

WORLD ENDPOINT  
SECURITY MARKETS:  
PROTECTION IN A  
WORLD OF VANISHING  
PERIMETERS



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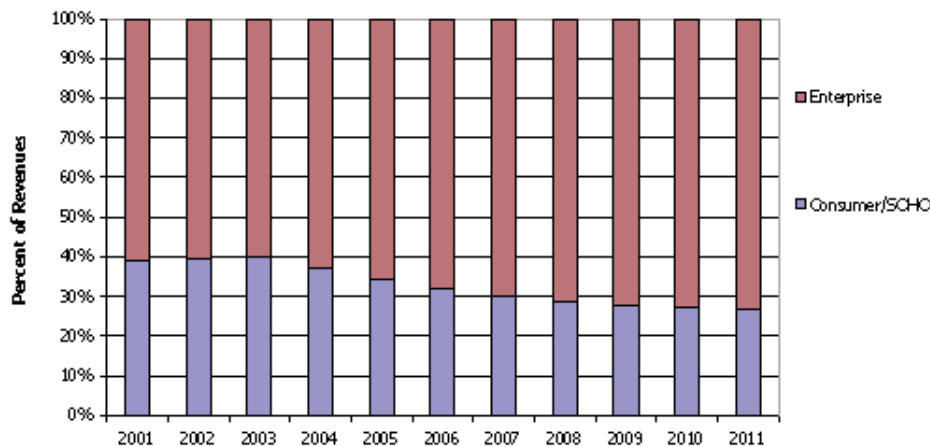
**ENDPOINT SECURITY MARKET DEFINITION**

Frost & Sullivan's latest report on Endpoint Security (report number F376) analyzes the world endpoint security market. The endpoint security market refers to firewalls and intrusion detection systems designed for and running on individual PCs. This report excludes server-based firewalls, host or network intrusion detection systems, and gateway or perimeter firewalls and/or routers.

Competitors in this market have a different approach to endpoint security and in many cases they are complementary and partner with each other. Some vendors combine anti-virus with firewall technologies. Others try to combine intrusion prevention, "classic" firewall rules and application protection into the mix. Others focus strictly on regulating applications running on the system.

In addition we will discuss the current initiatives around network admission that information technology industry giants Cisco and Microsoft are leading. These initiatives are likely to change this market significantly over the next two to four years.

**Total Endpoint Security Market: Revenue Contribution by Segment (World), 2001-2011**



*Note: All figures are rounded; the base year is 2004. Source: Frost & Sullivan*

**MARKET FORECASTS**

The world market for endpoint security solutions reached \$271.7 million in 2004 growing 31.2 percent from \$207.1 million in 2003. The market is expected maintain strong growth following increased awareness for the need to secure internal endpoints and by network admission initiatives by Cisco and Microsoft.

## **MARKET DRIVERS AND RESTRAINTS**

The top three drivers for the growth of this market are:

- Cisco's NAC and Microsoft's NAP initiatives
- The Rapid Growth of Blended Content Threats
- Maturing Enterprise Security Market Marks a Shift Towards Distributed Security

The top three restraints for this market are:

- Competitive Pricing and Marketing Models
- Positioning Personal Firewalls as a Value Added Feature to Other Security Products
- Pricing Pressures Due to Market Maturity Volume Discounts

## **MARKET TRENDS**

Distribution in the endpoint security market has matured over the last two years. However, at this growth stage in the market's life cycle, a high number of distribution channels are being used. These channels are also in a state of evolution. For the unmanaged portion of the market, distribution is more mature with direct from website and retail channels being utilised. The evolution and maturity of distribution architecture will increase units shipped, but will simultaneously decrease the per unit price as volume sales discounts are applied for distributors and large customers.

There have been many advancements in the technology behind endpoint security products. Some advancements concern the security engines themselves, and some advancements are centered around usability and management. In either case, both of these areas of development have led to a substantially improved and more secure product.

