

August 12, 2009

The IT Management Software Megavendors

by Jean-Pierre Garbani and Peter O'Neill
for Vendor Strategy Professionals

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SWOT Analysis For BMC Software, CA, HP Software, And IBM Tivoli, Q3 2009

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EXECUTIVE SUMMARY

The current recession and credit crunch deeply affected IT spending in the last quarter of 2008 and into 2009. Despite this bleak overall picture, Forrester forecasts 4% growth in nonapplication software products (e.g., storage management, middleware), which leads us to stand by our 2009 IT management software (ITMS) growth forecast of 9.5%. Software investments in ITMS do better than the rest of IT investments because they fundamentally address IT productivity and the reduction of operating costs. Short-term benefits obviously favor tactical solutions over strategic initiatives with long-term gains. In this context, an analysis of the four megavendors — BMC Software, CA, HP Software, and IBM Tivoli — is especially significant. Although not intended as a direct comparison of the four companies, Forrester's strength, weakness, opportunity, and threat (SWOT) analysis for Q3 2009 regroups the market contenders by categories for an easier evaluation to enable vendor strategy professionals to substantiate decisions about their partnership and go-to-market strategies.

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Forrester interviewed four vendors: BMC Software, CA, HP Software, and IBM Tivoli.

Related Research Documents

["US And Global IT Market Outlook, Q2 2009"](#)
June 29, 2009

["Market Overview: The IT Management Software Market In 2009"](#)
March 13, 2009

["The New IBM Mainframe: Should You Make The Move To System z10?"](#)
April 23, 2008

FORRESTER'S ITMS SWOT

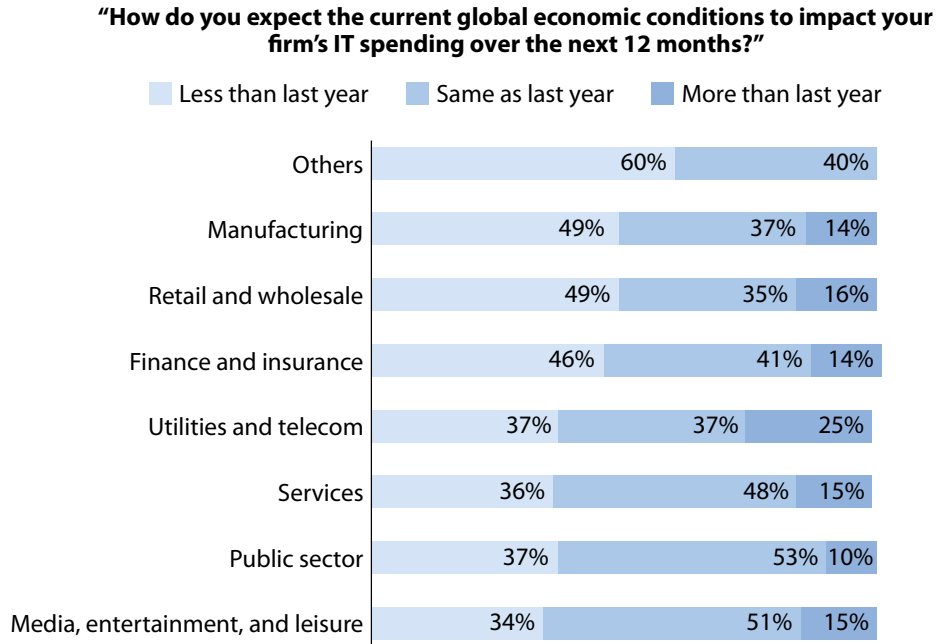
In 2008, Forrester segmented the ITMS vendors into four categories. The first segment comprised the four megavendors: BMC, CA, HP Software, and IBM Tivoli.¹ A group of challengers, which includes ASG, Compuware, EMC, Microsoft, Oracle, Quest Software, and Symantec, made up the second group. The third segment was composed of innovators: companies that brought new solutions to market and are more likely to be acquired by the first two groups. Finally, the last segment contained specialists: companies that were part of the innovator group at some point but that continued to propose their technology independently of the megavendors or the challengers.

Forrester published two SWOT reports in 2008 on the four megavendors in the ITMS market and their challengers. We are now continuing in 2009 with a similar SWOT assessment of the leading vendors in the ITMS market.

