



# **The Internet Security And Intrusion Detection Market**

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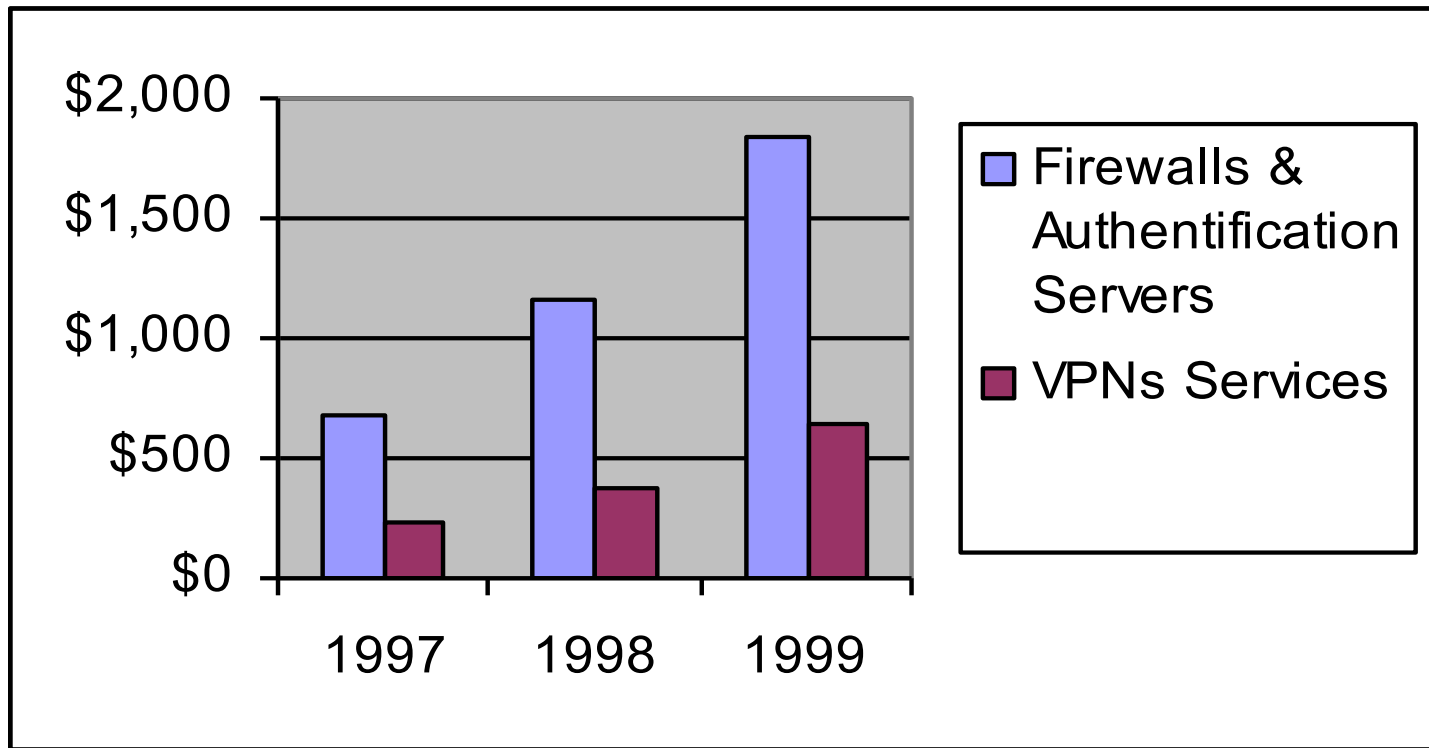
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# **The Internet Security Market**

# The Internet Security Market (1)

- Corporations have invested a total of \$67.8 B in data communication products for 1998, but only \$1.1 B in network security. For data services, corporations spent \$102.9 B with their carriers and only \$370 M in VPNs.
  - Source: Datacommunication Magazine.
- If 100% of Fortune 1,000 are using firewalls, only 40% are using encryption.
  - Source: Forrester Research.

# The Internet Security Market (2)



Source: DataCommunication Magazine



# The Internet Security Market (3)

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- Bigger networks potentially have bigger holes. But, corporations have not kept their security budgets in sync with their overall IS budgets.
- Most corporations agree that Internet security should be one of the enabling technologies for business use of the Net.

