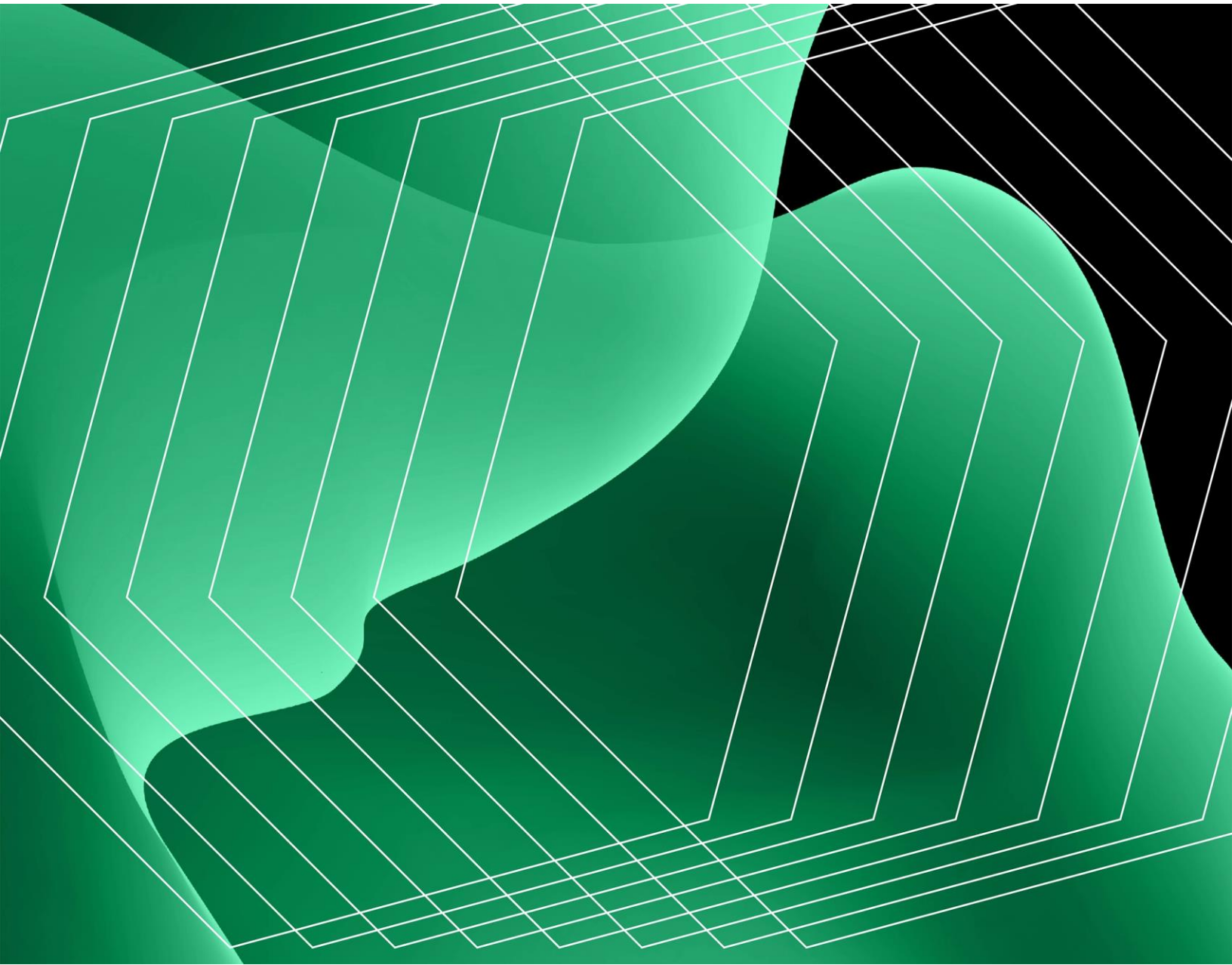
FORRESTER®

The Total Economic Impact™ Of New Relic

Cost Savings And Business Benefits Enabled By New Relic

A Forrester Total Economic Impact™ Study
Commissioned By New Relic, February 2025



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ABOUT FORRESTER CONSULTING

Forrester provides independent and objective research-based consulting to help leaders deliver key outcomes. Fueled by our customer-obsessed research, Forrester's seasoned consultants partner with leaders to execute their specific priorities using a unique engagement model that ensures lasting impact. For more information, visit forrester.com/consulting.

Executive Summary

When a customer-facing website or application crashes or even slows down, organizations risk significant revenue loss, damaged customer trust, and a drop in the productivity of users, such as developers, site reliability engineers, platform engineers, and security professionals. Conversely, when systems are working well, enterprises are free to focus on enhancing customer experiences and innovating. Observability platforms like New Relic provide critical insights into system performance, helping teams quickly identify and resolve issues before they impact customers. These platforms empower organizations to reduce the frequency and duration of application or website outages, improve the productivity of their developer and DevOps teams, and identify ways to reduce their hardware and cloud hosting costs. Observability platforms may also leverage agentic AI – advanced AI systems that can "plan, make complex decisions, and adopt to changing environments, thereby driving toward the highest levels of autonomy in complex process execution."[1]

New Relic is an intelligent observability platform that enables organizations to monitor and improve the performance of their applications and websites. It aggregates metrics, logs, and traces from different applications and infrastructure, helping teams quickly detect, diagnose, and resolve issues before they impact customers. With its unified platform, New Relic can help organizations improve the reliability of their digital experiences, including customer-facing applications, e-commerce websites, and streaming platforms.

