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The Business Value of the New Relic Observability Platform

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BUSINESS VALUE HIGHLIGHTS

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357%
three-year ROI

5 months
to payback

$4.4M
total new revenue gained per year

61 more
productive hours gained per end user annually

88% reduction
in unplanned downtime

83% faster
identification of troubleshooting issues

25% faster
execution of business transactions

43% more
efficient troubleshooting teams

16% more
efficient IT engineers

13% more
productive DevOps project teams

22% reduced
help desk calls

Executive Summary

The New Relic cloud-based observability platform visualizes, analyzes, identifies, and troubleshoots the entire technology stack, including software, applications, infrastructure, networks, mobile, browser, Kubernetes, and more. New Relic helps developer, DevOps, operations, and site reliability engineering (SRE) teams improve the quality of their software planning, build, and delivery along with the performance and reliability of their systems and applications. The platform is designed to provide a powerful set of observability, monitoring, problem identification, analytics, and resolution capabilities for multiple teams to gain a comprehensive, real-time, full-stack view of service performance. Its single view of all telemetry data enables teams to identify the root cause of problems quickly, drill into errors (debug) using advanced analytic models, and resolve problems using intelligence dashboards.

IDC conducted research that explored the value and benefits for organizations using New Relic to manage the overall quality (and system reliability) of their application development life cycle and to troubleshoot operations more efficiently. Through a series of in-depth customer interviews and using the IDC methodology for determining business value, the IDC analysis found that these organizations realized significant value from New Relic by:

- Improving their full-stack monitoring capabilities, thereby boosting the productivity of IT, application development, and DevOps teams
- Ensuring the quality, integrity, availability, and performance of business-critical applications for end users and customers through better visibility, monitoring, identification, and troubleshooting capabilities
- Helping DevOps, developer, and operations teams use analytics to become more productive — including accelerating problem identification and resolution, improving reliability, and easing (and preventing) the impact of unplanned downtime on that productivity — while increasing the quality of the customer experience
- Improving business results through better and more reliable application performance

Situation Overview

The era of digital transformation investments has created digital business models that rely on software to drive customer engagement, product innovation, and a great customer experience that delivers profitable growth and competitive advantages. It is more important than ever for business and technology leadership teams to deliver service uptime and performance, scale, efficiencies, speed, and agility. These sustainable outcomes are creating competitive moats and loyal customers and are difficult to duplicate. Increasingly, organizations are focused on improving availability and performance to ensure a great customer experience, gaining greater scale and efficiency through multicloud adoption and cloud migrations, and accelerating time to market and product innovation through speed and agility by embracing Agile, DevSecOps, SRE, and observability practices.

New software development models and architectures are continuing to garner high adoption rates; monolithic applications are getting redesigned into microservices using containers, Kubernetes, and public cloud infrastructure, where changes are measured in seconds and complexity increases exponentially. Agile and DevSecOps teams are embracing automation and continuous integration/continuous delivery (CI/CD) wherever software changes, deployment frequencies, and error rates happen faster and more frequently. SRE teams are focused on creating service-level indicators (SLIs) and service-level objectives (SLOs) and aligning them with error budgets and the best-fit level of system reliability for a happy customer experience. These people, process, and technology changes are creating new challenges and raising the levels of complexity for digital products and services in a world where customers have no patience for downtime. What's required is a modern approach to monitoring and observability that delivers business outcomes and a high return on investment.

To deliver a modern approach, teams should consider an observability model based on a single data repository for full-stack, high-data cardinality sources from across applications, infrastructure, containers, and microservices that transcends metrics, logs, events, and traces in real time. This will enable stakeholders from across the organization to access the data and identify and resolve problems fast by using analytics to reduce unnecessary information that can bog down teams and problem-resolution processes. Finding the right signals from millions of data points has become critical in modern operations as customers quickly grow impatient with poor-performing services and seek other products and experiences that are a click away. In addition to leveraging one data platform and finding answers quickly, teams should be able to understand what caused a performance problem and why by using explorable dashboards to pinpoint issues and proactively act on data from a full-stack, end-to-end perspective.

