

VENDOR PROFILE

OpTier Private Vendor Watchlist Profile

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IDC OPINION

OpTier has been around since 2002 and has raised close to \$100 million in venture capital plus an undisclosed amount from Cisco to continue product development, engage in new markets and grow not only organically but through acquisitions. The company was a pioneer in the emerging Business Transaction Management (BTM) market, which IDC defines as a new IT management concept that is aimed at detecting and resolving problems at the granular level of interactions between IT elements that form a business transaction. BTM can potentially address both IT complexity and business alignment requirements. We believe OpTier is a company to watch because:

- BTM is gaining traction as a new concept for managing highly distributed and complex applications while improving business-IT alignments.
- Assuming just a fraction of total IT spend at banks/insurance companies is spent on monitoring, potential for this market could be significant. BTM is also being increasingly adopted in verticals such as manufacturing, retail, and government agencies.
- With pressure continuing on cost containment, solutions like those from OpTier — which help to monitor and pinpoint problems, which in turn reduces the mean time of repair — could be very important, in particular, as companies consider outsourcing their IT support. OpTier also allows reduction in costs by freeing up IT resources and optimizing the infrastructure for critical transactions.

IN THIS VENDOR PROFILE

This IDC Vendor Profile analyzes OpTier, a company playing in the BTM market, and reviews key success factors: market potential, technology/solution, corporate strategy, force multipliers, and customers. Leveraging IDC's expert understanding of the competitive landscape and future outlook, this document highlights company and market information tailored to the investment professional's needs.

SITUATION OVERVIEW

Company Overview

OpTier, based in New York, plays in the BTM market. Company details are provided in Table 1.

Figure 1 shows the cumulative Watch Factor score for OpTier versus the Watch Factor average score for all companies ranked by the Private Vendor Watch Service at the time of publication.

Figure 2 shows the breakdown scores for OpTier. The sections that follow detail the reasons for those scores.

TABLE 1

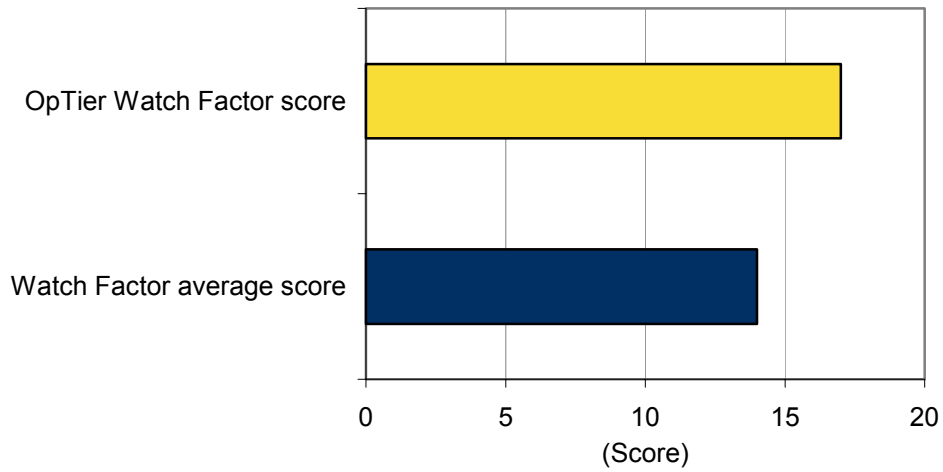
OpTier Company Snapshot

Category	Details
Functional and secondary markets	BTM
Founding year	2002
Number of employees	150
Number of customers	Not disclosed
Company location	New York
Web site	www.optier.com
Funding initiatives	Not currently seeking
Investors	Carmel Ventures, Pitango Venture Capital, Lightspeed, Cisco, Gemini Israel Funds, Index Ventures, Morgan Stanley, and Plenus Ventures
Sales channels	Mainly direct
Revenue estimate	Not disclosed

Source: IDC, 2008

FIGURE 1

OpTier Watch Factor Score Versus Watch Factor Average Score

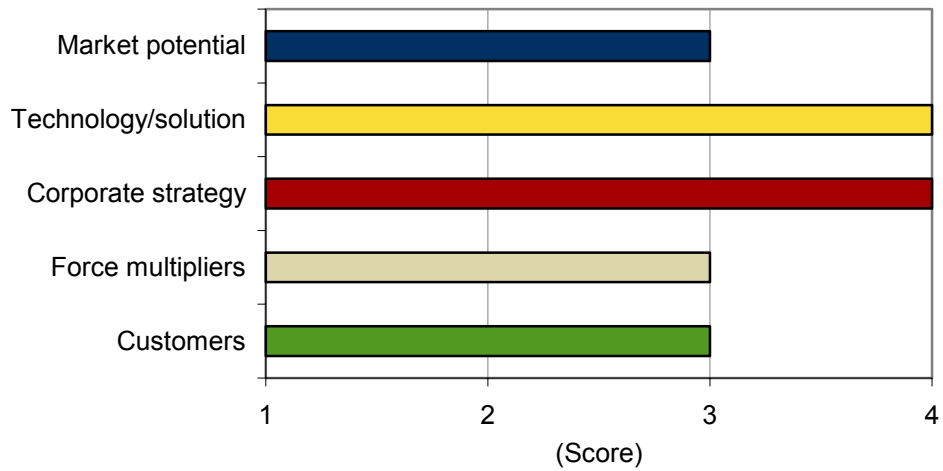


Note: The Watch Factor average score reflects the average score for all private companies scored by the Private Vendor Watch Service at the time of publication.

