

Sophos Buys ActiveState, Vendors and Customers Should Benefit

Arabella Hallawell, Maurene Caplan Grey

The acquisition of anti-spam vendor ActiveState gives Sophos, a U.K. antivirus vendor, a suite to secure firms' e-mail boundary. Sophos will increase its presence in the U.S. market. ActiveState can expand in Europe.

NEWS ANALYSIS

Event

On 24 September 2003, Sophos announced the acquisition of ActiveState, based in Vancouver, British Columbia, for \$23 million in cash. ActiveState will become a separate unit within Sophos, which plans to continue developing the ActiveState products. Sophos will integrate its own antivirus technology into ActiveState's PureMessage product.

Analysis

Sophos, a conservative company with a long history in the antivirus business, has made a bold move with this acquisition. Sophos has become one of the only antivirus vendors with its own best-of-breed anti-spam capabilities. These capabilities should drive new license sales of its e-mail products and expand its presence in the U.S. market. Sophos is well known for its desktop antivirus products and strong customer service, especially in the United Kingdom and Western Europe. Since 2000, Sophos has acted as an original equipment manufacturer (OEM), supplying its antivirus engine to e-mail and gateway vendors (including ActiveState). Since 2001, Sophos has branched out beyond traditional desktop and file-server antivirus into products for e-mail servers and by marketing to U.S. customers. However, the new products have achieved limited penetration so far. Sophos has been profitable for many years and has used its cash reserves for this acquisition.

ActiveState customers can now get antivirus service and support directly from the antivirus vendor. The acquisition will also give ActiveState a presence in Europe, where firms now more actively evaluate anti-spam technology.

Challenges: ActiveState customers should prepare for a transition period. With this its first acquisition, Sophos has moved away from the antivirus business, and the company's very strong culture will need to accommodate ActiveState. Sophos has OEM relationships to supply its antivirus engine to other anti-spam vendors that compete with ActiveState, notably, CipherTrust and FrontBridge Technologies. Sophos will have to sort out the channel conflicts that will arise.

Enterprise demand for anti-spam filtering drives the bulk of security-related spending at the e-mail boundary, where firms increasingly place antivirus technology behind anti-spam functions in importance. Although nascent, the anti-spam market has already begun to consolidate. Fewer than a dozen of the more than 40 enterprise-level spam filtering vendors today will exist by the end of 2004 (0.8 probability). In addition, with the large antivirus vendors building their anti-spam capabilities, Gartner expects URL filtering and firewall vendors will also enter the fray.

Recommendations: ActiveState and Sophos customers should determine whether a move to the new combined product suite will bring lower overall licensing costs or other benefits. Follow product, support and sales integrations before finalizing any buying decisions.

Analytical Sources: Maurene Grey and Arabella Hallawell, Gartner Research

Recommended Reading and Related Research

- "Stop Spam From Killing Workforce Productivity" — By taking steps now to develop policies and procedures, and then selecting and deploying anti-spam and anti-advertisement tools, you can start winning the battle over spam. **By James Lundy, Maurene Caplan Grey and Arabella Hallawell**

- "How to Select Spam-Filtering Products and Services" — Consider outsourcing e-mail boundary services as a means to gain e-mail security and management without having to relinquish control of the e-mail message store. **By Arabella Hallawell and Maurene Caplan Grey**

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REGIONAL HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters
Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters
Level 7, 40 Miller Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Latin America Headquarters
Av. das Nações Unidas 12.551
9 andar—WTC
04578-903 São Paulo SP
BRAZIL
+55 11 3443 1509