

Trend Micro Marries Security with Cloud Computing

Date: July, 2008

Author: Jon Oltsik, Senior Analyst and Charlotte Dunlap, Senior Analyst

Abstract: Last week in New York City, Trend Micro announced its Trend Micro Smart Protection Network, a new type of security model that marries a lightweight desktop agent to Trend's vast network-based resources in the cloud. The new SaaS model is spot on and a view of things to come for threat management. If Trend Micro can educate the market, convert customers, and execute with sales and marketing, the Trend Micro Smart Protection Network could enhance Trend's market position, revenue, and valuation.

Overview

At last week's corporate vision event in New York City, Trend Micro did something extremely unusual. In spite of the fact that Trend is one of the leading providers of web threat protection software, the company all but admitted that its current endpoint software-based security model is quickly becoming obsolete. Trend believes it has come up with a superior offering called the Trend Micro Smart Protection Network, a hybrid solution that blends a lightweight endpoint agent with deep security intelligence in the Internet cloud.

Why is Trend pitching a new model? Since the inception of endpoint protection, Trend and its competitors guarded against security breaches by downloading anti-malware signatures updates to distributed clients and then using a local pattern matching database to scan registry settings, memory, and files to find security compromises. This local intelligence worked well in the past, but Trend believes that it simply can't scale to meet the volume and speed of today's malicious threats.

Trend CTO Raimund Genes put this in perspective when he stated that in 2005, Trend Micro added about 50 new patterns to its pattern matching database each day. Today, this number has grown 100 times to more than 5,000 new patterns per day. According to Genes, this increasing scale simply breaks the old model as it demands constant signature updates, massive local pattern matching databases, and growing system resources to store, process, and scan systems.

The need for massive threat protection scale prompted Trend to break with tradition and create its new Trend Micro Smart Protection Network. The new Trend offering is anchored by:

- **Network-based security intelligence.** Trend Micro Smart Protection Network is based upon the simple premise that it can detect and prevent attacks more efficiently using its own network-based resources before they impact distributed endpoints. As CEO Eva Chen stated, "Root cause analysis must go beyond the walls of the enterprise. The network (i.e., the public Internet) has no boundaries." To block all types of attacks, Trend employs a series of "reputation" services for web, e-mail, and file content. Based upon this massive intelligence, the Trend Micro Smart Protection Network then acts as a network proxy, providing real-time malicious code filtering and blocking in the cloud rather than rely on signature downloads and proactive scanning.
- **A lightweight client agent.** Rather than a full-blown security software stack complete with a self-contained pattern matching database, the Trend Micro Smart Protection Network requires a lightweight endpoint agent that constantly communicates with Trend's network-based security intelligence resources. The client agent is location agnostic. It can communicate with the Trend Micro Smart Protection Network whether it connects through the corporate network in Boston or on a worldwide road trip from Bangalore.

Trend believes that its new cloud-based security model will produce direct and indirect benefits. Since endpoints can be protected against the latest threats more quickly, Trend believes that the Trend Micro Smart Protection

