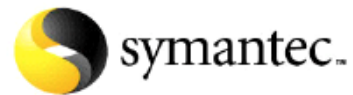




Symantec 10 months after the Veritas acquisition - moving up to enterprise and SMB markets from the consumer segment

Symantec - IT Management Company and Security Vendor

Symantec held its first worldwide Analyst event in conjunction with its Vision 2006 event in San Francisco May 7th – 10th. The combination allowed Symantec to provide both analysts and attendees a clear window, with access to as much detail as desired, on new product announcements. There were over 100 statements stretching across data centre management, server and PC management, security at several levels, system performance, data protection and managed services for security management. Over 3,500 users and market partners turned up for the main event. Underlying all this was an emphasis on an expanding the view of Symantec's target markets.



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Symantec's view is that growth is moving out of consumer into corporate enterprise and now into the mid-market of SMB. Building on its record of success in the security market, especially the consumer segment, Symantec has grown in its market reach through acquisition, the largest being Veritas, some 10 months ago, for data centre operational continuity. The most recent acquisition, Relicore, provides comprehensive visibility of all server and software assets in a data center, automatically maps how those assets are related, and notifies administrators if any of those assets change. Thus, Symantec's product markets stretch from firewalls, network based IDS/IPS, to operational performance and management tools, data centre business continuity tools, including data protection and compliance assurance. From the financial results presented on May 9th, the consumer market now represents just 28% of total revenues, while enterprise security grew by 9% to become 22%, storage management produced 23% and data protection products accounted for 23% of revenues – so 68% of product revenues is in the enterprise market segment.

A core product is Symantec's i³ product suite, (Insight, Indepth, and Inform) which is a modular platform for the enterprise management market. It came from the acquisition of Precise Software

to establish a distinct line of business within Symantec of Application Performance Management (APM). The i³ suite exemplifies the directions Symantec is taking – firstly with business productivity by measures to detect, diagnose and rectify application performance problems before they are felt by end users; secondly reducing cost, by pinpointing those components which are the biggest performance problem offenders, to avoid throwing excessive hardware at problems; and thirdly improving organizational efficiencies when troubleshooting by reducing finger-pointing.

Also, Symantec has realized the real significance of the managed and professional support services sector. Its professional services arm is aiming to expand from 4% of revenues today to 10% in a few years. Complementing a pure product play with services can only bring added market strength.

Symantec also presented its Global Intelligence Network, a system for detecting and countering virus and other malware attacks stretching across 180 countries, with some 40,000 sensors and 4 operations centres (Twyford, UK, Tokyo, Sydney, Munich and Alexandria Va., USA). Security Response - the world's largest team of dedicated experts working to identify and neutralize network attacks - offers two decades of experience and provides swift, global responses to virus outbreaks and blended threats, proactive research on future threats, and ongoing education. Symantec presentations also noted it has supplied 25% of the anti-spam systems worldwide.

Symantec is not working alone on security and systems management. One interesting collaborative development was with Intel. Intel showcased its new V-Pro on-chip 'co-processor' driven by firmware. It offers a management and security capability within its CPU chip for managing the business desktop. V-Pro technology supports the spheres of discovery, compliance and remote configuration management for large numbers of networked PCs. Some 46% of the cost of PC ownership was quoted as being in maintenance and security, especially physical visits, which this new approach can reduce by a claimed 50% for hardware, 75% for software, and 90% in audit costs.

Symantec Faces Challenges and Opportunities

Symantec is at a turning point. The acquisition of Veritas fundamentally changed both the Symantec customer base and the shape and scope of the competition it faces. As is to be expected, impacts from the merger are appearing in such actions as a welcome simplification of pricing and licensing schemes. But, it is also reflected in demands for integration across the widened product range. A major *cultural* change appears in an

expanded focus on the datacenter and its management, coming from the Veritas perspective, should be a sustaining plank for the future.

