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INFORMATION SECURITY MARKET IN RUSSIA KEEPS GROWING IN SPITE OF THE CRISIS

There are a lot of opinions on the current state and perspectives for further development of Russian IT and Information Security markets. Groteck Business Media has analyzed studies by the leading Russian and foreign research companies and government statistics. Having interviewed over 100 branch experts, we managed to gain the data, which all main market players agree with.

MARKET VOLUMES

Until June 2008, the Information Security market was one of the most rapidly growing segments of the Russian IT market. Until September, IT market growth rate constituted 20% per year, meantime the Information Security market growth rate reached 70% per year. In 2009, in the conditions of general market instability, the IT market decreased meanwhile the Information Security market grew by 10%.

In general, the market of information security in Russia proved to be resistant to changes in external environment and it is able to develop during crises. Almost all segments grew in 2008, they kept growing in 2009 and it is anticipated that they still will be growing in 2010-2011.

According to researches conducted by PriceWaterhouse Coopers (2009), the financial crisis has not influenced much on supporting information security. However, there appeared more threats to companies' IT assets in the situation of present overall economic recession of 2009.

Respondents' standpoints on the statement "There is a greater information security threat to the company's IT assets" are reflected in the diagram below.

Grigory Popov,

Sales and Marketing Director, "I-Teco" company:

"The 2009 crisis couldn't help affecting Russian IT market. The fever in investment and banking sectors, in developer market and in metallurgy, machinery construction caused weakening of activity by IT companies serving these branches. Owners either have slowed down the speed of implementing information technologies or totally have "frozen" IT budgets, or they have even ceased business operations."

Source: www.astera.ru

Alexey Ananiev,

Director General, "Firma Atto", Saratov:

"I am sure that the year 2010 will be more successful for the Russian market than 2009 – we have no longer our sales volumes lost; a slow and stable growth has started. I think that the growth will be not only quantitative but qualitative as well - for instance, new distribution channels will be mastered, internet trade will be actively developing in the regions."

Source: www.astera.ru

Figure 1 Structure of "open" Information Security market in \$million

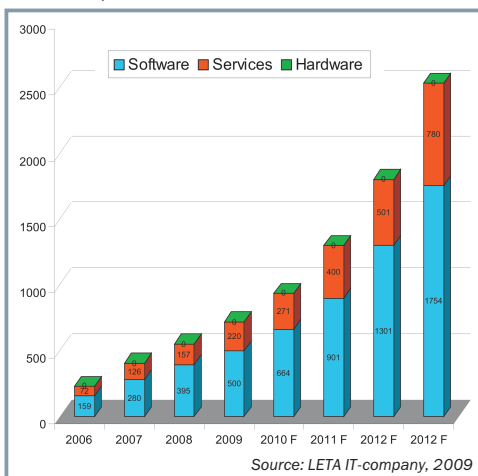
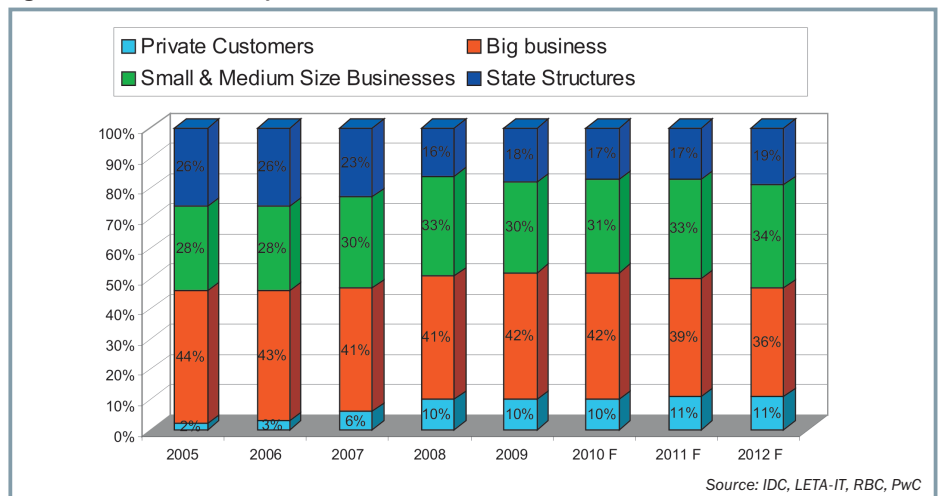


Figure 2 Information Security Consumers, %



BUDGETS

As to the results of 2009, generally 43% of the companies increased their budgets to provide information security. 32% of the companies reduced their budgets for information security and only 25% of the companies increased their budgets (less than by 5%).

