INFORMATION SECURITY SPENDING SURVEY
2009 Results (Impact of the Recession)

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Executive Summary

The ongoing economic downturn affects nearly all sectors of the economy. The Information Security industry is not immune to the macroeconomic environment.

Therefore, MetroSITE Group and Pacific Crest Securities sought to analyze the quantitative and qualitative impact of the economy on Enterprise Information Security budgets. Our key findings are summarized below with additional detail provided within the paper:

- Although most 2009 security budgets are set (89% surveyed), many (72%) expect additional downward revisions during the remainder of the year.

- In general, respondents are more optimistic about Security spending than general (non-security) IT spending. In particular, 40% of the companies that indicated that they are decreasing their overall IT budgets by 5-10% indicated that they are not decreasing security budgets and 20% indicated that they are actually *increasing* security spending. The tendency of these data indicates that security spending remains a priority despite harsh economic constraints.

- In the non-security portion of the general IT budget, Cloud Computing, Collaboration, and "maintenance" are still experiencing funding growth, while infrastructure expenditures are most likely to be hit.

- In the IT Security sphere, Governance, Risk and Compliance / Audit, Mobility and Identity and Access Management are leading security projects which continue to receive funding.

- When asked, 65% of security vendors are providing discounts for new products purchases and 53% of vendors are reducing maintenance fees. This data is heavily industry specific – Buyers in Technology & Software Development, Finance and Services did well, i.e. received discounts from vendors, while buyers in Government, Education and Healthcare faired poorly.

- As seen by the buying community, the areas of largest growth in IT security spending are Compliance, Cloud & Virtualization, Security Information and Event Management (SIEM) & Incident Response (IR), Data Leakage Prevention (DLP) and Mobility.

- The most influential driver of IT security spending as seen by the buying community is Compliance, followed by Threat Reduction and Brand Protection.

Introduction

Almost all organizations face the perennial tension between the need to manage costs and optimize efficiency on the one hand and the need to protect vital intellectual property and proprietary interests on the other. In the current economic downturn, this tension is exacerbated by a higher than usual level of employee layoffs, many of whom have access to sensitive information on the job. Are these laid off employees more likely than usual to "take matters into their own hands" given that they face greater challenges finding employment and may face personal financial difficulties? We do not know the answer to this question.

The purpose of this study is to determine the effects of the current economic downturn on enterprise outlays toward information technology (IT) and security. Similar studies have been conducted with respect to IT spending in general and security spending.[1] This study focuses primarily on IT Security spending in the context of current economic conditions in order to gauge the relative importance of security spending with respect to overall budgetary constraints.

The current economic climate provides unique perspective for such a study. The results show that security spending remains a relative priority despite the current economic crises (or perhaps because of it?). Our research indicates that IT Security spending is driven by both increased regulatory compliance as well as awareness of the increasing threat landscape.

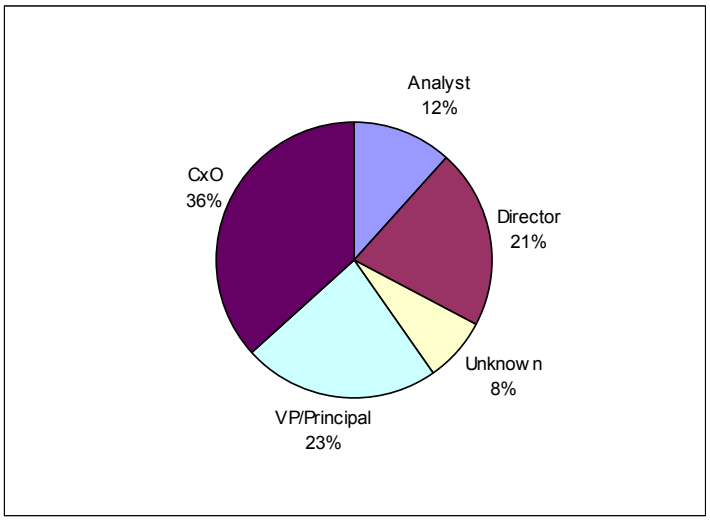
The findings presented in this paper are based on a survey of more than 50 IT Security professionals and follow on discussions. It provides more information than a focus group or simple anecdotal reports. However, it is not a scientific study and we caution against taking the data as such. We would advise the reader to look to this data for indications of trends and relative rankings rather than precise percentages.

