REPORT REPRINT

With logging, new AI service, New Relic strengthens platform positioning

APRIL 20 2020

By Nancy Gohring

New Relic has assembled the capabilities required to deliver a machine-learning-driven service for customers looking for unified visibility into complex, cloud-native environments. Additionally, it reports early success of its platform positioning, with its new logging service shining as a particular bright spot.

THIS REPORT, LICENSED TO NEW RELIC, DEVELOPED AND AS PROVIDED BY 451 RESEARCH, LLC, WAS PUBLISHED AS PART OF OUR SYNDICATED MARKET INSIGHT SUBSCRIPTION SERVICE. IT SHALL BE OWNED IN ITS ENTIRETY BY 451 RESEARCH, LLC. THIS REPORT IS SOLELY INTENDED FOR USE BY THE RECIPIENT AND MAY NOT BE REPRODUCED OR RE-POSTED, IN WHOLE OR IN PART, BY THE RECIPIENT WITHOUT EXPRESS PERMISSION FROM 451 RESEARCH.



S&P Global Market Intelligence

RFPORT RFPRINT

Introduction

New Relic has assembled the capabilities required to deliver a machine-learning-driven service for customers looking for unified visibility into complex, cloud-native environments. Additionally, it reports early success of its platform positioning, with its new logging service shining as a particular bright spot.

451 TAKE

With a host of new offerings, including New Relic AI, logging, Kubernetes monitoring and new serverless monitoring features, New Relic is working hard to shake the perception that innovation at the company has stalled. It is positioning itself as a platform, and reports that it is landing deals with some of the newer products and capabilities, such as logging and Kubernetes monitoring, and will soon expand into other services. New Relic AI should further encourage adoption of New Relic's broad set of tools because of promised benefits based on the analysis of all or most of IT ops performance data. Like any vendor that rolls out new services, New Relic will benefit from further development of its new offerings, but we think it has come a long way toward catching up with the competition.

Context

After rolling out New Relic One, a unified presentation layer for all of New Relic's offerings, in 2019, the company is now in execution mode in terms of educating the market on its benefits and selling it. Since there isn't a hard switchover to New Relic One, one measure of its success may be whether New Relic customers are using more than one of its products. For the quarter ending December 2019, New Relic reported that 45% of customers paying more than \$100,000 annually had four or more paid products (New Relic says it has more than 900 accounts paying \$100,000 or more). It also says that, during the first quarter that the new logging product was available, it signed 100 new deals for the product, including two that were in the seven figures. These are encouraging indications that customers recognize the value of using multiple products from New Relic, and that they're interested in the new offerings.

After some executive reshuffling in 2019, New Relic has brought in some new senior leaders, including a new president and chief operating officer, chief product officer, and chief customer officer. The company now has about 2,000 employees, and expects revenue of \$635m for its fiscal year.

Products

Notable new or updated offerings from New Relic include New Relic Al, New Relic Logs, serverless monitoring and Kubernetes monitoring.

REPORT REPRINT

New Relic Al

New Relic has taken heat for being slow to roll out full-fledged ML-driven capabilities. With New Relic AI, it brings to market a solid product (developed in part by the team it acquired along with SignifAI) that aims to solve notable common problems by reducing alert volumes, detecting anomalies and improving alerting. By enabling users to feed in data from third-party systems, New Relic positions the offering as one that can deliver unified visibility without requiring users to give up tools they prefer to keep using. Many of New Relic's competitors have taken a more conservative stance here, focusing on integrations with adjacent tools rather than competitive ones. We think the more open approach is better, bringing more value to customers without trying to force them to use or relinquish particular tools.

New Relic AI analyzes metrics for anomalies, looking for problems relating to latency, errors, traffic volume and system utilization. It runs anomalies and events through a correlation engine, considering factors like time, similarity and topology, but also allowing customers to tweak the system by setting thresholds like the time period to consider and minimum level of alerts to correlate. Users also have the opportunity to rate the result of correlations, to offer additional feedback to the system.

When a user examines an incident, they see the anomalies and related impacted components, as well as an issue log that appears as a timeline showing events related to the problem. The incidents are enriched with potentially helpful information, such as whether a deployment recently pushed to production and what components are impacted. These are techniques that should assist responders as they dig into potentially complex performance problems. We anticipate that New Relic will add the ability to analyze logs and traces in New Relic AI, in order to deliver more complete analysis.

