

Market Share

Worldwide Application Performance Management Software Market Shares, 2018: Market Growth Accelerates

Stephen Elliot

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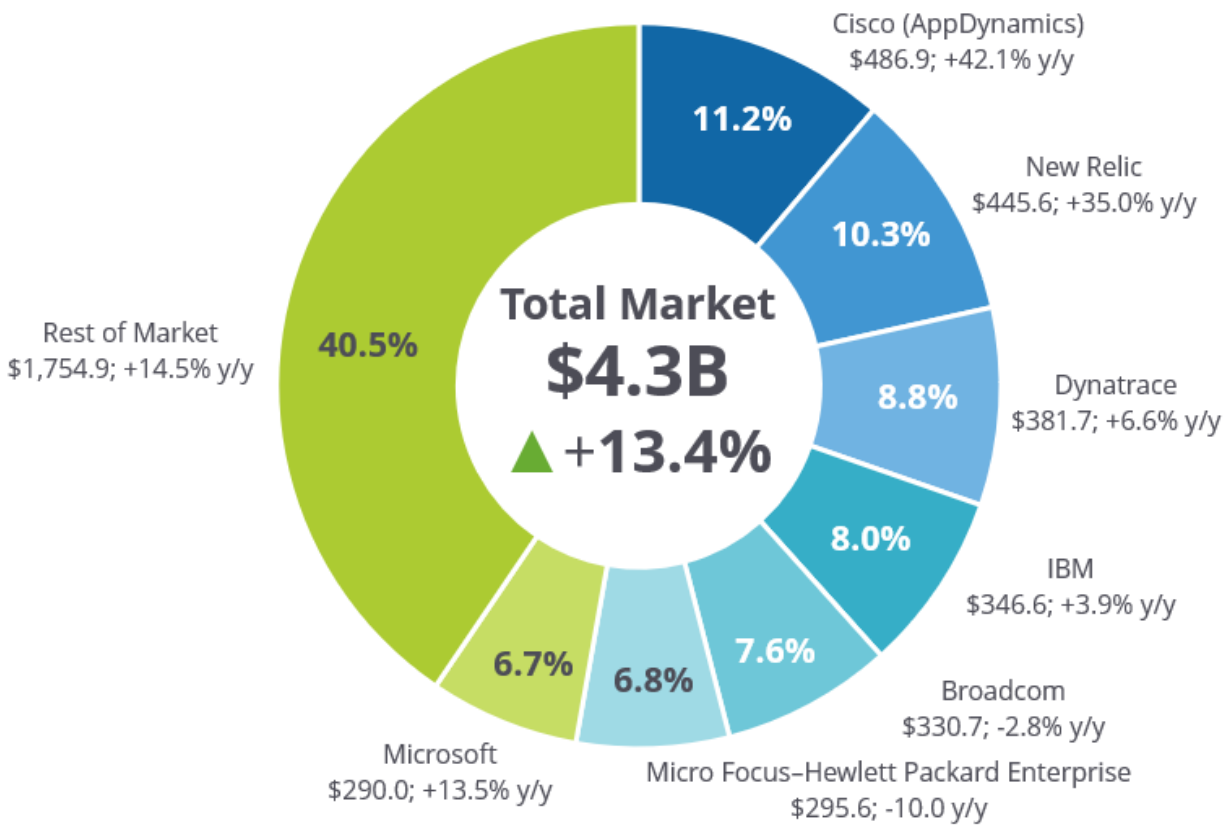
Tim Grieser

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IDC MARKET SHARE FIGURE

FIGURE 1

Worldwide Application Performance Management Software 2018 Share Snapshot



Note: 2018 Share (%), Revenue (\$M), and Growth (%)

Source: IDC, 2019

IN THIS EXCERPT

The content for this excerpt was taken directly from Worldwide Enterprise Mobility Management Software 2014-2018 Forecast and 2013 Vendor Shares (Doc# US45379019). All or parts of the following sections are included in this excerpt: Executive Summary, Advice for Technology Suppliers, Market Share, Who Shaped the Year, Market Context, Methodology sections that relate specifically to AppDynamics, and any figures and or tables relevant to AppDynamics.

