

## VENDOR PROFILE

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### Attachmate: Extending Customer Relationships

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#### IDC OPINION

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AttachmateWRQ announced its intention to acquire NetIQ on April 26, 2006, and finalized the transaction on June 30, 2006. As AttachmateWRQ and NetIQ become more integrated under the simplified brand of Attachmate, the newly combined company has begun selling into accounts spanning host connectivity, legacy integration, IT operations, security, and desktop management. Traditional customers of both AttachmateWRQ and NetIQ have much to look forward to as the company develops and delivers more comprehensive solutions for IT operations and should be aware of the challenges that the new Attachmate faces. IDC suggests to customers that they:

- Put some time into understanding the expanded Attachmate portfolio; there is an opportunity for customers to consolidate procurement based on Attachmate's expanded portfolio as well as an opportunity to drive integration priorities across product lines.
- Assist Attachmate in developing business cases and tools to drive tighter alignment between various IT buying centers that span desktop, IT operations, security, and system administration as it relates to the portfolio.
- Communicate with the Attachmate executive management team on how sales, marketing, and development processes can be improved to make it easier to buy more from the company.

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#### IN THIS VENDOR PROFILE

This IDC Vendor Profile analyzes Attachmate following its acquisition of NetIQ and the newly combined company's sales, marketing, and product positioning. Key markets discussed include host connectivity, security, desktop management, and IT operations management, providing guidance for customers on what they should expect from the company. The research also examines cross-selling opportunities for Attachmate as a larger, broader enterprise software vendor.

## **SITUATION OVERVIEW**

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### **Company Overview**

Attachmate is the result of the merging of Attachmate Corp. and WRQ Inc. in 2005 and the acquisition of both OnDemand Software and NetIQ in 2006. The acquisitions bring together enterprise software companies with close to \$400 million in revenue and over 40,000 customers. Attachmate is owned by an investment group led by Golden Gate Capital, Francisco Partners, and Thoma Cressey Equity Partners.

The company's CEO, President, and Chairman Jeff Hawn has been able to generate solid cash flow and manage profitability through a determined business management and acquisition strategy. Attachmate has managed both mature and growing market opportunities; most recently, the deal to acquire NetIQ has brought forth new products that offer a vision for a broader portfolio that can be cross-sold into various IT buying centers in a more solution-oriented manner. The ability to better manage enterprise sales and become a strategic vendor for its clients is much greater now that Attachmate has a broader product portfolio, a larger sales team, and more revenue to reinvest in research and development, marketing, and sales organizations.

Attachmate is seeking to balance its cash flow while investing in emerging market growth opportunities, new revenue sources, and account cross-pollination from Attachmate, WRQ, OnDemand Software, and NetIQ. The company articulates its value proposition and focus on IT operations through the corporate marketing message, "Extend, Manage, and Secure," which refers to the company's ability to enable IT organizations to extend mission-critical services and assure that they are managed, secure, and compliant.

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### **NetIQ Acquisition**

NetIQ was acquired for \$495 million, with revenue of roughly \$190 million, a cash balance of about \$190 million, and losses around \$15 million. The transaction was completed on June 30, 2006, and officially established NetIQ as a business unit of Attachmate. The division is managed by Senior Vice President and COO Marc Andrews and follows Attachmate's laser focus on profitable growth and expense control.

The deal to acquire NetIQ was a shrewd one financially as some of the back-end expenses that bogged down profitability at NetIQ as a publicly held company were eliminated. The organizational structure of NetIQ has been streamlined post-acquisition, and many levels of redundant management layers have been removed, speeding decision making and lowering operating expenses. The focus on sustainable profitability, balanced development allocation, customer growth and satisfaction, and cross-selling is now the mantra of the company.

NetIQ brings a customer base spanning security and IT operations, with strengths in application management, security management, and change and configuration management.

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## **Company Strategy**

The Attachmate go-to-market strategy is built around addressing the needs of IT operations and helping IT deliver business value in a manageable, cost-effective manner.

As Attachmate continues to execute on its go-to-market strategy, IDC believes the company will utilize its cash-generation position to fund new product development and essential product integrations for customers. The company has thus far been able to successfully utilize its privately held position to deliver profits while keeping its core host connectivity customers happy with product upgrades. Further, Attachmate continues to demonstrate its commitment to its line of terminal emulation products, including continued investment in research and development in key areas, including Microsoft Vista. IDC also expects that the company will look to continue to fill gaps within its product portfolio where it does not have products through surgical acquisitions.

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## **Analysis: Strengths, Weaknesses, Opportunities, and Threats**

IDC developed the following analysis to help legacy integration and terminal emulation customers as well as systems and security management customers better understand the strategic cross-sell scenario for NetIQ and Attachmate products respectively during the purchase cycle.

As NetIQ's product lines are brought together under the Attachmate umbrella, the collective sales teams must be able to articulate the value of each and every product at the right level, sell the value of a broader portfolio, and utilize existing product champions to bring brethren into more deals and short lists. Moreover, there remains extensive customer education that the company must execute as large customers need to further understand the complementary nature of the NetIQ portfolio to drive additional sales opportunities. Management is acutely aware of these challenges.

### ***Strengths***

With the acquisition of NetIQ, the new Attachmate now has a broader portfolio to support security, desktop management, and IT operations management. Besides the product portfolio, the sales team has been strengthened by adding more expertise and staff to upsell solutions across the legacy integration and host connectivity installed base. Jeff Hawn, a very strong operations and strategically focused executive, has led the management team and company culture toward streamlined decision-making processes targeting profitable growth. The company has well articulated a tiered go-to-market strategy based on product and market maturity models. With its stable installed base of legacy integration and terminal emulation customers, the company has a "captive audience" to upsell the NetIQ portfolio of products. Additionally, NetIQ customers might be interested in Attachmate's product lines creating additional sales opportunities.

