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Background and Company Performance

Industry Challenges

The complexity and volume of cyber threats continue to mount. For businesses of all sizes, this is a serious problem. The legitimate communication channel they rely on extensively, email, is also the channel-of-choice for delivering malware. Email is still the number one threat vector. It is the most used mode of corporate communication. PCs (both desktop and notebook) are most frequently used by individual users and organizations for work, including email, and accessing the Internet. Hence, this is a primary target for cyber attacks. Servers and mobile devices are also critical endpoint devices. This adds to the complexity of providing endpoint security.

Organizations face the complexity of mitigating quickly evolving malware, maintaining productivity, and meeting compliance. An example of the effect of undiscovered malware is ransomware. Ransomware results in either the targeted organizations making payments or losing access to data as well as costing valuable downtime for an organization. Moreover, threats are becoming more sophisticated such as Advanced Persistent Threats (APT), botnets, zero-day attacks, and other malware. Malware, in particular ransomware, continues to grow and evolve at an accelerated pace and. The endpoint devices are the primary targets. The challenge for endpoint security vendors is to keep pace with the changing tactics of hackers. Ultimately, an endpoint security vendor needs to be adaptable.

Endpoint Protection Platforms (EPP) are comprised of traditional antivirus (AV) but also several other features and functions. It is a multi-layered security approach. EPP is a reactive security solution. Endpoint Detection and Response (EDR) is an advanced tool for endpoint security. EDR, conversely, is a proactive security solution, compared to EPP, designed to investigate suspicious incidents occurring on endpoints. Several EPP vendors are adding EDR capabilities. The EPP market is becoming more competitive as vendors continue to innovate and enhance their solutions.

The companies and organizations which need endpoint security cover a broad range of size and requirements from Consumer/SOHO to Large Enterprise. At one end, Consumer/SOHO and small to midsize customers are cost constrained and have limited internal security support. At the other end, larger organizations are high-value targets which need more robust tools. It is a challenge for an endpoint security vendor to have a broad portfolio to satisfy all of these customers.

Endpoint security is a fast growing market. In 2016, revenues grew 10.9% to $8.2 billion. Frost & Sullivan projects a CAGR (’16 to ’21) of 7.7%. The high growth rate and volume of the endpoint security market has attracted more vendors in the last few years.
There are over 40 vendors in endpoint security. Consequently, establishing a leadership position or growing market share in such a competitive market is challenging both incumbent and new vendors in endpoint security.

**Growth Performance and Customer Impact**

McAfee spun out of Intel in April 2017 as an independent company. McAfee was founded in 1987 and quickly established its position in the PC market. Intel acquired McAfee in 2010. As the Intel Security Group, the company established a strong number two market share position in endpoint security.

McAfee has a broad product portfolio serving Consumer/SOHO to Large Enterprise. The company has strong brand recognition through its consumer and corporate product lines. There are separate product lines for consumer and corporate clients. McAfee shares its technology among its consumer and corporate product lines. The company has developed a strong open ecosystem of third parties. As an independent company, McAfee can singularly focus on cyber security. At the time of re-launch, the company stated that it “...will apply greater market focus, build its platform and target new financial, operational and technology investments to better address the cybersecurity market’s significant global growth opportunity.”
Above-market Growth

By leveraging its brand recognition, OEM agreements and delivering innovations to corporate customers, McAfee has seen high growth in 2016, 17.7%, outpacing the overall market. The company has had the largest market share gain of all top vendors. In 2016 McAfee ranked second in total endpoint security revenues with 22.0% market share, a gain of 1.3 percentage points over 2015. All other top competitors either slipped or were essentially flat. There were several new entries into the market in 2016. In a crowded field with over 40 competitors, including many aggressive startups, notable that McAfee’s growth rate outpaced all of the top incumbent vendors.

Growth Strategy

McAfee leverages its brand name recognition and performance throughout all business segments. As noted previously, McAfee shares its technology among its consumer and corporate product lines. This will drive further innovation and growth throughout the product lines, especially enterprise segments.

