

COMPETITIVE ANALYSIS

Canadian Managed Security Services 2006 Vendor Analysis

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IDC OPINION

The market for managed security services (MSS), although nascent at present, is poised for solid growth as end users turn to service providers for help in coming to grips with the increasing complexity of securing their networks (both internal and external). IDC Canada estimates the market for MSS was approximately \$85 million in 2005 and will increase at a compound annual growth rate (CAGR) of 18.2% to reach \$195 million in 2010. The market for MSS in Canada can be characterized as one with a number of security application providers (pure-play providers), telephone companies, or telecommunications service providers that view MSS as a natural extension of their networks and large, traditional systems integrators (SIs) and IT services organizations that offer MSS capabilities. The telephone companies and the IT/SIs have typically built their capabilities through acquisition and tend to target medium-sized to large organizations. Very few MSS providers have targeted small enterprises due to pricing or delivery issues. End-user organizations typically turn to an outside provider of IT security services for financial reasons and because they do not possess the right skills in-house. Many, however, are reluctant to turn over to an outside party such a critical piece of their overall IT infrastructure and opt to maintain internal control. To help alleviate these fears, IDC recommends the following:

- ☒ **Increase mindshare.** Business decisions regarding information security are being driven more at the line-of-business and executive level than ever before. IDC believes it is increasingly important to influence these levels and gain their buy-in to ensure successful engagements.
- ☒ **Showcase technical competencies.** Security service firms should emphasize their ability to enhance productivity, reduce risk, and lower total cost of ownership (TCO) by linking prospects' business problems with their service capabilities.
- ☒ **Position security as a corporate challenge.** Minimizing risk is less about the utilization of tools and much more an issue of changing mindsets of employees to ensure they understand the importance of data security and business success and behave accordingly. Security is more than an IT problem.

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IN THIS STUDY

IDC Canada Ltd. analyzes the competitive playing field for managed security services (MSS), the players, and their MSS offerings. The market for MSS in Canada is, at present, nascent. Although certain services firms have been offering MSS in Canada since before 2000, it is only in the past couple of years that the market has begun to develop in terms of end-user interest and adoption. IDC Canada projects the market will increase at a compound annual growth rate (CAGR) of 18.2% from nearly \$85 million in 2005 to \$195.1 million in 2010.

What Are Managed Services?

The term *managed services* has been used interchangeably with *outsourcing* and *outtasking* by the IT service industry over the last couple of years. The lines separating their meanings have become somewhat blurred in the process. However, IDC feels that there are several distinguishing factors that separate managed services from IT outsourcing. Managed services are not IT outsourcing services. Large outsourcing projects, which cover a comprehensive transfer of assets and last beyond a five-year time frame, are all excluded. What managed services include, however, are ongoing management and operation of a voice and/or data service infrastructure in the areas of security, voice/data, and networks. Managed services are largely subscription based.

Managed services also do not include any one-time, project-based functions or engagements. However, network consulting and integration revenue will be tracked as part of the market as long as the revenue is part of a managed services contract. The following are several criteria that clearly distinguish managed services from IT outsourcing:

- Managed services contracts do not usually include any transfer of IT assets.
- Managed services contracts do not include any large-scale transfer of personnel to a third party. This traditionally has been one of the hallmark characteristics of IT outsourcing.
- Managed services contracts are generally shorter than outsourcing contracts.
- Managed services contract lengths are usually in the range of one to five years.

For more information on the various services delivery models, please see *IDC's Worldwide Services Taxonomy, 2007* (IDC #205608, February 2007) or *Canadian Information Systems Outsourcing/Network and Desktop Outsourcing Services Forecasts 2006–2010* (IDC #CA3SO6, March 2006).

SITUATION OVERVIEW

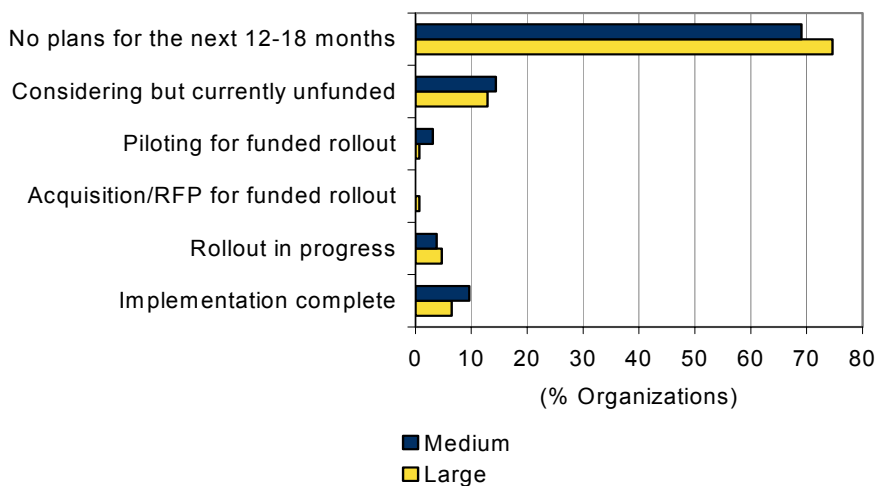
End-User Adoption of MSS

The importance of IT security is rapidly progressing as we move into a ubiquitous IT society with a growing number of threats coming from various avenues. Canada's position in the world as a "knowledge economy" brings with it a multitude of threats, and organizations have decided to address these threats by engaging a managed security provider (MSP). In 2006, managed security was identified as a key spending area, with nearly 30% of large enterprises in the country foreseeing an increase in managed security spending. The growth of the Internet and the increasing reliance on enterprise networks by organizations make security all the more important in today's marketplace.

However, Canadian organizations are still lagging behind their worldwide counterparts when it comes to security strategies. Less than 10% of medium-sized organizations and approximately 7% of large organizations in Canada have implemented some type of MSS solution. Approximately 4% of medium-sized organizations and 5% of large organizations were in the midst of implementing an MSS solution at the time of an IDC Canada survey on the subject (December 2006). Nearly 70% of medium-sized organizations and 75% of large organizations indicated at the time of the survey that they had no plans for MSS. Figure 1 details the results of the survey.

FIGURE 1

Stage of Implementation of MSS: Medium-Sized and Large Organizations



n = 501

Source: IDC Canada's *ITAP Survey*, 2Q06

As organizations become more dependent on their networks for everything from applications to communications to storage, securing a network has become a difficult yet vital task for all modern-day enterprises. For this reason, managed security is an increasingly lucrative market where reputation and both core and industry expertise are crucial differentiators for managed security services providers.