However, a modern observability approach is not enough if it can't provide real business outcomes and returns across people, processes, and technology. Identifying the right metrics to gauge success and business outcomes has become paramount for supporting digital transformations. IT and business leadership teams should have concrete metrics and well-defined outcomes to use and expand the adoption of observability platforms, as the technology has become a core foundation for enabling a modern operations approach.

Overview of New Relic

New Relic is an easy-to-use, powerful, unified, cloud-based observability platform that enables a data-driven approach to software engineering with best-in-class tools for monitoring, debugging, and improving the entire tech stack. It includes:

- **All-in-one observability:** Analyzes all telemetry in one place with powerful full-stack analysis tools and simple and predictable usage-based pricing
- **Full-stack monitoring:** Provides a live, in-depth view of networks, infrastructures, applications, end-user experiences, machine learning models, and more
- **Unified observability experiences:** Eliminates observability silos with immersive cross-platform experiences and AI assistance at every step
- **A secure, hyper-scalable data platform:** Instruments all telemetry, from anywhere, in a single, secure cloud location (no sampling required)
- **Observability for all engineers:** Enables every engineer to do their best work based on data that helps fill in the gaps, confirm the hypotheses, and overcome assumptions and opinions — at every stage of the software life cycle

Its key capabilities include application performance monitoring (APM), infrastructure monitoring, Kubernetes monitoring, log management, network monitoring, browser monitoring, mobile monitoring, synthetic monitoring, serverless monitoring, and model performance monitoring.

The New Relic immersive cross-platform experiences include integrated development environment (IDE) code collaboration via New Relic CodeStream, error tracking via an errors inbox, real-time issue identification in one place via New Relic Explorer, and AIOps via applied intelligence. In addition, New Relic enables organizations to put all of their telemetry data in one database through integrations, dashboards, alerts, and native support for OpenTelemetry.

The secure platform is compliant with the Federal Risk and Authorization Management Program (FedRAMP) Authorization Act, the Health Insurance Portability and Accountability Act (HIPAA), the Service Organization Control (SOC) 2 standard, and more.

The New Relic transparent, usage-based pricing and single-platform approach mean that organizations pay only for what they need instead of for a bundle of SKUs. Plus, they can start for free, with 100GB per month of free data (and a low rate per GB after that), one free full-platform user per month, and unlimited free basic users — so they never have to sample data or limit visibility into their systems.

The Business Value of New Relic

Study Demographics

IDC conducted research that explored the value and benefits that organizations receive by using the New Relic observability platform to optimize their application monitoring and troubleshooting operations. The project included interviews with nine organizations that use New Relic. Interviewed managers all had experience with and knowledge about its benefits and were asked a variety of quantitative and qualitative questions about its impacts on their IT operations, core businesses, and costs.

Table 1 presents the study demographics. The organizations that IDC interviewed had an average base of 22,689 employees, indicating the inclusion of several large organizations. This workforce was supported by an average IT staff of 129 engaged in managing an average of 297 business applications. In terms of geographical distribution, six companies were based in the United States and one each in India, South Korea, and the United Kingdom. A variety of vertical markets were represented, including two organizations in the information technology sector, two in the media and entertainment sector, and one each in the energy, financial services, healthcare, retail, and telecommunications sectors.

TABLE 1

Firmographics of Interviewed Organizations

	Average	Median	Range
Number of employees	22,689	5,000	250 to 95,000
Number of IT staff	129	100	30 to 15,000
Percentage of employees who are using IT services	97%	100%	83% to 100%
Number of business applications	297	150	4 to 800
Revenue per year	$22.4B	$7.7B	$49.0M to $130.0B
Countries	United States (6), India, South Korea, United Kingdom		
Industries	Information Technology (2), Media and Entertainment (2), Energy, Financial Services, Healthcare, Retail, Telecommunication		

Source: IDC Interviews, December 2021

Selection and Use of New Relic

The organizations that IDC interviewed described typical patterns for their use of New Relic. They also discussed the rationale for choosing the platform, including as an optimal means of helping their developer and DevOps teams improve the quality and integrity of business-critical applications while also eliminating some organization/technology silos. New Relic has a strong reputation for best-of-breed solutions in the APM market space, which emerged as a key consideration. In addition, the study participants called out how New Relic has helped them transition smoothly to containers and the public cloud and has provided better scalability than their previous platform.
They also called out its user- and usage-based cost structure. One study participant cited the need to ensure strict quality for a key application launch that had high customer visibility and impact.