The financial crisis of 2008 to 2009 has deeply affected IT capital investments, with the US IT market expected to drop by 5% and the global IT market expected to shrink by 11% in US dollars.² While capital investments are down, we expect operating expenses to follow suit. IT budgets in general are shrinking, especially in sectors that are the hardest hit by the recession. The fact that these sectors were also the major IT investors in past years explains why IT productivity gains are becoming extremely important and in fact benefit the segments of the ITMS market that are seen as capable of increasing IT productivity in the short term (see Figure 1).

The global reduction in capital investments has greatly impacted the sale of new hardware and accelerated infrastructure consolidation. Virtualization is widely used not only on existing servers but also in a new family of machines that use integrated system management and virtualization of processors, network, and storage: We expect Cisco Systems and HP to be followed by others such as Sun Microsystems/Oracle. IBM's System z mainframe family also emerges as a strong consolidation contender that capitalizes on the trend to do more with less: The zSeries not only runs legacy apps but also can consolidate hundreds of commodity servers under Linux. These changes born from the economic crisis can and will affect the IT management market and directly influenced the way we looked at the leaders in the ITMS market.

Figure 1 IT Spending Forecast In 2009



Base: 2,227 IT and business decision-makers
(percentages may not total 100 because of rounding)

Source: Enterprise And SMB Software Survey, North America And Europe, Q4 2008

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Source: Forrester Research, Inc.

The Four Megavendors At A Glance

The SWOT analysis positions each vendor relative to the ITMS market; it is not intended as a direct comparison of the vendors but is intended to provide a panoramic view of all four competitors side by side. This helps highlight the one salient point on which each vendor must focus to improve its ITMS market share. At a glance, this chart condenses the SWOT analysis of each vendor in an elevator-pitch format that should serve as a focal point for refining their message and strategy (see Figure 2). It will also help vendor strategy professionals at other players in the ITMS market understand these vendors with regard to partnerships and their own go-to-market strategy.³

Figure 2 SWOT Analysis Of The Megavendors At A Glance

	Strength	Weakness	Opportunity	Threat
BMC Software	Continued progress in adapting the BSM message and software to the new market and technology realities exists. BMC positions itself successfully as the thought leader in IT management software.	There is a need to invest in mainframe marketing campaigns to better capitalize on market opportunity.	Alliances with Cisco, Dell, and EMC (VMware) position BMC as the "most valuable player" in IT management software.	It needs a more committed SaaS position in response to the increasing number of IT organizations seeking to mix and match.
CA	Strong technology presence exists in all important areas. Enterprise IT Management is now seen as pragmatic and most suitable for 2009.	CA still tends to lead with acquired brands like Wily. It needs to do more brand integration.	CA is perfectly positioned to ride current investment waves around virtualization and automation.	CA could be threatened in the medium term by cloud computing adoption.
HP Software	It has a very strong overall portfolio and potential, including converged service delivery offerings.	It lacks a complete and competitive mainframe story for large enterprise accounts. This is important for key verticals like financial services and telcos.	HP is well positioned to take advantage of the SaaS trend.	More focus on vision and less on cost savings mean that some 2009 deals are lost or delayed.
IBM Tivoli	It has a very broad operational management product set.	Growth is below market rate.	It should stress new approach to service management with operational management, decision-making, common data model, and knowledge management.	IBM Tivoli continues to be perceived as complex.

BMC Software: Reinforcing BSM

BMC purely focuses on the ITMS market, has offices worldwide, and employs approximately 6,000 employees. Its revenues for ITMS for 2008 were more than \$1.87 billion, reflecting a 9.3% ITMS market share. Several years ago, BMC pioneered the business service management (BSM) concept as a way to help better align IT operations with business needs. Since then, BMC has adapted to the new IT environment: The new tag line, “Business Runs On IT; IT Runs On BMC,” is a subtle variation that brings the message closer to new IT realities without losing the ties to business value. BMC’s BSM leadership comes from several years of internal development and complementary acquisitions around its core platform of Remedy and Atrium and is further strengthened by its mainframe expertise. Because BSM rationalized IT processes in a schema that complemented Information Technology Infrastructure Library (ITIL) and then automated the resulting IT processes, the strategic message resonated well and allowed BMC to gain traction in many large enterprises.

