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COVID-19: Keeping the lights on when digital is all that's left

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By Nancy Gohring

The application and infrastructure performance market will weather the storm created by coronavirus and has the potential to thrive in its wake as the need for monitoring and incident management tools will only intensify as revenue generation shifts, in many cases, entirely to digital properties.

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S&P Global Market Intelligence

Introduction

The application and infrastructure performance market will weather the storm created by the coronavirus pandemic and has the potential to thrive in its wake. Enterprises of all sizes that now must replace lost revenue through a shift online as well as those scrambling to support significant user growth are generating demand for tools across subsectors of the performance market.

451 TAKE

As the world moves essentially entirely away from physical commerce to digital due to the coronavirus outbreak, the pressure on digital properties to perform well escalates. Vendors offering products along the monitoring and incident management tool chain have an opportunity to position themselves as mission-critical support to ongoing business operations. These vendors are well-positioned to serve those that are just stepping up their digital initiatives as well as those that were born digital, both of which face intense pressure to ensure their apps and services meet customer expectations. We recommend that vendors immediately perform sector analysis to focus product packaging and development on acute needs, and take steps to deliver features aimed at meeting the requirements of practitioners adjusting to new, distributed work environments.

Impact

Even before COVID-19 put extreme pressure on digital properties, app and service performance was key. 451 Research's Voice of the Connected User Landscape: Connected Customer Q3 study found that 76% of consumers are likely to switch providers due to poor website or app performance. In the same study, 61% reported that a negative online experience makes them less likely to shop with a company in the future.

Since coronavirus has shut down almost all commerce that requires a physical presence, from retail stores to restaurants to sporting events, for most businesses digital properties represent the only potential for revenue. Some businesses are just launching or ramping up apps and services in hopes of replacing a revenue stream that is no longer viable. Others already offered digital properties but are now experiencing unprecedented demand. Either way, it is critical that these apps and services perform well, since in many cases they represent the only avenue for revenue generation.

Against this backdrop, we think the collection of tools used to track performance and solve performance problems should fare well. Businesses require monitoring tools to alert them when problems are occurring and assist in quickly identifying the root cause of issues. They will rely on incident management and ticketing tools, as well as adjacent collaboration tools, that ensure they can resolve performance problems before they cause a loss of customers – and revenue.

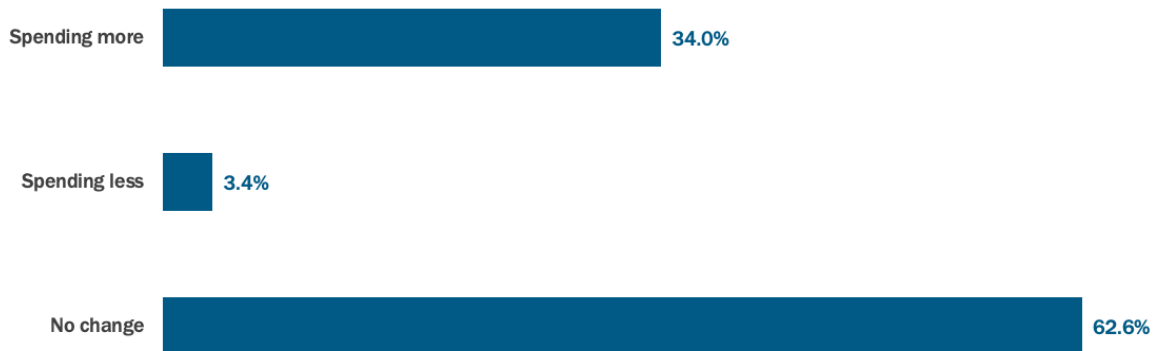
While the impact of and reaction to the pandemic continue to shift, our recent Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey, conducted between March 10 and March 19, indicates that organizations still expect to spend on IT, giving firms in the application and infrastructure performance sector further reason to anticipate continued business. We asked respondents about spending on IT resources as a result of the coronavirus outbreak and 34% expected to spend more and 62.6% said there'd be no change in spending. Only 3.4% expected to spend less (see Figure 1).

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Figure 1: How the coronavirus pandemic is affecting spending

Source: 451 Research's Voice of the Enterprise: Digital Pulse, Coronavirus Flash Survey

For each of the following expense categories, please indicate whether your organization is spending more or less money as a result of the coronavirus outbreak. - IT resources/assets



Sample Size = 642
Base: All respondents

Yet unknown is whether a potential uptick in business related to the likely growing dependence on online properties will close the gap created by existing customers that won't survive the current crisis. Since, given the nature of the application and infrastructure performance sector, all existing users of the tools have some digital property and thus some chance at survival, we anticipate that the potential upside is greater than the downside.

Recommendations

Vendors across the application and infrastructure performance market should take the following actions to support customers in need during the new reality caused by the coronavirus pandemic:

- *Targeted product development:* While in most cases it shouldn't be necessary to significantly shift product development roadmaps, we recommend considering the kinds of capabilities that can be quickly added to meet emerging needs. We've heard from some vendors that are looking at new features that can support distributed teams. For instance, teams that historically sat together in a network operations center facing a bank of monitors visualizing system performance might benefit from new tools that deliver similar insight from their home office setups. Similarly, some teams may have typically interacted with line-of-business and other executives in an ad hoc fashion. Features that support collaboration across these teams could be useful in the current work-from-home environment.
- *Establish new partnerships:* As end users adjust to working as part of distributed teams and supporting new or growing digital properties, consider the kinds of partnerships that can best support them. Think about arrangements with video-conferencing and collaboration tools that include integrations as well as joint go-to-market efforts that may reach new potential customers.

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- *Tailor packages, marketing at targeted verticals:* We think emerging demand for application and infrastructure performance tools in the time of coronavirus is very sector-specific. Plus, the nuances of that demand and the appropriate response are also sector-specific. For instance, businesses like retailers that have primarily relied on physical stores for revenue generation will benefit from guidance and packaging in terms of monitoring and incident-response best practices, while born-in-the-cloud online businesses may require support scaling up as demand for their products grows. Vendors should consider packaging products and capabilities as well as thought leadership guidance targeted at important sectors.
- *Step up thought leadership:* We've heard from some vendors looking to boost outreach to compensate for the loss of leads typically generated by event attendance. Delivering tactical advice and insight can not only support businesses looking to get started with new approaches to monitoring, it can also demonstrate potential value that may expand usage for existing customers. We've seen some vendors do a particularly good job here. Dynatrace, for instance, describes in a blog post how customers can use data collected by the company to compare worker productivity before and after a shift to working from home. In addition to several posts with advice for crisis management, PagerDuty has crunched internal data to share insight into what for some verticals is a dramatic spike in incidents – for instance, PagerDuty customers in online learning have experienced 11x growth in incidents. These kinds of insights and guidance can meet real needs for potential customers.