Source: IDC, 2008

FIGURE 2

OpTier Watch Factor Score Breakdown



Note: Scores are based on a scale of 1–4, where 1 = weak and 4 = strong.

Source: IDC, 2008

IDC Watch Factor Scores

IDC Watch Factor scores measure private companies based on a set of defined success factors:

- ☒ **Market potential:** Strength of the market and the potential for the company to grow within the market
 - ☒ **Technology/solution:** Strength and differentiators of product/solution
 - ☒ **Corporate strategy:** Potential exit strategy and company leadership, vision, and funding
 - ☒ **Force multipliers:** Number of valuable partnerships and opportunities, as well as channel strategy
 - ☒ **Customers:** Existing and potential customers and vertical audiences
-

Market Potential

Market

IDC defines BTM as an emerging IT management concept that addresses IT complexity and business alignment requirements. Today, businesses are heavily reliant on the automatic processing of transactions, the volume of which is constantly increasing because of the shift toward customer-facing online services. However, controlling and gaining visibility into the multiple hops that a single business transaction may take across the different elements in complex IT environments is a significant challenge that BTM can play a key role in addressing. Hence, IDC expects growing demand for BTM solutions in the coming years. In accordance, assuming just a fraction of total IT spend at financial services and other verticals on monitoring, potential for this market could be significant.

Although they anticipate double-digit growth, and despite having customers in other verticals, OpTier's main current target audience is financial service companies. A slowdown could allow for IT shops to hunker down and implement some solutions like OpTier's in anticipation of the next cycle, or IT budgets will continue to feel the pressure to limit their spend.

Market Disruption

To a large extent, OpTier has successfully gained a first mover advantage in the BTM space. The company's products provide an essential component in a fast growth play that establishes OpTier as a leader in a new fast-growth category.

Competitive Landscape

Although the adoption of BTM is still in its infancy, the market is attracting growing interest from both start-up companies and major IT vendors. All leading system management vendors, and most notably the "big 4" (IBM, HP, CA, and BMC), are

making significant efforts to enhance their existing solutions and obtain new BTM capabilities.

Among other prominent IT/application management vendors moving into the BTM space is Quest Software; Compuware; and Precise, which was recently spun off from Symantec. Other IT management players such as Cisco and EMC may also move to provide BTM solutions. In addition, several start-up companies have emerged over the past years to provide dedicated BTM solutions, including Correlix and Correlense, which have products closest in concept to OpTier's CoreFirst. Other players in this space include, dynaTrace, which offers BTM capabilities as part of its deep-dive diagnostics solution; Business Service Management (BSM) player Nimsoft, which merged with Indicative and is likely to enter the BTM field; and SOA management vendors such as AmberPoint.

Of these different players, the big 4 pose the most significant potential competitive threat to OpTier. Although the company has had a head start on these vendors (both in terms of development and marketing), they may utilize their installed base and sales and marketing capabilities to rapidly gain market traction.

Technology / Solution

CoreFirst 3.0

OpTier's CoreFirst is a BTM solution that uses software agents to automatically detect, track, and analyze transactions across all tiers of the IT environment and creates a topology map of business services at the transaction level, essentially linking the business context with underlying IT components. In addition, the product enables the assurance of business transaction service levels and pinpointing of performance problems in real time.

Another key functionality provided by CoreFirst is the option of allocating IT resources to prioritize core business transactions or specific users according to defined business-driven policies. At the same time, noncritical transactions such as routine administrative processes can be treated as a lesser priority and accordingly allocated fewer resources.

The recently announced version 3.0 of CoreFirst introduces new enhancements such as support for .NET and other Microsoft platforms as well as JBoss, Tomcat, and other environments; the ability to apply corrective measures before a faulty transaction terminates or exceeds cut-off service level agreements (SLAs); identification and presentation of erroneous transactions alongside ones that have been completed, for improved understanding of overall SLA compliance; improved scalability; and new reporting capabilities.

Corporate Strategy

Leadership

Israel Mazin was the cofounder of Memco Software and served as Memco's CEO and chairman from 1990 until the company was acquired by Computer Associates in 1999

for around \$570 million. Prior to his position at Memco, Mazin served as a business development consultant to several Israeli companies in the high-tech industry. Mazin took with him the leadership team from Memco to OpTier.