Symantec's success for the future rests on leverage and manipulation of clear technology leadership in several areas. First up, is a combined focus on new markets emerging over the next three years - specifically the mobile, e-commerce, and grid markets. Symantec now plays in hotly competitive markets where HP OpenView, IBM Tivoli, BMC and Computer Associates also play, in both enterprise operational management as well as security. They face a number of other players ranging from EMC to Cisco to Microsoft, all eager to claim market share. This is the me-too challenge. Symantec must also clean up the balance sheet after major acquisition expenditures, maintain superior business delivery in each market, all while knitting together new people, processes, product ranges and cultures.

What will happen?

Can Symantec do it? Of course, melding of two cultures requires lots of serious work. We found the Symantec staff very positive in understanding and discussing their challenges. They displayed the vital signs of health needed in successfully merging companies; speaking freely about their past culture, their problems, their solutions, all the while exhibiting enthusiasm about current and future products and services.

Looking forward from a research level, Symantec emphasizes its intention to build a strong product base, with the R&D spend up 15% - this looks promising. However, to be effective, spending must address key areas. In our opinion, these include security side, specifically for authentication (especially federated authentication) and the whole area of digital identity. Enhancements here will complement Symantec's other pieces - audit, access control and authorisation. Identity management is key to user confidence - especially for consumers considering e-commerce in the current environment with falling levels of trust in the Internet. This could prove a gold mine to the one cracking the problem. Might Symantec consider going further? such as taking on deep packet inspection, for very high volumes, an expensive, albeit profitable, business. On the other hand, it may be prudent to leave this to others.

As presented, its complete enterprise management portfolio is integrating with a policy engine, in our view - the only way to go if it is tied together. Integration of multiple policies in a managed fashion is a clear goal for users, already befuddled by too many tools and too many unlogged manual operations, including security configuration. The advances in APM show Symantec's thinking may well have the lead here.

The Final Word

Symantec is a \$5Billion (revenue) company with over 15,000 staff, an expanding product range in a strong growth market with a highly competitive environment. Above all, success under such circumstances really comes down to the quality of the management team, both in top management leadership, including financial controls, and middle management execution.

In our view, Symantec is very lucky with top management that appears to be well in command of the relevant level of required detail. They clearly understand where the strategic markets are and have enough vision to plan entry to growth segments such as mobile and media/telco generally. Fortunately, or unfortunately, this is quite rare at the top in today's market, all too often driven by ego rather than experience or expertise. Moreover, the middle management team we met certainly understood the nuts and bolts of what to do and how to do it at an execution level.

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Simon Forge applies over 20 years experience in information industries to his current projects in telecommunications and computing, specifically exploring new wireless and computing technologies and potential futures, outcomes and strategies for markets, products, companies, countries and regions. Previously Simon was Director of IT Development for Consumer and Business Products for Hutchison 3G UK, managing creation of software applications for third generation mobile products, covering the whole range of multimedia products. He has also managed a wide range of teams and assignments – from acting as interim Director of IT development for the largest utility in the UK to developing one of the largest B2B e-commerce trading systems in Europe, to bringing nineteen disparate acquisitions together with unified business architecture, customer management system and billing system for a European telecommunications company. Forge has a PhD, in digital signal processing, as well as MSC and BSc in Control Engineering, all from the University of Sussex, UK. He is a Chartered Engineer and M.IEE and sits on the editorial board of the Journal *Info*.

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Richard Ptak has over 30 years experience in systems product management working closely with Fortune 50 companies in developing product direction and strategies at a global level. Previously Ptak held positions as senior vice president at Hurwitz Group and D.H. Brown Associates. Earlier in his career he held engineering and marketing management positions with Western Electric's Electronic Switch Manufacturing Division and Digital Equipment Corporation. He is frequently quoted in major business and trade press such as Investor's Business Daily, The New York Times, The Wall Street Journal, Business Week, Computerworld eWeek, and InformationWeek. He is the author of "Manager's Guide to Distributed Environments," (John Wiley & Sons, 1998). In addition, Ptak was technical editor of "Cisco Internet Architecture Essentials Study Guide: Cisco Internet Solutions Specialist" by Mathew Recore, Jeremy Laurenson, and Scott Herrmann (Cisco Press, 2002). Ptak holds a master's in business administration from the University of Chicago and a master of science in engineering from Kansas State University.

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