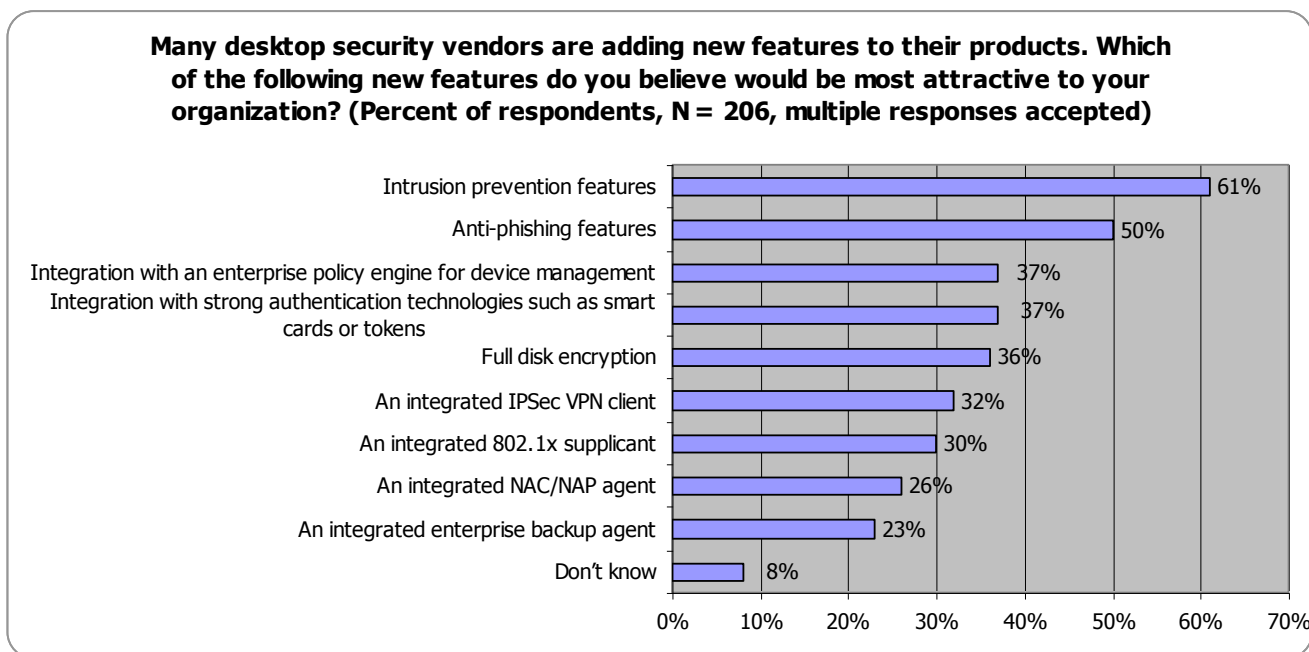
Network will result enhance security protection—a real boon in a time of sophisticated real-time attacks targeting confidential and private data. And since the Trend Micro Smart Protection Network relies on network-based resources, the endpoint software footprint is greatly reduced. Lower storage, memory, and processing resource consumption for security translates into improved system performance for users and fewer angry help desk call for IT operations.

Trend Micro May Be in the Right Place at the Right Time

It's not easy changing your delivery model and then convincing customers to eschew existing products and come along for the ride. That said, Trend Micro could not have picked a better time to re-invent endpoint security for several reasons:

- **SaaS and cloud computing are the latest thing.** Whether it's Google Apps, Microsoft "live," or salesforce.com, many organizations are hearing more and more pitches for SaaS and cloud-based services. Trend Micro gets to ride this wave of general industry hype, but has a somewhat exclusive spot as it is the first threat management vendor to create and promote this model for security. As such, Trend can exploit the buzz with thought leadership programs, lead generation, and lots of new prospect meetings.
- **Users prioritize threat protection against other endpoint security bells and whistles.** Endpoint security is rapidly moving beyond anti-virus and firewall protection as new suites offer additional safeguards like Full-disk encryption (FDE), Network Access Control (NAC) agents, and backup service integration. Users are certainly intrigued by these features, but they still seem most concerned with the very thing that the Trend Micro Smart Protection Network emphasizes: improved protection against the growing volume of web-based threats. This preference is illustrated in a recent ESG Research Report. When asked to define the most attractive new endpoint security features, more than half of security professionals at large organizations (i.e., 1,000 employees or more) prioritized IPS and anti-phishing capabilities. Based upon this data, the Trend Micro Smart Protection Network is clearly focused in the right area (see Figure 1).

