

## Nokia's Planned Security Sale Will Not Benefit Customers

Greg Young, John Girard, John Pescatore

Nokia plans to sell its security appliance product unit, which has faced increasing competitive pressure from partner Check Point Software Technologies. The sale would likely benefit Nokia, but not its security appliance customers.

### Event

On 29 September 2008, the mobile communications provider Nokia announced that it is negotiating to sell its network security appliance business unit to an unnamed financial investment firm. The plan is part of an overall Nokia move away from enterprise IT channels. (For further Gartner analysis of Nokia's plans, see "Nokia Drops Enterprise Software, Intellisync Users Lose Out.")

### Analysis

Nokia manufactures purpose-built hardware for third-party security software from Check Point Software Technologies and Sourcefire and has a significant worldwide installed base. Check Point software running on Nokia hardware holds the No. 2 market share position in the firewall appliance market (see "Market Share: Enterprise Network Security Equipment, Worldwide, 2007"). The Nokia appliance products, which all use the hardened Nokia IPSO operating system, include firewalls/virtual private networks supporting Check Point and intrusion prevention systems (IPSs) supporting Sourcefire, as well as the Nokia Horizon Manager deployment and management tool. Nokia also provides support, from the first line onward, to its Check Point and Sourcefire customers.

Check Point recently released its own branded appliances, UTM-1, Power-1 and IPS-1, which have placed increasing pressure on Nokia and other Check Point appliance partners. The Power-1 and IPS-1 now overlap with the Nokia lineup, but Gartner believes Check Point will introduce more new models that will increasingly compete with Nokia products. (Other Check Point partners will likely face similar pressures in the next year.) Gartner believes Sourcefire — whose customers represent only a small segment of Nokia's security appliance revenue — views its partnership with Nokia as strategic and will not introduce any competitive pressure in the immediate future.

Detailed information about the potential buyer for the security appliance group — which has its own sales and technical support and limited dependency on the larger Nokia organization — is not yet available. Despite this limited information, Gartner believes that, while the sale would likely benefit Nokia, it is not a positive development for the company's security appliance customers or its channel partners. Nokia's historically strong appliance security channel partners will have little incentive to remain with the new ownership, and will likely migrate to Check Point.

We see several possible scenarios:

- The first is that the business could continue to rely on third parties to provide security software, without Nokia's brand and corporate technology backing, which would reduce its value proposition.
- The second scenario is that the business could be resold, which would bring further disruption.

The only positive scenario would be acquisition by Check Point or some other Check Point platform vendor (for example, Crossbeam Systems or Resilience). In the longer term, the appliance group will likely have flexibility that it did not have as part of Nokia.

*Additional research contribution and review: Adam Hills*

## RECOMMENDATIONS

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- **Current Nokia customers:** Do not delay renewals of support agreements — Gartner does not expect any significant near-term support disruptions — but begin making firewall and IPS migration plans while waiting for more details of the proposed sale to become available.
- **Prospective Nokia customers:** Consider other platforms while waiting for more details of the sale. When details are available, revise your selection criteria to reflect increasing competitive pressure from Check Point and reduced viability of the Nokia platform.

## RECOMMENDED READING

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- "Magic Quadrant for Enterprise Network Firewalls, 2H07" — The enterprise firewall market is driven primarily by the requirement to provide network policy enforcement and intrusion prevention at trusted boundary points. **By Greg Young and John Pescatore**
- "Magic Quadrant for Network Intrusion Prevention System Appliances, 1H08" — The network IPS market continues to mature and evolve at a rapid pace, as smaller vendors innovate and focus on specific markets. **By Greg Young and John Pescatore**

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