

Who Wants to Buy Application Performance Optimization as a Service?

By Rebecca Wetzel and Peter Sevcik

November 2009

If you are a managed service provider offering application performance optimization as part of your service portfolio, you need to know what types of enterprises are most likely to buy your services so you can optimize your marketing and sales efforts.

This report presents results from a recent NetForecast study that shed light on which prospective customers are most likely to buy application performance optimization as a service. We also share market insight gained from many years watching the application performance optimization service market evolve, and we provide guidance for communicating the value performance optimization services can deliver to your customers.

Our goal is to help you successfully qualify and market application performance optimization services to prospective customers. This report is a companion piece to NetForecast Report 5099, *Managed Service Provider's Guide to Application Performance Optimization Services*.¹

Who Is Likely to Buy?

Data from a NetForecast survey concluded in August of 2009 reveals several key findings about enterprises' penchant to purchase application performance optimization as a service. These findings are that:

- Enterprises with staff constraints and/or concerns about technical complexity are more likely to buy performance optimization as a service rather than as a product solution.
- Companies of all sizes are likely to buy performance optimization services, but small-to-medium sized businesses are drawn to the service option in larger percentages than their larger counterparts.
- The likelihood to purchase application performance optimization as a service is strong throughout the world, but it is especially strong in the Asia-Pacific region and Europe, followed by North America.
- Some vertical industries such as manufacturing and service-based enterprises including business services, government, hospitality, and health care are especially open to purchasing performance optimization as a service.
- Proving the value of application performance optimization as a service can boost purchase likelihood by 50 percent.

NetForecast has found from other research that application performance optimization service buyers fall into two main camps: enterprises (often but not always large) with many distributed sites, and small-to-medium sized businesses with fewer interconnected locations. Most customers purchase because outsourcing performance optimization is easier and cheaper than the do-it-yourself alternative.

NetForecast Report
NFR5100

©2009
NetForecast, Inc.

The NetForecast Survey

NetForecast surveyed 127 enterprises to determine their plans and preferences for deploying application performance optimization technologies. The resulting data, which was gathered in August of 2009, provides insight into how likely respondents are to buy application performance optimization as a service. From the data NetForecast identified attributes of enterprises most likely to buy application performance optimization as a service rather than as a product solution. The following sections summarize the results of the NetForecast data analysis.

Proving Business Value

The NetForecast survey results indicate that by successfully proving the value of an application performance optimization service offering, a managed service provider will improve by 50 percent the likelihood that an enterprise will purchase the service. This means that a service provider must clearly communicate the business value of its service offerings. In fact, our analysis shows that proving value is the biggest “swing factor” of all the implementation barriers identified in the survey.

Proving application performance optimization service value improves purchase likelihood by 50 percent.

Up-front value is most tangibly communicated through proof-of-concept trials that generate reports showing the before-and-after benefits of application performance optimization. Ongoing value is best communicated and proven through regularly scheduled and easy-to-understand reports.

Such reports can help show your enterprise customers how your application performance optimization service offerings enable them to get more from their network infrastructure, especially during lean economic times. You can also prove how your services improve end-user experience quality, provide visibility into application and network infrastructure performance, and ensure consistent application performance during periods of system stress. Plus they also free your customers from day-to-day application performance operations to focus on core business activities, and help them make the most efficient use of existing hardware, software and bandwidth resources.

The most persuasive way to prove the business value of your application performance optimization service is to show a return on investment based on your customer’s unique business environment. Such an ROI analysis enables your customer to place a monetary value on the ongoing benefits your service delivers to them, and this information helps justify the purchase.