According to Deloitte interview conducted in 2009, the volume of expenses for information security (in percentage of IT budgets), is the following:

Figure 4 Investments into security and safety of the companies in high tech sector

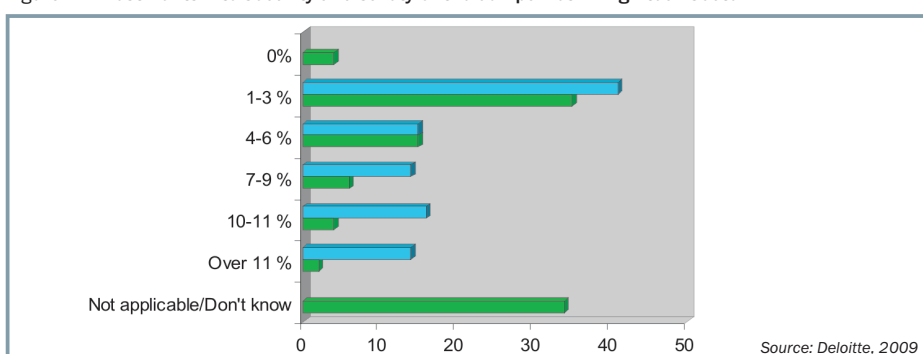
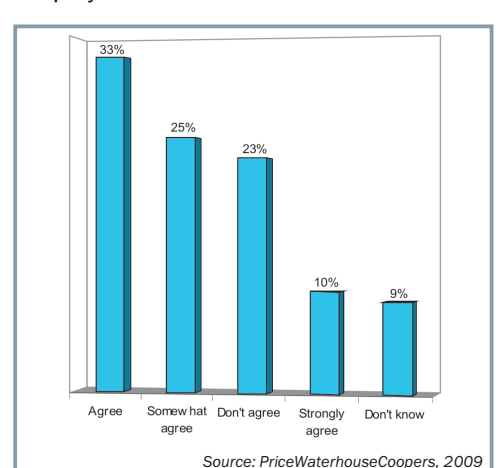


Figure 3 Respondents' standpoints on the statement "There is a greater information security threat to the company's IT assets"



The main drivers in the Russian market of information security in 2008 and 2009 were requirements towards protecting personal data and information in public authorities (Government order.)

In 2010-2011, besides these two factors, there will appear the other ones: implementation of electronic document management and electronic state services, as well as protection of mobile devices.

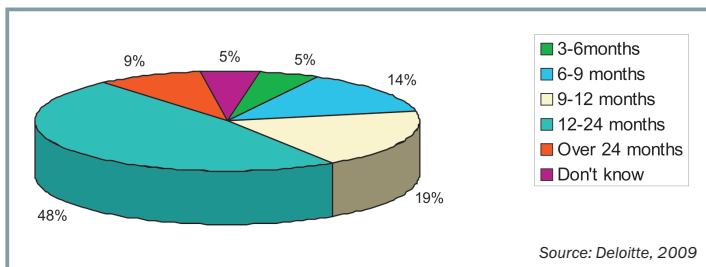
Today, the basic driver of information security market growth in Russia is still the law "On Protection of Personal Data" adopted in the Russian Federation on 27th July 2006. The law regulates the activities involving processing personal data either using automation technical means or not.

READINESS

Despite the fact that there are strong stimulating factors, the possibility that organizations will be totally prepared to meet the requirements of Russian legislation by June 2010 is small. This is corroborated by their current rate of preparedness, which is quite low; and the required time for fulfilling the Law provisions is assessed by vast majority of respondents as from 9 months to more than 2 years.

According to Deloitte research, meeting the requirements of the federal Law by businesses will take much time.

Figure 6 Assessment of readiness of the biggest Russian enterprises to meet the requirements of the federal Law "On Personal Data"



INVESTMENTS

According to the data of Federal Agency on Information Technologies (Rosinformtehnologii), there have already been allotted 1 901 979 500 rubles for implementing the State Program "Creating Technology Parks in the Field of High Technologies in Russian Federation."

To realize the project "Electronic Russia" (2002-2010 period), there have been allotted 1 686 330 000 rubles.

Igor Schegolyov, the Minister of Mass Communications of Russian Federation stated in May 2010:

"The need of consumers in a higher speed of access to information resources will reach 100 Mb per sec. by 2015. That is why the systems of high speed access to information resources are so important. By 2015, we want to achieve the level of penetration as of 60 lines per one hundred of consumers, outracing thus growth rates in developed countries.

