

# Log Rhythm™

## 2013 Global SIEM/LM Market Penetration Leadership Award



FROST & SULLIVAN



50 Years of Growth, Innovation & Leadership

## Market Penetration Leadership Award SIEM/LM Global, 2013

### Frost & Sullivan's Global Research Platform

Frost & Sullivan is in its 50th year in business with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2013 Global Market Penetration Leadership Award in Security Information and Event Management/Log Management to LogRhythm.

### Significance of the Market Penetration Leadership Award

#### Key Industry Challenges Addressed by Increased Market Penetration

The SIEM/LM market is a mature market where new accounts are captured by displacing an incumbent vendor. To achieve recognition as the SIEM/LM leader in Market Penetration, a vendor must meet the following challenges:

#### **Significantly impact enterprise security with highly innovative SIEM/LM functionality or exceptionally reduce security operating costs –**

Demands on deployed SIEM/LM products increase as organizations grow in terms of devices and network complexity. SIEM/LM leaders in Market Penetration apply their expertise to secure the business infrastructure and reduce the costs associated with securing complex networks.

#### **Define strategic directions of the market –**

One of the privileges of leadership in Market Penetration is the opportunity to define the strategic direction of the market, to position key vendors, solutions, and requirements, and to own the messaging of SIEM/LM benefits. Competing vendors will attempt to mimic the Market Penetration leader's performance, which presents a first-mover's advantage to the leader.

#### **Introduce technical innovations –**

Leaders in Market Penetration often leverage a differentiated technical vision into innovative products. This ensures that enterprises evaluate vendor capabilities in all deals, SIEM/LM vendor price points and margins are protected, partners and customer organizations centrally locate the SIEM/LM solution in their security eco-systems, and competitors always track movements of the leader.

## Best Practice Award Analysis for LogRhythm

The Frost & Sullivan Award for Market Penetration Leadership is presented each year to the company that has demonstrated excellence in capturing the fastest measured rate of change of market share within its industry. This Award recognizes how fast a company increases its penetration of a market, in terms of revenues or units as specified.

### LogRhythm's Performance in SIEM/LM

LogRhythm is the global market penetration leader among privately held Security Information and Event Management/Log Management vendors. Frost & Sullivan estimates that LogRhythm revenues grew more than 40 percent year-over-year; far in excess of the overall market growth in SIEM/LM. As a SIEM/LM solution provider in a global market of approximately \$1.16 billion, the success in penetrating new accounts and increasing revenues faster than the market average is a noteworthy leadership achievement for LogRhythm.

### Key Performance Drivers for LogRhythm

SIEM/LM is a mature market characterized by strong competition from 28 significant vendors attempting to satisfy extreme technical requirements established by enterprise security teams. Organizations adopting SIEM/LM typically start relatively small to comply with government and industry regulations, and then continually add new data sources and analytics.

At the high end of the market, SIEM/LM solutions process hundreds of thousands of events per second and analyze tens of terabytes of security data. This growth dynamic means that many sales are displacement deals where the customer switches vendors because the incumbent has reached architectural performance and feature limitations. To address a variety of customer needs, the SIEM/LM market share leaders must also exhibit an easy-to-use product at the low end oriented towards compliance requirements, and an exceptionally high performance product at the high end oriented towards detecting security breaches and advanced persistent threats that evade perimeter defenses.

Frost & Sullivan believes that a SIEM/LM market penetration leader exhibits leadership in several critical dimensions. In selecting LogRhythm for the SIEM/LM market penetration leadership award, Frost & Sullivan recognizes four key factors in LogRhythm's success:

1. Brand performance
2. Technical leadership
3. Role model for competitors
4. Product line depth

**Factor 1: Brand performance**

Brand performance refers to the business and sales strengths of the vendor. In the SIEM/LM market, brand performance factors include quantifiable factors including revenue, revenue growth, pricing stability, and average deal sizes as well as qualitative factors including reputation amongst enterprises, attention given by competitors, and name recognition.

LogRhythm has excelled in brand performance from 2010 to 2013, a trend that Frost & Sullivan projects to continue through 2017. LogRhythm is receiving this Best Practice award for SIEM/LM market penetration in the highly competitive SIEM/LM market in 2012. Frost & Sullivan found that LogRhythm has to penetrate accounts on the strength of its solutions, and winning against publicly-held competitors that can bundle SIEM/LM into large infrastructure deals. LogRhythm's SIEM/LM growth has come from winning an increasing share of new SIEM/LM deployments business against other SIEM/LM vendors, and by displacing incumbents at the high end which is a particularly impressive brand performance.

**Factor 2: Technical leadership**

Technical leadership comes in many forms. At the low end of the market, customer requirements focus on meeting compliance mandates with enough ease of use to keep operating costs manageable. At the high end, customer requirements shift to securing against advanced persistent threats that defeat traditional perimeter defenses — requirements necessitating analyzing large volumes of security information at exceptionally fast transaction rates.