EXECUTIVE SUMMARY

According to IDC estimates, the worldwide application performance management (APM) software and software-as-a-service (SaaS) market revenue totaled \$4.3 billion in 2018 as calculated in U.S. current currency. Revenue in this market showed strong growth, increasing by 13.4% from 2017. Revenue and market share leadership in 2018 was gained by vendors that achieved high year-over-year (y/y) growth. Cisco (AppDynamics) and New Relic were the fastest growing of the top 10 APM suppliers. Refer back to Figure 1 for a graphical snapshot view of the top vendor market revenue, market shares, and growth rates. Refer to Table 1 for a more detailed list of software vendors in this market.

This IDC study discusses 2018 vendor market shares and market activity across the worldwide application performance management market.

According to Stephen Elliot, program vice president, Enterprise System Management Software, "Growth in APM is being driven by the need to manage application performance throughout the application life cycle from DevOps to production operations to ensure that end-user experience meets competitive quality standards. End-user satisfaction with application performance and reliability is critical for successful digital business operations."

ADVICE FOR TECHNOLOGY SUPPLIERS

As the worldwide APM software market continues to expand, established players and longtime market stalwarts such Broadcom (CA Technologies) and IBM continue to lose share to more modern platform-based solutions from focused players such as New Relics, Dynatrace, and AppDynamics (Cisco) as well as APM solutions offered as part of public cloud marketplaces and enterprise cloud services.

Public cloud services providers such as Oracle and Microsoft continued to promote a new generation of APM SaaS solutions. Established APM SaaS vendors such as New Relic, Dynatrace, and AppDynamics expanded infrastructure monitoring and business insight analytics to extend the value and visibility of their services, while infrastructure monitoring players such as Datadog entered the APM market. End-user monitoring continued to represent an important growth area as enterprises invest in APM to support DevOps and digital transformation initiatives. Riverbed's Aternity acquisition strengthened the end-user portion of its portfolio.

To stay competitive and gain as much market share as possible in the coming years, IDC recommends that the technology suppliers in the market address the following priorities:

- Expand efforts to engage with DevOps and line-of-business (LOB) decision makers that are using public cloud services and embracing multicloud strategies and cross-functional capabilities for analytics and quality. IDC's research shows APM is a significant investment priority for IT and DevOps decisions that need to maintain consistent end-user experiences

and meet stringent service-level agreements (SLAs) for applications deployed across multiple cloud infrastructure and services, including on-premise, hosted, and shared public cloud service platforms.

- Provide robust support for cloud-native, container, and microservice-based applications. Enterprise customers are pursuing strategies to containerize both existing and new cloud-native workloads to improve multicloud portability and enable more efficient utilization of VMs. To remain relevant, APM solutions must be able to monitor, analyze, and detect the root cause for applications deployed on ephemeral containers as well as deployed on more traditional stateful hosts.
- Extend analytics capabilities organically or through partnerships to cover the full stack from infrastructure and public cloud services to middleware, mobile, and on-premises development. The more that applications are instrumented to generate not only code and web traffic statistics but also end-user experience and behavioral insights, the more that customers will demand to harvest new insights from that data. Big data analytics will increasingly be paired with APM to provide developers, IT operations, and business analysts with important and actionable insights.
- Deliver true, seamless, omni-channel visibility and reporting. Customers increasingly engage with a single application across mobile, desktop, and API-based interfaces. APM and related analytics solutions will be called upon to provide a 360-degree view of application and end-user performance to help predict capacity requirements, optimize workloads, and improve software quality, end-user experiences, and engagement. We also see this playing a key role for DevOps visibility and execution. Combined performance, event, quality, and network management data enable essential user context for optimized APM.

MARKET SHARE

According to IDC estimates, the worldwide APM software market totaled just over \$4.3 billion in 2018 as measured in current currency. Growth of the worldwide APM software market was 13.4% in 2018 when compared with last year.

