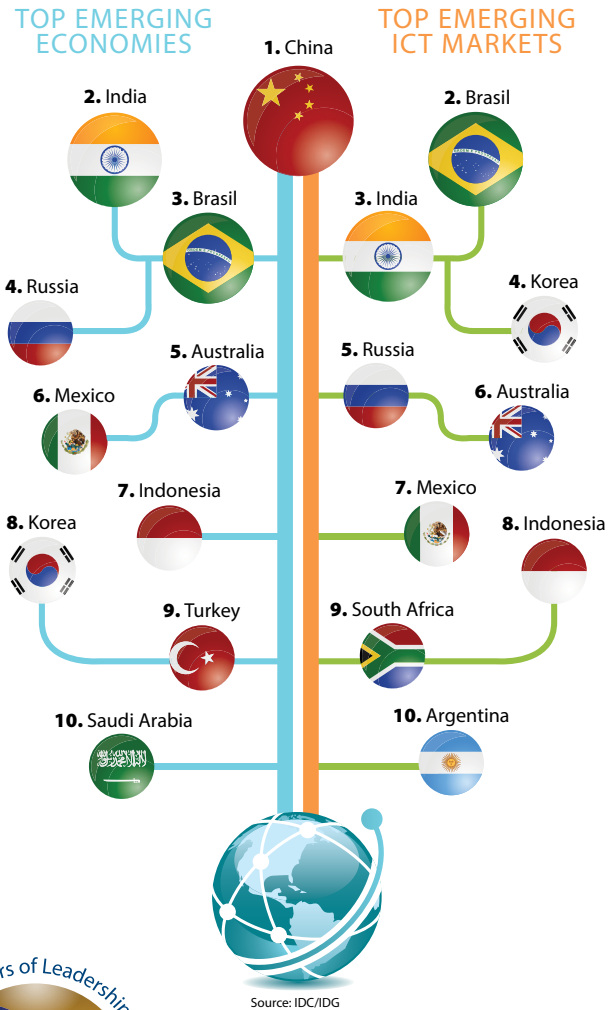
IDC expects that in 2020, one out of five Internet users will be mobile only, and mobile advertising spending will reach 45% of the digital market (\$110 billion).

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.





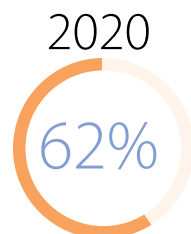
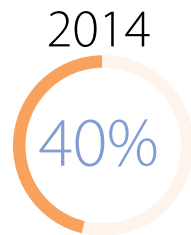
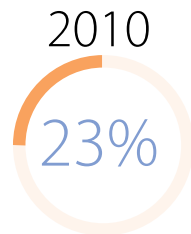
# EMERGING MARKETS

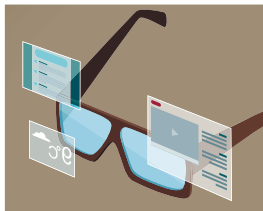
In this decade, IT spending growth in emerging markets is three times greater than the predicted growth in developed markets. And in 2014, emerging markets will account for over 60% of all worldwide IT spending growth.

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.





# INNOVATIVE INDUSTRY SOLUTIONS

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.

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## THE FUTURE

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!

