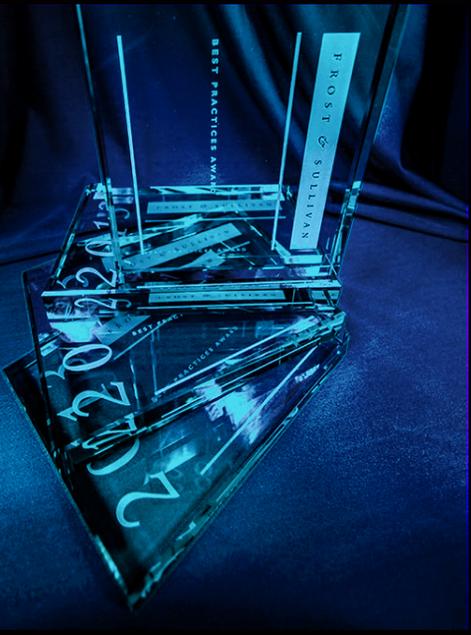


open
systems

2016 European
Managed Security Services Providers
Customer Value Leadership Award



FROST & SULLIVAN

BEST
2016 PRACTICES
AWARD

EUROPEAN
MANAGED SECURITY SERVICES PROVIDERS
CUSTOMER VALUE LEADERSHIP AWARD

2016
BEST PRACTICES
AWARDS

Contents

Background and Company Performance	3
<i>Industry Challenges</i>	3
<i>Customer Impact and Business Impact</i>	4
<i>Conclusion</i>	6
Significance of Customer Value Leadership	7
Understanding Customer Value Leadership	7
<i>Key Benchmarking Criteria</i>	8
Best Practice Award Analysis	8
<i>Decision Support Scorecard</i>	8
<i>Customer Impact</i>	9
<i>Business Impact</i>	9
<i>Decision Support Matrix</i>	10
The Intersection between 360-Degree Research and Best Practices Awards.....	11
<i>Research Methodology</i>	11
Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices	12
About Frost & Sullivan	13

Background and Company Performance

Industry Challenges

The velocity of cyber threats across IT and Industrial Control Systems (ICS) domains is rising quite significantly, right at a time when the majority of enterprises fall further behind in their defences. This makes managed security services (MSS) an increasingly important, if not indispensable, part of the cyber security industry. According to Frost & Sullivan's MSS definition, MSS providers (MSSPs) take on outsourced services to proactively monitor a customer's security environment, which encompass protection against denial of service attacks, email viruses and worms, spam, firewalls, and network intrusion detection and prevention services.

Frost & Sullivan research confirms that enterprises are driven to pursue a deeper relationship with the right MSSP due to 5 main operational challenges:

1. The increasing complexity and focused targeting of attacks boosts demand for enterprises to pursue a MSSP relationship in order to focus on their core business.
2. Evolving compliance requirements for organizations drive the need to partner with MSSPs so that enterprises can demonstrate auditable steps to protect their customers' data & privacy.
3. The shortage of in-house and deep security expertise and talent drives demand for enterprises to partner with an MSSP to outsource a skill problem - but also to leverage large scale communities of threat intelligence.
4. The increasing complexity of network security point products is difficult to manage for businesses with small security teams. Enterprises recognize that their IT estate must become more manageable and will flatten even more as new networking technologies are adopted.
5. Intense focus on the core functions of enterprises drives cloud service adoption and prompts firms to work with MSSPs to take care of the security implications and protection.

In an increasingly competitive MSSP marketplace, Frost & Sullivan firmly believes that the successful provider is one which ticks all of the usual boxes of geographic scope, scale and product breadth – as well as a provider that can more acutely resolve enterprise challenges. A well-executed customer centric strategy will position an MSSP strongly in a crowded marketplace dominated by the usual suspects from IT- and Telecoms-based MSSPs.

Frost & Sullivan independent research of MSSPs in Europe has identified that Open Systems AG, a pure-play MSSP based in Switzerland, has truly succeeded in its customer centric strategy execution, enabling the company to maintain a strong presence and compete effectively with larger MSSPs.

Customer Impact and Business Impact

Open Systems AG, in a sea of recent consolidation of other niche MSSPs, retains a strong presence in the European MSSP marketplace. The company began operations in 1990, at a time when firewalls were an effective prevention tool. Since then, Open Systems has successfully kept pace with a changing threat landscape, increasingly sophisticated technologies, and stronger appeals by customers to simplify reports and actions.

Most importantly, Open Systems also continues to outperform the security market. According to Frost & Sullivan research, the European MSSP market grew 13.5% year-on-year in 2015 to reach US\$3.63 billion. Open Systems' 2015 revenue grew around 20% compared to 2014. This financial performance is the result of Open Systems' focus on delivering value to its customers. Frost & Sullivan recognizes Open Systems for its strength in retaining existing customers and for its performance in customer experience terms compared to other IT- or Telecom-based MSSPs.