As shown in Table 1, Cisco (AppDynamics) took the top spot with a 11.2% market share on revenue of \$486.9 million. New Relic grew strongly to achieve market share of 10.3% on revenue of \$445.6 million. Dynatrace was third with 8.8% market share and \$381.7 revenue.

TABLE 1**Worldwide Application Performance Management Software Revenue by Vendor, 2016-2018 (\$M)**

Vendor	2016	2017	2018	2018 Share (%)	2017-2018 Growth (%)
Cisco (AppDynamics)	232.6	342.8	486.9	11.2	42.1
New Relic	242.6	329.9	445.6	10.3	35.0
Dynatrace	363.5	358.1	381.7	8.8	6.6
IBM	334.7	333.7	346.6	8.0	3.9
Broadcom	350.7	340.3	330.7	7.6	-2.8
Other	1922.8	2116.2	2340.6	54.1	11.0
Total	3,446.9	3,821.0	4,332.1	100.0	13.4

Source: IDC, 2019

WHO SHAPED THE YEAR

As part of Cisco, AppDynamics has continued to expand its partner and distribution reach, using Cisco's extensive partner network and sales teams. AppDynamics has spent significant time creating new packaging and pricing options for Cisco customers, as they invest in marketing to drive the APM value proposition into network and security-related channel partners. AppDynamics has executive-level visibility, as the company now reports to Cisco's EVP and General Manager, Networking and Security Business, David Goeckeler. From a product perspective, AppDynamics continues to develop new capabilities for both the on-premises and SaaS offerings, including launching a new European software-as-a-service (SaaS) offering, built on the Amazon Web Services (AWS) EU (Frankfurt) region in June 2018. It also looks to further integrate and expand with Cisco's extensive network and multicloud management capabilities. AppDynamics also expanded Business iQ, a significant functional expansion designed to link application performance to business analytics. AppDynamics Cognition Engine provides artificial intelligence (AI) and machine learning (ML) capabilities.

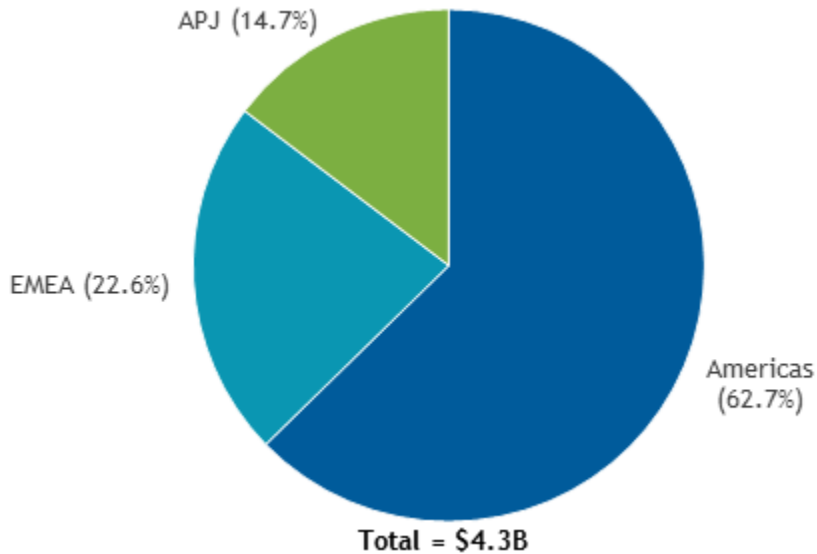
MARKET CONTEXT**Worldwide Application Performance Management Software Revenue by Region, 2018**

Vendor revenue in this market was impacted by regional conditions. Figure 2 provides a snapshot of the market in 2018 by geographic region. The Americas region had the largest share, with 62.7% of

the worldwide APM software revenue. EMEA represents 22.6%, and Asia/Pacific (including Japan) (APJ) represents 14.7%.