One of the major reasons cited by end users for the adoption of MSS is a financial decision. MSS firms possess the right skills, have the most up-to-date solutions implemented in their security operations centers (SOCs), and operate on a 24 x 7 x 365 basis. However, when asked what they would do with larger IT security budgets, only 14% of medium-sized organizations and 5% of large organizations indicated they would fully outsource their security operations. Figure 2 illustrates what end users would implement with large IT security budgets.

FIGURE 2

Security Measures That Would Be Implemented with a Large IT Security Budget: Medium-Sized and Large Organizations



n = 501

Source: IDC Canada's *ITAP Survey*, 2Q06

This response does not preclude end-user organizations from using partial MSS solutions, though. In a recent survey of medium-sized and large organizations, 41% of the respondents indicated they are using an MSS provider to assist them with their firewall security, 35% are using an MSS provider to assist with antivirus protection, 26% are using an MSS provider for intrusion detection and prevention assistance, and 32% are using an MSS provider for secure email services.

Managed Security Services Providers

Canada is home to three of the world's best laboratories authorized to evaluate and certify security products:

- ☒ CGI Group's IT Security Test and Evaluation Facility
- ☒ DOMUS IT Security Laboratory in Ottawa
- ☒ EWA-Canada's IT Security Evaluation and Testing Lab in Ottawa

Certifications from these laboratories are accepted in more than 14 countries as a hallmark of security quality and assurance that products perform as claimed.

Canada also boasts more than 700 information and communication technology (ICT) security companies. These 700 companies offer a range of products and solutions, including the following:

- ☒ Biometrics (e.g., Diaphonics in Halifax or Bioscrypt Inc. in Markham, Ontario)
- ☒ Cryptography and encryption (e.g., Entrust in Ottawa or Certicom in Mississauga, Ontario)
- ☒ Cybersecurity (e.g., Q1 Labs in Fredericton, New Brunswick)
- ☒ IT security consulting (e.g., Deloitte, IBM, CGI, Bell)
- ☒ Mobile authentication (e.g., Diversinet in Toronto)
- ☒ Surveillance/tracking technologies (e.g., Cansec Systems in Mississauga, Ontario or Absolute Software in Vancouver, BC)
- ☒ Public safety (e.g., S.I.C. Biometrics in Montreal, Quebec)

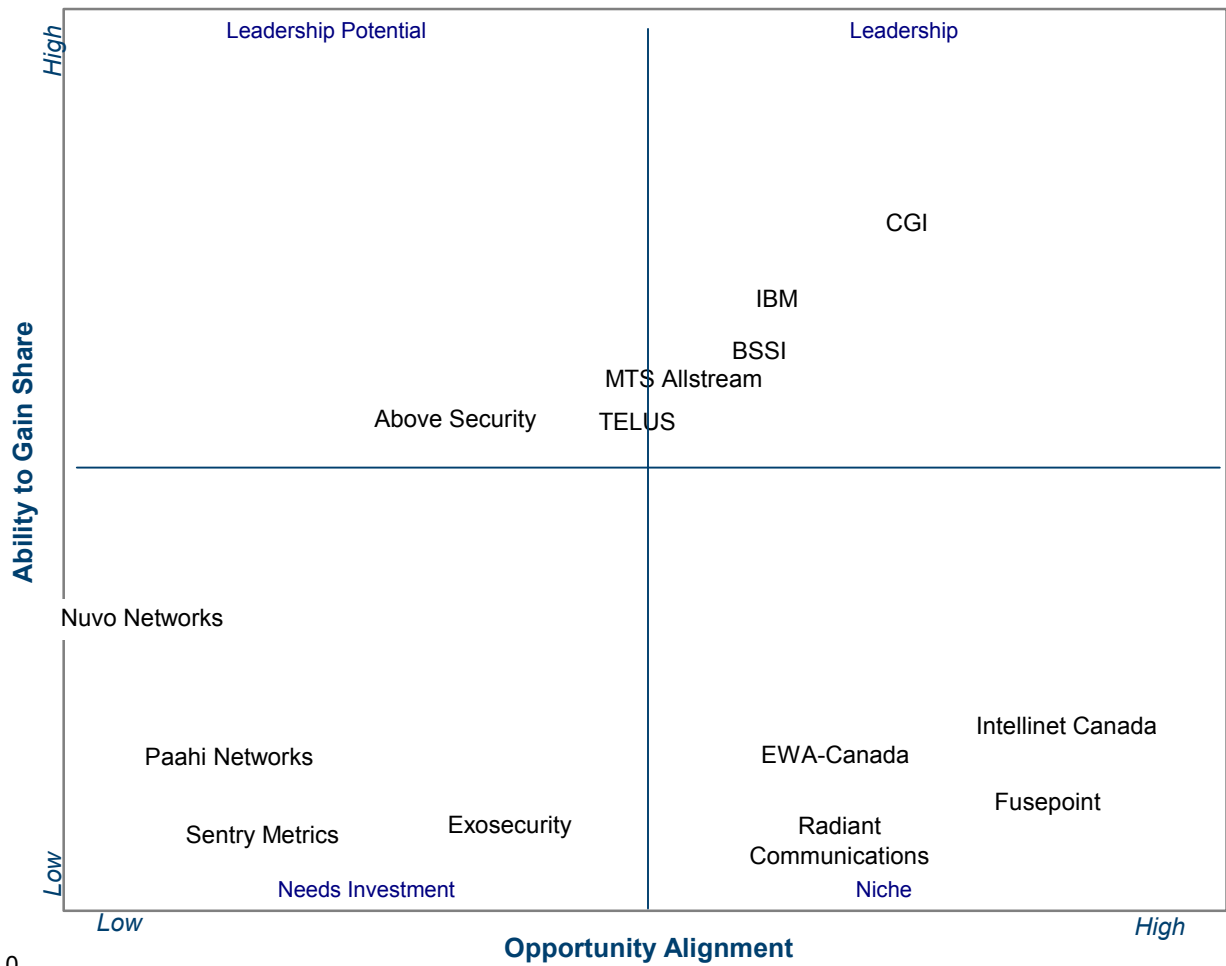
These products and solutions can be purchased and/or managed via a broad spectrum of delivery options, including in-house, outsourced, managed, or pay as you use/utility based. This current study focuses only on companies that provide security services via a managed services model. Providers in this category offer onsite and remote management of security services, with 24 x 7 real-time monitoring, protection, escalation, and response processes. Many of the managed services offered include firewalls, intrusion detection systems (IDSs), and VPNs as well as antivirus, vulnerability testing, and Web filtering and blocking. Managed business continuity services also fall into this category.

