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Coverage Initiation: Kloudfuse builds a solid foundation for innovation and growth

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by **Mike Fratto**

IT operations are facing the increasing complexity of modern software systems, and Kloudfuse is a promising startup in the observability platform segment that offers cost-effective and scalable solutions. The company has received significant funding and has a customer base that includes renowned organizations like GE Healthcare and Workday.

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Introduction

Kloutdfuse is a startup in the observability platform segment with a goal of making scalable observability available to enterprises that are currently using and paying high licensing fees for multiple monitoring and observability platforms. It does this by offering a lower license cost for the product, while supporting large-scale high cardinality data and a unified view across all observability streams including metrics, logs and distributed tracing.

THE TAKE

A promising startup in the observability platform segment, Kloutdfuse offers cost-effective and scalable solutions. The company has received significant funding, and boasts a customer base that includes renowned organizations such as GE HealthCare Technologies Inc. and Workday Inc. Its ambitious product road map, which includes plans for digital experience monitoring and observability for AI and large language model (LLM)-based applications, demonstrates its commitment to innovation. Although facing competition from larger vendors, Kloutdfuse's agility as a startup allows for faster feature additions and potential differentiation. Overall, its success and growth potential make it a notable player here. However, as the company grows and develops a larger software base, it may find adapting and maintaining the agility it currently possesses to be a challenge. Kloutdfuse has received funding and has a customer base, but it still needs to expand and diversify its customer portfolio to ensure long-term success.

Context

IT operations are facing the increasing complexity of modern software systems, which often consist of microservices, containers and cloud-based infrastructure. By consolidating metrics, logs and traces in a single platform, organizations can gain a comprehensive understanding of their systems' behavior, and quickly identify and resolve issues. The use of advanced analytics, machine learning and artificial intelligence technologies is also becoming more prevalent in observability. These technologies enable proactive monitoring, anomaly detection and predictive analysis, empowering organizations to optimize system performance and enhance user experience.

Company

Kloutdfuse was founded in 2020 by CEO Krishna Yadappanavar, CTO Pankaj Thakkar and chief architect Ashish Hanwadikar. It has received \$23 million in funding, including a seed round in 2021 of \$6 million and a series A round in 2023 for \$16.9 million led by HighSage Ventures and Exponent, as well as existing investors Aspenwood Ventures (former Hummer Winblad Venture Partners) and Blumberg Capital. The company claims over 20 paying customers in the \$100,000 to \$1 million range, and over 10 more in trials. Some of its customers include GE Healthcare Technologies Inc., Innovaccer, Workday Inc., TATA 1mg and Eltropy.

Targeted at CloudOps, ITOps, DevOps and developer teams, Kloutdfuse aims to ease the transition from other commercial and open-source monitoring and observability software, by supporting data ingestion from third-party commercial and open-source agents, as well as common query languages and their dashboards. It has an ambitious product road map, and is adding digital experience monitoring and mobile monitoring to its observability suite, which will extend its end-to-end visibility capabilities. The company also plans to add observability for AI- and LLM-based applications, as well as foundational models aimed at ITOps roles to better manage and respond to the changing conditions of AI-powered applications.

Products

Kloudfuse has decoupled the management plane, which runs its cloud service, from the data plane, which resides in the customer environment. The data plane includes the collection and storage of telemetry data that is used by Kloudfuse for analysis. The company has at least two license options, and is evaluating other options. Most customers will be charged based on the ingested data that is available to Kloudfuse prior to any optimizations or data reduction.

It does not charge for storage because the customer brings their own. This is one way Kloudfuse claims to keep license fees down for its product, but in actuality, it transfers the fees to the customer. The company offers an observability platform, an observability pipeline, and access for long-term storage for analysis. The product also features an observability data lake that not only provides scale for the ever-growing volume of telemetry data, but is a natural reservoir for its customers to leverage their valuable data for future use cases. Kloudfuse also has licensing based on the number of telemetry streams for larger customers.

The company claims over 700 integrations, and can accept data feeds from numerous agents including Datadog Inc., New Relic, Open Telemetry, Prometheus and Elastic NV, but it does not offer fleet management of those agents. It also eases the transition that enterprises make when coming from a competitive observability platform by supporting common query languages like promQL, GraphQL and SQL. It will import and convert dashboards using those languages, reducing operational overhead and lowering the bar to adoption with already familiar query tools.

Competition

Kloudfuse faces stiff competition in the observability segment, but as a startup it can potentially add features faster given it has less existing software to adapt. Beyond its virtual private cloud deployment, which provides an appealing option for regulated industries, it is trying to differentiate on the price-to-value axis, but will have a difficult time finding disgruntled customers that are willing to add or replace their observability capabilities.

This is especially true when going against the larger vendors that have extensive capabilities like Datadog, Dynatrace Inc., Hewlett Packard Enterprise Co. and Splunk, as well as startups like Chronosphere and ObservIQ. The observability market is growing, generally for point monitoring solutions like application performance monitoring, and infrastructure performance monitoring with observability. Support for digital experience monitoring and observability for AI are good additions, but not sufficiently differentiating because competitors are doing, or have done, the same.

SWOT Analysis

<p>STRENGTHS</p> <p>Kloudfuse has a strong foundation to build an observability product on. Its splitting of the management and data plane assures enterprises with strict governance requirements that they can retain control of their data. The company's focus on an observability data lake and handling high cardinality data at scale will help address the growing demand for telemetry, while its ability to use multiple common query languages will ease the transition for new customers.</p>	<p>WEAKNESSES</p> <p>Kloudfuse is a startup and is not sufficiently differentiated from competitors, particularly those that are targeting the larger, more established observability vendors. Competing in whole or in part on price is not as compelling as it seems, unless the new entrant can compete feature-for-feature on what potential customers require. It may be difficult to rise above rival offerings.</p>
<p>OPPORTUNITIES</p> <p>Kloudfuse is something of a blank canvas. It has an opportunity to eschew the feature creep of the past and address the visibility that ITOps needs with a focus on integrating with IT automation stacks to close the loop between alert and action. It can also get on the "observability for AI and LLM" bandwagon ahead of demand, and prepare customers for when they will need it.</p>	<p>THREATS</p> <p>If license costs become a significant issue for established vendors, they can always lower costs and demonstrate value to retain customers. Established observability vendors are maintaining a steady pace of innovation to retain existing customers and attract new ones.</p>

CONTACTS

Americas: +1 800 447 2273

Japan: +81 3 6262 1887

Asia-Pacific: +60 4 291 3600

Europe, Middle East, Africa: +44 (0) 134 432 8300

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