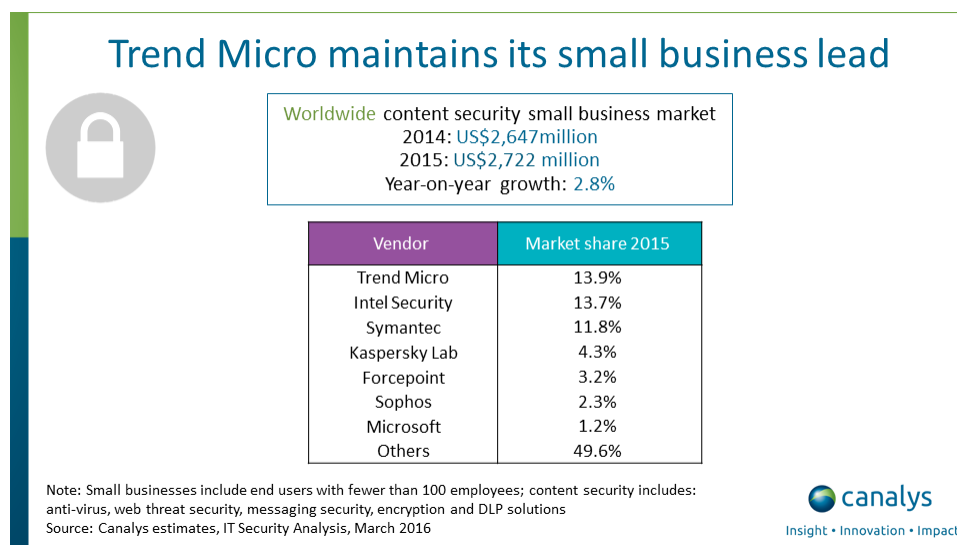


Small business content security market trends

What are the major content security market trends in the small business segment?

- Content security investment growth slowed in 2015 as budgets went to network security solutions instead
- The small business market is very competitive, but vendors focusing on the channel and managed services are winning
- Vendors are reducing their reliance on direct online web sites in favor of their reseller partners
- Global data regulatory reforms are expected to boost investment in 2016

Canalys estimates that the global content security market grew 3.7% in 2015. Small business investment reached US\$2,722 million, representing 2.8% growth. The slowdown in growth mainly reflects an increasing shift toward network security solutions, where investment rose 8.1% over the same period. While content security solutions, including endpoint AV and web threat security, have previously been prioritized, small businesses' budgets were instead focused on solutions such as integrated firewalls, which feature a broad set of functionalities. The AV market specifically is highly commoditized and small businesses have many viable freemium solution options from various vendors.



From a vendor perspective, there were mixed performances in terms of growth during the year.

- **Trend Micro** retained first place in the market, thanks to its strong channel focus and competitive pricing initiatives for endpoint solutions, which incorporate a rich feature set. Its flagship Worry-Free

solutions offered as a simplified service option have proven successful among micro and small business users and their channel partners.

- **Intel Security** maintained its market share globally, which enabled it to take the number two position from Symantec. Intel Security performed well across its regions, thanks to investments made in expanding its sales resources. It also grew its managed services partner program and initiatives that facilitated its overall small business growth.
- **Symantec** had a difficult year, declining by over 10%, and fell to third place. Its drawn-out structural changes, as well as the sale of Veritas, meant it could not focus enough on its core business. Delays in communicating back on competitive bids during this period will have no doubt hindered its performance in the small business arena. Its performance in 2016 will reflect the relative success of its internal reorganization initiatives.
- **Kaspersky Lab** was flat during the year after economic pressures affected its home country of Russia, though its business in emerging markets remained buoyant and enabled it to counter any major declines. Overall, it continued to make gains with its Small Office Security suites, which are well rated by customers and channel partners alike.
- **Forcepoint (formerly Websense)** continued to grow steadily in the small business market through its flexible Triton services platform. It offers robust features that can be customized to fit each unique business's needs. It is benefiting from being early to deliver managed services, as well as its high level of support.
- **Sophos** gained traction with small business customers by offering free 30-day evaluation trials of its flexible Endpoint Protection solutions, which can be deployed as a service or on-premises. Its channel partners like being the dedicated route to market and the simplicity of the Sophos management console and licensing model.

Vendors prioritize channel over direct online sales



Worldwide change in the maximum number of online licenses available through direct vendor web sites

Vendor	Online licenses 2013	Online licenses 2016	Percentage change
Symantec	1,000	350	-65%
Intel Security	250	250	0%
Trend Micro	100	100	0%
Kaspersky Lab	250	50	-80%
Sophos	100	0	-100%

Note: Forcepoint (Websense) does not have an online sales site for comparison purposes and Microsoft sells directly only through sales representative, with no specific licence criteria.
Source: Publicly available information on global vendor web sites, March 2016

Greater channel focus from vendors serving small businesses

Over the last three years, Canalys has evaluated the global online sales web sites of the top content security vendors serving small and medium-sized businesses. The vast majority of vendors have opted to reduce direct online license numbers, which is an indication that reseller partners are the preferred route to market. The previous vast disparity between Symantec and competing vendors has dramatically narrowed, and, on average, most vendors are offering between 50 and 350 licenses directly. Many small businesses are attracted to online sites for the ease of purchase and need for only a basic set of solutions. They can also be lured to online renewals after having used freemium offerings. Though having such sites goes against a channel go-to-market model, most vendors mainly serve very small customers and most channel partners are not overly concerned by the practice, as long as vendors let their partners maintain existing customer relationships and renewal processes. Still, the reductions by Symantec, Kaspersky and Sophos, which decided to abandon its online site completely, serves as a good indicator for a renewed channel focus.

The slowdown in content security investment is expected to be short-term. Small businesses are only just starting to understand the benefits of having wider network security functionality and, once investment stabilizes, spend is expected to bounce back once again in content security solutions. Various data regulation reforms will help drive growth as businesses focus on the need for better data encryption standards and data-loss prevention functionality. Though small businesses are not legally obliged in some cases to conform to such laws due to their size, they are still likely to be part of the supply chain of larger organizations, which have more focus on selecting business partners that have adequate data protection mechanisms. Small businesses will be under pressure to implement more sophisticated security solutions, and this will create greater opportunities for channel partners to be trusted advisors for customers. In 2015, sales via the channel represented approximately 90% of total small business investment in content security. Canalys expects this share to grow further in 2016 with even greater channel focus from vendors.

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