Forrester Research emphasizes the increasing importance of products like New Relic in protecting revenue and improving operational efficiency: "Hybrid cloud environments demand comprehensive real-time technologies that keep pace with the complexity and volumes of data that today's businesses generate. The practices of artificial intelligence for IT operations (AIOps) and observability are up to the task, as are the underpinning technologies. … AIOps and observability are future fit technologies and vital practices for high-performing organizations."[2]

New Relic commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying New Relic.[3] The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of New Relic on their organizations.

Return on investment (ROI)
267%

Net present value (NPV)
$5.1M

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed six decision-makers with experience using New Relic. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a global organization with $4 billion in annual revenue and 15,000 employees.

Interviewees said that prior to using New Relic, their organizations had some basic application performance monitoring (APM) features in place, but they needed an all-in-one, comprehensive observability platform. Before New Relic, the organizations struggled with persistent issues like latency, outages, and poor website or application performance, which sometimes led to customer dissatisfaction and lost revenue. Teams often struggled with inefficient troubleshooting and debugging processes, which slowed down issue resolution and impacted the productivity of site reliability engineers and DevOps teams. Without actionable insights into memory, storage usage, and CPU trends across their digital systems, these organizations often threw more money into additional cloud capacity and hardware to meet increases in traffic, which led to surging infrastructure costs.

After the investment in New Relic, the interviewees reported that they were able to leverage New Relic's centralized insights to more quickly detect, diagnose, and resolve system issues before they affected customers. By streamlining the troubleshooting and debugging process, the organizations' IT teams saw substantial time savings just months after adopting New Relic. New Relic also provided the interviewees' organizations with insights into their customers' digital journeys; staff could quickly identify performance bottlenecks, latency issues, and outages, reducing the number of customer-impacting events. The New Relic platform's detailed resource utilization analytics also helped organizations identify overprovisioned or underutilized assets, allowing customers to rightsize their legacy infrastructure costs.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **IT time savings of 40% on application monitoring, troubleshooting, and responding to outages.** With New Relic, the composite organization gains automated

alerts and root-cause analysis tools to pinpoint issues quickly, reducing the amount of time IT employees spend on identifying and diagnosing potential issues. The composite organization's developer team also uses New Relic to test new features before they go live, ensuring that newly released features don't create performance problems. The improved visibility and deployment quality that New Relic provides frees IT staff to focus on other tasks, resulting in $1.4 million in time savings over the three-year analysis.

- **Avoiding revenue losses, due to a 40% reduction in customer-impacting outages and a 70% drop in the average time to resolve an outage.** The composite organization loses hundreds of thousands of dollars in revenue every time it suffers a customer-impacting outage. With New Relic, the composite improves application stability by proactively addressing performance anomalies before they escalate into failures. When outages do occur, New Relic's metrics, logs, and traces facilitate quick root-cause analysis, significantly reducing the composite's mean time to resolution (MTTR). The improvement in application uptime protects revenue that otherwise would have been lost during outages, resulting in a risk-adjusted $3.9 million in additional profit over three years.
- **Cost savings of $1.6 million from consolidating APM tools and optimizing infrastructure spend.** The composite organization gradually retires its incumbent APM and observability tools as it consolidates onto the New Relic platform. The organization also uses New Relic's insights into memory, CPU, and storage usage to avoid needless infrastructure purchases and identify overprovisioned assets. Overall, the migration to New Relic enables the composite organization to reduce its legacy observability and infrastructure costs by $1.6 million over the three-year analysis.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified for this study include:

- **Improved deployment speed.** Interviewees shared that they could test new applications, websites, and features more quickly in New Relic before going live with them. The accelerated testing process led to faster deployment cycles, which could lead to faster revenue recognition.
- **Reduced latency.** In addition to the reduction in front-end outages, interviewees reported that using New Relic enabled them to reduce back-end outages and other performance issues that led to latency problems for users.

- **Time savings from the generative AI capabilities of New Relic's query language.** Some interviewees noted that they had started to use the AI-powered natural language capabilities within the New Relic Query Language (NRQL). This feature enabled them to write queries in plain English without having to train staff on using a new query language.
- **Efficiency gains from improved insights into the customer journey.** By mapping and analyzing the end-to-end customer experience, the interviewees were able to better understand how campaigns were performing and where customers were dropping off on the buying journey. By centralizing these insights into the New Relic platform, marketers saved time on manually searching for campaign-specific information.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **New Relic licensing costs.** The composite organization incurs licensing costs for New Relic based on the amount of data ingested into the platform. Over three years, the composite organization's licensing costs amount to a risk-adjusted $1.1 million.
- **Internal labor costs for the implementation and deployment of New Relic.** The composite organization dedicates a small team of IT staff to setting up New Relic during the implementation period. Overall, these internal labor costs cost the composite a risk-adjusted $203,000.
- **Ongoing management costs.** After installing New Relic, the composite organization dedicates a full-time equivalent (FTE) to managing New Relic on an ongoing basis. The composite incurs additional labor costs for training new users on New Relic. Collectively, these ongoing management costs equal $593,000 over three years.

The representative interviews and financial analysis found that a composite organization experiences benefits of $6.9 million over three years versus costs of $1.9 million, adding up to a net present value (NPV) of $5.1 million and an ROI of 267%.

Reduction in MTTR
70%

“In addition to standard APM monitoring for IT, New Relic enhances business observability and provides previously unavailable business insights. It reveals blind spots and highlights business priorities.”