The market for MSS in Canada can be characterized as one with a number of security application providers (pure-play providers), telephone companies, or telecommunications services providers that view MSS as a natural extension of their networks and large, traditional SIs and IT service organizations that offer MSS capabilities. The telephone companies and the IT/SIs have typically built their capabilities through acquisition and tend to target medium-sized to large organizations. Very few MSS providers target small enterprises due to pricing or delivery issues.

IDC Canada's analysis of the MSS market in Canada included detailed interviews with the major players as well as with a number of smaller pure-play providers. From these interviews, and other relevant information gathered through end-user surveys and publicly available sources of information, IDC Canada has developed a leadership grid (see Figure 3) that illustrates the current market in Canada for MSS providers. Three players (CGI, IBM, and BSSI) stand out as providers that are in leadership positions. CGI currently has the lead, but IBM and BSSI are not far behind. MTS Allstream and TELUS, the other two major players in the market today, are in a position to challenge. Above Security is the only pure-play MSS provider that merits consideration as a potential leader. The remaining players, all small, need additional investment to achieve their potential.

FIGURE 3

IDC Leadership Grid: Managed Security Services Market



Source: IDC Canada, 2007

Following is a description of MSS providers operating in Canada. Although the providers described are representative of managed security services in Canada, this is not an exhaustive list of all the providers in Canada. All of the major players and a sample of some of the smaller pure-play operators were contacted for their input.

Above Security

Above Security, a Montreal-based company, was founded in 1999 with the mission of providing organizations with information security management solutions. In 2000, Above Security opened its 24 x 7 monitoring center in Montreal. Above Security, which is privately held, has funding from Fonds de Solidarite FTQ, the largest venture capital firm in Quebec. IDC estimates that Above Security generated approximately \$2 million in MSS-related activities in 2005.

Offerings

The company is solely dedicated to information security and currently has 180 clients in 17 countries. In Canada, Above Security customers include SNC Lavallin, the city of Montreal, Bank of Canada, and the Canadian Bar Association. Through its security-monitoring center, Above Security monitors more than 120 networks worldwide, as follows:

- ☒ 55% in the Caribbean
- ☒ 30% in Canada
- ☒ 15% in Europe

Above Security provides integrated IDS/IPS, log monitoring, and vulnerability management from the network to the transactional layer. Incident detection, incident handling, and incident response are also part of the company's MSS offering. Above Security has developed proprietary technology that also integrates commercial products from Microsoft, IBM, Oracle, ISS, Symantec, Check Point, Snort, Nessus, Tenable, Sourcefire, and Cisco. The company is a member of the global Forum of Incident Response and Security Teams (FIRST).

Above Security describes its MSS offering as the integration of people, process, and technology that delivers intrusion detection, log, and vulnerability monitoring for the network, the operating system, the application server, and the application and transactional layers. It is based on a company-created SIM application that is also marketed as a SOC back-office application. To date, Above Security has several large customers that have purchased its SIM applications to build their internal SOCs.

The company has one office location in Canada that is responsible for sales and marketing and for the delivery of its MSS solutions. There are currently 50 employees, of which 20 are dedicated to MSS. All MSS employees are certified in security, have degrees in IT and/or IT security, and have the necessary vendor certification. In order to keep its staff, Above Security offers stock options, competitive salaries, and the possibility of working internationally. Thirty percent of the sales team sell into the Canadian market.

Above Security targets medium-sized (10%) and large (90%) organizations in Montreal, Ottawa, and Toronto in industries that are heavily regulated (pharmaceutical, finance, banking, government, telecommunications). Currently, the company's client mix is as follows: banking (40%), insurance and other financial services (25%), government (25%), and communications (10%).

Above Security delivers its services directly to its customers but also partners with some of its competitors. An example is the city of Toronto. Bell Security Solutions Inc. (BSSI) utilizes Above Security's MSS capabilities in this account.

Above Security does strategic account selling and uses word of mouth and references from its customer base to attract new clients. In certain situations, the company will partner with telecommunications companies. For international sales, it partners with local firms.

Above Security prices its services on a fixed monthly basis that is simplified down to monitoring zone unit. A monitoring zone is invoiced at US\$2,500 per month with an initial fee of US\$5,000. All contracts are 36 months in length and cover IDS/IPS/vulnerability/log management, incident handling, and incident response.

Strengths, Weaknesses, Opportunities, Threats

Above Security's strengths come from the fact that it is a pure-play MSP. The company is solely dedicated to providing managed security services, affording it the opportunity to maintain a knowledge base and solution set of the most recent IT security threats. Above Security's strength is also its main weakness. By being solely dedicated to managed security services, the company is missing out on opportunities that include other security-related services such as privacy and compliance audits and integration projects that include managed security services as part of a larger engagement.

Opportunities for Above Security include the midmarket. As managed security solutions become proven and mature, IDC believes the acceptance of these services by the midmarket will increase. Threats to Above Security include a takeover by a larger player such as a telecommunications company looking to add capability and clients.

Bell Security Solutions Inc.

BSSI is a wholly owned subsidiary of Bell Canada launched in February 2005. Its origins are from JetNet, which was acquired in May 2003. In December 2004, just prior to the BSSI launch, ONCE Corp. was acquired. In June 2005, BSSI acquired CDG in Calgary and then in January 2006 purchased Cinnabar. Bell merged the security practices of Connexim, Emergis, and other acquisitions to form its security subsidiary, Bell Security Solutions Inc. BSSI now has 310 employees. IDC estimates BSSI realized approximately \$12 million in 2005 from its MSS.

To create its IT services portfolio, Bell has relied heavily on acquiring companies with desirable technology and expertise, and BSSI is no exception. In order to create a broad portfolio of IT services, Bell has spent more than C\$500 million on acquisitions since 2004. In addition, Bell's network infrastructure acquisitions have expanded its network footprint in western Canada, allowing Bell to effectively deliver IT managed

services across Canada. Bell's plan is to round out its IT managed service offerings and to not just provide the infrastructure for network managed services but also be capable of delivering many advanced services itself.