Study participants made detailed comments on these benefits:

- **Liked strong APM experience:**
  "When we signed on, New Relic was kind of the 800-pound gorilla in the APM space, so it's very much the best of breed in application monitoring."

- **Needed high performance for a key application launch:**
  "We were going live with a large release of several applications simultaneously. It was a very visible event that a lot of people were looking at and had it gone wrong, it would have had a very large impact. So, we were really looking to build confidence in the software to understand what was happening and to be proactively ahead of any performance and support issues that came out of it."

- **Needed help with the transition to containers and the public cloud:**
  "The first time we looked at New Relic was predominantly driven [by] when we were getting into containers and Kubernetes. We found the New Relic platform to really support [our needs] quite well as we were launching our container platform … we found [New Relic] pricing to be competitive. In fact, it was much more favorable for us as we entered our journey into the public cloud. We really expanded at scale when New Relic pivoted its cost structure to be much more user-based than host-based."

- **Wanted a platform that could scale:**
  "We have about 15 million customers and growing, and we have a vision to increase our reach further and make our platform better. So, when we are operating at this scale, we want [an observability] platform that can help us monitor the performance of our applications and get notified as soon as possible because we do not want to be stuck. Before it was metrics and logs from our cloud provider but now it's more granular with New Relic."

Table 2 (next page) provides a snapshot of New Relic usage and the IT environments of interviewed organizations. On average, there were 103 business applications monitored by New Relic, representing approximately 34% of all applications in play. In addition, New Relic supported a substantial portion of the revenue base of interviewed organizations (67%).

TABLE 2

New Relic Environment

	Average	Median
Number of business applications	103	25
Percentage growth rate of applications	12%	11%
Number of day-to-day users	790	233
Number of sites/branches	11	6
Number of public cloud locations	3	3
Percentage of revenue supported by applications	67%	100%

Source: IDC Interviews, December 2021

Business Value and Quantified Benefits

The IDC Business Value methodology evaluates and quantifies the benefits for organizations that have adopted New Relic as the core of their observability efforts. For interviewed organizations, the advantage of better observability served to boost the overall productivity of IT, application development, and DevOps teams. It also bolstered the quality, integrity, and performance of business-critical applications for end users and customers through better visibility as well as monitoring and troubleshooting improvements. Combined, these benefits helped end users be more productive as the result of better reliability, less unplanned downtime affecting their productivity, and faster execution of applications-based business transactions. Downstream synergies resulting from the totality of these operational benefits contributed to better business operations and results.

Study participants highlighted these and other significant benefits:

- **Existing teams freed up time to work on other priorities:**
  "Operationally, [New Relic] allows us to run with quite a lean team and support a lot of business processes. … We can just … concentrate on our software, which is the most important thing for us."
- **Response time was improved for customer-facing applications:**
  "We are focused on overall response time. We are using New Relic for specific metrics that [indicate our platforms] are reachable by customers. We want to get to a net average [response time] of less than two seconds. … We have a broad suite of metrics … based on reachability, availability, resiliency, and so forth. But at the highest levels, this is what we're after."

- **Real-time data helped from a business perspective:**
  "The real-time KPIs have been huge for us. We can now tell in real time how successful our customers are in logging in, how successful they are in adding funds into their accounts, and so on. If you instrument all those things in New Relic, you can see how it's doing in real time along with all of the technical pieces."

- **In-depth monitoring improved diagnoses:**
  "Self-service access is the biggest benefit we get, and then the probing we get from New Relic is pretty deep. In fact, it is better than all the tools we use. With the depth of monitoring, you can diagnose anything."