# Why This Slow Start of the Internet Security Market?

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- Internet security is an insurance cost that must be justified in terms of the bottom line.
- It is only when a “tragic” incident has occurred that threats are taken seriously and budgets allocated.
- Commercial products are still emerging. Besides firewalls, no other technology has reached the mainstream.



# Corporate Security Needs (1)

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- Upgrading current security infrastructure to support e-commerce activities.
- Implementing remote access without compromising the security of the corporate network.
- Preventing “Insider” attacks against corporate systems.





# Corporate Security Needs (2)

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- Extending networks to support business partner connections.
- Employing encryption and key management technology for customer interfacing systems.



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# **The Intrusion Detection and Response Market**

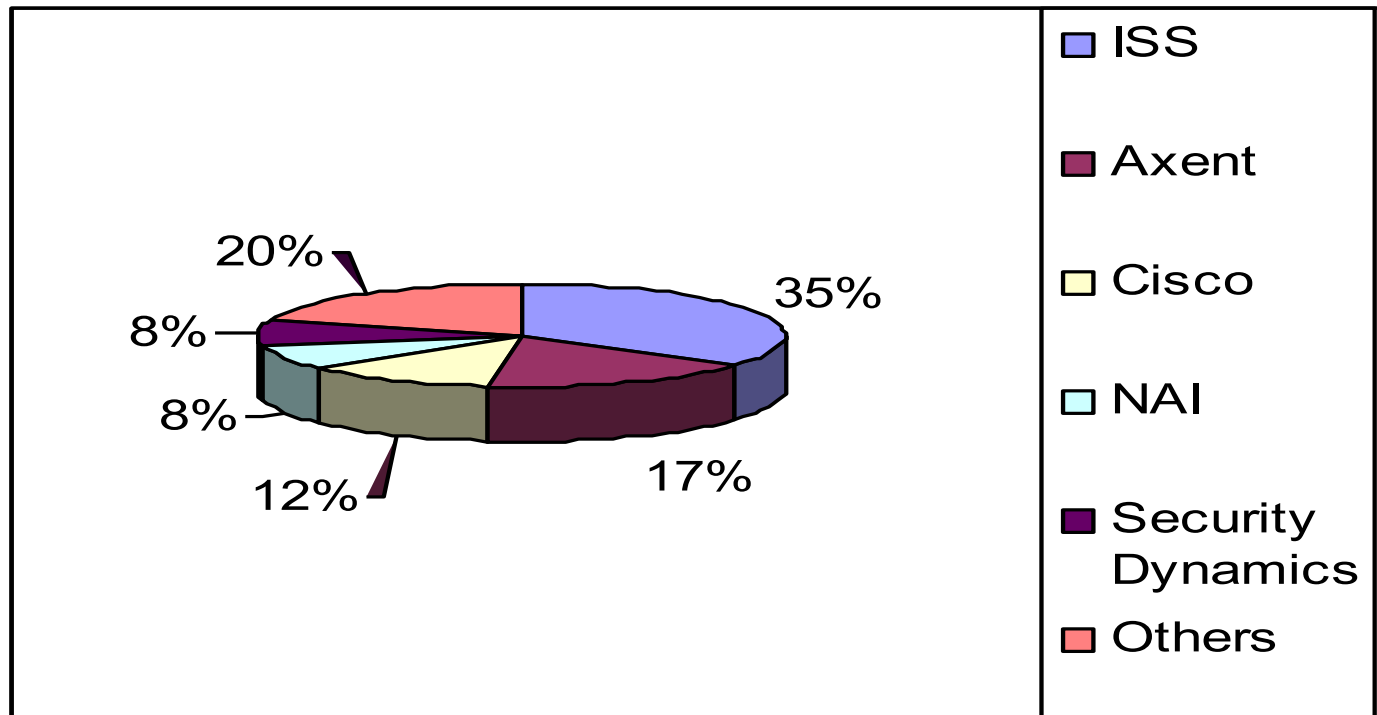


# The Intrusion Detection Market

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- The IDS market is the latest segment in network and computer security.
- We estimate that the worldwide market for IDS was \$66 M in 1998 (without scanner and services) and grew from 1997 to 1998 by 150%.
- We expect that this market could reach by year 2002 the size of today's firewall market, which was around \$350 M in 1998.

