

IDC ExpertROI® SPOTLIGHT

New Relic Yields 314% ROI for Global Technology Manufacturer

Sponsored by New Relic

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Overview

As this global technology manufacturer has aggressively embraced cloud computing and open frameworks to support its rapid growth of new services, the company turned to New Relic's SaaS-based software analytics solution to optimize the performance and availability of its application infrastructure in a cost-effective manner and place a new focus on monitoring the user experience.

With the New Relic SaaS-based APM solution, the organization's developers can add hosts quickly to support the rapid deployment of new applications. As a result of the near immediate results the company has seen, the number of hosts managed by New Relic has quadrupled in the past two years, and the manufacturer plans to standardize New Relic on its new hosted services, projected to grow at least 25% annually for the foreseeable future.

The company also has on-premise management systems in place. These on-premise management solutions, which have an environment comparable in scope to the New Relic managed environment, cost the company more than twice as much as the New Relic service. By choosing New Relic, the customer will save over **\$3 million** for this implementation alone. The New Relic deployment was quick (one day) and payback was quick (three months), resulting in an **ROI of 314%**.

As the company migrates more application server environments to New Relic, it will greatly enhance its performance and optimize its server management cost structure, making it more competitive.

Business Value Highlights

Organization: Global technology manufacturer

Location: North America

Challenge: Traditional on-premise monitoring was expensive and unable to support rapid growth of new services

Solution: New Relic software analytics solution

Cumulative benefits:

- Over \$3.0 million for 5-year period
- ROI of 314%
- Payback in 3 months

Other benefits:

- Savings of \$1,499 per developer
- Reduced cost to test applications by 95%
- Accelerated time to market by 75%

Implementation

The technology manufacturing firm chose the New Relic SaaS APM solution to help optimize the performance and availability of its application infrastructure in a cost-effective manner. The solution provides an end-to-end view of performance and availability across the firm's networks, databases, servers, client devices, and application infrastructure with a unified monitoring capability for alerting, analysis, and troubleshooting. The company has also established performance management policies, processes, and procedures to enable the optimization of applications and infrastructure across its extensive development community.

Recognizing that silo-based monitoring was not sufficient, the company deployed the New Relic solution to provide a single view into the entire application stack, including users, servers, databases, and application code. The company wanted to monitor the end-user experience to quickly identify and resolve problems with diagnostics for root cause analysis and visibility into when and where applications degrade. To increase the effectiveness of its developers, the company also wanted to triage applications to the correct team.

Deployment of the New Relic APM solution was also consistent with the company's focus on the end-user experience and a shift from reactive to proactive monitoring to ensure visibility across multiple domains. The firm also wanted to provide monitoring capabilities on demand at reasonable cost. The New Relic solution gives the company deep cross-tier, network, and application server tracing and event capabilities with trending, reporting, and near-real-time dashboards. These capabilities are further supplemented with alerts on user experience and application health.

Cost was a major factor in the technology manufacturing firm's decision to deploy the New Relic software analytics solution more than two years ago. As a SaaS offering, it saves on infrastructure and other costs. No hardware is needed, and there are no fees for software upgrades. Up-front investment is minimal, and the service self-provisions in minutes and scales easily to meet evolving needs. No employees are needed for maintenance and support, and there are no management consoles to configure and deploy.

In addition, on-premise APM software can take months to implement for each application and more time to reconfigure for updates. In agile operations, frequent releases can get expensive and any performance issue or failed transaction during the lengthy process wastes resources and risks revenue loss. With the New Relic service, new releases arrive automatically while the applications continue to run. Also, in contrast to the complexity of on-premise APM solutions, which often require extensive professional services to deploy and sometimes to maintain, the New Relic solution is simple to use and has an intuitive interface, so no training is needed.

Besides valuing the cost savings, the technology manufacturer was also impressed with the agility of the New Relic solution and its ability to resolve IT tickets quickly. "It scales well and works across services, which is very important for us," the company spokesperson said.

The company has embraced cloud computing as a priority and was impressed with how well the service works in both cloud and hybrid environments. "It's no surprise that the New Relic service has been adopted by so many cloud companies," the spokesperson said. "The company [New Relic] is a generation ahead in its understanding of open frameworks."

New Relic Cost and Performance Advantages over On-Premise APM Solution

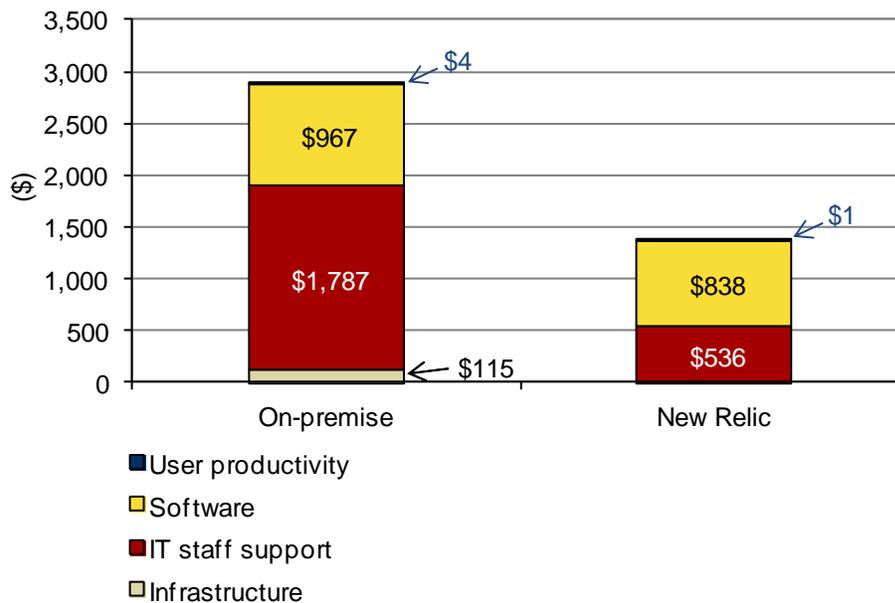
To evaluate the cost benefits and ROI for the New Relic deployment, IDC interviewed managers at the technology company and asked a series of detailed questions about the New Relic deployment compared with a similar sized environment that relied on an on-premise APM solution used by the company. The analysis covered all software costs, including deployment, maintenance, and fees or licenses, as well as the costs for infrastructure, IT labor, and other professional services. Loss of productivity due to downtime was also determined in the calculation of the return on investment.

