



June 19, 2008

Holistic View: The IT Management Software Market

by Thomas Mendel, Ph.D. and Chris Townsend
for Vendor Strategy Professionals

June 19, 2008

Holistic View: The IT Management Software Market

An Integrated Perspective Of Market Dynamics And Strategy

by **Thomas Mendel, Ph.D. and Chris Townsend**

with Peter O'Neill, Jean-Pierre Garbani, Reedwan Iqbal, and Charles Green

EXECUTIVE SUMMARY

As a vendor strategy professional, what does it take to gain a holistic overview of a particular market? Forrester believes that there are a number of key elements that you need to understand: the size and state of the market; important vendors and today's trends; competitive positioning and the position of today's key players; the maturity and trajectory of important technologies in the market; and last, but by no means least, the future market outlook and growth potential. Put together, these elements will provide you with a thorough understanding of the market. This document attempts to put together these elements for the IT management software market, creating a much-needed holistic view.

TABLE OF CONTENTS

2 **Today's Market: Change On The Horizon**

The Marketplace: Three Economic Drivers; Four Megavendors

The Vendors: Strategy And Positioning

6 **Future Outlook: The "Undiscovered Country" Of IT Management Software**

Technology Trends: An Intricate Dance Unfolds

The Market Outlook: From Many Segments To Three — In Only Five Years

RECOMMENDATIONS

10 **Vendor Strategists: Upcoming Challenges Require A Holistic Perspective**

NOTES & RESOURCES

We synthesized the findings of the following documents to provide an integrated view.

Related Research Documents

"Forrester TechRadar™: IT Management Software, Q2 2008"

May 29, 2008

"The Megavendors In IT Management Software"

May 21, 2008

"Tech Horizons: The IT Management Software Market In 2013"

May 2, 2008

"IT Management Software Positioning Benchmark, Q1 2008"

March 19, 2008

"Market Overview: The IT Management Software Market In 2008"

March 19, 2008

TODAY'S MARKET: CHANGE ON THE HORIZON

Since the early days of network and systems monitoring, IT management software has morphed into a highly dynamic, attractive, yet complex market with many different facets. The IT management software market comprises all products that help monitor, detect, and identify any abnormal behavior of the IT infrastructure, as well as those products aimed at better controlling this infrastructure (asset management, change and configuration management), the production flow (job scheduling and workflow management), and the communication flow (service desk, service-level management, and business service management). The IT infrastructure that this management software controls is composed of all the platforms (clients, servers, and operating systems), middleware, and applications — all tied together through a network.

The Marketplace: Three Economic Drivers; Four Megavendors

Today, we have a market that includes 12 different solutions categories, which represent a wide variety of maturity levels, tech sophistication, market adoption, and vendor heat (see Figure 1). In 2007, the market (product licenses and maintenance revenues) grew by 12%. In 2008, Forrester expects the market to grow by a healthy 19%. The total market size in 2008 will be \$18.6 billion.¹

Sifting through the marketplace hype, there are three reasons for buying IT management software in 2008:

- **To reduce IT costs through automation.** Organizations everywhere are concerned with improving efficiency and lowering costs. As the IT management software technology improves over time, its increasing ability to automate IT processes for cost savings grows. With this growth in automation ability comes a natural growth in the market for these solutions.
- **To ensure quality of service.** The ability to guarantee five 9s uptime, low latency, and seamless upgrades and fixes is a mission-critical business asset, especially in industry segments like airlines and banking. For many businesses, downtime is simply no longer an option. IT management software's ability to tighten monitoring and control of the IT environment is a powerful value-add for these customers.
- **To aid strategic planning and provisioning.** As the IT management software market matures, it is increasingly able to provide a powerful lens into “the real story” behind the curtain — in an integrated, end-to-end fashion. This holds the potential for significant value-add at a strategic level. It provides the ability to directly understand — in a meaningful, actionable way — how enterprise data is organized and disseminated across the IT ops infrastructure and application architecture. This view of the on-the-ground reality constitutes a significant tool that enables increasing sophistication and rapid response in both IT management strategy and overall business strategy.

