



# **More Security, Less Cost; Why Budget Pressures Are the Least of your Worries**

Peter Kuper

# Don't Count on The Bailout

- The global economy is on the edge – US may be the brightest light in a very dark and long tunnel
  - But even the US can't sustain spending and Inflation challenging the Fed's next move
  - Which means more economic pressure
  - Which means more focus on expense reduction
  - Which means more pressure on IT budgets
  - Which means you have to do more with less
  - Again
  - Sorry...
-

# Happy Days Are Here Again!

- Dow Jones almost back to 2007 highs



# Thanks Again, and Again, and Again...!

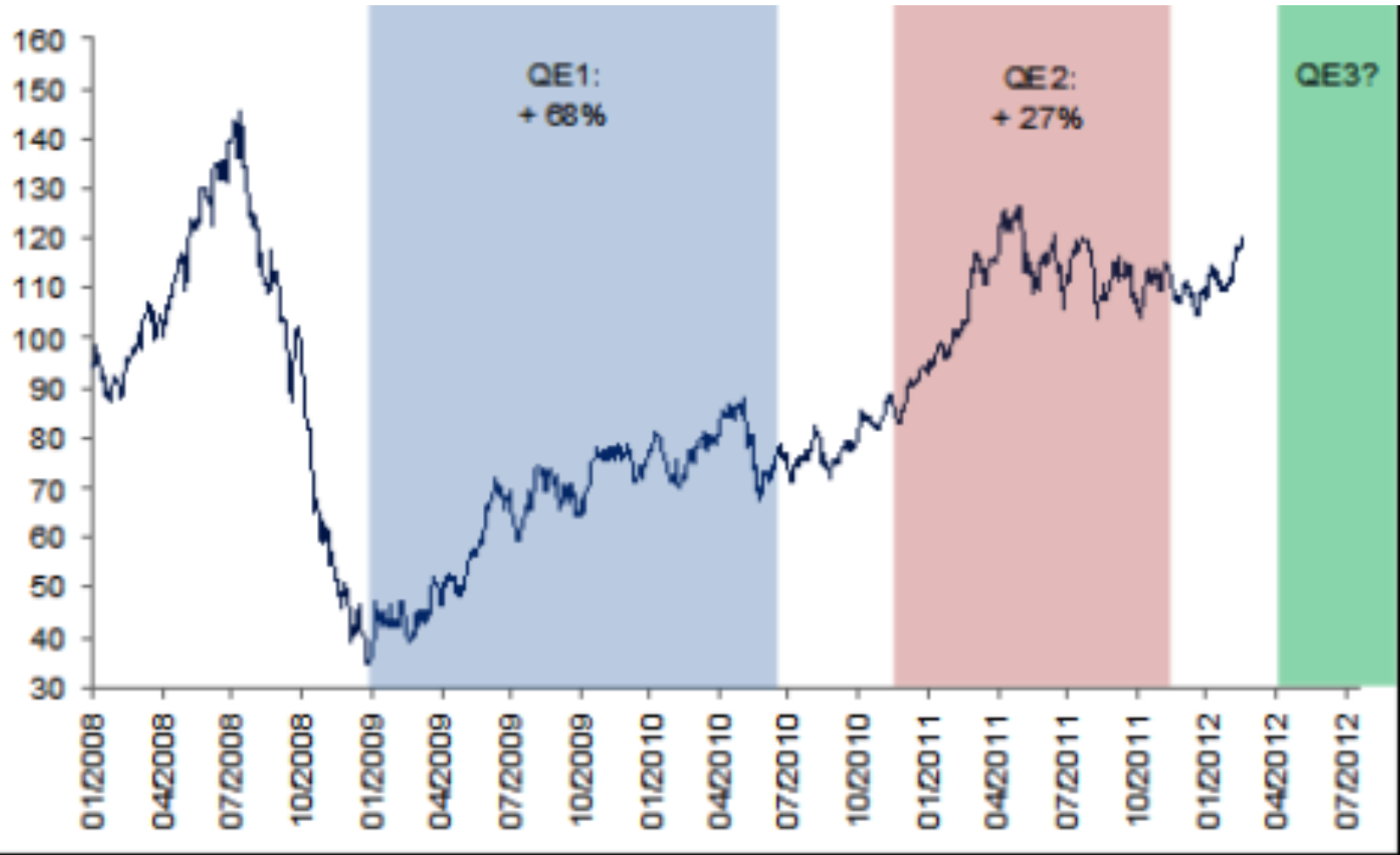


# USD Ain't What It Used to Be



# And Spikes in Oil Prices

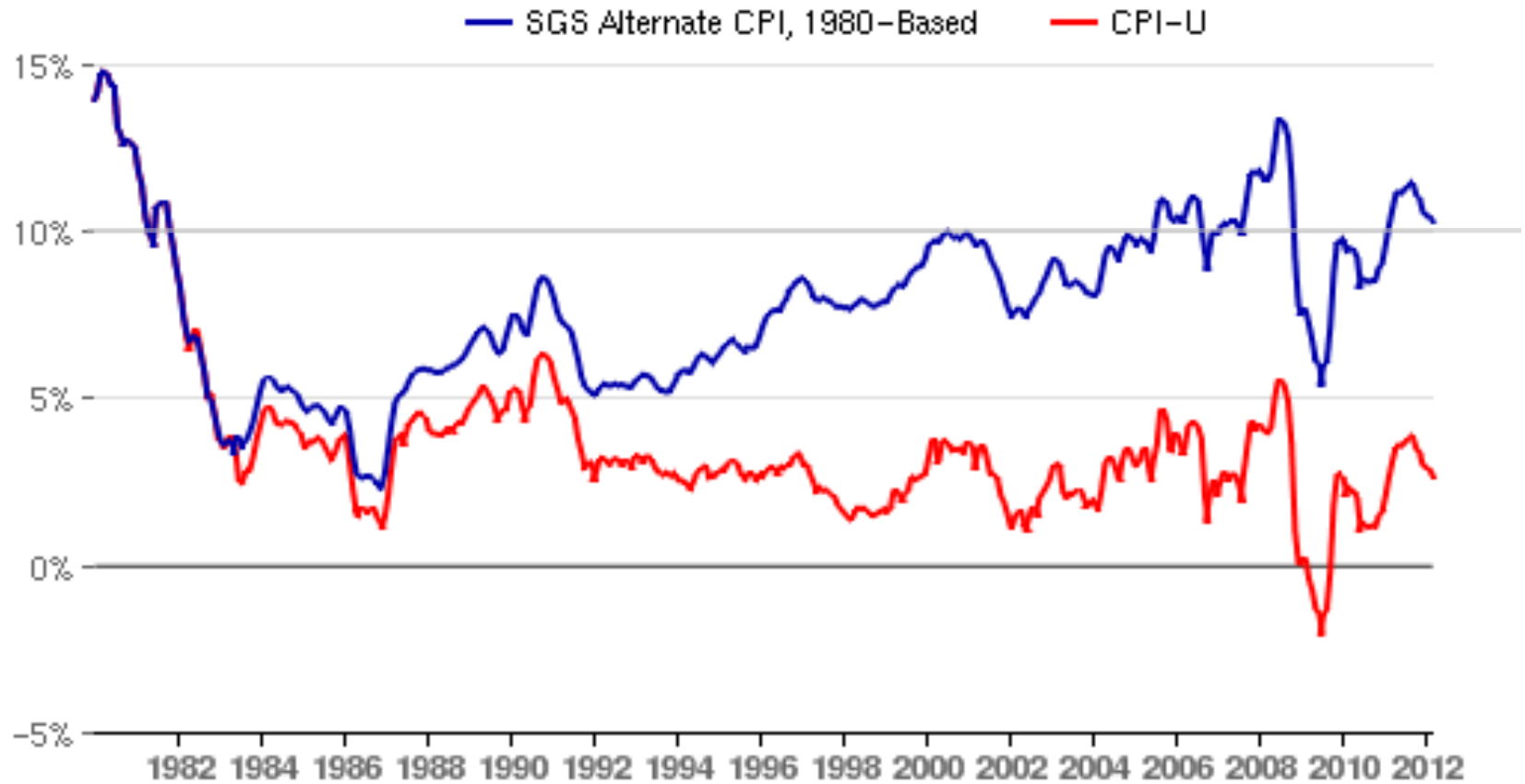
- Brent Crude Prices Jan'08-Mar'12



# Which Leads to This

## Annual Consumer Inflation - Official vs SGS (1980-Based) Alternate

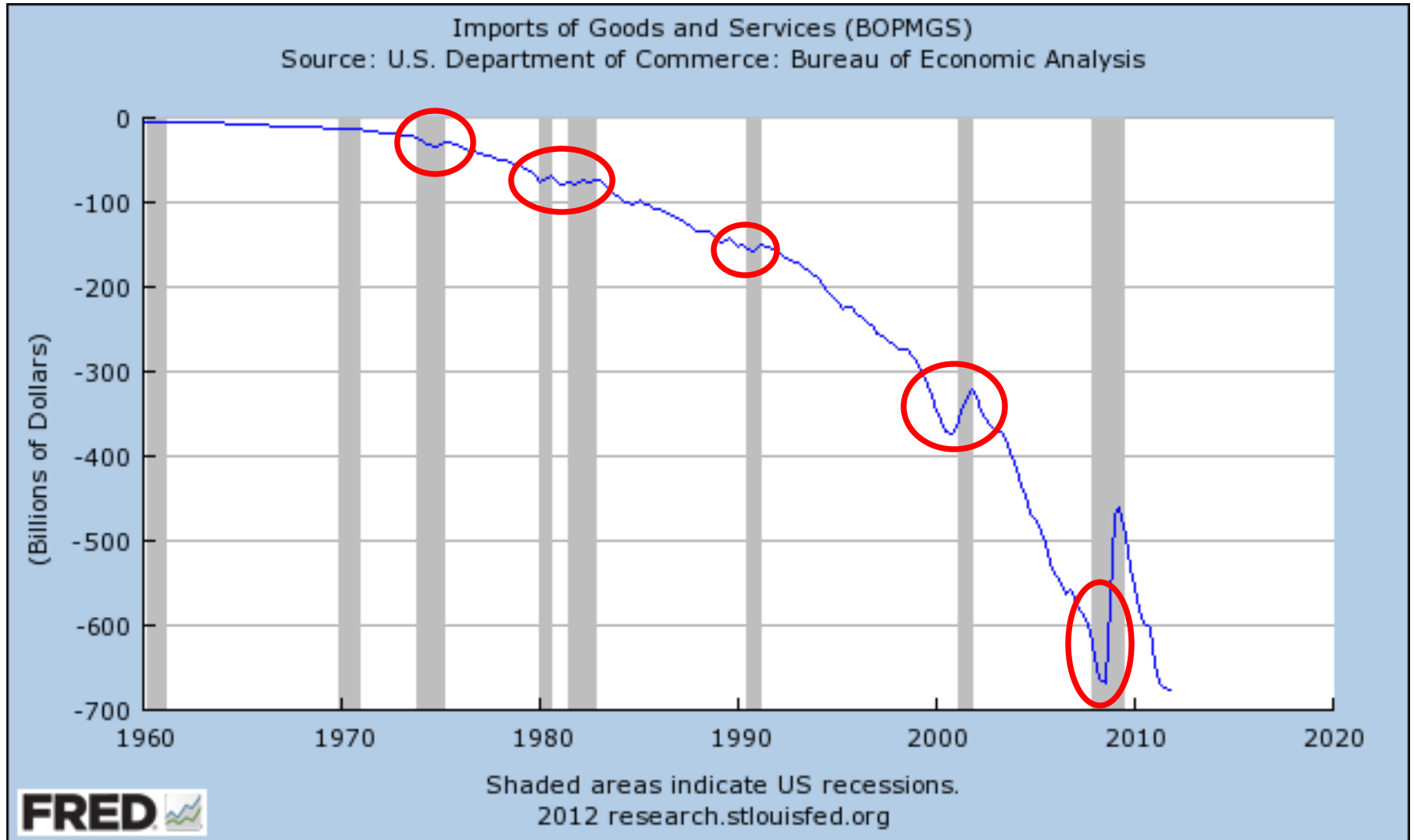
Year to Year Change. Through Mar. 2012. (BLS, SGS)