DIGITAL MANAGER, FOOD DISTRIBUTION

Return on investment (ROI)

267%

Benefits PV

$6.9M

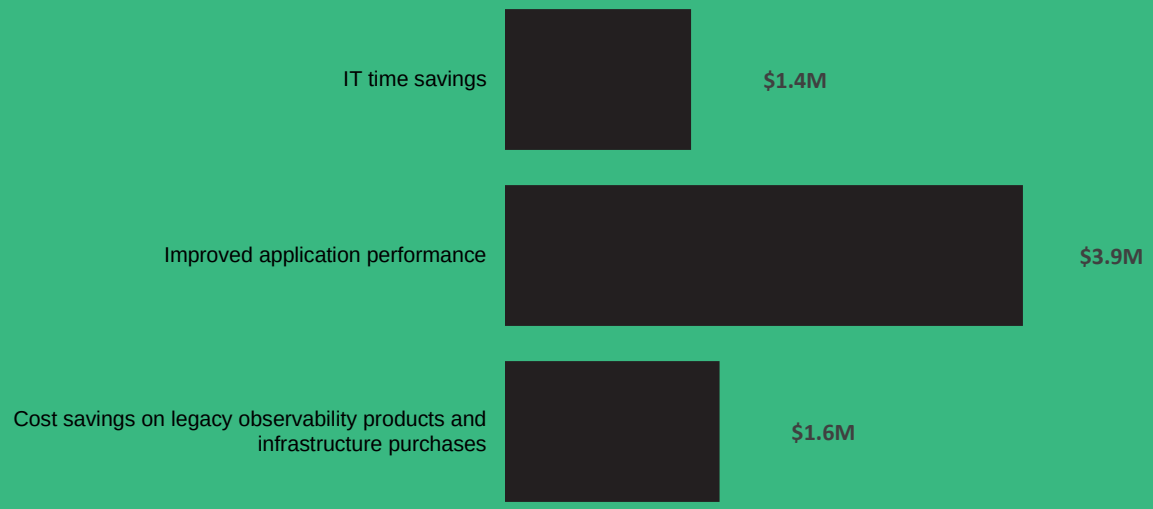
Net present value (NPV)

$5.1M

Payback

<6 months

Benefits (Three-Year)



TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in New Relic.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that New Relic can have on an organization.

DISCLOSURES
Readers should be aware of the following:

This study is commissioned by New Relic and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in New Relic.

New Relic reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

New Relic provided the customer names for the interviews but did not participate in the interviews.

Due Diligence
Interviewed New Relic stakeholders and Forrester analysts to gather data relative to New Relic.

Interviews
Interviewed six people at organizations using New Relic to obtain data about costs, benefits, and risks.

Composite Organization
Designed a composite organization based on characteristics of the interviewees' organizations.

Financial Model Framework
Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.

Case Study
Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The New Relic Customer Journey

Drivers leading to the New Relic investment

Interviews			
Industry	**Role**	**Annual revenue**	**Employees**
Food distribution	Digital manager	$30 billion	90,000
Retail	Engineering manager	$7 billion	40,000
Software	SVP of IT	$2 billion	2,800
Finance	IT leader	$1 billion acquisition price	6,000
Media	Technical operations manager	$250 million	1,200
Application development	Infrastructure manager	Private start-up	400

The interviewed organizations represent a wide range of geographies, including the US, EMEA, and Australia/New Zealand.

KEY CHALLENGES

Before adopting New Relic, interviewees' organizations often relied on a patchwork of disconnected APM tools, which created data silos and inefficiencies. Teams were sometimes unable to correlate data across these tools, limiting their visibility into irregularities within their systems. Some interviewees reported that they migrated to New Relic from a single monitoring tool that lacked key features, such as distributed tracing, real-time dashboards, automated alerts, and AI-driven insights.

The interviewees noted how their organizations struggled with common challenges, including:

- **A lack of visibility into application performance.** The interviewees' organizations struggled to gain comprehensive, real-time insights into how their applications were performing or potential issues in their systems. For e-commerce applications or websites, interviewees said they were often unable to see if there were any lags or if customers were dropping off at a certain point in their buying journey. On the back end, IT teams were unable to proactively identify anomalies before they escalated into customer-impacting outages. The engineering manager at a retail organization described the challenges: "The old system was a monolithic system that still didn't have much visibility into how things were performing, what customers were experiencing, and what issues might have been triggered in the back end. We weren't in a position to proactively deal with things before they became bigger problems."
- **Frequent latency problems and customer-impacting outages.** Without insight into key metrics like response times, error rates, dependency health, and memory usage, the interviewees' organizations often failed to identify bottlenecks before they escalated into latency challenges or unplanned downtime. Interviewees at B2C organizations reported that poor latency and outages often resulted in customers abandoning their purchases on e-commerce websites or reducing their use of an application. Interviewees at B2B organizations reported that some of their customers and partners threatened to stop working with them if they weren't able to improve the reliability of their systems. The SVP of IT at a software organization stated: "We struggled to understand what was causing slowness and what was impacting our customers. Often, we were late to the party when a problem was happening, and our customers would tell us first. … Some of our more mature customers put us on watch lists, where they rank all their vendors and say, 'You are having too many issues.'"
- **Difficulty in troubleshooting and debugging.** Interviewees reported that when front- or back-end outages did occur, their teams struggled to diagnose the root cause due to their complex application architecture. Without effective diagnostic tools, teams often spent excessive time on manually debugging work or cross-team communication, negatively impacting MTTR and the productivity of users, such as developers, site reliability engineers, platform engineers, and security professionals. The SVP of IT at a software organization stated: "The average duration of an event used to be 4 hours. The reason it was so long was that we weren't getting the right detection of the right problems to get people to respond quickly."

