

EXCERPT

IDC MarketScape: Worldwide Production APM Software as a Service 2013 Vendor Analysis

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IN THIS EXCERPT

The content for this paper is excerpted from the IDC MarketScape: Worldwide Production APM Software as a Service 2013 Vendor Analysis, by Mary Johnston Turner (Doc # 243716). All or parts of the following sections are included in this Excerpt: IDC Opinion, In This Study, Situation Overview, Future Outlook, Essential Guidance, and Synopsis. Figure 1 is included.

IDC OPINION

This IDC study represents a vendor assessment of the worldwide application performance management (APM) software-as-a-service (SaaS) market using the IDC MarketScape model. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the marketplace and help anticipate a vendor's ascendancy. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to predefined criteria and one another and highlights the factors expected to be the most influential to success in the market, both short and long term. Key findings include:

- ☒ APM SaaS is experiencing a period of rapid innovation and growth as traditional synthetic monitoring services are supplemented with real user monitoring (RUM), mobile app and native mobile browser monitoring, advanced analytics, and deep dive application dependency mapping capabilities. While established vendors such as Compuware, HP, and Keynote update service delivery platforms and portals, fast-growing start-ups and innovators such as AppDynamics, New Relic, and ManageEngine compete to support a new generation of native cloud and mobile applications and line-of-business (LOB) stakeholders.
- ☒ The needs of production applications and cloud services increasingly dominate the buyers' APM vendor evaluation and purchase process. Buyers are becoming more diverse and demanding. Important decision influencers include enterprise IT operations teams, application developers, DevOps leaders, and line-of-business analysts and executives.
- ☒ IDC's research shows that cost and impact on IT staff productivity continue to be top decision drivers when it comes to making any type of management software or SaaS investment decision. Vendors that will be most successful in the worldwide production APM SaaS arena will be those that can deliver rapid time to value via unified, intuitive graphical user interfaces, advanced yet accessible analytics, seamless integrations across service modules, and ever-increasing scalability in terms of the scope, breadth, and depth of coverage.

IN THIS STUDY

This IDC study represents a vendor assessment of the worldwide production APM SaaS market using the IDC MarketScape model. This assessment discusses both quantitative and qualitative characteristics that explain a vendor's success in this emerging market.

This IDC MarketScape covers a variety of established vendors and newer entrants. The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and one another and highlights the factors expected to be the most influential to success in the market, both short and long term.

This study is composed of two sections. The first provides a definition of what characteristics IDC believes lead to success in the worldwide production APM SaaS market. These characteristics are based on buyer and vendor interviews and key analyst observations of best practices.

The second part of this study provides a visual presentation of multiple vendors into a single bubble chart format. This format concisely displays the observed and quantified scores of the reviewed vendors. This analysis is supported by detailed profiles of each vendor's capabilities and strategies.

The document concludes with IDC's essential guidance to support continued growth and improvement of these vendors' offerings. Vendor information is accurate as of October 1, 2013.

Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed interviews with the vendors, publicly available information, and customer interviews in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

SITUATION OVERVIEW

Production APM solutions focus on monitoring, maintaining, and optimizing the performance and health of business applications in production environments that support live end-user and business transactions — whether the application resides in the corporate datacenter or in a hosted or cloud environment. Software marketed as end-user experience monitoring (EUEM), real user monitoring, and business transaction monitoring (BTM) are generally included in the APM market as synthetic monitoring software and SaaS. Production APM maps to those portions of APM

included in IDC's performance and availability functional market. It specifically excludes application load testing and similar capabilities covered by IDC's ASQ functional software market.

Production APM solutions are distinct from more traditional component or system-level monitoring solutions in that they are able to look across complex operational environments, discover hardware and software dependencies and topologies, and track transactions, code traces, and user experience on an end-to-end basis. Increasingly, production APM solutions are incorporating advanced visualization and executive dashboards as well as predictive analytics and modeling capabilities. Both agent-based and agentless approaches, including synthetic transaction monitoring, are included.

This IDC MarketScape is limited to the portion of the production APM market that is delivered via the software-as-a-service model. This is a competitive market that represents a significant portion of the worldwide performance and availability system management SaaS market as defined in *Worldwide System Management Software as a Service 2013–2017 Forecast and 2012 Vendor Shares* (IDC #241420, June 2013).

Market Overview

Production APM SaaS offerings were initially introduced more than a decade ago when several companies launched synthetic monitoring services for Web sites and Web applications using points of presence located around the Internet to ping URLs and report responses to predefined scripts. These early services often required the construction of complex models to mimic user behavior interacting with Web properties.

