



Creating revenue streams for service providers

Clavister White Paper

Securing the opportunity

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- Some operators already sell security services as part of their offering but these often require installation of a physical box at the customer's premises. That involves the cost of the hardware and the resources to install it, placing the final price tag beyond the means of the average small to medium sized business (SMB).
- Now, operators and network infrastructure players wanting to ride the wave of this significant business opportunity have a more attractive virtual alternative thanks to network security specialist Clavister.
- This Clavister offering calls for a very low investment and low risk but delivers a huge commercial opportunity because there is no need to set up one security gateway at a time. Once the appropriate relationship is established with a machine, then it is just down to marketing the service and rolling it out.

Introduction

Internet service providers, data center operators and telecom companies face serious challenges. They trade in intensely competitive areas where industry saturation is forcing the price of standard services down to a bare minimum, virtually eliminating profit margins.

Price wars have been waged for a number of years and look set to continue. The result is that income has been eroded to the extent that there is virtually no differential between suppliers, and so no competitive advantage.

Saturation means that market growth is slowing and there are fewer new customers to go around. One solution is to entice existing customers away from competing vendors but if it is to succeed, this requires expensive promotional campaigns, discounts and giveaways.

So, if vendors cannot grow through finding new customers, they need to grow by lowering their operating expenses to the bare minimum and increasing their average revenue per user (ARPU). They also need to sell more to existing customers who can be targeted more cost effectively through direct mail and with a greater chance of success.

The secret is to be first to market with new services, but just what new revenue streams are available in these mature markets?

Security business opportunity

One of the biggest challenges faced by service providers is to ensure service integrity, even in the face of malicious threats. As the Internet becomes more of a business platform, it also becomes a greater target for people who aim to use it in a criminal manner.

In addition to the general security concerns that affect anyone who uses technology or connects to the Internet, service providers have their own specific security-related issues to deal with. Cyber-crime is growing and malicious traffic is becoming more prevalent – a trend that is supported by the increasing volume and sophistication of attack tools. Threats can include Distributed Denial of Service (DDoS) attacks, infection by viruses and worms, phishing, email spam, redirection of traffic and break-ins aimed at modifying the configuration of vital components. This has transformed security into a boom market.

In its recent "U.S. Managed Security Services 2008-2012" forecast, premier global intelligence provider IDC says: "The managed security services market will continue to experience double-digit

growth rates for the next five years due to an increase in security complexity, internal and external pressures and the increased demand for cost effective security management solutions."

Services that enable customers to mitigate and manage risk and meet compliance regulations while increasing productivity will continue to be in high demand. The U.S. managed security services market was valued at approximately \$1.3 billion in 2007, an increase of 19.6% over 2006. This figure is expected to increase to \$2.8 billion by 2012, representing a compound annual growth rate of 17.2%.