In-house Staff Capabilities

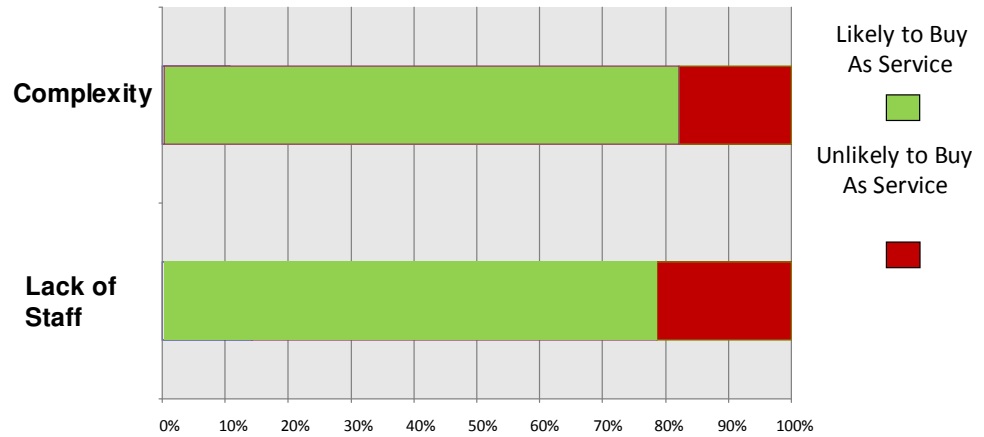
Survey respondents who cited lack of internal staff and/or solution complexity as impediments to deploying application performance optimization are more drawn to application performance optimization as a service (see Figure 1).

Eighty-two percent of respondents who cite complexity as an application performance optimization impediment are likely to buy application performance optimization as a service, compared to 63 percent of those for whom complexity is not an impediment. This receptiveness to a service option stems from the fact that enterprises for whom

complexity is an issue lack the requisite in-house skills to “roll their own” product solution.

Similarly, 78 percent of respondents who cite lack of staff as an impediment are likely to buy application performance optimization as a service, compared to 64 percent of those who do not view staffing as an impediment. Among those with thinly-stretched IT staffs, deploying an in-house application performance optimization product solution is difficult because they are short handed.

Figure 1. Purchase Likelihood for Respondents Citing Complexity and Staff Constraints as Implementation Barriers



Company Size

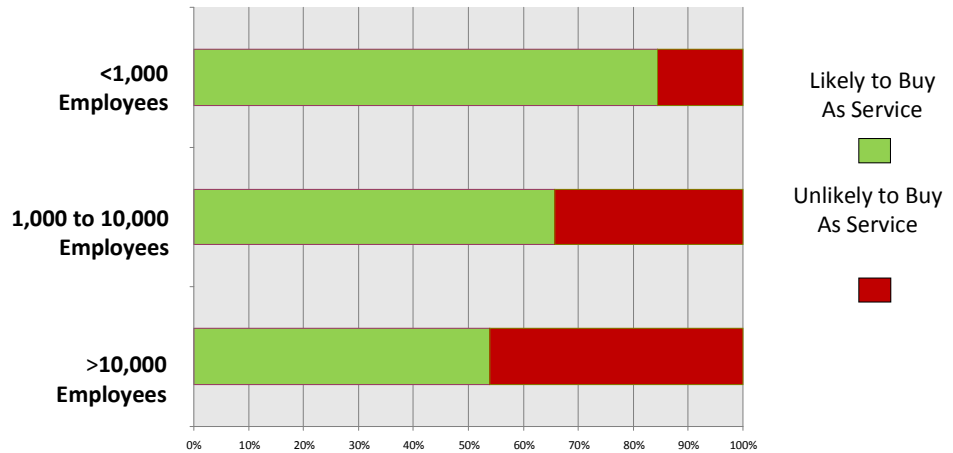
The NetForecast survey results indicate strong market potential for performance optimization as a service among enterprises of all sizes (see Figure 2). Over 50 percent of enterprises in all size categories are likely to purchase application performance optimization services. Small-to-medium sized businesses are, however, especially drawn to application performance optimization services.

Among enterprises with fewer than 1,000 employees, 84 percent are likely to buy application performance optimization as a service, compared to 66 percent of enterprises with between 1,000 and 10,000 employees, and 54 percent for enterprises with more than 10,000 employees.

As with SaaS (software as a service) and other functions purchased as a service, smaller companies are more likely to opt for externally supplied services rather than internally implemented and managed product solutions. This tendency is often attributable to the in-house staff constraints described above.

