

## **Product Line Strategy of the Year Award Vulnerability Management North America, 2010**

### **Frost & Sullivan's Global Research Platform**

Frost & Sullivan is entering its 50<sup>th</sup> 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 in turn 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 2010 North American Product Line Strategy of the Year Award in Vulnerability Management to Rapid7.

### **Significance of the Product Line Strategy of the Year Award**

#### **Key Industry Challenges Addressed by Product Line Strategy**

Frost & Sullivan research shows that the vulnerability management market faces numerous challenges that inhibit competitors' ability to expand their presence in the marketplace. While customer awareness of the importance of this technology is quite high, they are also picky as they evaluate the available product offerings and vendors. In addition, network-based vulnerability scanning technology has remained essentially unchanged. Vendors have focused on expanding the number of vulnerabilities that their products check for, but this number has been growing slowly. The highly competitive nature of this market dictates that vendors continue to seek new ways to add product value.

Competitors in the vulnerability management market continually seek out methods to maintain high growth rates in spite of these challenges. Frost & Sullivan believes that product line strategy is of the highest importance to a security company's success and will directly influence the vendor's success in the market. A leading product line strategy will drive a customer's interest level and determine the target market that the competitor can address. Competitors with broad product portfolios can reach a broader audience; however, the decision to expand product lines must be carefully planned to meet customer expectations. In addition, the maturity level of vulnerability assessment technology ensures that competitors must expand their product functionality and features in a manner that provides greater value to customers. Due to the highly competitive nature of this market, vendors must expand their product lines in a manner that differentiates the company. The leading product line strategy addresses these challenges and has driven the company's market penetration.

#### **Impact of Product Line Strategy of the Year Award on Key Stakeholders**

The Product Line Strategy of the Year Award is a prestigious recognition of Rapid7's accomplishments in the vulnerability management market. An unbiased, 3<sup>rd</sup> party recognition can provide a profound impact in enhancing the brand value and thereby

accelerating Rapid7's growth. As captured in Chart 1 below, by researching, ranking, and recognizing those who deliver excellence and best practices in their respective endeavors, Frost & Sullivan hopes to inspire, influence, and impact three specific constituencies:

- **Investors**

Investors and shareholders always welcome unbiased and impartial third party recognition. Similarly, prospective investors and shareholders are drawn to companies with a well-established reputation for excellence. Unbiased validation is the best and most credible way to showcase an organization worthy of investment.

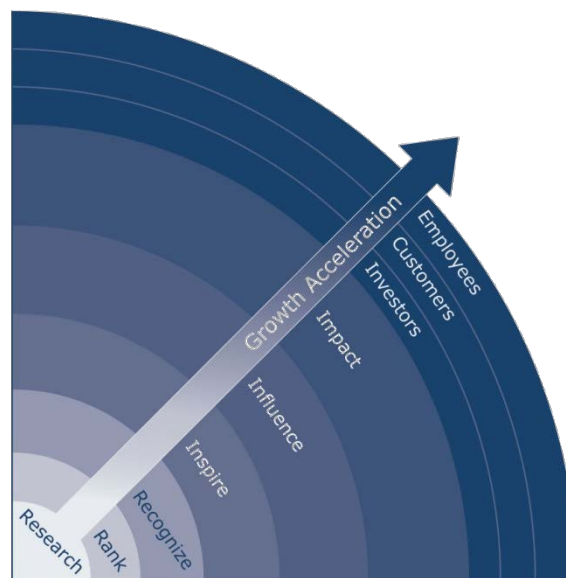
- **Customers**

3rd party industry recognition has been proven to be the most effective way to assure customers that they are partnering with an organization that is leading in its field.

- **Employees**

This Award represents the creativity and dedication of Rapid7's executive team and employees. Such public recognition can boost morale and inspire these stakeholders to continue the best-in-class pursuit of innovation and leadership for Rapid7.

**Chart 1: Best Practices Leverage for Growth Acceleration**



### **Key Benchmarking Criteria for Product Line Strategy of the Year Award**

For the Product Line Strategy of the Year Award, the following criteria were used to benchmark Rapid7's performance against key competitors:

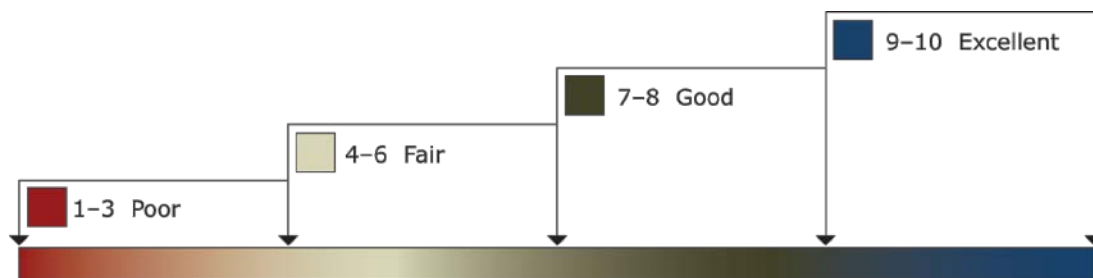
- Breadth of Product Line
- Size of Addressable Customer Base