[1] *See, e.g.*, Goldman Sachs, *U.S. Technology Strategy: Independent Insight: IT Spending Survey: Downturn takes its toll*, March 9, 2009; Gelbord, Boaz, *OWASP Security Spending Benchmarks Project Report*, March 2009.

Participant Profile

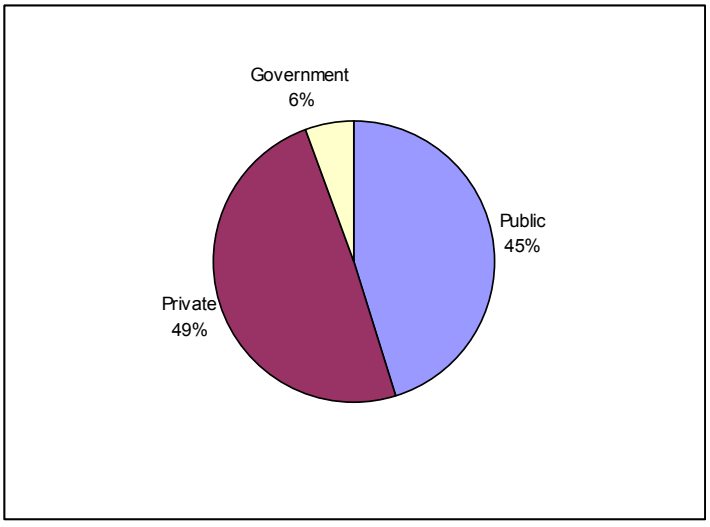
Of the respondents, 36% were C-level officers, 23% were vice presidents or principals, 12% were directors, 12% were analysis, and 8% of the respondents did not provide their titles.

Figure 1: Title of Respondent



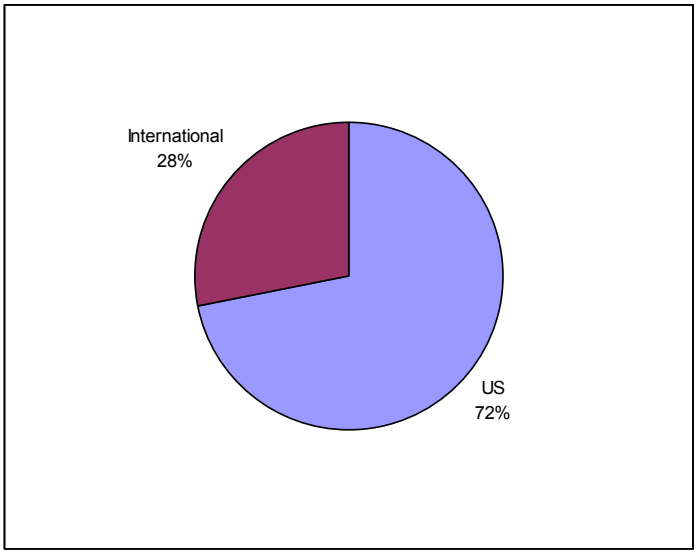
Of the respondents there was an even split between publicly traded organizations and private industry.

