Load-testing and monitoring firm Apica narrows its focus in a plan to spur growth

NANCY GOHRING

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THE 451 TAKE

While Apica has been humming along since 2007, plans launched by its new CEO around narrowing its customer targets and better focusing its offering should help give it a boost. Roughly half of its revenue already comes from the US, but the company, based in Stockholm, has traditionally been more focused on Europe. It doesn't intend to abandon the rest of the world, but making an effort in the US market should pay off. We also like new plans to emphasize technology and its SaaS platform over professional services as a stronger path to growth. We see Apica's most significant challenge being its position as a narrowly focused vendor competing against vendors with broad horizontal plays. It should continue to make investments in integrations with tools that its customers commonly rely on, since doing so eases some of the pain that businesses feel around juggling too many tools.

CONTEXT

Founded in 2007 in Stockholm, Apica started out with synthetic monitoring and moved on to load testing. It has about 100 employees currently, with 60 in Stockholm, 33 in the US and seven in the UK; it expects to end the year with about 120 employees.

Apica increasingly wants to target the US market, and is now balancing out recent R&D investments with a boost in sales and marketing, particularly targeted at the US. Part of that investment includes the recent hire of a new global marketing director. It now has upwards of 250 customers, with about 50% of revenue coming from the US, 35% from the Nordics, and the UK and elsewhere accounting for about 15% of revenue. Customers include Scholastic Inc, Etihad Airways and Los Angeles' Broad Museum, as well as other recognizable international brands.

Apica is honing its strategy under the leadership of Carmen Carey, who was brought on as CEO in January, taking the reins from founder and CEO Sven Hammar, who now serves as chief strategy officer. Carey comes to Apica after serving as CEO of Big Data Partnership, a company acquired by Teradata, and was previously COO of MetaPack, CEO of ControlCircle and COO of MessageLabs. She is deliberately based in New York as part of the company's efforts to better target the US market.

STRATEGIC VISION AND BUSINESS DRIVERS

Apica is working through a couple of strategic adjustments. One involves focusing the company on its technology and SaaS platform and deemphasizing, without eliminating, its services business. The company wants to use its team of performance engineers to drive software and SaaS sales, while continuing to offer them as support for customers, particularly around load testing. The shift is driven in part by Carey's history running SaaS businesses and her faith in their recurring revenue models, as well as an interest in more aggressively pushing technology that the company believes is comprehensive and competitive.

Additionally, we think that the emphasis on SaaS and Apica's technology itself will also meet trends and demands in the market. As enterprises increasingly look at ways to reorganize their IT and development operations, they often seek tools that are easier to use. This is particularly true in load testing, where businesses are pushing testing left such that developers are working testing into their release cycles, rather than solely relying on dedicated testing professionals who use sophisticated tools requiring significant expertise.

Apica is also tightening up its focus on customers and end users. Current customers run the gamut from small businesses to large enterprises in a variety of verticals, without much marketing segmentation from Apica. The company is working on narrowing its focus to enterprises, although it will also target medium-size businesses that see the value in investing in the kind of best-of-breed tools typically reserved for enterprises. We like this segmen-

tation around medium-size businesses that are willing to spend on top-tier tools, and think that Apica may find a profitable niche here. It also plans to do some work around vertical marketing, including to customers in financial services, technology, media and e-commerce.

Apica has also been working on studying the end-user roles that both products are likely to appeal to, including which end-user groups are likely have the spend to buy and where they overlap. One group of users that it is increasingly trying to target consists of DevOps pros and developers, representing an expansion of Apica's load testing product beyond QA engineers and testing professionals. It's appealing to this new user group through dedication to integrations with the kinds of tools that they use. Those integrations currently include monitoring tools like Splunk, AppDynamics, Dynatrace and New Relic (plus legacy tools like IBM's Tivoli), as well as CI/CD tools like Jenkins, Atlassian Bamboo, Microsoft Visual Studio Team Services and TeamCity (JetBrains).

Apica should use its exercise in examining user roles to position itself as a thought leader and vendor that can help businesses looking to improve the quality of their applications. In load testing, in particular, we're increasingly seeing businesses work through the organizational changes often required to allow for the shift left of testing processes. While, traditionally, testing pros may have lived in a dedicated QA team that executed tests as a last step before production, we're seeing businesses experiment with new organizational models. In some cases, QA pros are embedded into application teams, where they help design tests and ensure that they execute early in the development process. We're also seeing a hybrid model where QA experts work in a consulting fashion with multiple application teams, assisting them in their testing efforts. We've also seen some businesses experiment with leaving testing entirely in the hands of DevOps pros, and while this model may be an improvement over not testing at all in smaller organizations, we think it unrealistically relies on DevOps individuals to serve as QA experts.

Apica's integration between its synthetics offering and APM products should also serve it well, particularly as a vendor that offers a relatively narrow set of products compared with the larger vendors that are expanding horizontally. The APM integrations allow customers to troubleshoot when Apica's synthetic testing identifies problems, even though in many cases the APM vendors offer their own synthetic monitoring products. We agree that Apica's offering is more full-featured than most of the products offered by the horizontal plays, in part because it includes synthetic testing for websites, mobile apps, APIs, IoT deployments and video services. However, Apica's challenge is that many businesses are already struggling under burdens associated with juggling too many tools. The many integrations that Apica offers help, eliminating one of the headaches involved with using too many tools. Continuing to market the advantages that it can offer over the straightforward tools offered by platform plays will also help to demonstrate value for Apica.

PRODUCTS

Apica's offerings include LoadTest and Synthetic. LoadTest can scale to support as many as five million virtual users, and can be deployed as SaaS, hybrid or on-premises, allowing it to appeal to a range of enterprises. Users can employ a script-conversion tool to transition from Load Runner to Apica.

Apica sets its Synthetic product apart by offering stringent security features, a network that generates traffic from 80 countries and a simple pricing model. It also offers sophisticated administration tools that allow an enterprise to set policies for individual teams within the organization. Both Synthetic and LoadTest have the kind of features that enterprises require.

While customers that use both LoadTest and Synthetic can reuse scripts, and may find some advantages across the products to integrations with third-party tools, there isn't much integration between the two products. Apica hopes to do more integration, including offering a shared portal. We see this as a missed opportunity that could bring additional value to users.

COMPETITION

Traditionally, Apica's strongest competitor to LoadTest would be Load Runner, HPE's load testing product that once dominated the market. However, Load Runner has been losing share to testing tools that don't require the same level of expertise to use. Other load testing vendors that are similarly promoting ease of use and support integrations with CI/CD tools include CA BlazeMeter, Neotys and Nouvola.

In synthetics, Apica competes with Catchpoint, AppNeta, Rigor and Yottaa. Pingdom, acquired by SolarWinds in 2015, offers both RUM and synthetics. Dynatrace represents strong competition to Apica in that it offers full-featured synthetics via its acquisitions of Keynote and Gomez, as well as its core APM product.

SWOT ANALYSIS

STRENGTHS
Apica has the technology in place, including multiple deployment models, scale and security, necessary to attract large enterprise customers.

WEAKNESSES
Apica is just now targeting the important US market in earnest, where it will compete against vendors that have better name recognition.

OPPORTUNITIES
With new leadership and a narrowing of focus, Apica should be able to boost growth, particularly among enterprises and businesses adopting modern development processes.

THREATS
Apica avoids some shortcomings as a vendor offering just two best-in-breed tools via its integrations with adjacent tools, but some customers will find it easier to make do with offerings from their existing platform vendors.