# The Market Players (1)

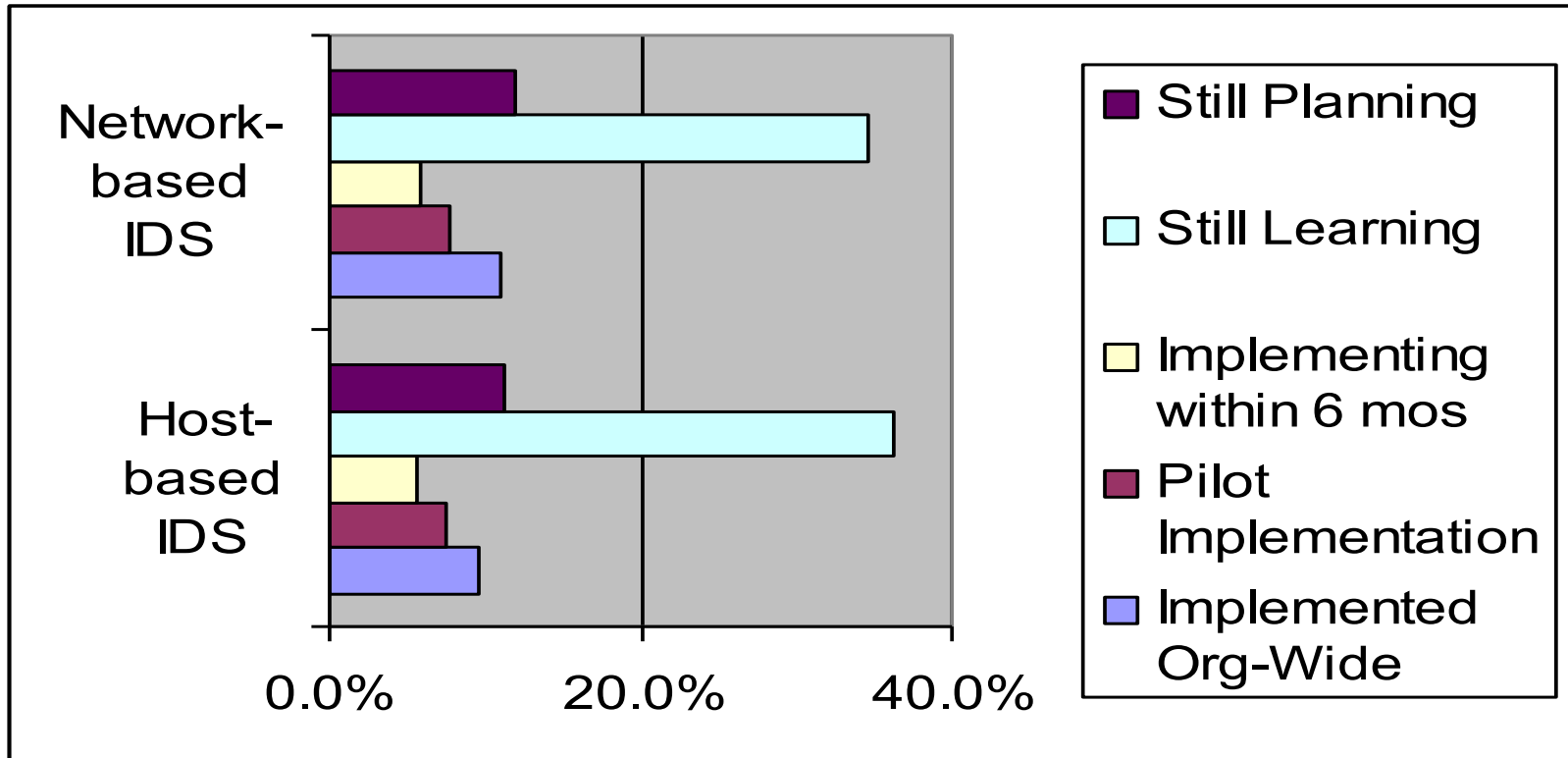


Source: Carrasco & Associates

# The Market Players (2)

- The market is fragmented but with a clear leader: ISS could become as strong in the IDS market as CheckPoint is in the firewall market.
- Behind ISS, there is no single challenger but a group of companies: Axent, Cisco, NAI and Security Dynamics. We expect Cisco to be number two.
- Other marginal vendors include: Platinum, ODS and Centrax.