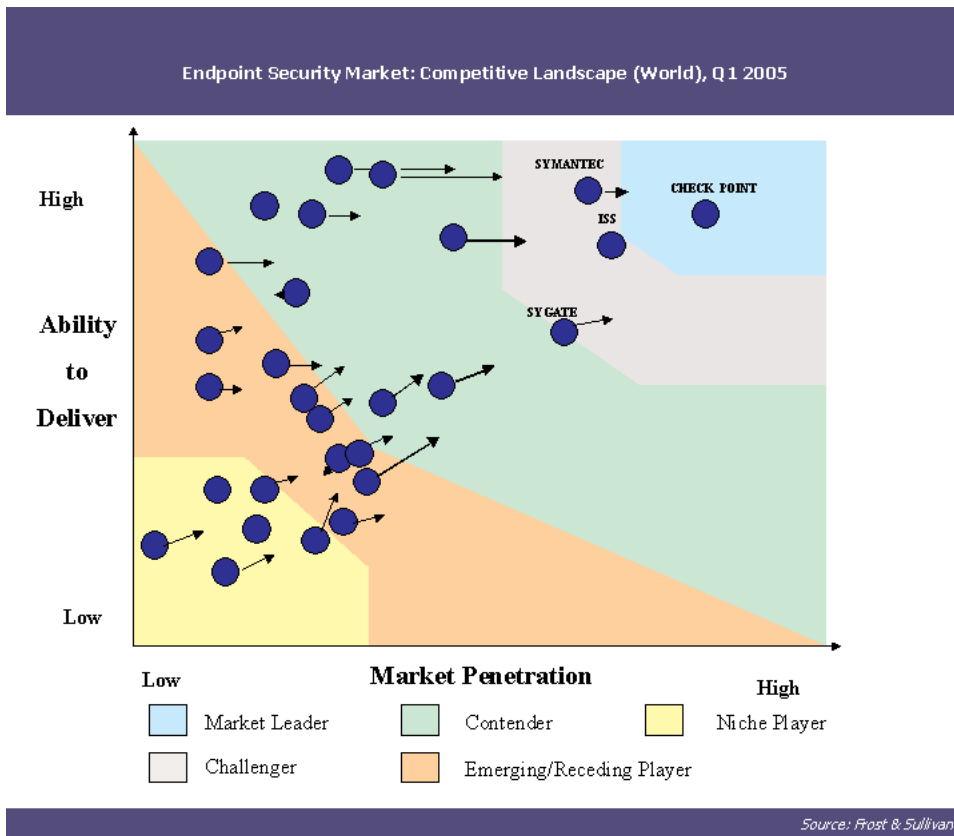
## **COMPETITIVE ANALYSIS**

Frost & Sullivan has carried out a comprehensive analysis of the competitive environment for each of the two main segments including an analysis of the following vendors:

The top endpoint security vendors include Check Point, InfoExpress, Internet Security Systems, McAfee, Sygate, and Symantec.

The endpoint security market has seen major changes between 2003 and 2005. Initially, securing the remote access endpoints has driven the enterprise segment of the market. However, the growth of this portion of the market is limited when compared with the market potential that corporate LAN-based PCs offer. The current penetration rate is modest at around 15%, while penetration rate for enterprise remote users is much higher. However, this distinction is changing rapidly as it is increasingly common to face more heterogeneous environments where the same laptops are being used for connecting to the network internally - either LAN or WLAN- as well as remotely.

In addition, one of the major drivers of this market is the increased awareness of the risks of not properly securing the endpoint. August 2003 was the inflexion point with the outbreak of 4 serious viruses: MiMail, Blaster (Lovesan), Sobig.F, and Nachi (Welchia). Traditional signature-based anti-virus solutions were unable to cope with these unknown attacks. Thus, consumers and businesses realised that additional layers of protection, able to detect and stop malicious or undesired behavior patterns, on top of the existing solutions were required.



## CHECK POINT

Check Point is the clear market leader of the endpoint security market. Check Point leads the consumer/SOHO and enterprise segments ahead of Symantec and ISS respectively. Overall, Check Point has become a strong market leader in endpoint security after the acquisition of Zone Labs was completed in March 2004. Check Point has wisely decided to keep the Zone Labs and ZoneAlarm names, more recognized in the consumer and SMB spaces than the Check Point name itself.

However Check Point's focus remains the corporate space and the company's key offering is Integrity. Integrity options include the SmartDefense Program Advisor Service,

Check Point's endpoint security initiatives go beyond providing point solutions. Check Point is also cooperating with Microsoft's NAP program but it will face the challenge of competing against Cisco's NAC initiative, which is more mature. This could hit the vendor as some of its key competitors in the enterprise space such as Sygate, InfoExpress and WholeSecurity could benefit from a more strategic relationship with Cisco.

