

# EVALUATING THE COST OF OWNERSHIP OF IT SERVICE MANAGEMENT SOLUTIONS:

Lessons learned from real-life implementations

## Executive summary

This report is based on a series of in-depth interviews conducted by Dimensional Research with industry experts who are responsible for implementing IT Service Management (ITSM) solutions. The goal of this study was to evaluate real-life experiences implementing the most current versions of HP Service Manager and BMC Remedy—the leading ITSM solutions—in order to understand the differences in long-term cost of ownership.

This study found that both HP Service Manager and BMC Remedy solutions are appropriate for meeting the ITSM needs of many enterprises. Nevertheless, there are three primary differences that impact the long-term cost of ownership of these products:

- 1) **Approach to customization:** The two solutions are historically very different in their philosophy of customization. Even now, there are significant differences in cost of ownership. For example, BMC Remedy's approach results in higher overall costs. The cost impact of customizations should be considered when selecting an ITSM product for a major service management initiative.
- 2) **Availability of integrations:** HP Service Manager is part of an integrated HP suite that includes a wider variety of solutions than BMC Remedy, specifically project, portfolio, and quality management. When making a decision to purchase any ITSM product or a related solution, IT teams should seriously consider their

company's long-term ITSM roadmap to ensure that they are considering future needs, as well as current needs, as the value of integrated systems that covers all of IT clearly reduces costs in the short and long term.

- 3) **Options for deployment:** Only the HP Service Manager product has a software-as-a-service (SaaS) option, which offers significant cost savings to customers, including lower overall hardware costs, lower training costs, access to resources, and more. For ITSM specifically, the speedy deployment of a SaaS solution enables faster resolution of process issues that can best be identified once the initiative is launched.

Overall, based on the experience of the ITSM experts we interviewed, the long-term total cost of ownership (TCO) of BMC Remedy can be significantly more than HP Service Manager. Our participants estimated that the average Remedy implementation requires a 40 to 60 percent longer time frame, and the compensation required by Remedy 7 developers is 30 to 50 percent higher. In addition, building integrations for Remedy costs 20 to 40 percent more.

The goal of this paper is to evaluate real-life experiences when implementing leading ITSM products, and to understand differences in long-term cost of ownership. While there are a large number of products on the market today for ITSM and service desk, HP Service Manager and BMC Remedy are the two market-leading ITSM products, so this paper focuses solely on these solutions.



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## IT service management and the evolution of corporate IT

Today, the role of corporate IT is changing. In the past, IT was viewed as a necessary cost of business operation. Now, IT provides compelling competitive advantages and can even be a profit center on its own. IT Service Management is a key discipline that is moving from managing individual technology silos toward delivering technology-based services that contribute to key business objectives. An ITSM initiative typically includes corporate IT's primary customer-facing function within the organization—the service desk—as the foundational technology, and also incorporates service-level management and process development.

## Report methodology

This report is based on a series of in-depth interviews that Dimensional Research conducted with six ITSM experts in June to October of 2009. Our participants are employed by three leading IT consulting organizations. These organizations focus on helping large corporate IT departments establish mature IT processes that deliver significant business value. This HP-commissioned report is a summary of those interviews. All interviews were completed without oversight from HP, and all analysis was conducted independently from HP.

These six experts shared from their years of experience how they lead teams in the planning and deployment of major IT Service Management initiatives for their clients. All participants have been involved with multiple

ITSM projects that included all facets of process, tool selection, implementation, and ongoing maintenance. Participants did not receive any compensation for their input.

Our participants have extensive experience with projects using both BMC Remedy and HP Service Manager, as well as a variety of second-tier ITSM products. In total, our participants represented the experiences of major ITSM initiatives at 16 different companies in the past five years, including recent implementations with the most current versions of both the HP and BMC products. Our participants worked with large, Fortune 500 companies that represented a wide range of industries, including financial services, manufacturing, retail, and more.

## BMC Remedy and HP Service Manager: Market-leading ITSM solutions

All participants interviewed for this report emphasized that there were many similarities between the two products. Before diving into some of the differences, let's review those similarities.