Improved Application Monitoring and Development

Application development and DevOps teams are tasked with delivering highly functional and usable software that their organizations rely on. However, an industry-wide shift to an application-centric approach has created significant challenges in managing development life cycles. Development teams now need highly robust and automated IT resources to develop, test, and deploy new applications and releases quickly and easily with a minimum of manual intervention. They also need to maintain high levels of visibility at every stage of the software development life cycle while eliminating some organizational silos through improved analytics.

The New Relic cloud-based observability platform addresses these challenges with the ability to help developer and IT support teams visualize, analyze, and troubleshoot applications. It is designed to help developers improve the quality and integrity of their releases with a set of automated visibility tools that provide a granular, real-time view of performance at each stage of the software life cycle (plan, build, deploy, run). These capabilities can help companies improve quality by quickly identifying defects and boosting staff productivity.

Study participants identified many core benefits that New Relic brought to their organizations. They cited being able to rely on greater team efficiency, ease of management, and other capabilities such as improved visibility into potential issues that compensated for running with a lean staff. Study participants noted that after adoption, they could spend more time on business tasks that were tied to product development and customer support. They also noted that New Relic helped them identify performance issues more readily, thereby optimizing smooth and continuous application delivery. There was broad consensus that, overall, the platform greatly improved the entire software development life cycle and provided positive business impacts.

Study participants commented in detail on these benefits:

- **Peace of mind with a lean team:**
  "Thanks to New Relic, we have greater [peace of mind]. … Wherever there is an anomaly in the system, we know that right away. That's the biggest value of New Relic."

- **Quality-of-life improvements for IT engineers:**
  "Our IT engineers gain visibility. They are now able to spend more time on their core activity of building products and supporting customers, as opposed to running a platform or a tool, with New Relic."
- **Quicker issue identification:**
  "Continuous delivery is the key benefit [of using New Relic]. What improved the most was the time to find issues after a release, which went down drastically because you can see all the issues that come up. … [L]et's say it [previously] could take half an hour to find that something's wrong … we can do it now in a couple of minutes … we do that daily."
- **Improved development process:**
  "New Relic has definitely increased our confidence in deploying to production. So right now, we can compare the before and after performance of an application after adding a new feature and have good comparison data. They can now decide when to roll back on something like [an underperforming feature]. So, that has helped with development."

Average team productivity increased by 16%, which translated into an average annual salary savings of $1M for each organization surveyed.

IDC examined the specifics of how using New Relic boosted staff productivity, starting with IT engineering teams tasked with supporting development teams and resources. Study participants reported that their IT engineers saved time in monitoring application issues with the ability to drill into errors and slow traces to find root causes. As shown in **Table 3**, after adopting New Relic, the average team productivity increased by 16%. These improvements translated into an average annual salary savings of $1.0 million for each organization surveyed.

TABLE 3

IT Engineers Impact

	Before New Relic	With New Relic	Difference	Benefit (%)
IT engineers, FTE equivalent per organization per year	67	57	10	16%
Staff time cost per year	$6.7M	$5.7M	$1.0M	16%

Source: IDC Interviews, December 2021

Study participants identified other improvements in team productivity. After they adopted New Relic, troubleshooting teams benefited from improved code-level visibility and metrics when working on finding and resolving issues that affect development workflows and deployments.

As one study participant noted: *"Earlier, other tools had limits that were imposed on them. By consolidating and adding New Relic, it gave us scale. A year ago, I used to throttle teams' usage because I only had so many licenses. If you have 10 apps and come to me, I would say, 'Okay, this is the six you're going to get because they are the most important. The other four you have to manage without support.' But now, since we have … a product that meets our needs, we're able to support all 10 apps without saying no to any of them. For the same investment, we are getting better value."*

IDC quantified these benefits as shown in **Table 4**. After adopting New Relic, average team productivity increased by 43%. These improvements translated into an average annual salary savings of $1.3 million for each organization surveyed.

Average team productivity increased by 43%, which translated into an average annual savings of $1.3M for each organization surveyed.

