

2008 preview – Infrastructure management software

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Sector: Enterprise Software

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Delivery models and SOA will shake up IT management

Since IT management is a broad space and we've written separately on the virtualization phenomenon and M&A outlook, we'll focus this section more on macro trends we see developing for 2008. Those trends mainly focus on how this technology is delivered.

There were skeptics when **Service-now.com** came on the scene in 2006. Would enterprises really want to use a hosted application service to manage internal IT operations? As 2007 closes, Service-now.com is both a trailblazer and a success story as it passes the 100-customer plateau and wins larger and larger deals. Given the company's success, we expect to see more vendors – startups at least and perhaps some established vendors – attempt to take advantage of this model in IT management. Some may just follow Service-now.com's path in IT asset and service management, and more recently, application discovery and dependency mapping. Some may go into systems and desktop management or IT process automation and configuration management.

While we don't think enterprises will ever want to universally outsource these IT management applications to third-party providers, Service-now.com has clearly proved there is a market out there for this delivery model. And it's not only SMBs that are taking the plunge.

Since we're discussing trends in how IT management applications will be delivered going forward, we can't ignore the appliance model. It offers many of the benefits of SaaS – reduced installation and configuration headaches, a subscription pricing model – except that the applications remain on-premise, inside the firewall, preinstalled on a dedicated piece of hardware.

In 2007, we became acquainted with several startup vendors enjoying early success with this delivery model, including **ScienceLogic**, which has a full suite of IT management applications on a single appliance, and **Kace Networks**, which focuses more on desktop management. **Tideway Systems**, the only independent application discovery and dependency mapping software vendor remaining in a space that's been heavily consolidated during the past two years, also relies primarily on the appliance model to deliver its software.

The company has known only rapid growth since seeing virtually all of its direct competition absorbed into larger IT management vendors.

So we expect that more vendors will embrace this model, too, going forward, which certainly bodes well for hardware and chip manufacturers.

As to where IT management technology, as opposed to just business models, is going, we expect the hot spaces in 2008 to be service level management and transaction management. Both spaces take traditional application monitoring and management technologies and apply them to the complex service interactions that are becoming all too commonplace in our increasingly service-oriented world. SLM vendors – think **Nimsoft**, **Indicative Software**, **Oblicore** and **Digital Fuel** – can monitor and measure service levels provided by application services and ensure that designated service levels are met. Transaction management vendors – **DynaTrace Software**, **Correlsense** and **Correlix** stand out – are newer and their business is less mature. But they typically find performance bottlenecks in the complex service interactions that make up a service-oriented architecture. We expect demand for this technology to take off in 2008.

Main changes to the market expected in 2008:

- The SaaS and appliance delivery models will gain acceptance in the IT management space as enterprises look for easier, more cost-effective ways to deploy new technologies. We expect new vendors to emerge that take advantage of these models.
- Software that monitors and measures the complex service interactions of today's SOAs should grow in demand as enterprises' use of these architectures develops and matures.

Companies at the forefront of disruption:

- ScienceLogic – A complete IT management suite on an appliance at a fraction of the cost of existing suite vendors. Companies, including some large enterprises, are buying into it.
- Service-now.com – The company has proved that enterprises will outsource their internal IT management applications to a hosted provider. In 2008, it'll find that imitation is the sincerest form of flattery.
- Kace Networks – A fairly simple technology, an even simpler appliance delivery model, and rapid customer adoption.
- Tideway Systems – Perhaps its competitors wouldn't have all sold out if they knew there was this much opportunity to be had in discovery and dependency mapping. It could have serious IPO prospects if it doesn't get acquired first.
- Correlsense – Brash Israeli startup plans to shake up the nascent transaction management space in 2008.

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