Virtual Instruments gains cloud-native monitoring, cost analytics with Metricly buy

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Introduction

Most enterprises that we talk to expect to operate in a hybrid environment for years to come, basing their decisions on where to run workloads on a variety of factors including cost and performance. Virtual Instruments' acquisition of Metricly brings together cost and performance analytics in both hybrid and on-premises environments. The vision is to deliver to businesses a unified tool for optimizing performance and cost for workloads no matter where they run.

Snapshot

Acquirer	Virtual Instruments
Target	Metricly
Subsector	Monitoring
Deal value	Undisclosed
Date announced	August 14, 2019
Advisers	None disclosed

Source: 451 Research, LLC

The 451 Take

With the acquisition of Metricly, Virtual Instruments gains the potential to deliver two important capabilities. One is unified insight into workloads running in on-premises datacenters as well as cloud environments. With its history of delivering deep insight into storage and, more recently, other infrastructure, Virtual Instruments will be well-positioned with Metricly to offer unified monitoring to the bulk of enterprises that will likely be hybrid for years to come. In addition, we're watching emerging developments around combining cost analysis with performance insight. Metricly's technology enables Virtual Instruments to offer customers recommendations on shifting workloads across on-premises and cloud environments based on cost and performance characteristics. After most of the cost-reporting vendors, including Cloudyn, Cloud Cruiser and CloudHealth, were acquired by service providers, we think cloud cost optimization makes sense combined with performance insight, and as such, Virtual Instruments is well positioned.

Deal details

Virtual Instruments said it closed the acquisition and has taken on Metricly's assets and employees. Metricly's most recent funding round was in August 2018, when it brought in $11m from Rembrandt Venture Partners, Bowery Capital and debt-provider Western Technology Investment. Metricly had about 20 people working for it, roughly half of them contractors.

Deal rationale

In a world where it's increasingly apparent that hybrid will be the norm for the foreseeable future, this acquisition represents a marriage of the on-premises and cloud-monitoring worlds. While Virtual Instruments has some cloud-monitoring capabilities, it is best known for the deep visibility it offers into the datacenter. Metricly represents the reverse, with its focus on monitoring and optimizing cloud workloads. The combination of the two should deliver the comprehensive cloud and datacenter insight that hybrid enterprises require.

In addition, we're beginning to see early interest from monitoring vendors in combining cost implications into performance and optimization insight. Virtual Instruments has the potential to develop capabilities built on Metricly's cost-analysis technology aimed at helping customers make decisions about the best execution venue for workloads – on-premises or in any of multiple clouds – based on predicted cost and performance metrics.

Combining the go-to-market approaches of both companies should help each business drive sales as well. Metricly has acquired customers via online marketing, inviting users to easily sign up and try the offering. This approach appeals to smaller organizations as well as a DevOps user base, neither of which have been particular targets of Virtual Instruments. However, Virtual Instruments should benefit from Metricly's reputation as a vendor serving the DevOps community since Virtual Instruments' historical enterprise target customers are increasingly enabling DevOps practices. Virtual Instruments may be able to get a foot in the door via Metricly and expand from there. Likewise, Metricly stands to benefit from Virtual Instruments' sales team.

Target profile

Metricly was founded in 2002 as Netuitive, a vendor that became known as an early developer of predictive performance analytics. But momentum slowed for Netuitive in recent years, beginning when partners such as BMC and VMware became competitors.

The company relaunched as Metricly in 2017 with a new service built using the algorithms developed by Netuitive and delivered via a new, modern SaaS model. The value proposition that Metricly emphasizes online has evolved over the past couple of years, most recently focusing on the offering's cloud-cost-analysis capabilities. However, about 75% of Metricly's 80 customers also use its cloud-monitoring offering. The company told us that cloud cost optimization provides a strong justification for sales; prospects can do a 21-day free trial and justify the investment in Metricly, for monitoring as well as cost optimization, based on the savings they discover by using the tool.

Acquirer profile

Virtual Instruments is best known for the deep visibility it offers into the performance of on-premises storage devices, as well as the controls it offers for optimizing storage performance. It has evolved over the past couple of years, developing new products that are software-based rather than requiring customers to buy an appliance. It has also expanded the insight it delivers beyond storage, positioning its offerings as broad infrastructure monitoring tools. Over the past year or so, Virtual Instruments has been adding machine-learning-driven analytics that, for instance, forecast capacity of any device it monitors, including hosts, switches and storage arrays, and it continues to develop additional ML applications.

Virtual Instruments also has a deep integration with AppDynamics that meets market demand for the ability to correlate IT operations data across infrastructure and application performance.

While Virtual Instruments has added cloud-monitoring capabilities, its datacenter-monitoring capabilities are much more capable, leaving Metricly a nice gap to fill.

Competition

In infrastructure monitoring, Virtual Instruments faces a long list of competitors – infrastructure monitoring is the largest of the nine monitoring subsectors that we follow. With Metricly, Virtual Instruments gains a leg up over the wide swath of infrastructure monitoring vendors that are strong in either traditional environments or cloud, but not both. For example, LogicMonitor, ScienceLogic and Zenoss all have a history in monitoring traditional environments and are now building out their cloud-monitoring capabilities. SolarWinds quickly gained cloud-monitoring capabilities via acquisition, but it doesn't have deep integrations across the two product sets. Virtual Instruments should have advantages here if it executes the integrations with Metricly as planned.

In terms of combining cost optimization and performance capabilities, we see Virtual Instruments as among other vendors that are just developing this use case. LogicMonitor has some potential here with its acquisition late last year of ITculate, which offers a feature that alerts IT operations users when a change they make will have a significant impact on cost. We're hearing from more monitoring vendors that are developing dashboards that display cloud cost data and suspect it's only a matter of time before they experiment further with ways of analyzing that data together with performance information.