



Market Insight Report Reprint

Incident management, marketplace top list of new Datadog offerings

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The company introduced a host of new offerings and capabilities at its recent virtual customer event. It also announced the Datadog Marketplace, where partners can build applications and integrations on top of the Datadog back end and sell them to customers.

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Introduction

Datadog added to an already extensive list of tools that make up its suite of offerings that is now one of the broadest in the monitoring market. In addition to its original infrastructure monitoring tool, it offers synthetic monitoring, mobile real user monitoring, NPM, security, incident management, distributed tracing, log analytics and error tracking. Once it digests its acquisition of Undefined Labs, it will also add capabilities that allow for the tracing of code from the very start of the development process.

THE 451 TAKE

Datadog's expansion into adjacent sectors continues at a healthy clip and the vendor now offers a very broad suite of monitoring tools. Tool sprawl continues to be a top complaint that we hear about from businesses and if customers buy several tools from Datadog, it could help them alleviate some of the pain associated with vendor management. They also may benefit from Datadog features that correlate data typically collected in siloed tools, potentially allowing incident responders to more quickly identify and solve problems. The most notable challenges that we see facing Datadog are that we have continued to hear grumbling from end users about high costs and we've heard from some customers that say Datadog wasn't able to meet their scale requirements. However, neither of those issues seems to have put much of a dent in Datadog's ability to grow revenue.

Context

Datadog continues to grow rapidly. In its second quarter ending in June, it reported nearly double the customers paying \$100,000 or more a year. Revenue for the quarter was \$140m, up 68% compared with the same period a year ago.

While growth across the monitoring sector is being driven by the increasing usage of cloud-native technologies that require new approaches to monitoring, we suspect that Datadog also is benefiting from continued horizontal expansion. Notable new offerings since last July include network performance monitoring, real user monitoring, synthetic monitoring, security monitoring and incident management.

Products

At its annual customer conference, held virtually this year, Datadog made a number of announcements about new products and capabilities. One notable new addition is an incident management tool that allows users to create and track incidents. Users can configure it to automatically create a Slack channel – and in the future, a Jira ticket, ServiceNow incident and Zoom call – where responders can collaborate. Once an incident is resolved, users can link to a post-incident review document created in Datadog Notebooks, a collaboration space for creating post-incident reviews or other documentation.

While the incident management tool is lightweight compared with more mature products from vendors like PagerDuty and xMatters, both of which offer more automation capabilities, integrations and more detailed preconfigured post-incident review dashboards, some existing Datadog customers that require the more basic capabilities may find Datadog's offering convenient. Incident Management is in beta but is available to all Datadog customers.

Datadog also announced the Datadog Marketplace, where partners can build applications and integrations on top of the Datadog back end and sell them to customers. The marketplace launched with just a handful of items including an app from Fairwinds for monitoring Kubernetes and an integration developed by RapDev for monitoring Oracle TimesTen in-memory databases.

To make an app available in the marketplace, a developer must first get approved by Datadog as part of its partner program. Datadog does some testing of the app, which Datadog then controls for security and IP protection purposes. Datadog takes a share of the purchase price.

In addition, while for now when building an app partners get access to the collection, storage and features layers of Datadog's platform, they will in the future have the ability to totally rework the front end for a fully customized UI.

While other vendors in the monitoring sector have developer programs, they are typically designed to support the development of customized features or integrations created for an individual enterprise customer, either by the enterprise itself or by an MSP or systems integrator. In most cases, even when the applications or integrations can be shared, they aren't usually designed to be monetized. With the Datadog Marketplace, Datadog appears to be hoping to incentivize the development of useful apps that could in turn drive more usage of its platform and related revenue. While Datadog is significantly smaller than some companies that have built successful marketplaces – think AWS Marketplace, Atlassian Marketplace or Salesforce AppExchange – it has thousands of customers that its marketplace could target.

Datadog rolled out a host of other features as well, including mobile real-user monitoring, error tracking and continuous profiling. A live search capability is now available to tracing users, allowing customers to search all traces that come in over the past 15 minutes by tag.

Competition

Among vendors where the midmarket is similarly a sweet spot, New Relic and Solarwinds represent strong competition to Datadog, each offering an array of SaaS monitoring tools. Elastic offers a broad suite of products but most organizations we speak with deploy it as software; Datadog's SaaS offering likely appeals to a different set of customers.

In infrastructure monitoring, where Datadog started out, Logicmonitor, Zenoss, Sciencelogic, Instana and Splunk (with SignalFx) are competitors, and each of those has begun branching out to do more than traditional infrastructure monitoring.

With its logging tool that it uses to appeal to both IT ops and security users, Datadog competes for business against a long list of vendors including Sumo Logic, Loz.io and Splunk, as well as Solarwinds and New Relic. Among end users we speak with, where Datadog wins against Splunk it's for IT ops business and doesn't represent a full displacement of Splunk, which may continue to be used for compliance or security reasons.

While we think Datadog's incident management lacks some of the automation capabilities and integrations available in other tools, namely those that are available from alerting vendors like PagerDuty, Opsgenie and xMatters, we would expect Datadog to continue building out such capabilities. We believe that if it does this, it could represent a threat to those vendors, some of which have sought to position their incident management capabilities as higher value add-ons to the more basic alerting and on-call management capabilities that they were founded to deliver.

SWOT Analysis

<p>STRENGTHS</p> <p>Datadog offers one of the widest suites of monitoring and incident response offerings at a time when many organizations are looking to reduce the number of vendors and siloed tools they must juggle.</p>	<p>WEAKNESSES</p> <p>While Datadog does integrate its products, we think it has opportunity to develop more powerful capabilities that are made possible by analyzing the variety of data that the vendor is collecting for customers.</p>
<p>OPPORTUNITIES</p> <p>Despite the many monitoring tools that Datadog offers, it is primarily regarded as a tool for monitoring cloud and cloud-native environments and as such, it is less likely to be considered as a unified monitoring tool for the many enterprises that expect to operate in hybrid environments for several years to come.</p>	<p>THREATS</p> <p>Datadog's most notable threats come from vendors that have more feature-rich offerings in some of the categories it has expanded into like NPM, security and incident management; these competitors will continue to be more attractive to customers that appreciate the depth of their offerings.</p>

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