

Microsoft Acquires Nuance

Public Version

June 2021

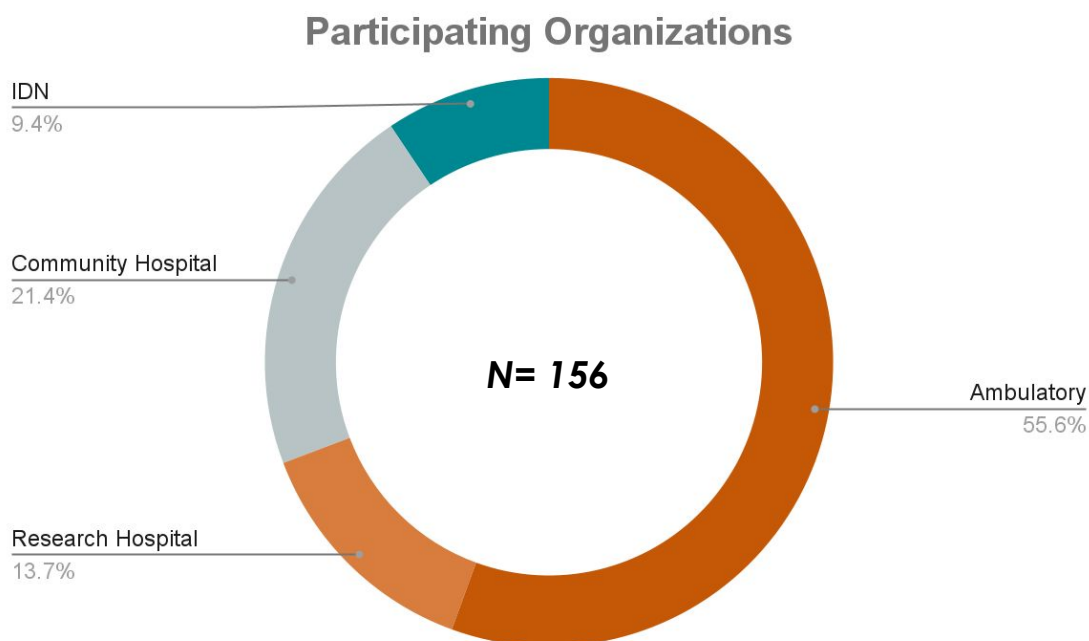


Reaction
— Data —

Microsoft acquiring Nuance is a big deal, pun intended. It's one of Microsoft's biggest, most consequential, acquisitions ever and represents one of the largest acquisitions by a Big Tech firm of a major healthcare IT solutions provider.

Nuance (through its myriad products such as Dragon) is used, in some capacity, by most healthcare organizations (hospitals, clinics, post-acute) across the US, so the hope is that Microsoft "does no harm" to Nuance or to its many healthcare users and could, perhaps, even improve things.. Fingers are crossed.

This research (launched and completed in May 2021) focuses on the perspectives of clinicians, and other healthcare decision makers, about what implications exist regarding Microsoft acquiring Nuance.

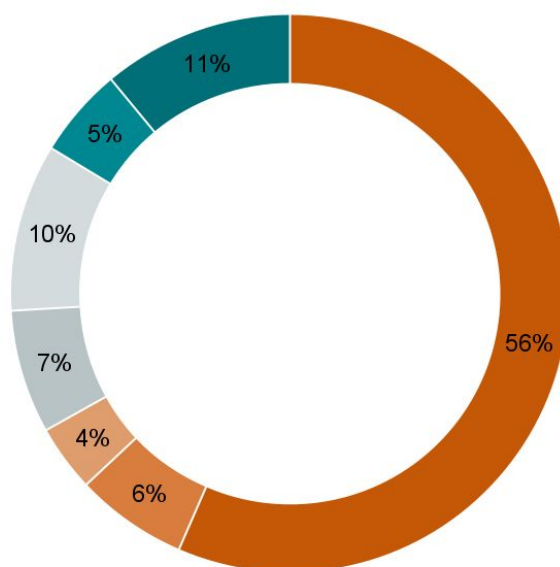


“Everyone wants to get into healthcare. This is where Microsoft is starting -- with documentation. Next they may purchase an EMR such as Epic or NextGen.” -Orthopedic Surgeon

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It's remarkable to see the vast majority of the market is rather unaware this acquisition is happening. Stealth mode is usually a term reserved for new startups not mega acquisitions like this.

