

REPORT REPRINT

Sumo Logic eyes opportunities that leverage growing customer base

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With more than 1,200 customers and roughly 10,000 non-paying users, Sumo is identifying unique ways to build on that momentum, including a planned feature that will offer targeted advice to customers based on activities of other users.

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With a solid user base, including both paying and non-paying customers, Sumo Logic is at the point it can think about ways to best leverage those users. One way it is doing so is by positioning itself as a central IT operations data repository that users in a variety of enterprise roles can access using tools of their choice. Also, the company is just starting to seek value in mining data about customers, both so that it can serve as a thought leader by sharing trend data and also to offer targeted recommendations to users based on activities of other users. Sumo Logic is in a strong position to execute on these initiatives.

THE 451 TAKE

We think Sumo Logic has smartly identified opportunities that it's able to pursue given the size of its customer base and the nature of its technology platform - opportunities that some of its smaller competitors might not be able to similarly execute on. A planned capability that offers targeted recommendations to users based on the actions of other users could be particularly useful to customers. Sumo Logic's centralized IT operations data-store concept is another opportunity to build on its current customer base since it's an idea best pitched as an expansion to existing customers. The company has work to do here to educate users on the benefits of such a repository, as well as in terms of lining up integrations with third-party products to access the Sumo platform. A significant challenge it faces is around describing the differences between its technology and that of competitors' and demonstrating why customers should care. Focusing on differentiated capabilities that are meaningful to customers, such as a forthcoming security-focused product, should help.

CONTEXT

Based in Redwood City, California, Sumo Logic reports that it has sailed past 1,200 customers, up from 1,000 in April, and has about 250 employees. Customers include AB InBev, Airbnb, Microsoft, Scripps Networks, Infor and Kaiser Permanente. Sumo Logic says it's analyzing roughly 100 petabytes of data and executing 20 million searches for customers each day. The company has raised \$160m in funding from investors including DFJ Growth, Institutional Venture Partners and Greylock Partners. Its latest round was in June 2015, but it is not actively looking for additional funding. Sumo Logic has passed \$50m in recurring revenue.

TECHNOLOGY

Earlier this year, Sumo Logic began supporting metrics so that users can ingest logs and metrics, correlating the two and doing analytics on a combined dataset. The company argues that it has advantages over other vendors that also combine metrics and logs in that Sumo was designed from the start to ingest time-series data, and it retains that data in its native format, where others - namely log vendors that correlate metrics and logs - may convert time-series data to logs and retain just the logs. Compared to application performance management (APM) vendors that are now doing some log ingest, including AppDynamics, Sumo Logic is pushing the advantages it has because it designed its systems to ingest varying types and volumes of data as it is produced, while APM tools tend to ingest at set increments. The result is that Sumo Logic can do real-time data streaming, which it argues is useful in scenarios such as preventing a distributed denial of service attack, where a customer was able to quickly learn about and shut down a suspicious server.

We see vendors taking different approaches to correlating metrics and logs and think that each can have benefits, although we find that those that retain more data and make it available for analytics can deliver more insightful, granular feedback for users. The challenge for all of them, Sumo Logic included, is demonstrating the benefits in ways that resonate with customers. Sumo Logic appears to be thinking along these lines and is developing a threat-intelligence and analytics product that should take advantage of its platform's architecture. Pulling security professionals into incident response via a shared tool supports the movement we're seeing in the market toward increased collaboration between security and DevOps teams, sometimes called 'DevSecOps.' Its analytics and log management capabilities are well suited to a security application, and the company told us it's interested in pursuing DevSecOps use cases, a logical space to focus on next given that log management vendors tend to attract both security and IT operations users.

It's separately working on a revamped UI that includes a 'war room' concept where people from multiple groups can collaborate and respond to a situation. The war room is also an opportunity for Sumo Logic to invite new types of users to the tool, beyond developers, operations and security, because those without the skills to query can still benefit by getting access to dashboards that resident Sumo Logic experts have built in the war room.

