



Market Insight Report Reprint

Coverage Initiation: Observe Inc streamlines incident response for SREs, uses Snowflake to collapse data silos

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Liam Rogers

The startup is a relative newcomer to the observability space, but Observe Inc is on a course to make incident response as simple as possible for cloud-native organizations, and it's leveraging its ties to data warehousing giant Snowflake to simplify the back end of the platform.

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Introduction

On the surface, Observe Inc is making all the same promises as other observability vendors do; namely, the unification and correlation of operational data at massive scale to speed root cause analysis and generate useful insights about applications and infrastructure without significantly hindering release velocity. However, where Observe deviates from the pack is in its approach as it invests in UI and workflow to simplify troubleshooting and discovery while leveraging cloud-based data warehouse Snowflake as its data platform to reduce the cost and number of silos needed for storing telemetry as part of observability.

THE 451 TAKE

Observe is entering an already crowded market at a time when many customers aim to consolidate tools, but it's betting on the usability of its generalist-friendly UI and its focus on microservices and cloud use cases as well as its implementation on top of Snowflake to separate it from some existing competitors. Although the vendor is not entirely locked into Snowflake, it's drawing on some synergies in terms of both companies' approach to consumption-based pricing to help customers reduce data silos and associated infrastructure costs for storing logs and metrics. While some other vendors in the log management space will tend to draw workflows familiar to many users by leveraging ELK, Observe has opted to invest in developing its own UI that offers a simplified and streamlined workflow. The ease of use will likely resonate with SREs and DevOps engineers as more monitoring-related responsibilities shift.

Context

Out of stealth in October 2020, San Mateo, California-based Observe Inc was founded in 2017 as an incubation effort by Sutter Hill Ventures. Sutter Hill has become best known for its success with Snowflake (which led to a strong IPO in 2020). Observe has taken in \$45m in total funding from the PE firm via a \$15m series A round in October 2020 and \$30m in debt financing. The company headcount is 47, with all but 15 having been hired in the past year. Observe CEO Jeremy Burton was previously CMO at Dell Technologies and currently holds a seat on the board of Snowflake. Although the platform is not technically in general availability, Observe currently has 12 paid customers and aspires to double this by midyear.

Strategy

For its go-to-market motion, Observe is primarily targeting midmarket enterprise SaaS companies. This is in part because these organizations are likely to have embraced cloud-native technologies and microservices and because this is an area where organizations are more willing to experiment with or employ new tooling where they feel their existing providers may be falling short or have not yet caught up. Potentially these environments can also have less legacy infrastructure to be integrated. The company is looking to directors of engineering as a typical buyer persona, but SREs as the ideal day-to-day user. In 451 Research's Voice of the Enterprise: Storage, Transformation 2020 study, only 3% of organizations cited SREs making purchasing decisions for monitoring tools, with IT ops management still leading the pack in terms of buying power. However, SREs and DevOps leaders are increasingly gaining more influence when it comes to making decisions around tool choice and as shift left gains more traction in organizations, log management is falling under the purview of a wider set of personas.

The use of Snowflake is a both an architectural and strategic choice. There are existing ties between Observe and Snowflake via Sutter Hill and Observe benefits from having a deep partnership with the Snowflake team. The vendor is bullish about the potential for a broader ecosystem of capabilities and vendors to grow around Snowflake and the company wants to be early to capitalize on the observability opportunity, which is something Snowflake is likely to pursue on its own at this point.

Product

Observe is a SaaS platform for unifying and analyzing operational data and quickly searching contextual event data. Many vendors collect a combination of logs, metrics and traces, but often these different data types end up stored in different types of data stores. While they are later brought together to provide greater context for users, the approach involves some voluntary data silos; this is something Observe aims to streamline with its use of Snowflake as a unifying but queryable data warehouse. Observe does not require users to instrument their data in a certain way and instead takes data as it is and then reshapes it using either the UI or Observe's own query language, OPAL. However, the vendor is hopeful that as customers become familiar with what paths they typically use on a regular basis they will understand how they might tweak their own logs to surface the most relevant insights even faster.

Once data is brought together, Observe enables users to explore the myriad relationships between pieces of data, with the platform automatically connecting the dots and creating logical paths between data that users will use to navigate to their desired goal. Within Observe, different data types are brought together under the common banner of 'resources,' which could encapsulate anything from a specific customer to a specific container. Typically, users will start at a landing page that is automatically generated with what the platform believes to be the most pertinent data, then users can filter data and dive into paths that represent the relationships between data points in a simple point-and-click fashion. 'Worksheets' are where users can drill down even further into a less user-friendly part of the UI to investigate even more granular information manually.

Although SREs are the intended target user, the platform's design is meant to enable less technical personnel to easily understand the tool and the steps needed to drill down into operational data. Currently, granular RBAC controls are a work in progress and an organization's users operate in the same workspace with the ability for teams to delegate visibility. In the near term, users will be able to specify more general roles such as read-only access but Observe says finely tuned RBAC has not proven to be a priority with customers thus far.

Pricing is based on consumption, including the on-demand cloud storage used by Snowflake as well as a credit-based system for time spent using the Observe platform itself. Despite the prominent usage of Snowflake, the vendor says it is not permanently locked into the Snowflake ecosystem and could adapt its own proprietary OPAL language to work with other data platforms if it becomes necessary.

Competition

Observe aims to be a replacement primarily for other log management vendors such as Elastic, Logz.io or Sumo Logic as well as Splunk in larger enterprise accounts, although Splunk is also targeting SREs and developers with its upcoming Log Observer launch. Honeycomb also builds its value proposition in part around providing a UI that is more intuitive than legacy offerings to cater to personas outside of IT ops. Grafana also has traction in the cloud-native space. Additionally, there are a host of log management vendors aiming to reduce the cost of the aforementioned incumbents such as ChaosSearch, EraDB and Graylog. Because Observe is in line with the observability trend and can pull in metrics, it will potentially come up against vendors such as Datadog, LogicMonitor, VMware (Tanzu Observability) and Zenoss. The major public clouds AWS, Azure and GCP will also be a growing source of competition in observability especially when it comes to customers that are progressive in their adoption of cloud-native technologies.

SWOT Analysis

<p>STRENGTHS</p> <p>The vendor has established a small roster of paying customers before a formal general availability of the product and stands to benefit from the hype around Snowflake through its implementation of and partnership with the data warehouse provider.</p>	<p>WEAKNESSES</p> <p>Observe will want to hone its messaging for audiences other than SREs since that persona is often in short supply at enterprises and by design the platform lends itself to roles that could be even less experienced with traditional monitoring tooling.</p>
<p>OPPORTUNITIES</p> <p>Observe will eventually need to build out more robust RBAC capabilities to make it easier to scale usage across teams and even personas as it expands within organizations.</p>	<p>THREATS</p> <p>While some organizations will be looking for newer tools to leverage with their cloud-native applications, the majority of vendors in this space both new and old are attacking the challenges around monitoring cloud-native technologies and competition will be strong.</p>

CONTACTS

The Americas

+1 877 863 1306

market.intelligence@spglobal.com

Europe, Middle East & Africa

+44 20 7176 1234

market.intelligence@spglobal.com

Asia-Pacific

+852 2533 3565

market.intelligence@spglobal.com

www.spglobal.com/marketintelligence

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