TABLE 4

Troubleshooting Team Impact

	Before New Relic	With New Relic	Difference	Benefit (%)
Troubleshooting team, FTE equivalent per organization per year	31	18	13	43%
Staff time cost per year	$3.1M	$1.8M	$1.3M	43%

Source: IDC Interviews, December 2021

IDC then calculated overall troubleshooting team performance. As shown in **Table 5**, troubleshooting teams required significantly less time to identify, manage, and resolve application-related issues. With New Relic in place, they identified issues 83% faster and resolved identified issues 27% faster.

Troubleshooting teams identified issues 83% faster and resolved issues 27% faster.

TABLE 5

Troubleshooting Performance Impact

	Before New Relic	With New Relic	Difference	Difference (%)
Average time to identify an issue that requires troubleshooting (hours)	1	0.2	0.8	83%
Average time in total to troubleshoot per issue (hours)	1	0.6	0.4	39%
Average staff time in total to resolve per issue requiring troubleshooting (hours)	2	1	1	27%

Source: IDC Interviews, December 2021

Study participants reported that when applications run more smoothly and with less disruption, help desk workloads are mitigated. In addition, with fewer issues to resolve, end users have more time to devote to productive work. As one study participant noted: *"We're solving problems faster. When there's a problem with the mobile app, people call in. We see it already and we then fix it before the rest of the team calls in. Previously, we might have had 500 people call in before we discovered the problem."*

As shown in **Figure 1**, after adopting New Relic, the number of calls to the help desk decreased by 22%. When problems did occur, the help desk could resolve them 14% faster.

Help desk calls decreased by 22%.

Problems were resolved 14% faster.

FIGURE 1

Help Desk Impact

(% improvement)

n = 9, Source: IDC Interviews, December 2021

With a robust set of automated tools that gave developers granular visibility into every stage of development, from back-end APIs to front-end user devices, developer and DevOps teams could work more efficiently. These teams found that they could test and identify issues easily ahead of releases. This enhancement improved the development process itself and the quality and functional integrity of releases.

As shown in **Table 6**, after adopting New Relic, average team productivity increased by 13%, which means that these teams of 704 could now perform at the level of a team size of 792 FTEs. These improvements translated into an average productivity-based business value of $8.8 million for each organization.

Average team productivity increased by 13%, which translated into an average productivity-based business value of $8.8M for each organization.

TABLE 6

DevOps and AppDev Impact

	Before New Relic	With New Relic	Difference	Benefit (%)
DevOps/AppDev, FTE equivalent per organization per year	704	792	88	13%
Equivalent value of DevOps/AppDev team productivity, $ per year per organization	$70.4M	$79.2M	$8.8M	13%

Source: IDC Interviews, December 2021

To drill down on DevOps impacts, IDC identified a range of commonly used tasks and operations. Study participants reported that DevOps teams using New Relic were able to improve specific aspects of application life cycles. As shown in **Figure 2**, the greatest improvements were seen in testing (19% more effective) and integration (15% more effective), where New Relic has had a clear impact.

DevOps teams improved all aspects of application life cycles including 19% more effective testing and 15% more effective integration.

FIGURE 2

DevOps Task Impact

(% improvement)

n = 9, Source: IDC Interviews, December 2021

In addition to the improvements already discussed, New Relic adoption also impacted IT infrastructure teams. Using New Relic with public cloud and various IT infrastructure resources to address and monitor issues helped these teams perform routine operational tasks more efficiently. **Table 7** shows that after adopting New Relic, average team productivity increased by 16%. These improvements translated into an average annual salary savings of $239,900 per organization.

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TABLE 7

IT Infrastructure Management Impact

	Before New Relic	With New Relic	Difference	Benefit (%)
Management of IT infrastructure productivity impact, equivalent FTEs	15	12	3	16%
Salary cost per year per organization	$1.5M	$1.2M	$0.3M	16%

Source: IDC Interviews, December 2021

Business Improvements: Better Reliability, Performance, and Results

Internal end users and customers executed business transactions 25% faster, reduced the time to run batch processes by 23%, and decreased latency for application performance by 22%.

