

2016 small business content security market update

What were the major content security market trends in the small business segment?

- The small business content security market experienced a resurgence of growth, driven by greater compliance pressures and increasing demand for more sophisticated endpoint security solutions
 - The market was disrupted by emerging vendors touting next generation endpoint solutions, which have set a new standard in threat detection. But as established vendors develop new offerings, the market becomes a level playing field
 - Small businesses will increasingly look for channel partners, which can provide additional value in terms of a better understanding of new security measures, as well as advice and training around simple, cost effective compliance check lists
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The worldwide content security market for the small business segment experienced strong growth of 23.3% in 2016. This represents significantly higher growth compared to previous years, mainly driven by greater compliance pressures as well as growing demand for more sophisticated endpoint security solutions in line with increasing levels of threat. Compliance has been a key theme across all regions, but strongly influenced investment in Europe as businesses begin to prepare for GDPR requirements. This made Europe, Middle East and Africa the fastest growing region, up 28.2%, also boosted by growing budgets in the Middle East and Africa. The Asia Pacific region and North America also experienced good growth of 21.8% and 21.3% respectively. While Latin America investment grew 16.2%, stronger growth is expected to follow in 2017 as IT budgets stabilize.

Vendor performance

- **Trend Micro** maintained good growth with its successful Worry-Free product offerings, which helped it retain its number one market share position. Its solution has gained a robust feature set while remaining flexible and easy to manage for both end-customers and channel partners. Trend demonstrated further commitment to the channel by reducing its direct online sales licenses to 25, compared to 100 in 2015, thereby remaining far lower than Symantec (350) and McAfee (250), which did not change.
- **McAfee** experienced slower growth in its small business portfolio but managed to maintain second place, after claiming the position in 2015 from Symantec. Its SaaS proposition is becoming more popular, driven by its strong ePO management capabilities. McAfee is yet to make an aggressive push into the market to really capitalize, but being independent from Intel may improve its competitive strategy.
- **Symantec** demonstrated encouraging growth during the year after experiencing decline and falling down the rankings in market share. The launch of its various compliance campaigns has given Symantec good differentiation in the data protection arena, thereby appealing to businesses of all sizes. Symantec is still re-

establishing its dominance in the market and has showed good channel commitment under new leadership, which will enable it to grow further in the small business segment.

- **ESET** has been on a strong growth path, fueled by the global expansion of its channel partner base. Its solutions are particularly popular in Europe, Middle East and Africa, but it is also gaining steady traction across other regions. The success of its offerings has largely been underpinned by being lightweight and easy to implement and manage. While it has strength in the lower end of the small business market, below 50 seats, it is trying to broaden its reach further up the market with aggressive marketing campaigns.
- **Kaspersky Lab** performed better in 2016, continuing its recovery after struggling mainly due to economic difficulties faced in its home country Russia, which it remains heavily reliant on. Kaspersky maintains aggressive discounting, which helps it win competitive bids and renewals. Its solutions are well rated, but it needs to focus on fresh marketing and channel campaigns to return to the higher growth rates, which previously fueled its reinvestment initiatives in R&D.

Trend Micro continues to dominate in small business



Worldwide content security small business market
2015: US\$2,722 million
2016: US\$3,357 million
Year-on-year growth: 23.3%

Vendor	Market share 2015	Market share 2016	Year-on-year growth
Trend Micro	13.9%	13.1%	16.3%
McAfee	13.7%	11.5%	3.5%
Symantec	11.8%	10.7%	12.2%
ESET	N/A	4.5%	N/A
Kaspersky Lab	4.3%	3.8%	8.2%
Others	56.3%	56.4%	23.3%

Note: Small businesses include end users with fewer than 100 employees; content security includes: anti-virus, web threat security, messaging security, encryption and DLP solutions
ESET cannot be compared for growth as it was broken out as a named vendor in 2016
Source: Canalys estimates, IT Security Analysis, March 2017

Other vendors in the market averaged a high growth rate of 23% during the year. Those vendors focusing on SaaS offerings gained market share by offering flexible solutions through more mature MSP programs. Many emerging vendors capitalized on aggressive marketing campaigns touting next-generation endpoint solutions. These vendors focused on signature-less threat prevention mechanisms and boasted high scores in competitive threat detection tests against established vendors. Channel partners suggest these solutions work in complement to traditional endpoint offerings and that any major vendor displacements have not taken place. Over the last year, many of the established vendors have been able to match these new capabilities through in-house product development. Canalys expects acquisitions to take place as well, which will help established vendors maintain their dominance. However, the market will become more competitive in 2017, as these new vendors gain more trust in the channel and end-customers.

Establishing an effective channel strategy will be imperative to growth for all vendors to succeed. As security becomes more complex and compliance requirements become stricter, small business customers who lack the expertise to keep up with the changes will heavily rely on partners. Vendors should combine effective endpoint security with compliance checklists, and through the channel deliver important advice on new employee training initiatives, which will help avoid the growing threat of ransomware and ensure business practices are compliant.

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Americas: Suite 317, 855 El Camino Real, Palo Alto, CA 94301, US | tel: +1 650 681 4488
APAC: Room 310, Block A, No 98 Yanping Road, Jingan District, Shanghai 200042, China | tel: +86 21 2225 2888
APAC: 133 Cecil Street, Keck Seng Tower, #13-02/02A, Singapore 069535 | tel: +65 6671 9399
EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading RG7 1JQ, UK | tel: +44 118 984 0520
email: inquiry@canalys.com | web: www.canalys.com