



## **SAAS**

**Case F-Secure**

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## Anti-virus Business before Y2K

- Trend Micro, Symantec, and Network Associates/McAfee: the "big three" anti-virus vendors
- Mass market/ horizontal software business
  - Hard to get value added resellers & retail stores
    - Think about, e.g., Wal-Mart
  - Pre-installed solutions in PCs
- The business was very product- and feature-driven



## In 1999, F-Secure Launched SaaS

- In 1999, F-Secure announced Security as a Service for Outsourcing/ ISPs:

- *"The new solution offers service providers the opportunity to build a wide array of security services based on Data Fellows' powerful F-Secure Framework management architecture."*
- *"Security as a Service for Outsourcing enables facilities management companies and other outsourcing specialists to "rent," security applications, ensures that necessary updates and upgrades are made automatically without operator or user intervention, and allows multiple applications to be run under a single, centralized management console."*
- *"The management architecture provided by F-Secure Framework allows efficient remote installation, management and updating of security for these customer segments. The security services are provided by the F-Secure anti-virus, file encryption, network encryption and other Data Fellows security applications. Service providers can offer any combination of these services to customers for a monthly fee."*
- *"Offered as added value for our consumer Internet service, anti-virus became an overnight success," says Ville Mujunen, product manager at Sonera Ltd. "It gave us a method to further strengthen our position in the crowded Finnish marketplace and augment revenues, as well."*

Source: The news archive of F-Secure (1999).

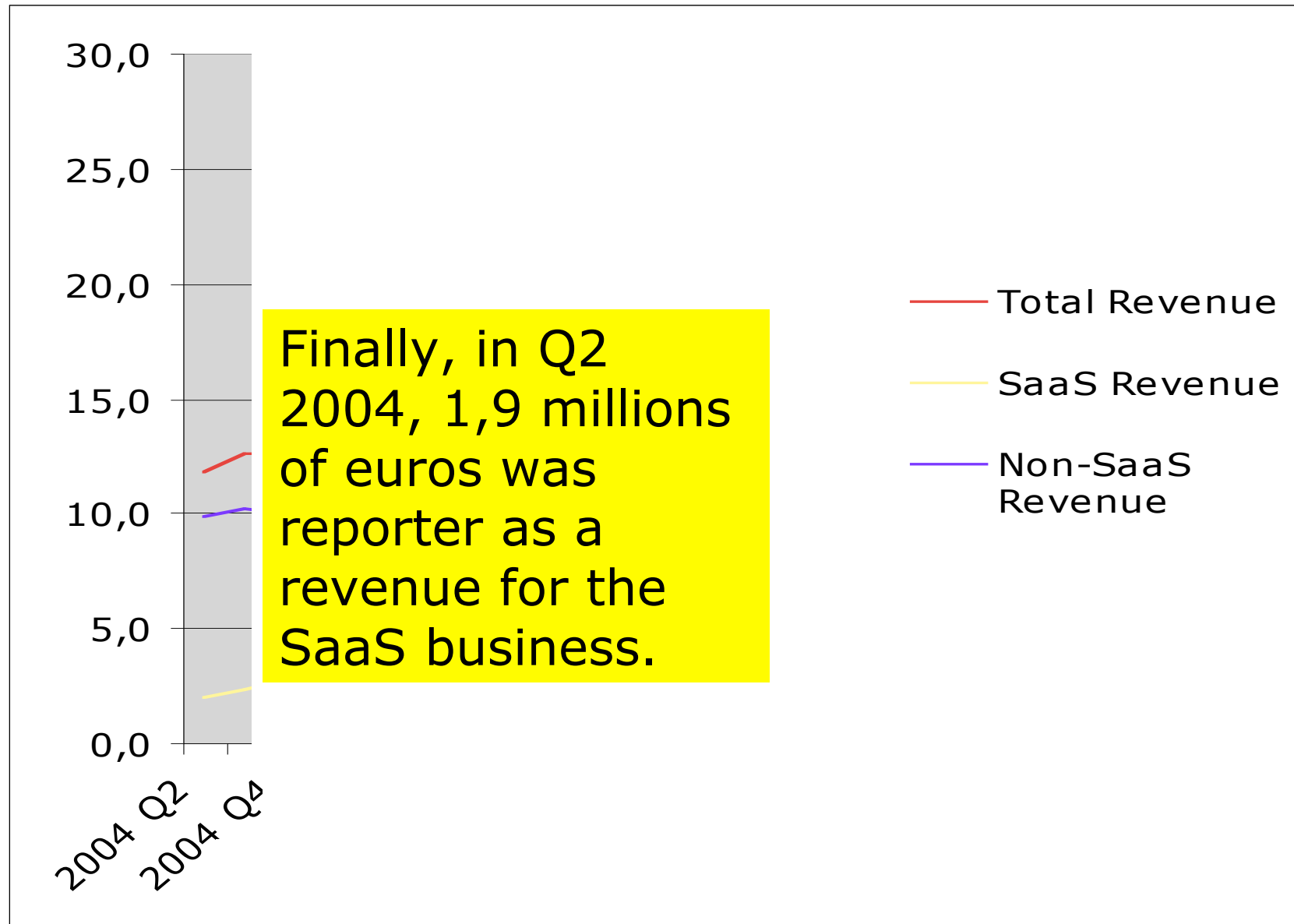
Notice: Data Fellows is the former name of the company.