Empowerment

Frost & Sullivan recognizes how Open Systems properly empowers its customers, who are encouraged to take independent, informed, and creative approaches to issue resolution. This is supported by its user-friendly interface, Mission Control Portal, enabling customers to receive security reports and action the necessary steps to an incident.

Another way Open Systems truly empowers its customers is its approach to staffing its Security Operations Centres (SoCs). For example, the company staffs its SoC with highly experienced analysts; customers will always have third level support engineers from its two SoCs in Zurich and Australia. This gives customers the control and assurance that incidents can be dealt with by experienced analysts and engineers quickly (a crucial but non-quantifiable metric).

Leverage of Customer Feedback

Open Systems continuously improves by integrating customer feedback that leads to direct changes to product features or the service model. This is reflected by the scope of managed security services within its portfolio, expanding from firewalls to also prepare for emergent needs - such as Distributed Denial of Service (DDoS) or cloud related security.

More importantly, Open Systems decided a long time ago to base its strategy on client alignment, by maintaining a pure-play MSSP approach to leverage the best technologies available to address customers' operational challenges. This has clearly worked to Open Systems' favour by supporting its portfolio expansion, which is aligned to customer requirements so that margins can be protected.

For example, Frost & Sullivan identifies DDoS as an emerging MSS business segment in coming years, a segment that will also support MSSPs to keep growing their revenue. Open Systems has also identified another potential hot area in federated ID management, based on its conversations with its customers.

Speed/Timeliness

Open Systems resolves issues within a timeframe that properly meets the demands of its customers. This is evidenced in two ways. First, as discussed above, Open Systems staffs its SOCs with level 3 support staff, allowing the customer inquiry to be addressed straight away at the first call. This is different than the usual situation, where issues may be escalated from the first level 1 support desk. In the current threat landscape, whenever an MSSP can give customers the luxury of time saved, the client gains the luxury of time to respond.

Secondly, Open Systems has focused on ensuring its visual representation of SoC reports are customisable and used for both technical and non-technical readers (including C-level and board members). An intuitive understanding by non-technical staff across the organisation offers an enterprise a "security aware culture" to meet the underlying business objectives.

Technological Investment

Frost & Sullivan monitors how Open Systems invests in best-in-class technologies that enhance customer knowledge, accelerate issue resolution, and improve the customer experience. First, Open Systems' Mission Control Portal is the result of internal research and design to make it as simple as possible to represent security incidents for both technical and non-technical audiences. Second, MSSPs are largely technology agnostic and only integrate best-in-class technologies from different security products. Third, Open Systems invest in technologies at the human skill level. A global war for security talent is ongoing. Open Systems retain existing employees by providing an interesting work environment. Its SoCs see diverse security metrics and incidents, thus retaining staff interest that leads to employee and knowledge retention.

Financial performance

According to Frost & Sullivan research, the European MSSP market grew at an average annual growth of 13.6% between 2012 and 2014. Open Systems' 2015 revenue grew around 20% compared to 2014 – and has been growing at around the same levels for the last 3 years. The company has consistently outperformed the industry and also shown commendable resilience in a consolidating market. Frost & Sullivan is also optimistic that Open Systems' strategy supports the virtuous cycle of renewing satisfied customers who must manage growing complexity in the threat landscape.

Brand equity

Open Systems' customers have a positive view of its brand and exhibit high loyalty. This is evidenced by the stable base of customers, from international organisations including the United Nations and the International Red Cross, to financial services companies such as AXA in its long trading history. Importantly, Open Systems also prides itself as a popular employer. It was voted the 25th most attractive employer in Switzerland by IT graduates in 2016. Open Systems commands positive mindshare among customers and prospective employees; Frost & Sullivan feels that the latter is a crucial differentiator in the global war for security talent.

Conclusion

Frost & Sullivan recognises Open Systems for its simple customer centric strategy that has enabled it to continuously outperform the market in Europe for the last 3 years. The company also consistently plans its services in line with customers' existing and future needs, from well-defined MSS segments including security management and monitoring to imminent hot areas such as DDoS or federated identity management.

An MSSP's success based on the usual metrics of geographic footprint and scale are no longer enough; the ability to support customers' operational challenges around security risks must be another success factor. Frost & Sullivan recognizes Open Systems for its strength in retaining existing customers and for its relative performance in client experience when compared to other IT- or Telecom-based MSSPs.

With its strong overall performance, Open Systems AG has earned the 2016 Frost & Sullivan Customer Value Leadership Award.

Significance of Customer Value Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company, and then making the decision to return time and again. Delighting customers is therefore the cornerstone of any successful growth strategy. To achieve these dual goals (growth and customer delight), an organization must be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.