FIGURE 2

Worldwide Application Performance Management Software Revenue Share by Region, 2018



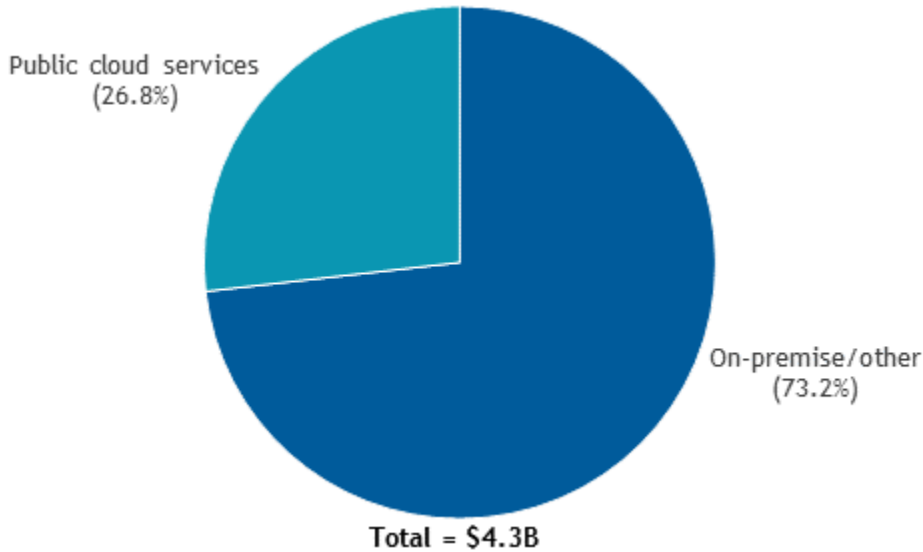
Source: IDC's Worldwide Semiannual Software Tracker, April 2019

Worldwide Application Performance Management Software Revenue by Deployment Type, 2018

Figure 3 provides a snapshot of the market in 2018 by deployment type. Public cloud services revenue amounted to 26.8% of the market. On-premise/other deployments accounted for 73.2%.

FIGURE 3

Worldwide Application Performance Management Software Revenue Share by Deployment Type, 2018



Source: IDC's Worldwide Semiannual Software Tracker, April 2019

Significant Market Developments

The worldwide APM market continues to be delivered in a mixture of public cloud SaaS and on-premises solutions. SaaS solutions have become widely accepted with just about every major player introducing or expanding a SaaS option. In many cases, the inherent on-demand scalability and global reach of SaaS, as well as the increasingly powerful big data analytics and AI support provided by highly scalable SaaS solutions, make them a great match for DevOps and cloud-based applications.

Applications often experience unexpected changes in performance and frequent changes and updates, thanks to agile development methodologies as well as continuous deploy and iterative cycles. It is also important to note that most vendors are positioning around analytics and broad and deep data collection capabilities. The notion of real-time data collection and analysis is rising and increasingly important for enterprise IT customers that are shifting more container and microservice-based workloads toward the public cloud infrastructures and PaaS models. As the use of cloud-native applications rises, so will the need for real-time capabilities as these environments change often and fast and are typically geographically distributed.

METHODOLOGY

The IDC software market sizing and forecasts are presented in terms of commercial software revenue. IDC uses the term *commercial software* to distinguish commercially available software from custom software. Commercial software is programs or codesets of any type commercially available through sale, lease, rental, or as a service. Commercial software revenue typically includes fees for initial and continued right-to-use commercial software licenses. These fees may include, as part of the license

contract, access to product support and/or other services that are inseparable from the right-to-use license fee structure, or this support may be priced separately. Upgrades may be included in the continuing right of use or may be priced separately. These are counted by IDC as commercial software revenue.

Commercial software revenue excludes service revenue derived from training, consulting, and systems integration that is separate (or unbundled) from the right-to-use license but does include the implicit value of software included in a service that offers software functionality by a different pricing scheme. It is the total commercial software revenue that is further allocated to markets, geographic areas, and sometimes operating environments. For further details, see *IDC's Worldwide Software Taxonomy, 2018: Update* (IDC #US44835319, February 2019).