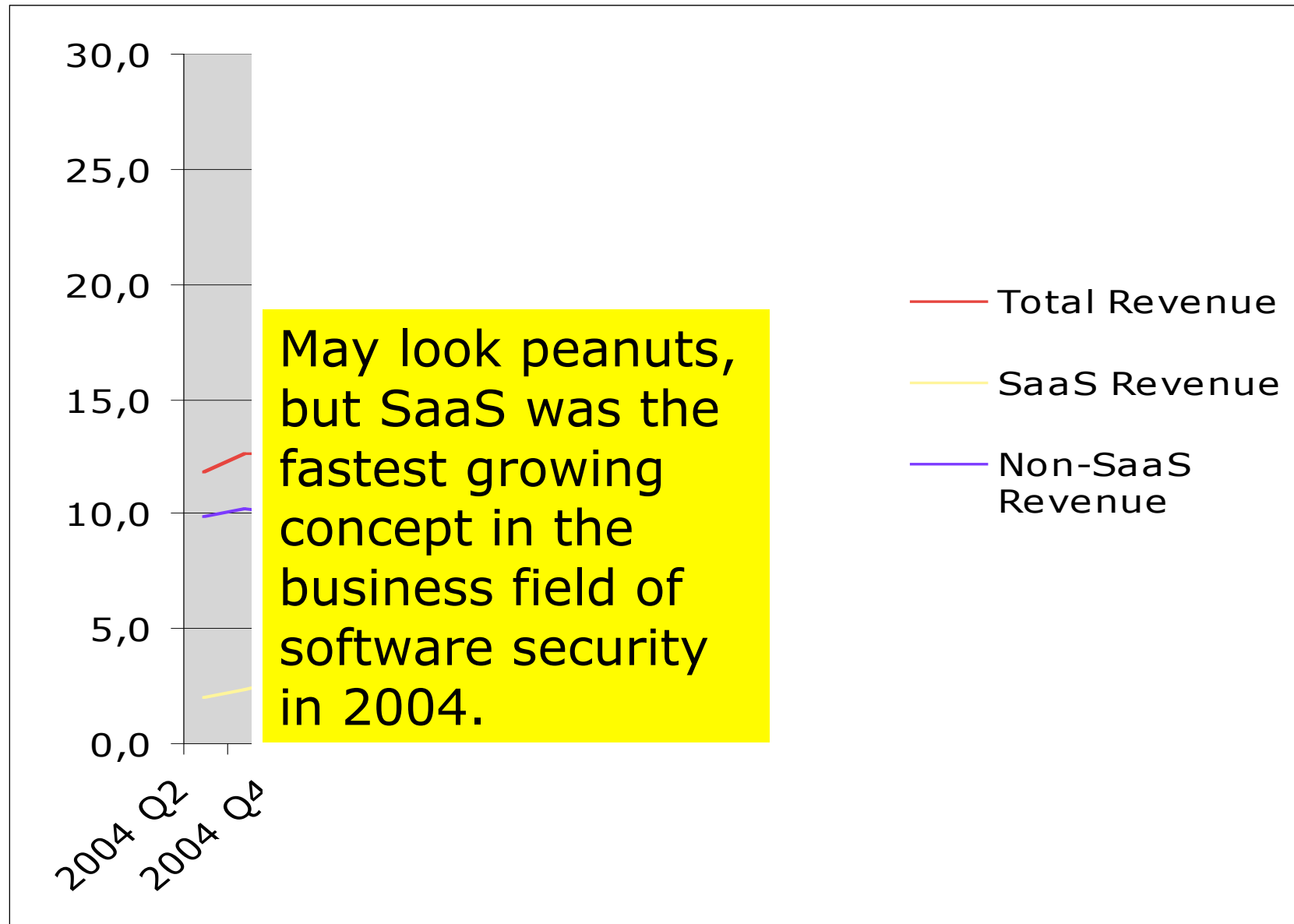


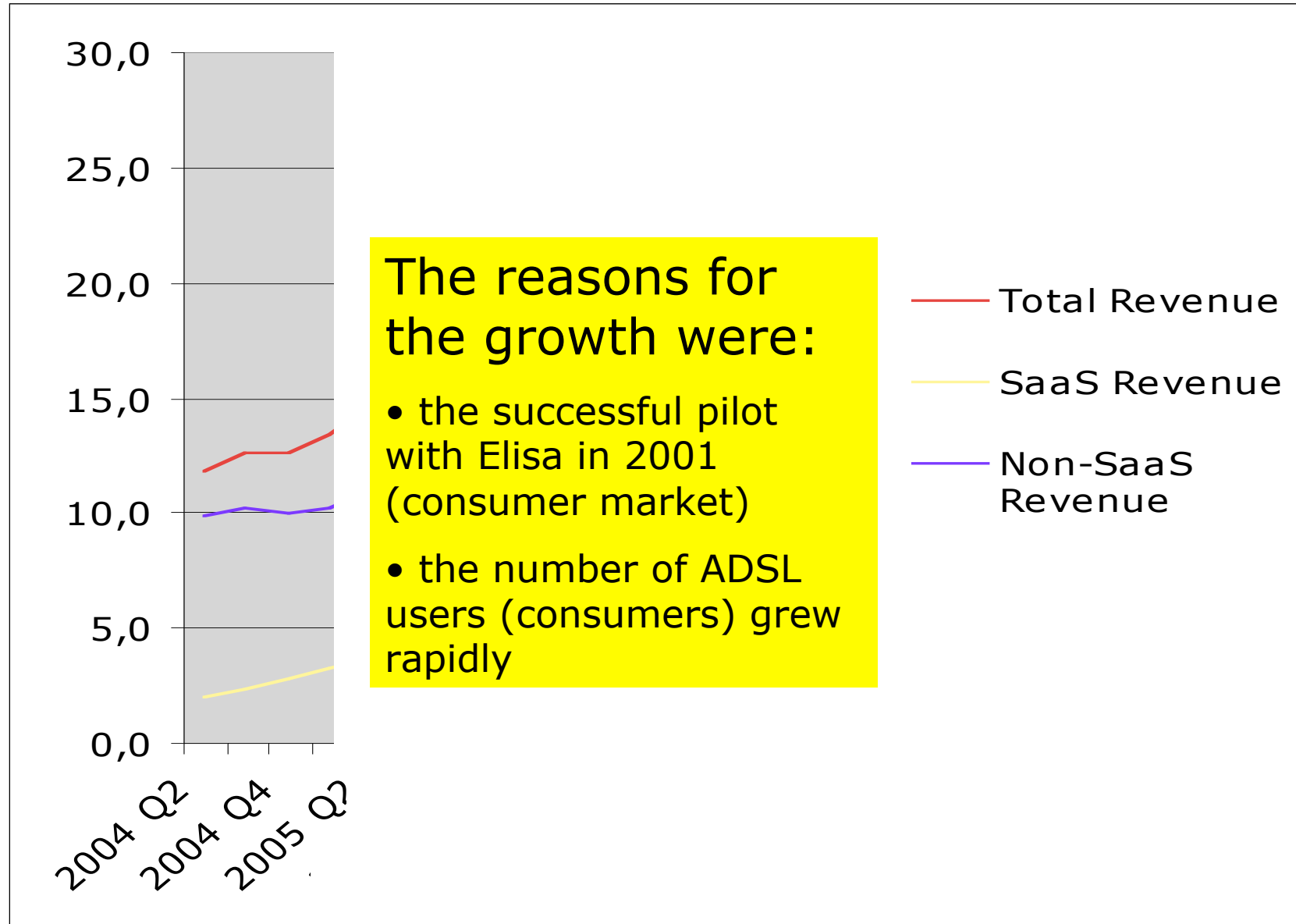
## Sounded Super-promising, but...

