## MARKET NOTE

# New Relic Beefs Up Digital Intelligence Platform to Provide Single View of Applications and Infrastructure Performance

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## EXECUTIVE SNAPSHOT

## FIGURE 1

This IDC Market Note analyzes New Relic's market position and market perception in Europe in the context of its recent FutureStack 17 event in London and the breadth of its services portfolio. It also assesses New Relic's evolution as a technology insights provider, the announcements made at the event, the role its services play in the multi-cloud, DevOps and microservices-based enterprise IT. The report also discusses growth opportunities for New Relic in the region, as well as the competitive landscape as it evolves.

### Key Takeaways

- New Relic has added significant new features to its Digital Intelligence Platform to give customers complete visibility into the performance of applications and the underlying dynamic infrastructure hosting these applications. As enterprises adopt microservices architecture and multi-cloud infrastructure while at the same time build scalable, complex and dynamic applications, they find it more difficult to pinpoint the performance issue in the application stack using siloed monitoring tools that tell only half a story.
- Features announced at London FutureStack 2017 include New Relic Health Map which combines the view from its APM platform and its infrastructure monitoring platform for a holistic picture for quick diagnosis of performance issues; deeper integrations with AWS services to monitor cost and capacity planning in public cloud; and released Infrastructure SDK, so customers can build their own integrations and customize metrics to suit their needs.
- New Relic gave a glimpse into the product roadmap which include the use of machine learning and AI to make performance metrics smarter, personalised and more predictable.
- New Relic's highly satisfied European customers include Ryanair, Ocado, KPMG, Lyst, Asos, Allianz X, Sportamore etc. but many European enterprises still perceive it as an APM startup. Moving forward, it will need to raise awareness by enabling partner community and demonstrating use cases around full stack visibility but most importantly it will need to overcome the misconceptions around SaaS-based monitoring and analytics services to win more enterprises in Europe

Source: IDC, 2017

## IN THIS MARKET NOTE

At its FutureStack 2017 event in London on May 24, 2017, New Relic released new capabilities to its Digital Intelligence Platform such as deeper integrations with AWS services as well as a feature called Health Map that provide a single view into the performance of both - applications and infrastructure including public cloud infrastructure. New Relic also released its Infrastructure SDK for customers to get creative and build their own integrations to get IT performance insights and improve operational efficiencies. The company also shared its engineering roadmap and the pipeline of upcoming features.

## IDC'S POINT OF VIEW

New Relic has unveiled new key features to its Digital Intelligence Platform that will give customers deeper insights and a single pane of glass view into the performances of their applications as well as the infrastructure hosting those applications. By enabling full IT instrumentation and providing full stack end to end visibility, enterprise IT will be able to pinpoint issues and resolve them.

New Relic launched Digital Intelligence Platform only in 2016 as a unified cloud platform providing full stack end-to-end visibility and analytics across mobile and web applications, infrastructure, end-user experience, and digital business performance that deliver actionable insights about digital business and is designed to scale with the business. And within a year, the SaaS performance monitoring and analytics company has added significant new features to it.

**New Relic Health Map**: The Health Map feature combines the insights from New Relic APM (Application Performance Monitoring) and New Relic Infrastructure to deliver a single view of applications and the infrastructure supporting those applications. As European enterprises move to a microservices architecture building complex, heterogeneous and dynamic applications, they find it more and more difficult to pinpoint the performance issue within the application stack. At the same time the underlying infrastructure is becoming dynamic too as more European enterprises commit to a multi-cloud architecture. IDC estimates that by 2018, more than 70% of European enterprise IT will commit to multi-cloud architectures.

Organizations find that relying on siloed application monitoring tools and infrastructure monitoring tools does not give them a holistic picture for an efficient diagnosis of the performance bottlenecks. A single unified view of performance across applications and infrastructure allows IT operations and DevOps teams to easily understand if the source of a performance issue is from the application code or in the infrastructure layer. IDC believes that such transparency from full stack visibility is critical in paving the way for a frictionless DevOps process where the development team can identify and fix the code issues or the operations team can reconfigure infrastructure to ensure smooth functioning of the application. IT can identify 'noisy-neighbors' in the infrastructure and display system health on a Network Operations Center (NOC) screen to clearly visualize the complex dependencies among applications and infrastructure. Our 2017 European Datacenter End User Survey revealed that 'improved application performance management' is top priority for 26% of enterprises.

Health Map provides a high-density, color-coded view of all applications and the multiple hosts they rely on. It also has a simple user interface to allow developers and line-of-business to use the data.