FIGURE 1. LARGE ORGANIZATIONS WANT MORE THREAT PROTECTION

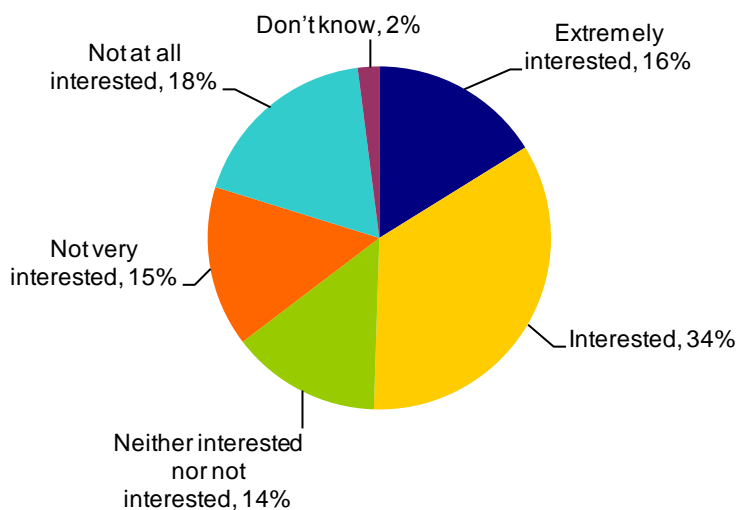


Source: Enterprise Strategy Group, 2007

- **Security services are gaining traction.** A few years ago, many organizations viewed any type of security services as taboo. Security was too private and important to hand off to an outsider, so enterprises continued to hire security specialists and purchase point tools to handle security in-house. Fast forward to 2008 and attitudes are rapidly shifting. Why the change? Security skills are expensive and hard to find, threats are growing more sophisticated, and the cost of a data breach can add up to hundreds of millions of dollars. Little wonder why half of the large organizations surveyed in a recent ESG research study are either extremely interested or interested in outsourcing some portion of their security management (see Figure 2).

FIGURE 2. INTEREST IN OUTSOURCING SECURITY MANAGEMENT

How interested do you believe your organization would be in outsourcing some portion of its security management tasks to a service provider? (Percent of respondents, N = 207)



Source: Enterprise Strategy Group, 2007

The Trend Micro To-Do List

ESG sees the Trend Micro Smart Protection Network as a bold initiative. Trend is demonstrating great courage in creating a new type of security model that explicitly calls out problems with existing products—including those from Trend itself. While the Trend Micro Smart Protection Network demonstrates great vision and leadership, Trend can't rest on its laurels and assume that IT and security professionals will "get it" on their own. To build upon announcement momentum, Trend must:

- **Continue to educate the market.** The Trend Micro Smart Protection Network presupposes that users know about the volume and sophistication of attacks while getting their heads around a new hybrid cloud-based service model. This is certainly a lot to expect, especially when many users view endpoint security as a commodity product with little differentiation between vendors. To promote its new services model, Trend must make sure that CTO Raimund Gene's message is spread rapidly and often. To do so, Trend must push thought leadership messages backed by a host of statistics and metrics. The goal? Make sure that security professionals around the globe hear the Trend story as soon as possible.
- **Monitor changing user preferences.** The Trend Micro Smart Protection Network is extremely deep on web threat protection, but what about other opportunities? For example, what happens if users really do start to demand FDE or cloud-based backup services with their endpoint security? In pushing its model, Trend has to maintain an open customer-focused mindset. As user tastes change with new threats, security operations challenges, or supply-side offerings, Trend must be ready to acquire companies or

partner accordingly. If Trend can accomplish this, its Smart Protection Network may help pull additional future sales.

- **Recruit additional partners.** At its New York event, Trend discussed a number of partners, such as Intuit and Linksys, that have integrated Trend threat protection with their products. This is a great start that Trend needs to build upon. Trend should explore a wide range of opportunities with other application and networking vendors as well as the ISP channel. For example, Trend may have a distinct advantage in the SaaS market by partnering with folks like Google. In any case, Trend must be aggressive here—others are likely to emulate its model soon.

The Bottom Line

You have to admire Trend Micro's chutzpah. The company is willing to poke holes in its own products and success in order to pitch a new, superior model. Guts and vision don't pay the bills, however. Trend must now execute quickly to make sure that users understand just how bad the security landscape is and how the Trend Micro Smart Protection Network can help overcome these weaknesses.

This is not a do or die situation—Trend is an established security leader with a global installed base. Many customers will trust Trend and upgrade to its new service without a thought. Trend's real challenge and opportunity is selling a completely new model and winning over new customers. With the right market education, sales programs, and overall execution, Trend should find its share of new prospects and converts.