Offerings

In addition to security appliance and software resale and the professional services required for design, installation, and configuration of a secure IT environment, BSSI's MSS portfolio includes the following:

- Managed firewall
- Managed intrusion detection
- Managed antivirus
- Managed antis spam
- Managed URL filtering
- Managed remote access

BSSI's head office is in Ottawa. There are sales leads for eastern, central, and western Canada. BSSI's datacenter is in Thorn Hill, Ontario, and there are two SOCs, one in Ottawa and one in Montreal. Bell Canada's enterprise sales team is largely responsible for sales of MSS.

BSSI has three initiatives that are included in its MSS portfolio:

- Security Program includes the development of policies and procedures that help organizations move from a reactive approach to a proactive approach that allows their customers to achieve a high degree of business resilience and compliance. BSSI will design a security program based on ISO 17799. The Security Program contains BSSI's IdM and privacy practices.
- Security Architecture comprises audit and assessment capabilities geared toward helping organizations understand their security priorities. It includes asset discovery and assessment.
- Security Solutions is the planning, design, and implementation of an organization's security and includes five main areas:
 - IdM and access control
 - Secure content management
 - Application security and patch management
 - Network protection — VPN, firewalls, branch office security (IPsec), and wireless security
 - Physical security

BSSI has partnerships with more than 40 vendors, such as Cisco, Nortel, Juniper, Trend Micro, Check Point, Entrust, Aventail, Visual Defence, Websense, Sun Microsystems, Nokia, Datapower, Tenix, PatchLink, and Voltage Secure Messaging.

BSSI is focused on sales to the top 1,000 organizations in Canada and has invested in understanding and developing programs aimed at governments, healthcare, the financial services sector, and retail. It also has MSS solutions aimed at the small and medium-sized business (SMB) market in Canada. BSSI's security services for SMB clients focus primarily on professional services. Its offerings include security audits and consulting on such issues as how to protect key systems from failure or attack. BSSI's MSS for SMBs includes authorization services for clients, allowing smaller business to have a single authentication process for multiple applications and systems. BSSI also offers antivirus, antispymware, and firewall services to the SMB market. The company provides cookie management (for control of information stored by Web sites on customer computers), pop-up blockers, and other Web browser security services.

BSSI's competition comes mainly from IBM, CGI, EDS, and accounting firms in enterprise risk management.

Strengths, Weaknesses, Opportunities, Threats

BSSI's strengths emanate from Bell Canada's core capability of being a telecommunications company. Managed security services are a natural extension of the telecommunications network, and Bell Canada is the largest telecom network provider in Canada. Bell Canada understands networks and has the ability to address all of its clients' networking needs, including the security of these networks. Bell Canada, and therefore BSSI, has the resources to acquire the expertise necessary to maintain a leadership position in the MSS market in Canada.

BSSI's weaknesses include its desire to be all things to all customers. Bell has not been able to establish a reputation as an IT services provider and is losing out on potential business for managed security services that are included in larger outsourcing deals. BSSI also sell its services through Bell Canada's sales force, potentially bringing confusion to the market. BSSI is also concentrating on the FP1000, and although a small and medium-sized enterprise (SME) portfolio of managed security services exists, its sales force is not designed to sell into this market.

Opportunities for BSSI include its existing customer base of large organizations that are not currently using managed security services. BSSI, through ROI, has the opportunity to show these large customers that by utilizing BSSI's MSS capabilities, they can concentrate on their core capabilities. BSSI also has the longer-term opportunity to move downstream into the SME market through partnering with smaller MSPs that are dedicated to this market.

Threats to BSSI in the long term may be its lack of reputation as an IT services provider. As the IT security market and the compliance market continue to converge, BSSI will need to build its SI capabilities or it may lose out on a growing segment of the market.

CGI

CGI launched its MSS offering in 2001 and now includes 250 security consultants servicing a variety of global clients. There are 80 MSS employees in Ottawa, where CGI's MSS practice is headquartered. Of the 80 employees in Ottawa, there are 7 on the management team and 60 security professionals, including security engineers and analysts. There are also 7 other management leads who bridge CGI's MSS capabilities with its other practices. CGI's model is to develop close customer intimacy with its account base of nearly 3,000 clients. IDC estimates that CGI generated approximately \$25 million in revenue in 2005 from its managed security services.

CGI is targeting to double in size over the next three years. To support that effort, CGI's strategy will focus on four key market thrusts:

- ☒ **Expand and deepen its security footprint:** In the near term, CGI will leverage its other worldwide client engagements to promote onshore security elements such as scaling and optimization.
- ☒ **Optimize and enhance its Ottawa nearshore center:** Other existing Canadian nearshore centers will follow suit, but CGI will first focus on restructuring its global center of innovations to maximize cost competitiveness, security, and compliance.
- ☒ **Enhance offerings with security components:** CGI will emphasize shared services models as part of the evolution toward full business processing services.
- ☒ **Intensify partnering programs:** Although it already partners with a large number of companies (e.g., Nortel, Cisco, Symantec, McAfee, ISS, Check Point, and Websense), CGI will be looking for delivery innovation in order to accelerate solution screening and delivery cycle time.

Offerings

Two security operations centers in Ottawa serve CGI's government and private sector clients. CGI has more than 40 Government of Canada clients utilizing its Secure Channel MSS as well as a number of clients from a variety of verticals. The MSS group is responsible for the provisioning of hardware, software, and service solutions that help clients mitigate risk through a security management process.

CGI's MSS is structured on a horizontal basis with its other business practices, channel partners, and service offerings. CGI's business units are able to leverage its MSS expertise in client engagements. The channel partner approach has allowed CGI to develop relationships with other vendors, such as BSSI and IBM. In these engagements, CGI's MSS capabilities are delivered to the client on behalf of its partners.

CGI has split the delivery of its MSS into two distinct areas: Secure Channel and other clients. The company sells its Secure Channel MSS capabilities through BSSI and PWGSC and delivers the sales engineering, integration, and operational support. Private and other government clients are serviced through its Global Delivery channel through the Global Business Engineering team in Montreal. Typical engagements

tend to be large to very large outsourcing opportunities. CGI also sells directly to end users through its Ottawa business unit.