Published: Apr. 13, 2012

shadowstats.com

# Less Imports, Sign of Future Activity?



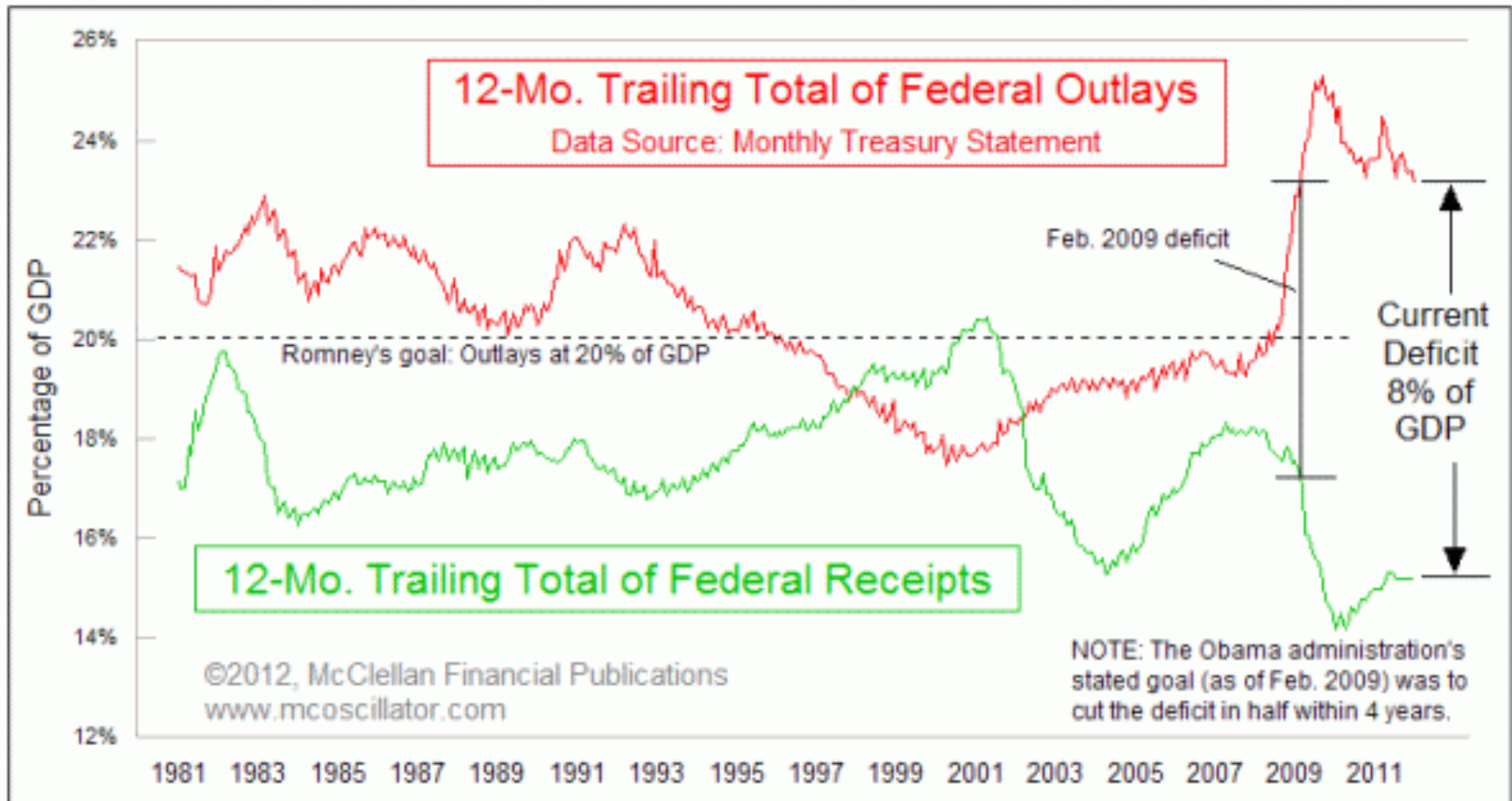


# Slow Growth Is Best Case

- Given sluggish economy and cycle of high unemployment and wage pressure, hard to find anything near 3%-4% GDP growth for years - **in most every major economy**
  - Corporate earnings have taken advantage of all options to prop growth – weak dollar, ultra-cheap financing and minimal hiring
  - Any future growth need come from revenue expansion
    - See first bullet
  - This means no expanding budget
    - This means do more with less (yet again)
  - Which puts investors (VCs) on the defensive overall
-