As the market matures, these underlying economic drivers will play an increasing role in shaping the future. In 2008, this is driving a stratification of vendors into two tiers (see Figure 2):

- **A dominant group of four megavendors.** Over the past few years, BMC Software, CA, HP, and IBM Tivoli have each been growing their market share and their product lines. Each now offers a complete software suite that covers each of the IT management solution segments. At the end of 2007, the combined market share for these megavendors reached 43%. Forrester expects this number to continue its steady climb for at least the next few years.
- **A lower tier of niche players.** As the megavendors assert their dominance, a multitude of other players fall into three categories: 1) “challengers” looking to join the megavendors; 2) “innovators” expecting to be acquired; and 3) “specialists” carving out sustainable niches. The largest of these vendors — the rest of the top 10 market leaders after the megavendors — have seen modestly growing revenues and stable market share by focusing on specific solution segments but they lack a committed investment plan to expand their portfolio. So their heft in the marketplace pales in comparison with the megavendors.

Figure 1 The IT Management Software Market By 2008 Category Revenues

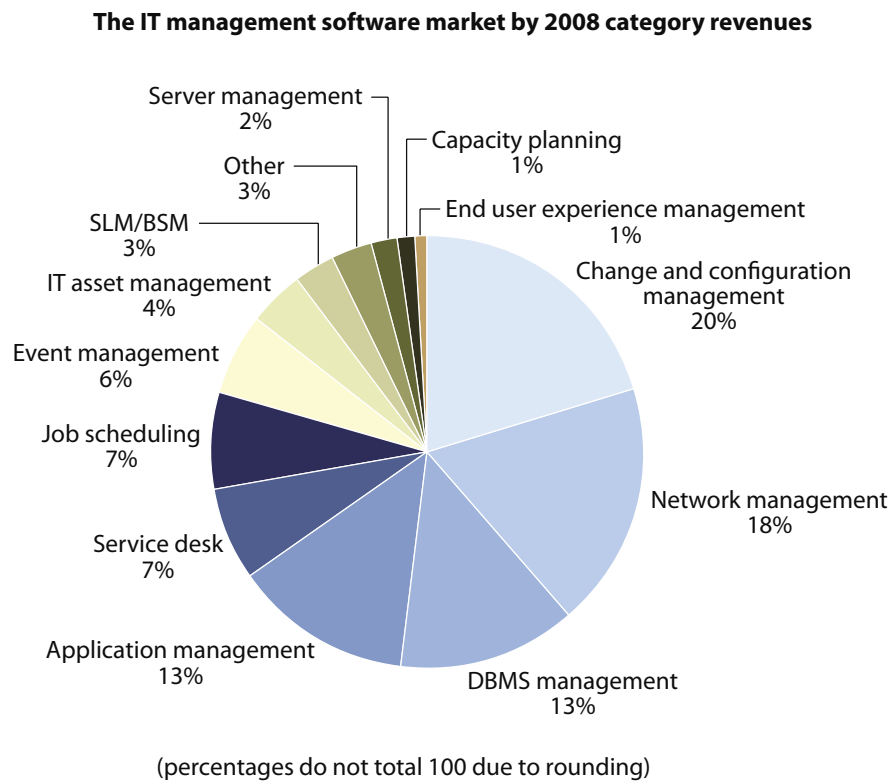


Figure 2 The Top Four Vendors In IT Management Software

Vendor	2005 \$M	Market share %	2006 \$M	Market share %	2007 \$M	Market share %
CA	\$1,924	15%	\$2,011	14%	\$2,140	14%
BMC Software	\$1,406	11%	\$1,489	11%	\$1,615	10%
IBM Tivoli	\$1,094	8%	\$1,409	10%	\$1,533	10%
HP Software	\$691	5%	\$899	6%	\$1,402	9%
Top four ITMS vendors	\$5,115	39%	\$5,807	41%	\$6,690	43%
Top 10 ITMS vendors	\$7,108	55%	\$8,112	58%	\$9,324	59%
Total ITMS market	\$12,996	100%	\$14,032	100%	\$15,682	100%

Note: All numbers are in \$ millions and are Forrester estimates. We sorted vendors by estimated revenues in 2007, descending. Figures may not sum to totals, due to rounding. All numbers are product licensing and maintenance revenues; they do not include services.