CGI's MSS capabilities include:

- Managed intrusion detection and prevention
- Managed system log services
- Managed authentication
- Managed antivirus
- Managed antispam
- Security incident handling
- Managed firewall
- Managed desktop firewall
- Application firewall monitoring
- Packet-level firewall
- Managed vulnerability management
- Managed VPN
- MSS technology watch

CGI focuses on client satisfaction through its ISO 9001 Client Project Management Framework that includes the following services:

- Schedule management
- Scope management
- Change management
- Communications management
- Issue management
- Cost management
- Quality management
- Procurement management
- Risk management

The company targets large enterprises in Canada and globally and focuses on banking and financial services, government and healthcare, communications and utilities, discrete and process manufacturing, wholesale and retail, and the transportation sector. Geographically, CGI focuses on Montreal, Ottawa, Toronto, Quebec City, Calgary, Edmonton, Vancouver, and the Atlantic region. Through its Confidentiality, Integrity, and Availability ideology, CGI provides service-level agreements (SLAs) and contract mechanisms that support client privacy. The Government of Canada is a key reference account.

Strengths, Weaknesses, Opportunities, Threats

CGI strength is anchored in the fact that the company has the scale of a large service provider in terms of revenue and size, and with its decentralized model of operations, it has the agility, the contract and pricing flexibility, and the cost model of a small provider. Another of CGI's strength is its long-standing emphasis on intimacy with customers, especially in sectors such as government, finance, and manufacturing. CGI will regularly involve business unit leaders in sales.

However, CGI's regional go-to-market model is also its weakness because it creates internal competition for overlapping contracts and pricing pressure through lack of economies of scale. CGI will be also challenged to manage its high growth so as to maintain consistent-quality deliverables, retain staff, and successfully integrate partner relationships. In terms of threats, CGI should continue to expect fierce competition from IBM now that ISS is being integrated within the suite of offerings. CGI will need to address the rapid growth of "category killers" — competitors that establish an expert domain footprint by building vertical solutions and strength. Another threat for CGI is the diversification of its domestic client base.

In terms of opportunities, CGI is well positioned as a market leader in the Canadian managed security services market, especially in the federal government. Combining this with the fact that CGI is a full-service outsourcing provider (bundles IT and business process with applications), CGI should leverage its government references, especially with regard to other markets where the more comprehensive and ultimately preferred approach for security is a holistic one that sees security services built into all components of IT solutions.

IBM

IBM delivers its MSS offerings from its operation center in Markham, Ontario. There are approximately 200 employees at the Markham SOC, with another 200 across Canada who can offer support. The IBM SOC provides ongoing analysis of current events occurring across enterprise systems, local area networks (LANs), wide area networks (WANs), wireless networks, and Internet activities. IBM also has as part of its overall security practice an incident management team, a virus response team, and a security intelligence group. IDC estimates that IBM realized \$11 million from its managed security services in 2005. The IBM incident management team helps clients investigate and recover from computer attacks. Evidence discovered during the course of security incident investigations is analyzed to determine if it might be part of a pervasive threat.

The IBM virus response team provides consulting and advice on malicious code activity. This team leverages relationships with antivirus organizations and vendors to provide clients with the latest information about new viruses and blended security threats as well as suggestions for mitigating risks.

The security intelligence group provides business intelligence using state-of-the-art data mining and analysis tools focused at an enterprise-level data set of security events (e.g., firewall logs, intrusion detection sensor data, and system logs).

IBM sells its MSS offering through a dedicated security sales team. Many of the MSS clients IBM has are part of an overall outsourcing deal. Currently, banks and other financial services companies and governments are included on its list of clients. Besides large enterprises, IBM Canada also delivers MSS to clients in the Caribbean and to the SMB segment in Canada.

IBM recently purchased ISS in order to deliver solutions to the SMB market. The transaction, IBM's fourth acquisition deal in August 2006, was expected to close by the end of 2006. ISS, with its RealSecure and Proventia product lines, is a leading vendor in the intrusion detection and prevention markets. IBM made this acquisition to bolster its MSS capabilities and expand its security services portfolio.

ISS and IBM Global Services previously had a strong relationship, so IBM has decided that the best course of action is for all of ISS to become a business unit within IBM's Global Services organization. As a result, the two companies are evaluating how to optimally integrate their respective MSS customers by combining the best of each company's MSS capabilities. The strategy will allow ISS' product and research teams to continue without disruption and to enhance the development of products that can efficiently be integrated into comprehensive managed security services offerings. IBM is also expecting to integrate ISS security technology into the IBM Tivoli systems management suite. This move will incorporate perimeter protection with identity and access management. ISS technology will be linked with the NeuSecure and Netcool products from Micromuse, which IBM purchased in December 2005.

Offerings

IBM's standard MSS offering include the following:

- Managed hosting
- Managed, dedicated, and virtual firewall services
- Internet access firewall services
- Virus alert services
- Network intrusion detection
- Host intrusion detection
- Incident management

- ☒ Basic monitoring services
- ☒ IP ping monitoring
- ☒ URL monitoring
- ☒ Resource monitoring services
- ☒ Process monitoring
- ☒ Threshold monitoring
- ☒ Enhanced monitoring and management services
- ☒ Monitoring for managed servers
- ☒ Server monitoring
- ☒ Historical trending and predictive analysis services
- ☒ Server resource management

Strengths, Weaknesses, Opportunities, Threats

IBM's strengths stem from its reputation as an IT services organization that understands the complexities of bridging the gap between IT and corporate strategy, enabling its clients to better utilize their infrastructure. IBM is also able to take advantage of its global security practice, giving it the ability to stay current with the threats that exist today.

IBM's weaknesses in the managed security services market in Canada include the fact that the company is not well positioned to sell downstream to the SME market. IBM hoped to alleviate this weakness with the purchase of ISS, but it may have a difficult task because its sales force is set up to sell to large enterprises. In addition, IBM is not a known quantity in networking, where many potential clients place MSS.

If IBM can seamlessly merge the managed security services capabilities of its ISS acquisition into its current portfolio, it will have the opportunity to move downstream into the SME market. Threats to IBM in this market will come from smaller, more agile MSPs that already have the ability to sell into this market.

MTS Allstream

Manitoba Telecom Services Inc. (MTS) is Manitoba's incumbent telecommunications provider, providing local, long distance, and wireless voice services, television, and high-speed data services to businesses and consumers in the province. In 2004, MTS purchased Allstream for C\$1.5 billion. MTS has two divisions: Manitoba operations (MTS) and national operations (Allstream). IDC estimates MTS Allstream generated approximately \$13 million from its MSS in 2005.