McAfee gave a clear vision of its future at the time of its roll out as a new standalone company. A new strategic vision was outlined focused on innovation, trust and collaboration. The product and technology strategy is focused on endpoints for both corporate and consumer, cloud-first development, and an open ecosystem.

McAfee’s strategic roadmap is in three phases.

Phase I: Integrated Controls

Phase II: Automated Workflows

Phase III: Orchestrated Systems

According to CEO Chris Young, McAfee is in Phase I and transitioning to Phase II. It needs to plant the seeds for Phase III. The company is making investments in this now. There is a 3 to 5 year time scale for the roadmap. Phase I is expected to be done by end of 2018. Phase III will likely start in 2019 or 2020, but this could occur sooner.

Growth Diversification

McAfee is a global organization with over 7,500 employees. The company holds more than 1,200 security technology patents. McAfee has been rolling out innovations in the last year while it was part of Intel and now as a separate company. It introduced Dynamic Endpoint and integrated EDR in 4Q 2016. The integrated, multi-stage protection includes machine learning and EDR. Also, Real Protect machine learning was introduced in Consumer/SOHO in 2016. Spanning all product lines, McAfee Global Threat Intelligence (GTI) is an always-on, cloud-based threat intelligence service.
McAfee provides a connected platform with integrated tools that deliver better protection and saving customers’ time. A single platform agent, with a single management console, combines established protection such as firewall, reputation and heuristics capabilities such as machine learning and dynamic application containment, and adds native EDR. McAfee uses a connected architecture across the entire threat defense lifecycle.

McAfee shares its technology among its consumer and corporate product lines. The company also developed a strong open ecosystem of third parties. The data exchange layer (DXL) is used by the third-party ecosystem and also McAfee products. McAfee has developed close collaboration with third-party partners through its Security Innovation Alliance (SIA). The company describes SIA as “...a critical component to empowering our customers to address all stages of the threat defense lifecycle.” There are than 135 partners in McAfee’s SIA. There are more than 30 partners who integrated or plan to integrate DXL.

McAfee has invested in more efficient and simpler unified workflow for improved customer experience. Independent tests report it is 99% effective with no false positives. McAfee puts emphasis on a centrally managed platform for protection, custom intelligence and threat hunting.

**Growth Sustainability**

The new company tagline for McAfee is “Together is Power.” This is central to the company’s brand. It is the basis for one element of McAfee’s strategic vision – collaboration. This collaboration extends to people both within McAfee and its partners and clients. The goal is also to develop products that work with each other but also with other vendors’ products. McAfee also wants to strengthen the cyber security industry via collaboration with other security organizations. This involves the sharing of threat information and open protocols.

Contributing to McAfee’s growth sustainability in Endpoint Security is its integrated approach to delivering current and future defenses. The McAfee Endpoint Security platform brings together multiple technologies under a single management tool (McAfee ePolicy Orchestrator) making a much easier environment to manage. All components are also able to work together and share threat intelligence with each other. McAfee plans to deliver future technologies with this approach so that instead of deploying additional point products, customers plug in new defenses and prevent security silos and additional manual processes.

Additionally, McAfee provides a robust integration ecosystem, the Security Innovation Alliance (SIA), that spans the entire security portfolio including endpoint. Coupled with open integration tools, this ecosystem allows McAfee customers to automate workflows and information sharing with a myriad of 3rd party solutions to maximize protection, improve efficiency and reduce operational costs.
Brand Equity

McAfee was founded in 1987 and quickly became part of the early PC era. The brand became well entrenched in the minds of PC users, especially consumers. In 2010 Intel purchased McAfee for $7.68 billion and operated it as a wholly owned subsidiary. In 2014 Intel announced plans to phase out the McAfee brand, changing it to Intel Security, while continuing to use the distinct red shield McAfee logo for its products.