Figure 2: Organizational Profile



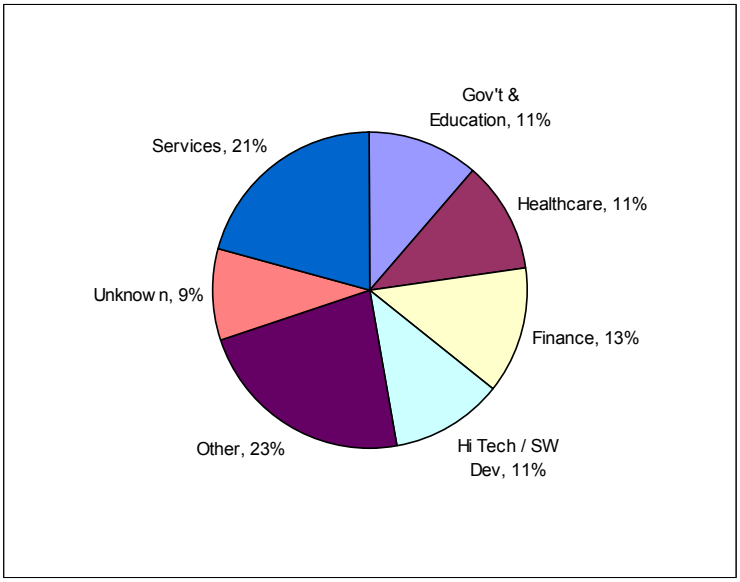
72% of respondents were US-based and 28% were non-U.S., comprising a broad mix of different-sized corporations.

Figure 3: Primary Country of Operations



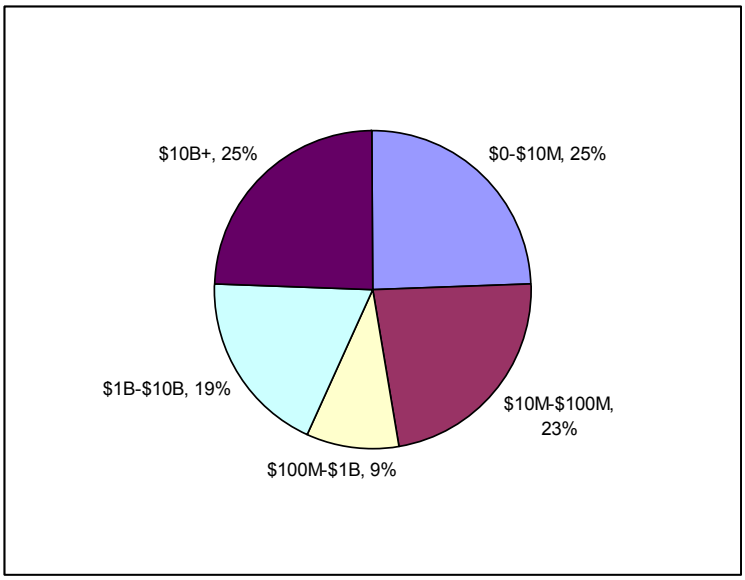
By industry, 11% of the companies were in high-technology or software development, 11% were in government or education, 11% were in healthcare, 13% were in finance, 21% were in services, 23% were in other industries, and 9% did not identify their primary industry.

Figure 4: Vertical Industry



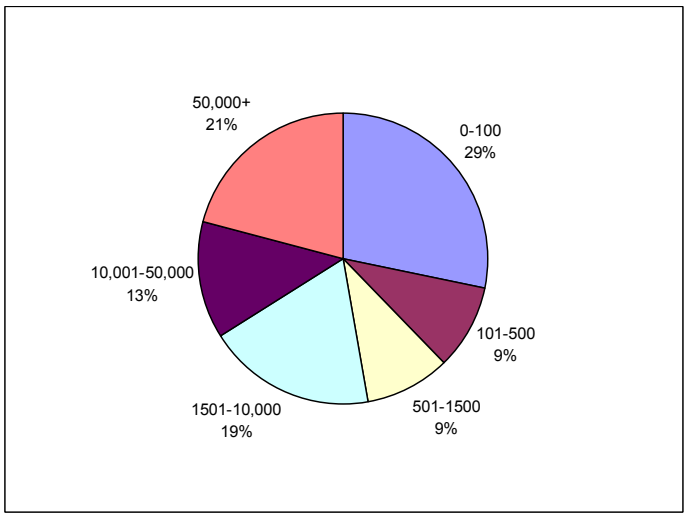
39% of the responding companies had more than $1 billion in revenues, 9% from companies between $1 billion - $10 billion in revenues, 23% from companies between $10 million - $100 million in revenues and 25% from companies under $100 million in revenues.