While this type of synthetic monitoring analysis continues to be helpful to IT operations teams and business decision makers that need an external view of application performance, a newer generation of production APM SaaS solutions has been introduced over the past several years to add additional insight. These include real-time end-user experience monitoring across a wide range of browsers and mobile devices. Business transaction monitoring services have become available as they have the ability to conduct application dependency analysis and correlations with infrastructure performance data. Production APM SaaS is also available that provide root cause analysis and sophisticated visualization and graphics.

Today's production APM SaaS market provides customers with a wide range of functional choices. IDC's research indicates that customers increasingly want access to this full range of functionality from a single, consistent, and easy-to-navigate graphical interface. Increasing demand for real-time insight is being driven by rapid mobile app development, the proliferation of modern development languages, increased business unit independence when it comes to buying monitoring services, and the need for end-to-end root cause analysis across complex multitier environments.

As a result, production APM SaaS offerings are gaining attention across a wide range of buyers and decision makers.

FUTURE OUTLOOK

IDC MarketScape Worldwide Production APM Software-as-a-Service Market Vendor Assessment

The IDC vendor assessment for the worldwide production APM SaaS market represents IDC's opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC divided potential key strategy measures for success into two primary categories: capabilities and strategies.

IDC's most critical criteria for positioning on the y-axis and x-axis are as follows:

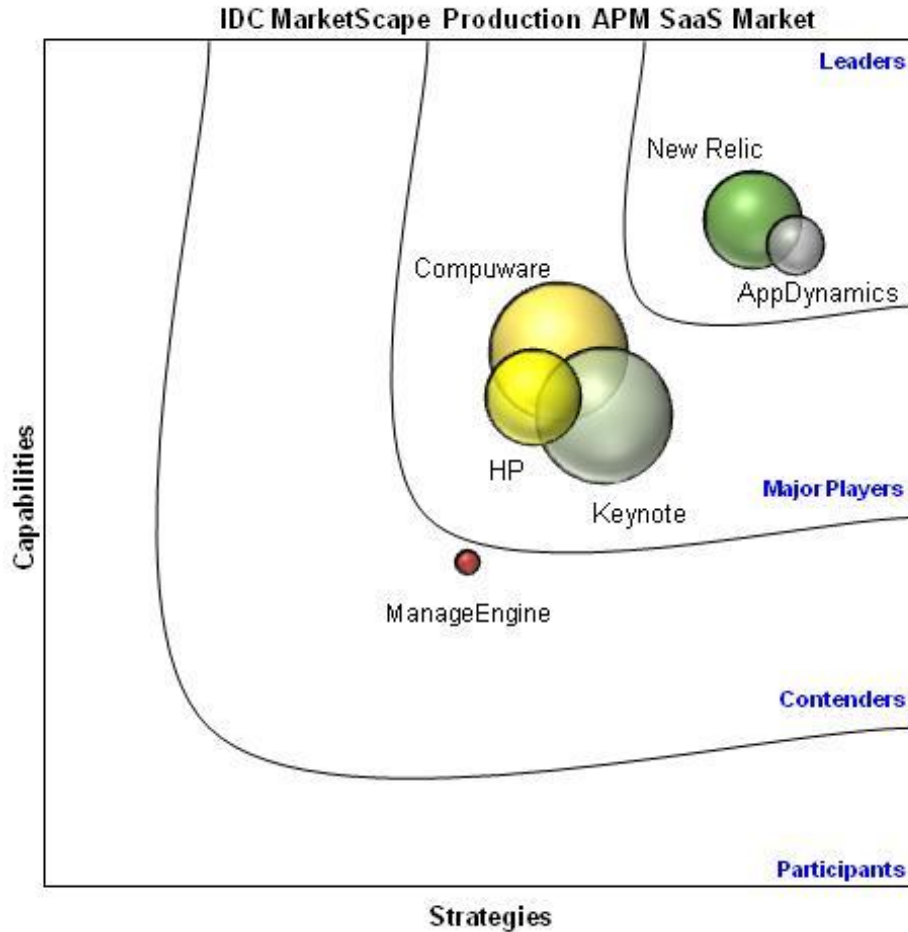
- ☒ Positioning on the y-axis, or capabilities axis, reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here, and now. Under this category, IDC analysts look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

- ☒ Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategies align with what customers will require in the next three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years. Under this category, analysts look at whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 1 shows each vendor's position in the vendor assessment chart. The size of the bubble corresponds to IDC's estimate of the vendors 2012 revenue for production APM SaaS only.