On April 3, 2017 McAfee was spun out of Intel as a standalone pure-play cybersecurity firm. With an updated red shield logo, it retained the McAfee name. The main investment firm, Texas Pacific Group, cited McAfee as a trusted brand known worldwide. Several key OEMs such as Dell, Hewlett Packard, and Lenovo feature McAfee products on their respective on-line shopping sites for their customers. The company boasts that it protects “... more than 74.9 million endpoints daily, including 87% of the world’s largest banks and Fortune 100 firms and more than 263 million consumer endpoints.”

Conclusion

With its strong overall performance, McAfee has achieved the fastest growth rate in the Endpoint Security market and Frost & Sullivan is proud to bestow the 2017 Growth Excellence Leadership Award to McAfee. This is a result of long-term planning and development, a well thought out strategic vision, strategic partnerships and development of a broad ecosystem of partners. The results for McAfee are that in 2016 its revenues for endpoint security grew 17.7% outpacing the overall market. This solidified the company’s strong second place ranking and was the only major player in endpoint security to gain market share, an impressive 1.3 percentage points. What is notable is that McAfee continues to grow its market share in a highly competitive market which has attracted many more players in recent years. McAfee enters a new era as a relaunched pure-play cybersecurity company, which will enable it to focus fully on its mission to provide effective security to its customers. The company has a strategic vision and roadmap it is implementing. McAfee becomes an independent company again with a strong momentum and long term plan which augurs a successful future in endpoint security.
Significance of Growth Excellence Leadership

Growth Excellence Leadership is about inspiring customers to purchase from your company, and then to return time and again. In a sense, then, everything is truly about the customer, and making those customers happy is the cornerstone of any long-term successful growth strategy. Companies that excel in driving growth strive to be best-in-class in three key areas: meeting customer demand, fostering brand loyalty, and carving out a unique, sustainable market niche.

Understanding Growth Excellence Leadership

Companies that creatively and profitably deliver value to customers ultimately set up their businesses for long-term, rapid growth. This is what Growth Excellence Leadership is all about: growth through customer focus, fostering a virtuous cycle of improvement and success.
Key Benchmarking Criteria
For the Growth Excellence Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Growth Performance and Customer Impact—according to the criteria identified below.

Growth Performance
- Criterion 1: Growth Strategy
- Criterion 2: Above-market Growth
- Criterion 3: Share of Wallet
- Criterion 4: Growth Diversification
- Criterion 5: Growth Sustainability

Customer Impact
- Criterion 1: Price/Performance Value
- Criterion 2: Customer Purchase Experience
- Criterion 3: Customer Ownership Experience
- Criterion 4: Customer Service Experience
- Criterion 5: Brand Equity

Best Practices Award Analysis for McAfee

Decision Support Scorecard
To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

The Decision Support Scorecard is organized by Growth Performance and Customer Impact (i.e., These are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.
The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 2 and Competitor 3.

<table>
<thead>
<tr>
<th>Measurement of 1–10 (1 = poor; 10 = excellent)</th>
<th>Growth Excellence Leadership</th>
<th>Customer Impact</th>
<th>Average Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growth Performance</strong></td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>McAfee</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Competitor 2</td>
<td>6.0</td>
<td>7.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Competitor 3</td>
<td>6.0</td>
<td>7.0</td>
<td>6.5</td>
</tr>
</tbody>
</table>

**Growth Performance**

**Criterion 1: Growth Strategy**
Requirement: Executive team has a shared vision for the organization’s future growth and has created and implemented a strategy that is consistent with that vision.

**Criterion 2: Above-market Growth**
Requirement: Company’s growth rate exceeds the industry’s year-over-year growth rate.

**Criterion 3: Share of Wallet**
Requirement: Customers allocate a greater percentage of their total spend to purchasing products or services produced by the company.

**Criterion 4: Growth Diversification**
Requirements: Company is equally able to pursue organic (e.g., distribution channel optimization, new product innovation) or inorganic (e.g., acquisitions, partnerships) growth opportunities consistent with the long-term objectives of the organization.

