REPORT REPRINT

AppDynamics demonstrates benefits of life under Cisco

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Nearly two years after being acquired by Cisco, AppDynamics is finally emerging to talk in detail about vision and progress. The company has developed integrations with Cisco technology as well as sales operations in ways that appear to be paying off.

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Summary

Nearly two years after being acquired by Cisco, AppDynamics is finally emerging to talk in detail about vision and progress. Typically, when silence follows an acquisition, onlookers wonder if the acquired business is withering. However, over the past two years we've continued to hear AppDynamics mentioned by competitors and enterprises, indicating that while the marketing machine may have only now caught up, the business has been humming along.

451 TAKE

AppDynamics has demonstrated that it is taking advantage of being part of Cisco, both from a technology and a business perspective. AppDynamics' integration with Cisco ACI is a first step in bringing together APM and NPM, and it was done in a thoughtful way that takes into account challenging IT team organizational patterns. Also, the companies have invested in leveraging Cisco's sales machine, both internal and via partners, to drive AppDynamics sales into the massive base of Cisco customers. The companies were thoughtful here, too, developing a package designed to make it very easy to introduce AppDynamics to Cisco customers. We like the direction AppDynamics is heading since the acquisition and see it poised to continue to build on the advantages available to it as part of Cisco.

Context

AppDynamics was founded in 2008 as a next-generation application performance monitoring tool that could deliver better insight into modernizing environments. On the verge of going public, AppDynamics was snapped up by Cisco in a $3.7bn deal that closed in March 2017.

AppDynamics reports that under Cisco strong growth continues. In 2018, AppDynamics grew revenue by 40% or more every quarter and expects a similar trajectory this year.

Cisco has sought to continue to drive development at AppDynamics, increasing AppDynamics' R&D budget by 80%. The early results of that investment include a new serverless monitoring capability and evolving machine learning-driven features.

Sales strategy

While almost all AppDynamics customers are also Cisco customers, the reverse isn't true. To introduce AppDynamics to that wider base of Cisco customers, AppDynamics began offering Cisco customers and prospects a bundle, called the AppDynamics Visibility Packet, designed to make it easy to start using AppDynamics. The bundle includes 10 APM agents and five hours of professional services, and appears to be successfully driving sales – within a year, AppDynamics saw a 50% increase in deals sourced by Cisco.

Cisco has also been working on enabling partners to sell AppDynamics, starting with its top tier partners and now expanding to support a broader set of partners. Many monitoring vendors we follow aspire to build tight relationships with MSPs and other types of partners for their ability to significantly drive sales. AppDynamics has a notable leg up here compared to competitors in being able to build on Cisco's established, strong partner ecosystem.

Products

Over the past few months AppDynamics has been introducing enhanced and new functionality, including serverless monitoring, an integration with Cisco ACI and new capabilities enabled by the expanded application of machine learning.

We like the approach behind the integration with ACI, Cisco's software-defined networking environment, which is designed to accommodate for common workflows along specialist lines in operations teams. For instance, by correlating ACI data with the application and infrastructure insight it collects, AppDynamics may discover that a performance problem is due to an issue in the network. It can automatically create a ticket for a network administrator in ServiceNow that points to the source of the problem in ACI, a tool the network admin is accustomed to using, and that also points to AppDynamics to indicate the degraded performance experience that the network issue is causing.

We've found that network admins are particularly siloed, an organizational model that has challenged application and infrastructure monitoring vendors that want to begin serving network admins. AppDynamics has envisioned several workflows, like the one that uses ServiceNow to build a connection across teams responsible for network and application performance, that may introduce network admins to the potential value of correlating network operations data with application performance data. We like the approach and think that Cisco is well positioned to demonstrate the value of correlating these data sets.

AppDynamics has also developed a capability for monitoring AWS Lambda deployments. To accommodate for the ephemeral nature of functions, AppDynamics developed a process that sends performance data from a function to an AppDynamics service that aggregates and processes the data. The offering captures basic performance information but when it detects a slowdown, it begins collecting additional diagnostic data. AppDynamics also collects data that AWS makes available in CloudWatch, marrying that insight with its own. AppDynamics anticipates adding support for Azure and GCP serverless environments in the future.

We like AppDynamics' approach of delivering Lambda insight in the context of the other services that comprise an application and we think it has been thoughtful in architecting the offering and presenting users with the kinds of insights they're likely to want when troubleshooting Lambda deployments.

In part building on technology it acquired along with Perspica, AppDynamics also has been rolling out functionalities that harness more sophisticated machine learning approaches. For instance, it is now correlating anomalies and drawing conclusions based on contextual insights about the relationships between metrics. It then offers suggestions about probable root cause. This development is competitive with other vendors that have similarly been advancing their machine learning-driven capabilities.

AppDynamics is just beginning to develop capabilities that it can deliver by analyzing data it collects across its customer base. Doing so could allow it to, for instance, recognize that a related set of anomalies may cause a problem in the near future so that it can alert customers that are experiencing that set of anomalies about an impending problem. AppDynamics appears to recognize that such important capabilities are possible only via its SaaS delivery model, and it said it is promoting the SaaS option as part of its Visibility Packs as a way to drive adoption. For the quarter ending in October, 79% of deals were SaaS, up from the historical average of 65%. This shift is significant and ensures that AppDynamics can collect the volume of data required to deliver insight about best practices.

AppDynamics has also invested in improving the extensibility of the platform in part to support connections with popular automation tools. We like its messaging around requiring accurate insight to enable automations that can quickly solve problems and boost efficiency.

Competition

New Relic and Dynatrace are notable AppDynamics competitors. New Relic delivers its offering as a service only, and may lose out among enterprises that won't consider SaaS. Dynatrace offers a wide variety of deployment models including an on-premises managed option with its modernized offering, making it and AppDynamics notable competitors.

While AppDynamics has a reputation of straddling two worlds – able to monitor legacy environments as well as more modern environments – it may also meet some younger vendors in the market that are quicker to support the leading edge. Vendors including Instana, SignalFx and Datadog fall into this category.

AppDynamics may also compete with legacy monitoring vendors, although primarily among enterprises that have employed legacy vendors for years and are considering a change. CA Technologies is the most notable competitor here, with its reworked APM offering and new Digital Operations Intelligence product. However, CA's recent acquisition by Broadcom may give some businesses pause, amid speculation about the future of CA's monitoring business.

SWOT Analysis

STRENGTHS

AppDynamics has a strong reputation for its ability to serve enterprise needs, and Cisco's backing only further emphasizes this reputation. The result is that AppDynamics is very well positioned to continue to win enterprises, particularly against its competitors that are attempting to transition from serving medium-sized businesses or cloud-first organizations.

WEAKNESSES

Although it was developing important product and go-to-market enhancements over the past two years, AppDynamics' presence from a marketing standpoint was mostly nonexistent, perhaps discouraging some potential customers that were uncertain about its position in the market.

OPPORTUNITIES

Given Cisco's enormous reach, AppDynamics has the potential for very strong growth via the cross-sell opportunity.

THREATS

The market has shown a preference for platform monitoring vendors and like its competitors, AppDynamics requires a close eye on the kinds of horizontal expansion that best serve customers.