The technical operations manager at a media organization described their prior troubleshooting process without New Relic's centralized observability features: "Before, we had many distributed systems in different places. If we had an issue, we had no way to get one view of what was happening. It was a ton of work diving into each of the individual instances to figure out where the problem was [coming from]."

- **Wasteful infrastructure spend.** The interviewees shared that before New Relic, they lacked precise data on which systems or features took up the most memory, storage, or CPU. When they were worried about surges in traffic, they often threw more money into additional cloud capacity or hardware instead of rightsizing their existing infrastructure spend, which led to an increase in costs.

INVESTMENT OBJECTIVES

The interviewees reported that their organizations searched for a solution that could:

- Provide comprehensive, real-time insights into application performance and the user experience.
- Reduce latency, prevent outages, and maintain consistent performance.
- Accelerate MTTR and MTTD and improve DevOps productivity with end-to-end tracing, detailed error analytics, and streamlined root-cause analyses.
- Identify and eliminate wasteful cloud or hardware infrastructure costs.
- Monitor and manage performance effectively as systems grew in complexity.

> "We had some instances on the old platform where we may not have even known there was a problem because we didn't have New Relic deployed. We didn't know there was something wrong until too late."
>
> **ENGINEERING MANAGER, RETAIL**

> “One of the challenges before New Relic was that we just didn’t have a holistic capability to look at our full stack. ... Now we have a single source of truth and an enterprise-level view across all of our key business assets.”
>
> IT LEADER, FINANCE

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the interviewees’ organizations, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The composite organization is a global firm with 15,000 employees and $4 billion in annual revenue. The composite organization has a number of legacy APM tools in place but lacks a comprehensive, all-in-one platform.

Key Assumptions

$4 billion annual revenue
15,000 employees
40-person DevOps team

Analysis Of Benefits

Quantified benefit data as applied to the composite

Total Benefits						
Ref.	**Benefit**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Atr	IT time savings	$566,093	$566,093	$566,093	$1,698,278	$1,407,789
Btr	Improved application performance	$1,574,400	$1,574,400	$1,574,400	$4,723,200	$3,915,300
Ctr	Cost savings on legacy observability products and infrastructure purchases	$496,800	$662,400	$828,000	$1,987,200	$1,621,163
	Total benefits (risk-adjusted)	$2,637,293	$2,802,893	$2,968,493	$8,408,678	$6,944,252

IT TIME SAVINGS

Evidence and data. The interviewees reported significant improvements in their organization's IT and DevOps productivity with New Relic. The platform's visibility into application performance, user experience, infrastructure, and system health enabled teams to identify and resolve potential issues quickly, cutting the time spent on troubleshooting and root-cause analysis. With New Relic, their organizations were able to reduce the total number of disruptions they experienced as well as the number of "all hands on deck" outages that were common in their legacy state.

- Interviewees shared that New Relic made them more efficient in proactively identifying threats and responding to more immediate issues. The digital manager at a food distribution organization stated that: "The DevOps team sees time savings on troubleshooting and finding issues but also on proactive measurements to see when a trend is popping up. … It gives the business insight on what's going wrong, where it's going wrong, and what they can do about it." The same interviewee went on to estimate that, overall, their DevOps team was seeing time savings of 10% to 15%.

- Other interviewees reported that they had embedded New Relic into their development process so that developers could test new sites, applications, and features before going live with them. They could test a new feature in New Relic by setting up a staging environment that mirrored their production setup, validated performance metrics, and simulated real-world user interactions in the staging environment. By analyzing the collected data and validating that the feature worked and performed as expected, development teams could identify issues and ensure that any new capabilities were compatible with their production system. The SVP of IT at a software firm stated: “We’ve seen fantastic value from New Relic in identifying opportunities to tune our application code on certain types of failure scenarios. … We’ve also been providing New Relic to our development teams so they can start seeing the impact of new builds and new releases on the infrastructure and get an idea if they’re about to [deploy] a defect up to production.”
- The engineering manager at a retail organization described how the improvement in prelaunch testing led to time savings for their organization: “We’re able to move faster and have more visibility and confidence in our deployments. Deployment quality is improved. Teams aren’t firefighting because they have the confidence that things are working, so they can spend time on other things. … They’re saving 20% of their time by not having to worry about the platform.”
- The infrastructure manager at an application development firm confirmed that New Relic’s central observability panel gave their site reliability engineers (SREs) a productivity lift: “[With New Relic], we get an alert, and we can go and investigate what happened. It’s saving effort because you have only one console where you can see what the alert is. … There are major savings for our seven SREs.”

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization has a 40-person DevOps team using New Relic.
- Thirty percent of the DevOps team’s time is dedicated to application monitoring, debugging, and responding to outages. With New Relic, this team is able to improve deployment quality, streamline monitoring processes, and reduce outages, leading to 40% time savings on these monitoring and troubleshooting tasks.

- The average fully burdened hourly rate for a DevOps employee is $84.
- A 75% productivity recapture rate is applied to account for the fact that not all employee time savings are redeployed productively.

Risks. The IT time savings will vary depending on:

- The size of an organization's DevOps team.
- The percentage of DevOps time devoted to troubleshooting, monitoring, and responding to outages.
- The average fully burdened hourly rate for DevOps staff.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.4 million.

40%

DevOps time savings on troubleshooting, monitoring, and responding to outages

"If we didn't have New Relic, we would be flailing in the dark, not knowing how to fix things, whereas with New Relic, we take a much more systematic approach."