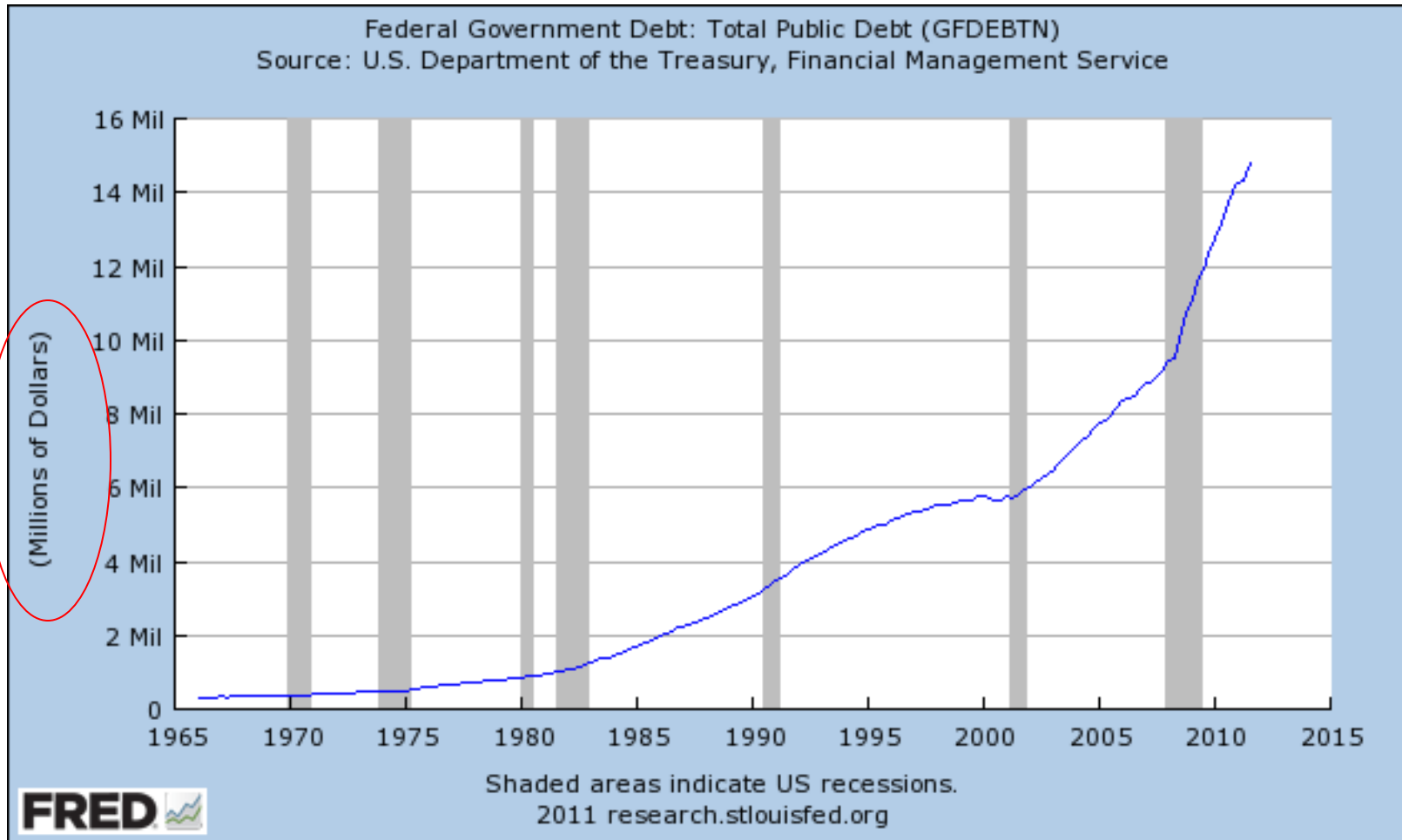
# Over Spent

- Regardless of who wins, spending coming down



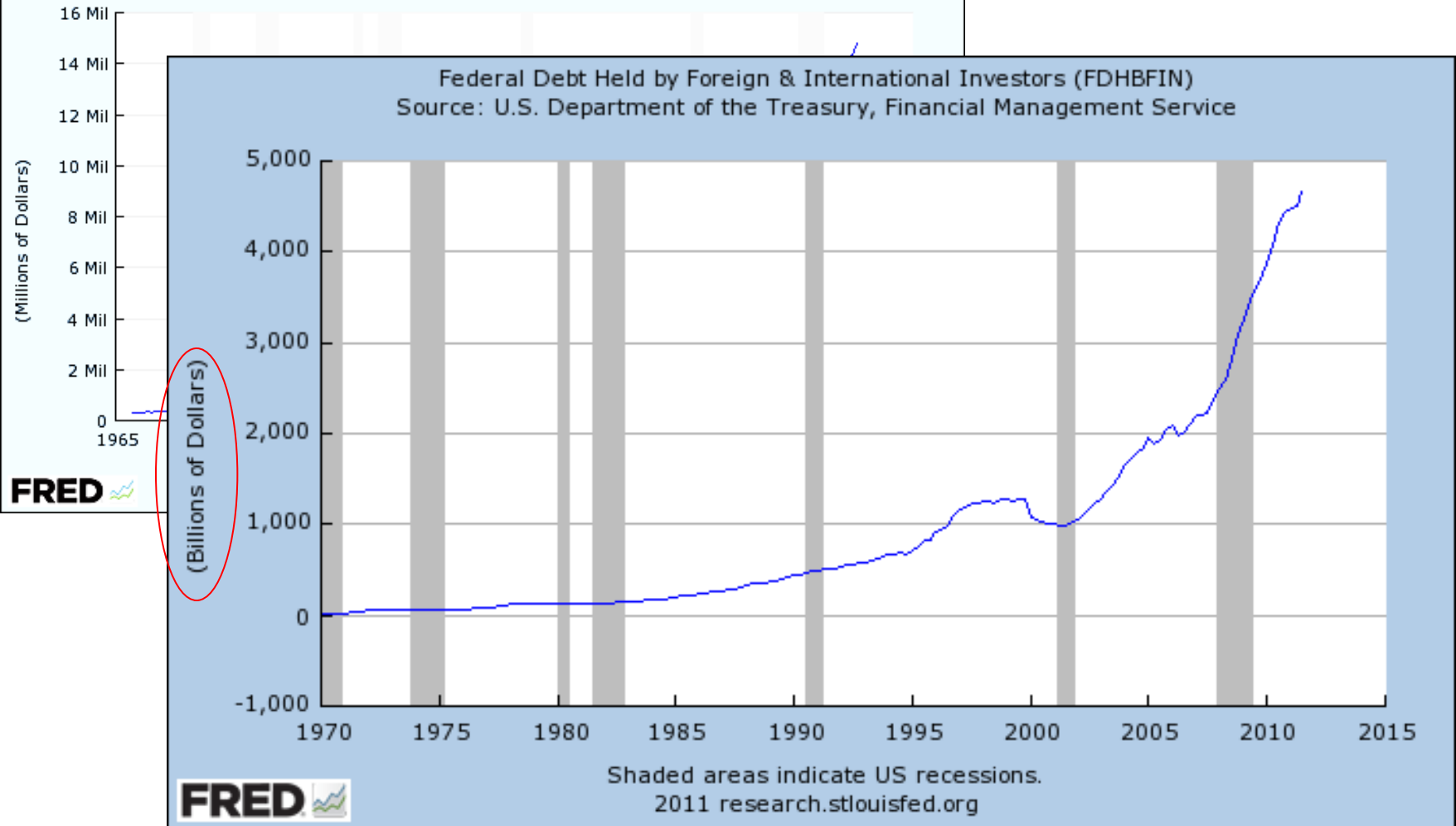
# 4X Growth in 10 Years...

- Who's left to buy more?



# Foreigners Tapping Out...

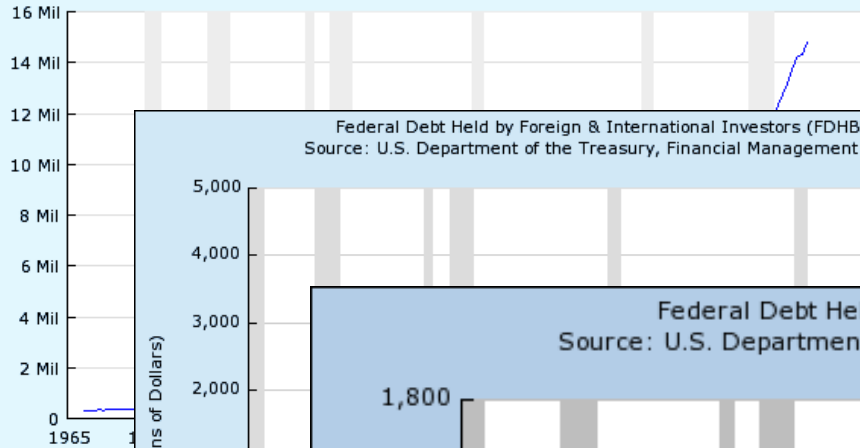
Federal Government Debt: Total Public Debt (GFDEBTN)  
Source: U.S. Department of the Treasury, Financial Management Service



# Leaving the US to Buy US Debt

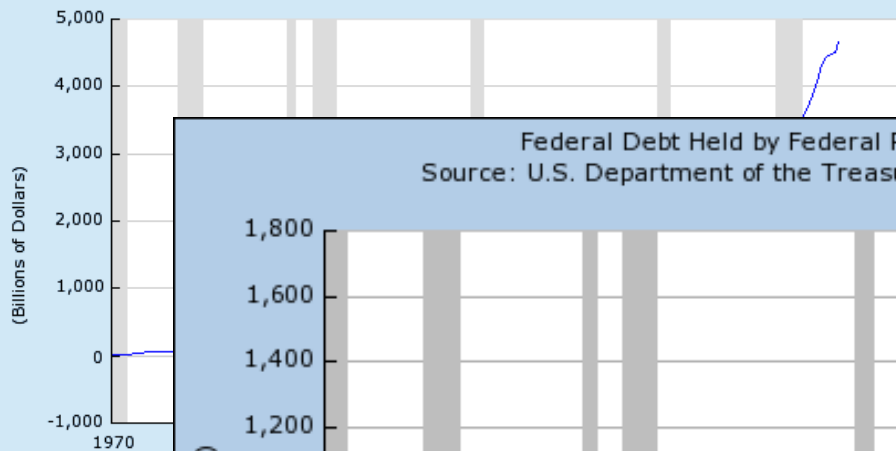
Federal Government Debt: Total Public Debt (GFDEBTN)

Source: U.S. Department of the Treasury, Financial Management Service



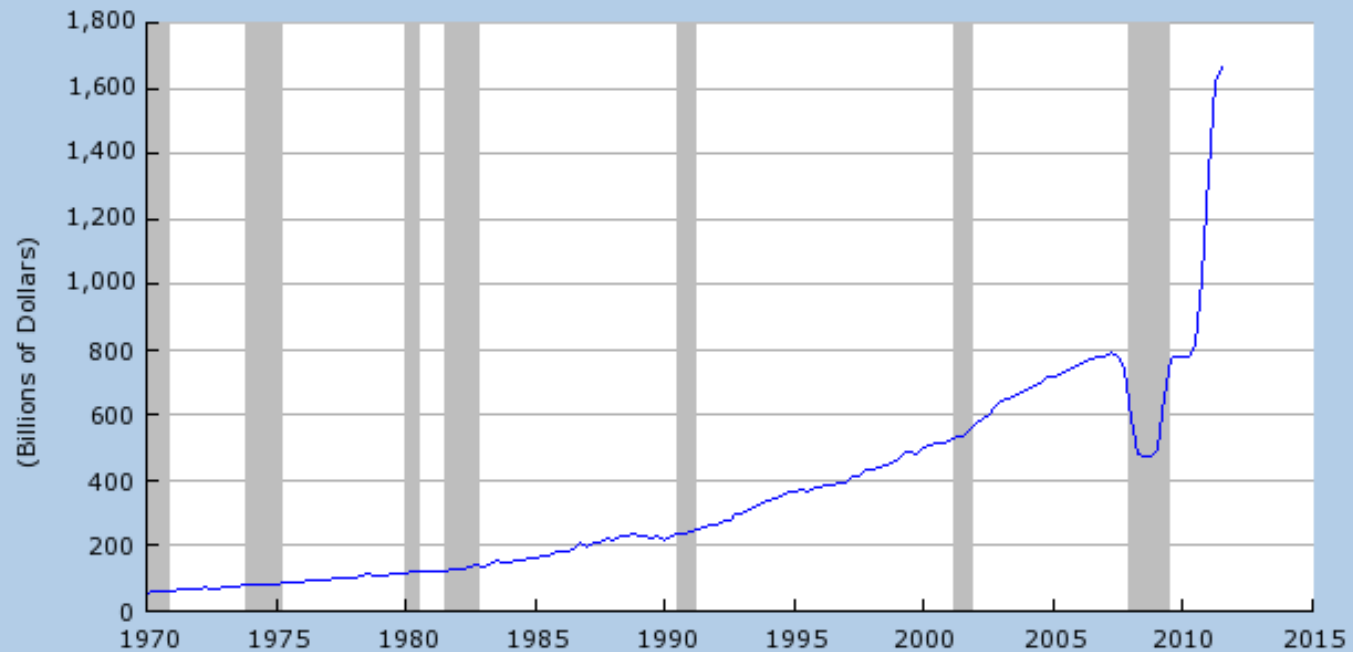
Federal Debt Held by Foreign & International Investors (FDHBFIN)

Source: U.S. Department of the Treasury, Financial Management Service



Federal Debt Held by Federal Reserve Banks (FDHBFBRBN)