Figure 5: Revenues (2008)



34% of respondents worked for organizations with more than 10,000 employees, while at the other end of the spectrum 29% of respondents had fewer than 100 employees.

Figure 6: Number of Employees

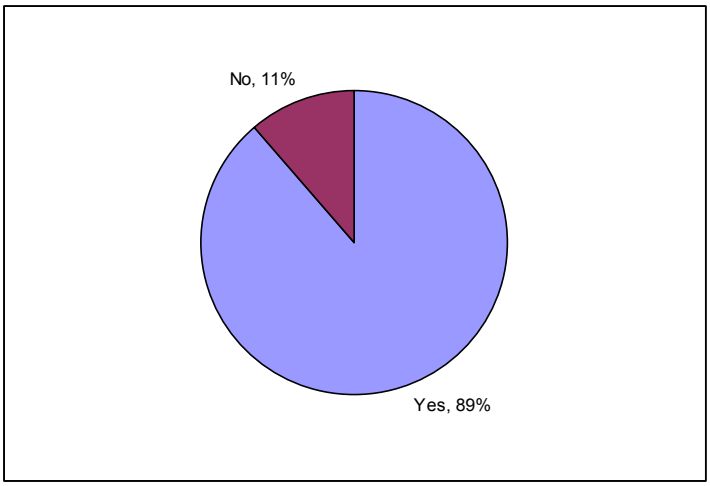


Survey Results

Budget Expectations

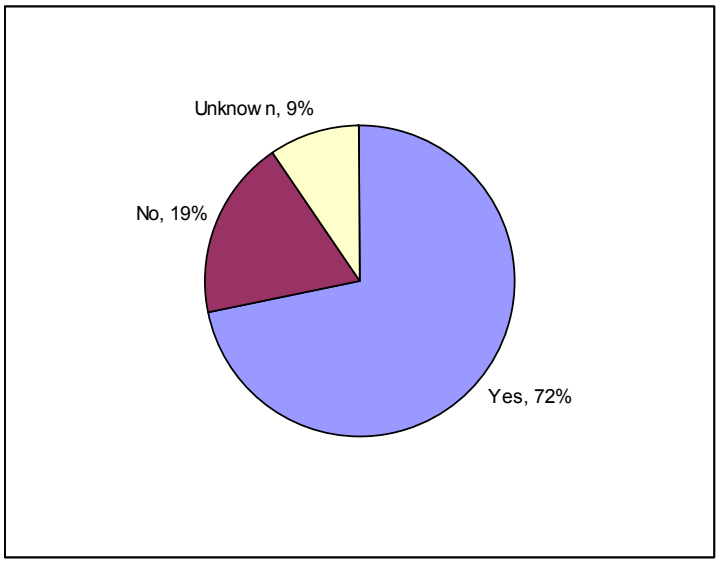
By the time this survey was conducted (March 2009) an overwhelming majority of budget owners had defined their budgets for 2009. Almost 90% of respondents had completed their budget for the current year.

Figure 7: Budgets Defined for 2009



Almost three quarters of the respondents are expecting a downward revision in the budget due to the economic environment.

Figure 8: Budget Expectation (Downward Revision)