Our SWOT analysis reveals that (see Figure 3):

- **BMC continues to be *the* BSM reference.** BMC’s BSM success is actually the convergence of strategic vision, technology buildup, and marketing and sales execution. The alliance with Cisco and others on the cloud-in-a-box Unified Computing System is an example of how strategy, technology, and execution come together to provide a complete set of BSM value in an integrated package.
- **BMC should tout its mainframe experience more.** IBM Tivoli rocked the mainframe market a few years ago. Although things have stabilized since then, the mainframe is on the rise again. With a relatively low entry price for the IBM System z10 Business Class (z10 BC), the mainframe appears to be the ultimate cloud computing platform, combining legacy with openness and virtualization. We estimate that in a typical mainframe data center, the software/hardware cost split is 55%:45%. If the mainframe is on the rise again, this is a market in which BMC should increase its focus and investment even more than it has over the past several years, calling more attention to its capabilities than it does today.
- **BMC should articulate a stronger position in the SaaS market.** Accelerated by recent trends in capital investment reduction, software-as-a-service (SaaS) seems to be gaining more traction, as witnessed by the spectacular results of Service-now.com. BMC’s current SaaS position is to support and enable partners that deliver Remedy ITMS as an on-demand business. This is an area in which BMC can improve and eventually lead by capitalizing on its BSM image.

Figure 3 SWOT Analysis: BMC Software, Q3 2009

Company attribute	Strength	Weakness
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> • There is continued progress in adapting the BSM message and software to the new market and technology realities. BMC positions itself successfully as the thought leader in IT management software. • It has strong wins in large-deal segment where it is always a shortlist candidate for enterprises wishing to rationalize their IT management software spending. 	
Product/solution portfolio performance	It has solid performance with significant growth when BladeLogic business is factored in.	
Consistent sales and go-to-market strategy	Focus is now on sales field productivity and new business acquisition, which matches the current economic climate.	<ul style="list-style-type: none"> • Churn in sales force will strengthen competitors' efforts. • It needs to invest in mainframe sales force to better capitalize on market opportunity.
Value chain and market alignment	It has a clear understanding of the market diversity and of the need to approach the different levels of client maturity. It has a clear understanding of the need for integration and process alignment of the management disciplines.	
Stability and viability	It has a solid and experienced management team.	
Market attribute	Opportunity	Threat
Market dynamics	Alliances with Cisco, Dell, and EMC (VMware) position BMC as the "most valuable player" in IT management software.	It needs a more committed SaaS position in response to the increasing number of IT organizations seeking to mix and match.
Competitive position	It is excellent in BSM and service support with solid improvement in service automation.	There is fierce competition in service automation.
Client perception and adoption	Strong: BMC is being considered as a strategic vendor.	

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Source: Forrester Research, Inc.

CA: Becoming Lean And Mean

CA is the ITMS market leader in revenues. CA's solutions cover all aspects of service and system management — and all platforms from mobile to mainframe. CA has offices worldwide and approximately 15,000 employees. For its fiscal-year 2008, CA's ITMS revenues were more than \$2 billion, and the signs are that it is on a growth curve. For the first three quarters of fiscal-year 2009, its total product and services revenues were \$3.236 billion, up from \$3.192 billion reported in the first three quarters of fiscal-year 2008.

CA has literally transformed itself, both in terms of technology and in terms of customer care. The technology renewal was done through acquisitions, but the integration of all of these pieces into a consistent ensemble was pure CA engineering. CA's current Lean IT message touches the major points of the current climate: doing more with less, reducing waste, and better managing the service portfolio of the enterprise. CA had some difficulties in the past in linking its overall vision to its reliance on famous brand names such as Wily, Concord, and Spectrum. In the middle of a crisis that favors strategic and tactical savings, this turns out to be an advantage. The Lean IT message is simple, and it is supported by facts and products. CA is also capitalizing on the mainframe appeal through Mainframe 2.0, a complete stack of integrated mainframe management solutions using an intuitive browser interface, to remove the complexity obstacle from mainframe operations.

Our SWOT analysis reveals that (see Figure 4):

- **CA's acquisitions are now fully integrated.** The Lean IT message resonates well with the automation-, governance-, management-, and security-integrated solutions. The attention paid to customer values is a subliminal message throughout Lean IT and should be a strong element for continued success.
- **Mainframe 2.0 may disrupt the market.** Mainframe experience and skills are relatively difficult to find, and that has been seen as an obstacle to the mainframe management market expansion. IBM and CA have pushed hard to create an academic solution to the skill shortage, but CA has gone one step further: Integrating, simplifying, and bringing the mainframe skills to the level of open system specialists is what Mainframe 2.0 is about, and it may bring CA a strong advantage there.
- **CA faces the threat of integrated cloud offerings.** Of the three CA competitors, two are very strong platform vendors (IBM and HP), and the third has struck an alliance with a new entrant in the cloud-in-a-box market. CA, for the moment, has no such alliances. While this should not be an issue today, it may be considered a potential problem in the future, especially with the uncertainty around the Oracle/Sun strategy in the integrated platform area.