Overall Awareness



1 2 3 4 5 6 7

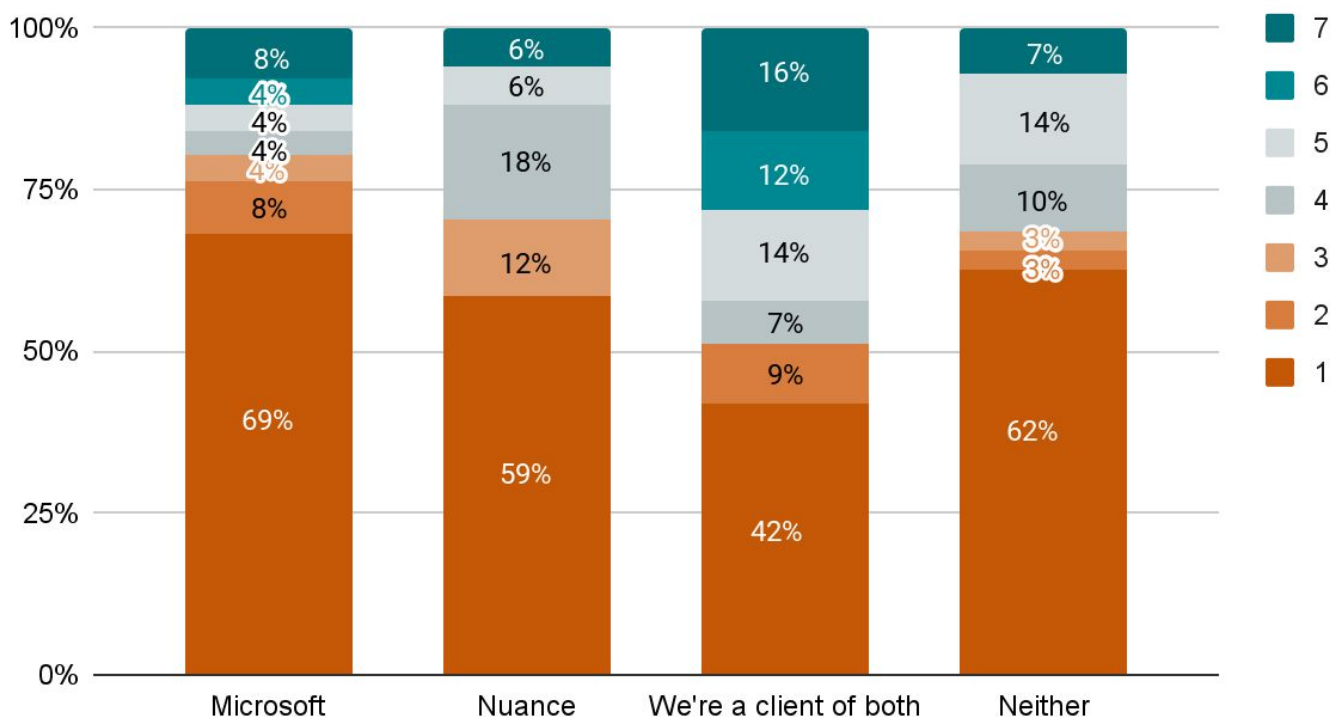
1 = No awareness, 7 = Very aware, watching closely

“They are buying [Nuance] because their own word recognition is not anywhere near as good. Nuance is the industry standard and I love their medical version.” -Physician

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It makes sense that healthcare organizations who use solutions from both Microsoft and Nuance would be the most aware of the acquisition happening. Organization just using Nuance had a material delta of awareness over those organizations that just use Microsoft.