ENGINEERING MANAGER, RETAIL

IT Time Savings					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
A1	Size of DevOps team using New Relic	Composite	40	40	40
A2	Time devoted to application monitoring, troubleshooting, and responding to outages	Composite	30%	30%	30%
A3	Productivity gain from improved application deployment quality, application monitoring, and reduced MTTR	Interviews	40%	40%	40%
A4	**Subtotal: Hours saved on application monitoring, troubleshooting, and responding to outages**	**A1*A2*A3*2,080 hours per year**	**9,984**	**9,984**	**9,984**
A5	Fully burdened hourly rate for DevOps staff	Composite	$84	$84	$84
A6	Productivity recapture	TEI standard	75%	75%	75%
At	IT time savings	A4*A5*A6	$628,992	$628,992	$628,992
	Risk adjustment	↓10%			
Atr	IT time savings (risk-adjusted)		$566,093	$566,093	$566,093
	Three-year total: $1,698,278		**Three-year present value: $1,407,789**		

IMPROVED APPLICATION PERFORMANCE

Evidence and data. Interviewees shared that the improvement in deployment quality and the ability to proactively identify performance issues meant their staff could reduce the total number of customer-impacting outages and the average time to resolve each outage. These outcomes were further enhanced by New Relic's AI capabilities, including AI-recommended alerts, which provided advanced insights and proactive notifications for potential issues.

- Most of the organizations interviewed shared that they frequently experienced unplanned downtime prior to adopting New Relic. Interviewees at B2C organizations said these outages would generally lead to abandoned purchases and a drop in conversion rates. Those at B2B firms reported that degradation in application performance sometimes led to them losing large customers.
- The SVP of IT described how New Relic revitalized the performance of their suite of applications: "There was an application that was having major incidents every two weeks, and we kept throwing infrastructure at it to solve it. We threw more network

bandwidth, we threw more RAM and CPU, and we threw more nodes. It wasn't until we instrumented the application web and database servers with New Relic that we identified there were some persistent poor-performing queries in the application code. We were able to eradicate all of those outages, and we actually went from having two outages a month to almost zero."

- On top of the reduction in outages, the same interviewee reported that New Relic helped them reduce their MTTR: "The average duration of an event used to be 4 hours, and now it is down to 12 minutes. That includes recognition of the event, automatic escalation of the event, response of the on-call staff, and then troubleshooting and remediation. … From a churn perspective, our customers are recognizing that we are better performing and more stable than we were in the past."
- The engineering manager at a retail organization shared a similar story: "The old platform would give us serious, customer-impacting incidents almost once a week. We would never quite understand what was causing those incidents. … [With New Relic], we've seen a big reduction in big outages, and we've had 100% uptime in the last eight months. … We've also seen an 80% improvement in time to restore."
- The same interviewee described specifically how New Relic was driving the increase in reliability: "We have data to track performance over time and verify that the changes that we're making are having an impact on performance. We can make sure that we're focusing on the right things, whether that's the browser side or the back-end side. We have visibility of everything, so we can work out how to best improve the customer experience."
- The same interviewee attributed the improvement in MTTR to various features within New Relic, including the anomaly alarms: "We use New Relic's anomaly alarms to show us if something is behaving differently to how it used to behave. Having that sort of information means we can react more quickly because we can say, 'Let's understand why it's different and see if there's an actual problem.' Being able to do this means we can much more quickly respond to things."
- The IT leader at a finance organization emphasized that some of New Relic's alerting features further boosted their organization's MTTR: "Previously, some of our monitoring tools were waiting for a period of 15 minutes for an event to create an after-hours alert.

With New Relic, we have immediate alerts, which is an immediate saving on our mean-time-to-restore service."

- Interviewees shared that unplanned outages had long-term reputational impacts for their firms, in addition to the immediate impact on revenue impact. The infrastructure manager at an application development firm described the business need for New Relic: "Our business stakeholders will not allow a minute of downtime for these applications. Outside of revenue, there is a brand reputation impact that comes from outages. … [With New Relic], outages are reduced by 30% out of the box."
- The technical operations manager at a media organization described how AI features were embedded into New Relic's monitoring and remediation capabilities: "New Relic has tools for anomaly detection that are based on AI. They have search tools that leverage AI. You're using their AI features without realizing that you're using them."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Prior to purchasing New Relic, the composite organization has 20 outages per year, each of which lasts 3 hours on average.
- With New Relic, the composite is able to reduce the total number of outages by 40%.
- The composite organization is also able to resolve each outage 70% more quickly with New Relic.
- Each hour of unplanned downtime costs the composite organization $400,000 in lost revenue. These downtime costs do not include employee productivity impacts or potential IT and data recovery costs.
- The composite organization has an operating margin of 10%. This is an average of global firms operating margins, estimated according to data from Stern Business School at New York University.[4]

Risks. The business benefits from improved application performance will vary depending on:

- The frequency of outages prior to adopting New Relic.
- The MTTR in the legacy state.

- The revenue loss per hour of unplanned downtime; this will vary significantly depending on an organization's size and industry.

Results. To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $3.9 million.

70%

Reduction in MTTR with New Relic

"New Relic contributes to customer retention because if you get New Relic set up right, you'll avoid the customer satisfaction impact of an outage and reduce the SLA risk."