Figure 4 SWOT Analysis: CA, Q3 2009

Company attribute	Strength	Weakness
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> • It has strong technology presence in all important areas. Enterprise IT Management is now perceived as pragmatic and most suitable for 2009. • CA has migrated from providing point solutions and tools to enabling implementation of automated composite processes and best practices as part of IT services where IT is delivered as a service based on a common application and integration platform. 	CA still tends to lead with acquired brands like Wily. It needs to do more brand integration.
Product/solution portfolio performance	<ul style="list-style-type: none"> • Product portfolio continues to enhance and is now extremely close to what BMC and HP offer. Enterprise IT Management presentation even includes business' customers as context. • Mainframe Madness program, involving 170 product upgrades to modernize user interface and functionality, can help take a more significant share of the healthy and growing mainframe market. 	
Consistent sales and go-to-market strategy	Field sales force is now strengthened by industry veterans recruited from competitors.	Marketing strategy tends to be business-unit-oriented and lacking in corporate-level coordination.
Value chain and market alignment	CA has extended its professional services offering around its Unified Service Model concept.	CA must recruit more channel partners and service providers to strengthen its value chain.
Stability and viability	<ul style="list-style-type: none"> • Experienced management team is in place, rejuvenated with imported blood. • High level of R&D means well-rounded and quality products. 	
Market attribute	Opportunity	Threat
Market dynamics	CA is perfectly positioned to ride current investment waves around virtualization and automation.	CA could be threatened in the medium term by cloud computing.
Competitive position	<ul style="list-style-type: none"> • CA is now an extremely strong competitor for strategic business. • CA's SaaS road map reflects a good understanding of market trends and preferences. 	
Client perception and adoption	Summer '09 Lean IT campaign increases CA brand visibility and should reestablish corporate-level credibility with non-CA buyers that have shunned the company in recent years.	

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Source: Forrester Research, Inc.

HP Software: Maintaining The Challenge

HP is one of the big-four vendors in the ITMS market through its HP Software business unit; this is spread around the world, with major centers in France, Germany, Israel, and the US. HP has a total of 172,000 employees, and Forrester estimates that there are now more than 2,500 sales specialists selling HP Software products. Fiscal revenues for ITMS within the HP Software business unit for 2008 were \$1.612 billion. Strong organic growth and acquired revenues from Mercury and Opsware have increased its share of the ITMS market by one-half to 9%. HP Software's solution portfolio covers all 12 segments of the ITMS market.

The EDS acquisition places HP on a direct collision course with IBM on all fronts, especially in the battle for cloud computing and integrated IT management. Our SWOT analysis reveals that (see Figure 5):

- **HP has a strong product and services portfolio.** The overall HP portfolio looks very good, including in converged services. HP Software is very well positioned to offer a complete business solution, and HP software is now considered a strategic element of the HP offering.
- **HP Software misses out completely on mainframes.** The lack of mainframe solution may become an issue in the battle for large accounts, in particular in financial services. Mainframes are present in all large enterprises, and the zSeries family is definitively on the warpath of server consolidation being fought by other colleagues at HP. The successes or failures of HP's hardware business may therefore jeopardize HP Software viability in some key markets.

IBM Tivoli: A Continued Focus On Integration

IBM Tivoli is one of the big-four ITMS vendors and provides comprehensive solutions for the management of IT. According to Forrester's estimates, IBM Tivoli's ITMS revenues in 2008 for Forrester's 12 categories were \$1.62 billion. However, the company has significantly changed its approach — from that of a solution provider with multiple products that solve specific problems to a more holistic approach of managing the life cycle of a service. This depends on a variety of components, but IBM's focus is on the service, rather than the system and technology components.

IBM's streamlining and clarifying efforts are exemplified by the line of appliance-based solutions that it is now bringing to market. These hardware, software, and services bundles provide ready-to-use functionality in specific service management areas such as service desk and service request management.

Our SWOT analysis reveals that (see Figure 6):

- **IBM is already a very strategic partner.** IBM also enjoys a broad data presence in data centers around the world, with the added advantage of a mainframe monopoly and a strong presence in all software and service aspects. IBM can address any aspect and any facet of the IT market in general, and that makes it a formidable competitor.