Awareness by Vendor Relationship



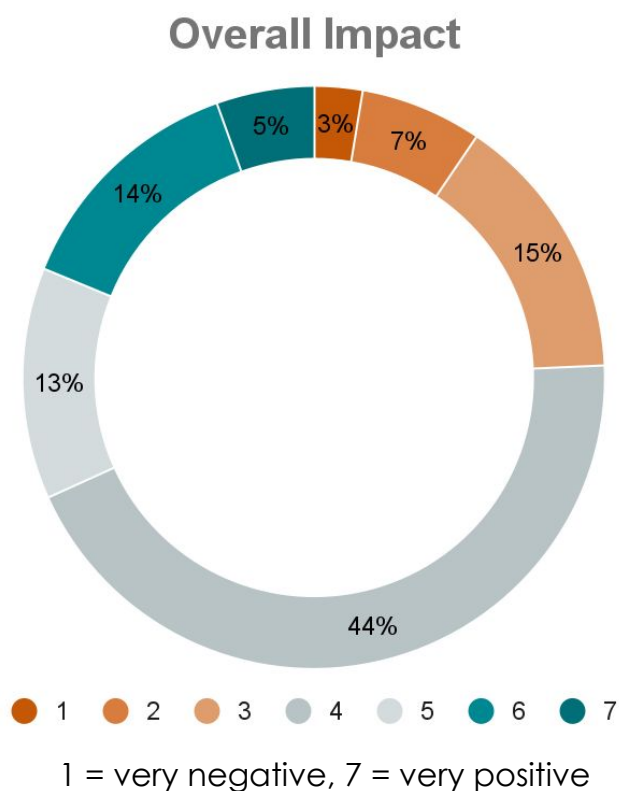
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“Perhaps Microsoft is looking at telemedicine as a potential revenue stream by improving the process of transcribing the visit to make sure that everything is being put down for the physician to see and the patient can access notes to refresh their memory about directions given and the management plan.” -OBGYN

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Impact of the Acquisition

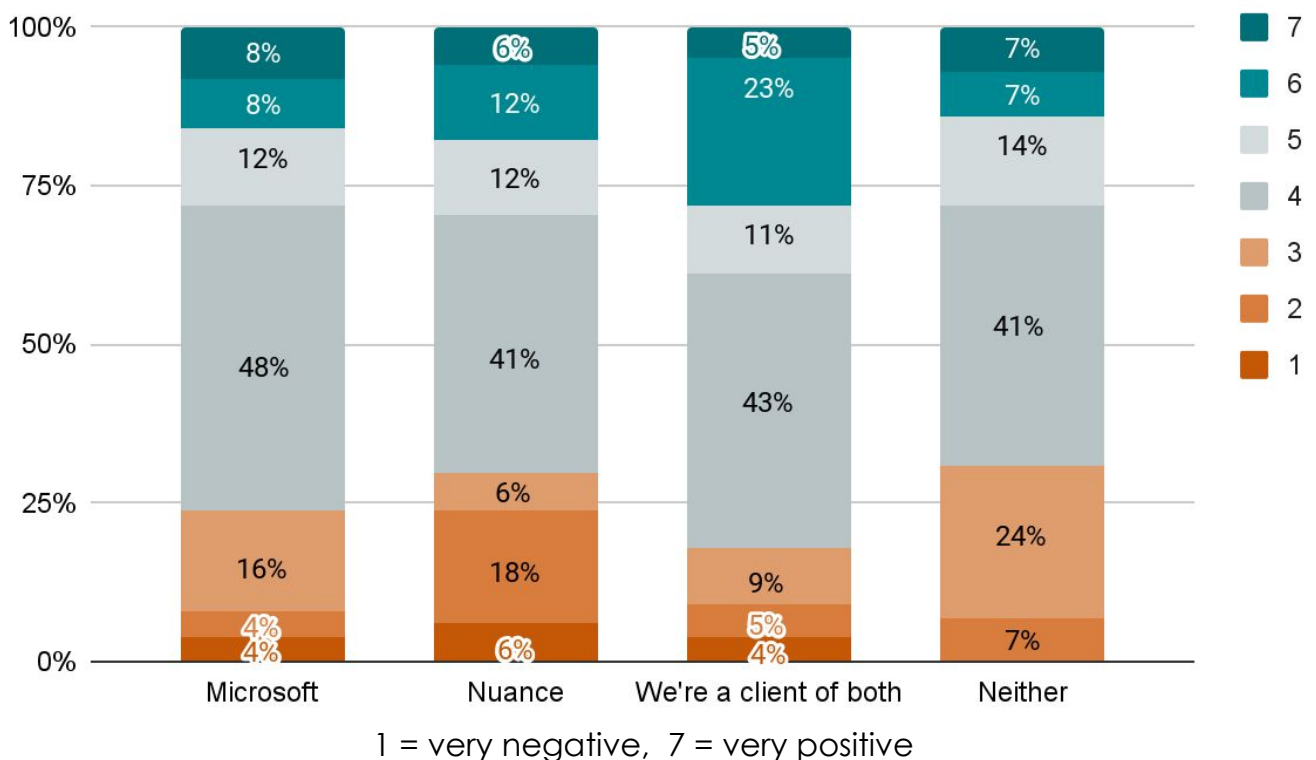
This is where the rubber meets the proverbial road - do healthcare organizations think this acquisition will be a net positive or a net negative. 32% of organizations are optimistic while 25% hold a grimmer view of the future.