MTS Allstream provides telecommunications, information technology services, and technology products to business customers in Canada. The Allstream division is responsible for communications services outside Manitoba, and provides IT and professional services to companies nationwide.

Offerings

In addition to its security consulting practice, MTS Allstream offers both customer premise-based and Internet datacenter-based security services from either its Mississauga or Winnipeg datacenters. Both options offer a standard set of security services, including managed firewall, antispam, antivirus, and intrusion detection. Premise-based services can also include content filtering and intrusion prevention.

MTS Allstream's strategic relationships with security vendors provide much of the technology underlying its security services. MTS Allstream's current security services are at the edge of the network, monitoring, and filtering packets as they cross the boundary between clients' internal networks and the Internet cloud. As more applications become XML aware, MTS Allstream will leverage its intelligent network infrastructure to place more security services into the network itself.

Managed security services are part of MTS Allstream's Professional Services offerings. The managed security services team is largely centered in the greater Toronto area, with additional resources located in Vancouver and Ottawa. The team provides national services and works cooperatively with other professional and network services teams to develop new offerings. MSS is a key offering in MTS Allstream's "Advise, Build, Manage" approach to the market. The company's MSS strategy is to migrate customers from focusing tactically on security-related issues to a holistic approach of secured services through consultation.

MTS Allstream's managed security team has 22 employees, including security consultants, help desk security specialists, project managers, a support team lead, a change manager, and a senior manager. The team is responsible for delivery and support of managed security customers on a team or individual basis and for delivery of client services established by SLAs in a timely manner.

The team is structured in three functional subgroups. Security consultants are responsible for delivering solutions to customers and providing Level 3 support. Help desk security specialists open incident tickets, are responsible for customer calls, and perform all necessary steps to ensure that only authorized personnel can submit inquiries and change requests. The support team lead oversees ticket flow to ensure customer satisfaction. Project managers work with sales teams and schedule activities to meet customer objectives. Senior managers are responsible for everyday relations with partners and ensure members remain current on technical trends, technologies, product offerings, direction, and strategies through research and training.

Offerings are targeted at medium-sized and large companies across Canada. MTS Allstream has MSS customers in insurance/other financial services (12%), discrete manufacturing (9%), process manufacturing (12%), communications (30%), healthcare (10%), utilities (5%), business services (5%), retail (10%), and government (7%).

MTS Allstream is Check Point's largest partner in Canada and maintains the largest Check Point-certified technical staff in the country. MTS Allstream is also Nokia's largest partner in Canada for perimeter security firewalls, IPsec VPNs, and SSL-VPNs. MTS Allstream is one of only three "Gold" partners — Nokia's highest level of certification — in Canada.

MTS Allstream offers managed firewalls, VPNs, IDSs, antivirus, and unified threat management. Some specific services include the Check Point software and hardware product, Check Point service provider management tool (Provider-1), Check Point reporting tool (Eventia Reporter), and Nokia enterprise management tool (New Horizon Manager). Other proven technologies and tools are recommended and implemented to deliver MSS solutions where best suited to a client's organizational environment.

MTS Allstream utilizes the MTS Allstream FLEXWORKS framework, which adheres to a standard methodology for project management, customer service, and solutions delivery. Allstream's Project Management Office (PMO) employs the FLEXWORKS Project Management Methodology for client and internal projects. FLEXWORKS provides the flexibility to adapt to specific client scenarios without jeopardizing best practices and key project checkpoints. FLEXWORKS aligns with industry standards, including the Project Management Institute's (PMI's) Project Management Body of Knowledge (PMBOK), ISO 9001:2000 quality management standards, and the Information Technology Infrastructure Library (ITIL). MTS Allstream has also incorporated industry-recognized solution delivery methodologies, including Rational Unified Process and Oracle's Application Implementation Methodology (AIM).

MTS Allstream provides service to national and regional companies. The average contract length is three years. IBM, Bell, and TELUS are main competitors

Depending on requirements, ongoing security services can be priced per firewall or per seat. Customers can lease or buy their CPE. Assessment and integration prices will vary depending on the complexity of the engagement.

Strengths, Weaknesses, Opportunities, Threats

MTS Allstream's core strength, like other telecommunications companies in the MSS market, is the fact that it is a networking organization and understands the complexities of offering managed security services. Its main weakness is the fact that it is a telecommunications company and lacks the depth necessary to be an IT services firm, one that understands how to marry the network and the business strategy.

IDC believes that MTS Allstream's opportunities include SMEs, a market that is underserved at the moment. Threats will come from small regional MSPs in this market, as well as from larger SIs that bring consulting and integration and vertical market knowledge to the high end of the market.

TELUS

TELUS Corp. is the largest telecommunications company in western Canada and the second largest in Canada. It provides a full range of telecommunications products and services, including voice, data, wireless, Internet Protocol (IP), and professional services. TELUS is composed of two main components: TELUS Communications and TELUS Mobility.

TELUS' MSS offerings are part of its overall business continuity and disaster recovery services. TELUS' BCP/DRP solutions are considered to be a key driver across its product portfolio and strategic solution sets. These solutions include the security, business continuity, disaster recovery, and consulting services needed to help businesses defend against malicious attacks or respond to disasters or other business interruptions. IDC estimates that TELUS generated approximately \$9 million in revenue from its MSS in 2005.

TELUS has more than 10 years of experience in business continuity planning and testing and has extensive experience in providing disaster recovery solutions. TELUS has Internet datacenters in Vancouver, Calgary, Toronto (two datacenters), Montreal, and Rimouski to host critical systems, software, and data. Through its managed security services, TELUS offers complete end-to-end security solutions from the network to the desktop.

Offerings

TELUS can provide an objective assessment of an organization's overall security posture through its team of industry-certified security practitioners to identify an organization's level of exposure to security threats and provide recommendations on ways to lower risk and determine cost-effective actions. TELUS' MSS capabilities include the following:

- VPN security solution
- VPN gateway service
- Managed firewall and VPN
- Managed SSL VPN
- Managed secure authentication
- Managed public key infrastructure
- Managed intrusion prevention system
- Managed DDoS
- Managed virus protection
- Managed content filtering

Strengths, Weaknesses, Opportunities, Threats

TELUS' strengths also stem from the fact it is a telecommunications company and managed security services are a natural extension of its core network. Many end-user organizations view security as a networking problem requiring a networking solution. Not all end users view security from a network perspective, however, but from a more holistic business perspective, and this is one of TELUS' weaknesses. TELUS is not perceived in the market as having SI capabilities. Another weakness is the fact that TELUS may be viewed by many as a regional player. Due to this, TELUS may not be considered for certain engagements in Ontario and Quebec or in Atlantic Canada.