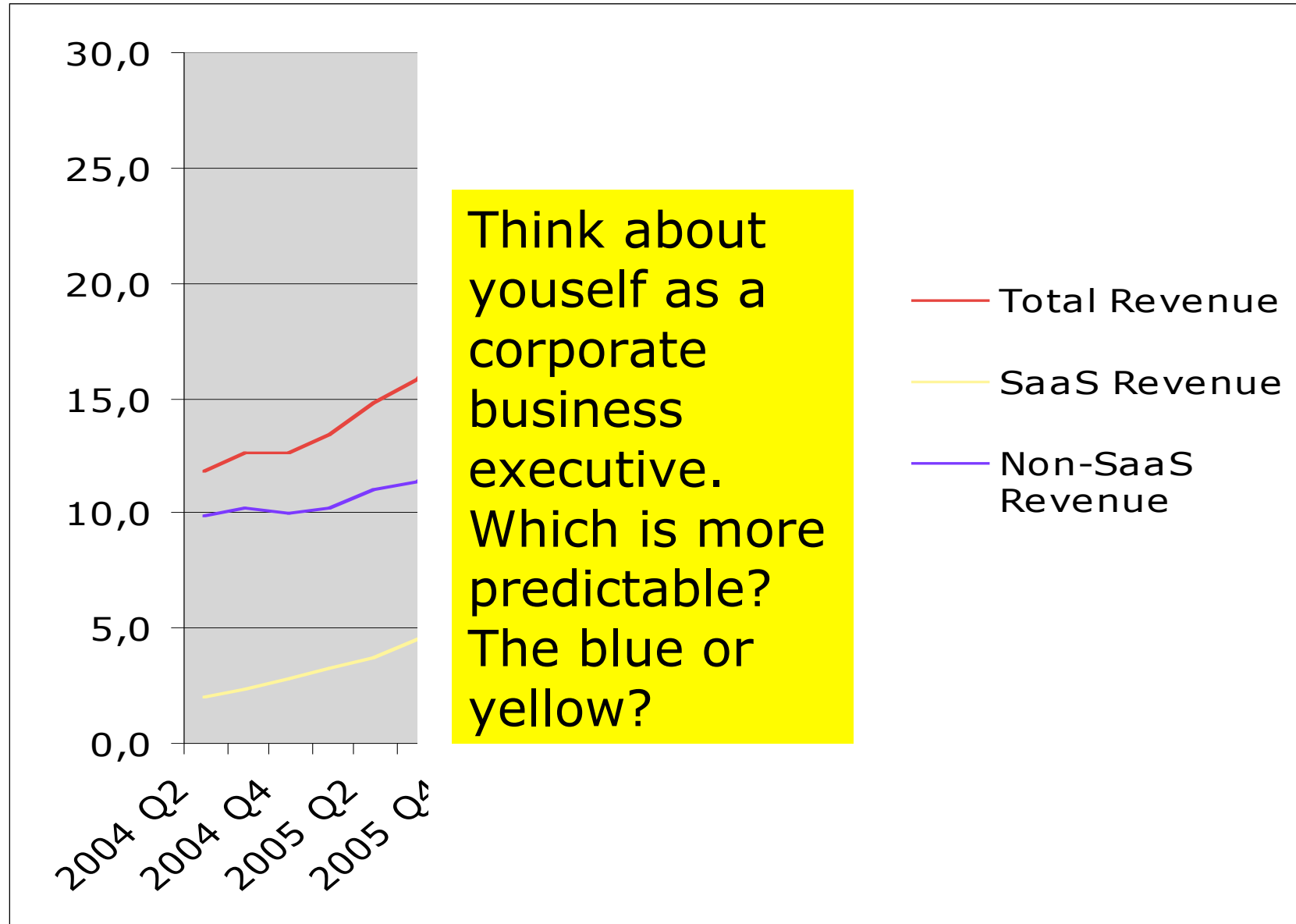
- It took four and half years to discover (positive) SaaS revenue in the financial results
  - The original software solution didn't promote SaaS enough
  - The intended main market, SMB, was not ready
  - Trade recession in 2001-2003

- According to Messerschmitt and Szyperski
  - *"The usage-based option may be attractive to customers who consider value to be directly related to usage."*
  - *"A disadvantage to the supplier is that revenue may be slower to develop—it tends to be back-loaded—or may never materialize."*