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The findings here closely mimic those regarding awareness - 1) organizations using both vendors feel the outcome of the acquisition will be positive, and 2) Nuance customers, on average, are more nervous about the acquisition than are Microsoft customers.

Impact by Vendor Relationship

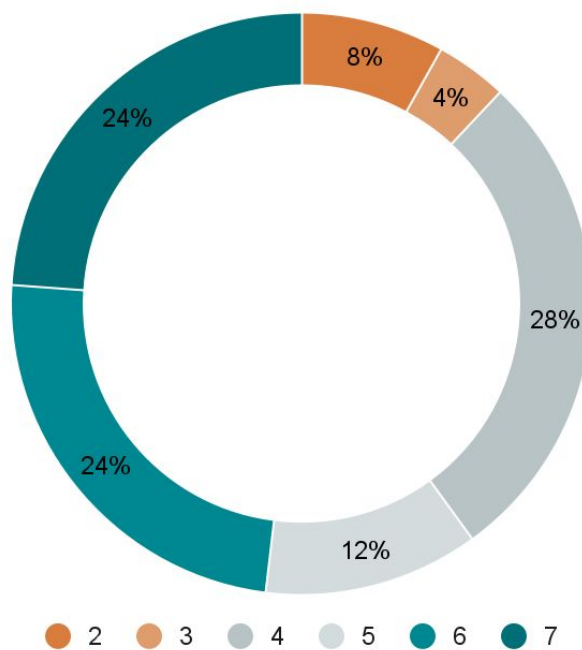


“Acquisitions are always detrimental at first, no matter how much they swear nothing is going to change it does. People leave due to not wanting to change, and others are replaced by the new company, having been through a number of such mergers/buy-outs it's always the same.” -IT Professional

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Only 12% of Microsoft customers state that this acquisition will make it less likely that Microsoft will keep their business. We've done a great deal of acquisition-related research and, relatively speaking, this is a very positive finding for Microsoft.

Microsoft Customer Retention

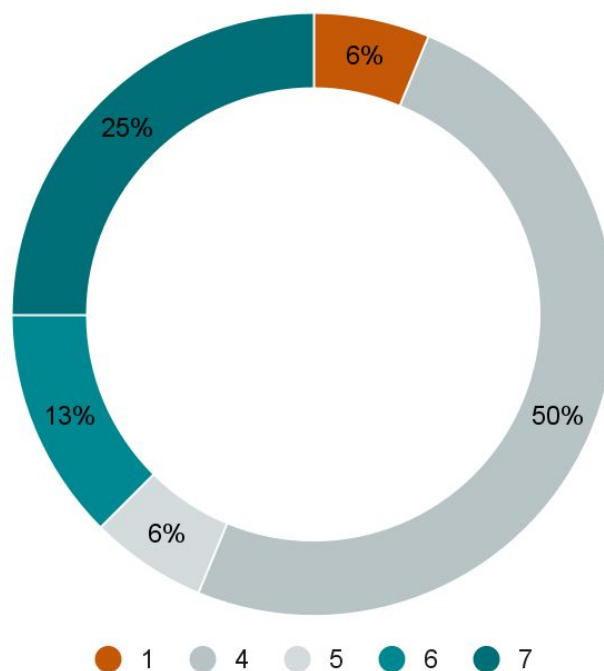


1 = High probability of losing customer / 7 = High probability of retaining customer

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Even a smaller percentage of Nuance customers plan to “run for the hills” on account of this acquisition than do Microsoft accounts. This is an impressive result.

