



Security Spending Meltdown

Just when it seemed security programs would be spared from the economic ax, security spending and hiring have begun to decline.

By Deb Radcliff



Last year, analysts painted a rosy picture around security spending despite the sagging economy. Then suddenly the market hit the “Q4, 2008 Meltdown,” as Derek Brink, VP and Research Fellow at Aberdeen, calls it.

Despite reports citing eight, ten and 25 percent growth in security spending late in 2008, security budgets and spending suddenly flattened out. At the same time, head counts began to shrink, and the number of security incidents began to rise, according to a February Aberdeen report authored by Brinks. Other recent studies are reporting similar trends.

“In Q3 of last year, security spending was increasing at a modest pace. Now, we’re seeing those spending numbers turn upside down,” says Bill Trussell, managing director of security research at the InfoPro.

InfoPro reported that in Q3 2008, 43 percent of 211 organizations interviewed increased security spending, 26 percent kept spending on par with 2007, and 31 percent experienced a decline in spending. In Q1 2009, preliminary results show that 51 percent of interview subjects are reducing their security spending, only 23 percent are increasing spending, and 26 percent say spending remains the same.

Overall, that means security spending has flattened out, say Trussell and other analysts. They predict organizations will spend about what they spent on security last year, but will limit expenditures to those that are necessary to keep them whole, deferring anything they deem discretionary at least for the duration of 2009.

“Resources are scarce,” explains Jon Gossel, president and CEO of SystemExperts, a technology consulting firm to more than 300 mostly Fortune 1000 clients. “Organizations are tightening their belts and making better, clearer plans around how and where they’ll spend their security dollars.”

Vendors need to prioritize as well, innovating around a higher level of ROI by baking security into everyday IT operations so that security is no longer seen as a separate line item, advises Chenxi Wang, principal analyst at Forrester.

Certain big-ticket esoteric projects such as application security and collaboration are the first to be put on hold during this period of flat spending, according to Wang. But, she predicts security that meets compliance demands, particularly data protection by means of encryption, will continue do well in this market.

Content security gateways, which grew 25 percent in 2008, are predicted to continue double digit growth through 2009, according to a March report released by Infonetics. But there are no numbers in on Q1 2009 to indicate what effect the Q4 Meltdown has had on this segment early this year. And, in terms of keeping them “whole,” as Gossel put it, organizations have continued to spend money on network security appliances, which experienced eight percent growth last year (Cisco, Juniper, Checkpoint were the leaders).

Another area Wang sees growing in this economy is selective cloud services such as e-mail security, Web content filtering, authentication, and network firewall monitoring. Her argument is that small- and medium-sized businesses (SMBs), are being forced to divest of their security staffs and purchase these services in the cloud.

For example, in what looks to be an upper mid-sized organization, J. F. Rice, author of Computerworld’s “Security Manager’s Journal,” lost half his security staff in a Q1 layoff, according to a [March 16 article](#).

These layoffs are leaving a vacuum wherein there is no one to complete or start new projects, explains Pam Casale, chief marketing officer, Intellitactics. Therefore, the log management company recently unveiled an add-in deliverable that amounts to three free days of onsite installation as a bundled service.

While services might appeal to SMBs trying to save money with outsourcing, large-scale reductions in security staff aren’t taking place at the enterprise level, based on Gossel’s experiences with Fortune 1000 clients. At the enterprise level, he says, organizations are struggling to hold onto their precious security staff at the expense of buying into new projects.

Your browser may not support display of this image. With security spending flat, and with this mixed security spending story, analysts advise vendor organizations to invest in innovation during this slow down—particularly around recession-enhanced pain points of regulations, data protections, layered complexity, lack of ROI, and lack of infrastructure integration.

“Organizations will continue to invest in what critical security programs they have,” adds Carol Clark, director of ID and Access Products for RSA/EMC. “They should also prioritize projects for new investments based on criticality, regulatory requirements, and revenue streams the new projects could facilitate.”

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