The organizations that IDC interviewed reported that the improvements in application monitoring enabled by using New Relic also bolstered their business plans, operations, and results. They appreciated that having more nimble IT resources and teams translated into making products and services market-ready more quickly while also limiting potential revenue loss. Study participants called out the advantages of having very high levels of reliability, gaining important insights into actual feature usage, and improving the overall quality of digital experiences for their customers.

They elaborated on these benefits:

- **Limits potential revenue loss:**
  "We look to New Relic less for revenue enhancement and more for revenue-loss prevention. Take the iconic day where, if 30 million customers want to come in and buy an iPhone, we don't want to lose a single customer whose experience is bad or have them be unable to place an order. We can ensure these things because we have those insights."
- **Provides business insights:**
  "We're using the data to see if certain features are going to be used or have characteristics or functions that are going to be successful. I'm now measuring this once something is out the door. This is the main way that we use New Relic for our products."
- **Improves the customer experience:**
  "[New Relic has] had an impact on efforts to improve our customer experience. … We've reduced page load time from six to four seconds as a result, so that's a performance gain of 33%."

IDC evaluated and quantified the business impacts of New Relic by looking at key performance indicators (KPIs) associated with core business operations. Study participants reported that internal end users and customers alike experienced improved performance in the business-critical functions and applications they frequently used and depended upon. As shown in **Figure 3**, after adopting New Relic, study participants saw improvements in key functions such as executing business transactions (25% faster), reducing the time to run batch processes (23% reduction), and improving application performance (22% lower latency).

FIGURE 3

Performance-Related Benefits

(% improvement)

n = 9, Source: IDC Interviews, December 2021

IDC then looked at impacts on unplanned downtime. Study participants told IDC that New Relic had a significant impact on the IT engineering and developer teams' ability to manage and mitigate disruptions in application availability due to unplanned downtime. The data showed that better-performing and more robust applications could be linked directly to greater reliability. For end users, business partners, and customers, this translated into improved digital experiences and access to business applications and services.

IDC quantified these impacts as shown in **Table 8**. The annual frequency of unplanned outages was reduced substantially (49%). Further, when disruptive events did occur, they were remediated 69% faster. These two improvements combined for an overall staff productivity boost of 88% and translated into an average annual salary savings of $853,000 for each organization.

The annual frequency of unplanned outages was reduced by 49% and disruptive events were remediated 69% faster, which boosted staff productivity by 88% and translated into an average annual salary savings of $853,000 for each organization.

TABLE 8

Unplanned Downtime Impact

	Before New Relic	With New Relic	Difference	Difference (%)
Frequency per year	34	17	17	49%
Time to resolve (hours)	2	1	1	69%
Hours lost per user	1	0	1	88%
FTE impact, lost productivity due to unplanned outages	14	2	12	88%
Value of lost productivity	$972,000	$119,000	$853,000	88%

Source: IDC Interviews, December 2021

Analysis of an additional set of business KPIs pointed to other positive impacts of using New Relic. Study participants reported that better application management tools and systems helped them move products and services to market more expeditiously; these tools also helped them serve their customers better. For example, organizations could ascertain in real time how successful their customers were in logging into their websites or how successful they were with specific business transactions.

One study participant noted that more nimble teams improved market agility: *"We probably [have a] 75% faster [time] to market [because of] adopting AWS quite heavily in New Relic. We're so much faster at getting things up and running and being able to rapidly change them."*

