

REPORT REPRINT

Trace3 prepares to offer managed security services as its security practice grows

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After a successful launch of a security practice last year, Trace3 is now looking to expand into managed security services with a focus on innovation and service.

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Trace3, based in Irvine, California, is best known for its expertise in business transformation through its big-data practice and data intelligence consulting, cloud transformation services and IT integration services. In August 2016, the company appointed industry veteran Tony Olzak as VP of security to head the company's security practice.

Starting with professional services focused on four areas of security – identity and access management, data security, security operations and strategy – Trace3 has experienced explosive growth in its security practice, reportedly generating more than \$100m in products and services revenue over the past year with just 20 security team members. Riding that momentum, the company is now preparing for a move into managed security services (MSS) in 2018.

THE 451 TAKE

The MSS segment is one of the fastest-growing areas in managed services and in cybersecurity. Regulatory requirements, compliance demands, the increasing instances of targeted attacks, digital transformation, emerging technologies and the lack of expertise are all fueling this rapid growth, as an increasing number of enterprises are turning to MSS providers (MSSP) to help secure their organizations. While many MSS offerings are quite similar, Trace3 is looking to enter the MSS space with a focus on securing the emerging technologies that businesses are rapidly adopting. By leveraging the company's expertise in data intelligence, security, integration and cloud transformation, Trace3 believes it can provide a level of service, expertise and innovation in MSS that is largely missing from the market today.

CONTEXT

The rate of the professional security services growth at Trace3 over the last 18 months exceeded the company's initial expectations. The firm's professional security services are focused on large enterprises, aligning with the company's overall corporate go-to-market strategy. While Trace3 reports that it provides services for customers in all verticals, it has a heavy focus on healthcare and financial services, and has developed targeted security services for those markets.

The company believes most security service companies often apply legacy thinking, programs and products to solve new security problems and threats, with little regard to what the customers' business is trying to accomplish in its overall strategy. Trace3 says it has a much broader view to solving these problems, and leverages innovation to streamline security operations, increase its customers' overall security posture, and align to the customer's corporate objectives. By capitalizing on the company's core competencies in areas of big data, data intelligence and integration, Trace3 says it has been able to solve complex security problems for its customers.

Although MSS offerings were on the company's road map, Trace3 states that demand from current customers is pulling it to the sector quickly. The company says its customers have expressed that, by and large, they are unhappy with the services received from MSSPs they are currently utilizing. Trace3 researched the numerous complaints from its customers regarding MSSPs in the market, and discovered that a majority of the dissatisfaction centered around two areas – lack of innovation and lack of ownership from providers.

Trace3 contends that many MSSPs offer basic services focused on collecting logs and sending alerts back to customers. The company said that most MSSPs have only invested minimal time and resources toward integrating their services with customers' existing investments. Trace3 believes there is a clear opportunity to innovate in this area and operationalize the overall security landscape for customers, and to make it all work better together with the existing investments customers have in place.

The company says customers also believe that most MSSPs had a lack of ownership in terms of reacting to security events and securing the enterprise. Trace3 found that, even though expertise was often lacking, many enterprises believed their internal security teams operated in a manner that had far more urgency and a proactive approach to securing the organization than they were receiving from MSSPs. Many enterprises cited that security alerts and events often took days or longer for their MSSP to acknowledge and investigate.

Trace3 believes it is developing a proactive approach to MSS to address these areas of concern. Through a combination of intellectual property, third-party tools, APIs, data intelligence, Dev-Ops and professional services, the company is developing continuous protection, detection and response services that integrate with customers' existing infrastructure and investments.

Although in some ways this appears similar to managed detection and response (MDR) services, Trace3 believes that its proactive approach, combined with continuous detection and response, not only addresses the biggest complaints enterprises have utilizing MSSPs, but also closes the gap between MSSP and MDR services, providing the enterprise with the actions, controls and intelligence needed to stay ahead of threats.

The company reports that its MSS offerings will be entering into beta with several customers in Q1 2018 as it continues to develop and better understand how these services impact the customer and integrate with their existing investments. Trace3 says it is focused on ensuring that the managed security offerings are highly effective and deliver an exceptional service experience.

Trace3 says there is a rising tide of more and more enterprises turning to MSSPs to meet their security needs, and the company believes it will be able to meet those needs, unlike most providers in the market today. The company believes enterprises are looking to partner with one group that can provide superior service for an emerging and changing service-based economy.

COMPETITION

MSS continues to show a high level of growth with no signs of slowing down. The increasing sophistication of cyberattacks, the upsurge in digital transformation initiatives, the lack of a skilled workforce, and the ever-growing and complex corporate footprint that must be protected and secured are continuing to fuel this growth. According to 451 Research's Hosting, Cloud & Managed Services Market Monitor, the total MSS market is expected to grow at a compound annual growth rate of 16.8% to a total market value of almost \$18bn by 2021.

Trace3 is not only looking to take advantage of a growing market, but also replace MSSPs that provide poor service and cannot meet the enterprise's needs in a rapidly changing and transforming digital landscape. The company faces competition from many incumbent providers already well established in the large enterprise space, including SecureWorks, Trustwave, Optiv, Cisco, CenturyLink, NTT Security, BAE Systems, Verizon and Hewlett Packard Enterprise.

SWOT ANALYSIS

STRENGTHS

Trace3's approach to innovative and integrated MSS offerings holds promise, especially for large enterprises that have an appetite for innovation and are willing to engage in emerging technologies and strategies.

WEAKNESSES

While Trace3 has a successful track record in delivering professional services in areas like big data, integration and security, it will still need to develop trust with initial customers because this will be the company's first endeavor in MSS.

OPPORTUNITIES

Trace3 believes many enterprises are unhappy with their current MSSP. The company will need to create and demonstrate a clear value proposition and messaging regarding how its services differ from others in the market.

THREATS

Many large enterprises already have established relationships with MSS providers. Trace3 may find that replacing incumbents is often more challenging and time-consuming than engaging customers with no existing providers in place.