- Impact on Customer Value
- Impact on Market Share
- Breadth of Applications/Markets Served

## Decision Support Matrix and Measurement Criteria

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Matrix (DSM). The DSM is an analytical tool that compares companies' performance relative to each other with an integration of quantitative and qualitative metrics. The DSM features criteria unique to each Award category and ranks importance by assigning weights to each criterion. The relative weighting reflects current market conditions and illustrates the associated importance of each criterion according to Frost & Sullivan. Fundamentally, each DSM is distinct for each market and Award category. The DSM allows our research and consulting teams to objectively analyze each company's performance on each criterion relative to its top competitors and assign performance ratings on that basis. The DSM follows a 10-point scale that allows for nuances in performance evaluation; ratings guidelines are shown in Chart 2.

**Chart 2: Performance-based Ratings for Decision Support Matrix**



This exercise encompasses all criteria, leading to a weighted average ranking of each company. Researchers can then easily identify the company with the highest ranking. As a final step, the research team confirms the veracity of the model by ensuring 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.

**Chart 3: Frost & Sullivan’s 10 Step Process for Identifying Award Recipients**



**Best Practice Award Analysis for Rapid7**

The Decision Support Matrix, shown in Chart 4, illustrates the relative importance of each criterion for the Product Line Strategy of the Year Award and the ratings for each company under evaluation. To remain unbiased while also protecting the interests of the other organizations reviewed, we have chosen to refer to the other key players as Competitor 1 and Competitor 2.

**Chart 4: Decision Support Matrix for Product Line Strategy of the Year Award**

Measurement of 1–10 (1 = lowest; 10 = highest)	Award Criteria					Weighted Rating
	Breadth of Product Line	Size of Addressable Customer Base	Impact on Customer Value	Breadth of Applications/Markets Served	Impact on Market Share	
<b>Relative Weight (%)</b>	20%	20%	20%	20%	20%	100%
Rapid7	9.0	9.0	10.0	9.0	9.0	9.20
Competitor 1	9.5	9.5	9.0	8.5	9.0	9.10
Competitor 2	8.0	9.0	9.0	8.5	8.0	8.50

**Criterion 1: Breadth of Product Line**

Frost & Sullivan feels that the breadth of a competitor's product line is a critical competitive factor in the security industry. While some customers might prefer a specialized security boutique, customers prefer to interact with fewer vendors that can fulfill more of their needs. Consequently, most vendors have been strategically expanding their product portfolio with adjacent security functionality to meet customer needs. As a result of strategic acquisitions, large, multinational companies now offer the broadest product lines. Rapid7 offers a vulnerability assessment product that was designed to secure the complete range of enterprise applications, from network-based vulnerability scanning to database scanning and application security.

On October 1, 2009, Rapid7 announced the acquisition of Metasploit, the open source framework for penetration testing. In May 2010, Rapid7 released the first commercial version of this program, called Metasploit Express followed by the even more comprehensive edition Metasploit Pro in October 2010. While this isn't the first company to offer an automated penetration testing product, few vendors have been able to tie this into a broader vulnerability management portfolio. Now, Rapid7's vulnerability management solution, NeXpose, offers vulnerability scanning for all aspects of the enterprise network environment, while Metasploit Express and Pro provide customers with a powerful testing framework to test target systems' ability to defend against specific attacks. In addition, Rapid7 is strongly involved in supporting the security community with its ownership of the open source project Metasploit Framework, its sponsorship of the open source project w3af and its free vulnerability scanner NeXpose Community Edition.

**Criterion 2: Size of Addressable Customer Base**

The vulnerability assessment market is becoming increasingly competitive due to the high install base of vulnerability scanner solutions. A prominent portion of the customers that understand the need for this security technology have already invested in solutions. As a result, competitors in this market are seeking to expand their functionality into adjacent security areas. This has been a primary focus for many competitors' product portfolios as this expansion will determine the company's potential target market.

Rapid7 NeXpose was designed to efficiently scan the widest variety of hardware, software, networked devices, operating systems, web applications, and databases for vulnerabilities. This allows Rapid7 to fulfill the security auditing and testing needs of the broadest range of customers, from large enterprises to small- and medium-sized businesses. Currently, many vendors are still developing these capabilities and specialize in only one of these areas. Other competitors have expanded their addressable customer base primarily through acquisitions or partnerships.