Source: U.S. Department of the Treasury, Financial Management Service



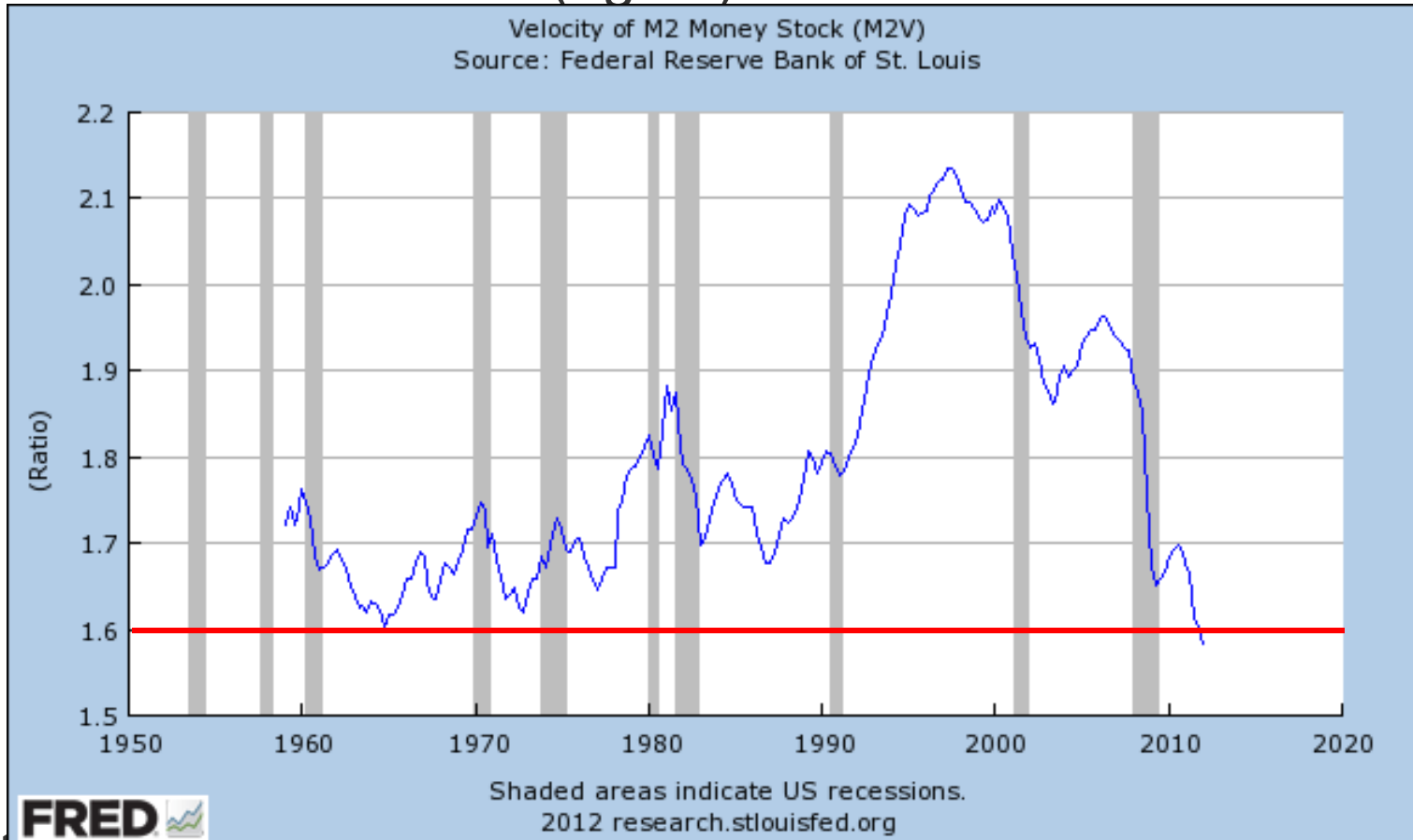
Shaded areas indicate US recessions.

2011 research.stlouisfed.org



# Money, money everywhere and not a job to be had

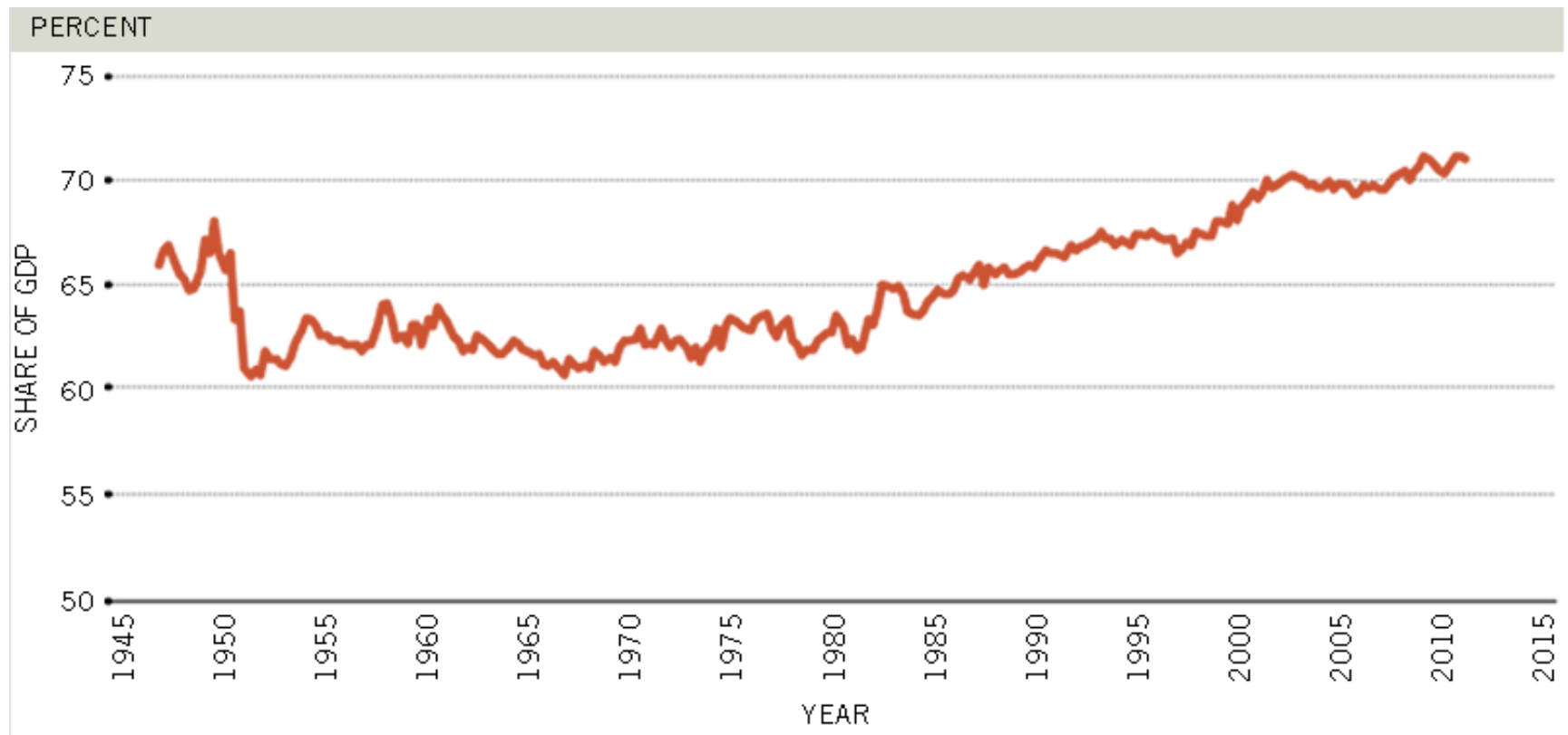
- Just hit an all-time low (again)



Velocity can be thought of as the rate of turnover in the money supply...the number of times one dollar is used to purchase final goods and services included in GDP. Faster is Better...