Although smaller companies exhibit a special affinity for outsourcing performance optimization, in our experience large, global enterprises also have an equally strong tendency to outsource implementation and management of application performance optimization solutions for remote locations where in-house skills are in short supply.

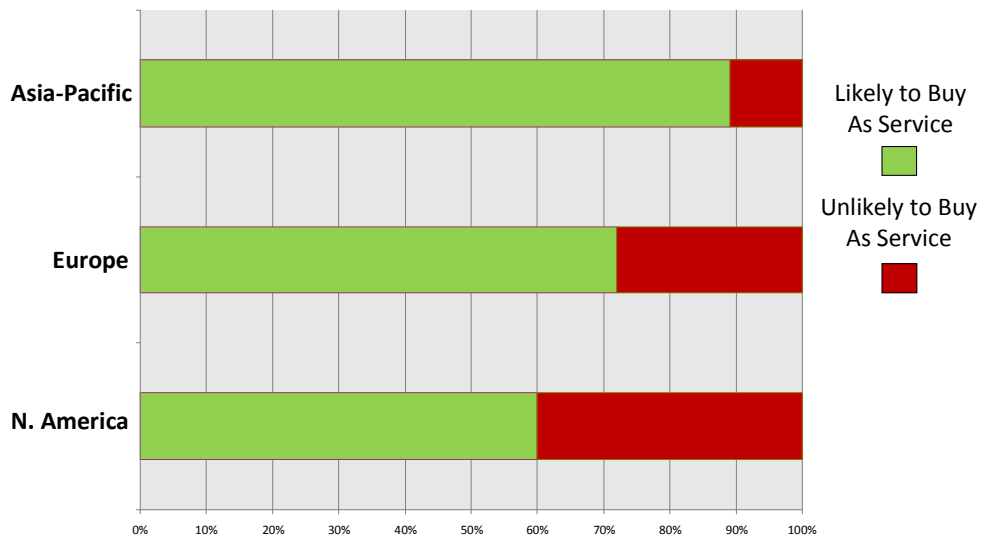
Figure 2. Purchase Likelihood by Enterprise Size



Other Influencing Factors

The NetForecast survey results indicate that enterprises in Europe and the Asia-Pacific region are more likely to outsource application performance optimization than enterprises in North America. Eighty-nine percent of the Asia-Pacific and 72 percent of European respondents describe themselves as likely to buy application performance optimization as a service, compared to 60 percent of North American respondents.

Figure 3. Purchase Likelihood by Region



The survey results also show that some vertical industries such as manufacturing and service-based enterprises including business services, government, hospitality, and health care are especially open to purchasing performance optimization as a service.

Conclusions

Throughout the world there is a “sweet spot” for application performance optimization as a service among manufacturing and service businesses that lack skilled technical staff to implement and operate a product solution either at specific sites, or across all of an enterprise’s sites. Although there is strong potential among enterprises of all sizes, small-to-medium sized businesses show an especially strong likelihood to buy performance optimization services in large numbers.

Managed service providers will be well served to offer application performance optimization services that meet the needs of businesses that are strongly inclined to buy their offerings, and to demonstrate value in the form of a compelling monetary return on a customer’s service investment. Ongoing success will hinge on proving the value of application performance management services after purchase, so service providers are advised to design reports that clearly demonstrate that value.

About the Authors

Rebecca Wetzel is a principal of NetForecast and a veteran of the data networking industry with unparalleled inside knowledge of the Internet service and product markets. She works with network product vendors and service providers to develop and implement product strategies. She can be reached at rebecca@netforecast.com.

Peter Sevcik is a principal of NetForecast and is a leading authority on measuring, assessing, and improving the performance of networked applications. Peter has contributed to the design of more than 100 enterprise systems and pioneered many performance management techniques including Apdex. He can be reached at peter@netforecast.com.

References

1 – *Managed Service Provider’s Guide to Application Performance Optimization Services*, NetForecast Report 5090, May 2009 (available at <http://www.netforecast.com/ReportsFrameset.htm>)

NetForecast helps enterprises and vendors understand and improve the performance of networked applications.

Additional information is available at:
www.netforecast.com

NetForecast and the curve-on-grid logo are registered trademarks of NetForecast, Inc.