46152

Source: Forrester Research, Inc.

The Vendors: Strategy And Positioning

Given that the four megavendors command almost half of today’s market, an understanding of the competitive dynamics among them is important. Overall, each of the four has set itself up for continuing success, which might yield an ongoing balance-of-power split along a four-way coalition of vendors. The key for each megavendor will be execution, which yields somewhat different implications for each of them (see Figure 3):²

- **BMC Software must remain on the cutting edge.** Of the four megavendors, BMC is the best example of a pure play in this market. In particular, the vendor has long excelled at taking a comprehensive, across-the-board design approach that focuses squarely on business services, not technology silos. The danger, however, is that BMC bets too hard on this advantage and, as a result, stops innovating in the future. To keep its strong position in the IT management marathon, BMC must continue to run hard.
- **CA must complete the coalescence of its portfolio.** The latest indications suggest that CA is pulling together its raft of recent acquisitions into a workable product suite. The provider now has offerings in each area of the IT management spaces and is gaining traction with its message of a unifying set of “three pillars” — governance, management, and security. As long as CA doesn’t get bogged down in some of the niche markets inherited from acquisitions, its future looks bright. But there is still much work to be done if CA is to fully mature its offering and present a well-integrated portfolio that is both locally targeted and holistically unified.
- **HP Software must fully leverage its global scale and scope.** HP’s position in this market is getting stronger as its global sales force warms to the potential of selling IT management solutions. Recent promotions of HP software sales representatives to global account management

positions demonstrate this assimilation of software as a sales driver. Further, its product offerings are well-unified and provide comprehensive coverage of the IT management software solution landscape. Nonetheless, HP's position still has some holes. It has work to do in elevating its approach to the level of business issues, rather than focusing on technology specs. Also, it needs to improve its position in specific segments like mainframe support, where it is still lacking.

- **IBM Tivoli must continue to simplify and streamline.** IBM brings obvious and powerful strengths to the IT management software market. It is one of the world's largest enterprise technology companies, with deep, global roots across software, hardware, and services. This allows IBM Tivoli to offer a highly sophisticated product that benefits from IBM's monopoly in the mainframe market. But these strengths also pose a threat: IBM's marketing message and sales pitch can be overly complicated and confusing, and the buyer community doesn't instinctively think "IT management software" when hearing the IBM name.

Related to the strategic landscape is the way that vendors position their offerings externally in the marketplace. Positioning is both a key determinant for — and a derivative of — a vendor's strategic health. Put simply: Regardless of the actual vendor strengths and weaknesses, market positioning can determine the marketplace winner.

For the IT management software market in particular, Forrester believes that the skill with which a vendor manages the separation between back-office strategy and front-office messaging is very important. Specifically, successful vendors must develop their marketing communications from a preoccupation with technical details (information technology vendor) to a core focus on solving business problems (business technology [BT] vendor). Assessing the four megavendors on their alignment of product and company "reality" with external marketplace positioning, Forrester discovered that:³

- **Only two megavendors have moved beyond IT-oriented positioning.** Both IBM Tivoli and BMC Software are headed in the right direction, with product messaging that closely resembles their overall corporate branding. However, this is just the start of a longer journey in which both corporate and product positioning move to consistently address business pains, not technology details. All four megavendors need to think of a shift to BT positioning as a tide that begins only upon their own initiative. Further, successful execution of BT messaging requires a tide designed to lift all public-facing "boats" that a vendor floats on the marketplace "ocean."
- **Product positioning lags in particular.** CA and HP — the vendors still stuck in IT-oriented messaging — struggle particularly with product positioning. An unfortunate, continued focus on technical details at the expense of "what it means" will continue to hurt these firms in two ways. First, such messaging is increasingly at odds with corporate positioning at the business level. Further, as the entire IT management marketplace shifts to a focus on business problems and the services to address them, jargon-heavy technical details feel out of place, no matter where they reside on a vendor's Web site.

