

McAfee to Enter E-Mail Security As a Service With MX Logic

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With its MX Logic acquisition, McAfee will finally get into the security-as-a-service landscape, but gaining sales and product management traction may prove to be more difficult.

Event

On 30 July 2009, security technology company McAfee announced its intention to acquire MX Logic — a provider of managed e-mail and Web security, archiving and business continuity services — in a deal estimated at about \$140 million, with an additional \$30 million if performance targets are met.

Analysis

The MX Logic acquisition will give McAfee a much-needed anchor in the security-as-a-service landscape. E-mail security as a service, which was 30% of the \$1.4 billion e-mail security boundary market in 2008, represents the lion's share of revenues generated from security as a service today.

McAfee had relatively few choices of acquisition targets to enter this market, since the other competitors in this arena — Message Labs, Postini and Frontbridge — had previously been acquired by Symantec, Google and Microsoft. Further, McAfee will need to gear up to position itself as an alternative or a premium security supplier to e-mail hosted services — including Google, Microsoft, and emerging players such as IBM and Cisco, which will bundle in e-mail security and archiving.

MX Logic has built a solid e-mail security-as-a-service offering, targeting small and midsize businesses (SMBs), with the bulk of its revenue coming from sub-Fortune 500 firms using its inbound e-mail security scanning service. MX Logic also offers business continuity, archiving and secure Web gateway (SWG) services. The company operates primarily in the U.S., but launched operations this July in London and Hong Kong. MX Logic, which used multiple third party content engines, will benefit from McAfee's plethora of content, including antivirus, URL filtering and Trusted Source, which should be integrated within the next 18 months.

McAfee must reconcile its own recently launched SWG security as a service with the MX Logic service, and will need to navigate the issue of how to position and sell both appliances and security as a service in the fast-growing e-mail security and SWG markets. McAfee is still grappling with integration of e-mail security and SWG from the Secure Computing acquisition last year, and there may be internal conflicts about which technologies — especially data loss prevention (DLP) — will reside where, and how quickly they will be integrated into the MX Logic services.

Like Symantec, where the Message Labs business unit operates largely separately, MX Logic will reside in McAfee's recently created software as a service (SaaS) business unit, which includes the company's long-standing end point security as service, and vulnerability services from Foundstone and ScanAlert acquisitions. However, unlike Message Labs — whose sales primarily come from e-mail security as service — the McAfee business unit does not have a distinct channel and operating heritage. It remains an open question as to how a security company can effectively manage and sell multiple delivery models. While vendors claim offering both delivery models gives customer choice, it can also create competition internally. Many Gartner clients are undecided as to delivery model, and security as a service can be the most attractive in many threat- and vulnerability-focused markets, if feature parity and costs are similar. McAfee should resist sidelining MX Logic as an SMB play only, both from a sales and product management perspective.

RECOMMENDATIONS

- **McAfee customers:** Explore the MX Logic service, but be aware that the service has some shortcomings in encryption, DLP and SWG.
- **MX Logic customers:** Expect some transition and road map delays due to acquisition integration, and as McAfee technologies are inserted into platform.

RECOMMENDED READING

- “Magic Quadrant for E-Mail Security Boundaries” — The e-mail security market is maturing, but speed and breadth of spam detection along with management and reporting capabilities continue to differentiate vendors. **By Arabella Hallawell and Peter Firstbrook**
- “Hype Cycle for Software as a Service, 2009” — This Hype Cycle will help organizations discern the relative maturity and progression of various SaaS applications, with implications for a business model architecture and buying dynamics. **By Robert Desisto**

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