Bottom-up/company-level data collection for calendar year 2018 began in January 2019 with in-depth vendor surveys and analysis to develop detailed 2018 company models by market, geographic region and, in some cases, operating environment.

The data presented in this document is IDC estimates only.

Note: All numbers in this document may not be exact due to rounding.

MARKET DEFINITION

The term application performance management (APM) has been adopted by a wide range of application development, test, quality, analytics, and systems and network management packaged software and SaaS vendors. In general, vendors are embracing the term in an attempt to signal to customers that their monitoring, testing, reporting, and analytic solutions can provide value to the business and enable visibility into application health and end-user experience. It is, in effect, an effort to distance their offerings from more traditional systems and network management tools that focused on monitoring the health and status of specific hardware or software components but did not provide an end-to-end perspective or business context.

This document discusses the worldwide APM software market, which includes APM solutions deployed and running on distributed and mainframe operating environments. It also includes APM solutions deployed via SaaS. In developing this document, IDC defines APM as a competitive software market representing segments of several functional markets as defined by *IDC's Worldwide Software Taxonomy, 2018: Update* (IDC #US44835319, February 2019).

Specifically, these are:

- IT operations management
- Network management
- Automated software quality

APM software focuses on monitoring, maintaining, and optimizing the performance and health of business applications across development, test and quality, datacenter, and network environments. Packaged software and SaaS solutions marketed as end-user experience monitoring (EUEM), real user monitoring (RUM), and business transaction monitoring (BTM) are generally included in the APM market. Many APM solutions include some level of IT analytics and correlation as part of the feature set. To that extent, these analytics are core elements of the APM offering that are included in this

market assessment. However, standalone or general-purpose IT operations analytics solutions are excluded.

APM solutions are distinct from more traditional component or system-level monitoring and testing tools in that they are able to look across complex operational environments, discover hardware and software dependencies and topologies, and track transactions, packets, and code traces on an end-to-end basis that provides business application impact assessments and context. Increasingly, APM solutions are incorporating advanced visualization and executive dashboards as well as predictive analytics and modeling capabilities to enable rapid and proactive detection, diagnosis, and remediation of application performance problems and incidents – whether the source is linked to code, systems, or network issues. Both agent-based and agentless approaches such as synthetic transaction monitoring are included.

Network management products included in this market must specifically report on application performance. Products that provide generic grouping information based on protocols (e.g., HTTP, CIFS, and IP) are excluded. Console-based event correlation engines and event filters as well as system infrastructure-level event analytics, modeling, and reporting products are also excluded. Solutions that monitor cloud infrastructure as a service (IaaS) exclusively are excluded, although cloud-based APM services that monitor and report on application health, quality, and availability are included.

Performance, stress, and load testing products and some static and dynamic code analytics products and code analysis capabilities leveraged in conjunction with relevant APM portfolios (and tracked in IDC's automated software quality market) are also included as they provide key capabilities for gaining visibility into how well applications are performing in conjunction with real user monitoring and code stability. These kinds of solutions also provide the ability to discover and remediate software problems.

Functional and regression testing as well as typical test management do not play a role in APM. Also excluded are performance and event management software products, application management, and network management products that focus exclusively on system- or code-level event monitoring, log management, system- or network-specific performance monitoring, reporting and analytics, and related management packs and plug-ins.

Consistent with IDC's software taxonomy, this competitive market covers both the packaged software license and the maintenance revenue as well as SaaS-delivered solutions. Software elements of appliance-based solutions are also included.

RELATED RESEARCH

- *Worldwide Semiannual Software Tracker Methodology, 2H18* (IDC #US44834819, April 2019)
- *IDC's Forecast Scenario Assumptions for the ICT Markets and Historical Market Values and Exchange Rates, 4Q18* (IDC #US43652019, April 2019)
- *IDC's Worldwide Software Taxonomy, 2018: Update* (IDC #US44835319, February 2019)
- *Worldwide Application Performance Management Software Market Shares, 2017: Growth Continues Amid Shifting Vendor Alignments* (IDC #US44399018, November 2018)

About IDC

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