**Deeper AWS Integrations**: New Relic beefed up its infrastructure monitoring platform by introducing new integrations for key AWS services including Amazon Kinesis Firehose, Amazon Elasticsearch Service, Amazon Route 53, Amazon EC2 Container Service, and Amazon EC2

Container Registry. There is also a Billing and Cost Management feature to allow common customers to monitor costs in real time and plan capacity for the future. IDC believes the cost management feature will become very popular among customers who see their public cloud costs soaring high. It will also be useful for many early cloud adopters who have limited visibility into the instances running on the cloud and the applications they support and turn off the instances not in use and save IaaS costs. IDC's survey also revealed how monitoring and managing application performance is cited as the most pressing cloud storage management challenge by 26% of respondents, indicating this as the biggest painpoint as cloud adoption goes mainstream.

**Infrastructure SDK open to customers:** System administrators and DevOps teams can use the New Relic Infrastructure SDK to standardize the monitoring of custom services alongside dynamic infrastructure instances within the context of the applications that they support. This visibility can lead to faster diagnosis of performance problems by having all the relevant information from a single source. At FutureStack, New Relic emphasized that its engineering team uses the same SDK to build its new integration services. It also emphasized how many of its customers were using New Relic metrics to build their own tools and integrations giving the vendor ideas for product innovation. IDC sees this opening of Infrastructure SDK as a significant step to crowd-source ideas and accelerate further innovation into New Relic's offerings. Other features introduced at FutureStack include New Relic Mobile crash event trail, New Relic Synthetics new public locations, New Relic Browser domain conditions, and New Relic Insights facet cases.

## Beyond APM to Full-Stack Instrumentation and Visibility

It is clear New Relic has come a long way beyond simply offering APM. New Relic Infrastructure is the company's fastest growing product while other monitoring solutions such as New Relic Browser, New Relic Mobile, and Synthetics are growing fast too. The SaaS monitoring platform provider processes 1.5 billion events and metrics per minute, a staggering volume for a startup founded only in 2008.

Full IT instrumentation and full stack visibility is especially critical in a multi-cloud, dynamic applications world where the interdependencies between infrastructure and applications are complex and microservices-based making performance challenge difficult. But at the same time, performance monitoring across the full stack is essential as the new cloud-native, highly scalable applications are built with the aim of improving customer experiences and tied to enterprise digital transformation initiatives. Customer experiences on new applications can make or break brands and the insights into its performance as well as the underlying infrastructure will help businesses minimize disruption and downtime. IDC also believes that such platforms can help IT to comply with the performance and availability SLAs. We estimate that as DevOps scales up, more than 45% of large European enterprises will invest in policy-driven self service automation to power on-demand multi-cloud access and utilization by 2019, making services such as Digital Intelligence Platform critical to this.

IDC also believes that full-stack visibility and metrics can be useful for enterprises to de-risk their infrastructure transformation project or a consolidation project because the insights from infrastructure performance monitoring tools can be used to benchmark the expected performance from the new infrastructure for a specific application. Many European organizations are looking to migrate their workloads to cloud and performance metrics data will help them scope and plan for infrastructure on the cloud for specific applications making their hybrid cloud and multi-cloud journey more successful.

# New Relic's European Prospects

The company's revenue from EMEA increased 46% YoY in fiscal year 2017, for the nine months ended December 31, 2016. EMEA revenue now accounts for 19% of the company's total revenue.

At the London event, in conversations with IDC, many of New Relic's European customers including Ryanair, Ocado, Asos and KPMG stressed the user-friendliness of the New Relic services. IDC notes that the company's willingness to build features based on direct customer feedback and making the dashboard simple to use makes performance analytics accessible for everyone, including line of business is particularly welcome among customers.

Although New Relic's products and capabilities are very popular among its customer base, many European enterprises still consider it as an APM startup. New Relic will need to empower and enable its partners to increase the awareness of its services among European enterprises. Its aggressive innovation roadmap will yield faster results if New Relic can translate its vision and product features to partner opportunities.

As a "born in the cloud" SaaS provider, IDC believes New Relic may find it challenging to enter the more traditional medium-sized enterprises in Europe. But the company has shown a strong focus on security and advises customers about how to pick a secure cloud service and what matters to achieve cloud security.