IT Budget Vs. Information Security Budget

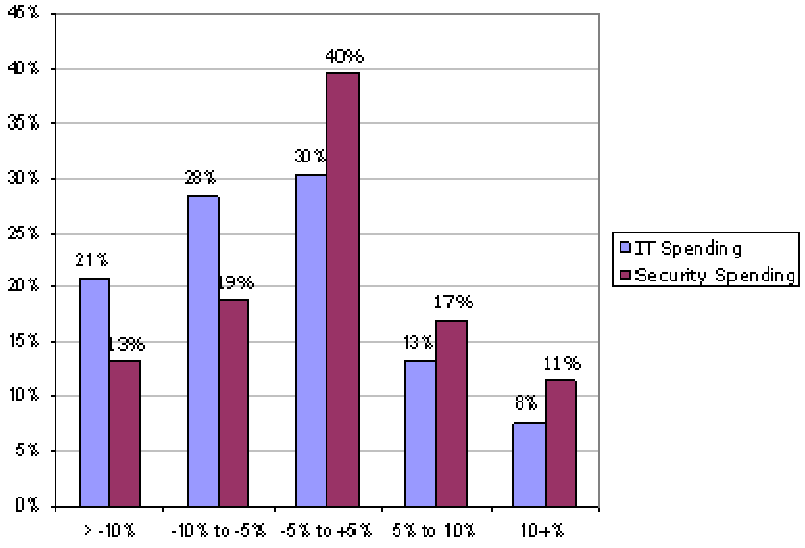
Spending in information security relative to overall IT remains a priority. The results indicate that the projected percentage cut in IT spending for 2009 is greater overall than the relative projected percentage cut in security spending. In other words, despite the general need to reduce spending in IT, the majority of company respondents continue to perceive a need for security spending, which remains relatively unchanged or perhaps increased despite the current economic climate.

17% of company respondents foresee a 5-10% security budget increase in 2009, and 11% of company respondents foresee a greater than 10% security budget increase in 2009. In contrast, 28% of company respondents foresee an overall IT budget decrease of 5-10% in 2009 and 21% foresee an overall IT budget decrease of greater than 10%.

As the size of the company grows, the perceived need for security spending tends to become more pronounced. We noted that 50% of companies with revenue of $1 billion - $10 billion will see growth in their security spending. 30% of companies with revenue of $1 billion - $10 billion will maintain their current level of security spending.

In an interesting result, of the 15 respondent companies that indicated that they would decrease overall IT budgets by 5-10%, 6 (40% of the 15 respondents) indicated that they would not decrease security budgets, and 3 (20% of the 15 respondents) indicated that they would actually *increase* security spending. The tendency of these data indicates that security spending remains a priority despite harsh economic constraints. We can even surmise that security spending becomes a relatively greater priority as economic conditions become worse.

Figure 9: 2009: Respondents More Optimistic about IT Security Spending Compared to General IT Spending



IT and Information Security Projects Receiving Funding

As an open-ended question, the responses did not lend themselves to easy categorization, making it difficult to quantify results. However, there were a few answers that had more frequency than others. For general IT projects, the most common answers were Cloud Computing, Collaboration, and "maintenance".

The results show that 17% are looking into Cloud Computing or Collaboration projects. We can understand this response because one of the primary motivations for investing in Cloud and Collaboration tools is increased efficiency, which we would expect to see in a recessionary environment. Also "maintenance" was noted in a number of answers, which is predictable for similar reasons.

From an Information Security perspective, the most common responses were Governance, Risk and Compliance (GRC) /Audit, mobility, and identity and access management. The significant attention paid to GRC is also not surprising as this spending can be "out of our hands" and "being done because we have to." These responses seem consistent with the regulatory and compliance driven mandates of recent years. We would expect this trend to continue to grow in light of the economic difficulties where spending on non-mandated items is easier to cut.

Therefore, perhaps more interesting result is that Mobility and Identity and Access Management are the two non-GRC areas that are attracting significant attention. Specifically, Mobility is a new-comer. We believe (although not surveyed), that the increased attention to Mobility is due to the rapid adoption of Smartphones for enterprise applications beyond just email and calendaring.

IT and Information Security Projects Losing Funding

Again, as an open-ended question, the responses did not lend themselves to easy categorization. We received a broad range of feedback. The most common response indicates that spending is decreasing on Infrastructure Expenditures. The following areas are experiencing reductions in spending in 2009, Hardware, Software, PCs, Laptops and Servers. It seems that spending will be reduced across the board, a finding that also makes intuitive sense considering this recessionary environment.

When we posed this question regarding the Information Security area, the most common response was "Anything New". Other responses included; tools, upgrades, staff, hardware/software projects and development. As above, these responses make intuitive sense.