These products are enterprise-level solutions used in production by many customers. Both BMC Remedy and HP Service Manager have:

- Large install bases of satisfied customers
- Scalable and reliable solutions for 24x7 enterprise operations
- Built-in ITIL best practices to streamline ITSM initiatives

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### **Product versions**

*When we refer to HP Service Manager or BMC Remedy in this paper, we mean the current versions of the respective products. As of the writing of this document, unless otherwise specified, we're referring to HP Service Manager version 7.11 and BMC Remedy IT Service Management Suite version 7.5.*

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Interestingly, another similarity between the products is in their pricing of software licenses. While it's difficult to get a true "apples-to-apples" comparison in complex enterprise software purchases, participants in this study emphasized that the cost of software licenses was not a factor in the decision to implement a specific ITSM solution for any of their clients. The software license pricing offered to customers was consistently considered to be fairly comparable between the two products.

### Three key differences: Customization, integration, and deployment options

Now let's turn to the important question—what are the differences between the products that impact the long-term cost of ownership? Participants in this study emphasize three key differences between the BMC Remedy and HP Service Manager, which this report will explore in detail:

1. The costs associated with customization
2. The integrations with complementary products
3. The options for deployment

#### Recommendation:

Evaluate the availability and cost of local resources to implement customizations to accurately forecast long-term costs.

### To customize or not to customize: The history

Probably the most important difference between the products highlighted by our study participants was their approach to customization, and the continuing impact of that approach on the long-term cost of ownership. To understand the current situation, it is important to know the customization history of these two products.

Historically, the Remedy product had a clear philosophy of requiring maximum flexibility. Remedy was based on the Action Request System (ARS), a client-server software application development environment originally built as a programming and workflow environment. ARS evolved over time to become the packaged help desk application that Remedy is known for today. The stated goal of the Remedy team was to make absolutely everything customizable. They achieved this goal successfully with an extremely flexible framework.

In contrast, the HP team (Peregrine at the time) took a very different philosophy toward customization. With the release of ServiceCenter 3 in 1999, the goal was to limit customizations to the most important, business-critical changes.

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#### **Brief history: Peregrine, Remedy, and HP**

*Both the BMC and HP products have a complicated history. Peregrin System's help desk offering was ServiceCenter, an internally developed product. In 2001, Peregrine acquired Remedy Corporation. Then in 2002, Peregrine sold the Remedy business to BMC Software, keeping the ServiceCenter product under the Peregrine name. In 2005, HP acquired Peregrine Systems and re-branded Peregrine ServiceCenter as part of HP Service Manager. References to Peregrine in this paper refer to the period in 2002–2005 after Peregrine sold the Remedy business, but prior to the acquisition by HP.*

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The company's mantra was "minimal tailoring" and it strongly encouraged its customers to try and use the product first, without any customizations, to see if changes were really needed. HP (Peregrine) even locked down certain areas of the product so these areas could not be customized to "enable bad behavior."

These diverse approaches to service desk customization continued for several years. Not surprisingly, the end result was that Remedy implementations had a dramatically higher number of customizations. And, it became clear that there were disadvantages to these customizations, including:

- Longer deployment cycles to implement the customizations
- Additional expenses for development resources to implement customizations
- Increased costs required for the ongoing maintenance and support for the customizations
- Product "lock-in"—the more customization, the more difficult it is to upgrade to a newer version of the product, and many customers ended up using out-of-date software

- Difficulty finding qualified resources for maintaining modified Remedy installations, which resulted in higher costs, upgrade challenges, and a delay in deploying important new capabilities

Of course, these disadvantages were also apparent with the HP/Peregrine product. It didn't eliminate customization, and many HP/Peregrine customers ran into the same problems as Remedy customers. Conversely, many Remedy customers kept their implementations very clean and did not encounter any of these issues. Without a doubt, the products fundamentally supported a certain kind of approach—most Remedy implementations were very heavily customized and most HP/Peregrine implementations were only slightly customized.

More recently, BMC has taken a very different stance on customization. Following HP's approach, BMC's recommendation now is to use the out-of-the-box functionality as much as possible and to limit customization. In some cases BMC has actually locked down its code so that functionality that was configurable in the past is no longer available. The participants in our study felt that the latest version of Remedy locks too many fields and configuration options. As a result, what should be a simple configuration now requires organizations to either customize or live with the unsuitable workflows that are pre-built in the Remedy product.

It is important to note that HP has also reduced the ability to customize by eliminating access to the Rapid Application Development (RAD) environment that was previously available to customers. Yet, participants in this study felt that this change has not been as severe and has not resulted in the same negative impact to customers.

### Configuration versus customization

Configuration is different than customization. One example of configuration is making basic changes to the names of existing fields. In both HP Service Manager and BMC Remedy, configuration is relatively straightforward with no obvious difference in the long-term cost of ownership.