### ***Weaknesses***

Attachmate's market branding and identity will need constant attention as the sales teams and marketing messages become more integrated. The current lack of awareness within the customer base around possible solutions is a challenge. While the company has essentially doubled its size, customers that have purchased legacy integration and host emulation solutions must feel they will continue to get strong support and product development attention. The commitment to these markets must continue through execution-oriented actions. Attachmate must also balance out the product development, marketing, and sales demands between the stable and developing product lines and allocate resources appropriately. A lack of commitment and product portfolio gaps could inhibit sales; a refocus and investment push on some NetIQ product lines is necessary.

### ***Opportunities***

NetIQ's product portfolio can compete in various growing markets — notably VoIP management, security management, application management, desktop management, virtualization management, and change and configuration management. As a business unit of Attachmate, NetIQ now has greater credibility in servicing IT operations and security and in enabling the ongoing convergence of these two disciplines. Its marketing positions and messages related to compliance, service availability, cost savings, risk mitigation, and SLA enhancements should be better received by the business side of IT. The opportunity exists to leverage strong customer support teams to increase strategic account relationships and drive new license growth and cross-selling opportunities, which are both critical to future success.

### ***Threats***

Competitive threats are increasing now that the company has products spanning multiple markets. Key competitive players include IBM, Microsoft, CA, HP, BMC Software, Compuware, Quest, Symantec, Seagull, NetManage, and others. Many of these companies are much larger and have significantly more resources and staff to sell into the markets where Attachmate now competes. These vendors also have an opportunity to discount deeply or give away products because of their scale and business models. Account control concerns from these vendors also pose a risk. There are a number of product portfolio areas where the company can continue to increase its portfolio — notably in application management and security. Some customers are consolidating vendors in these areas, and Attachmate's portfolio, while robust, is not yet complete.

## **FUTURE OUTLOOK**

Customers should expect the following opportunities and impact scenarios to develop as Attachmate evolves as a larger company. Key scenarios include:

- The opportunity to provide the company with feedback on product portfolio gaps in application management, security, and terminal emulation, where acquisition might be able to provide a stronger upsell story

- ☒ An ongoing commitment to the core stable markets of terminal emulation and host integration that enables the company to fund emerging market product development
- ☒ A stronger marketing message and go-to-market sales strategy that highlights the business problems the company can solve with its broader portfolio (SOA, compliance and cost reductions will be areas to watch.)
- ☒ A learning curve for legacy Attachmate and NetIQ sales teams as they start to fully understand the various cross-sell opportunities (Addressing each potential buyer and getting the existing product champion to push into other buying centers will be an ongoing challenge. Also, it's necessary that the company balance sales compensation plans to motivate sales across the product portfolio to drive new license growth.)
- ☒ Many traditional Attachmate and NetIQ buyers that might not be brought to the buying table as line-of-business executives garner greater influence in purchasing decisions (With a broader product portfolio, Attachmate should help all customers bridge the chasm between administrators and line-of-business executives through the creation of enabling sales tools and business cases.)

The traditional AttachmateWRQ customer base has valued the customer support it has received for the terminal emulation and host connectivity products. While further consolidation in these markets (and security and IT operations) is likely, it is important that customers place pressure on both Attachmate and NetIQ to force operational improvements that would ultimately enhance the company's ability to upsell and address a greater proportion of IT operations' pain. For Attachmate to effectively compete, the company must make doing more business with it easier and motivating for customers.

## ESSENTIAL GUIDANCE

### Advice for Attachmate

With the addition of the NetIQ business unit to Attachmate, the combined company has a larger sales team, more marketing resources, and a broader product portfolio. From the business perspective, the company has streamlined back-office platforms, has continued to cut and control costs, and has a focus on profitable growth. To further build out market share, the company should:

- ☒ Successfully manage the chasm between growth-oriented products and mature product families via sales compensation alignment, customer feedback on integration points, and investment in customer relationship management that drives cross-selling
- ☒ Articulate for customers where the company plans to differentiate (Areas of opportunity include customer service and support, product innovation, and integration value to vertical markets.)

- ☒ Plan for consultative value-based solution selling to receive ample, ongoing investment so the sales and marketing teams can develop more strategic accounts utilizing existing product champions to educate other buyers within different buying centers of the IT organization.
- ☒ Improve the awareness of the acquired NetIQ products to the Attachmate customer base (Customer education is critical.)
- ☒ Create enabling tools to drive and support multifaceted sales (The business buyer for both Attachmate and NetIQ products is ultimately the VP of IT operations; however, solution sales require sign-off from multiple buying centers as business managers are directing more of the IT budget.)

Attachmate has more to offer its customers than ever before, and customers should expect more from the newly combined company. Priority one for the company ought to be helping its customer base understand and ultimately adopt more integrated solutions, which necessarily entails bridging the lines of communication between desktop managers, security managers, system administrators, and line-of-business executives. Attachmate's ability to bridge this chasm for its customers will shape the future of the firm. At the same time, customers should seize the opportunity to impact and shape the strategic decisions the company will have to make to secure its future.

## LEARN MORE

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### Related Research

- ☒ *Worldwide System Management Software 2006–2010 Forecast and 2005 Vendor Shares* (IDC #202880, August 2006)
- ☒ *Worldwide System Operations Software 2006–2010 Forecast* (IDC #200933, March 2006)
- ☒ *Worldwide Performance and Availability Management Software 2006–2010 Forecast* (IDC #35089, March 2006)
- ☒ *NetIQ Integrated VoIP Security with Network Security* (IDC #34932, February 2006)

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