IT LEADER, FINANCE

Improved Application Performance					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
B1	Outages per year before New Relic	Composite	20	20	20
B2	Average length of an outage before New Relic (hours)	Composite	3	3	3
B3	Reduction in number of outages with New Relic	Interviews	40%	40%	40%
B4	Reduction in outage MTTR with New Relic	Interviews	70%	70%	70%
B5	Annual downtime before New Relic (hours)	B1*B2	60	60	60
B6	Annual downtime with New Relic (hours)	B5*(1-B3)*(1-B4)	10.8	10.8	10.8
B7	Average revenue loss per hour of unplanned downtime	Composite	$400,000	$400,000	$400,000
B8	Avoided revenue loss from improved application performance	(B5-B6)*B7	$19,680,000	$19,680,000	$19,680,000
B9	Operating margin	NYU Stern	10%	10%	10%
Bt	Improved application performance	B8*B9	$1,968,000	$1,968,000	$1,968,000
	Risk adjustment	↓20%			
Btr	Improved application performance (risk-adjusted)		$1,574,400	$1,574,400	$1,574,400
	Three-year total: $4,723,200			**Three-year present value: $3,915,300**	

COST SAVINGS ON LEGACY OBSERVABILITY PRODUCTS AND INFRASTRUCTURE PURCHASES

Evidence and data. Some interviewees reported that they were able to eliminate up to three observability and APM tools by consolidating onto New Relic; others said their organization completed one-to-one migrations from competitive platforms. In each case, moving to New Relic enabled their organizations to gradually retire their incumbent observability suite.

- Interviewees shared that New Relic has far more capabilities than their previous suite of tools. The digital manager at a food distributor noted: “The legacy cost has been totally reduced to zero. Our legacy costs have been replaced by fees from New Relic, but New Relic’s features far exceed what we had before. It has 20 times the capabilities.”
- Other interviewees reported that New Relic’s consumption-based pricing model compared favorably to their prior solutions. The infrastructure manager at an application development organization stated that: “New Relic is flexible in terms of forecasting the

cost. For example, if I somehow made a contract of $100,000 [of data] but I only consumed $90,000 worth, the remaining $10,000 is carried forward into the next renewal. So the money is more effective, as we don't have any wastage."

- The interviewees also reported that New Relic provides their organizations with insights into which systems take up the most memory, storage, or CPU, which enabled them to identify underutilized or overprovisioned assets. The infrastructure manager at an application development organization described how this data helped them reduce their infrastructure costs: "We do live capacity analyses, and we can scale applications and our infrastructure. We see what kind of instances are going up and whether they are memory intensive. This obviously reduces our costs, and you pay for exactly what you need. … Our cloud costs are optimized by 5% to 7%."
- The SVP of IT at a software firm shared that they have used New Relic to reduce their hardware infrastructure costs: "Before [New Relic], we just continued to buy hardware because we added more customers. Now we're able to say, 'Based on the load of this customer, we don't need to continue to expand.' … We have it in our physical data centers, and we have deferred purchasing additional hardware that we would have otherwise."

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Prior to adopting New Relic, the composite organization incurs observability costs of $420,000 per year.
- After implementing New Relic, the composite is able to gradually eliminate its legacy spend. The composite retires 60% of its previous costs in Year 1, 80% in Year 2, and 100% by Year 3.
- The composite organization uses the insights from New Relic to avoid $300,000 of excess infrastructure spending in Year 1. The composite avoids another $400,000 and $500,000 in Years 2 and 3, respectively.

Risks. The cost savings uncovered by New Relic will vary depending on:

- The specific tools an organization has before migrating to New Relic.
- The cost of the incumbent tools.

- The speed at which an organization can retire its prior tools.
- An organization's total hardware and cloud-based infrastructure costs.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.6 million.

Cost Savings On Legacy Observability Products And Infrastructure Purchases					
Ref.	**Metric**	**Source**	**Year 1**	**Year 2**	**Year 3**
C1	Spending on legacy observability products	Composite	$420,000	$420,000	$420,000
C2	Legacy costs eliminated with New Relic	Interviews	60%	80%	100%
C3	Avoided additional infrastructure costs from optimization with New Relic	Interviews	$300,000	$400,000	$500,000
Ct	Cost savings on legacy observability products and infrastructure purchases	(C1*C2)+C3	$552,000	$736,000	$920,000
	Risk adjustment	↓10%			
Ctr	Cost savings on legacy observability products and infrastructure purchases (risk-adjusted)		$496,800	$662,400	$828,000
	Three-year total: $1,987,200			**Three-year present value: $1,621,163**	

$500,000

Avoided infrastructure costs in Year 3

"New Relic's licenses are flexible, so you pay for how much data you use in the platform. It gives clear visibility on forecasting your licenses, and you can even predict the data growth over time."

INFRASTRUCTURE MANAGER, APPLICATION DEVELOPMENT

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Improved deployment speed.** Interviewees noted that New Relic allowed them to integrate testing and diagnostics capabilities into their development processes, increasing the number of new websites, applications, and features they were able to deploy each year. Developers were able to iterate on products and resolve issues earlier in the deployment process, allowing them to innovate faster and respond to changing customer needs more quickly. The engineering manager at a retail organization described the improvement: “We’re trying to have an observability-driven deployment process. Upfront, the engineers will make sure that things are working or aren’t working. … We can deploy several times a day because we can see very quickly if there’s a degradation and roll back if we need to.”
- **Reduced latency.** Interviewees shared that New Relic’s real-time monitoring of application performance and infrastructure health helped them improve system performance and prioritize issues based on their impact. New Relic helped their organizations identify issues, such as slow database queries or overloaded servers, and provided actionable insights to address them. The SVP of IT at a software organization also shared that New Relic helped their organization reduce the frequency of back-end outages, further reducing latency: “If our application did not respond in a certain millisecond threshold, it would be marked as a failure. We went from a 2% failure rate to a 0.001% failure rate, so it was a pretty dramatic performance improvement by identifying those problems and resolving them.”