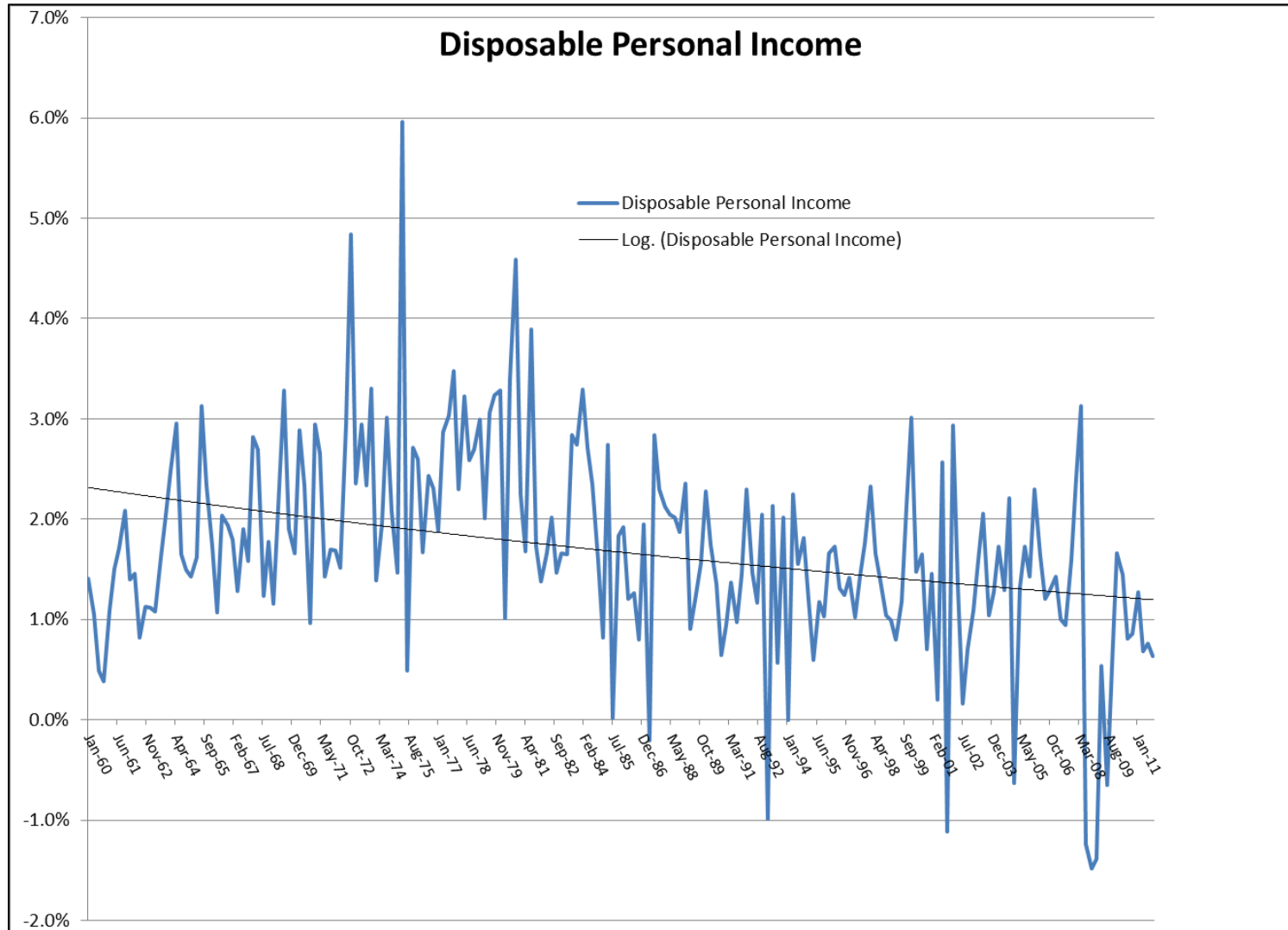
# Consumer Has Been Engine

- But They (we) Are Tapped Out



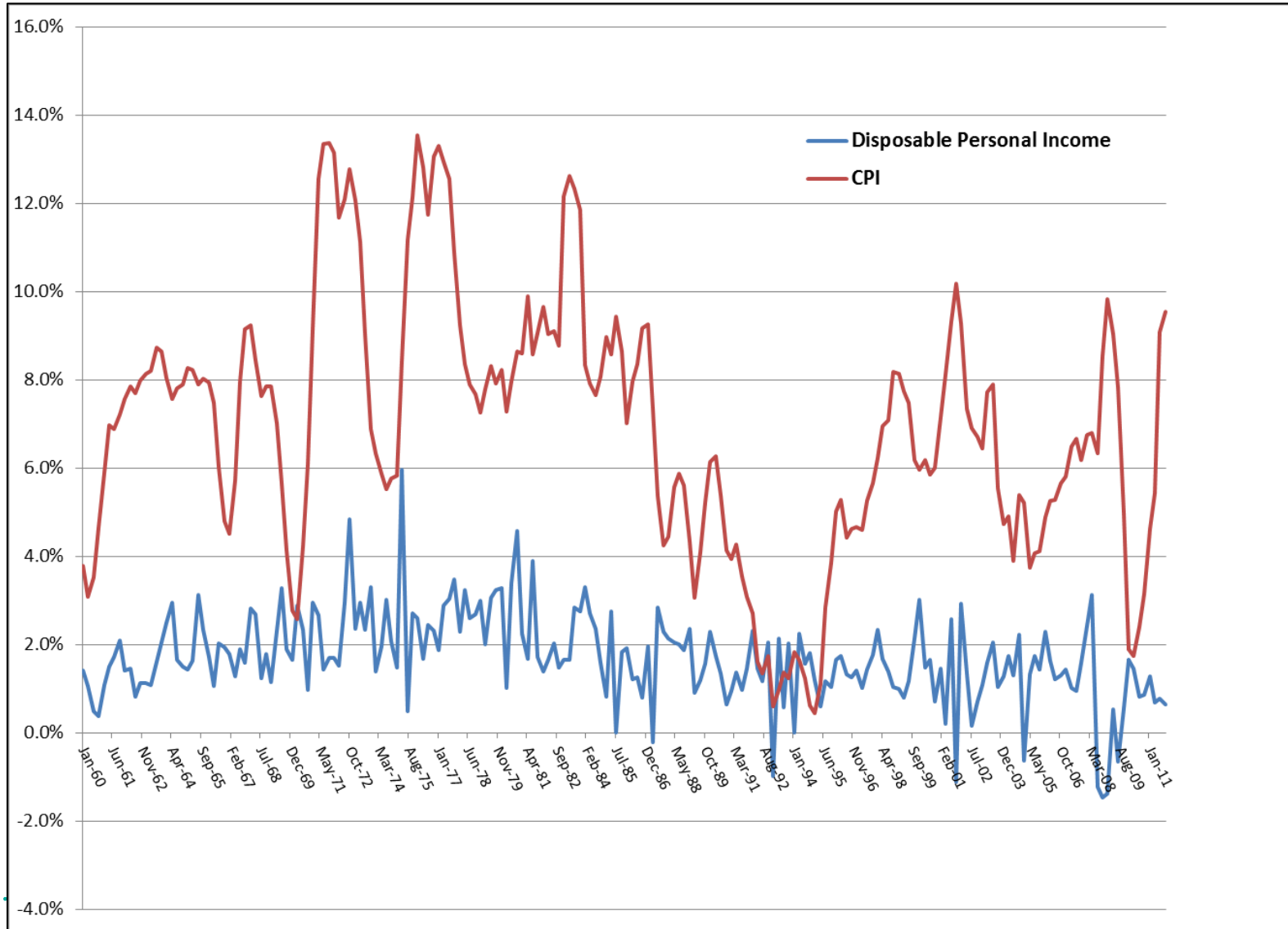
# Just Raise Taxes!

