

Acquisition of ESS Could Help IHS Broaden Its Focus on EH&S

Dan Miklovic

IHS's acquisition of Environmental Support Systems is a sign that the environmental, health and safety market is still consolidating. ESS's experience with a broad solution set could help IHS expand its focus.

NEWS ANALYSIS

Event

On 17 September 2009, IHS announced that it has acquired Environmental Support Systems (ESS), which focuses on environmental, health and safety (EH&S) software solutions, for approximately \$59 million, net of cash acquired. Founded in 1993, ESS is a privately held company with headquarters in Tempe, Arizona.

Analysis

Consolidation within the EH&S software solution market has been ongoing. Gartner expects it to continue, as ERP vendors (with the exception of SAP) are lacking in these functions, and governance, risk and compliance workflow and platform vendors also need to bolster their domain-specific content.

This deal represents IHS's fourth purchase within this space following its acquisition of EnvironMax in 2007, and ESP (see "Vendor Rating: IHS ESP") and Dolphin Software in 2008, and is likely to benefit IHS, a large, financially sound company with a strong content business across multiple disciplines.

ESS's strategy has been to deliver a fully functional footprint of EH&S across all four elements of Gartner's EH&S model: environmental, health and safety, crisis/incident management, and optimization and management. The company is strongest in "smokestack industries" and accordingly has extensive capabilities in emissions, particularly in its modules designed for environmental compliance for air, water, waste management, refrigerants, greenhouse gas/carbon and chemical inventory.

However, as with most acquisitions, IHS faces the challenge of consolidating platforms and eliminating overlapping functionality to achieve a harmonious set of products. In addition, IHS must appeal to customers that are following the general industry trend of reducing vendors and focusing on robust suites that offer broad functionality. To date, IHS's acquisitions within the EH&S space have targeted environmental aspects. IHS must broaden its focus by adding health and safety-related functionality, such as occupational medicine case management. In addition, IHS must recognize that content is only part of an overall solution. Services, such as training, are essential for enterprises seeking to obtain maximum value from their EH&S investments. Gartner believes that IHS' naming of ESS's chief operations officer as head of the combined business unit for EH&S within IHS is a positive move that will help IHS address this issue.

RECOMMENDATIONS

- **Customers of both IHS and ESS:** Begin planning on dealing with an evolving product set — a good thing, but one that will require patience and flexibility.
- **Prospective IHS customers:** Understand specifically what products that will be affected by the acquisition and how those products may evolve over the short and mid term. Do not rule out IHS, but consider the impact such an evolution may have and weigh it against the other choices in the market.

RECOMMENDED READING

- "Vendor Rating: ESS" — As one of the few vendors to offer a suite of EH&S solutions that closely aligns with Gartner's market definition, ESS received an overall "positive" rating from Gartner during 1Q09. **By Dan Miklovic**
- "Quality and EH&S Vendor Rating Criteria in 2009" — Global economic conditions have led to market consolidation among software vendors, including quality management systems and EH&S suppliers. **By Dan Miklovic**

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