# IDS Market Penetration



Source: The Sans Institute



# Market Risks

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- Present early adopters of IDS tools are likely to accept current technical weaknesses, but not mainstream customers.
- If products do not lower the complexity and the costs to deploy and manage network security, the market could still be slow to take off or never reach significant size.



# Product Weaknesses

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- We believe that current IDS products are leaving significant unfulfilled functionality required for business use.
- IDS customers will look for higher level of scalability, automation and integration than present tools offer in order to deploy IDS widely in enterprise networks.





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# **The Market Players in IDS**



# Consolidation of the Players

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- Vendors went through an aggressive consolidation. First start-ups were the Wheel Group, Haystack and Intrusion Detection. Later start-up entrants were Abirnet, Internet Tools and Centrax.
- With the exception of ISS and Centrax, no other vendor is selling exclusively IDS tools. With the exception of Cisco, all vendors sell only security products.



# Results of the Consolidation

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- IDS is becoming more a component of a product portfolio than a product by itself. Security companies such as Axent, NAI and Security Dynamics are positioning themselves as a one stop security shop for encryption, firewalls and IDS.
- Consolidation is going to slow down innovation, resulting in the opportunity for a second generation of start-ups with more promising technologies to emerge.

# ISS: The Leader in IDS (1)

- ISS leads with 35% market share. Revenues for 1998 were \$36M, a 167% increase from 1997. Not profitable yet. Should grow in the next few years from its current market capitalization of \$600 M to \$2 B.
- ISS management and marketing is good. Since its inception in 1995, outstanding implementation and execution. Should strengthen its leadership.
- Built a growing channel and service organization with debt. Expanding R&D with acquisitions.

# ISS: The Leader in IDS (2)

- Started with a vulnerability scanner. Selling mostly now its IDS product lines RealSecure with services. RealSecure console is free. Probes are priced at \$9,000.
- Does not own any technical breakthrough. RealSecure is sniffer-based. Provides host and network-based versions of RealSecure.
- Seeding RealSecure brand aggressively through partnerships: Checkpoint, Nortel, IBM, Compaq, HP...

# Cisco: The Most Likely Challenger

- Acquired IDS technology NetRanger from the WheelGroup in 1998 for \$124 M.
- Now marketing IDS as part of its VPN offering. Selling IDS as a component of a networking hardware sale for large customers. Will never be able to sell sophisticated IDS solutions.
- Will never provide beyond strictly network-based solution, e.g. IDS for operating systems. Singular feature: NetRanger can change ACLs on IOS.



# Axent: The Old Market Timer

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- Merged with Raptor Systems in 1998. Trying to catch up with NAI and Security Dynamics.
- Was the number one ID vendor with host-based IDS Intruder Alert marketed before as OmniGuard. Lost significant market share to ISS.
- Acquired start-up Internet Tools in 1999 for \$25 M for their network-based IDS ID-Track. Plan to integrate Intruder Alert with ID-Track. Singular feature: ID-Track applies rules specific to a domain.

# NAI: One Stop Security Shop

- Acquired from merger with Network General, CyberCop technology developed under licensing with the WheelGroup. Acquired additional technology WebStacker from purchased of TIS/Haystack.
- Re-designing CyberCop as an host-based-only IDS (which is going to be very similar to Stacker) and selling it as a component of its active firewall product line which includes firewall, help desk, vulnerability and virus scanners and IDS.



# Security Dynamics: One Stop Security Shop

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- Acquired in 1998, Intrusion Detection Inc. for \$32.5M whose IDS product was Kane Security Monitor.
- Kane is a sophisticated IDS for NT hosts only.
- Like NAI, does not seem yet to have taken advantage of the acquisition and has lost market share to ISS.

**Thank you for your attention**