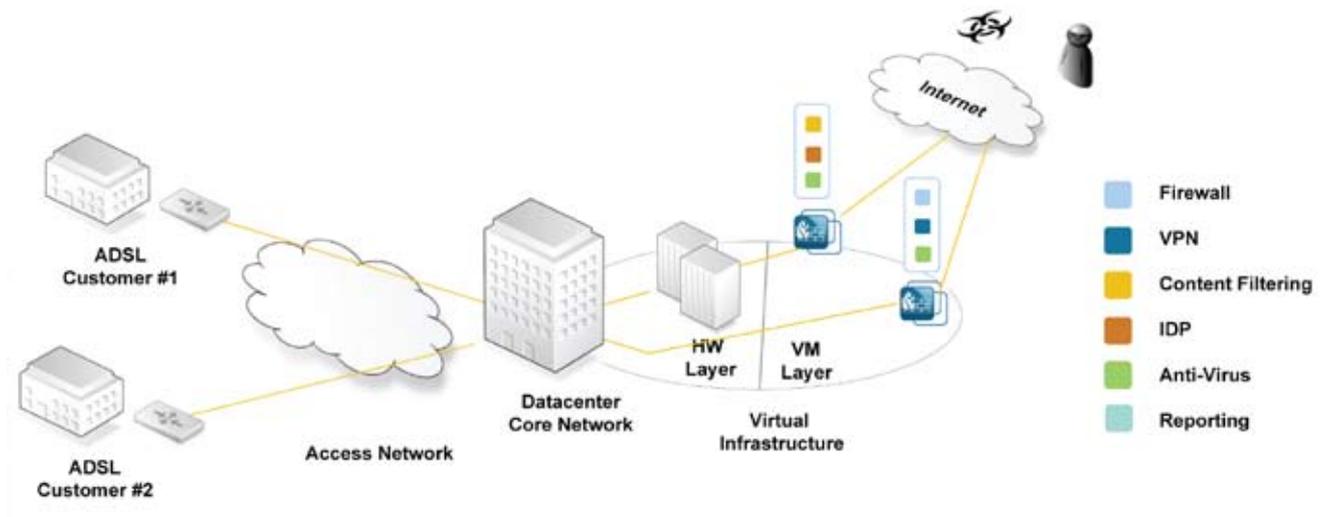


Figure 1: Security Service Network

Positive forecasts for this lucrative market have also been issued by communications market research firm Infonetics Research which reports that the worldwide managed security services market, including customer provided equipment and network-based managed firewalls, content security and other security services will nearly double between 2007 and 2011, when it will reach \$13.8 billion.

Infonetics' report, "Security and Encrypted VPN Services" shows the managed security services market grew 21 per cent between 2006 and 2007, with roughly half the revenue coming from managed firewalls and the fastest growth coming from the content security segment.

Some operators already sell security services as part of their offering but these often require installation of a physical box at the customer's premises. That involves the cost of the hardware and the resources to install it, placing the final price tag beyond the means of the average small to medium sized business (SMB).

Now, operators and network infrastructure players wanting to ride the wave of this significant business opportunity have a more attractive virtual alternative thanks to network security specialist Clavister.

Value proposition

The easy, yet powerful solution is Clavister's Virtual Security Gateway (VSG). This best-of-breed solution can be installed at the data center or on the core network of the operator, and each individual Internet connection or customer can have their own dedicated security gateway. It can also support managed service providers in achieving effective data center security while reducing total cost of ownership of equipment.

Clavister VSG includes an attractive security service portfolio that includes state-of-the art firewall, Virtual Private Network (VPN), content filtering, anti-virus, anti-spam, deep packet inspection, Intrusion Detection and Prevention (IDP) and Web content filtering. While these tools are currently offered as a single VSG package, Clavister has future plans to split them up and sell them as individual products. This will serve the needs of individual customers who may not want the full VSG functionality and the suite will be known as the vSeries of products.

VSG also represents an attractive value proposition because of its ease of installation and the sales model that Clavister offers. It can be installed and deployed fully automatically without any human or technician involved. Customers just go to the operator's portal, choose the service or mix of services they want, whether it's firewall, VPN or more. The chosen services are automatically deployed in the service provider's data center core network and are ready to be used within an hour.

The benefit of Clavister virtualized security has been experienced at first hand by Terremark, a leading global provider of IT infrastructure services. Through its purpose-built data centers, Terremark aims to offer scalability, flexibility and impeccable security to the managed services market. In Europe, Terremark runs its own state-of-the-art data center in Madrid and leases data center premises in London and the Benelux countries to provide both managed and data center services. To ensure vital security for its customers' mission-critical systems at these locations, Terremark Europe uses the Clavister Security Services Platform (SSP), a unique combination of systems and services that deliver high performance, precise control, efficient administration and seamless scalability.