Figure 3 SWOT Analysis Of The Megavendors At A Glance

	Strength	Weakness	Opportunity	Threat
BMC Software	BSM leadership based on the strength of the complete “package”: vision, technology, and execution.	Traditional weakness in some point solutions such as network management may compromise entry-level sales.	The answer to the “beyond BSM” question solidifies BMC’s position as a thought leader.	Needs to start thinking more about the IT to business technology (BT) future evolution.
CA	Building up a complete vision on top of the largest product portfolio and a strong customer focus.	Still playing catchup in some technological areas such as data center automation (DCA).	The Opalis agreement is an opportunity to reinforce DCA and the global integration message.	CA must be careful not to engage in too many entry-level sales in areas that will be commoditized eventually.
HP Software	Very strong overall portfolio and potential, including Converged Service Delivery offerings.	Lack of a complete and competitive mainframe story, particularly around service-oriented architecture (SOA) integration. This is important for key verticals like financial services and telcos.	HP is mostly shortlisted as a strategic partner for IT management software.	More traditional, midrange customers and partners feel a little neglected in the forward-thinking communications.
IBM Tivoli	Very broad operational management product set and synergy with global software portfolio and IT services.	Missing a unifying tagline or key end-state description. The Tivoli vision of converged enterprises and asset management is ahead of customer readiness.	Stress new approach to service management with operational management decision-making, common data model, and knowledge management.	At a disadvantage in new business due to clients’ perception of a lack of innovation.

46152

Source: Forrester Research, Inc.

FUTURE OUTLOOK: THE “UNDISCOVERED COUNTRY” OF IT MANAGEMENT SOFTWARE

In practice, IT management software is still mostly a constellation of various tools and platforms, rather than a monolithic and seamless product suite. Only recently has it been feasible for vendors to attempt to string together the various point solutions into a more coherent package of integrated modules. Nonetheless, the IT management software market is moving unmistakably toward a rationalization of the entire solution spectrum.