FIGURE 1

IDC MarketScape Worldwide Production APM SaaS Vendor Assessment



Source: IDC, 2013

Production APM SaaS Worldwide Market Strengths and Weaknesses

The production APM SaaS market is rapidly evolving away from a focus on synthetic monitoring and an arena where real and synthetic application and infrastructure monitoring data is rapidly analyzed and applied to the needs of production workloads in real time. Increasing diversification of end-user platforms and development languages, combined with growing autonomy among business development and support teams, is creating an environment where many types of IT operations, developers, DevOps, and line-of-business stakeholders have an interest in APM SaaS solutions.

This situation has created opportunities for new entrants to come to market with solutions that can be quickly deployed and harnessed by customers outside of central IT. Mainstream providers are reinvigorating their portfolios, launching new offerings and use interfaces, and competing head to head for share of a growing pie.

Many potential production APM SaaS customers have limited awareness of the capabilities provided by the current generation of offerings. Vendors that will be most successful in the worldwide production APM SaaS arena will be those that can deliver rapid time to value via unified, intuitive graphical user interfaces while providing advanced yet accessible analytics, seamless integrations across service modules, and ever-increasing scalability in terms of the scope, breadth, and depth of coverage.

Vendor Summary Analysis

This section briefly explains the key observations that resulted in a vendor's position in the vendor assessment graph. To develop these assessments, IDC conducted in-depth interviews with vendors and reference customers, evaluated demos, and consulted past research and survey findings. While each vendor was evaluated against each of the strategy and capability characteristics (refer back to Tables 1 and 2), the descriptions here provides a brief excerpt of the findings that represent the vendor's score.

New Relic

New Relic is rated as a Leader in this IDC MarketScape. The company has grown very quickly over the past five years since it was founded in 2008. New Relic offers its agent-based APM solution exclusively via the SaaS model. Initially focused on providing APM services for Ruby developers, New Relic has significantly expanded its coverage over the past several years to provide end-to-end monitoring services for IT operations and development teams supporting applications based on a number of modern development platforms including PHP and Python as well as Java and .NET. Current service offerings include the following range of monitoring and reporting capabilities for both Web and mobile applications:

- Key business transaction monitoring
- Real user monitoring
- Application response time and throughput
- Database call and response times
- Code-level diagnostics
- Cross-tier application tracing and stack tracing
- Thread profiling
- Server monitoring
- Mobile app activity and HTTP reporting
- Topology and regional performance maps for mobile applications

- ☒ A range of standard out-of-the-box reports as well as custom dashboard development tools

Since its inception, New Relic has relied on its expansive partner network to help reach a wide range of customers. The recently announced New Relic Platform encourages dozens of third parties to write plug-ins that monitor additional technologies directly in New Relic. To date, more than 60 plug-ins have been published by the partner community including Microsoft Azure, Rackspace, HP, salesforce.com, Amazon Web Services, Pivotal, and many PaaS providers.

New Relic Platform partners, as well as distributors and consulting partners, are able to offer New Relic Standard for free to their customers (the list price for the Standard subscription is \$24 per month per server with one week of data retention). Over time, New Relic has been able to convert a number of these customers to the full feature PRO subscription (list price \$149 per month with unlimited data retention).

New Relic currently has approximately 18,000 paying customers through its direct channel and indirect partner channel subscribing to the Standard and PRO packages. Another 32,000 customers take advantage of the company's free-for-life Lite service option. Additional features and functions are frequently added for no additional charge, although Lite or Standard customers may need to move to the PRO level of service to access all capabilities. PRO is available for a 14-day free trial.

New Relic targets both application developers and operations IT staff. Although its viral marketing and self-service provisioning strategy were early hits with smaller organizations and departments, New Relic is gaining increasing interest from enterprise-scale organizations that value a simple-to-deploy solution and easy-to-navigate user interface that can be easily accessed by production IT operations teams, developers, and business stakeholders. New Relic customers interviewed by IDC gave the company high marks for its speed of deployment, low overhead, solid documentation, responsive customer support, and intuitive visuals and graphics. They also valued the service's ability to accommodate a wide range of application types.

Customers report that the service's availability and stability have generally been good, although some did note that they experienced a few growing pains as the scale of the offering and rapid release of ongoing product enhancements appeared to cause some intermittent availability issues. New Relic has recently migrated off a shared service IaaS infrastructure to a dedicated hosted datacenter infrastructure in order to better address customer concerns around service availability, performance, backup, and security. Customers consistently note that New Relic has been very responsive in addressing trouble tickets and bug fix requests. Support services, which include both online documentation and live phone support, are generally described as very helpful and responsive and are included in the base subscription price.