Hard to raise taxes on people with less to spend





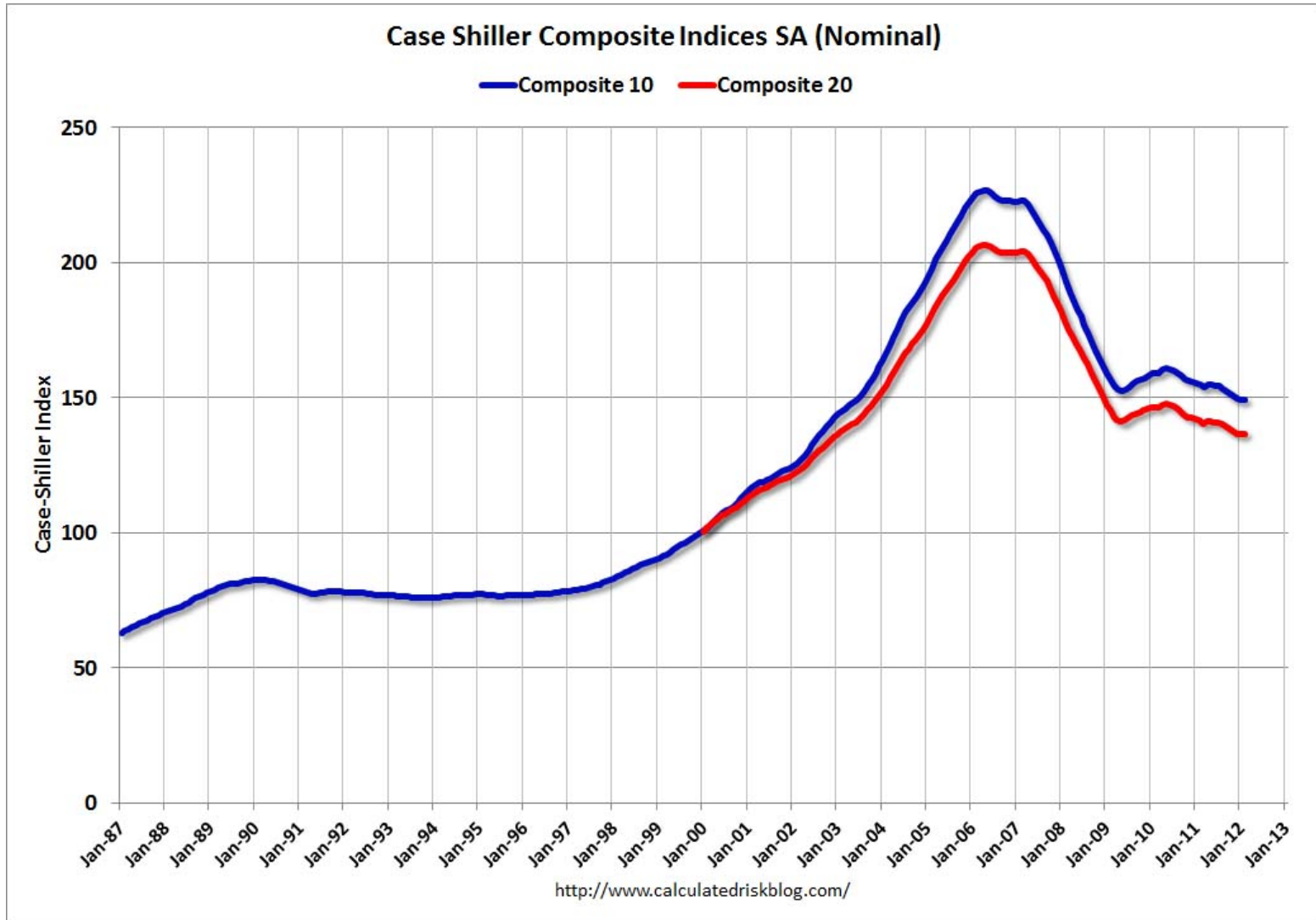
# Worse Than You Thought



# Can't Borrow to Offset the Lack of Income

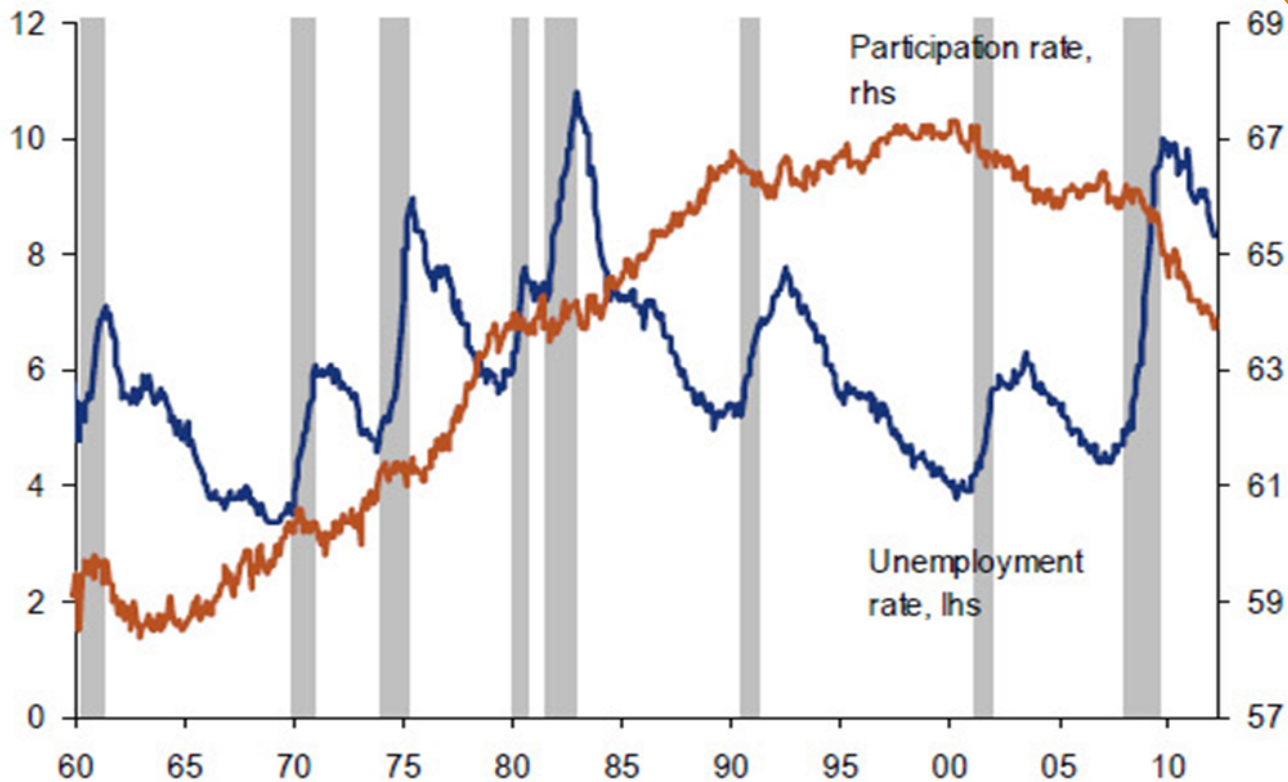


# 'Cause The ATM Is Dry



# And Can't Help This

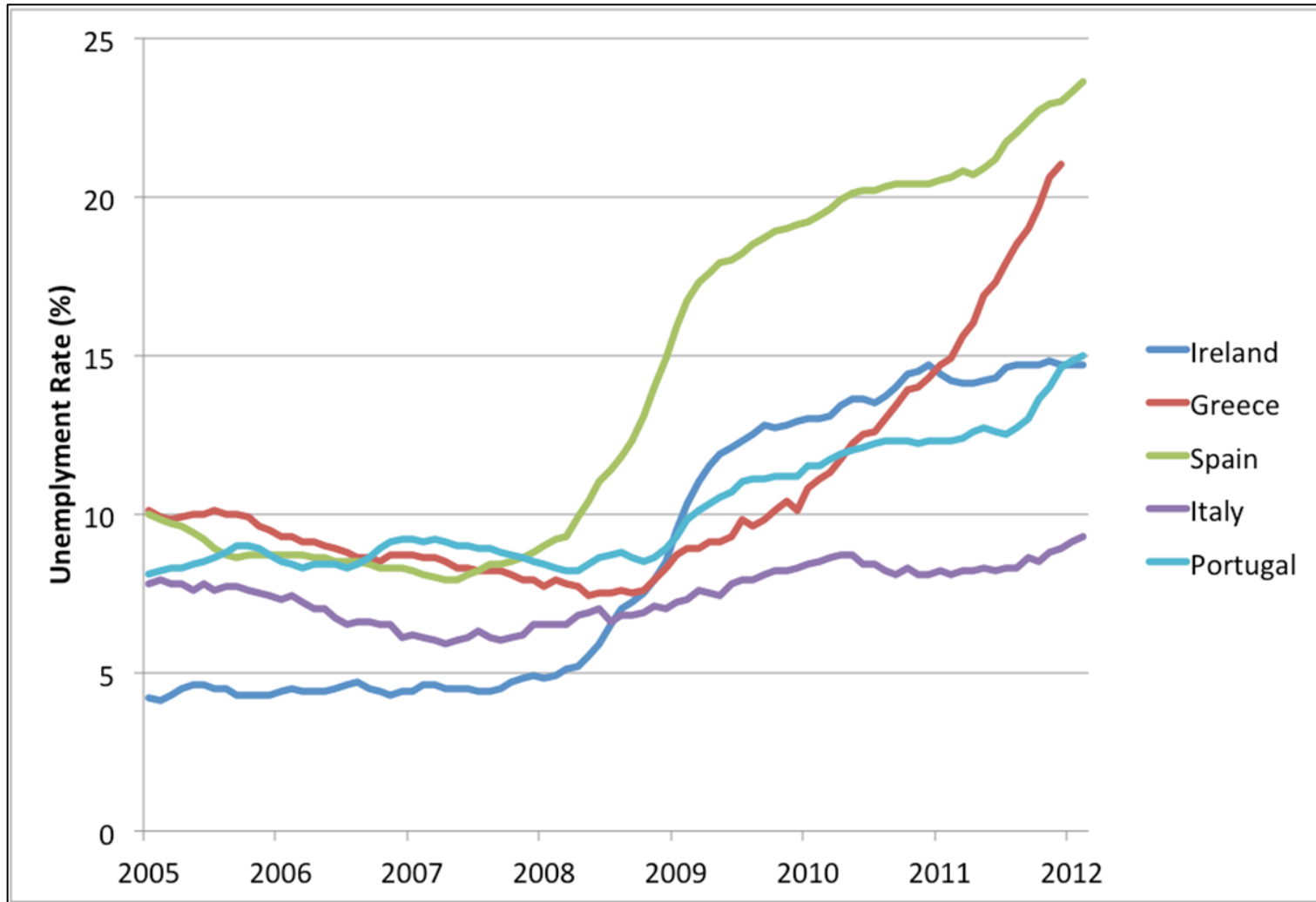
Chart 5: Labor force participation has declined, contributing to the lower unemployment rate



As In Not New Jobs, Less People Looking for Jobs

Source: BLS, BofA Merrill Lynch Global Research

# An Isolated Problem?

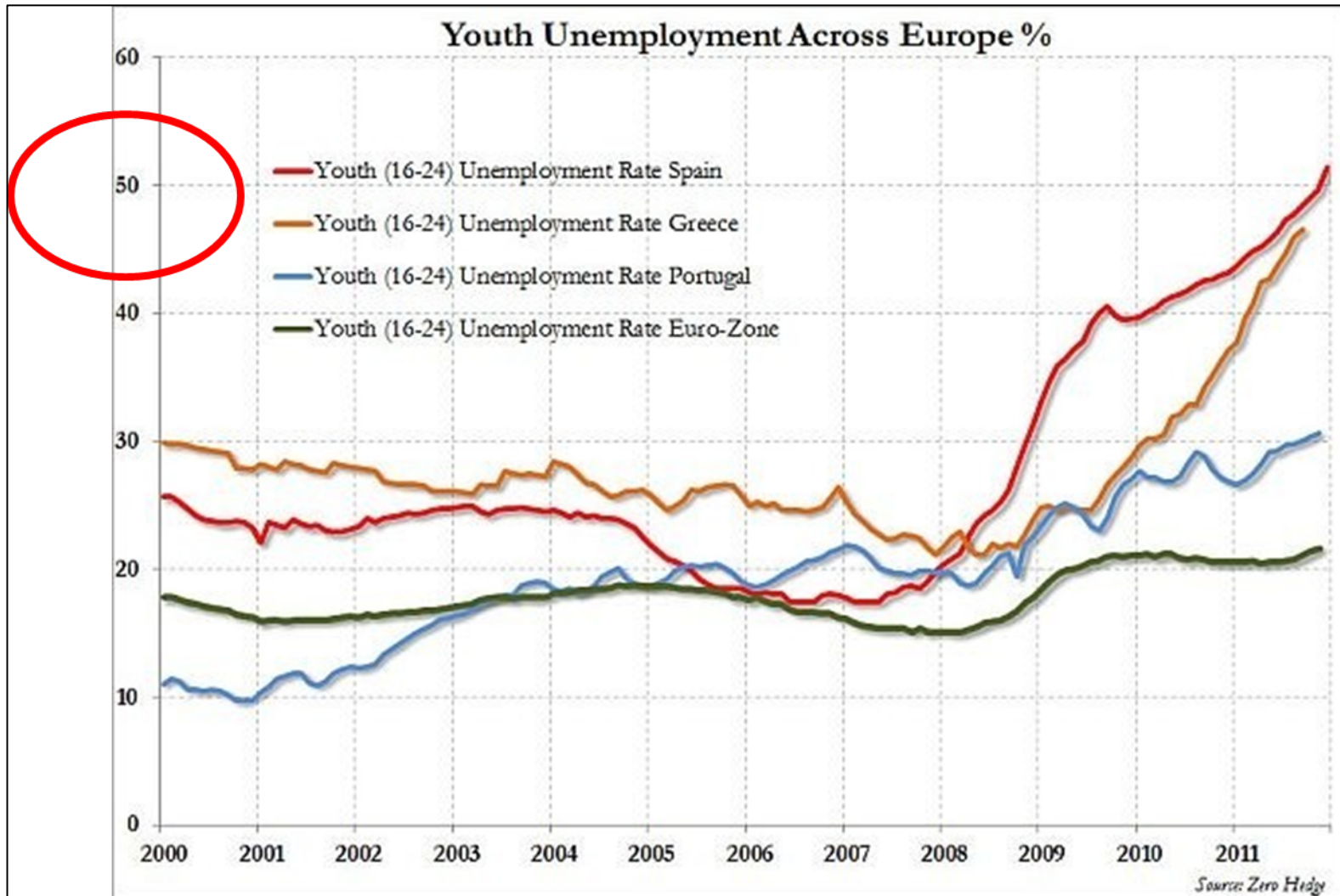


# You Know Who This Is

KNOWLEDGE IS FREE.  
WE ARE ANONYMOUS  
WE ARE LEGION.  
WE DO NOT FORGIVE.  
WE DO NOT FORGET.  
EXPECT US!