It is of utmost importance to stimulate Russian industry of telecommunication equipment and space equipment/technology. To do this, it is necessary to create conditions and firstly to establish the status of national producer. Up to the moment, along with a number of agencies, we have elaborated a project of Government Ordinance on usage of equipment produced by home producers within 2.3 – 2.4 GHz frequency range.

In the project, we provide a broad definition to the term "equipment made by home producers." Foreign vendors will have the opportunity to gain this status under certain conditions.

The situation in the economy in general and in IT segment in particular – is developing dynamically. In 2009, the total number of personal computers was 52.3 million, which is 11.3% more than in 2008.

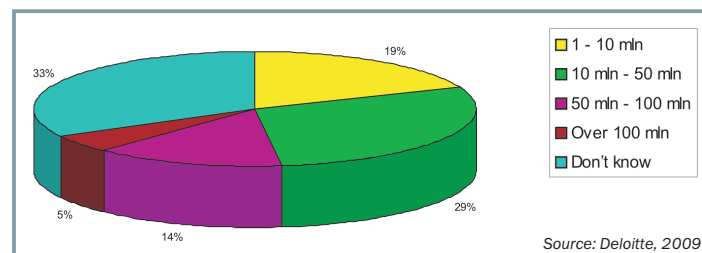
The task for 2010 is to settle information technologies as a separate branch of the economy."

CONCLUSION

On the basis of data given before, following conclusions can be drawn:

1. It is very likely that the volume of Russian IT market in 2010 will gain the level it had before the crisis.
2. The Russian market of Information Security will keep growing 10-15% per year.
3. The competition to get IT budgets of big customers (both corporate and state) will rise dramatically.
4. Big foreign vendors will be able to gain the status of "Russian producer", which will widen substantially their possibilities to participate in big state tenders.
5. Russian consumers will be increasing in their purchases the share of equipment made by foreign producers. Those vendors with broad line of IT products, network technologies and Information Security will have the priority.
6. In connection with the ongoing tendency to optimize IT budgets, supply chains will be probably reduced and the demand for outsourcing services will probably increase.

Figure 5 Assessment of investment size necessary to meet the requirements of the federal Law "On Personal Data"



Speaking about the size of investments necessary to meet the requirement of Russian legislation, the majority of interviewed companies suppose that this will involve from 250,000 to 1.25 million euro.

* In the Deloitte research calculation is made in Russian currency – rubles. The mentioned prices are converted to Euro according to the average exchange rate.

Gleb Mishin,

Director General of "Acer Marketing Services" Ltd:

"The dynamics of Russian IT market will depend on the overall economic situation in the country. I accept that by the end of 2010 IT market will have regained its pre-crisis level.

These are new technologies that will become drivers for the growth; they will animate the development of the industry and help create fundamentally new devices. As we anticipate, in 2010 the segment of mobile devices - notebooks, netbooks and smartphones - will see the fastest development. These markets are not saturated yet, and thus they have quite big potential.

We anticipate positive dynamics in growth for the market of desk computers, which may constitute 15%. In 2010 in this segment, the consolidation around international suppliers will continue, meanwhile the share of home producers and primarily of so called "self-assemblers" will keep tendency towards decreasing.

The growth of markets of monitors and viewing equipment that are more saturated and that have a corporate rather than consumer orientation may constitute 13% and 10% respectively.

Source: www.astera.ru

Zarina Kamybaeva,

senior analyst IDC for PC markets in Russia and CIS:

"Russian PC market has finally revived after a difficult period caused by the crisis. Deferred demand is still having its influence, home users purchase actively computer equipment.

There's a budding tendency towards ebullience in the corporate segment as well. Innovations related with the formation of Customs Union had their impact, which complicated the work of suppliers and their partners in the beginning of the first quarter of 2010."

Source: www.astera.ru

Grigory Popov,

Sales&Marketing Director, "I-Teco":

"In the first half of 2009 customers were economizing their budgets; and the work was conducted on completing the projects started before. By the end of the year, the market began to rebound and we evidenced the start of big projects. The solutions that enable to get more from the existing infrastructure - virtualization, all kinds of services on optimizing IT infrastructure, projects on consolidation – became more in-demand.

I think that the hardest period is left behind Now we can watch IT market enter a new stage of its development. The post-crisis panic is over, the market has entered the stage of stable development and fortunately there's no more feeling that the market is falling."

Source: www.astera.ru

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the VII-th International Show InfosecurityRussia, Storage Expo & Documation 2010 - the premier event for the markets of IT, data storage, electronic document management and state electronic services in Russia. www.infosecurityrussia.ru

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