While the majority of operations and sales efforts have historically been concentrated in the Americas region, New Relic is currently in the process of ramping up its presence in EMEA. IDC estimates roughly 25% of company revenue already originates in EMEA, thanks to its Web and viral marketing efforts. New Relic has roughly 300 employees, more than double the head count from a year ago.

To date, New Relic has taken \$115 million in venture funding from a range of investors including Benchmark Capital, Trinity Ventures, and Insight Venture Partners. Senior leadership includes a number of former leaders from early APM leader Wily, acquired by CA Technologies. These include CEO and Founder Lewis Cirne, President and COO Chris Cook, and SVP of Product Jim Gochee.

Strengths

New Relic draws market momentum from its loyal and satisfied customer base, attractive and intuitive user interface and visualizations, solid customer support, and user self-service experiences and from a proven leadership team. The availability of solid funding to fuel the company's commitment to rapid innovation, a strong partner community, and ongoing investments to expand support for mobile apps and diverse application and infrastructure environments are also important accelerators for future growth.

Opportunities

New Relic has many opportunities for future growth in terms of expanding its geographic reach and providing a broader range of capabilities to support sophisticated enterprise accounts. One of the most important opportunities for future innovation is the area of analytics. The current generation of New Relic services offers basic alerting and thresholding but does not include more advanced correlation and predictive analytics. These types of capabilities would allow New Relic to address a wider range of customer application monitoring and performance requirements in areas such as cloud application optimization and mobile first development environments.

ESSENTIAL GUIDANCE

Advice for Enterprise IT Buyers

Production APM functionality will be an increasingly high priority for enterprise IT operations, DevOps teams, and line-of-business stakeholders, and applications are developed, deployed, and updated more and more frequently across highly diverse ranges of end-user devices, development languages, and IT infrastructure environments. Production APM SaaS solutions offer enterprise IT buyers a cost-effective option for quickly implementing a range of synthetic and end-user monitoring services without the need to make extensive investments in enabling infrastructure.

Buyers need to be careful, however, to evaluate offerings in terms of both current and emerging requirements. Many customers may start with fairly limited implementations, but they need to expand the scale and scope of the production APM usage over time. Customers should also realistically assess how much they can do for themselves on a self-service basis versus whether they need vendor or partner provided services.

Ultimately, production APM information will be used not only to help improve the quality of application code and the user experience with a specific application but to drive real-time resource utilization and workload optimization across complex public

and private cloud and virtual datacenter resources. Enterprise IT buyers should look for solutions that will provide analytics related to both code and infrastructure performance and utilization and provide linkages to service catalogs and service automation solutions as well as development environments and tools. They should also consider how the availability of real-time production APM SaaS information can help streamline and optimize IT operations, DevOps, and line-of-business collaboration and decision making about application and infrastructure resources over time.

LEARN MORE

Related Research

- ☒ *Worldwide Application Performance Management Software 2013–2017 Forecast: Cloud and Mobile Fuel Rising Demand* (IDC #242875, September 2013)
 - ☒ *Worldwide Application Performance Management Software 2012 Vendor Shares* (IDC #242949, September 2013)
 - ☒ *Worldwide System Management Software as a Service 2013–2017 Forecast and 2012 Vendor Shares* (IDC #241420, June 2013)
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Synopsis

This IDC study introduces the vendor assessment model called the IDC MarketScape to the worldwide production APM SaaS market. The methodology behind this model uses both quantitative and qualitative assessments of vendors' characteristics that explain vendors' success in the marketplace and can help anticipate vendors' ascendancy. This study covers a variety of vendors that provide production APM SaaS. This evaluation is based on a comprehensive framework that assesses vendors across a wide variety of technical and operational criteria, weighted by factors IDC expects will be the most influential for short- and long-term market success.

"IDC's research shows that cost and impact on IT staff productivity continue to be top decision drivers when it comes to making any type of management software or SaaS investment decision. Vendors that will be most successful in the worldwide production APM SaaS arena will be those that can deliver rapid time to value via unified, intuitive graphical user interfaces, advanced yet accessible analytics, seamless integrations across service modules, and ever-increasing scalability in terms of the scope, breadth, and depth of coverage," states Mary Johnston Turner, IDC research vice president, Enterprise Systems Management Software.

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