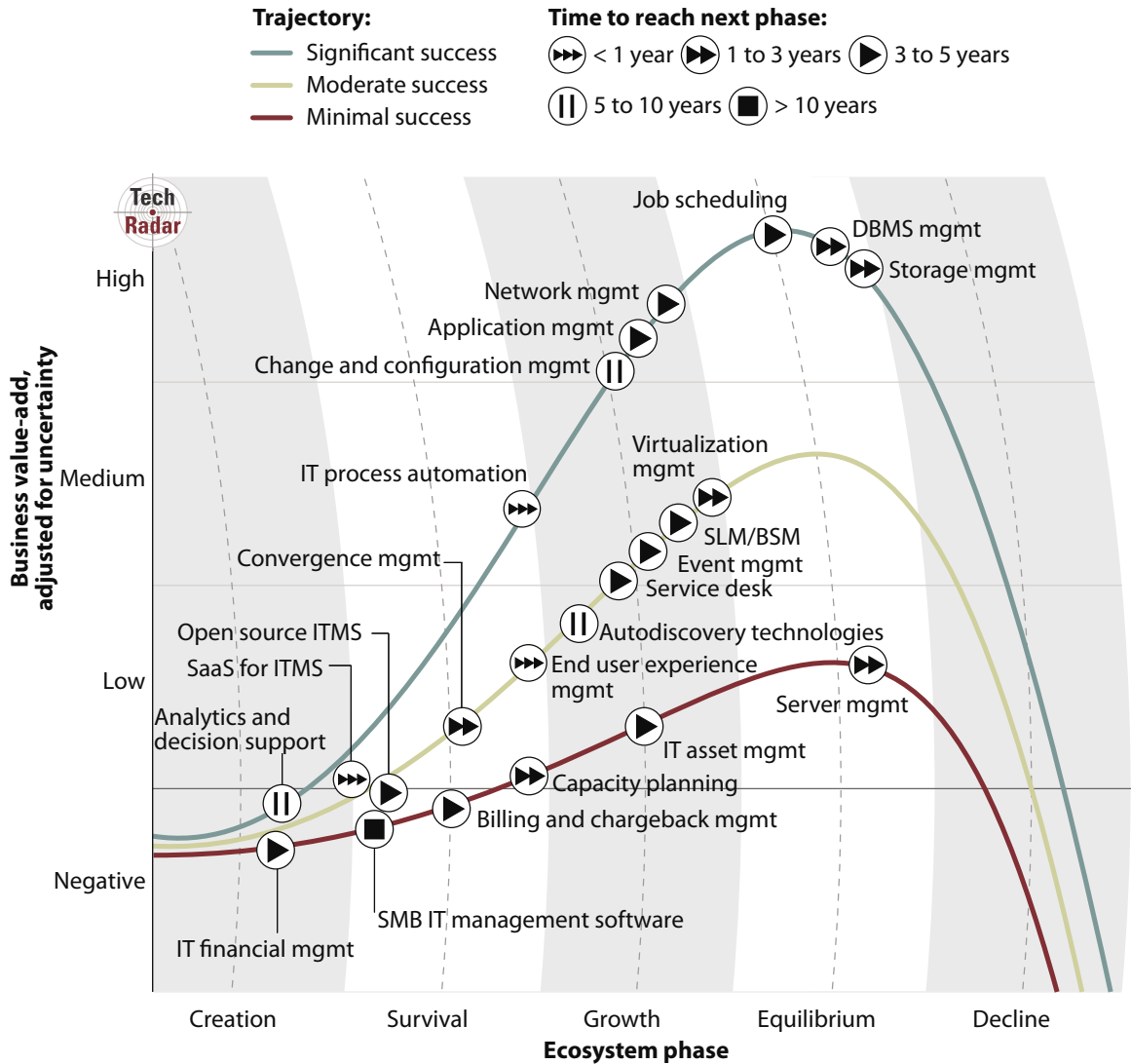
Therefore, any holistic view of the market’s future must account for changes likely on two different planes of analysis: 1) the technology trends of each individual solution component, and 2) the broader canvas of “IT management software” as a whole.

Technology Trends: An Intricate Dance Unfolds

What makes the IT management software market particularly complex is its myriad assortment of product niches and vendor solutions — many of which can claim a solid base of enterprise demand. Further, the various solution components differ among each other along four key dimensions: enterprise adoption, product sophistication, long-term potential, and current life-cycle maturity. Integrating these four variables into a vision of the future is tricky, to say the least. To get it right, we started from the ground up — examining first the expected trajectories of the component technologies (see Figure 4).⁴ In this analysis, four broad levels of influence emerge among the various trends:

- **Mature technologies that will remain relevant.** IT management disciplines such as network management, application management, and change and configuration management have been gaining momentum in recent years. Although this momentum can't continue forever, the need for these tools will not go away — they are crucial to enterprise management. Therefore, at varying velocities, they are each poised to mature and stabilize around a well-defined market size and value proposition.
- **Mature technologies that are due to decline.** Other software offerings in IT management have also been around for a while, with impressive growth — but will fade into obsolescence in the coming years. Largely due to looming changes in the future of the technologies they manage, these disciplines will increasingly be stripped of the reason for their existence. This category includes DBMS management and, in particular, server management technologies.
- **Emerging trends that will be influential.** As IT management software evolves and improves, it will be possible to organize new and useful IT management functions via software. This will include financial management, analytics, and decision support for the IT environment as a whole. In addition, software-as-a-service (SaaS) hosting for any or all of the IT management software components will gain traction and then continue to grab a growing share of the market.
- **Emerging trends that will disappoint.** Despite the hype, there are also emerging trends that will never measure up to mainstream hopes. These include open source as a business model and the small and medium-size business (SMB) market as a growth segment. Despite the staying power these models have in other technology markets, their strengths don't translate well to IT management software. Fundamentally, this is because of the complexity and resource-intensive nature of designing and maintaining IT management software products. Successful products demand more centralized coordination of design and implementation than open source can provide. And their complexity will leave the price point too high for most SMB customers to justify — especially given attractive alternatives, such as one-stop SMB apps vendors like Microsoft as well as outsourced infrastructure and IT management offerings from IT services firms.

