

**2007 Frost & Sullivan
Distribution Strategy Leadership Award
Award Recipient: F-Secure**

2007

FROST & SULLIVAN

Distribution Strategy Leadership Award
in the Global Anti-Malware Market

AWARD DESCRIPTION

The Frost & Sullivan Award for Distribution Strategy Leadership is presented each year to the company that has demonstrated superior practices in distribution strategy within the industry.

RESEARCH METHODOLOGY

Through primary and secondary research methods, all companies' distribution strategies are considered. Companies with superior distribution strategies are shortlisted, and their practices are analysed in depth. Frost & Sullivan then presents the Award to the company that displays the best distribution strategies.

MEASUREMENT CRITERIA

This Award is given to the company that has excelled on the criteria listed:

- Effective use of new channels to market
- Ability to accommodate different market segments, or different markets within an industry by using different channels to market
- Ability to adapt products and services to the needs of channel partners
- Channel support in the form of training and marketing agreements
- Ability to expand internationally by adapting channel strategies to local market conditions
- Effective use of online distribution channels



Introduction

The 2007 Distribution Strategy Leadership Award in the Global Anti-Malware Products Market is presented to F-Secure. Because of market maturity and a high degree of competition in the current anti-malware market, distribution is a key area to base growth on. F-Secure has understood this at an early stage. The company identified upcoming distribution channels several years ago, and has since been building strong channel relationships and sustainable distribution business models. F-Secure continues to strengthen its distribution strategy on an ongoing basis, and the company now has a significant competitive advantage in this area.

The Internet Service Provider Market

2006 saw the acceleration of a new distribution trend for security software sales. Internet service providers are becoming the next distribution battleground for vendors. Whilst this distribution channel has long been a secondary focus for many market participants, F-Secure has been implementing best practices in its relationships with ISPs since the late nineties. In 1999, the company signed its first Security as a Service partnership. In 2000, F-Secure launched a subsidiary called F-Secure Online Solutions (F-SOS), which was focused on delivering security services through ISPs. The F-SOS operations were integrated into F-Secure due to synergy reasons in 2002.

As a result of this early focus on the service provider market, F-Secure has a lead in a market which is now becoming a key distribution battlefield. Today, F-Secure has partnerships with five of the leading global service providers, including Vodafone, Swisscom, Orange UK, T-Mobile and Telecom Italia.

F-Secure's lead with service providers is a competitive advantage which is difficult to copy. The run-up time before a partnership is established can amount to two years. Security providers have to significantly adapt their billing systems and business models to be able to integrate with service providers' systems. These requirements raise the barrier to entry to the ISP channel significantly.

F-Secure has successfully adapted its processes and business model in order to integrate with service providers' business models. The company has built up expertise in service providers' billing systems. Also, F-Secure integrates with service providers' monthly billing models. This flexibility distinguishes F-Secure's business model from the standard anti-malware vendor practice of billing on a yearly basis.

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The integration between F-Secure and service providers' business models goes further than the prerequisite of operational synergies. F-Secure hosts a service provider advisory board, consisting of executives from F-Secure and from various service providers and telcos. In this board, F-Secure determines its strategic direction for products and business models in conjunction with service providers. Conversely, F-Secure advises its partners on security.

F-Secure dedicates a number of specific channel marketing activities to the service provider segment. The company's annual service provider event attracts worldwide participants. F-Secure also provides training for service providers. On the other hand, F-Secure engages in joint marketing activities with service providers. An example is the "SPA"-website. Service providers can download tools on here to use on their website and educate their users about security issues. Using these educational tools enhances the profile of both the service provider and F-Secure.

F-Secure's mobile security offering

In addition to having an attractive business model for service providers, F-Secure's product portfolio also provides an edge for telecom operators. The company has been a pioneer in the mobile security market, and remains at the forefront in this area.

F-Secure has been a pioneer in the mobile security market. The company was the first vendor to launch a commercially available solution for protecting Symbian OS smartphones in 2004. The company has since refined its technology and extended its protection to Windows Mobile 5.0 in October 2005. The company also released Mobile Security, which has a mobile firewall and antivirus protection for Symbian Series 80 users. This product line will be extended to Windows over the course of 2007.

F-Secure also leverages another distribution channel with its mobile security offering: much like what happens in the PC world, Nokia's latest smartphones are shipped with a trial version of F-Secure Mobile Anti-Virus. This again demonstrates F-Secure's sense for innovation in distribution strategies.

Conclusion

F-Secure has demonstrated extraordinary vision in its distribution strategies. The company has been building relationships with ISPs and telecommunications providers before competitors were targeting these channels. F-Secure continues to place excellence in distribution strategies at the core of its business model, which is exemplified by the service provider advisory board and the SPA website. Frost & Sullivan believes that F-Secure has built a sustainable competitive advantage with its distribution strategies, and therefore deserves the Frost & Sullivan 2007 Distribution Strategy Leadership in the Global Anti-Malware Market Award.