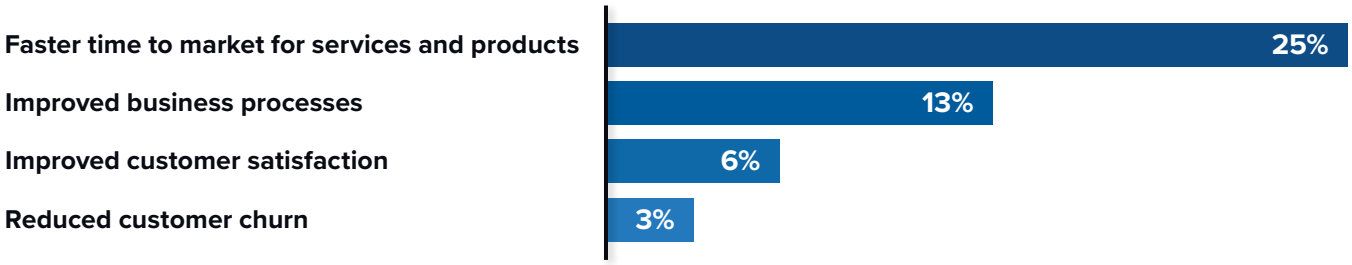
IDC quantified these business benefits using an additional set of KPIs. As shown in **Figure 4** (next page), the greatest improvements were seen in time to market (25% faster), improved business processes (13% more effective), and customer satisfaction (6% improvement).

Time to market was 25% faster, business processes were 13% more effective, and customer satisfaction improved by 6%.

FIGURE 4

Business KPIs

(% improvement)



n = 9, Source: IDC Interviews, December 2021

IDC further evaluated business productivity benefits by quantifying the ability of study participants to address business opportunities better after adopting New Relic. Improving end-user and customer experiences for business-critical applications led to downstream impacts: Study participants captured more revenue after better addressing business opportunities.

The total average additional annual revenue projected with New Relic is $4.4M.

Table 9 quantifies these revenue impacts using the IDC Business Value methodology. As shown, the total average additional annual revenue projected using New Relic is $4.4 million.

TABLE 9

Business Operations and User Impact

	Per Organization
Total additional revenue per year	$4.4M
Assumed operating margin	15%
Total recognized revenue, IDC model, per year	$664,000

Source: IDC interviews, December 2021

IDC then looked more closely at end-user impacts from reduced silos and improved application analytics. IDC Business Value calculations confirmed that end users were more productive with better-performing applications. As one study participant noted: *"Because we have New Relic, our finance department closes the books faster as a result of having fewer data issues. We also have a large content team that can write content faster and more efficiently. Both of these groups now save 5% of their staff time."*

Organizations gained 1% in gross productivity and 61 productive hours, which translated into an annual productivity-based business value of $1.8M.

Table 10 (next page) quantifies these improvements, showing gross productivity gains of 1% with 61 productive hours gained per organization. These benefits translate into an annual productivity-based business value of $1.8 million.

TABLE 10

End-User Impact

	Per Organization
Number of users impacted	2,811
Gross productivity gains	1%
Productive hours gained per user	61
End-user impact, FTE equivalent per organization per year	25
Value of increased end-user productivity	$1.8M

Source: IDC interviews, December 2021

ROI Summary

Table 11 presents the IDC return-on-investment analysis for study participants' use of New Relic. IDC projects that interviewed companies will achieve three-year discounted benefits worth an average of $33.3 million per organization ($325,500 per application) through improved application management, better business operations, and IT team/end-user productivity gains as described. These benefits compare with total three-year discounted costs of $7.3 million per organization ($71,000 per application). These levels of benefits and investment costs are projected to result in an average three-year ROI of 357%, with a break-even point occurring in approximately five months.

These levels of benefits and investment costs are projected to result in an average three-year ROI of 357% with a break-even point occurring in ~5 months.

TABLE 11

Three-Year ROI Analysis

	Per Organization	Per 100 Day-to-Day Users	Per Application
Benefit (discounted)	$33.3M	$4.2M	$325.5K
Investment (discounted)	$7.3M	$920.8K	$71.0K
Net present value	$26.0M	$3.3M	$253.6K
ROI (NPV/investment)	357%	357%	357%
Payback	5 months	5 months	5 months
Discount factor	12%	12%	12%

Source: IDC Interviews, December 2021

Challenges and Opportunities

The obvious questions to ask about deploying observability across an organization are quite simple: What are the business and customer risks for not knowing how critical products and digital services are performing? If they fail, what impact will that have on the business and customer (and employee) experience? The reality is that observability is a core capability for every IT organization, now more than ever as employees, customers, and partners rely on digital services for everything from communications to shopping to entertainment and more. It's a mission-critical, need-to-have — not a nice-to-have — investment.