STRATEGY

Sumo Logic is proactively working to develop a vibrant community around its product, and we see a couple of benefits to this approach. The company views users of its free tier as valuable because they may contribute to Sumo Logic-related open source projects (which include Chef Cookbooks, integrations with services such as AWS Lambda and search utilities). They also offer insight into trends around types of queries that users perform and infrastructure they are monitoring, and they offer the possibility of an upsell to a paying customer. One way that Sumo Logic is building this strong base of free users is through partnerships with vendors such as JFrog and Heroku that integrate Sumo Logic into their products and offer operational analytics to their users, with a free tier allowing a certain level of data ingestion. Sumo Logic is reluctant to peg an exact number of free users because some users sign up repeatedly for time-limited access, but it said that 10,000 is a reasonable estimate. This is a large base from which to gather valuable data; however, since free users very often have different use cases than large enterprises, it should carefully analyze this data.

Sumo Logic is just starting to make use of insights it can glean from these users. One way is through a quarterly report – the first of which it released in November – that offers insights about technologies its customers are using, queries they're commonly performing and vulnerabilities that might be popping up. We think this is a good opportunity for the vendor to offer strategic insight to customers and position itself as a valuable partner. In addition, it plans to use the data to offer targeted recommendations and known vulnerability updates to users of its forthcoming threat-intelligence product.

Sumo Logic is also evolving its message to position itself not necessarily as a single tool that IT operations, DevOps, security and those in other roles use, but as a central data platform for all types of IT operations data that can be accessed by end users in various ways. An example of how that might work is its recent partnership with New Relic, where customers can feed data from Sumo into New Relic Insights if they prefer New Relic's analytics and dashboarding capabilities.

We think Sumo Logic is well positioned to establish itself as a central repository for IT operations and that it's making the right partnerships to enable it. Such a proposition can be a tough sell since it requires buy-in horizontally across groups in an enterprise. However, Sumo can and should try to sell the idea to its existing customer base, an upsell that should be easier than attempting to pitch new customers on the idea.

COMPETITION

Broadly, Sumo Logic's most notable competitor is Splunk, the one to beat in log management and analytics, where it also competes with Loggly and Logentries, as well as the open source Elasticsearch and its backer, Elastic, and Graylog, another open source option that boasts 20,000 active installations. Splunk also represents competition for Sumo Logic with IT service intelligence, which combines metrics and logs in an analytics product that it is pitching as a tool for line-of-business users. While Sumo Logic does talk about business users, it appears currently to be more focused on security and IT operations use cases.

Rocana is pursuing an IT operations data-platform strategy that is similar to Sumo Logic's and has competitive technology, although it currently lacks the sizable customer base that Sumo has from which to try to upsell such a complex deal. Sumo Logic reports that it is seeing some competition from Datadog, which some businesses are using as a centralized collector of metrics.

The vendor may at times compete with AppDynamics, which has a log analytics product that collects logs and correlates them with APM data in a product designed to help users identify and fix problems quicker. It also may compete with Wavefront, an analytics-focused monitoring vendor that currently ingests metrics derived from logs but plans to ingest logs directly. New entrant Honeycomb Technologies may also present some competition.

SWOT ANALYSIS

STRENGTHS

Sumo Logic has a strong customer base - including paying and non-paying users - from which to expand its use case within customers.

WEAKNESSES

It isn't alone among vendors combining logs and metrics and, like its competitors, it must sell customers on its differentiation, which stems from its real-time streaming capabilities and data retention. That's a challenge in a noisy marketing environment.

OPPORTUNITIES

If Sumo Logic can successfully sell its product as a central platform for IT operations data in enterprises, it will deliver an important function that will be hard for users to give up.

THREATS

Sumo Logic may begin to compete with a new breed of IT operations analytics vendor, including Wavefront and Honeycomb, that are emerging with a fresh approach that encompasses both metrics and logs.