

# Dyn sees European opportunity as slow becomes the new downtime

**Analyst:** Rory Duncan

20 Mar, 2015

Cloud-based Internet performance specialist Dyn is well known in its domestic North American market, but less so on the other side of the Atlantic. In Europe, the firm is based in Brighton on the south coast of England. It's an unusual location for a US-headquartered company to have an office – typically, London is the place to start a 'land and expand' strategy – but the locale offers cheaper real estate and a thriving tech community of its own.

While many would see performance measurement and analysis as a bit of a professional turn-off, it is clear that the move to embrace cloud delivery models has led to a natural curiosity around the workings of the Internet itself. And while an estimated 90% of Internet technology vendors are based in the US, it is likely that the majority of Internet users are not located in North America. This may be why Dyn says it sees a growing opportunity for its services in EMEA, where it has been operating for three years, and has a staff of 40-50.

## The 451 Take

Dyn's cloud-based Internet diagnostic tools provide the kind of insights that can enable significant performance improvements across small- and large-scale networks. Despite the specialist nature of its domain expertise, there are many other firms providing similar tools and services. However, the market is still relatively immature, and there is scope for further market development via education and organic growth. Dyn itself has a physical presence and customer references in Europe – a significant advantage in comparison with most of its specialist rivals. This could turn into a more profitable business due to the higher value nature of most of its potential customers in this geography.

## **Products**

Dyn's portfolio is composed of three separate but related product sets. It is probably best known for its performance monitoring and analysis tools, as well as its performance control and optimization products, although it also offers some more traditional domain and email management services. Functionality is tailored for the management of DNS and monitoring of IP traffic across an infrastructure, as well as providing insights into data routing. Dyn says that it provides a real-time view of the Internet, enabling diagnostic analysis of, for example, peering relationships, latency and long-term performance.

While such tools are often seen as a niche requirement, it is probably fairer to say that it is just a less visible activity. Dyn says that it runs about four billion traceroutes (for displaying and measuring transit) per day from 160 global locations. This number has grown rapidly due to globalization and the growth of Internet traffic in general across the globe. Today, Dyn sees this rapid increase causing other challenges, particularly when network latency and a general slowdown in traffic can be a bigger problem than a temporary outage.

However, it is worth pointing out that not all of Dyn's products have been developed in-house. For the last several years, a key portfolio development strategy has been inorganic growth through acquisition. In 2014, Dyn bought Nettica and Renesys - two small, but strategically important providers of Internet performance monitoring and DNS services. In 2013, the firm made three acquisitions, adding to its already burgeoning portfolio.

## **Customers**

With customers in 242 countries, Dyn says it has many hundreds of thousands of customers, with over 3,000 of these in the enterprise sector. Although the US is its biggest market, it says it gets around 22% of its revenue from EMEA today, where the firm's enterprise customers include some high-profile companies, including SoundCloud, BT, TeliaSonera, The Guardian newspaper and Al Jazeera.

Although the US has Dyn's largest customer installed base, Dyn says that many of these companies generate low amounts of revenue for it, due to Dyn's historic reputation in more basic offerings such as DNS. In EMEA, despite the lower number of customers, Dyn says that many are slightly higher-value customers requiring more complex offerings - including Internet intelligence tools, datacenter performance analysis and CDN streaming.

Given Dyn's focus, its largest customer base is in the UK - a result of the demand from London's

economic hub – however, the firm says it also sees growing interest in Germany as well as some sophisticated use cases in Turkey and Israel for establishing a global platform; e.g., those startups in Tel Aviv that immediately address a global market because there is no local market for their products. Elsewhere in Europe, Dyn is seeing increasing interest from Marseille as a hub, while it continues to assess the emerging markets in Africa as demand for connectivity services increases.

Dyn says that it has budgeted to double its headcount in Europe this year in order to support its growing customer base directly. Although taking a more self-service approach might be a more efficient way of developing its business in continental Europe, Dyn believes that the in-person approach will be more effective. This will involve education and an amount of hand holding, the firm believes – the challenge being to help people realize the importance of the Internet as part of their business network.

## **Competition**

Using an appropriate analogy, Dyn describes itself as the Switzerland of the Internet. It says that it does not care what the network end points are, but focuses instead on connectivity optimization. However, a neutral approach does not guarantee exclusivity. On the DNS side, there are many competing US and international companies, including super-scale cloud providers such as Amazon Web Services as well as global hosting providers such as GoDaddy and many others. Elsewhere, specialist firms such as Neustar and Verisign provide DNS plus DDoS and other offerings, while CDN providers such as Akamai and Level 3 Communications often compete indirectly at the point where content is delivered. Given Dyn's intention to move further into global load balancing and related services, other competitors such as Cedexis will become a threat.

## **SWOT Analysis**

### **Strengths**

Dyn is a specialist vendor with a focused portfolio in its core area of competency. Recognized for its domain area expertise, it has some strong reference customers in Europe, and is growing quickly – organically and via multiple acquisitions.

### **Opportunities**

Few of Dyn's specialist competitors have a physical presence in Europe, instead taking a global approach. Dyn's ability to deal with its customers face-to-face is a significant advantage in continental Europe, particularly in France and Germany.

### **Weaknesses**

Dyn's brand is still relatively unknown in Europe, especially in comparison with many of the other 'me too' vendors that provide bundled or functionally inferior products.

### **Threats**

There are many other providers of DNS, CDN, anti-DDoS and related products and services operating globally. As Dyn develops its portfolio through acquisition, more competitors will potentially need to be differentiated against.

Reproduced by permission of The 451 Group; © 2015. This report was originally published within 451 Research's Market Insight Service. For additional information on 451 Research or to apply for trial access, go to: [www.451research.com](http://www.451research.com)