Customization is making changes to the product. The most typical type of customization in an ITSM product is to add a new field or to make a change to a workflow. It is these types of customizations where we see a marked difference in the cost of ownership between HP Service Manager and BMC Remedy.

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## The cost of customization

BMC's recent change to Remedy's customization approach appears to have created unintended consequences. It seems that BMC Remedy went from being the easier product to customize to one that is much more difficult to do even basic customizations to. Our participants reported several frustrations when implementing the details required for the customizations of new versions of Remedy, including:

- The environment is now hard coded. Instead of making changes to reusable modules, customizations now require physically changing code across multiple modules.
- Simple customizations, such as changing the drop-down lists, are now hard coded in Remedy and require development resources to make changes.
- There are challenges with having multiple developers working concurrently because of conflicts with too many interfaces.
- The inability to fully implement desired customizations. For example, you can remove the first two steps in a particular pre-built workflow, but it is not possible to remove those steps from the user interface, even though they were taken out of the workflow. The user is left with the choice of training employees to skip those two irrelevant steps, or investing in even more customization to strip the entire workflow.
- Certain customizations are so time consuming that they are pulled from the project scope. For example, in one case, the basic ability to take an incident report and change it to a problem ticket was removed from the project scope because of implementation challenges.

### Recommendation:

During your product evaluation, work with an ITSM expert to estimate the number of customizations that will be necessary. Model all long-term costs, taking into account not only the cost of the labor, but also any disruption to your business due to the lack of ability to respond quickly to changes.

Because of these issues with BMC Remedy, our participants estimated that **the average implementation involving customization resulted in 40 to 60 percent longer development cycles** than those with similar projects using other tools like HP Service Manager.

It should be noted that this longer development is related to customizations only. Our participants found that in their experience, the cost to administer the two products (e.g., add new users, do system backups) is very similar between the two products.

An important observation made by participants is that not only are customizations harder to make in more recent versions of Remedy, but it is also now much harder to find Remedy developers. Remedy 6 developers cannot simply move to Remedy 7. A new set of skills is required, and the demand for these skills is high. As a result, the development costs are much higher. **Our participants consistently found that cost for Remedy 7 developers is 30 to 50 percent more than the cost of developers for prior versions of Remedy.** Furthermore, Remedy 7 developers are now kept permanently on staff to make these customizations, which also adds significantly to the long-term costs of a Remedy implementation.

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## Recommendation:

Before selecting an ITSM product, diligently work with all vendors to develop a detailed forecast of all long-term costs including installation, customizations and integration.

Compared to the HP Service Manager product, BMC Remedy developers are a significant expense. Our participants emphasized that prior to the HP acquisition, Peregrine had created a significant community of developers who know the product and its best practices for development, and that skill set remains relevant. When combined with HP Service Manager's use of industry-standard JavaScript as the development language, compared to the proprietary ARS language, it is significantly easier to hire developers for HP Service Manager projects.

As a result of the recent changes to the BMC Remedy product, the HP Service Manager product now has a lower cost of creation and ongoing maintenance of customizations.

## The cost of integrations

The second difference is the long-term cost of product ownership of integrations with complementary products within each company's ITSM portfolio and other IT functions, as well as with third-party products.

Products like HP Service Manager and BMC Remedy do not exist in isolation. The core components of an ITSM solution include Project and Project and Portfolio Management (PPM), IT Asset Management (ITAM), and Release Control (RC). Only HP offers a solution for each of these key ITSM components with pre-existing integrations into the other product offerings. BMC does have an Asset

Management solution, but does not offer a Project and Portfolio Management product. Our participants have found that in practice BMC Remedy customers are left to do integrations on their own, which is much more expensive.

One other area of difference noted by our participants is the availability and quality of pre-existing integrations with third-party products. Our participants observed that historically, Peregrine employed a strategy of having a large number of third-party integrations. HP Service Manager continues to have a larger number of integrations with non-HP products than BMC Remedy.

The lack of existing integrations can result in dramatically higher costs for the initial implementation. Our participants cited **20 to 40 percent higher costs as integrations are almost always extremely time consuming and complex**, as well as the ongoing cost to maintain those integrations as products evolve.

Note that there are areas of customization where both products are similar. Both HP and BMC have comparable integrations between their ITSM products and their systems management products, and so the implementation costs for HP Service Manager with HP Business Availability Center will be very similar to using BMC Remedy with the BMC PATROL products.