LogRhythm has demonstrated technical leadership allowing the company to sustain its SIEM/LM market penetration leadership. LogRhythm is successfully winning business based on high performance log management, feature-rich SIEM reporting, and high powered security analytics. One does not become the SIEM/LM market penetration leader by accident, and Frost & Sullivan believes its technical leadership is primarily responsible for its SIEM/LM growth.

**Factor 3: Defining the market for competitors**

Defining the market for competitors comes with being the SIEM/LM market penetration leader. Market penetration leadership is evidenced by competitors copying strategic directions and product features primarily because the market penetration leader defines the best solution set.

While difficult to quantify, Frost & Sullivan observes competitors using LogRhythm as a role model in imitating LogRhythm's messaging and positioning. In particular, LogRhythm is the most successful privately held vendor in leveraging high performance log management to penetrate accounts by satisfying compliance and security requirements. Frost & Sullivan

found a number of smaller SIEM/LM vendors using streamlined SIEM/LM functionality to penetrate the market at the low end.

#### **Factor 4: Product line depth**

Product line depth is a growth factor that is critical to LogRhythm's performance as the market penetration leader. The SIEM/LM market drivers are compliance with industry and regulatory mandates at the low end, extending to security against advanced threats that evade traditional signature-based defenses, to security analytics to deliver operational intelligence to security teams.

LogRhythm's product line depth is a significant differentiator and contributor to its market penetration leadership. LogRhythm's high performance log management technology is critical in winning new competitive deals and penetrating accounts by displacing large infrastructure vendors. The product line extends to robust SIEM functionality to streamline security management and threat detection, and security analytics to optimize security operations. Frost & Sullivan would like to take this opportunity to commend LogRhythm on its market penetration leadership role in utilizing its deep product line in driving security information and event management into new accounts.

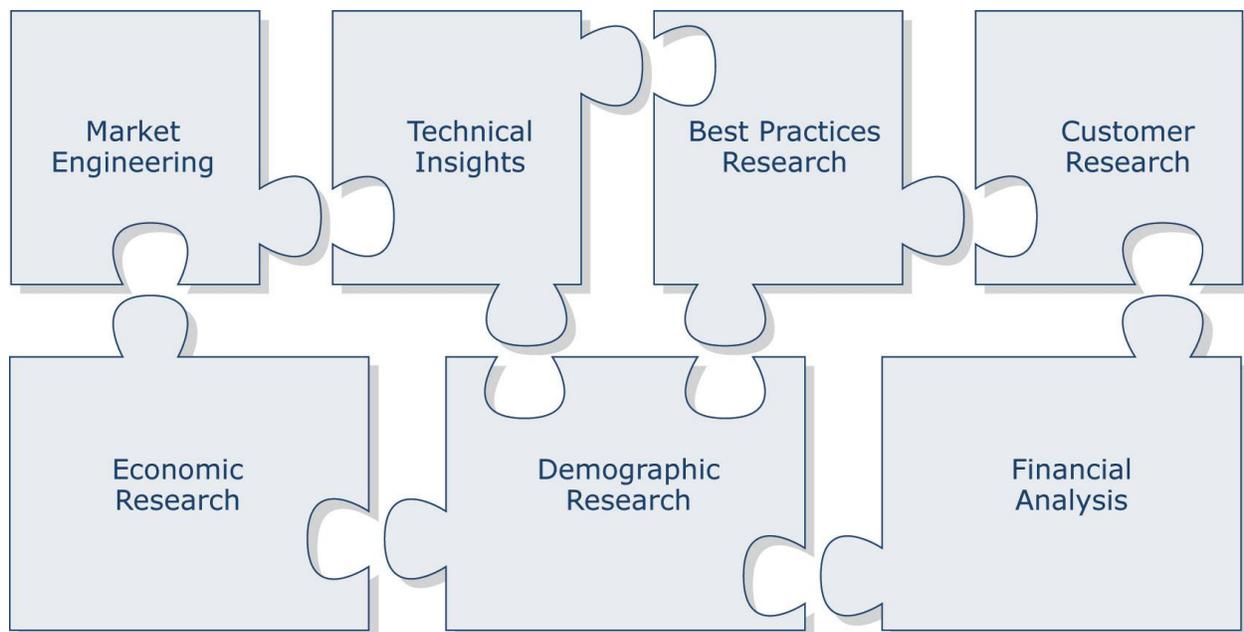
### **Conclusion**

LogRhythm's year-over-year performance in revenue growth — without the benefits of acquiring the business of a competing SIEM/LM vendor — places LogRhythm in the market penetration leadership position. Frost & Sullivan attributes LogRhythm's continued success by growing approximately 40 percent year-over-year — to brand performance, technical leadership, defining the market for competitors, and product line depth. SIEM/LM is a difficult market for sustained leadership with 28 vendors aggressively competing with demanding performance requirements. Frost & Sullivan commends LogRhythm for its business and technical leadership by recognizing the company as the 2013 Frost & Sullivan SIEM/LM market penetration leader.

## Critical Importance of TEAM Research

Frost & Sullivan's TEAM 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 seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

**Chart 1: Benchmarking Performance with TEAM Research**



## 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 50 years of experience in partnering with Global 1000 companies, emerging businesses and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.