**Criterion 3: Impact on Customer Value**

While competitors in this market have identified the need to expand their product lines beyond traditional network-based vulnerability scanning, there is also the need to do this in a strategic manner. This strategy must enhance the solution set's value by meeting the needs of the company's established customer base, as well as the customers in adjacent market segments. This increased value will help the vendor's reputation and ability to penetrate the market.

Rapid7's competitors have focused on either partnering with vendors that provide application security testing, or developing these capabilities on their own. However, Rapid7 has offered this as a feature of NeXpose from the product's introduction. As a result, NeXpose integrated and broad scanning capabilities already provided a strong value to customers. With the addition of Metasploit Express and Pro, Rapid7 further increased the value of its solutions by offering an innovative capability that hasn't been offered in other enterprise vulnerability management solutions.

**Criterion 4: Breadth of Applications/Markets Served**

Vulnerability management has become an umbrella term that covers the entire process of discovering, detecting, and correcting vulnerable applications and systems. As a result, security technologies were developed to test specific applications and systems. These days, customers expect to be able to acquire these technologies from a single solution from a single vendor. Consequently, the breadth of applications served has become a primary point of competition.

Rapid7's competition has focused on expanding into areas such as application security and patch management. From its inception, Rapid7's product line strategy was to serve a broad range of applications in a single appliance. Rapid7 NeXpose tests for vulnerabilities in all IP-enabled devices, operating systems, Web applications, and databases. The addition of penetration testing provides customers with a holistic method of assessing an enterprise network's security.

**Criterion 5: Impact on Market Share**

The vulnerability management market has become increasingly competitive as it matures. Now, vendors' product strategies focus on expanding into adjacent markets by adding features and functionality that enable them to displace competitors' products. As a result, vendors with leading product line strategies will be able to increase their market penetration.

Leading competitors in this space owe their healthy market shares to a strong product line strategy. Rapid7's strong growth rates have translated to a steady gain in market share. The company's product line strategy provides excellent customer value, and Rapid7 continues to seek new avenues for growth. For Rapid7, this leading product line strategy promises continued growth and increased market penetration. Based on the

aforementioned criteria as defined and measured by Frost & Sullivan, Rapid7 is the recipient of the 2010 Frost & Sullivan Product Line Strategy of the Year Award.

## **The CEO 360 Degree Perspective™ - Visionary Platform for Growth Strategies**

The CEO 360 Degree Perspective model provides a clear illustration of the complex business universe in which CEOs and their management teams live today. It represents the foundation of Frost & Sullivan's global research organization and provides the basis on which companies can gain a visionary and strategic understanding of the market. The 360 degree perspective is also a “must-have” requirement for the identification and analysis of best-practice performance by industry leaders.

The 360 degree model enables our clients to gain a comprehensive, action-oriented understanding of market evolution and its implications for their companies' growth strategies. As illustrated in Chart 5 below, the following six-step process outlines how our researchers and consultants embed the 360 degree perspective into their analyses and recommendations:

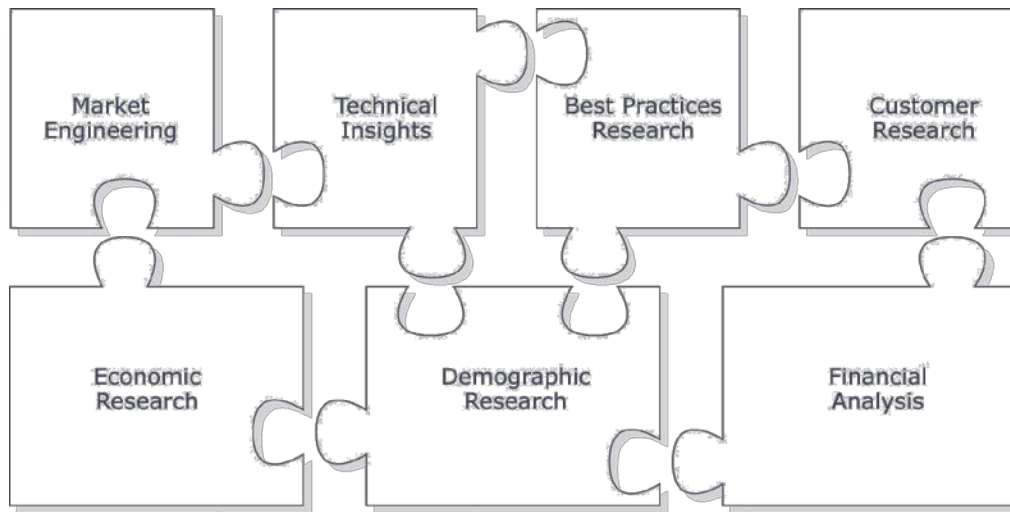
### **Chart 5: The CEO's 360 Degree Perspective Model**



**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 7 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 the 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 6: 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 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>.