New Relic Logs

Late in 2019, New Relic rolled out its logging service; it reports strong take-up, including a \$2.5m deal with a new customer. New Relic reports that new customers say they appreciate the speed with which New Relic Logs returns queries and its lower cost compared with some competitors. It also reports some customers switching from open source software for the reduction in overhead they can achieve.

The main use case for New Relic's log service is around troubleshooting, with users presented with relevant logs in context. For instance, if a user is viewing an issue in the Kubernetes monitoring dashboard or if they're viewing a distributed trace, they can see related logs. Customers can collect logs from commonly used forwarders, including Logstash, Fluentd and CloudWatch, making it easy for some businesses to switch to New Relic Logs while preserving investments in existing collectors.

Serverless monitoring

New Relic has been doing serverless monitoring for a few years now, and has continued to update its offering. To get started, users must instrument their Lambda functions, either by adding a library to their code or using a Lambda Layer. The instrumentation sends data into CloudWatch logs, and ultimately on to New Relic. Like other vendors using a similar approach, the data collection process adds some time to the function. However, many users find that added time is worth it compared with collecting only the basic data offered by CloudWatch, which is limited and has the added downside of being slow to access.

New Relic dashboards display important insight to users, including number of invocations, how long functions take to execute and error rate. Capabilities like the Lambda Layer instrumentation and the ability to display cold starts come from development done at IOPipe.

RFPORT RFPRINT

Kubernetes monitoring

Like most monitoring vendors, New Relic is catering to strong demand for help from Kubernetes users that very often struggle with managing and monitoring the complex tool. In its Kubernetes dashboard, New Relic displays a concentric-circles visualization that is divided into slices, each representing a server. Within a slice, each piece of the concentric circle includes dots representing pods – color-coded based on state. It's an unusual visualization that we think has the potential to help users zero in on important problem areas.

Users can click through to view events and logs, to investigate issues and dig into related hosts and containers. Customers using New Relic APM as well as infrastructure monitoring are able to discover the apps running on the Kubernetes components, and can dig into distributed tracing to get a better understanding of the impact of an infrastructure problem on app performance. This connection between apps and the underlying Kubernetes infrastructure is increasingly valued by operators because it can offer an understanding of the impact of infrastructure problems.

New Relic can ingest data from the Prometheus collector, a useful integration for organizations that may have started out using Prometheus to monitor Kubernetes but want to migrate to a supported environment. Combined with support for open source log collectors and Zipkin trace data, New Relic is making it easy for businesses to transition from open source tools should they begin to struggle with scaling or decide to shift resources away from managing open source software.

Competition

New Relic's most notable competitors include Dynatrace, AppDynamics and Datadog, all of which similarly offer an expanding set of monitoring tools. Among these, Dynatrace is most competitive for businesses that start out looking for APM. Datadog is most aligned with New Relic in terms of being open to ingesting data from third-party tools, including those in the monitoring sector that could be considered competitive, although it takes a different approach to applying machine learning techniques to the data.

By supporting a broad array of integrations, New Relic AI is competitive with stand-alone event analysis tools like Moogsoft or BigPanda, which are designed to collect events from any monitoring tool a user might have. Users of New Relic AI avoid shortcomings in traditional event analytics tools that require end users to determine which system events to feed into the tools. That's because New Relic is generating events, like anomalies, based on analysis of the metrics it's collecting, and those events are fed into New Relic AI without requiring configuration of them by end users. This is an important distinction that should improve the intelligence that customers get from New Relic AI.

New Relic may steal share from point tools in serverless monitoring and logging, namely by customers that appreciate the advantages of buying several tightly integrated tools from the same vendor. In serverless, these stand-alone vendors include Epsagon, Thundra and Dashbird. In logging, New Relic is unlikely to entirely replace tools like Splunk and Elastic when a company is using them for security and compliance use cases, but New Relic could replace the use of those tools for monitoring. We're finding that, because of potential cost savings and targeted features, businesses have an appetite for employing monitoring-focused logging tools, even when doing so is additive in the sense that a different logging tool serves a security use case.

REPORT REPRINT

SWOT Analysis

STRENGTHS

With its new offerings, New Relic has demonstrated that it has been investing in developing competitive services that respond to demand from customers.

WEAKNESSES

We think product packaging and pricing may be confusing to some customers, although New Relic reports that its bucket pricing option is resonating with customers.

OPPORTUNITIES

With the ability to apply machine learning technology to the metrics, logs and traces it collects, New Relic is in a strong position to serve the needs of the growing market of businesses embracing cloud-native technologies.

THREATS

New Relic has caught up quickly, but shouldn't get complacent; continued development in its products will be required to remain competitive.