



IMPACT REPORT

New Relic better serves modern orgs with machine-learning advances, distributed tracing

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New Relic is building on two important relatively new developments: its machine-learning engine and infrastructure monitoring. The result is integrated services, like distributed tracing and new analytics capabilities, that will well serve complex, modern application environments.

The 451 Take

Not content to coast along with its original APM service, the one that established it as a leading APM vendor, New Relic is keeping pace with its customers, investing in new developments to serve their emerging needs. Most recently, that includes a new distributed tracing offering, an increasingly important capability in complex microservices environments. It also includes continued investment in a relatively new machine-learning engine that New Relic is applying to more capabilities in a way that responds to the needs of customers that are collecting more operations data and struggling to make sense of it. We think that New Relic faces some challenges, namely around ensuring that customers are aware of the full breadth of the capabilities it offers and convincing a set of potential customers that its non-APM offerings are competitive. However, we like New Relic's continued innovation and think the most recent new capabilities will continue to position the vendor at the head of the pack.

Context

New Relic has been emphasizing its success in winning enterprise accounts, revealing during its most recent quarterly earnings report that 49% of ARR comes from enterprise business accounts (businesses with more than 1,000 employees). This is an important step for New Relic, which will benefit from presumed larger and longer contracts with enterprises. It has more than 15,400 customers. Revenue for the quarter ending in June was \$80.1m, up 37% year over year.

Technology

While New Relic first introduced infrastructure monitoring services in 2016, it is now emphasizing the benefits of offering APM and infrastructure monitoring under one roof, beyond the basic upsides related to unified billing and UI. One example is New Relic's new distributed tracing service, currently offered as a technical preview. While New Relic has had application tracing, which backed its Service Maps and other functions, the new offering can do end-to-end tracing and display a waterfall view; especially important tools in complex microservices environments. The service can deliver a full stack view from browser and mobile access through cloud, microservices through to monolithic apps, and correlate infrastructure metrics about CPU and metrics.

Notably, New Relic's distributed tracing service is built on OpenTracing, a standard for distributed tracing that some New Relic customers may already be using. Distributed tracing can be complex to implement and by using OpenTracing, New Relic makes it easier for customers to both adopt New Relic's tracing service and potentially use the same implementation with other tools. Distributed tracing is increasingly important in identifying problems in complex application environments and we're seeing more vendors embrace the technique, although some, including Amazon Web Services with X-Ray, have chosen proprietary tracing technologies. We think that embracing OpenTracing will help New Relic attract users and that its offering, given its ability to display end-to-end tracing, will stand out.

In addition to the new tracing offering, New Relic has continued to develop its machine-learning technology, first introduced as Project Seymour in 2016. It is rebranding the Seymour service, which analyzes data collected by New Relic to surface anomalies, suggest root cause and present possible repairs, as Radar and adding some new capabilities, including one that analyzes AWS spending and makes recommendations for how to cut costs.

New Relic is also talking about how its machine-learning technology is fueling other capabilities. One way is via NRQL Baseline Alerting, an advanced alerting capability, and another is Error Profiling, which analyzes errors against historical errors and identifying unique attributes. New Relic's investments in machine-learning technologies keeps it competitive with new entrants harnessing machine learning and ahead of an earlier generation of monitoring tools that have been slow to embrace machine learning.

Other advances at New Relic include expanded support for AWS and Azure services and a new infrastructure SDK designed to help customers build integrations for infrastructure components.

Partners

New Relic is investing in its partner strategy, including several new offerings designed to help partners deliver New Relic services when helping businesses transition to cloud and modern application environments. For instance, New Relic is offering partners best practices information around monitoring during a cloud migration as well as dashboards that serve the use case. It's also altering its revenue sharing with resellers to allow resellers to benefit not just from direct sales of New Relic but also around migration support. New Relic is also developing new training programs and marketing support for partners.

We see two important potential benefits to New Relic's development of its partner program. By specifically focusing on support around cloud migration, New Relic gets a foot in the door early with businesses that are transforming. In addition, we continue to believe that partnerships can bring significant business to monitoring vendors. Vendors like ScienceLogic and

LogicMonitor that have courted partners from the start have significant numbers of end users that were brought in by their partners. We think New Relic's partnership efforts have the potential to tap into a very large customer base that is most comfortable working with service providers.