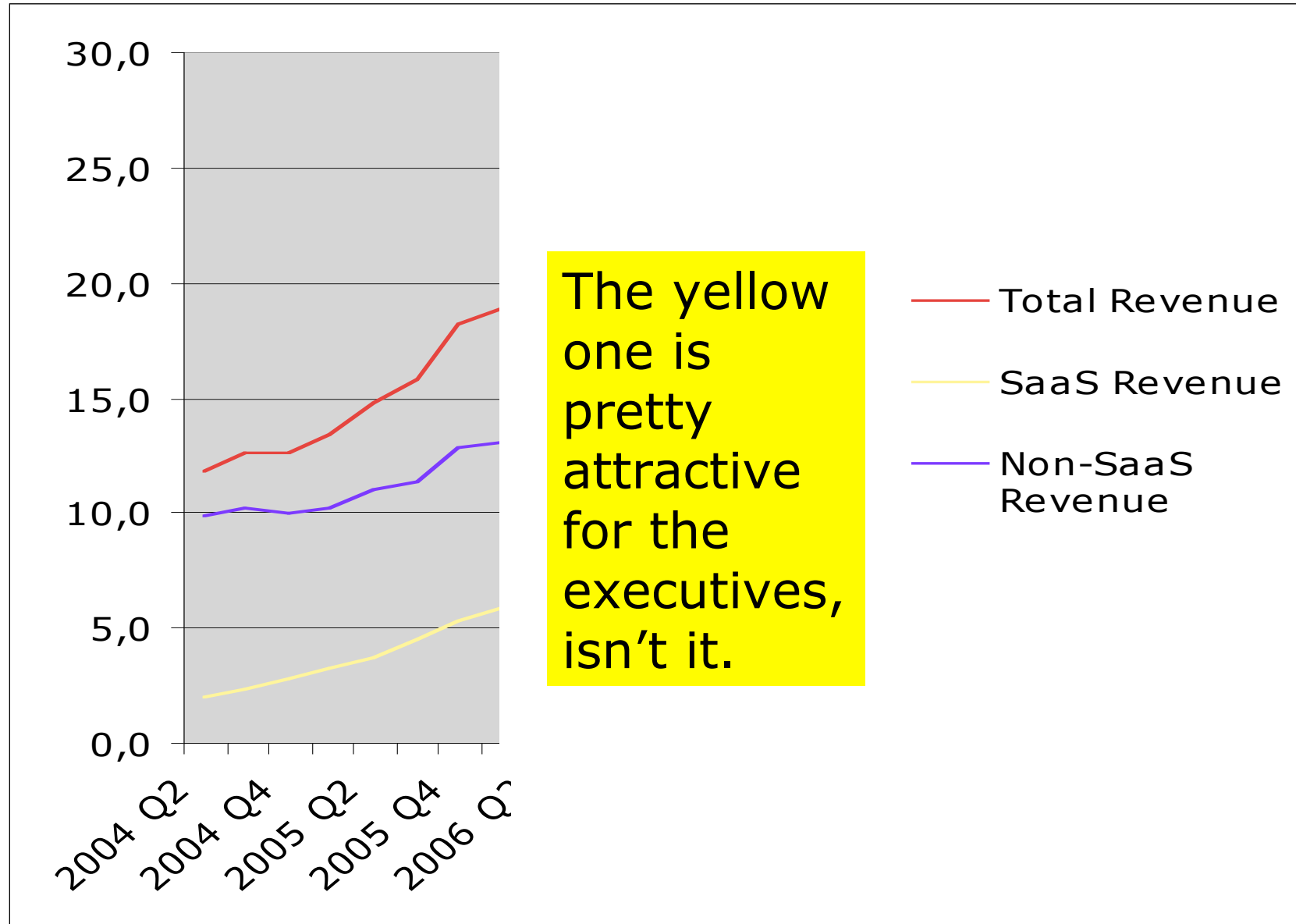


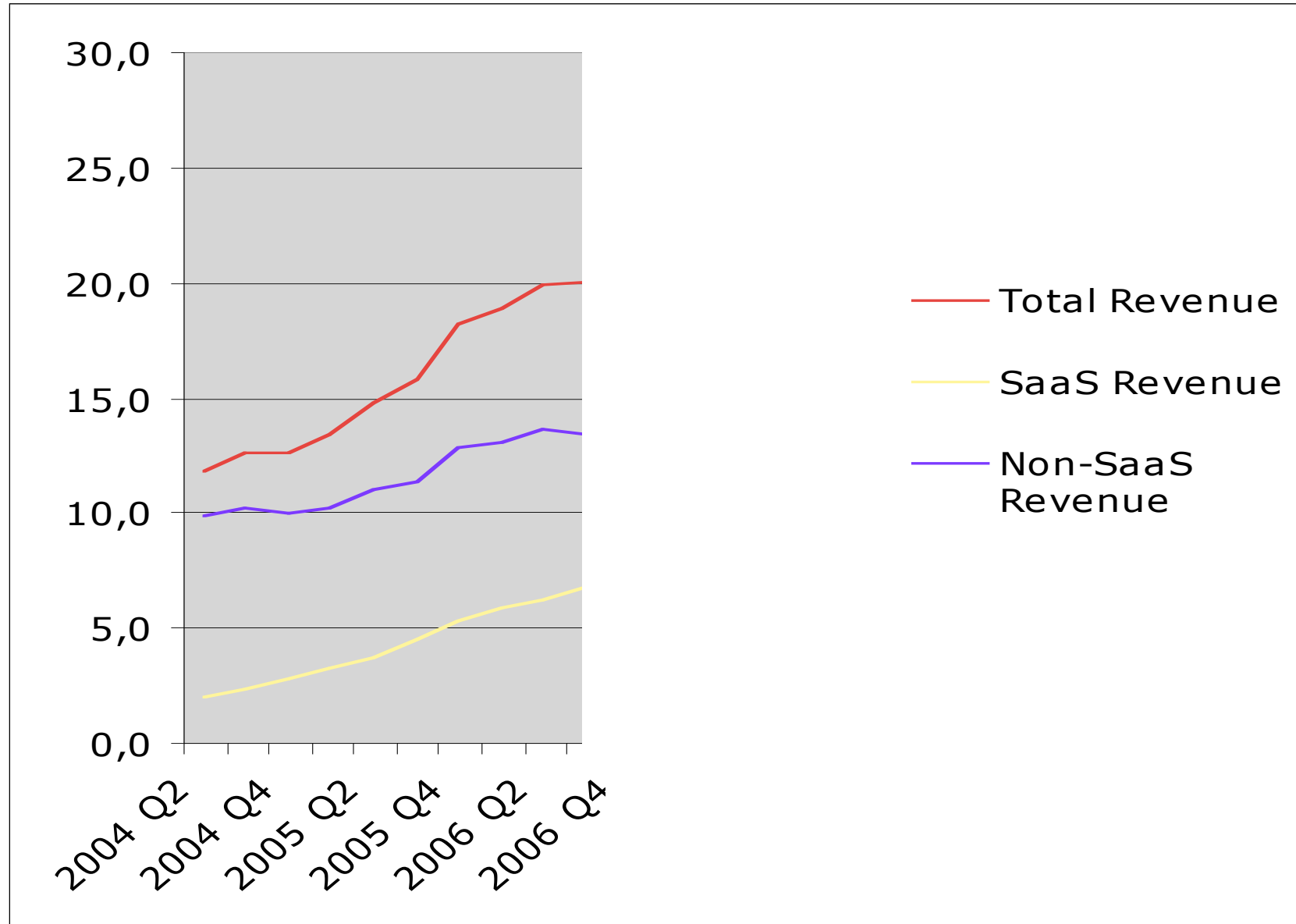


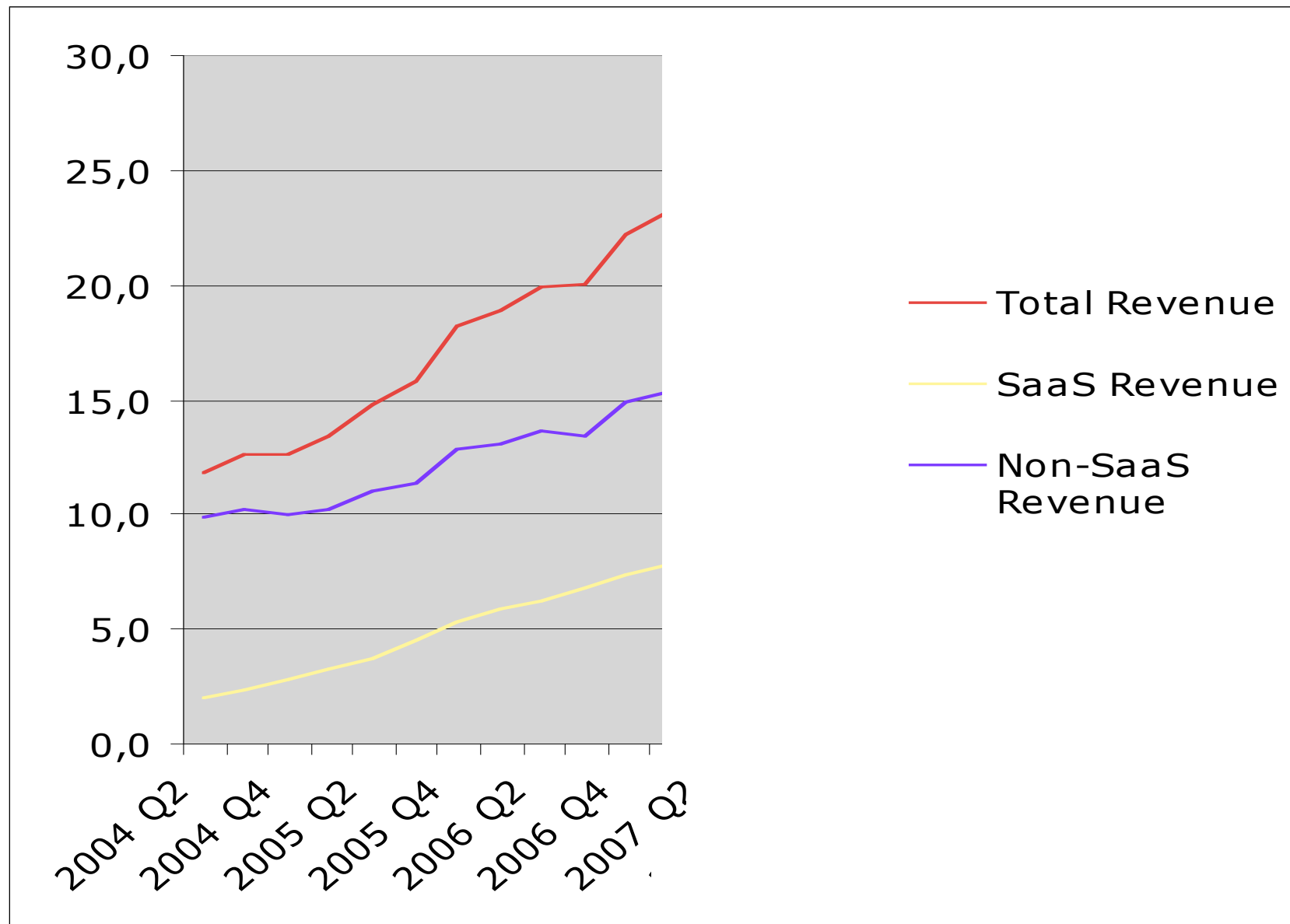


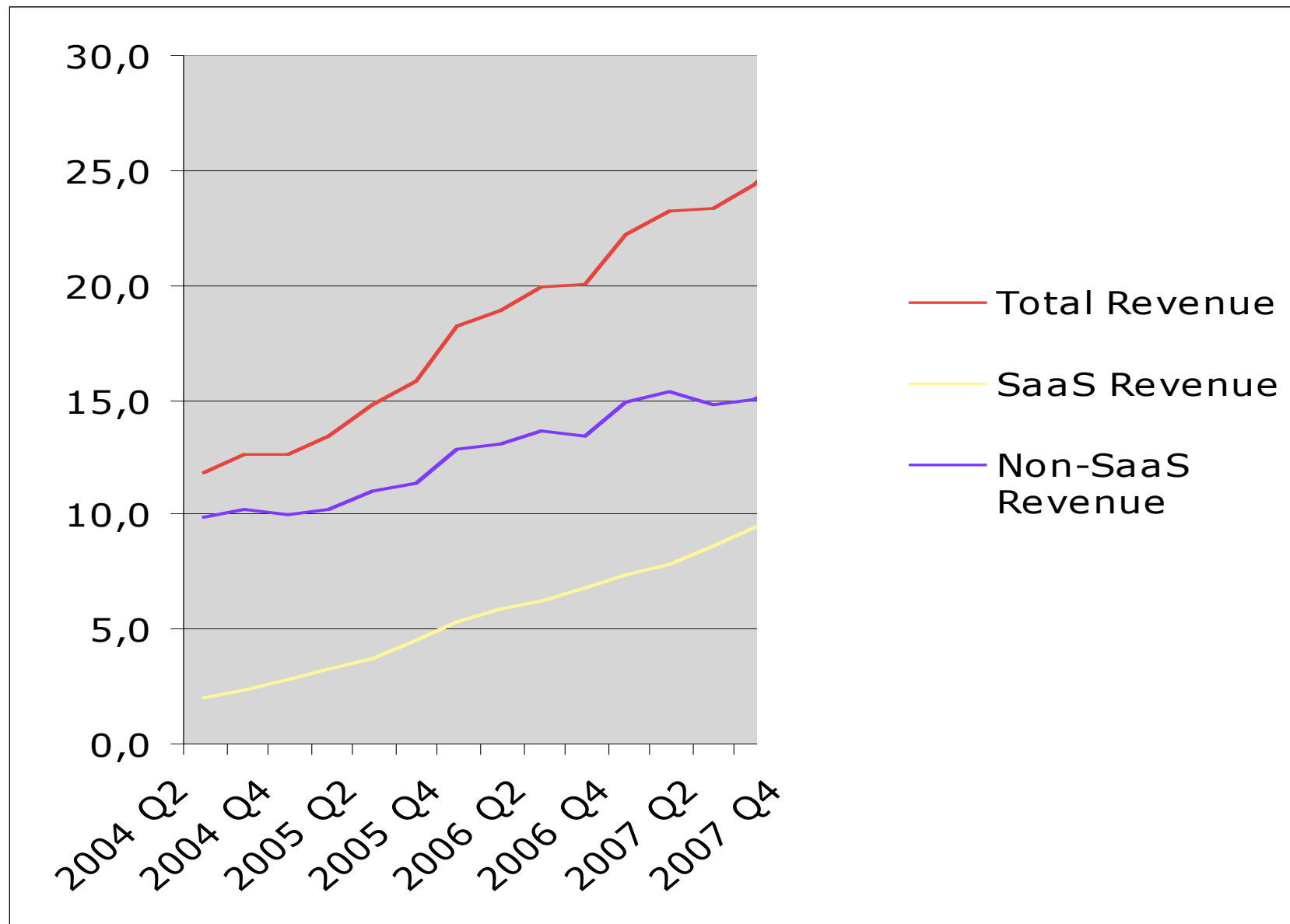


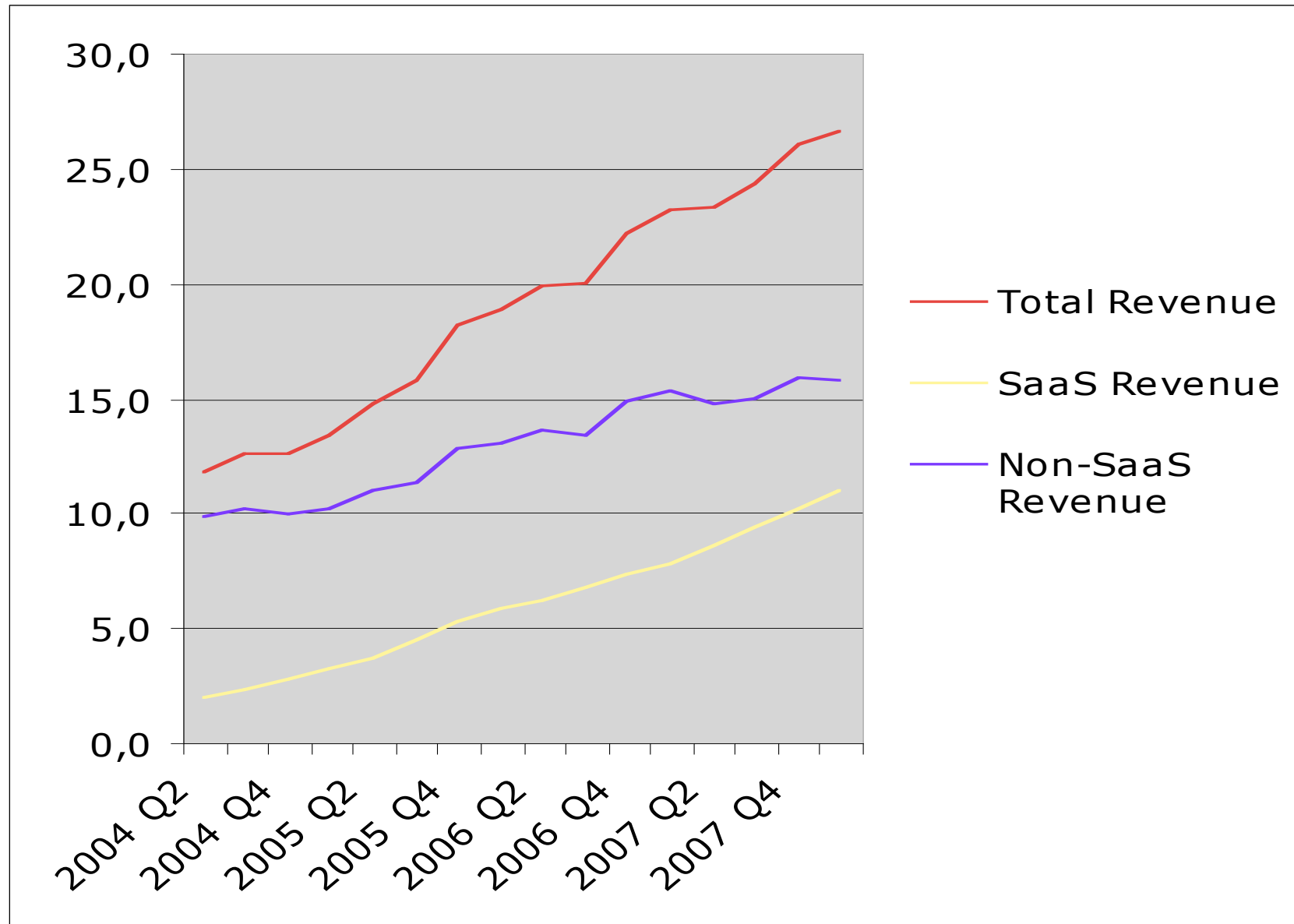