Exit Strategy

OpTier would have liked to go public had the market conditions been better for an IPO. Unless market conditions improve, there is a good chance of OpTier being acquired by one of the IT management vendors mentioned previously. However, the company has recently gained access to significant funding, which could also allow it to continue operating independently. So far, there were a few BTM-related M&A deals, including Bristol Technology's acquisition by HP and Identify's acquisition by BMC. As large IT vendors are realizing the BTM market opportunity, additional acquisitions in this space are likely to take place. OpTier's market position makes it a lucrative acquisition target, although its price tag may deter some potential acquirers.

Key Acquisitions

OpTier has not made any acquisitions. However, the company has recently raised a significant round of funding, which it could use for acquisitions to bolster its market presence and product offering.

Current Investors

OpTier has received close to \$100 million in funding from Carmel, Gemini Israel, Lightspeed Venture Partners, Pitango, Index Ventures, and Morgan Stanley Private Equity, as well as a \$15 million credit line and an undisclosed amount from Cisco.

Table 2 displays a detailed funding history for OpTier.

TABLE 2			
OpTier Company Detailed Funding History			
Round	Date	Amount	Investors
A	2003	\$8,600,000	Carmel Ventures, Pitango Venture Capital
B	2004–2006	\$24,000,000	Carmel Ventures, Lightspeed, Pitango Venture Capital
C	2007	\$15,000,000	Carmel Ventures, Cisco, Gemini Israel Funds, Lightspeed, Pitango Venture Capital
D	2008	\$47.5 million + \$15 million credit line	Carmel Ventures, Cisco, Gemini Israel Funds, Index Ventures, Lightspeed, Morgan Stanley, Pitango Venture Capital, Plenus Ventures

Source: IDC, 2008

Force Multipliers

Partners

- ☒ Cisco
- ☒ Sun Microsystems
- ☒ DataSynapse
- ☒ TeamQuest
- ☒ IBM
- ☒ Systar

Partnership Opportunities

- ☒ OpTier should pursue partnerships with hardware and software manufacturers that monitor service level agreements and hold their vendors to SLAs.

Channel/Sales Strategy

- ☒ Distribution will remain mostly direct, with a gradually increasing channel component.
-

Customers

Key Customers

- ☒ Wachovia, TrueCredit, Blue Cross Blue Shield of Minnesota, and other fortune 500 marquee customers

Key Audiences

- ☒ Financial services, manufacturing, retail, insurance, healthcare, and government agencies

Geographic Reach

- ☒ North America and EMEA

FUTURE OUTLOOK

Challenges and Opportunities

Challenges

OpTier has been pursuing an ambitious strategy of becoming the leader in a new IT market in the IT management space. Given that — and although BTM is being increasingly recognized as important for managing modern, complex IT environments

— the company is still facing market-education challenges as well as competition from the powerhouses of this industry and from alternative concepts such as BSM. In addition, downturn in spending may cause companies to shy away from adding a new technology such as BTM. OpTier's technology also requires a server component, which may in fact be looked at negatively by some IT managers.

Opportunities

Organizations are turning to BTM solutions to identify and diagnose transaction availability and performance problems to avoid revenue loss, as well as to improve their customer service. This demand is being driven by the dramatic growth in the number of transactions and the increasing dependency on business transactions that must be executed in a timely and accurate manner. For example, OpTier is primarily focused on the capital markets in which this latency equals hard dollars.

ESSENTIAL GUIDANCE

Reason to Watch

With pressure continuing on cost containment, solutions like those from OpTier — which help to monitor and pinpoint problems, which in turn reduces the mean time of repair — could be very important, in particular, as companies consider outsourcing their IT support.

Looking ahead, BTM will likely become a core offering of established IT management vendors, as it can contribute to almost every aspect of IT management (e.g., performance management, SLA management, capacity planning, change and configuration management, and others) by providing more granular information on IT performance. Hence, acquisitions in this space are likely to happen, and OpTier is in a good position to either acquire companies, and become a stronger BTM/IT management contender, or be acquired by one of the leading players in this space.

Differentiators

OpTier has been around since 2002 and has raised close to \$100 million in venture capital plus an undisclosed amount from Cisco. The combination of sound financing, technological capabilities, and the growing installed base puts the company in pole position to capitalize on the growing opportunity in the BTM market — of which OpTier was one of the early pioneers.

LEARN MORE

Related Research

- ☒ *Worldwide Performance and Availability Management Software 2007 Vendor Shares* (IDC #214409, October 2008)
- ☒ *IDC's Worldwide Services Taxonomy, 2008* (IDC #213072, August 2008)

☒ *Business Transaction Management: Another Step in the Evolution of IT Management* (IDC #EMT1P, March 2007)

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