The ROI of Application Performance Management

A Look at Three ROI Case Studies

Business White Paper

November 2012

AppDynamics

Anyone familiar with the world of application performance management (APM) will have heard time and again of the "soft" benefits of APM software. Vendors claim to reduce mean-time-to-resolution (MTTR), make you more proactive about application performance, and basically do everything short of solving world peace. In many other industries these "soft" benefits wouldn't be enough to justify a purchase on their own, and we think it's time to start talking about some hard numbers in the APM world, too. We talked to a few of our customers and asked them to answer a simple question: How much have you saved with APM? Our customers did some calculations, and the results were pretty significant:

Customer	Savings (1 Year)	ROI with AppDynmaics
Edmunds.com	$795,166	4x
Fox News	$235,400	10x
Karavel	$379,566	4x

In this white paper we'll take a brief look at the results of each of these ROI case studies, and then help you calculate your own expected ROI with APM by evaluating a set of key factors.

ROI Stories

Edmunds.com is the leading website for consumer information and reviews about cars. People use the website to research and compare cars before making a purchase, and they have come to expect – as with any other website – to get that information in a matter of milliseconds.

John Martin, Director of Production Engineering at Edmunds.com, understands the importance of performance to his organization. In order to ensure that his application is always meeting his users' demands, John did two things: he encouraged and promoted a DevOps culture in his organization, and he installed AppDynamics.

A year after purchasing AppDynamics, John did an exercise to find out exactly what the results have been. As it turned out, they were pretty impressive: John estimated that Edmunds.com had already saved $800,000 with AppDynamics, and he projected an additional $400,000 in savings in his second year. Here are the results of John's exercise:

Edmunds.com ROI:

Example Use Case	Before AppDynamics	After AppDynamics	Benefits
Reduction in production downtime	99.91% availability	99.95% availability	$167,475 saved in lost revenue
Reduction in average MTTR per Severity-1 incident	5 man-days	Reduced by 45% (conservative)	$307,521 in productivity savings
Reduction in time spent identifying performance defects in pre-production	2.5 man-days	Reduced by 35% (conservative)	$320,170 in productivity savings
		Total 1st Year Savings:	**$ 795,166**

With a billion page views every month, Fox News is one of the largest news websites in the United States. In addition, Fox News delivers content through its API to thousands of other websites. Ryan Jairam, System Administrator at Fox News, is responsible for ensuring that the applications powering Fox News' online presence are performing well.

Ryan decided to use AppDynamics first as a troubleshooting tool to help him find and resolve problems faster. What he found was that using AppDynamics helped him and his team become much more agile and proactive when it came to application performance, and he saw a significant reduction in support tickets. Two years after purchasing AppDynamics, Ryan decided to find out exactly what effect AppDynamics had had on his bottom line. He found that he had achieved 10x ROI with AppDynamics and saved $235,000 every year. Here are the results of his exercise:

Fox News ROI:

Example Use Case	Before AppDynamics	After AppDynamics	Benefits
Troubleshooting production issues plaguing ops and dev for 2 years.	Five employees troubleshooting and using caching bandaid workarounds.	Improved (MTTR) Mean-Time-to-Resolution from weeks to hours through simplicity and deep visibility such as AppDynamics 3-Clicks to Root Cause	$164,700
Reduction in outage and support tickets.	6-7 tickets filed per day totaling 35 tickets per week.	1-2 tickets per week and some weeks without any.	Estimated productivity savings: $70,700
		Total 1st Year Savings:	**$ 235,400**

With 4 million unique visitors a month, Karavel.com is the number one travel site in France. The company, founded over a decade ago, had to implement major changes in order to keep its user experience seamless as its user base grows. As a result, its architecture grew increasingly complex, and finding the root cause of incidents could take hours or even days.

Guillaume Postaire, Infrastructure Architect at Karavel, realized that he needed some way to reduce the amount of time his team spent troubleshooting and in post-mortems. The best way to do this, he decided, was to give them more visibility into the application with an APM tool.

Almost a year later, Guillaume decided to calculate what the effects of that decision have been. It turns out they weren't insignificant; Karavel has saved over €300,000 with APM in their first year. Here are the complete results of their ROI study:

Karavel ROI

Example Use Case	Before AppDynamics	After AppDynamics	Benefits
Reduction in Severity 1 incidents from optimizing application	30 Incidents a year	11 Incidents a year	Reduced Severity 1 incidents by 63%
Reduction in production downtime	99.90% availability	99.97% availability	Reduced downtime by 72%
Reduction in average MTTR per Severity-1 incident	15 hours per incident	7 hours per incident	Reduced troubleshooting time by 50%
		Total 1st Year Savings:	**€294,306 ($379,566)**

How Can You Maximize ROI with APM?

Getting a good return on investment depends on the cost of the technology as much as the savings it provides. A solution that delivers a million dollars in savings in the first year isn't delivering much value if it costs the same to buy, deploy and maintain. There are important factors to consider when purchasing an application performance management solution in order to maximize ROI:

1. Total Cost of Ownership (TCO)

Cost is, of course, an important factor in any ROI assessment, but it's important to make sure that you're considering the entire cost of the product in your calculations. With some software vendors, licensing costs are only part of the picture: infrastructure and maintenance, consulting fees and other costs make the TCO of that solution much higher than the initial quote from an account manager. Be sure you know exactly what the cost of implementing your chosen APM solution will be before you sign a purchase order.

Questions to ask your account manager:

How much infrastructure will I have to allocate for the management server(s)?

Will consulting be necessary to deploy the software?

2. Ease of Use

Ease-of-use is often left out of ROI discussions about APM, but the fact remains that the easier the solution is for your team to use on a day-to-day basis, the greater your productivity savings. Tools that are easy to use allow for the fastest troubleshooting, which means your team members have more time to work on other projects. Tools that are difficult to use, on the other hand, create more work for your team and may even absorb more of their hours than they save.

Questions to ask your account manager:

How long will installation take?

Does the solution automatically detect and instrument the application?

How do we make configuration changes?

Try Us For FREE

www.appdynamics.com/free

**Find out more at
www.appdynamics.com**

Conclusion

Estimating ROI isn't a fun task, but it's a necessary one, even for APM. Before going ahead with an APM solution make sure you know how much you expect it to save your organization (and how much it will really cost). Edmunds.com, Fox News and Karavel all went through this exercise and found some impressive results, but we aren't all Fox News or Edmunds.com. Work with your APM vendor to calculate what your expected savings will be with their solution, taking into account TCO and ease-of-use, and then do the same exercise a year later – at the very least, it will keep your vendor honest.

About AppDynamics

AppDynamics is the easy-to-use application performance management solution that simplifies the management of complex, business-critical apps. No one can stand slow applications—not IT Ops and Dev teams, not the CIO, and definitely not end users. With AppDynamics, no one has to tolerate slow performing apps ever again. Visit us at www.appdynamics.com.

AppDynamics