Vendor Reaction: New Solutions and Maintenance

In general the market is seeing price discounting, as may be expected. 65% report heavy discounting on new products while 53% reported discounts on maintenance and renewals. It should be noted that only 6% did not receive maintenance discount when asked. (We did not define "heavy discounting" so the responses are dependent on the respondents' subjective interpretation. We plan to examine this issue in greater detail in future surveys.)

Figure 10: Pricing discounts from vendors on new solutions

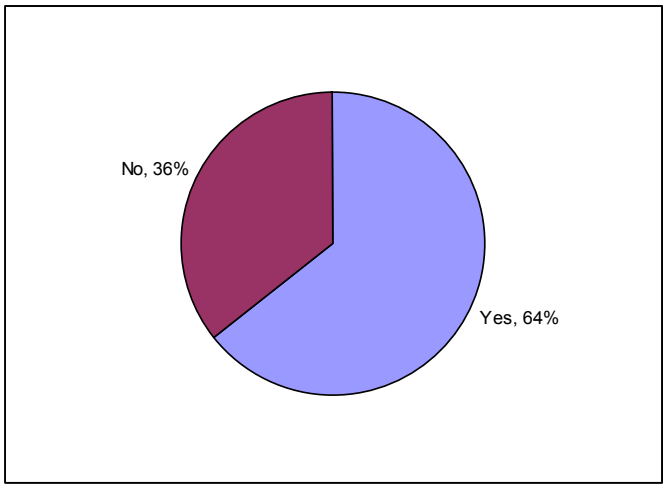
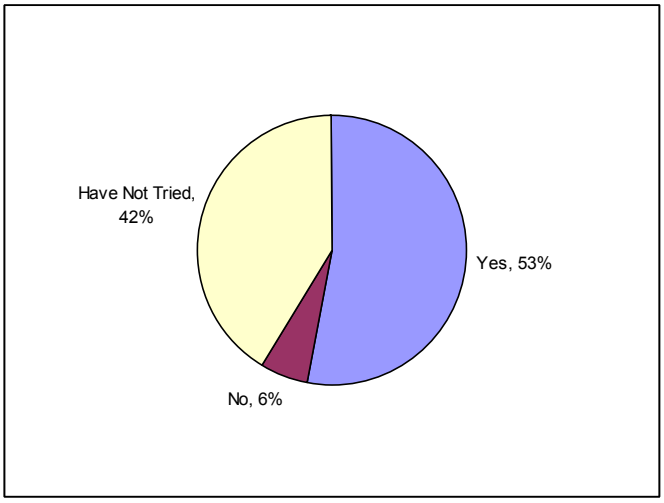


Figure 11: Received lower maintenance rates on renewals



Respondent companies in the High Tech & Software Development and Services industries bargained for and were able to negotiate discounts more than respondent companies in any other industry. 83% of respondents in the High Tech & Software Development industries received discounts and 73% of respondents in the Services industries received discounts. Respondent companies from the Finance industry were also successful in this regard (71% received discounts). These results are in contrast to respondent companies in the Healthcare industry, where only 50% received discounts, and the Government and Education industries, where only 33% received discounts.

Even more striking are the contrasting rates at which these respondent companies were able to negotiate lower maintenance rates upon contract renewals. 100% of respondents in the High Tech & Software Development industries received lower rates and 82% of respondents in the Services industry received lower rates. 57% of respondent companies from the Finance industry received lower rates. In contrast, only 33% of the respondent companies from the healthcare industries were able to negotiate lower rates, while none of the respondent companies in the Government and Education industries were successful. Furthermore, it is significant to note that only 50% of respondent companies in the Healthcare industry and *none* of the respondent companies in the Government and Education industries *even attempted* to negotiate lower maintenance fees.

It is interesting to speculate on possible explanations for these discrepancies, and none of these explanations is data driven. One possibility may be tied to the nature and culture of these industries. For example, governance and decision-making structures may be bureaucratic in some industries whereas they may be more dynamic and responsive to market conditions in others. Another explanation may be that contractual obligations in the Healthcare, Government and Education industries tend to be of longer duration and are not as frequently revisited.

