

2H01 Managed Security Service Provider Magic Quadrant

The managed security service market has gone through its first wave of consolidation, with more to come. The long-term winners in our Magic Quadrant will balance service, business models, technology and security.

Core Topic

Security and Privacy: Security Services

Key Issues

How will the information security service market evolve?

What risks and opportunities will be presented to users by information security consultants and outsourcers?

Strategic Planning Assumptions

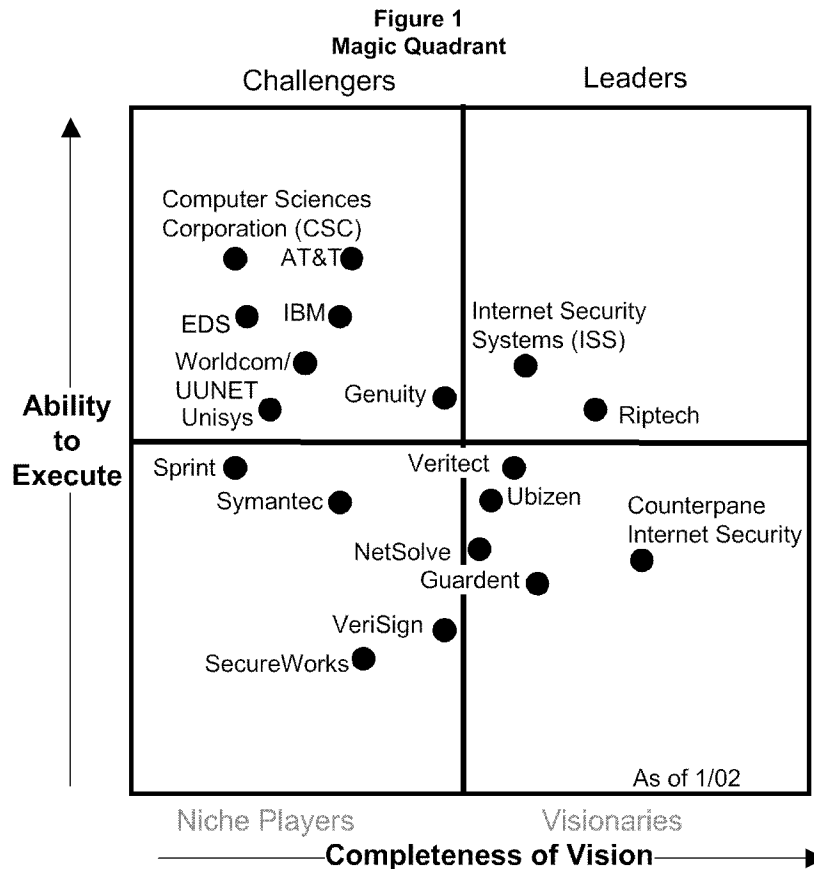
By 2005, 60 percent of enterprises will outsource monitoring of at least one perimeter security technology (0.6 probability).

By 2H03, at least 30 percent of managed security service providers will fail as businesses or will be acquired by larger players (0.7 probability).

Managed firewall services have been around for more than five years, allowing enterprises to outsource the routine work of monitoring firewalls and making simple configuration changes. More recently, managed intrusion detection, gateway antiviral and vulnerability assessment services have become popular. By outsourcing time-consuming, repetitive tasks, enterprises can focus their own security resources on tasks that add value to the bottom line. By choosing a quality managed security service provider (MSSP; see Figure 1), enterprises can increase their security levels while managing costs.

Gartner

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Source: Gartner Research

Gartner has provided criteria to judge the service offerings of MSSPs to ensure that enterprises select a quality provider (see “Surviving the Managed Security Services Shakeout,” DF-13-1973, “Selecting a Managed IDS Service,” COM-13-0815, and “Choosing a Managed Security Services Provider,” COM-14-2210). Successful MSSPs will be those that master the business issues of providing quality managed security services, rather than those with the most depth in security expertise.

Leaders

Leading MSSPs are driving the market by offering full suites of services, strong back-end management tools, good service reputations and strong channels.

Internet Security Systems (ISS) is well-known for its suite of intrusion detection software, as well as its Internet Security Scanner. With the purchase of Netrex in 3Q99, ISS entered the managed security services space, offering managed services of the “plain vanilla” variety, with minimal fancy reports but a solid security framework. ISS manages customer security devices from secure operations centers (SOC) in Georgia, Michigan, Europe and Asia. ISS’s challenge is to avoid channel conflicts while maintaining a managed service offering and an IDS

software business, and while consolidating a recent acquisition, Network ICE.

Riptech started in 1998 as a security consulting firm founded by security experts with U.S. Department of Defense backgrounds. Riptech quickly realized that managed services would ultimately be more important than project-oriented consulting services, and rapidly built out security management capabilities, channel relationships and a service-oriented management team. Its major challenges are managing expansion beyond its regional roots in the eastern United States and turning channel relationships into profitable revenue sources.

Visionaries

Visionary MSSPs have strong capabilities in security monitoring, but are not driving the market due to a lack of mind share, channel strength or pricing leadership.

