

Vendor Rating: Symantec

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Symantec has become the largest provider of security and storage management software. However, it needs to articulate a strategy that integrates the two technology stacks in a way that provides compelling new capabilities.

OVERALL RATING

Promising

WHAT YOU NEED TO KNOW

Symantec has a dominant position in the endpoint security and backup markets. Enterprises should include Symantec on their shortlists for most endpoint security and storage management decisions. Symantec is hoping to capitalize on its large corporate installed base to cross-sell security products to its storage management customers and storage management products to its security customers.

VENDOR RATING

Analyst Comments

With the acquisition of Veritas Software, Symantec expanded beyond market share leadership in PC security to include a leading market share position in storage management.

Corporate Viability

Symantec is reinventing itself after its recent acquisition of Veritas Software and three security companies. The overall strategy for the new Symantec is to reduce its exposure to the consumer

Detailed Rating Initiative	Rating
Corporate	Viability
Strategy	Promising
Financial	Strong Positive
Marketing	Promising
Organization	Promising
Market Offerings	
Product/Service	Promising
Endpoint Security	Promising
Vulnerability Management	Promising
Network Security	Caution
VPN Appliances	Caution
Managed Security Services	Positive
Data Protection	Strong Positive
Storage Management	Positive
Clustering	Promising
Server Provisioning	Promising
PC Life Cycle Management	Promising
DBMS Monitoring and Tuning	Promising
Technology/Methodology	Promising
Pricing Structure	Caution
Customer Service/Support	
Sales/Distribution	Positive
Support/Account Management	Positive

security segment (which will commoditize when Microsoft enters), and to achieve a new market position as a broad provider of operations and security software that is differentiated from large systems management vendors, such as Computer Associates (CA), Tivoli, HP and BMC Software. Symantec is defining its overall value proposition and developing its long-term marketing and technology strategy through its Information Integrity initiative, which links data availability with data security. While Symantec can continue to sell Veritas storage management, performance and high-availability products and its own security products to its existing operational and security buying centers, Symantec

has not articulated how it will capitalize on the two technology sets to create new solutions that are compelling to the market.

Short-Term Strategy – Positive

The short-term strategy is to create a company that has larger scale and a reduced dependency on the consumer antivirus market, and also to execute the Veritas merger in a way that minimizes sales force and customer disruption. The execution of this near-term strategy is in process and has a high probability of success. The acquisition joined two large and successful companies, each of which faced challenges in their respective markets. Symantec faces the prospect of a future loss of pricing power in the small enterprise and consumer segments of the endpoint security market as Microsoft enters with services and product offerings in 2006 and 2007. Veritas faced slower growth in its core enterprise storage management markets because of saturation. Another short-term goal is to merge the two companies with their respective development and sales organizations intact. Symantec appears to be executing this strategy effectively, as there has been remarkably little concern by or impact to the customers of both companies.

Long-Term Strategy – Promising

The Information Integrity value proposition is that a single provider of integrated data availability, performance and security solutions can provide superior capabilities that are easier to cost-justify and deploy (based on IT operational and security risk reduction). Symantec's challenges are many: fully

develop the marketing vision and message; flesh out a technology road map; instantiate the vision with new integrated products; and develop the capability to sell the vision to high-level IT executives and to sell solution components to multiple buying centers. Overarching management offerings are essential to integrate the Veritas and Symantec technology sets (for Information Integrity) and to compete with the technology integration initiatives of large IT operations management software vendors (which already have a marketing and product strategy that stresses the value of a broad set of integrated operations and security products). However, overarching management solutions are nonexistent within the current Symantec/Veritas product lines, and these are not areas of strength for either company. Symantec must also become more effective in integrating its technology acquisitions than it has been in the past. Symantec will need to gradually diminish its presence in some product areas, such as network security, for its overall strategy to succeed.

While Symantec has never stated an intention to directly compete with vendors such as CA, HP and Tivoli in the IT operations management software space, significant areas of competition exist (see Table 1).

