

Dyn helps consolidate in DNS again with Nettica acquisition

Analyst: Jim Davis

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New Hampshire-based Dyn's main business is providing DNS IaaS to enterprises and the SMB market. The company also provides bulk and transactional email services. Dyn has made its first acquisition of 2014 with a deal to buy Nettica of Lawrenceville, Georgia, marking a return of sorts to its ongoing role in the consolidation of DNS service providers. The terms of the deal were not announced.

The 451 Take

Dyn continues to rapidly grow revenue in the face of competition from large vendors, in part because it continues to acquire talent and customers as part of a longstanding consolidation strategy. Nettica is but another example of that strategy in practice. Where Dyn might be able to stand apart from the pack this year is in establishing partnerships to power the managed DNS and load-balancing services from cloud providers.

Background

Dyn is a fairly active acquirer of companies, typically focusing on small, strategic deals. In 2013, Dyn bought three companies: Verelo, a developer of a SaaS Web performance-monitoring service; Trendslide, a developer of a tool for mobile-data visualization that aggregates performance data into a dashboard app; and API-driven status-page service ReadyStatus, which was the last deal of the year. Over the last several years, the company has acquired a handful of other DNS service providers, including EditDNS, EveryDNS and TZO.

Strategy

Given the fragmented nature of the DNS services market, consolidation is a tried-and-true strategy for Dyn (and its competitors) looking to add customers and engineering talent. Nettica did claim to have 9,000 customers, with SaaS provider Evernote among the larger and more notable, but acquiring talent was a big driver for the deal. Founder Alan Graham and a number of Nettica's other staff will be joining the Dyn team in Dyn's New Hampshire headquarters.

Dyn's goal is to continue to build up a portfolio of Fortune 1000 customers, in addition to the SMBs it has long served. Over half of enterprise customers are using Dyn's Traffic Director, which can be used as a rules engine to direct requests between different servers, datacenters and cloud providers based on user location and performance data from partners.

Customers

Dyn counts 3,200 customers of its managed services, up from the 3,000 the company reported in November 2013. Dyn estimates that only 8% of Fortune 500 companies are using outsourced DNS services, leaving them plenty of room for growth. Getting to these companies will be aided by a channel-partner strategy that will increasingly see some large cloud-services providers white-label Dyn's DNS services. Others like Tier-3 (now a part of CenturyLink), FireHost and HOSTING are using Dyn for DNS failover services and are also contributing to growth.

Competition

The largest players in the managed DNS market continue to focus on the biggest Fortune 500-type companies, and typically offer to bundle in other services such as DDOS protection. Neustar's UltraDNS is the big player in authoritative DNS services, and it also offers DNS caching services in tandem with DDOS protection. The company has been focusing on building out its Web-monitoring services as a part of its Internet infrastructure offering.

Verisign provides managed DNS services, and has built DDOS protection services around that offering. OpenDNS continues to work on recasting itself as a security services provider, with device-security and Web-filtering services leading the way. Dyn's focus on DNS sometimes begs comparison with smaller companies offering managed DNS services, like DNS Made Easy, Namecast, Zone Edit and startups like NSONE. Domain-name registrars like GoDaddy and cloud providers like Amazon offer DNS services.

Indirectly, CDN service providers like Akamai, Level 3 Communications and CDNetworks compete

with DNS services that are usually offered in conjunction with content delivery. Conversely, Dyn is frequently used as a mechanism for load balancing across CDN services. As Dyn expands its features around global load balancing and performance measurement, it could see competition from companies like Cedexis, which provides cloud-based load-balancing services built around real-time performance-monitoring data.

SWOT Analysis

Strengths

Dyn has a long track record of offering reliable DNS services, and has continued to grow its revenue both organically and through acquisition.

Opportunities

By Dyn's own measure, only a small percentage of Fortune 500 customers used outsourced DNS services. An increasingly complex mix of on-premises and cloud-based applications suggests that managed DNS will be one of the tools used to manage app performance.

Weaknesses

DNS is a key, but overlooked, component of Internet infrastructure, and it has a big impact on application performance. Dyn's struggle is one of raising its profile in a market that doesn't get a lot of attention until a popular site has a spectacular fail.

Threats

Verisign, Neustar, Akamai and others have significant resources to devote to selling security and analytics services to customers in addition to their managed DNS offerings.

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