IDC also believes that TELUS has the opportunity to establish market dominance in Alberta and BC, the two provinces where its main operations are located. Being the major telecommunications company in Alberta and BC should afford its sales force a leg up on the competition. TELUS should also be able to hone its MSS skills and capabilities in the SME market in its backyard, and then begin to sell these services in the Ontario and Quebec markets.

Threats will come from smaller, more agile MSPs as well as from traditional SIs that are participating in the MSS market.

Other Players

The following sections describe some of the smaller MSPs operating in the Canadian market; the list is not exhaustive. IDC estimates that all other players in the MSS market in Canada generated approximately \$13 million in revenue from their managed security services in 2005.

Sentry Metrics

Sentry Metrics Inc., headquartered in Toronto, Ontario, has been offering MSS for more than nine years. The bulk of the company's focus has been on improving its clients' people and processes rather than on any specific technologies. The company also places heavy emphasis on ensuring that its customers satisfy their compliance requirements. Currently, MSS makes up approximately 40% of Sentry's aggregate revenue.

Sentry Metrics' MSS offering includes monitored/managed firewalls, intrusion detection systems, intrusion protection systems, outsourced email cleaning (antivirus and antispam), and a risk management dashboard called "The Sentry," which is a knowledge database that allows clients to gain weekly security assessment reports and the ability to monitor their security status real time.

The company utilizes open source tools for intrusion detection systems management and monitoring and The Sentry for managing security subsystems. Typically, Sentry Metrics prices its offerings based on the number of devices being monitored, as well as hourly rates for associated people-oriented consulting. Going forward, the company would like to be recognized as the leader in the risk management monitoring and reporting segment of the market. Sentry Metrics will continue to focus on the Canadian marketplace for continued growth. However, it will also pursue growth of its U.S. client base and look to Europe in 2007/2008 for future expansion.

Presently, Sentry Metrics has 12 employees devoted to MSS and conducts sales out of its Toronto office. Webinars and direct mail have traditionally supplemented its sales strategy. In general, the firm acquires MSS employees through either recruiters or word of mouth from other employees and their friends. The company also uses partnerships to help deliver MSS on its behalf. Some of the company's partners include ERE Information Security Auditors, Cyberdine, and Strongbox Solutions.

Sentry Metrics has traditionally focused geographically on eastern Canada. However, in the future it plans to expand its reach into Canada's western regions. In terms of client size, the company places most of its focus on large business, serving SMBs to a much lesser extent. The company's industry focus is dominated by work for process manufacturing firms. Other industries where Sentry has a presence include insurance/other financial services, discrete manufacturing, utilities, business services, communications, healthcare, government, and retail.

ExoSecurity Inc.

ExoSecurity is a small, MSS-focused start-up based out of Montreal that concentrates on delivering its services to businesses with 250 or fewer employees. Its founder and key consultant, Guillaume Berger, founded the company out of his passion for security services and his belief that there was a lack of affordable security solutions for the SMB segment.

The company's MSS offering includes three competitively priced services: managed corporate email/Web filtering, automated vulnerability scanning, and offsite remote backups.

ExoSecurity has only one experienced MSS consultant, its president. Most of its MSS operations are supported by a custom-built, geographically redundant Internet infrastructure collocated in multiple Canadian datacenters. The company also offers set-top boxes and customized rackmount firewalls for some MSS contracts. The company generates its sales through partners and affiliates and spends approximately 10% of its revenue on marketing its products via press releases, print media, direct marketing, and the Internet. To set itself apart, ExoSecurity attempts to create stronger, more personalized relationships with its customers than other players.

ExoSecurity concentrates on SMBs throughout Canada in the following industries: communications, insurance/other financial services, banking, healthcare, business services, wholesale, and government.

intelliNet Canada

intelliNet has been operating since 2001, providing network computing managed services to corporate clients across Canada. In addition to managed services, the company provides technical services that include installation, configuration, and systems integration of all major brands of network computing products and operating systems.

The company's MSS offering includes network monitoring, spam filtering, virus blocking and email security, intrusion detection, and remote backup and disaster recovery. To gain access to IntelliNet's services, it is required that clients subscribe to IntelliNet's help desk by paying \$25 monthly. In addition, IntelliNet customizes overall prices for each client based on the number of servers and other operating components being monitored and the services required.

With its 284 technicians and 210 dispatch locations across Canada, IntelliNet is able to provide 24 x 7 help desk support and onsite service within two hours for clients anywhere in Canada.

IntelliNet has a broad range of clients from a variety of industries. However, it focuses on the medium-sized to large client accounts that cannot afford to pay the high rates of the major IT service providers (Accenture, IBM, and EDS). Clients include Shoppers Drug Mart, the Brick, Pizza Hut, the Canadian Pacific Railway, and Strongco.

Paahi Networks

Founded in 2001, Paahi Networks, headquartered in Vancouver, BC, with another location in the United States, is focused on offering managed network security services and consulting.

Paahi provides a range of managed network security services. The company's solutions include firewall service, VPN service, intrusion detection and prevention service, antispam and content-filtering service, antivirus, and OS patch management services. Paahi provides clients with 24 x 7 alert notifications and concise reporting of core issues. All of its MSS offerings can be tailored to specific customer needs for a monthly fee.

Paahi has approximately 30 contract employees who provide MSS to clients in Canada. All of the company's security specialists have expertise in network design, architecture, and network security practices.

Paahi specializes in creating security infrastructure and MSS for firms in the following verticals: financial institutions, large utilities, global transportation and logistics companies, healthcare providers, telecommunications, and government. Paahi targets midsize firms primarily within Canada and the United States. The company is looking at expanding into Asia and Europe in the near future.

Radiant Communications

Radiant Communications Corp., established in 1996, provides a total, integrated solution for businesses, including broadband and managed network services, Internet access, and Web hosting. The company has offices located in Toronto, Vancouver, Calgary, Montreal, and Edmonton.