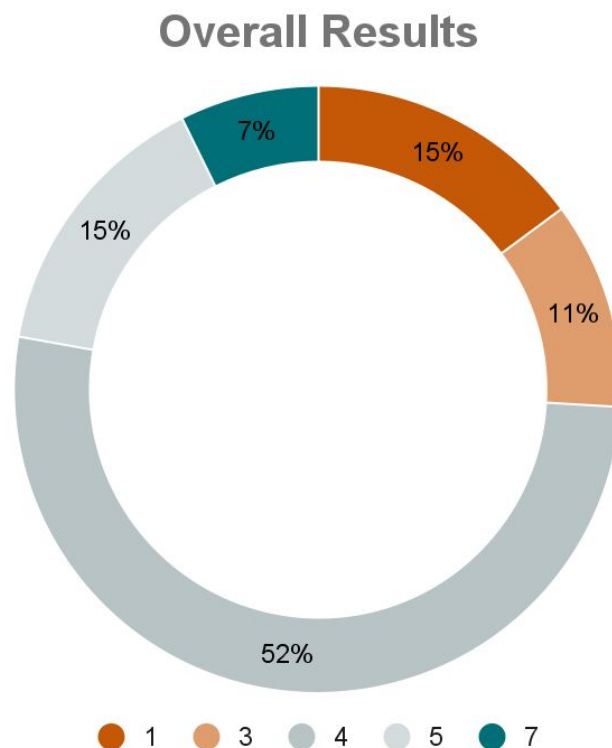
Nuance Customer Retention



1 = High probability of losing customer / 7 = High probability of retaining customer

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The (multi)billion dollar question is how will this acquisition affect the “green field” opportunity” - i.e. the buying decisions of organizations who aren't customers of either company. 22% lean towards becoming a customer while 26% feel the opposite. This deal will hinge, in large part, on the decision of the 52% who remain undecided.



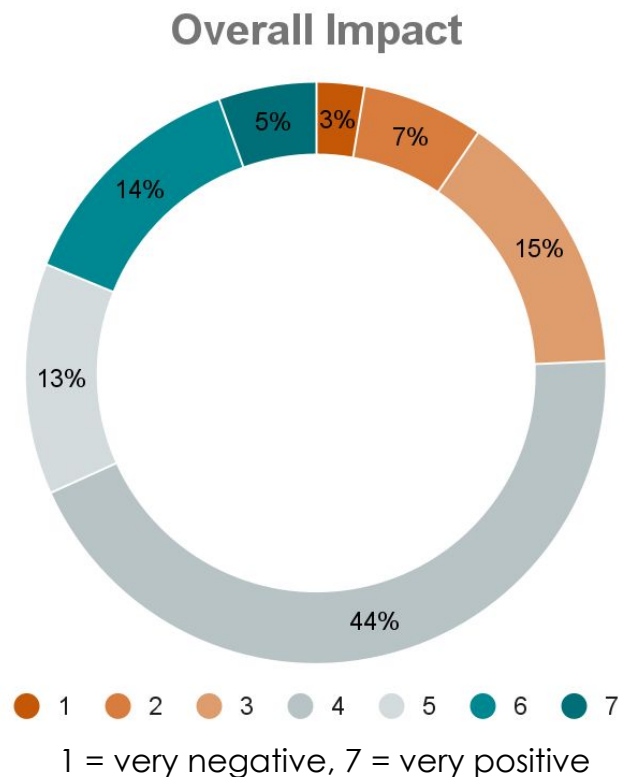
1 = Much less attractive, 7 = Much more attractive

“Nuance primarily developed dragon dictate, dragon medical, etc. The software could account for regional dialects and pronunciations with surprising accuracy and speed. While apple products have decent voice recognition for everyday use it would pale compared to dragon medical. Since major medical systems use Epic software which practically requires dragon dictate to be functional or efficient for physicians and hospital systems, potential spike in software prices or lack of support or availability could be disastrous and economically unsound for medical care. As a general rule Microsoft rarely buys something to improve or integrate it with their portfolio of products; typically they are trying to take the software out of play or capture the user database for future sales.” -Dermatologist

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The results make it pretty obvious that, at this stage at least, the healthcare provider market overall is cautiously optimistic that the outcome of Microsoft buying Nuance will be a net positive. The last acquisition in healthcare that had similar positive vibes from the market was when Philips bought Carestream Health.

The key will be if Microsoft can translate this goodwill into reality as it integrates Nuance employees and solutions into its massive, global organization. As the immortal Bard once penned - "ay, there's the rub"...



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