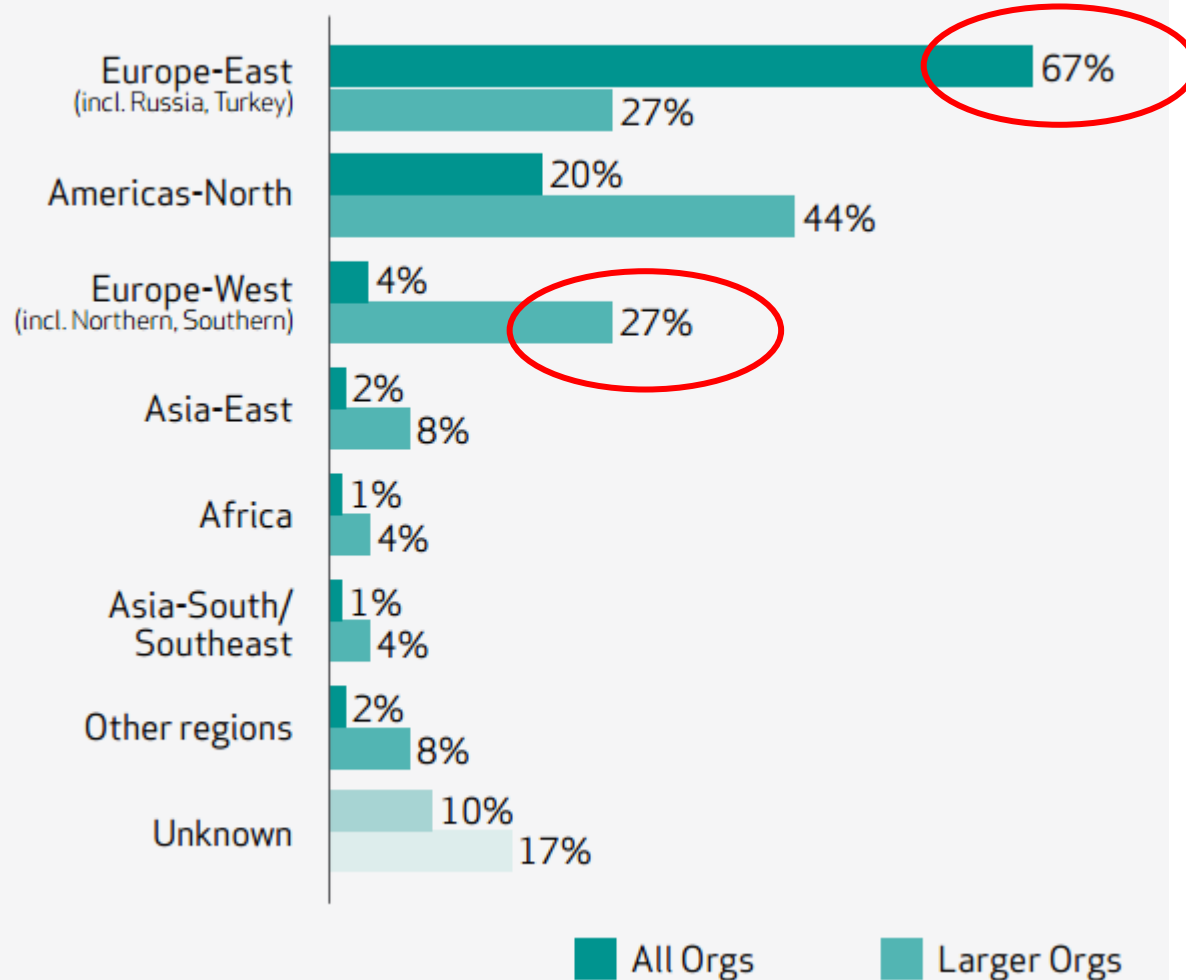


# And There's More Soldiers Out There



# And They Want You!

Figure 16. Origin of external agents by percent of breaches within External

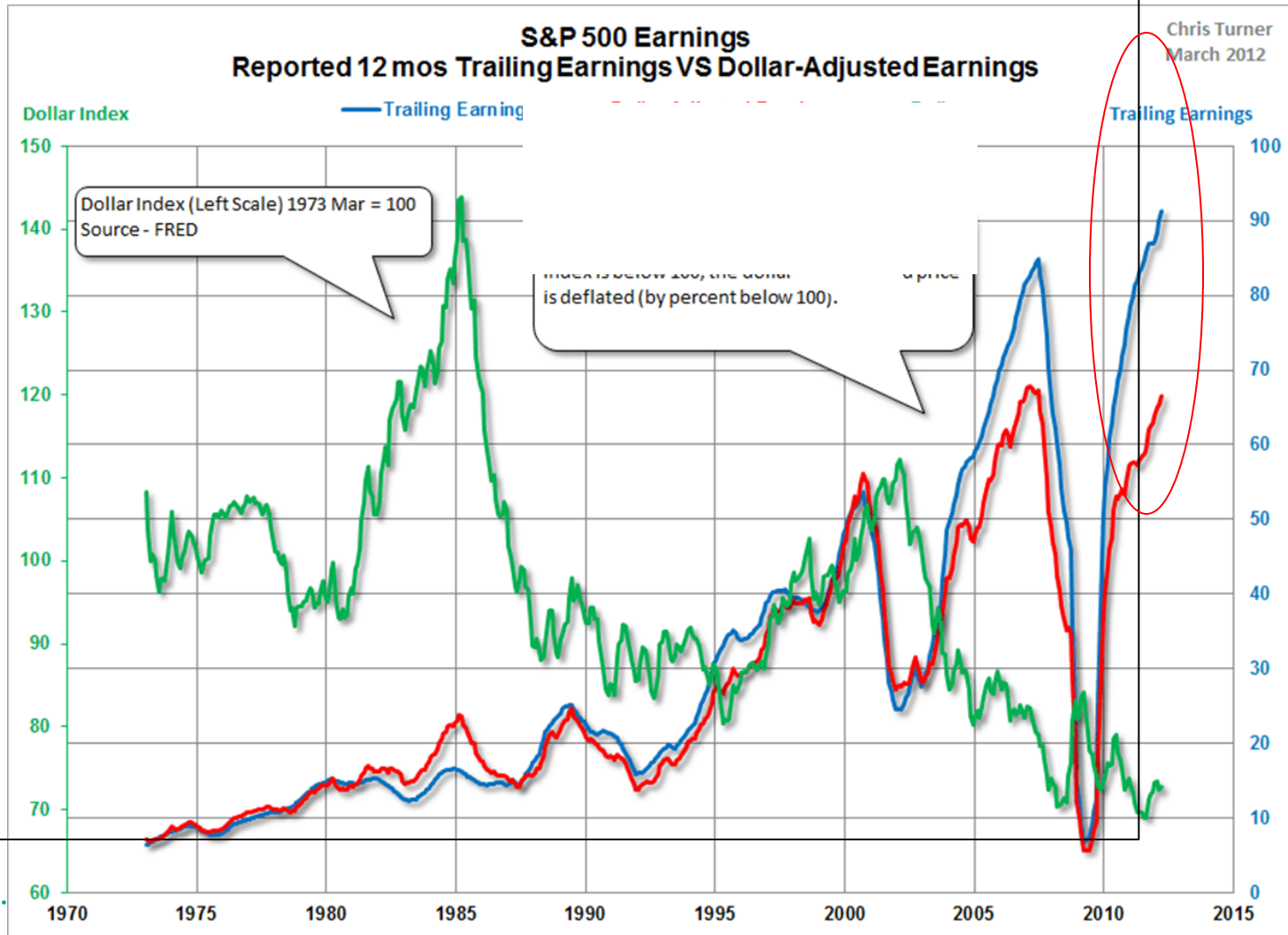


Source: Verizon DBIR



# Less Spending = Better Earnings


Which means pressured IT Budgets...



# PASHAW YOU SAY!

## 2012 Security Spending To Hold Strong

Compliance, mobile devices, and data loss prevention top the list of trends driving 37% of businesses to increase IT security spending.

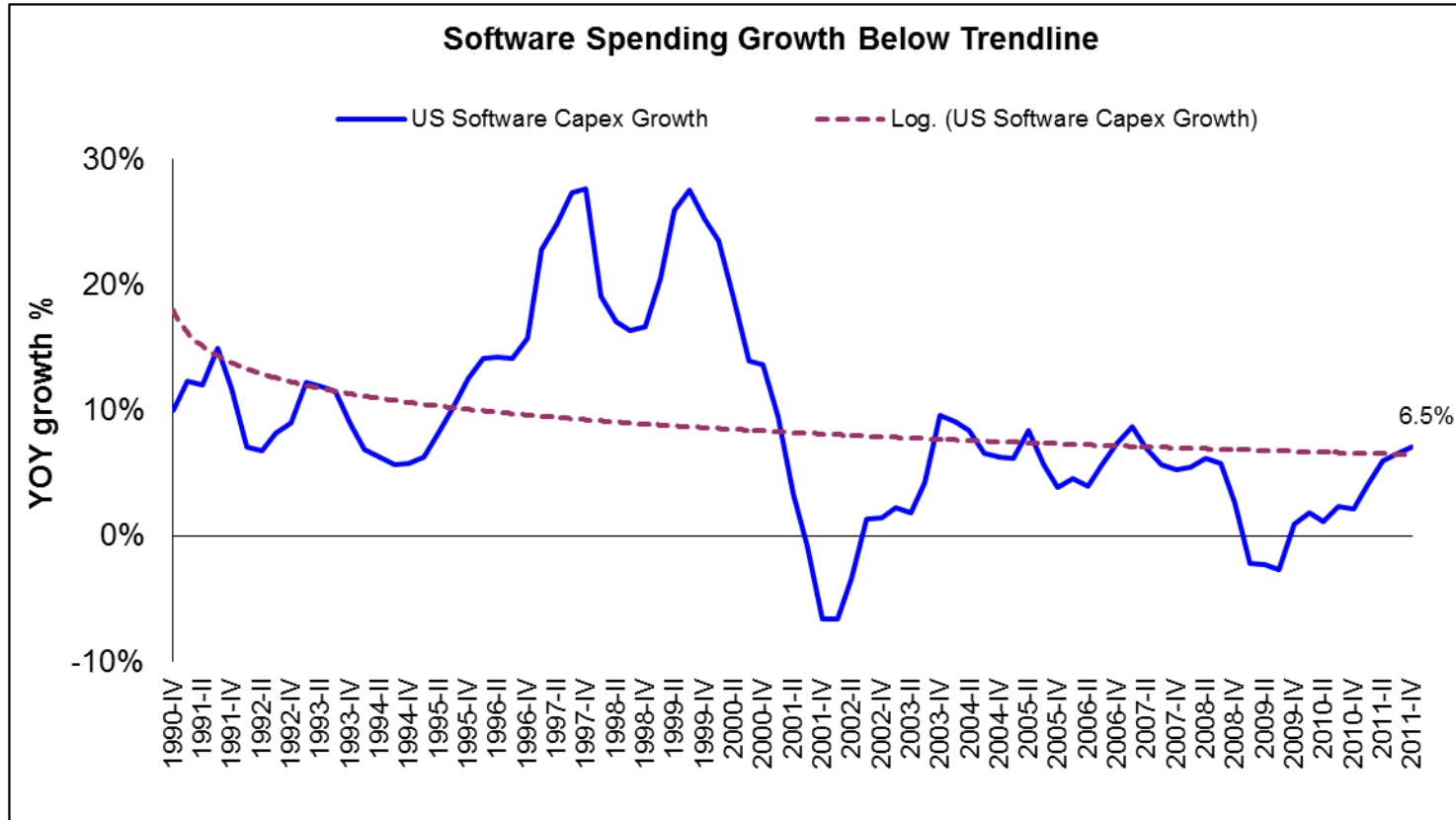
By [Mathew J. Schwartz](#)  [InformationWeek](#)  
November 17, 2011 02:40 PM

For 2012, 37% of information security professionals say their business plans to increase its security spending, while only 16% expect their security spending to decrease. The top drivers for spending increases are to address compliance, mobile devices, and data loss prevention.