  The engineering manager at a retail organization also reported a latency reduction: “[In the last year], we’ve seen a 15% improvement in front-end performance because we know where to focus our efforts. On the back end, we’ve improved the scalability of the platform to deal with peaks, so it’s more consistent during periods of high volume.”
- **Time savings from generative AI capabilities in New Relic Query Language (NRQL).** Interviewees shared that NRQL was intuitive and had a low barrier to adoption. Some of the interviewees had begun leveraging NRQL’s AI-driven natural language capabilities, allowing them to write complex queries in plain English without having to

learn a new query language. The SVP of IT at a software firm described their experience with NRQL: “Once you learn it, it’s fairly straightforward. The most exciting thing for NRQL is its generative AI capability, which allows us to just use plain English and then have the query results.”

- **Efficiency gains from improved insights into the customer journey.** New Relic provided the interviewees’ teams with strong visibility into the customer buying process, enabling them to better understand user behavior and identify specific points on the purchasing journey where customers may struggle. The digital manager at a food distribution organization described the time savings for the marketing staff: “[New Relic] gives the marketers insights into the customer journey, so they can easily see if campaigns are bringing more people in.”

  An IT leader at a finance organization added that they had recently started to share New Relic insights with their marketing team to identify areas of missed revenue: “Our intent with New Relic is to really understand the customer journey, see where it is breaking down, and quickly drill into that area with the marketing team.”

> “Without New Relic, we probably would not be deploying on demand. We’d probably end up batching our changes because we wouldn’t have the visibility and the confidence to know what every small change has done. We [would] probably regress and start only deploying bigger things.”
>
> **ENGINEERING MANAGER, RETAIL**

Analysis Of Costs

Quantified cost data as applied to the composite

Total Costs							
Ref.	**Cost**	**Initial**	**Year 1**	**Year 2**	**Year 3**	**Total**	**Present Value**
Dtr	Licensing costs	$0	$420,000	$441,000	$463,050	$1,324,050	$1,094,177
Etr	Internal labor costs for implementation and deployment	$203,077	$0	$0	$0	$203,077	$203,077
Ftr	Ongoing management costs	$36,960	$223,696	$223,696	$223,696	$708,048	$593,259
	Total costs (risk-adjusted)	$240,037	$643,696	$664,696	$686,746	$2,235,175	$1,890,513

LICENSING COSTS

Evidence and data. Interviewees shared that New Relic's pricing model is based on the volume of data ingested into the platform, allowing their organizations to scale costs according to their monitoring needs. Pricing may vary. Contact New Relic for additional pricing details.

Modeling and assumptions. Based on the interviews, Forrester assumes that the composite organization incurs licensing costs of $400,000 in Year 1. As the composite expands its usage of New Relic, its licensing costs grow by 5% in Years 2 and 3.

Risks. Fees vary depending on the volume of telemetry data, such as logs, metrics, traces, and events, that the composite organization sends to New Relic.

Results. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $1.1 million.

Licensing Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
D1	Licensing spend with New Relic	Composite * 5% annual growth	$0	$400,000	$420,000	$441,000
Dt	Licensing costs	D1	$0	$400,000	$420,000	$441,000
	Risk adjustment	↑5%				
Dtr	Licensing costs (risk-adjusted)		$0	$420,000	$441,000	$463,050
	Three-year total: $1,324,050			**Three-year present value: $1,094,177**		

INTERNAL LABOR COSTS FOR IMPLEMENTATION AND DEPLOYMENT

Evidence and data. Interviewees shared that during the implementation of New Relic, their engineering leadership team had to devote time to setting up New Relic accounts, configuring user permissions, integrating New Relic with the rest of their infrastructure, establishing data ingestion pipelines for their logs and traces, setting up proactive alerts and notifications, training new users, and performing end-to-end testing to ensure data accuracy and system functionality.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- Eight of the composite organization's IT managers are involved in deploying New Relic.
- The composite organization dedicates one week to setting up New Relic accounts, configuring user roles, and integrating New Relic with its infrastructure systems.
- The team dedicates two weeks to installing and configuring New Relic agents across applications, establishing data ingestion pipelines, and making any necessary code changes.
- The IT team also dedicates one week to setting up dashboards and AI-driven alerts and notifications to enable proactive monitoring.
- The team dedicates two weeks to testing the platform for functionality and data accuracy as well as training internal users — developers, SREs, platform engineers, and security professionals — on using New Relic.

- The average fully burdened annual salary for an employee involved in the implementation process is $200,000.

Risks. Implementation labor costs will vary depending on:

- The legacy environment before the migration to New Relic.
- The number of systems that need to be integrated with New Relic.
- The number of employees that need to be trained on New Relic.
- The average fully burdened salary of employees involved in the implementation process.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $203,000.

Internal Labor Costs For Implementation And Deployment						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
E1	Internal labor required to set up New Relic environment and permissions (weeks)	Interviews	1			
E2	Internal labor dedicated to establishing data ingestion pipelines and installing New Relic agents (weeks)	Interviews	2			
E3	Internal labor dedicated to setting up dashboards, alerts, and integrations (weeks)	Interviews	1			
E4	Internal labor dedicated to end-to-end testing and training internal users (weeks)	Interviews	2			
E5	Employees involved in each step of the deployment process	Composite	8			
E6	Fully burdened annual salary of an IT manager involved in the deployment	Composite	$200,000			
Et	Internal labor costs for implementation and deployment	((E1+E2+E3+E4)/52 weeks)*E5*E6	$184,615	$0	$0	$0
	Risk adjustment	↑10%				
Etr	Internal labor costs for implementation and deployment (risk-adjusted)		$203,077	$0	$0	$0
	Three-year total: $203,077			**Three-year present value: $203,077**		

ONGOING MANAGEMENT COSTS

Evidence and data. Most interviewees reported that they dedicated either a single FTE to managing New Relic or had a small team where each member devoted a smaller portion of their day to New Relic. Ongoing management tasks consisted of managing incidents, analyzing gaps, rolling out AI agents, tracking data usage, training new users, meeting with New Relic, and other ad hoc tasks.