When making a decision to purchase any IT Service Management product or a related solution, IT teams should seriously consider their company's long-term ITSM roadmap and ensure that they are considering both current and future needs.

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## The cost savings of deployment options

The third difference between the BMC Remedy and the HP Service Manager products is that only the HP Service Manager product offers both standard, on-site deployment, as well as a SaaS option. A SaaS solution is a great way to get started with lower capital investment and lower overall TCO. Frequently, SaaS provides lower short-term costs, lower long-term costs, and faster time-to-value than an on-site deployment. You then have the option to eventually move to an in-house implementation while preserving investments already made in the HP Service Manager processes and technology.

SaaS is best known for its benefits in reducing implementation risk. But SaaS deployments can also enable lower long-term costs, in particular:

- Hardware costs are lower because they are shared among many customers.
- The cost to train implementation and support specialists is eliminated as that is done by the SaaS provider.
- There is long-term access to knowledgeable resources.

Specifically for ITSM solutions, SaaS implementations can lower long-term costs and provide faster process improvements. Since deployment starts sooner, process issues that are only brought to light by product deployment are discovered—and resolved—much sooner.

## A real-life comparison: BMC Remedy versus HP Service Manager

While each ITSM implementation is unique, two participants in this study were recently involved in implementations of the most recent version of HP Service Manager and BMC Remedy. These initiatives were similar enough to give a real-life example of the cost differences for product ownership.

**HP Service Manager 7.1:** The HP Service Manager product, version 7.1, was deployed in early 2009 with a goal of supporting 20,000 users in a major financial services organization:

- This implementation involved four full-time HP Service Manager administrators for administration, patching, and minor enhancements. Prior to this purchase, the customer had assessed BMC Remedy, and had determined the implementation would require eight administrators, four that would have been Remedy 7.5 developers who would have cost 40 percent more than the administrators required for HP Service Manager.
- For the implementation, three external consulting resources with expertise in the HP Service Manager product were brought in for six months to work side by side with the internal team. During the six months, there was adequate knowledge transfer of expertise; the consultants were no longer needed and the internal team was able to take over.
- A simple notification e-mail was implemented in the HP Service Manager product in two days.
- There were many options to bring in technical help for customizations when needed, including HP's own professional services team, as well as a wide range of HP partners with expertise in HP Service Manager.

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**BMC Remedy 7.5:** The Remedy ITSM product was deployed in late 2008 and into 2009 with a goal of supporting 15,000 users in a global financial services organization. The company already had an implementation of Remedy 6, but it was so highly customized that they were forced to do a “rip-and-replace” and start with a fresh implementation of Remedy 7.5:

- The company had eight internal Remedy 6 developers on staff, but their skill sets could not be applied to Remedy 7.5. The company needed to hire external expertise for required customizations.
- There were many resource challenges in finding expertise with Remedy 7.5, so the company was forced to hire consultants through a large system integrator, which increased expenses dramatically.
- After one year on-site, knowledge has still not been transferred to the internal team, and the company expects that the external consultants will stay on-site for another year.
- A simple notification e-mail took four weeks to implement.
- The client identified very few options for bringing in external help for customizations. There were only two BMC partners available in their region, and BMC was not able to supply professional services directly.

## Recommendation: Think long-term costs when evaluating ITSM solutions

Whether you are implementing a new enterprise ITSM initiative or upgrading an existing ITSM system, you should be concerned about the long-term costs of your service desk deployment. Because the information we uncovered in our research indicates that BMC Remedy has a more expensive TCO than HP Service Manager, we recommend that you seriously consider the HP Service Manager solution. During your product evaluation, make sure you undertake the following tasks in your long-term cost projections:

- Work with an ITSM expert to estimate the number of customizations that will be necessary, and model all long-term costs, taking into account not only the cost of the labor, but also the disruption to your business due to the inability to respond quickly to changes.
- Work with all vendors on your short list to forecast the long-term costs of the deployment.
- Consult with current users of the products and discuss their experiences with ongoing costs.
- Evaluate the availability and cost of prospective consulting resources in your local area.

### Recommendation:

When purchasing an ITSM product, make sure references use the current version of the product and get their feedback on the costs of customization and integration.

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## About the participants: Experts from leading ITSM technology consultants

This report is based on a series of in-depth interviews that Dimensional Research conducted with ITSM experts employed by three leading IT consulting organizations. These organizations focus on helping large corporate IT departments establish mature IT processes that deliver significant business value.

One participating company asked not to be identified to preserve its vendor-agnostic strategy. The other two participating companies were:



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