BMC Targets the Mid-Market with Numara

BMC announced on January 30, 2012 that it will be acquiring Numara Software.[1] This acquisition signals a new strategic expansion into the mid-market[2] for BMC. The acquisition has closed and BMC has added Numara's Track-It! and FootPrints product families to its portfolio, targeting small business and mid-market companies. These product families fill out BMC's offerings on the lower end, which means that BMC now offers management solutions for customers of all sizes.

BMC Software, Inc.
2101 CityWest Blvd.
Houston, Texas 77042
713-918-8800
800-841-2031
www.bmc.com

What does BMC gain?

BMC's existing mid-market customers may wonder why BMC acquired Numara Software, whose solutions overlap with BMC's existing Service Desk Express offering?

The simple answer is BMC is not only acquiring Numara's broader SMB-focused product families, it's also gaining over 13,000 SMB customers, plus a direct sales team and channel of over 70 partners who are established and focus on the mid-market and SMB. Numara also brings expertise and focus in marketing and selling to SMB customers.

The value of SMB expertise to BMC cannot be overstated. In the past, many large management vendors attempted to move "down market" from the enterprise space to try and capture a whole new set of customers in the mid-market with existing offerings and sales approaches. While that sounds like a logical move, success in the mid-market was a challenge because the needs of mid-market customers were very different than their enterprise counterparts. These large vendors found out that mid-market companies are not just "mini-me" enterprises, and it wasn't a simple matter to modify their existing software solutions to fit the needs of the mid-market.

So BMC is essentially acquiring a "turnkey" foundation for its future mid-market strategy and ecosystem. The keyword here is "strategy" – this is a strategic move for BMC. This acquisition differs from BMC's past mid-market efforts because instead of just buying software solutions to sell to mid-market companies, BMC now seems to understand that its success in the mid-market depends on an effective channel that is focused on and knows how to sell solutions to the mid-market, as well as marketing and sales teams that understand the unique needs of this market segment. BMC also captures Numara's 13,000 plus customers, some of whom BMC can sell other BMC solutions to, or upgrade to other BMC solutions when the customers' needs grow or change. Many of these customers may consider SaaS deployment models for IT Service Management (ITSM), and this move positions BMC to offer its Remedyforce solution to meet these needs.

---

[1] Note: Purchase price of the acquisition was not divulged in the announcement.
[2] BMC's general definition of a mid-market customer is a company with 500-5,000 employees and 1,000-10,000 managed devices.

How does the acquisition affect present Numara customers?

BMC rebranding will change the product family names to BMC Track-It! and BMC FootPrints. According to BMC, the plan is to keep the Numara team intact and it will continue operating as a separate group within BMC.

The immediate effect on Numara's customers using Track-It! and FootPrints on-premise solutions should be negligible, as BMC indicates there are no plans to modify roadmaps or customer support arrangements. Also, Numara's small business customers will see the least amount of change. However, the Numara customers who will be affected by the acquisition are their mid-market customers and the small number of customers using Numara's recently announced Cloud offering.

BMC Remedyforce will be BMC's preferred SaaS solution for the mid-market and BMC intends to "spin down" Numara's Cloud (SaaS) offerings over time. BMC indicates that it will continue to honor the contractual commitments to these customers and provide migration assistance.

Numara's mid-market customers will be impacted in a positive way as they stand to gain the most from the acquisition. They will have more solution options available to them from the combined BMC and Numara portfolios. In addition, customers will have an enriched growth path, particularly for larger mid-market customers. (This is assuming that BMC will develop the necessary integrations and migration paths between the product lines.)

Keep in mind that longer term effects will depend on decisions yet to be made by BMC post-acquisition, regarding product alignment, integration, migration issues and other alignment issues.

How does the acquisition affect present BMC customers?

This acquisition will not affect most of BMC's existing customers. The BMC customers that will be affected are those who are currently using the BMC Service Desk Express[3] (SDE) solution. BMC indicated that it will provide full support for SDE through May 2014, with limited support through 2016. This extended period of time should enable customers to move to Remedyforce or FootPrints at the time that is most convenient for their organizations, and BMC indicated that it will offer financial incentives and migration assistance to help customers make an easy transition.

How are the combined solutions positioned?

Now that the acquisition is closed, the question for customers may be, "What solutions are suitable for a company of my size?" Here's a quick guide that will give customers a perspective regarding how the combined solutions are positioned. Note that the solutions are categorized below by the primary customer segment, but the applicability of the solution likely crosses over into the adjacent customer size.

---

[3] BMC acquired these solutions, previously known as Magic Service Desk.

Small Business:
- BMC Track-It! is the on-premise product of choice for small businesses and at the very low end of the mid-market.

Mid-Market:
- Remedyforce, BMC's joint SaaS offering with Salesforce.com, is the primary ITSM offering for mid-market customers, larger small business customers, and smaller enterprise customers. (BMC Track-It! is primarily targeted for small business customers, and can also be used by smaller mid-market customers.)
- BMC FootPrints is the on-premise solution for mid-market and smaller enterprise customers.
- BMC Network Automation complements BMC FootPrints, by providing network configuration automation for the mid-market customer. This product is also a part of the BladeLogic Automation Suite for enterprise customers.)
- BMC End User Experience Management adds end user experience management for mid-market customers. (This product is also part of the ProactiveNet Performance Management Suite for enterprise customers.)
- BMC Atrium Discovery and Dependency Mapping, provides added visibility for mid-market customers with broader discovery and dependency mapping capabilities not available in FootPrints. (This product is part of BMC Atrium for enterprise customers.)

The Final Word

BMC's acquisition of Numara is a good, strategic mid-market play for BMC. The company is essentially acquiring a significant "footprint" in the mid-market; complete with customers, channel partners, SMB-focused solutions, and SMB expertise. This approach gives BMC the best chance for success in developing and expanding its reach into the mid-market.

However, as is the case with acquisitions, there are still a lot of "to be decided" issues that will have to be worked out now that the acquisition has closed. How BMC deals with these issues could determine the ultimate success of its mid-market strategy. For example, issues like easing the transitions for customers to new solutions, crafting smooth migrations between the product lines, clarifying product choices for customers in the upper mid-market, and more. Then of course, that must be followed by crisp and effective execution.

The mid-market represents a big potential area of growth for BMC. It's a relatively untapped market segment for the company. If BMC is successful in expanding into the mid-market, not only does it drive new revenue sources for BMC, but it enhances BMC's overall prospects by providing Numara's mid-market customers with a logical growth path as they develop into enterprises.

Ptak/Noel believes that this strategy makes sense for BMC and for its customers.

Publication Date: February 10, 2012

About Ptak, Noel & Associates LLC
We help IT organizations become "solution initiators" in using IT management technology to business problems. We do that by translating vendor strategy & deliverables into a business context that is communicable and actionable by the IT manager, and by helping our clients understand how other IT organizations are effectively implementing solutions with their business counterparts. Our customers recognize the meaningful breadth and objectively of our research in IT management technology and process.
www.ptaknoel.com