Radiant's MSS offering is rather limited compared with other firms, given that it is solely made up of customized virtual private network solutions. An ADSL connection with a VPN firewall costs about \$200 per month. Radiant increases the reliability of client systems by backing ADSL lines with its 99.7% SLA commitment. Radiant's

Juniper- and SonicWall-certified VPN teams can configure and deploy client networks across Canada and monitor and manage the network performance 24 x 7.

The company has a team of 75 employees nationwide, shared across the service offerings the company provides and not specifically devoted to VPN services in Canada.

The company currently serves more than 10,000 clients in Canada and the United States, focusing primarily on small and medium-sized companies. Recently, the company has secured a number of contracts from clients in the retail and communication/technology industries.

Nuvo Networks Management Inc.

Nuvo Networks, which was established in 1992, offers remote management and protection of IT infrastructures for businesses globally. The company is headquartered in Ottawa, Ontario; however, it has additional offices in Chicago, Philadelphia, Montreal, and Toronto. In May 2006, Nuvo added strength to its security solution by acquiring IBM's security certification business unit.

MAXsecure is Nuvo's go-to-market name for its portfolio of managed security solutions. The elements that compose Nuvo's security solution include monitoring of event messages generated by firewalls and intrusion detection/prevention sensors to weed out good email from bad, security intelligence and early warning of emerging threats, total life-cycle management including patch implementation, daily configuration backups, upgrade installation, virtual private networks, and compliance with government legislation. Nuvo's always-on Web portal allows customers to have access to a real-time view of the health, performance, and security of their IT environment via a centralized management dashboard. Nuvo ensures that each client receives a solution tailored to its specific needs and prices the package of offerings selected accordingly.

The company has 125 employees in both Canada and the United States who are able to offer 24 x 7 monitoring, managing, and expertise for client IT infrastructures. Nuvo prides itself on quality and holds an ISO 9001:2000 certification. Nuvo has more than 250 customers. Most of these companies are medium sized to large and fit primarily within the financial, health, retail, and government sectors.

FUTURE OUTLOOK

There is light at the end of the IT security tunnel. Just how much light, however, is the question. Clearly, Canadian organizations, at least medium-sized and large ones, are beginning to view IT security as a greater priority. In two of the last three survey panels, IT security was identified as being the investment priority area for 10% of the respondents. At first blush, 10% might not seem to indicate that organizations are taking IT security seriously. Closer inspection does reveal, however, that no other area of investment received a higher response than IT security.

Although there are signs that organizations are taking IT security more seriously, identifying the opportunity for vendors is still a difficult task. Canadian organizations continue to face numerous security challenges, including spam, viruses, perimeter defenses, compliance, and developing sound security policies and procedures. In fact, these organizations face so many challenges that 46% of the survey respondents indicated they do not have a single major focus. They have many.

Security services, and in particular managed security services, are beginning to take hold in the Canadian market. While penetration rates for traditional services such as strategy/planning, risk assessment, and testing are still relatively low at approximately 20%, plans to use these services are 10% or more and the number of organizations that are at least open to considering their use is up. Managed security services use is also showing signs of market acceptance. Over 40% of the organizations surveyed indicated they use a managed security service for firewalls and nearly 40% indicated they use an MSS for virus protection and prevention.

ESSENTIAL GUIDANCE

Vendors, particularly services firms and those that specialize in MSS, have an opportunity to increase their value to end-user organizations, and therefore their revenue and market share in IT security. Vendors need to first identify the opportunity. For example, 8% of the medium-sized and large organizations surveyed indicated that IT security would be an investment priority for the fourth quarter of 2006. These organizations that see IT security as a "top of mind" issue are more likely to work with an IT security services firm than those that have desktop computers as an investment priority.

Once these firms have been identified, their points of pain are the next step in the identification process. Where do they believe they need the most help? And how can an IT security services firm help? In working with end users in this way, vendors may also uncover points of pain they did not realize they had, which might lead to other opportunities.

Even among end users who do not see IT security as an investment priority, vendors still may be able to uncover opportunities to help them with IT security. Firms that see desktop upgrades as an investment priority may also require additional antivirus protection. Firms upgrading their networks may require intrusion protection and prevention. An understanding of an organization's overall IT strategy and investment priorities should be linked to its security strategy, which in turn may lead to additional opportunities in IT security.

Actions to consider:

- ☒ **Increase mindshare.** Business decisions regarding information security are being driven more at the line-of-business and executive level than ever before. Constituents at the IT level have been involved in security technology and services evaluations, while executive management, such as chief security officers, establishes the direction of security strategy. IDC believes it is increasingly important to influence these levels and gain their buy-in to ensure successful

engagements. Mindshare messaging should emphasize that MSS solutions offer lower TCO and that experience and past performance equal lower risk.

- ☒ **Position security as a corporate challenge.** Minimizing risk is less about the utilization of tools and much more an issue of changing mindsets of employees to ensure they understand the importance of data security and business success and behave accordingly. Security is more than an IT problem.
- ☒ **Showcase technical competencies.** For organizations seeking to leverage emerging technologies for competitive advantage, the risks must be clearly understood and mitigated to extract the intended business value. Security services firms should emphasize their ability to enhance productivity, reduce risk, and lower TCO by linking prospects' business problems with their service capabilities.
- ☒ **Demonstrate business value.** Each organization and industry maintains its own unique security requirements and measurements for risk tolerance and return on investment. When developing go-to-market strategies, take into consideration the regional buying characteristics, customer successes, and industries of specialization within the public and/or private sectors.

LEARN MORE

Related Research

- ☒ *IDC's Worldwide Services Taxonomy, 2007* (IDC #205608, February 2007)
- ☒ *Enterprise Security Survey: Threats and Issues* (IDC #CA10SEC6, July 2006)
- ☒ *Enterprise Security Survey: Products in Use and Buying Intentions* (IDC #CA7SEC6, July 2006)
- ☒ *Worldwide and U.S. Security Services 2006–2010 Forecast* (IDC #200926, March 2006)
- ☒ *Canadian Information Systems Outsourcing/Network and Desktop Outsourcing Services Forecasts 2006–2010* (IDC #CA3SO6, March 2006)
- ☒ *Managed Security Services Update* (IDC #CA902SEC, January 2006)
- ☒ *Enterprise Security Survey, 2005* (IDC #34561, December 2005)

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