Modeling and assumptions. Based on the interviews, Forrester assumes the following about the composite organization:

- The composite organization dedicates an IT manager to maintaining New Relic.
- The fully burdened annual salary for this IT manager is $200,000.
- During the implementation process, 40 DevOps employees are trained on using New Relic. To account for annual churn, four new DevOps employees are trained on New Relic each year thereafter.
- Each trainee dedicates 10 hours to learning New Relic.
- The average fully burdened hourly rate of a DevOps employee is $84.

Risks. Ongoing management costs will vary depending on:

- The organization’s legacy environment.
- The fully burdened annual salary of an IT manager.
- The average fully burdened hourly rate of DevOps employees.
- The number of employees that are trained on using New Relic.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of $593,000.

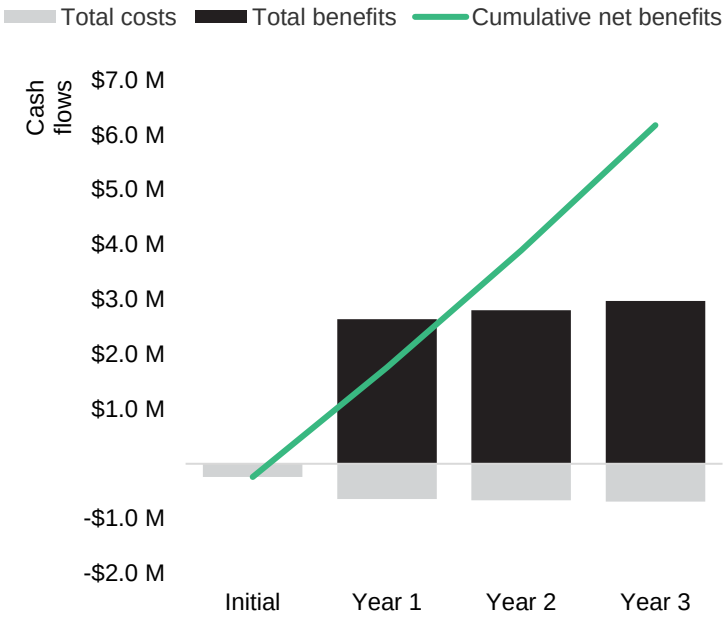
> "New Relic is reasonably intuitive as a platform. We sometimes just point the engineers to New Relic, and they learn it for themselves. ... Even New Relic's query language is a lot more intuitive than other platforms I've seen, so it's got a low barrier to entry."
>
> **ENGINEERING MANAGER, RETAIL**

Ongoing Management Costs						
Ref.	**Metric**	**Source**	**Initial**	**Year 1**	**Year 2**	**Year 3**
F1	FTEs dedicated to ongoing management of New Relic	Composite		1	1	1
F2	Fully burdened annual salary of an employee managing New Relic	Composite		$200,000	$200,000	$200,000
F3	**Subtotal: ongoing management FTE costs**	**F1*F2**		**$200,000**	**$200,000**	**$200,000**
F4	DevOps employees trained on using New Relic	A1*10% YoY churn	40	4	4	4
F5	New Relic training (hours)	Interviews	10	10	10	10
F6	Fully burdened hourly rate of a DevOps FTE	A5	$84	$84	$84	$84
F7	**Subtotal: New Relic training costs**	**F4*F5*F6**	**$33,600**	**$3,360**	**$3,360**	**$3,360**
Ft	Ongoing management costs	F3+F7	$33,600	$203,360	$203,360	$203,360
	Risk adjustment	↑10%				
Ftr	Ongoing management costs (risk-adjusted)		$36,960	$223,696	$223,696	$223,696
	Three-year total: $708,048			**Three-year present value: $593,259**		

Financial Summary

Consolidated Three-Year Risk-Adjusted Metrics

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	($240,037)	($643,696)	($664,696)	($686,746)	($2,235,175)	($1,890,513)
Total benefits	$0	$2,637,293	$2,802,893	$2,968,493	$8,408,678	$6,944,252
Net benefits	($240,037)	$1,993,597	$2,138,197	$2,281,747	$6,173,503	$5,053,739
ROI						267%
Payback period (months)						<6

APPENDIX A: TOTAL ECONOMIC IMPACT

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists solution providers in communicating their value proposition to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of business and technology initiatives to both senior management and other key stakeholders.

Total Economic Impact Approach

Benefits represent the value the solution delivers to the business. The TEI methodology places equal weight on the measure of benefits and costs, allowing for a full examination of the solution's effect on the entire organization.

Costs comprise all expenses necessary to deliver the proposed value, or benefits, of the solution. The methodology captures implementation and ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. The ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.

RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.

DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.

PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

The initial investment column contains costs incurred at “time 0” or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

APPENDIX C: ENDNOTES

[1] Source: With Agentic AI, Generative AI Is Evolving From Words to Actions, Forrester Research, August 8, 2024.

[2] Source: The State Of AIOps And Observability, Forrester Research, January 31, 2024.

[3] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists solution providers in communicating their value proposition to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of business and technology initiatives to both senior management and other key stakeholders.

[4] Source: Margins by Sector, Stern Business School New York University, January 2024.

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