Figure 4 Forrester TechRadar™: IT Management Software, Q2 2008



46152

Source: Forrester Research, Inc.

The Market Outlook: From Many Segments To Three — In Only Five Years

It is useful to think of trends in IT management software as a reflection of the current state of the IT industry marketplace as a whole. This is because IT management software is simply the set of technologies that exist for the purpose of organizing, streamlining, and improving the delivery of enterprise technology. This is the broadest of three primary inputs into the big-picture future of the IT management software market. Altogether, these three drivers are: 1) the nature of the enterprise technology to be managed; 2) the business environment that determines what is asked of enterprise technology; and 3) the level of power and sophistication of the IT management software technology itself.⁵

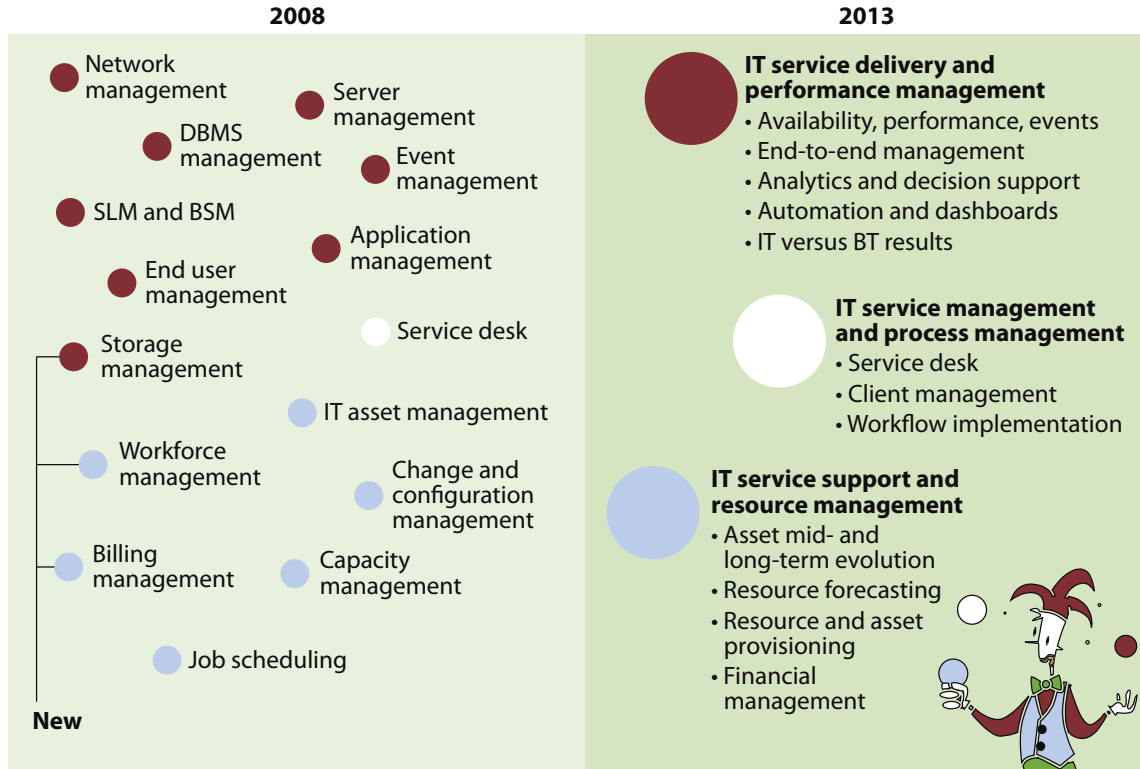
In 2008, powerful forces are rumbling through the technology and business communities that are likely to make a strong impact on the first two strategic drivers discussed above:

- **Technology drivers.** There are two big-picture technology drivers in today's environment: 1) the commoditization of hardware platforms like chipsets and software platforms like operating systems, and 2) increasing virtualization at multiple levels of the IT stack, including servers, storage, networks, and clients.
- **Business drivers.** Major forces affecting the business users of enterprise technology are also twofold: 1) the pressures of a rapidly globalized — and therefore rather unstable — economic environment, and 2) a growing need to act quickly and flexibly in an increasingly Internet-enabled marketplace dynamic.