Understanding Customer Value Leadership

Customer Value Leadership is defined and measured by two macro-level categories: customer impact and business impact. These two sides work together to make customers feel both valued and confident in their products' quality and long shelf life. This dual satisfaction translates into repeat purchases and a high lifetime customer value.

Key Benchmarking Criteria

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated two key factors — Customer Impact and Business Impact — according to the criteria identified below.

Customer Impact

- Criterion 1: Empowerment
- Criterion 2: Leverage of Customer Feedback
- Criterion 3: Speed/Timeliness
- Criterion 4: Frictionless Interaction
- Criterion 5: Technological Investment

Business Impact

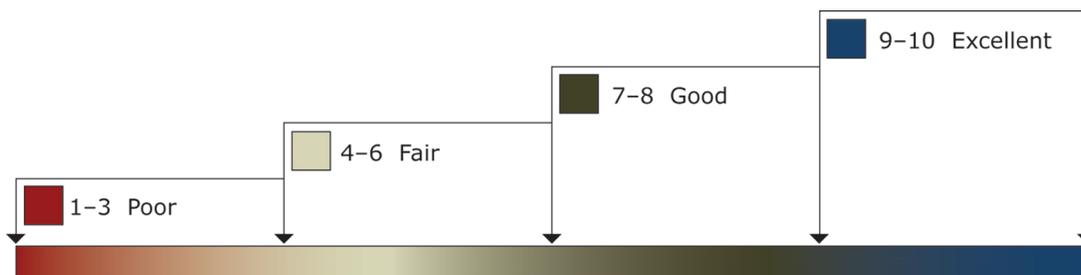
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Brand Equity

Best Practice Award Analysis for Open Systems AG

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 analyse 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.

RATINGS GUIDELINES



The Decision Support Scorecard is organized by Customer Impact and Business Impact (i.e., the overarching categories for all 10 benchmarking criteria; the definitions for each criteria 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 players as Competitor 1 and Competitor 2.

<i>Measurement of 1-10 (1 = poor; 10 = excellent)</i>			
Customer Value Leadership	Customer Impact	Business Impact	Average Rating
Open Systems AG	9.3	9.0	9.15
Competitor 1	7.8	7.8	7.80
Competitor 2	7.3	7.7	7.50

Customer Impact

Criterion 1: Empowerment

Requirement: Service providers are encouraged to take independent, informed, and creative approaches to issue resolution

Criterion 2: Leverage of Customer Feedback

Requirement: Customer opinions are continually solicited and monitored, leading to direct changes to product features or the service model

Criterion 3: Speed/Timeliness

Requirement: Issues are resolved within a timeframe satisfactory to the customer and the provider

Criterion 4: Frictionless Interaction

Requirement: Service providers deftly avoid customer conflict by maintaining a friendly, professional demeanour at all times

Criterion 5: Technological Investment

Requirement: Investment in best-in-class technologies that enhance customer knowledge, accelerate issue resolution, and/or improve the customer experience

Business Impact

Criterion 1: Financial Performance

Requirement: Strong overall financial performance in terms of revenues, revenue growth, operating margin and other key financial metrics

Criterion 2: Customer Acquisition

Requirement: Customer facing processes support the efficient and consistent acquisition of new customers, even as it enhances retention of current customers