Frost & Sullivan believes that Check Point is likely to lose some market share as competition heats up. However we expect that Check Point will remain an overall market leader at the end of 2005.

## **GLOBAL MARKET LEADERSHIP AWARD**

### **AWARD DESCRIPTION**

The Frost & Sullivan Market Leadership Award is given to the company that has exhibited market share leadership through the implementation of market strategy. The recipient has displayed excellence in all areas of the market leadership process, including the identification of market challenges, drivers and restraints, as well as strategy development and methods of addressing these market dynamics. Furthermore, the Award recipient has continually demonstrated solutions for monitoring market changes and for implementing superior market strategies. By utilizing these strategies for success, the company has established itself as the market share leader in its respective industry.

### **RESEARCH METHODOLOGY**

To choose the recipient of this Award, the analysts track competitor revenue and market share within the industry. This is achieved through interviews with all market participants and extensive secondary research of proprietary data sources. Finally, the competitors are compared and ranked for relative position. Frost & Sullivan then presents the Award to the company that received the number one industry rank.

### **MEASUREMENT CRITERIA**

In addition to the methodology described above, there are specific criteria used to ascertain final competitor ranking in this industry. The recipient has excelled by substantially increasing one or more of the following criteria:

- Market share
- Revenue growth rates
- Profitability
- Market and technology innovation

**GLOBAL MARKET  
LEADERSHIP  
AWARD**

## **AWARD RECIPIENT: CHECK POINT**

Check Point is the recipient of Frost & Sullivan's 2005 Global Market Leadership Award for its leading presence in the endpoint security market. The company leads the overall endpoint security market with a share of almost a quarter of the market, almost doubling its closest competitors. The company also leads the consumer/SOHO and enterprise markets ahead of vendors such as Internet Security Systems, Symantec, Sygate and McAfee amongst others.

Check Point has become a strong market leader in endpoint security after the acquisition of Zone Labs was completed in March 2004. Zone Labs was one of the best known pure play endpoint security vendors, with a strong product line and large installed base. Check Point was lacking presence in the consumer/SOHO space and the Zone Labs acquisition has allowed Check Point to acquire an important presence in this segment. Check Point is currently in the process of embedding the Zone Labs business into Check Point, especially on the enterprise side.

Check Point focuses on securing the enterprises by delivering a combination of proactive defenses along with central policy management and enforcement. Integrity options include the SmartDefense Program Advisor Service, which automates application control management, Integrity Advanced Server a server clustering module and Integrity Desktop, a non-centrally managed endpoint security solution. Check Point's endpoint security also includes the SecureClient for VPN-I users which is in the process of becoming part of the Integrity family and originally developed by Check Point.

Frost & Sullivan believes that Check Point is a solid leader with a strong offering around endpoint security and will remain in this privileged position during 2005.

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### ABOUT FROST & SULLIVAN

Based in Palo Alto, California, Frost & Sullivan is a global leader in strategic growth consulting. This white paper is part of Frost & Sullivan's ongoing strategic research into the Information Technology industries. Frost & Sullivan regularly publishes strategic analyses of the major markets for products that encompass storage, management, and security of data. Frost & Sullivan also provides custom growth consulting to a variety of national and international companies.

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### ABOUT CHECK POINT SOFTWARE

Check Point Software Technologies ([www.checkpoint.com](http://www.checkpoint.com)) is the worldwide leader in securing the Internet. It is the market leader in the worldwide enterprise firewall, personal firewall and VPN markets. Through its Next Generation product line, the company delivers a broad range of intelligent Perimeter, Internal and Web security solutions that protect business communications and resources for corporate networks and applications, remote employees, branch offices and partner extranets. The company's ZoneAlarm product line is one of the most trusted brands in Internet security, creating award-winning endpoint security solutions that protect millions of PCs from hackers, spyware and data theft. Extending the power of the Check Point solution is its Open Platform for Security (OPSEC), the industry's framework and alliance for integration and interoperability with "best-of-breed" solutions from over 350 leading companies. Check Point solutions are sold, integrated and serviced by a network of more than 2,200 Check Point partners in 88 countries.