- **IBM's abundance of goods can sometimes be a problem.** Too many capabilities make the IBM Tivoli message confusing and complex. Conscious of this, IBM Tivoli has engaged in simplifying and streamlining its product portfolio. It should now focus its efforts on making the message simpler, even if it appears less rich: It is sometimes too much for a client to digest. Its own sales force also has problems presenting the appropriate solutions: Product names sometimes have five words or more, and there is no clear naming system.

Figure 5 SWOT Analysis: HP Software, Q3 2009

Company attribute	Strength	Weakness
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> • It has a very strong overall portfolio and potential, including converged service delivery offerings. • Most products are integrated already. It looks good in new business situations. 	It lacks a complete and competitive mainframe story, particularly around SOA integration. This is important for key verticals like financial services and telcos.
Product/solution portfolio performance	Business profitability is now consistently positive, though not yet at (software) industry standard.	Sales softness exists in the midmarket segment because of dissatisfaction at traditional HP OpenView customer and partners.
Consistent sales and go-to-market strategy	HP sales force now understands the value of the HP Software business.	
Value chain and market alignment	Integration of HP Consulting and EDS resources makes the enterprise solution business complete.	
Stability and viability	<ul style="list-style-type: none"> • HP Software is now a key cornerstone in the overall HP story. • R&D expenditure and operating margin is in line with market benchmarks. 	
Market attribute	Opportunity	Threat
Market dynamics	<ul style="list-style-type: none"> • HP is mostly shortlisted as a strategic partner for IT management software. • HP is well positioned to take advantage of the SaaS trend. 	
Competitive position	Big marketing initiative following the rebranding has produced tangible results.	More focus on vision and less on cost savings mean that some 2009 deals are lost or delayed.
Client perception and adoption	Client reactions to overall brand are positive.	More traditional midrange customers and partners feel a little neglected in the forward-thinking communications.

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Source: Forrester Research, Inc.

Figure 6 SWOT Analysis: IBM Tivoli, Q3 2009

Company attribute	Strength	Weakness
Coherent brand/portfolio strategy	<ul style="list-style-type: none"> • Very broad operational management product set. • Coverage of mainframe and distributed system space. 	
Product/solution portfolio performance	IBM Tivoli is a key enabler for IBM's Smarter Planet campaigns.	
Consistent sales and go-to-market strategy	<ul style="list-style-type: none"> • Established, consistent GTM strategy. • Converged offerings for enterprise and service provider (in some areas). 	
Value chain and market alignment	It addresses SMB space with Express products.	
Stability and viability	<ul style="list-style-type: none"> • Very senior management team. • R&D expenditure and operating margin that is in line with market benchmarks. 	Growth is below market rate.

Market attribute	Opportunity	Threat
Market dynamics	It should stress new approach to service management with operational management, decision-making, common data model, and knowledge management.	IBM Tivoli continues to be perceived as complex.
Competitive position	It should stress the value chain of service management from top-down and bottom-up.	
Client perception and adoption	Installed base sees IBM's service management solution as good enough not to switch.	It is difficult to win new business, as it is not considered innovative enough.

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Source: Forrester Research, Inc.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Document

BMC Software

CA

HP Software

IBM Tivoli

ENDNOTES

- ¹ The overall vendor landscape has not changed significantly in terms of players, but the overall market share of the four megavendors has regressed from 43% to 37.5% of the overall market. In turn, this means the market share of the 10 top ITMS companies — the megavendors and challengers — has dropped from 60% to 54%. See the March 13, 2009, “[Market Overview: The IT Management Software Market In 2009](#)” report.
- ² Forrester thinks that the US tech market is more than halfway through the downturn, and the global IT market is not far behind. The very weak Q1 results in both the US and the global market, and likely similarly poor results in Q2, mean that our 2009 growth forecasts are lower than before, with the US IT market now expected to shrink by 5% in 2009 and the global IT market to drop by 11% in US dollars. Computer and network equipment vendors have been especially hard hit, with licensed software revenues and IT outsourcing also weak. However, the weak results in the first half of 2009 also mean that the market will hit bottom sooner, setting a low base from which positive year-over-year growth will start to occur in Q4 2009 and into 2010. Vendors can start to look beyond the downturn and get prepared for a strong tech recovery in late 2009 and 2010. See the June 29, 2009, “[US And Global IT Market Outlook, Q2 2009](#)” report.
- ³ Investment analysts and even marketing agency professionals also use Forrester reports such as these as briefing documents. This information will also be used as the basis for similar SWOT reports focused for IT operations and/or procurement professionals later in summer 2009.

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