Criterion 3: Operational Efficiency

Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard

Criterion 4: Growth Potential

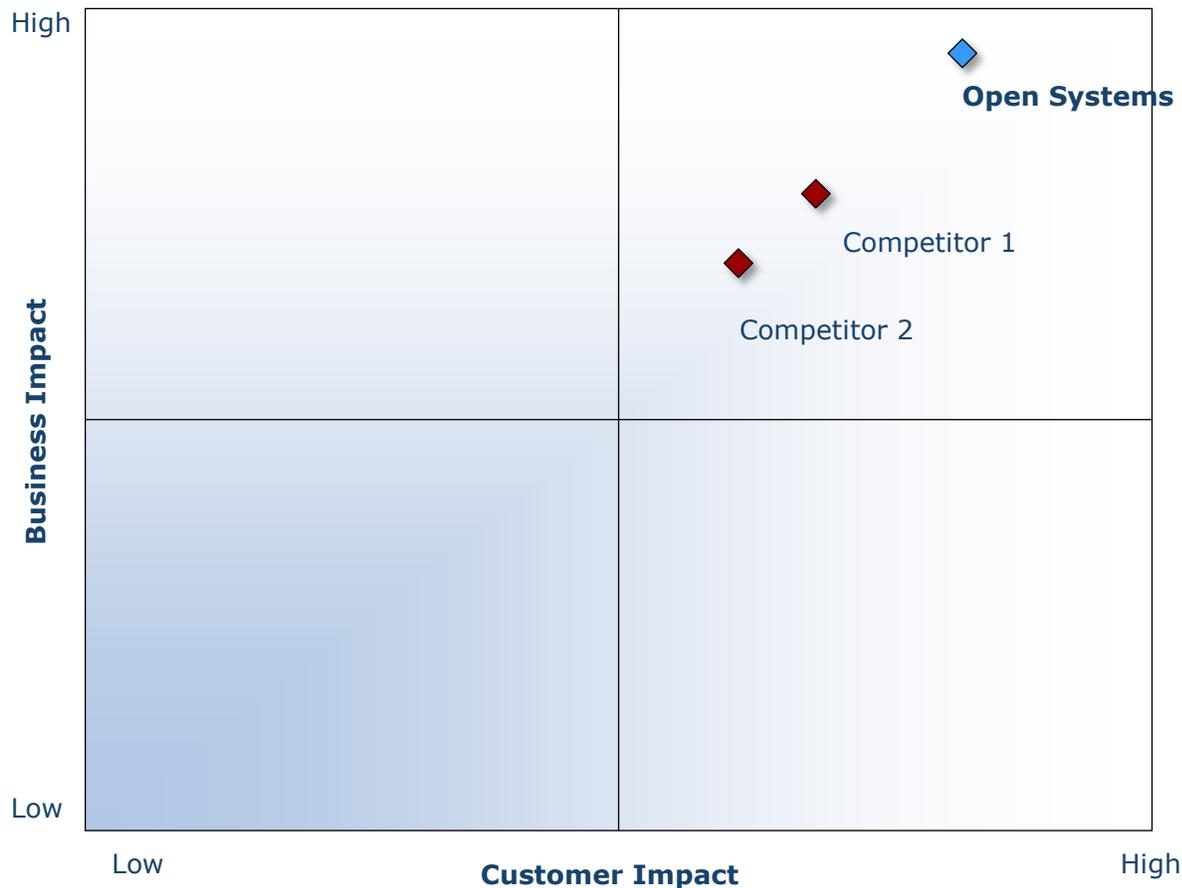
Requirements: Customer focus strengthens brand, reinforces customer loyalty and enhances growth potential

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 can 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.



Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan Awards 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.

STEP	OBJECTIVE	KEY ACTIVITIES	OUTPUT
1 Monitor, target, and screen	Identify Award recipient candidates from around the globe	<ul style="list-style-type: none"> • Conduct in-depth industry research • Identify emerging sectors • Scan multiple geographies 	Pipeline of candidates who potentially meet all best-practice criteria
2 Perform 360-degree research	Perform comprehensive, 360-degree research on all candidates in the pipeline	<ul style="list-style-type: none"> • Interview thought leaders and industry practitioners • Assess candidates' fit with best-practice criteria • Rank all candidates 	Matrix positioning all candidates' performance relative to one another
3 Invite thought leadership in best practices	Perform in-depth examination of all candidates	<ul style="list-style-type: none"> • Confirm best-practice criteria • Examine eligibility of all candidates • Identify any information gaps 	Detailed profiles of all ranked candidates
4 Initiate research director review	Conduct an unbiased evaluation of all candidate profiles	<ul style="list-style-type: none"> • Brainstorm ranking options • Invite multiple perspectives on candidates' performance • Update candidate profiles 	Final prioritization of all eligible candidates and companion best-practice positioning paper
5 Assemble panel of industry experts	Present findings to an expert panel of industry thought leaders	<ul style="list-style-type: none"> • Share findings • Strengthen cases for candidate eligibility • Prioritize candidates 	Refined list of prioritized Award candidates
6 Conduct global industry review	Build consensus on Award candidates' eligibility	<ul style="list-style-type: none"> • Hold global team meeting to review all candidates • Pressure-test fit with criteria • Confirm inclusion of all eligible candidates 	Final list of eligible Award candidates, representing success stories worldwide
7 Perform quality check	Develop official Award consideration materials	<ul style="list-style-type: none"> • Perform final performance benchmarking activities • Write nominations • Perform quality review 	High-quality, accurate, and creative presentation of nominees' successes
8 Reconnect with panel of industry experts	Finalize the selection of the best-practice Award recipient	<ul style="list-style-type: none"> • Review analysis with panel • Build consensus • Select winner 	Decision on which company performs best against all best-practice criteria
9 Communicate recognition	Inform Award recipient of Award recognition	<ul style="list-style-type: none"> • Present Award to the CEO • Inspire the organization for continued success • Celebrate the recipient's performance 	Announcement of Award and plan for how recipient can use the Award to enhance the brand
10 Take strategic action	Upon licensing, company may share Award news with stakeholders and customers	<ul style="list-style-type: none"> • Coordinate media outreach • Design a marketing plan • Assess Award's role in future strategic planning 	Widespread awareness of recipient's Award status among investors, media personnel, and employees

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 almost 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from 31 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.