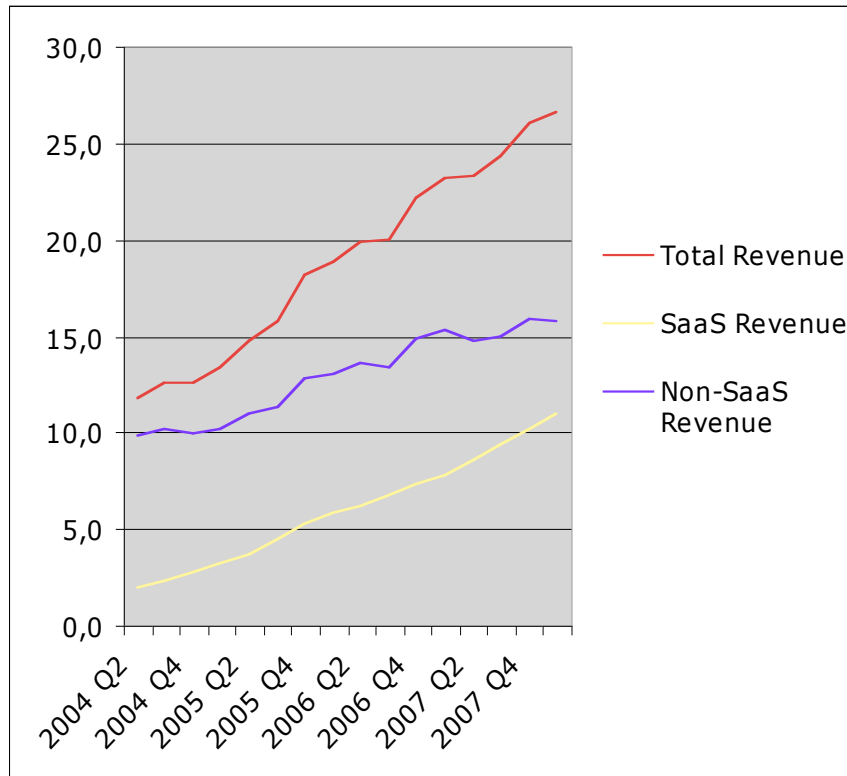












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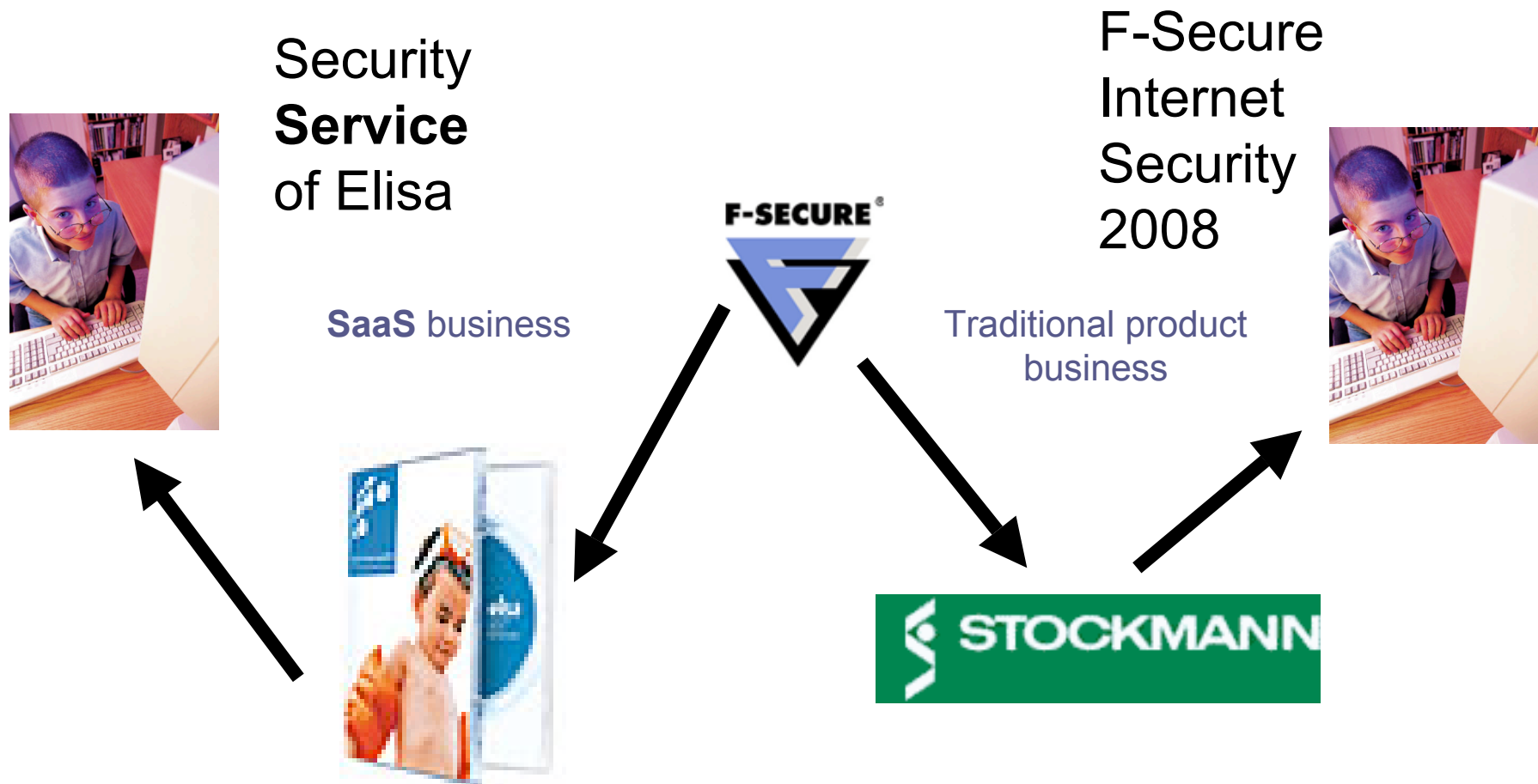
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## ■ SaaS data from the latest financial report

- >40% of the total revenue
- The total number of ISP partners was 169 operating in 38 countries
- The total number of the Group's ISP partners is significantly larger than with any other security service vendor. At the end of 2007 the Group's ISP partners held approximately 37% market share of total high-speed consumer connections in Europe, approximately 10% in North America and approximately 9% in APAC