Figure 12: Vendor discounting in response to buyer request

Seeing Discounts From Vendors			Able to Negotiate Lower Maintenance Rates on Renewals			
	Yes	**No**		**Yes**	**No**	**Have Not Tried**
Total	64%	36%	Total	53%	6%	42%
Gov't & Education	33%	67%	Gov't & Education	0%	0%	100%
Healthcare	50%	50%	Healthcare	33%	17%	50%
Finance	71%	29%	Finance	57%	0%	43%
Hi Tech / SW Dev	83%	17%	Hi Tech / SW Dev	100%	0%	0%
Services	73%	27%	Services	82%	18%	0%

Biggest Growth Areas / Opportunities for Security Vendors

The most common responses for growth areas for security vendors were; Compliance, Cloud & Virtualization, Security Information and Event Management (SIEM) & Incident Response (IR), Data Leakage Prevention (DLP) and Mobility.

As expected and discussed above, we see that Compliance was the most frequent response. So too it is not a surprise to see the strong showing for Cloud & Virtualization in this cost conscious environment. Although one might speculate as to how quickly this adoption may occur.

It should come as no surprise that DLP and Mobility are perceived as growth opportunities. As discussed above, one would expect to see an increased need for information protection for mobility as increasingly powerful hand-held computing devices, such as Smartphones, become more integrated into the enterprise IT and communications environment. Perhaps the DLP and Mobility security trends are related as these devices permeate the enterprise? It seems logical that the risk of leaking sensitive data increases as data is accessed and stored on mobile devices.

We were a tad surprised to see that many still perceived that SIEM & IR provide growth opportunities for security vendors. These were "hot" areas in recent years and one may have expected that they would not be "growth" sectors. On the other hand, this may tend to show an increased need and/or awareness of such capability.

Biggest Driver to Security Spending

Compliance was the biggest driver to security spending in this economic environment followed by Threat Reduction and Brand Protection from High Profile Incidents

As discussed, we are not surprised that compliance is stated as the most common reason for security spending. There has been a marked increase in federal, state, and industry regulations, which force companies to prove, and very often, report compliance or face heavy penalties. This, by design, causes companies to internalize security costs.

The perceived need for threat reduction, from geo-political threats to insider threats (or former insiders), may help to explain why companies see growth opportunity in SIEM & IR, DLP and Mobility as previously discussed.

Methodology / Data Reliability

Over the first half of March, MetroSITE Group and Pacific Crest Securities surveyed top security professionals worldwide to gain insight into how general IT and security budgets were shaping up for 2009. There were a total of 53 responses to our survey. The survey provides more information than a focus group or simple anecdotal reports. However, it is not a scientific study and we caution against taking the data as such. We would advise the reader to look to this data for indications of trends and relative rankings rather than precise percentages.

We understand that this survey is only a preliminary indicator of possible trends. There are several variables that could generate errors in the analysis. First, this study utilized an anonymous online platform to conduct the survey. As with any survey, there are inherent biases and psychological realities that create barriers to perfect accuracy.

Second, the survey did not address related issues such as comparisons of revenue between 2008 and previous years. In doing so, we implicitly assumed that the respondents are feeling the economic downturn.

Third, there may be multiple definitions to many terms used in the survey. We did not define precisely what we meant and left it to each respondent to answer in accordance with his or her own interpretation. For example, “security compliance,” “audit,” “operations,” “development,” could mean different things to different organizations. In addition, these functional areas may fall under different areas across enterprises so the respondent might not have complete information to answer the questions accurately.

Finally, some of the questions in the survey were designed to be open-ended so that we could solicit feedback that we may not have expected. This allowed for an array of responses that are not easily quantifiable. We plan to carry this study into future years and to reduce the incidence of errors through increased data, more focused questions in light of the collected data, and proposed improvements to our survey solicited from industry experts and participants.

Contributing Authors

This survey was conducted as a joint effort between MetroSITE Group and Pacific Crest Securities. The principal authors are listed below:

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