

Dyn adds to performance management toolkit with ReadyStatus buy

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Traffic and messaging management and DNS provider Dyn wrapped up 2013 by adding another feature to its set of Internet performance services via a relatively small acquisition. It picked up small, API-driven status page service ReadyStatus for an undisclosed amount. ReadyStatus is the third acquisition by Dyn in the last 12 months – a list that also includes performance analytics company Verelo and mobile dashboard app Trendslide – and continues in the company's efforts to build out the features of its Internet performance monitoring services.

The model of up-selling, or cross-selling complementary services is common practice in the consumer Internet infrastructure space, and was the explicit driving force behind some recent M&A activity in the hosting space, including Go Daddy's acquisition of local search information tool Locu, or Endurance International Group's acquisition of website template marketplace Mojoness. Dyn has the scale in the DNS market to make the same kind of moves with its own addressable user base in mind. It is likely we'll see other, similar acquisitions from the company in 2014. Management indicates it is connected to TechStars and other technology incubators for the purpose of identifying new technologies that might fit.

The 451 take

Performance assurance has become a significant measure of value for providers of Internet infrastructure services, particularly as enterprise and SMB customers look to private and hybrid cloud models as the on-ramp to cloud infrastructure. Positioning its services as part of the connective tissue in the cloud, Dyn is making an attractive play for the business of both the consumers and suppliers of cloud infrastructure.

ReadyStatus isn't likely to be viewed as a core component of anybody's cloud, but Dyn isn't looking for a killer app with this acquisition. The company intends to position the service either as a nice for-pay add-on to an existing suite of performance management and monitoring services, or as part of a bundle out of the gate.

Deal details and rationale

Dyn indicates it began working with ReadyStatus in August, at first as a potential customer of the ReadyStatus service. It moved from there to looking at potential go-to-market partnerships, and ultimately decided to acquire the technology and offer it as a component of the overall Dyn platform.

Dyn is reluctant to share the details of the acquisition, although it does acknowledge that it is a small deal, both in terms of the acquisition cost and the number of customers being acquired. Management indicates this deal is primarily about the IP, rather than acquiring talent or scale. Aside from some transitional support, no new staff will be joining Dyn as a result of the deal. ReadyStatus is currently not taking new signups via its website - Dyn has pulled the self-service and pricing functions from the website while it figures out how the tool fits into its existing services, and plans to relaunch early in 2014. The company intends to integrate the tool into its larger set of Internet performance services. It sees the product as a for-pay feature of its traffic management suite. At a monthly cost likely in the hundreds, accessible to the company's 3,000 enterprise customers and 600,000 small business users, the product has the potential to boost Dyn's average per-user revenue considerably.

Target profile

ReadyStatus is a lightweight means for service providers (including SaaS and infrastructure providers) to operate and update a status page, hosted in a third-party environment, in order to provide customers with information and updates around both planned and unplanned outages. While this kind of status reporting is possible via free tools like Twitter and Tumblr (and is indeed handled via these tools by many hosting service providers), ReadyStatus sets itself apart by being API driven, giving it the significant ability of being able to produce status updates based on reports from monitoring tools.

Dyn was quiet about the size of the company, in terms of staff, revenue and customers. Given that it is a startup, and the better-known product status.io claims 'hundreds' of users on its website,

ReadyStatus is likely a very small organization (fewer than five employees) serving a very small customer base.

Acquirer profile

Founded in 1998, Dyn has spent some of the last year working to reposition itself from a managed DNS and messaging management service to a more complete provider of Internet performance services. Managed and enterprise DNS services are at the core of its business, as is the company's worldwide Anycast DNS network, with 18 points of presence. However, the company is working to expand into some of the gaps in the cloud infrastructure business – providing services such as load balancing between CDNS – and it is assembling new tools to support that vision. Over the last several years, the company has acquired several competing DNS providers, including EditDNS, EveryDNS and TZO. It also picked up specialized message delivery management service SendLabs and the previously mentioned analytics and reporting tools Verelo and Trendslide.

In 2012, Dyn received \$38m in series A funding, led by North Bridge Venture Partners. The company indicates it generated just over \$30m in 2012 revenue, and has been growing at more than 50% per year for the last three years. In Q3 it added more than 40 employees and \$15m in new business, making it likely to exceed that 50% growth rate in 2013.

Competition

Dyn competes with a relatively small group of companies that regard DNS as core to their business, including UltraDNS and EasyDNS. However, it also faces competition from a range of larger network service providers that are involved in the DNS space, including registry operators such as Neustar, VeriSign and Afilias, as well as content delivery network operators, including Akamai, EdgeCast Networks (recently acquired by Verizon) and CDNetworks. Getting into the Internet performance management business is likely to put Dyn in further competition with a very large range of tools, including services from some of the large technology vendors such as IBM and HP, as well as more focused businesses like ManageEngine.

SWOT Analysis

Strengths

Dyn has an established, reliable network upon which to build services. It has a large user base in the enterprise and an extremely large group of small business users.

Opportunities

Weaknesses

The company is competing against large, brand-name competitors with large scale and deep pockets. Dyn is comparatively small and little known.

Threats

Increasing adoption of multi-vendor and hybrid cloud models is driving new use cases for DNS. Monitoring and performance management is a nice add-on.

The growing appetite for the services Dyn is providing is likely to mean increased attention from large competitors.

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