IDC looked at total costs over a five-year period and then annualized the data to create an annual cost picture. Because both environments supported developers and the developer population was fairly static, we chose developers to standardize the scope. We could have selected servers monitored as well, but the New Relic environment was being deployed and growing at too fast a rate.

Overall, the annual costs for the on-premise solution totaled \$2,873 per developer, compared with \$1,374 per developer for the New Relic service (see Figure 1). This amounts to an annual savings with the New Relic service of **\$1,499 per developer**.

Figure 1.

Annual Cost per Developer



Source: IDC, 2013

For the on-premise solution, the infrastructure costs included the outlays for servers, storage, networking, facilities, and power. These costs amounted to \$115 per developer for the on-premise solution. There were no infrastructure costs for the New Relic service.

IT staffing costs were based on the time required to deploy, manage, and support the software solution and the associated infrastructure. This figure was multiplied by the average annual salary of the people involved. IT staffing and third-party services costs include installation,

administration and finance, management, help desk/support, downtime recovery, training, asset recovery/end-of-life recovery, and security.

For the on-premise solution, the IT labor costs for supporting the infrastructure amounted to \$313 per developer. Costs for training, documentation, and managing accounts and domains added \$581 per developer. In addition, to deliver a level of support comparable to that of the New Relic service, the on-premise solution required another half-time developer dedicated to integration and in-house support. The additional support added another \$893 per developer. In total, the annual IT labor costs for the on-premise solution amounted to \$1,787 per developer.

IT labor support for the New Relic service consists of 1.5 full-time employees: 0.5 of a technical lead responsible for materials development and training delivery, vendor management, and road map development and forward engineering; 0.5 of a developer dedicated to integration and developer support; and 0.5 of an operations lead serving as a representative to the DevOps and Ops community, responsible for onboarding, installation sessions, "get well," debug, and triage efforts. The annual IT labor costs for New Relic were \$536 per developer, 70% less than the annual IT labor costs for the on-premise solution.

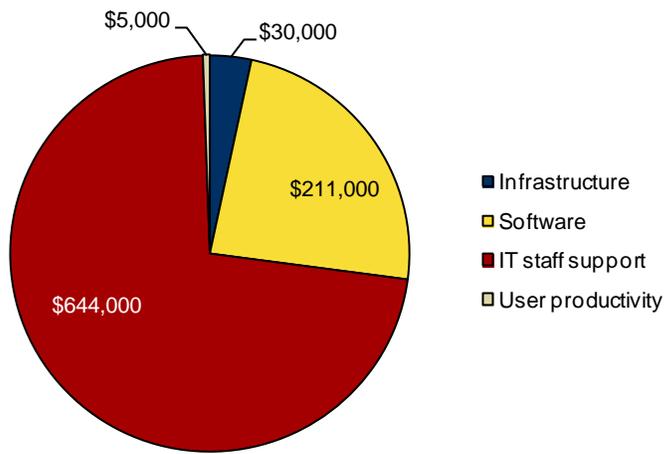
The annual software costs including maintenance and extended diagnostics for 200 hosts delivered via the New Relic service totaled \$838 per developer — 13% less than the annual software costs for the on-premise solution (\$967 per developer).

Finally, the annual cost in lost productivity due to downtime amounted to \$4 per developer for the on-premise solution and \$1 per developer for the New Relic service.

Benefits

The company plans on continuing to grow its New Relic environment. What began with 100 servers has grown to 500 servers and will continue to grow by 25% each year. Based on the planned expansion, IDC estimates that from 2010 to 2014, the global manufacturer will realize an annual savings of **\$890,000** (see Figure 2).

Figure 2.
Total Annual Savings



Total annual savings = \$890,000

Source: IDC, 2013

Return on Investment

IDC conducted multiple interviews with the manufacturer to quantify the benefits and investment associated with its use of the New Relic solution and created an ROI from the results.

IDC calculated the ROI and payback period in a three-step process:

1. Measure the cost savings and increased revenue from implementing the New Relic solution.
2. Ascertain the total investment.
3. Project the investment and benefits over five years and calculate the ROI and payback period. The ROI is the five-year net present value (NPV) of the benefits divided by the discounted investment. To account for the time value of money, IDC based the ROI and payback period calculations on a 12% discounted cash flow.

IDC calculated that the global technology manufacturer will realize a five-year ROI of 314% from its use of New Relic. Payback on the investment occurred within three months after deployment (see Table 1).

Table 1.

Five-Year ROI Analysis	
Benefit (discounted)	\$3.1M
Investment (discounted)	\$0.74M
Net present value (NPV)	\$2.32M
ROI (NPV/investment)	314%
Payback	2.91 months
Discount rate	12%

Source IDC: 2013

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