**Sorry, but Compliance IS NOT Security**

---

# IT Budgets Under Pressure



# We Aren't Keeping Up

- Gartner: WW Security Revenues +7.5% in 2011
- But hackers are “spending” at a far greater clip
- And where is the money going?

**96%** of attacks were not highly difficult (+4%)

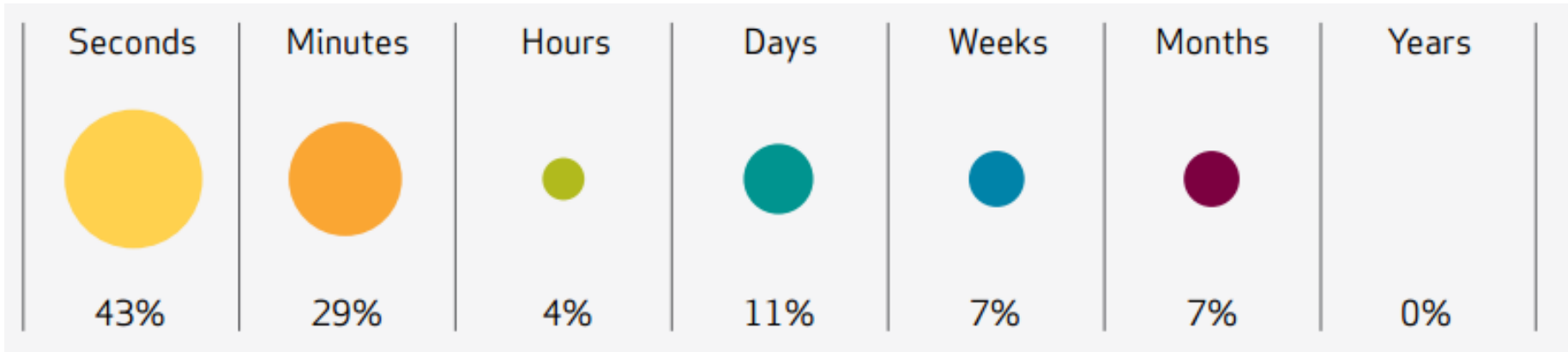
**92%** of incidents were discovered by a third party (+6%)

**97%** of breaches were avoidable through simple or intermediate controls (+1%)

**96%** of victims subject to PCI DSS had not achieved compliance (+7%)

# ROI?

- \$17.7 Billion in 2011 and 72% **owned** in just **MINUTES** or less

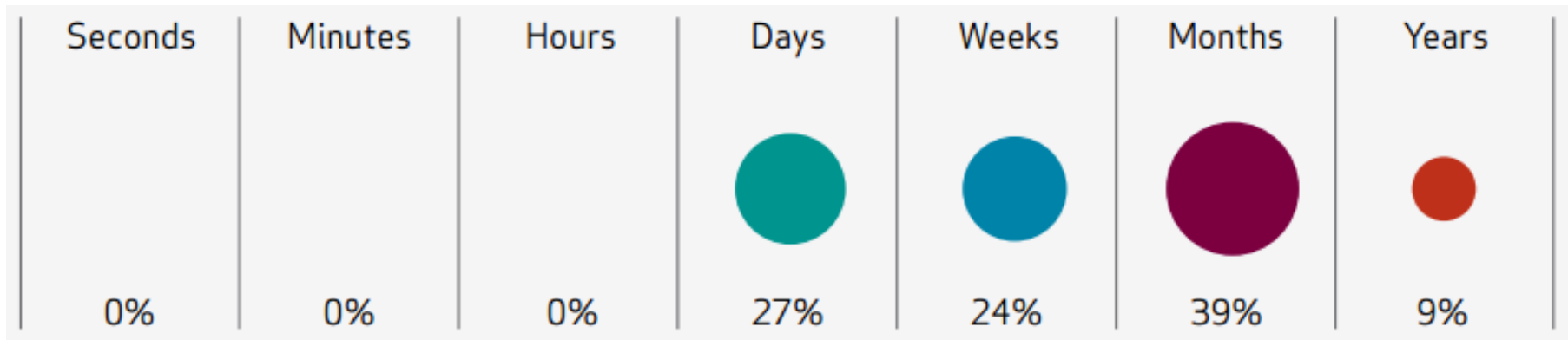


Source: Verizon DBIR

- And you wonder why the CFO questions the Security budget??

# Money Well Spent?

- But knowing you got owned... try days, weeks...
- **Almost half (48%) take Months or Years!!**



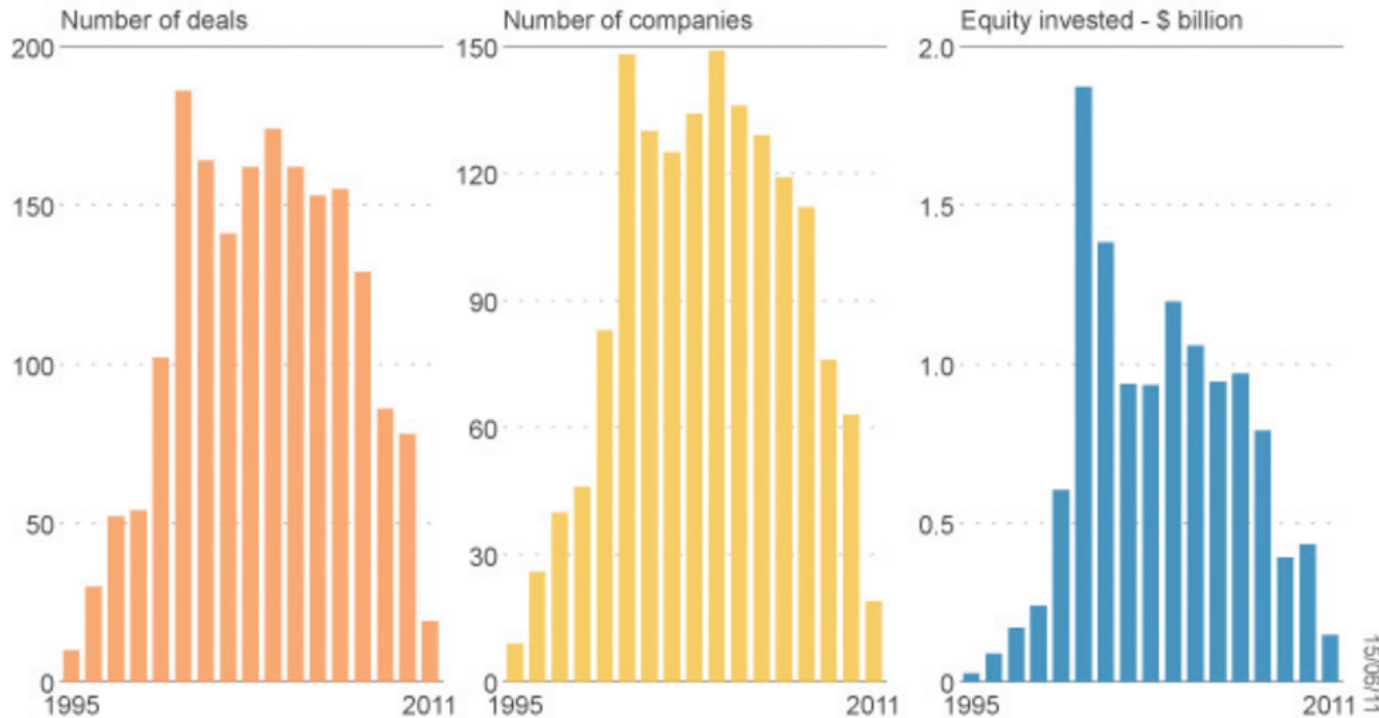
Source: Verizon DBIR

- And you wonder why the CFO questions the Security budget??

# Got Any Big Data or Social Media Plays??

## Venture capital investment in IT security

The recent spate of cyber attacks on companies and organizations may spur increased activity.



Source: The MoneyTree Report by PwC and NVCA based on data from Thomson Reuters

Note: 2011 is for first quarter



Reuters graphic/Van Tsui

Note 2011 NOT annualized but deal trend still flat to down

# There Is a Light In This Tunnel

- Palo Alto Networks going public
    - Over \$200MM in revenues – in just over 3 years!!
  - Qualys IPO planned...and more to come
  - Dedicated Security Stocks doing well
    - FIRE +101% in past year
  - Acquisitions galore!
    - Netwitness
    - Q1 Labs
    - Nitro
    - Log Logic...
    - and more to come...
  - Other Privates below the radar strong growth
    - see Tenable, Core Security expanding rapidly
  - This will get VC's more interested
-



# Need to Take A New Approach

- Owned in minutes demands a better way
    - Do you really think AV is the answer?
    - Do you really think firewalls are effective?
  - Yet these two product areas alone grab almost **2/3 (65%) of the total Security spend**
    - AV \$5Billion (6.25BN Euros)
    - Firewalls \$6.5Billion (\$8.13BN Euros)
  - Minutes to data loss versus billions in security spend...
  - And you wonder why the CFO questions the Security budget??
-

# Think Heavenly Thoughts

- The tough economic times force a reckoning
- Use these times to take the different tack
  - Companies want (need) innovative solutions more than ever
  - Renewing AV and FW maintenance without discount??
  - Which new technology are you bringing in?
- The Cloud is coming to you
  - Like it or not...
  - Take advantage of the disruption
    - Cloud shift mandates a number of different policies, support
    - Get ahead of the curve
- The Need to do **More with Less** will prevail for years



Questions?