Founded in 1999 by cryptography “guru” Bruce Schneier and startup veteran Tom Rowley, Counterpane has a different business model than most MSSPs. Its Managed Security Monitoring service integrates a level of incident response support that other providers generally offer as separate consulting support. This built-in support approach offsets some of Counterpane's weakness in security consulting support, but for long-term success, Counterpane will need a better balance of managed and project services.

Founded in 1995 in Belgium and headquartered there and in Virginia, Ubizen provides managed security services, application security software and system integration, and also resells third-party products. Although it continues to refine its service offering, including its recent upgrade of reporting and customer portal capabilities, Ubizen faces challenges in establishing North American channel partners to access the U.S. market and focusing on security services within Ubizen's disparate revenue mix.

Guardent was founded in 2000 and has created an appliance that resides on the customer network. It collects and collates event data from many disparate devices. A secure connection to the Guardent SOC in Rhode Island monitors the event stream. This method is scalable and provides the ability to monitor different vendors' devices in their native modes. Guardent acquired the customers of DefendNet in mid-2001. Its challenge is to rise above the crowd with a branded standard service offering.

NetSolve is one of the few publicly traded companies in the MSSP market (other than the established systems integrators). Although security services represent less than 10 percent of its overall business, NetSolve has aggressively attacked the market by driving down the costs for managing a firewall or IDS device. NetSolve's major challenge is to demonstrate its security domain expertise.

Veridian created the Veritect unit in 2000 to focus on managed security services to commercial Global 2000 enterprises. Veritect recently brought on board a new president/CEO and chief operating officer to kick-start the company's focus on commercial customers. Veritect can be a strong challenger if it expands its channel relationships beyond Qwest.

Challengers

MSSP challengers are generally large companies that offer a wide variety of managed services but have not focused closely enough on security services to be market leaders.

Unisys offers managed security and other managed network services worldwide through its network operations center in Blue Bell, Pennsylvania and various managed services centers, and partners with Vigilante to offer remote vulnerability scanning. Although Unisys has begun to emphasize security and set up security centers of excellence in Europe and North America, it needs to more effectively focus its security message to be visible as an MSSP.

The large system integrators, such as Computer Sciences Corporation (CSC), EDS and IBM, have been customizing managed security services on an ad hoc basis for a number of years. They have yet to organize comprehensive service offerings that can be compared with those of the other vendors represented in this Magic Quadrant. As the managed security services market develops, the systems integrators will do more to expand their offerings. Their challenge is to recognize the opportunity in security-focused services early enough to influence the development of the industry.

Internet service providers (ISPs) were the first companies to offer managed security services, generally in conjunction with their ISP services. However, other than Genuity, none of the ISPs were able to overcome deficiencies in managing customer-premise equipment. Genuity — with roots in BBN — and GTE's Site Patrol service was the first to run security services as a business rather than another duty for the internal security staff. AT&T and Worldcom/UUNET have strong global footprints for multinational companies, but are generally only major contenders

when managed global virtual private network services are required. The ISPs' major challenge will be continuing to be able to invest in security management capabilities, given the financial challenges in the telecom industry.

Niche Players

Niche players only address segments of the managed security service market, but are suppliers with the potential to grow their offerings to be visionaries or challengers.

Symantec, the largest security software vendor, acquired the managed security services business of Axent Technologies, which included SOC's in Texas and England. The managed security offering maintains good separation from the software side of the operation, but can call on the combined expertise of Symantec's active vulnerability and antivirus labs for an up-to-date understanding of the latest threats. Symantec's challenge is to leverage its software and security expertise to gain customers.

VeriSign has started to focus on security and managed services. Acquiring Exault (a boutique security consulting company) and the SOC and MSSP customers of Telenisus are the first steps in realizing this new focus. As a latecomer to managed security services, VeriSign must buy its way into the market. Combining multiple service offerings while branding a quality product is a major challenge.

SecureWorks is a startup MSSP focused on the small-to-midsize business market, with an inexpensive appliance approach. SecureWorks' lack of a managed firewall service had limited its ability to grow, but that capability has recently been added.

Future Drivers

Gartner surveys of MSSP customers show that trust in the provider is the key criteria for choosing an MSSP. The responsiveness and quality of service is the key criteria for renewing a service agreement and a high renewal rate is critical to profitability. We also believe that large global enterprises will begin demanding global support for managed security services. By 2005, as technology improves, many security services will be provided as "in the cloud" services rather than requiring customer-premise equipment, changing the focus of the market from personal service to high-speed processing and efficiency.

These factors lead us to believe that large, name-brand system integrators, network service providers and product vendors will enter the MSSP market (organically and through acquisition) beginning in 2002 and become dominant players during the next

three years. The first phase of vendor consolidation in the MSSP space is mostly over. The next phase will see security monitoring integrated into other managed service offerings and business monitoring offerings.

Bottom Line: The MSSP market is still immature, and Gartner expects turmoil to rule through 2003. Enterprises should use Gartner's published criteria for selecting the best long-term partner for efficient, effective managed security services.