Overlaying these macro drivers on top of today's detailed landscape of IT management software offerings completes the analysis of the IT management software market by bringing it to a holistic synthesis. If we integrate factors from across technology and business, the near term and long term, vendors and buyers, and the cycles of market expansion and digestion, we can see a relatively stable shape emerging for the IT management software market by 2013. It is a simplified marketplace, hastened to maturity by today's big-picture business and technology drivers. The 2013 market landscape will settle into a logical organization of 2008's component technologies, sorting them into three well-defined disciplines (see Figure 5):⁶

- **Service delivery.** Many of today's IT management components share an orientation toward monitoring and managing the technology backbone itself — hardware, software, and networks. As virtualization and commoditization bring together these components of enterprise technology, so too will their management tools converge. This includes today's categories of server management, network management, application management, storage management, DBMS performance management, and end user management.
- **Service management.** Driven by the trend of "everything online," the relationships between institutions and individuals are changing. This extends down to the BT level, where, for instance, employees are increasingly using their own mobile phones and email clients for business purposes. In parallel with this swing toward individual choice, the service desk function will grow into managing the tension between individual choice and institutional control.
- **Service support.** The pressures and uncertainties of a globalized economy put organizations to the test by forcing them to respond quickly and nimbly to newfound threats and opportunities. This creates a driving business need to manage for change without losing balance or stability along the way. In parallel with this need, the supporting enterprise technology must be ready to change and adapt as well. IT management software functions such as asset management, workload scheduling, capacity planning, and resource provisioning will coalesce and then fuse into an integrated IT management discipline that can keep pace with business change.

Figure 5 Marketplace Outlook: The “Undiscovered Country” Emerges By 2013



IT management software market size next in 2013

Total market estimate	\$33.6 billion
IT service delivery and performance management	\$18.5 billion*
IT service management and process management	\$2.8 billion
IT service support and resource management	\$12.2 billion†

*Includes storage management at \$5 billion.

†Includes billing, chargeback, and workforce management at \$0.54 billion.

RECOMMENDATIONS

VENDOR STRATEGISTS: UPCOMING CHALLENGES REQUIRE A HOLISTIC PERSPECTIVE

Understanding a market is not a one-dimensional affair. Vendor strategy professionals in particular need to have both a short-term and long-term view of the market they are competing in. Being able to bridge the gap between meeting quarterly goals and ensuring enduring success distinguishes the best strategy professionals from the rest. One important building block is a thorough understanding of the market. There are a number of facets that are all equally important: market size, market growth, key trends, SWOTs of key vendors, their positioning, technology maturity assessment, and a long-term market vision. Vendor strategy professionals

should use this document in two ways: 1) to gain this much-needed holistic view of the IT management software market, and 2) to share the document with key decision-makers in their organization in order to gain a common background and facilitate internal conversations before entering strategic discussions.