When compared with these large and broad competitors, Symantec lacks some core capabilities. In IT operations management, service desk and event console are key gaps, while network management, database administration (DBA) tools and utilities, database management system (DBMS) archive, and asset management are additional

Table 1. Competition With Large Systems Management Vendors

	Symantec	CA	Tivoli	HP	BMC
IT Operations Management	-	X	X	X	X
Event Console	-	X	X	X	X
Mainframe Management	-	X	X	-	X
Identity and Access Management	-	X	X	-	X
PC Security	X	X	-	-	-
Managed Security Services	X	-	X	-	-
Security Information and Event Management	X	X	X	-	-
Vulnerability Management	X	X	X	-	-
Network Security	X	-	-	-	-
Data Protection and Storage Management	X	X	X	X	-
Clustering	X	-	X	X	-
Server Provisioning	X	-	X	X	X
PC Configuration Management	X	X	X	X	X
Database Monitoring	X	X	-	-	X
Application Monitoring	X	X	X	X	X
Asset Management	-	X	X	X	X
Help Desk	-	X	-	X	X

Source: Gartner (November 2005)

important functions provided by its competitors. In the security area, Symantec is absent from one major security segment – identity and access management. Symantec also lacks data encryption and a database security monitor. Symantec has only a minor presence in the application monitoring, server provisioning and desktop management segments. We expect Symantec to continue to make tactical acquisitions to fill in the gaps within the product portfolio. We also expect a few acquisitions of leadership companies in adjacent software markets during the next four years.

Financial – Strong Positive

Symantec still has a large amount of cash for additional acquisitions and continuing revenue streams from multiple Veritas and Symantec product lines. Symantec faces a short-term challenge of meeting expectations for high growth. Veritas growth was leveling off before the acquisition, and Symantec faces growth rate and pricing pressures in its consumer and small-enterprise antivirus business.

There are midterm channel leverage opportunities. For example, there is an opportunity to sell Veritas Backup Exec in the Symantec channel. There is also an opportunity (after training) to capitalize on the Veritas direct sales force to incorporate Symantec products in enterprise deals.

Marketing – Promising

The Information Integrity marketing message neatly encapsulates the core strengths of Symantec and Veritas technology, but the degree of market success ultimately depends on the “next steps” of Symantec’s offering development. Today, organizations can acquire (Veritas) data availability products to achieve higher levels of availability, and they can acquire (Symantec) security products to improve data security. Symantec needs to communicate a road map that defines new capabilities beyond the two technology sets sitting side by side within the IT environment.

Organization – Promising

Symantec seems to be competently executing a well-thought-out organizational integration plan for the Veritas acquisition. Customer-facing sales and support organizations are maintaining customer satisfaction during the transition. There are also some potential problem areas. Symantec's internal product organizations did not always march to the corporate strategy, and this situation gets more complex with Veritas and continuing acquisitions.

Market Offerings

Product/Service Overall Rating – Promising

Endpoint Security – Promising

The endpoint security market is undergoing significant competitive and technology changes. Our rating is promising, but growth opportunities are limited. The enterprise segment is already 90 percent saturated (Symantec has 60 percent of the market). Symantec's consumer and low-end antivirus business will be stressed by Microsoft's introduction of OneCare as a consumer-oriented service in 2006 and a product that is oriented to small and midsize businesses (SMBs) in 2007. The scope of OneCare also includes local backup and data recovery, and this will stress the Symantec low-end product lines in this area as well. Microsoft will also introduce an enterprise-oriented malicious software (malware) protection offering in 2006 (named Windows Defender) that delivers a converged antivirus and anti-spyware offering. We expect Microsoft to price aggressively, placing significant downward pricing pressure in this segment.

The major technology change is the convergence of antivirus, anti-spyware, personal firewall (PFW) and

host-based intrusion prevention software (HIPS) technologies in the enterprise segment. Symantec and its major enterprise competitor, McAfee, have acquired HIPS technology that goes beyond traditional antivirus and PFW for protection. However, Symantec is behind McAfee in providing a converged client; Symantec has all of the pieces – Platform Logic for HIPS, Sygate for endpoint security management, network access control and PFW technology, and WholeSecurity for heuristics-based malware detection. We classify the situation as promising because Symantec possesses best-in-class, leading-edge client intrusion systems and on-demand protection, but it will need at least 18 months to fully integrate them into its products and provide a unified management, reporting and alerting capability.