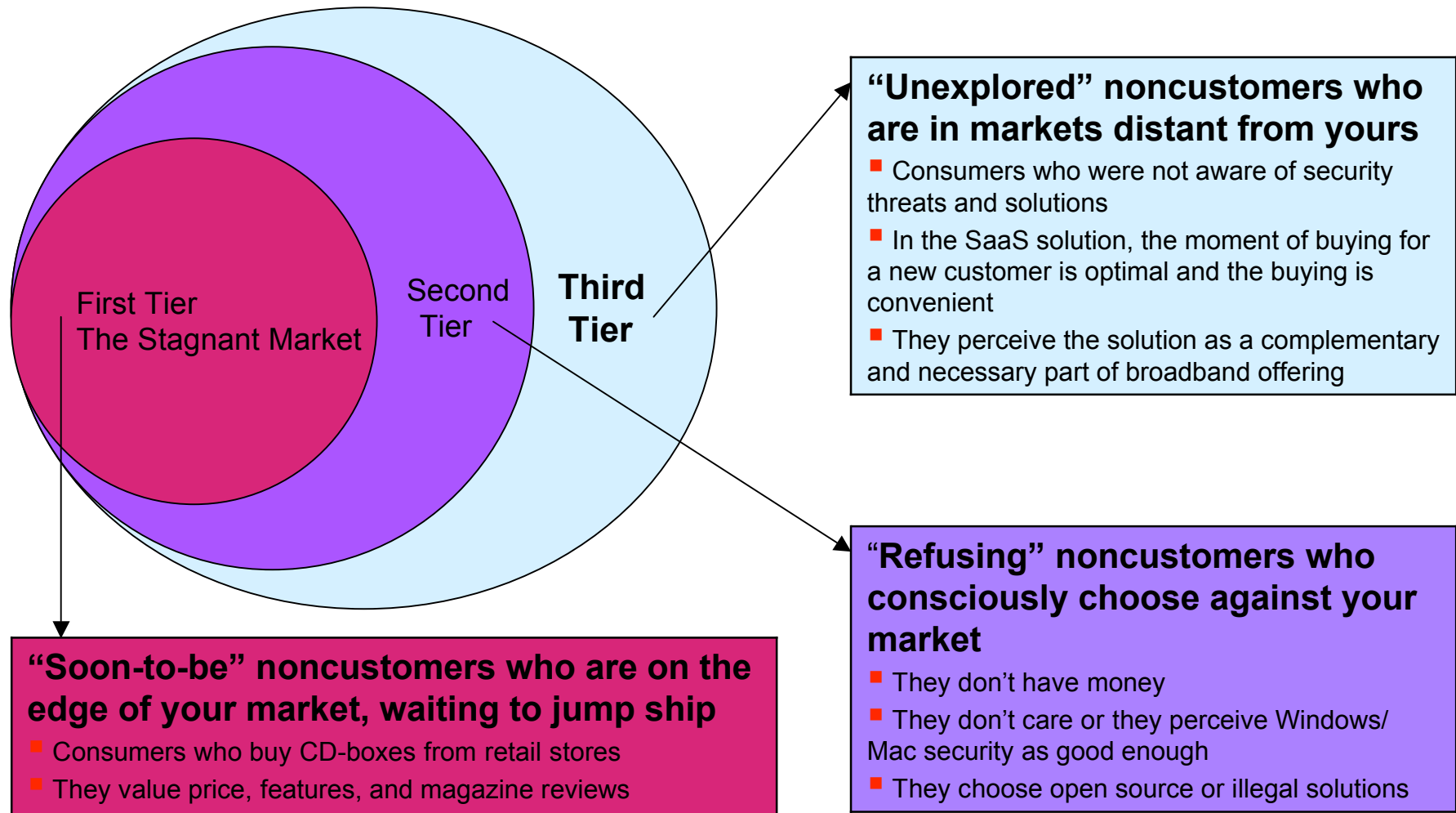


## How Does SaaS Differ...? (Consumers)





## FS SaaS: The Third Tier of Noncustomers (Consumers)



Adopting “Three tiers of noncustomers framework”. Kim WC, Mauborgne R, Blue Ocean Strategy. HBS Press, 2005, pp. 103-115.





## Value Propositions according to Sääksjärvi et. al., 2005

| End-customer   | Provider | Supplier                                 |
|--|----------|--|
| Focus more on core competences                             |          | <b>Economics of scale in production</b>  |
| <b>Easier/cheaper to get access to technical expertise</b> |          | <b>Predictable cash flow</b>             |
| Shorter system implementation time                         |          | <b>Potential customer base expansion</b> |
| <b>Easier version management</b>                           |          | Shorter sales cycles                     |
| Gets a bundle of applications                              |          | Lower version management costs           |
| Cheaper software products (by "renting")                   |          | <b>Creates barriers for competitors</b>  |

For F-Secure, service providers are the direct customers.  
Knowing their needs is super-highly important.



## More Value Propositions (F-Secure SaaS)

| End-Customer       | Provider                   |
|--------------------|----------------------------|
| <b>Awareness</b>   | <b>Additional revenue</b>  |
| <b>Trust</b>       | <b>Predictable revenue</b> |
| <b>Security</b>    | <b>Cost-efficiency</b>     |
| <b>Convenience</b> | <b>Brand</b>               |
|                    |                            |
|                    |                            |

F-Secure provides software solutions and services for both end-customers and service providers.  
Which "customer" is more important?  
When and why?



## Why F-Secure's SaaS Has Been Successful?

- F-Secure was the first in the market
  - The company Knows how to cooperate with the ISPs
- In the F-Secure's SaaS solution, co-branding was a killer idea which was implemented before the competitors
- The ISPs perceive F-Secure as a flexible partner and its service solution as cost-efficient
  - F-Secure hosts a large part of ISPs' security business processes
- F-Secure **SERVES** the ISPs. Consider how?



## Future of F-Secure's SaaS?

|                                   |                        |                   |
|-----------------------------------|------------------------|-------------------|
| <b>Markets</b> / <b>Offerings</b> | <b>Existing buyers</b> | <b>New buyers</b> |
| <b>Existing services</b>          | Share building         | Market extension  |
| <b>New Services</b>               | Line extension         | New business      |

1. *Share building* strategy aims to sell more existing services to current buyers (i.e account wars)
2. *Market extensions* offers existing services to market segments not previously served by a service firm

3. Under a *line extension* strategy, a service firm attempts to market new services to existing buyers
4. A *new business* strategy involves entering uncharted territory where the company capitalize on any existing strength

### Increasing the SaaS revenue

- More ISPs
- More ISPs' customers
- More services to ISPs
- More services to ISPs' customers
- More non-ISP service providers
- More end-customer segments
- More what? Less what?