To drive outcomes, executives should consider the following challenges as they plan and deploy an observability platform:

- Organizational structure, existing skills, established practices and processes, and policy issues related to implementing observability capabilities may be more challenging than the technical requirements.
- Many organizations have rigid organizational constructs that limit teamwork and trust and create fragmented processes and endless toolchains with separate data pools.
- The growing role and importance of in-depth, end-to-end analytics help drive the best possible digital experience for employees and customers and the most efficient and effective use of existing teams as part of the problem identification, resolution, and postmortem process.
- Tooling that is appealing to multiple IT teams and stakeholders — such as IT operations, SREs, DevOps, and application developers — is necessary to increase the adoption of observability and to enable effective collaboration across the enterprise, both within IT and between IT and business groups.
- The ability to balance further analytics models helps accomplish different outcomes.
- Many IT organizations cannot create unified visibility across all key services covering application, network, compute, and cloud services components.

Conclusion

The advancements in digital transformation investments and the use of digital services have changed the customer engagement model. These services depend on highly reliable and high-performing infrastructure and applications typically sourced across complex, multiple-cloud architectures. The ability of CIOs and their teams to visualize, analyze, identify, and troubleshoot the entire technology stack, including software,

applications, infrastructure, networks, mobile, browser, and Kubernetes, has never been more important.

Many people and teams are often involved in maintaining high-performing services; developer, DevOps engineering, operations, platform operations, and SRE teams must improve the quality of their software planning, build, and delivery to provide great customer experiences that produce revenues and profits. The business value delivered by a comprehensive, real-time, full-stack view of service performance cannot be understated, from improving full-stack monitoring capabilities (thereby boosting the productivity of IT, application development, and DevOps teams) to ensuring the quality, integrity, availability, and performance of business-critical applications for end users and customers through better visibility, monitoring, identification, and troubleshooting capabilities.

Improving business results through better and more reliable application performance is a core foundation for modern development and operations teams. Observability is a need-to-have (not nice-to-have) capability for any executive attempting to drive and deliver on business strategy.

Methodology

The IDC standard Business Value/ROI methodology was used for this project. This methodology is based on gathering data from organizations currently using New Relic as the foundation for the model.

Based on interviews with organizations using New Relic, IDC performed a three-step process to calculate the ROI and payback period:

1. **Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using New Relic.** In this study, the benefits included security staff time efficiencies, development productivity gains, reduced costs associated with risk, and higher revenue.

2. **Created a complete investment (three-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using New Relic and can include additional costs related to migrations, planning, consulting, and staff or user training.

3. **Calculated the ROI and payback period.** IDC conducted a depreciated cash flow analysis of the benefits and investments for the organizations' use of New Relic over three years. ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

IDC bases the payback period and ROI calculations on several assumptions, which are summarized as follows:

- Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded salary of $100,000 per year for IT staff members and an average fully loaded salary of $70,000 per year for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- The net present value of the three-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.
- Because IT solutions require a deployment period, the full solution benefits are not available during deployment. To capture this reality, IDC prorates the benefits monthly and then subtracts the deployment time from the first-year savings.

Note: All numbers in this document may not be exact due to rounding. All dollar amounts are in USD.

Message from the Sponsor

As a leader in observability, New Relic empowers engineers with a data-driven approach to planning, building, deploying, and running great software. New Relic delivers the only unified data platform that empowers engineers with all telemetry — metrics, events, logs, and traces — paired with powerful full-stack analysis tools to help engineers do their best work with data, not opinion. Delivered through the industry's only usage-based consumption pricing that's intuitive and predictable, New Relic gives engineers more value for the money by helping improve planning cycle times, change failure rates, release frequency, and MTTR. This helps the world's leading brands and hyper-growth startups to improve uptime, reliability, and operational efficiency to deliver exceptional customer experiences that fuel innovation and growth.

Explore the New Relic platform

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