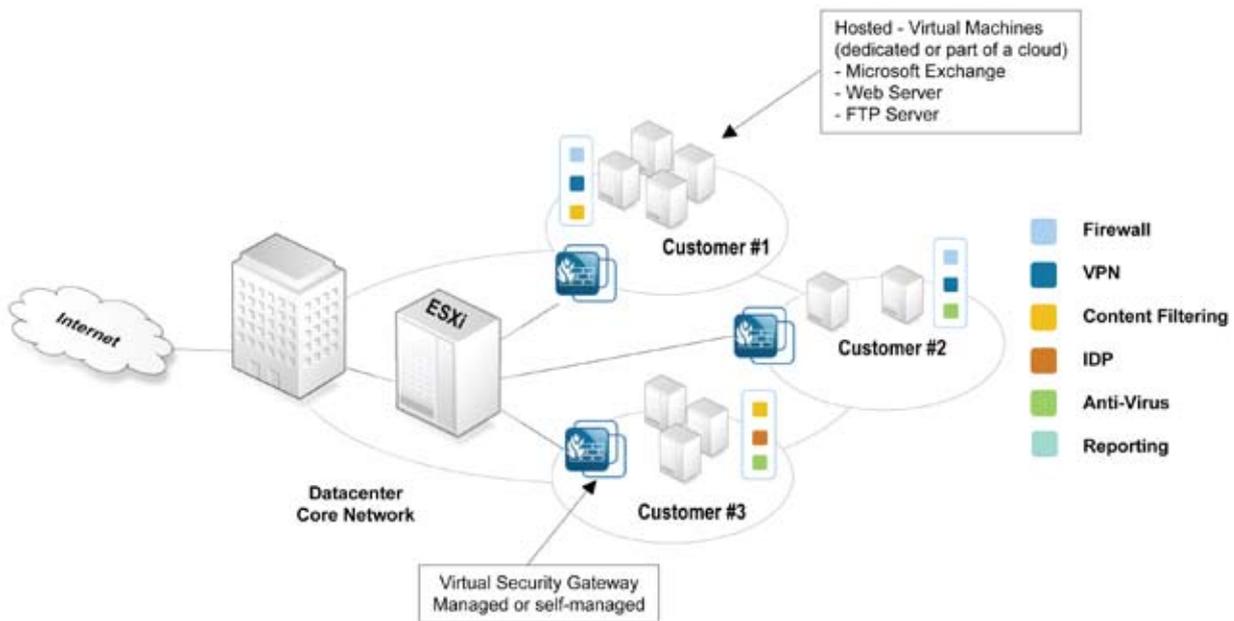


Figure 2: Hosting Security Services

"One of the most important concepts behind our hosting business is to reduce the total cost of ownership of our equipment," says Kurt Glazemakers, chief technical officer, Terremark Europe. "What attracted us to Clavister's security is that we can use it as a software solution which runs on a standard server in a rack. That means we can use the same server as a Web server or a firewall which really reduces the number of spare servers we need in the data center."

The ability to use the standard common server platform makes sound financial sense for new customers, as Glazemakers explains: "Customers can start small and grow as their traffic grows. With the software on a server approach, we only need to raise new licences and they can grow as much as they want without ever losing their initial investment."

"The Clavister virtualized solution makes it much easier to actually deploy firewalls inside the virtual environment," says Glazemakers. "It is very easy to build custom networks without doing any changes on the network itself. Everything can be virtualized and what is so nice about the Clavister virtualization security is that it has a very low footprint. With a couple of megabytes and a limited amount of CPU, you can achieve a very high bandwidth."

Ease of management and operation also make VSG a very popular solution for Managed Security Service Providers (MSSP). Also, this kind of security boosts confidence in customers who may be considering Cloud Computing services.



Figure 3: Customer Experience

Pay as you grow model

The benefit to the operator is that the cost is just a fraction of the physical hardware installation charges because it is deployed virtually. Scalability is also delivered because, depending on the setup, it can run between one and 200 gateways per standard, off-the-shelf, physical server.

"This means that service providers have the ability to sell more services and they are high-profit services because there is almost no maintenance or physical work involved, except maybe for adding more hardware to your virtual infrastructure," says Andreas Åsander, vice president, product management, Clavister AB. "We offer them a new revenue stream and we do that with a new business model because we do not charge them up front for a Virtual Security Gateway. They only pay for it when they install it.

"With a virtual solution, operators and service providers can escape from the one-to-one relationship between hardware and the customer. When they get a new customer, rather than having to make a huge computer investment or having to buy one server per client, they can just get a licence from Clavister which means they do not have to over-invest before they have the business coming in.

"This enables service providers to align revenues with capital expenditure because there is no initial outlay and no risk. They do not have to pay for anything until they are generating income from the solution. This is why we went for the virtualization market because that is where we believe that operators can make most money."

While there will be costs for hardware and some initial set-up costs, these are considerably less than operators face for a more traditional hardware-based solution. They can start with a fairly basic virtual infrastructure and can grow this by adding more servers.

Low risk – huge opportunity

This Clavister offering calls for a very low investment and low risk but delivers a huge commercial opportunity because there is no need to set up one security gateway at a time. Once the appropriate relationship is established with a machine, then it is just down to marketing the service and rolling it out.

When operators sell this service, they can promote it through their own online system and it can also be promoted by wholesale organizations like those who sell ADSL connections, online price consolidators, system integrators and security integrators. For integrators, it is a way to make installation more efficient and cost effective because they can offer a virtual gateway with VPN without having to physically install – and they still get all the benefits that they would achieve with a physical box.

Åsander concludes: "This is a very easy yet powerful solution because it's about money and about getting service providers out of a fix by giving them a way to grow."

About Clavister

Since 1997, Clavister has been delivering leading network security solutions, providing commercial advantage to tens of thousands of businesses worldwide. The Clavister family of unified threat management (UTM) appliances and remote access solutions provide innovative and flexible network security with world-class management and control.

Clavister has pioneered virtual network security, and this along with its portfolio of hardware and software appliances gives customers the ultimate choice. Clavister products are backed by Clavister's award-winning support, maintenance and education program.

Headquartered in Sweden, Clavister's solutions are sold through International sales offices, distributors, and resellers throughout EMEA and Asia.

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