ENDNOTES

- ¹ In 2008, the IT management software market will again experience significant growth. The key trend in IT management software spending will be the widespread adoption of IT process automation technologies across the whole IT management software spectrum. The two main drivers for customers' investment will be economic considerations around a further reduction in operational IT spending and the quest to sustain competitive advantage through superior quality of service. IT management software vendors need to: 1) separate the hype and the buzzwords from the real market trends, and 2) clearly focus their marketing on those two key customer investment drivers. Vendors also need to realize that the market is in the process of separating them into four archetypes and that their overall strategy and direction need to match their respective position in the IT management software value chain. See the March 19, 2008, "[Market Overview: The IT Management Software Market In 2008](#)" report.
- ² The IT management software market has gone through a wave of acquisitions over the past few years. Once again, clients are particularly interested in the capabilities of the larger, more integrated vendors in the space as they prepare to make strategic decisions around such topics as business service management (BSM) and the configuration management database (CMDB). Forrester regularly publishes reports on the current strengths and weaknesses as well as the opportunities and threats (SWOT) of the four largest vendors in the IT management software market. See the May 21, 2008, "[The Megavendors In IT Management Software](#)" report.
- ³ Forrester used its vendor positioning review methodology to evaluate the four leading IT management software vendors across 14 criteria and three product domains and determine where they are currently positioning themselves on the continuum between information technology (IT) and business technology (BT). We found that none of the leading IT management software vendors have fully positioned themselves in alignment with BT; they all, therefore, face the threat that an aggressive second-tier provider could effectively execute a BT marketing strategy and win share in this competitive and fast-growing technology category. We found that BMC Software has embraced the BT paradigm in its corporate positioning and conveys a well-balanced position as a solution provider. In this report, we illustrate how IT management software vendor strategists and their marketing colleagues can use these insights to improve their own positioning. See the March 19, 2008, "[IT Management Software Positioning Benchmark, Q1 2008](#)" report.
- ⁴ In order to ensure the long-term competitiveness of their solutions, vendors need to continuously reassess their portfolio. Does it contain the right mix of mainstream products and up-and-coming innovative technologies? Which technology will soon reach the end of its life? Forrester's TechRadar™ methodology is designed to assist vendor strategy professionals in this quest. For this TechRadar, Forrester has analyzed the maturity and potential of the main IT management software technologies. We found that there is still a lot of potential in a number of the more mature categories, whereas the market potential of some of the innovative technologies is highly overrated. See the May 29, 2008, "[Forrester TechRadar™: IT Management Software, Q2 2008](#)" report.

- ⁵ Predicting the future is a perpetual human quest. Fortunately, market forecasts do not require the sacrifice of chickens or the messy reading of coffee grounds: They are based on simple and logical extrapolations of what we know today. Pending a revolution in IT technology, our examination of the IT management software market should provide a reasonable midterm (five-year) forecast. We've based our vision of the future on the pervasiveness of IT technology and, consequently, its technological normalization. As IT vendors no longer compete on the technology itself but on the resulting customer value, IT becomes a utility, and process improvement is the engine of cost reduction and further commoditization. IT organizations become "industrial" structures and deeply rationalize their operations. This will, of course, completely change the IT management software landscape and polarize it around three main management centers: service delivery, service management, and service support. See the May 2, 2008, "[Tech Horizons: The IT Management Software Market In 2013](#)" report.
- ⁶ In 2009, we will first see the expansion of the established 12 market categories of IT management software with three new ones: billing, workforce, and storage management.

FORRESTER®

Making Leaders Successful Every Day

Headquarters

Forrester Research, Inc.
400 Technology Square
Cambridge, MA 02139 USA
Tel: +1 617.613.6000
Fax: +1 617.613.5000
Email: forrester@forrester.com
Nasdaq symbol: FORR
www.forrester.com

Research and Sales Offices

Australia	Israel
Brazil	Japan
Canada	Korea
Denmark	The Netherlands
France	Switzerland
Germany	United Kingdom
Hong Kong	United States
India	

*For a complete list of worldwide locations,
visit www.forrester.com/about.*

For information on hard-copy or electronic reprints, please contact the Client Resource Center at +1 866.367.7378, +1 617.617.5730, or resourcecenter@forrester.com. We offer quantity discounts and special pricing for academic and nonprofit institutions.

Forrester Research, Inc. (Nasdaq: FORR) is an independent technology and market research company that provides pragmatic and forward-thinking advice to global leaders in business and technology. For more than 24 years, Forrester has been making leaders successful every day through its proprietary research, consulting, events, and peer-to-peer executive programs. For more information, visit www.forrester.com.