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Datadog gives synthetics potential a boost with Madumbo pickup

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Summary

With the acquisition of Madumbo, Datadog is augmenting its capabilities in synthetic monitoring, a sector it had already planned to enter for the first time later this month. Datadog hopes that the technologies Madumbo has been working on will help it advance the synthetics market, which has been relatively stagnant in terms of innovation.

Snapshot

ACQUIRER	Datadog
TARGET	Madumbo
SUBSECTOR	Monitoring
DEAL VALUE	Undisclosed
DATE ANNOUNCED	February 12, 2019
CLOSING DATE	October 2018

451 TAKE

Datadog is making clear its aspirations to continue expanding horizontally, having branched out into APM, log analytics and now synthetics. As it collects more data sources, Datadog improves the accuracy of the analytics it surfaces to customers about the root cause of problems that occur in complex application environments. We didn't get the impression that Datadog is particularly keen to deliver testing capabilities that are a natural fit on top of Madumbo's technologies, but we think it should because doing so would allow it to contribute another capability in the tool chain used by modern development operations and would help set it apart from its primary competitors.

Deal details

Although Datadog has only now announced the deal, it actually closed in October 2018. Terms weren't disclosed, but it's likely a modest price tag because the deal got Datadog a team of just seven employees that will operate out of Datadog's Paris office.

Deal rationale

Since its start as an infrastructure monitoring vendor, Datadog has been steadily expanding horizontally, adding APM and then logging, the latter through its acquisition of Logmatic in 2017. Datadog has been developing synthetic monitoring capabilities internally and will offer an uptime check service later this month. It expects to follow with a browser check functionality based on Madumbo's product at the end of March.

The value of synthetic monitoring is that it offers insight from the end-user perspective, where APM and infrastructure monitoring indicate performance problems on the back end. Datadog isn't the first to recognize the benefits of delivering both perspectives; some of its competitors already offer back-end monitoring tools in addition to synthetics and real-user monitoring from the front-end perspective. Datadog plans to integrate the capabilities it offers so that when synthetic monitoring discovers a performance problem, the company can draw from the data collected from its APM, infrastructure monitoring and log analytics tools to quickly pinpoint the root cause of the problem.

We agree with Datadog's assessment that synthetic monitoring hasn't seen significant innovation in recent years. The company thinks it can improve on that by building on some of the technology that Madumbo has been developing. For instance, Madumbo has been working on a technique that automatically performs all possible actions on a website, including clicking buttons and filling out forms, to provoke all potential errors. Datadog may make that capability available in the future.

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We think Datadog could also consider adding a functional or load-testing product based on the Madumbo technology. Such products are increasingly being integrated into the development tool chain and are sometimes integrated with APM products so that developers can better discover and understand the cause of problems in pre-production workloads. We've seen some vendors that marry test and monitoring functions – including BlazeMeter (part of CA) and CA with its monitoring tools, as well as Apica, which offers load testing and synthetics.

Target profile

Madumbo was founded in 2017 by a pair who were working on another startup idea but then pivoted to develop technology around testing and improving the performance of websites. The company raised some funds from friends and family, as well as a grant from the French government, but also has been generating revenue from paying customers to support the business.

Madumbo initially came to market with a product that was used for functional testing rather than synthetics. Its core technology is designed to automatically identify elements of a web page and recognize when changes to things such as text and color are made to the element such that those changes won't set off a host of false alarms and break a test.

Acquirer profile

Datadog was founded in 2010 and has raised a total of \$147.9m, including a \$94.5m round led by Iconiq Capital in January 2016. It has about 750 employees and roughly 6,000 customers, many of which signed up online with a credit card. However, Datadog has been building an enterprise sales team and has won some larger enterprise customers, including Sony and AT&T.

When we spoke with Datadog in September last year, it said that 33% of its customers use two or more of its offerings. While that indicates it can do better at cross-selling, it also points to some interest from customers in buying multiple capabilities from a single monitoring vendor. Our research indicates that vendors such as Datadog that deliver three or more distinct and well-integrated offerings are generating a significant portion of revenue in the SaaS monitoring market.

Competition

Datadog's most notable competition is among monitoring vendors that offer a similar set of offerings. Dynatrace, AppDynamics and New Relic all offer APM, infrastructure monitoring and synthetics. Those three vendors also offer real-user monitoring, a capability Datadog doesn't yet have.

With its own synthetics offering, Datadog might steal some share from Pingdom, the SolarWinds synthetics tool that integrates with Datadog. Datadog's ability to attract Pingdom customers may depend on its ability to make a straightforward offering because SolarWinds customers tend to appreciate its no-frills approach.

Datadog also competes with vendors that similarly started out in infrastructure monitoring, including ScienceLogic, LogicMonitor and Zenoss. OpsRamp, which offers infrastructure monitoring and synthetics among other things, could also be a competitor here.