**Criterion 5: Growth Sustainability**
Requirement: Company has consistently sought out opportunities for new growth, enabling the organization to build on its base and sustain growth over the long-term.

**Customer Impact**

**Criterion 1: Price/Performance Value**
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

**Criterion 2: Customer Purchase Experience**
Requirement: Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints.

**Criterion 3: Customer Ownership Experience**
Requirement: Customers are proud to own the company’s product or service and have a positive experience throughout the life of the product or service.
**Criterion 4: Customer Service Experience**
Requirement: Customer service is accessible, fast, stress-free, and of high quality.

**Criterion 5: Brand Equity**
Requirement: Customers have a positive view of the brand and exhibit high brand loyalty.

**Decision Support Matrix**
Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.

![Decision Support Matrix Diagram]

- High Customer Impact, High Growth Performance: McAfee
- Competitor 2
- Competitor 3

Low Customer Impact, Low Growth Performance
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

<table>
<thead>
<tr>
<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Monitor, target, and screen</td>
<td>Identify Award recipient candidates from around the globe</td>
<td>• Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies</td>
<td>Pipeline of candidates who potentially meet all best-practice criteria</td>
</tr>
<tr>
<td>2 Perform 360-degree research</td>
<td>Perform comprehensive, 360-degree research on all candidates in the pipeline</td>
<td>• Interview thought leaders and industry practitioners • Assess candidates’ fit with best-practice criteria • Rank all candidates</td>
<td>Matrix positioning of all candidates’ performance relative to one another</td>
</tr>
<tr>
<td>3 Invite thought leadership in best practices</td>
<td>Perform in-depth examination of all candidates</td>
<td>• Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps</td>
<td>Detailed profiles of all ranked candidates</td>
</tr>
<tr>
<td>4 Initiate research director review</td>
<td>Conduct an unbiased evaluation of all candidate profiles</td>
<td>• Brainstorm ranking options • Invite multiple perspectives on candidates’ performance • Update candidate profiles</td>
<td>Final prioritization of all eligible candidates and companion best-practice positioning paper</td>
</tr>
<tr>
<td>5 Assemble panel of industry experts</td>
<td>Present findings to an expert panel of industry thought leaders</td>
<td>• Share findings • Strengthen cases for candidate eligibility • Prioritize candidates</td>
<td>Refined list of prioritized Award candidates</td>
</tr>
<tr>
<td>6 Conduct global industry review</td>
<td>Build consensus on Award candidates’ eligibility</td>
<td>• Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates</td>
<td>Final list of eligible Award candidates, representing success stories worldwide</td>
</tr>
<tr>
<td>7 Perform quality check</td>
<td>Develop official Award consideration materials</td>
<td>• Perform final performance benchmarking activities • Write nominations • Perform quality review</td>
<td>High-quality, accurate, and creative presentation of nominees’ successes</td>
</tr>
<tr>
<td>8 Reconnect with panel of industry experts</td>
<td>Finalize the selection of the best-practice Award recipient</td>
<td>• Review analysis with panel • Build consensus • Select recipient</td>
<td>Decision on which company performs best against all best-practice criteria</td>
</tr>
<tr>
<td>9 Communicate recognition</td>
<td>Inform Award recipient of Award recognition</td>
<td>• Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient’s performance</td>
<td>Announcement of Award and plan for how recipient can use the Award to enhance the brand</td>
</tr>
<tr>
<td>10 Take strategic action</td>
<td>Upon licensing, company is able to share Award news with stakeholders and customers</td>
<td>• Coordinate media outreach • Design a marketing plan • Assess Award’s role in future strategic planning</td>
<td>Widespread awareness of recipient’s Award status among investors, media personnel, and employees</td>
</tr>
</tbody>
</table>
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company’s Growth Partnership Service provides the CEO and the CEO’s Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.