Competition

New Relic believes it is winning infrastructure-monitoring customers in part for the benefits related to consolidating APM, infrastructure monitoring, synthetics and analytics from one vendor. Not only can this ease pain associated with juggling multiple tools, it can support organizational modernization efforts, such as toward DevOps models. In addition, the unified product serves complex environments, such as those that harness microservices and containers, since it supports capabilities like New Relic's distributed tracing.

The number of vendors that have a similar vision and roughly equivalent horizontal platform is relatively small. Cisco AppDynamics and Dynatrace have similarly broad offerings and goals for delivering the benefits related from offering so many features from a single provider. Datadog, which now offers APM and log management in addition to its initial infrastructure service, is also competitive.

New Relic also competes with point tools in each of the categories in which it provides services. While it is pushing the benefits it can offer by delivering a host of capabilities, a significant number of businesses continue to choose what they see as best-of-breed tools, integrating them as needed and as available. This list of competitors is long; in infrastructure monitoring it includes SolarWinds' Librato cloud-monitoring offering, ScienceLogic, LogicMonitor and SignalFx. Others include container and microservices-focused vendors Instana, CoScale and Outlyer. In APM, competitors include SolarWinds' TraceView as well as container-focused Instana. New Relic also competes with vendors doing synthetics and real-user monitoring, including SolarWinds, SOASTA (now owned by Akamai) and Catchpoint.

SWOT Analysis

Strengths

New Relic is keeping pace with industry trends, developing a very broad set of capabilities that serve new and existing customers that are adopting modern tools like microservices and containers.

Weaknesses

With an increasingly broad offering, New Relic begins to face challenges in educating customers and the market about its benefits.

Opportunities

As New Relic applies its machine-learning technology to more capabilities, it will set itself apart from competitors with a service that can surface targeted, valuable advice from growing volumes of operations data.

Threats

Even as New Relic promotes the benefits of its integrated capabilities, some businesses continue to be wary of vendors that expand into adjacent territories. These businesses are likely to continue to choose what they consider to be individual best-of-breed tools.

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M&A ACTIVITY BY SECTOR

Cloud / Software as a service (0) (https://makb.the451group.com/results?basic_selected_sectors=910)

Infrastructure management / Systems management / App performance management (99) (https://makb.the451group.com/results?basic_selected_sectors=473)

M&A ACTIVITY BY ACQUIRER

Akamai Technologies Inc. (19) (https://makb.the451group.com/results?basic_acquirers=Akamai+Technologies+Inc.)

Amazon Web Services Inc. [aka AWS] [Amazon.com Inc.] (7) (https://makb.the451group.com/results?basic_acquirers=Amazon+Web+Services+Inc.+aka+AWS+Amazon.com+Inc.)

AppDynamics Inc. (2) (https://makb.the451group.com/results?basic_acquirers=AppDynamics+Inc.)

Cisco Systems Inc. (132) (https://makb.the451group.com/results?basic_acquirers=Cisco+Systems+Inc.)

New Relic Inc. (1) (https://makb.the451group.com/results?basic_acquirers=New+Relic+Inc.)

ScienceLogic (1) (https://makb.the451group.com/results?basic_acquirers=ScienceLogic)

SOASTA Inc. (1) (https://makb.the451group.com/results?basic_acquirers=SOASTA+Inc.)

SolarWinds Network Management Solutions (3) (https://makb.the451group.com/results?basic_acquirers=SolarWinds+Network+Management+Solutions)

Figures shown indicate number of transactions

COMPANY MENTIONS (PRIMARY)

New Relic (/search?company=New+Relic)

COMPANY MENTIONS (OTHER)

Akamai , AppDynamics , Amazon Web Services , Catchpoint Systems , Cisco , CoScale , Datadog , Dynatrace , Instana , Librato , LogicMonitor , Outlyer , ScienceLogic , SignalFx , SOASTA , SolarWinds (/search?company=SolarWinds)

CHANNELS

Cloud Transformation , Customer Experience & Commerce , Development, DevOps & IT Ops , Networking , Systems & Software Infrastructure , Workforce Productivity & Compliance (/dashboard?view=channel&channel=13)

SECTORS

All / Infrastructure management / Systems management / App performance management (/search?sector=473)

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