

Symantec's Big Move Into SaaS Will Likely Be Rocky

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Symantec plans to pay a premium for MessageLabs and enter the e-mail software-as-a-service market. Success will require Symantec to reconcile e-mail security investments and maintain MessageLabs' inbound protection focus.

NEWS ANALYSIS

Event

On 8 October 2008, Symantec announced an agreement to acquire MessageLabs, a provider of online messaging and Web security services, for \$695 million. Symantec expects to close the transaction by year-end 2008.

Analysis

This document was revised on 15 October, 2008. For more information, see the Corrections page on gartner.com.

Acquiring MessageLabs would give Symantec a foothold in the high-growth e-mail security software as a service (SaaS) market, and a launch pad for more SaaS services — but at a price tag of nearly five times MessageLabs' 2008 revenue. Symantec has considerable share of the e-mail security market as a result of its Brightmail acquisition in 2004. With MessageLabs, Symantec will have a 20% share of the market. However, as market demand has trended toward the appliance and SaaS delivery models for e-mail security, most of Symantec's Brightmail customer base remains on software; customers have been reluctant to shift to the company's e-mail security appliances.

Symantec's plan to invest in SaaS raises questions about how it can maintain an appliance strategy for gateway security, especially as MessageLabs will reside in Symantec Protection Network (SPN) platform group (which includes only backup SaaS), and will be separate from the Brightmail business unit. Symantec will have to carefully reconcile how it positions its two e-mail security businesses to its customers and its sales team and product groups.

Although the e-mail security SaaS market is growing, it increasingly intersects with Web security, an area where Symantec has no presence and MessageLabs has promising but nascent capability. Symantec must augment its presence in the secure Web gateway (SWG) market. Although e-mail archiving, storage and disaster recovery represent growth areas for SaaS and could benefit from existing Symantec technology, Symantec must not lose focus on MessageLabs core competency: providing best-of-breed inbound threat protection.

Other challenges accompanying this deal are:

- **Price pressures from key competitors Google and Microsoft.** Microsoft includes its SaaS offering, Exchange Hosted Filtering, as part of Enterprise Client Access License agreements, and Google can offer deep discounts to win enterprise business.
- **Potential for sales channel conflict, especially in North America.** In North America, MessageLabs partners with IBM and Verizon for sales, but Symantec will likely rely less on these partnerships and use its own sales presence in North America to improve margins. Furthermore, Symantec's channel is largely conditioned to sell software rather than SaaS.

RECOMMENDATIONS

- **Verizon and IBM MessageLabs North American customers:** Expect to transition in 2009 as Symantec rationalizes distribution channels.

- **Symantec Brightmail software customers:** Consider moving to a SaaS offering, and pressure Symantec sales to transition to MessageLabs services with your Symantec agreements.
- **Symantec appliance customers:** Request assurances regarding Symantec's commitments to the appliance road map, including how threat protection research and product enhancements will be maintained with a split between the SPN and Brightmail groups.

RECOMMENDED READING

- "Magic Quadrant for E-Mail Security Boundaries" —The e-mail security market is maturing, but speed and breadth of spam detection, and management and reporting capabilities, continue to differentiate vendors. **By Arabella Hallawell and Peter Firstbrook**
- "Magic Quadrant for Secure Web Gateway" — Incumbent SWG providers have been slow to respond to changing demands, while new vendors are struggling to get the right product mix and prove their mettle in the demanding enterprise market. **By Peter Firstbrook and Lawrence Orans**

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