Vulnerability Management – Promising

Symantec provides a variety of vulnerability management technologies. Enterprise Security Manager is a security configuration policy compliance product that has a large installed base facing stiff competition within a market that is crowded with multiple large competitors. Symantec's vulnerability assessment offerings are not competitive. Symantec has announced the acquisition of BindView. BindView's bv-Control Suite competes with Symantec's ESM product but also provides agentless deployment options, advanced compliance and policy management functions, and network-oriented vulnerability assessment. Symantec has redesigned and relaunched a new security information and event management offering to replace a failed offering.

Network Security – Caution

Symantec's network security successes have been primarily those oriented to SMBs. Unlike competitors

in the SMB “all in one” security appliance area, Symantec has an advantage in that it manufactures many of the components. Symantec has not been successful at network security solutions for the enterprise, despite repeated attempts and acquisitions. Symantec has not integrated its vulnerability research into its network intrusion prevention system (IPS) to the same degree as McAfee and Internet Security Systems (ISS), and it is not an effective competitor in the enterprise network firewall market.

VPN Appliances – Caution

Symantec offers IPsec and Secure Sockets Layer (SSL) virtual private network (VPN) appliances, which are produced in-house and take advantage of Symantec’s LiveUpdate to reduce maintenance. These products have sold well but primarily in the small-business market segment. As Symantec moves more clearly into the IPS and managed security service provider (MSSP) markets, these products become a conflict with VPN partners and a point of confusion for buyers. If Symantec elects to keep these products, it must position them in ways to minimize competitive threat. But Symantec should also consider selling off VPN product lines or consider pursuing nonenterprise markets, such as embedded VPNs.

Managed Security Services – Positive

Symantec has kept much of the strong reputation for service delivery that enterprise customers enjoyed by Riptech, which it acquired in 2003. In 2005, Symantec won a deal to monitor CSC’s managed security customers, a “powered by” channel arrangement that Symantec will likely continue to pursue and to win. Symantec also offers a

vulnerability/threat alerting capability and professional services, augmented by its acquisition of @stake, to round out its managed security service (MSS) offering.

Symantec’s status as a service provider supporting its own products and its competitors’ products remains a potential issue. Although Symantec continues to maintain vendor neutrality for its MSS offering, the inherent channel conflicts continue to be a negative for Symantec when competing with VeriSign, Counterpane Internet Security and other MSSPs that do not sell competing products. This tension might be mitigated as Symantec rationalizes its product mix, and as its MSS offering is embedded with larger IT management service offerings.

Data Protection – Strong Positive

Symantec has 46.4 percent market share in distributed computing backup between its (Veritas) NetBackup and Backup Exec products, and it is the dominant vendor in this segment. In addition, the Symantec LiveState Recovery offering adds Windows server recovery capabilities, which will complement and extend both backup solutions. Enterprise Vault adds file and e-mail archiving for operational efficiency and retention requirements, a high-growth part of the market. This is a highly competitive market with niche vendors and startups, and now Microsoft is aggressively looking to erode Symantec’s lead.

Storage Management – Positive

The Veritas Volume Manager is used in many Unix operating systems (OSs) and is embedded in Windows. The VxFS file system is used extensively on Solaris and is available on HP-UX, AIX and Linux. The primary competition is the file systems that are

embedded as part of the OS or, in Oracle's case, with Oracle9i Real Application Cluster (RAC).

Symantec has multiple (Veritas) replication products, but it is not a market leader. Customer uptake has been primarily with offerings from storage hardware vendors. CommandCentral, the company's storage resource management solution, provides competitive functionality, but a weak sales focus has resulted in a relatively small installed base.

Clustering – Promising

With the Veritas acquisition, Symantec gained the only multiplatform clustering product on the market that has a significant installed base. Symantec has about 50 percent of the clustering deployments on Solaris systems. Efforts to grow outside the Solaris base have had only limited success, primarily because of the entrenched deployments of solutions from OS vendors and customer perceptions of the weak benefits associated with multiplatform clustering.