Building awareness and educating users that cloud based APM tools do not collect sensitive personal data that could violate EU privacy laws – but that the data it collects is low-risk and infrastructure performance data such as CPU utilization and performance bottlenecks is valuable for IT administrators to improve their IT efficiencies – are also important. It also needs to highlight how it has been approved under the EU-U.S. Privacy Shield Program and its compliance strategies around the upcoming General Data Protection Regulation.

As a company heavily focusing on public cloud integrations and making an executive decision to not introduce an on-premise version of its platform just yet, it is in the interest of New Relic to enable partners and enterprises in Europe to become cloud-friendly. IDC believes New Relic's strategic decision to continue focusing on pure SaaS model will reap benefits in the long run. IDC's data shows that in 2016, the performance management services market in Europe grew 10% YoY but the cloud-based performance management services market grew at a rapid 49% compared to 6% growth in the on-premises offerings of performance management software. IDC data also shows that, among the cloud providers of performance management services, New Relic is the leader in the space growing 49% in 2016 in Europe with its peers such as Dynatrace or AppDynamics (now Cisco) as less than half in size. IDC also notes that the on-premises performance management software space is crowded with many players such as BMC, CA Technologies, IBM, Microsoft, Cisco AppDynamics, and Red Hat among others. In conversations with IDC, many of its customers said they prefer the SaaS option than hosting an agent on their own infrastructure.

With happy customers from many different verticals and sizes in Europe, New Relic now needs to focus on expanding its footprint in the region, especially among traditional enterprises with complex infrastructure and application portfolio. For this, it needs to demonstrate how users have the granularity to add instrumentation and determine parameter data to define precisely which data will be sent to the cloud. In IDC's opinion, the company's dedicated full-time security staff members, who are active in security communities and understand stricter EU regulations, will help New Relic to effectively allay users' cloud security concerns. New use cases of its solutions such as using the metrics data as a

benchmark for scoping infrastructure in the cloud can also help New Relic play a key role in facilitating the hybrid cloud, multi-cloud journey for enterprises. It should start with enterprises that want business-centric SLAs to replace uptime and availability as KPIs, and are realizing the challenges as workloads become more portable and software-controlled.

## New Relic Seymour and Future projects

A glimpse into the product roadmap at FutureStack revealed New Relic's investment in machine learning and AI to make its performance insights even more smarter and more importantly personalized. Project Seymour, anomaly detection, and root-cause analysis is all automated. Users can tell Seymour what is relevant to them with simple feedback (thumbs-up/thumbs-down button). The machine learning systems pack this personalized information and insight into cards that make it easy to see what's happening at a glance, whether it's an error incident, a spike in traffic, or an emerging usage trend. This can help have a quick archive view of the insights or patterns that Seymour determines is most important to the customer, based on the role, permissions, and feedback history.

Siphoning such tasks to AI will become important in the future as the time or skills needed to drill deep into complex infrastructure and application stack all the time will become increasingly difficult as IT estate sprawls even further. But at the same time, the need to have that performance data for the DevOps team will become even more critical to remediate faster and identify bottlenecks before they become operational problems.

With a strong innovations roadmap, investment in machine learning and AI, deeper integrations with public cloud services (AWS), PaaS (CloudFoundry collaboration) and analytics (Splunk alliance), it is clear New Relic is marching beyond the 3$^{rd}$ platform into the new era of digital transformation. But it needs to take European enterprises and partners alongside this journey to turn its innovation and engineering efforts into business opportunities in Europe. For now, the ratio between on-premise performance management software market and off-premises offerings in Europe is 80:20 but the off-premises segment is growing at a very accelerated pace and New Relic, already a leader in this space reiterated its commitment to the SaaS delivery model. IDC believes that New Relic's full stack offering, its cloud-based pricing and multiple service tiers that allow customers to use the service as desired will continue to become more important to multi-cloud hybrid IT enterprises in Europe in the next 3-5 years giving the company a bright future. New Relic will need to invest more in creating better brand awareness and build a robust go-to-market strategy in Europe. It will need to embark on this expansion journey with its partners and current European customers including KPMG, Allianz X, Ocado, Ryanair, Lyst, Sportamore, 20 Minutes, Asos and others.

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## Synopsis

At its FutureStack 2017 event in London on May 24, 2017, New Relic released new capabilities to its Digital Intelligence Platform to give customers deeper insights and a single pane of glass view into the performances of their applications as well as the infrastructure hosting those applications. It demonstrated how the SaaS -based performance metrics provider has come a long way beyond simple APM services to full-stack visibility relevant in the multi-cloud, dynamic applications world.

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