Server Provisioning – Promising

The (Veritas) OpForce server provisioning tool provides image-based multiplatform provisioning as an alternative to the provisioning and imaging solutions from each platform vendor. Competitors offer provisioning that is integrated with native OS tools in combination with more-comprehensive suites for application-level provisioning and configuration, patching, and configuration modeling (for audit and compliance). Symantec must also reconcile technology that it acquired from OnTechnology, which also offers some Windows provisioning and

some limited application provisioning and configuration management.

PC Life Cycle Management – Promising

Symantec's LiveState Client Management Suite provides PC deployment and life cycle management, and it includes Symantec's disk imaging technologies (Ghost and PowerQuest) and software distribution capabilities (derived from OnTechnology). While Symantec is piecing together a strategy for competing in a crowded market, it, like its competitors (such as HP and BMC), has taken longer than expected to deliver a comprehensive suite with tight integration. Within Symantec, LiveState Client Management is often overshadowed by other large business units. However, LiveState has competitive PC migration and deployment, and management capabilities, and it could form the center of a cohesive PC life cycle and security management offering.

DBMS Monitoring and Tuning – Promising

The technology gained from the Precise Software acquisition by Veritas has robust and deep technical knowledge of DBMS performance monitoring and tuning. But, Veritas had not done a good job of selling the product. So while it is a product that should be on enterprises' shortlists for Oracle, SQL Server and DB2 performance monitoring in distributed computing environments, we do not see it on as many shortlists as we believe we should. With the Symantec acquisition of Veritas, we increase our concerns here as Symantec looks at bigger issues.

Pricing Structure – Caution

Enterprise customers are primarily affected by Symantec's pricing practices for its two major product lines: endpoint security and (Veritas) storage management. Endpoint security products have been operationally "sticky," and this has allowed Symantec to raise prices for relatively stable capabilities on a yearly basis. Competitive pressures from vendors such as McAfee (expanded function), CA (aggressive discounting), and the anticipated market entry by Microsoft, will compel Symantec to expand function at relatively stable pricing. The most frequent customer complaint about Veritas has been its pricing practices. Despite a price reduction in 2004, Veritas is still perceived to be higher-priced than the competition in backup. This pricing issue extends to maintenance contracts, in which Veritas is consistently less willing to negotiate pricing terms. Many large Veritas customers have chosen an "all you can eat" multiyear enterprise license agreement (ELA), which typically includes a separate maintenance agreement. The ELAs seem attractive at the outset, because of the steep discounting that is achieved. However, ELAs can create significant vendor lock-ins and are more difficult to renegotiate

when the initial contract expires. Symantec has begun to introduce pricing structure simplifications and improved license tracking. During 2006 and 2007, these initiatives will continue, and Symantec will introduce new pricing programs for its channel and direct customers.

Customer Service/Support

Sales/Distribution – Positive

Support/Account Management – Positive

As software companies grow, managing support gets increasingly difficult to scale out and deliver service at a consistent level. Symantec has continued to invest in its service and support organizations, and it has been careful to manage the Veritas merger in a way that has minimized the potential impact on both the Veritas and Symantec installed bases.

Ratings Definitions

Strong Positive	<p>Solid provider of strategic products, services or solutions.</p> <ul style="list-style-type: none">• Customers: Continue investments.• Potential customers: Consider this vendor a strong strategic choice.
Positive	<p>Demonstrates strength in specific areas, but is largely opportunistic.</p> <ul style="list-style-type: none">• Customers: Continue incremental investments.• Potential customers: Put this vendor on a short list of tactical alternatives.
Promising	<p>Shows potential in specific areas; however, initiative or vendor has not fully evolved or matured.</p> <ul style="list-style-type: none">• Customers: Watch for a change in status and consider scenarios for short- and long-term impact.• Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this initiative or vendor.
Caution	<p>Faces challenges in one or more areas.</p> <ul style="list-style-type: none">• Customers: Understand challenges in relevant areas; assess short and long term benefit/risk to determine if contingency plans are needed.• Potential customers: Note the vendor's challenges as part of due diligence.
Strong Negative	<p>Difficulty responding to problems in multiple areas.</p> <ul style="list-style-type: none">• Customers: Exit immediately.• Potential customers: Consider this vendor only if there are no alternatives.