



## A&M'S 2024 CYBERSECURITY MARKET STUDY

# Insights and Survey Results on the Latest Cybersecurity Market Trends

In the ever-evolving landscape of cyber threats, companies are often confronted with a wide selection of cybersecurity solutions and services to help reduce risk to their businesses. As threats grow, so do the vendors and solutions in the market. This rapid vendor proliferation is not only leading to functional overlap and obsolescence but is also requiring decision makers to balance risk assessments and budget allocations to meet their cybersecurity needs.

Given the dynamic nature of the cybersecurity market, A&M conducted a survey of more than 340 decision makers and key influencers of their companies' cybersecurity strategies. This included c-suite executives, senior management and security technology leaders from companies across all major industries and geographies who, shared insights on their cybersecurity budgeting practices, technology solutions and cyber-related concerns.

The research, public company analysis and our market experience has culminated into several main themes. These and other results are as follow:

"Although the cybersecurity market has had strong growth over the past decade, companies now need to optimize their product portfolio and R&D investments amidst slowing growth."

– Ian Ross, Senior Director  
Alvarez & Marsal

### Survey Participants

**340+**  
decision makers  
for their company's  
cybersecurity

North America  
55%

EMEA  
24%

APAC  
10%

LATAM  
11%

31%  
Medium  
Ent.

27%  
Small  
Ent.

22%  
SMB

21%  
Large  
Ent.

### Key Survey Findings



#### Growth Rate is Slowing

**67% of companies believe they are at the right level of spending for cybersecurity**

Revenue growth rates remain positive but have slowed, with an additional 19% of respondents stating they are overspending



#### R&D Budgets Need to Be Focused

Slowing growth plus steadily increasing average R&D spend reaching **26% of revenue, requires focus on core solutions**

21 leading public cybersecurity companies' R&D spend grew with the market and now requires optimization amidst slowing growth rates



#### Consolidation is Crucial

**46% of respondents think there are too many overlapping solutions and too many vendors**

Crunchbase estimates ~10k cybersecurity firms, M&A has slowed, and customers want solution consolidation



#### AI is Impacting The Sector

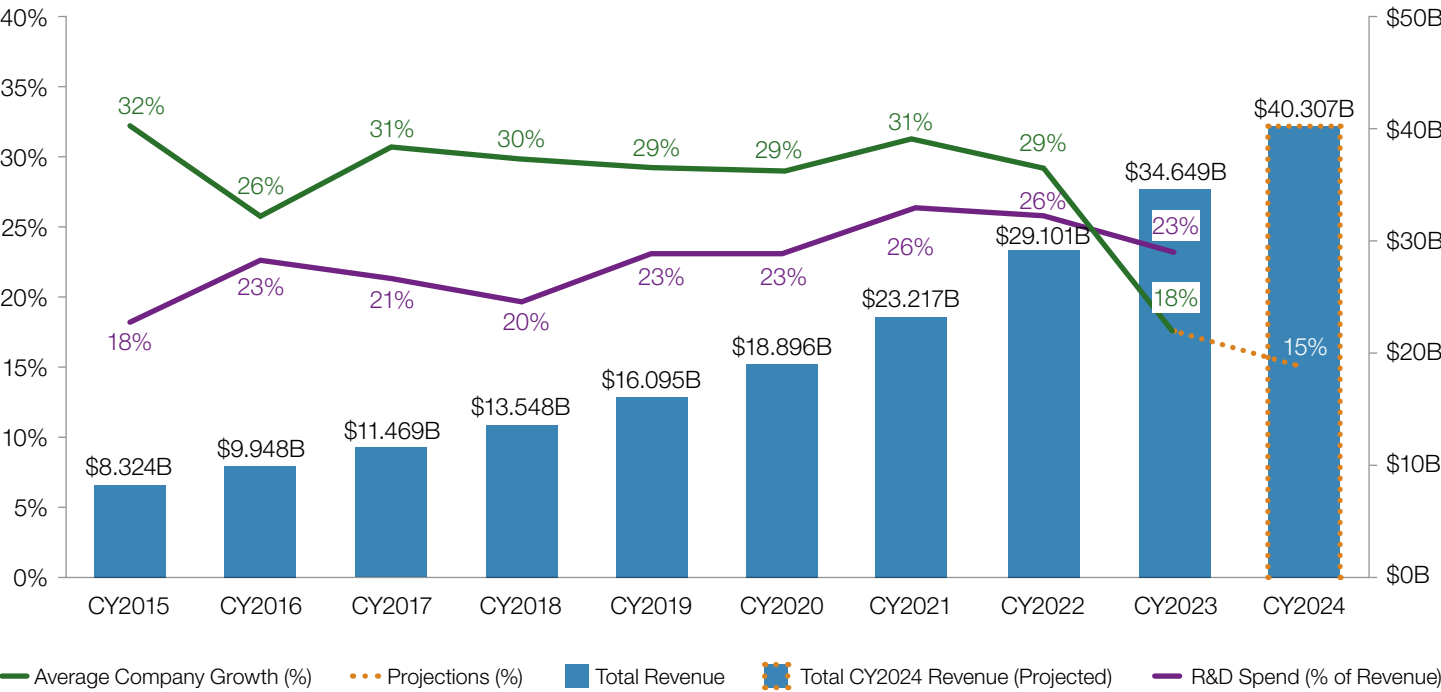
**"It's an arms race"**  
– Cyber Expert

The impact of AI will be felt from both the threats faced and the solutions used to detect and respond

## Growth Rate is Slowing

While the cybersecurity industry remains strong, revenue growth rates are slowing. The average year-over-year growth rate for leading public pure play cybersecurity companies was around 30 percent for the past decade, but in 2023 the average decreased to a growth rate of 18 percent. This trend of positive but slowed growth is expected to continue through 2024 (Figure 1).

Figure 1: Revenue Growth and R&D Spend in Select Cybersecurity Software Companies (CY2015-CY2024)



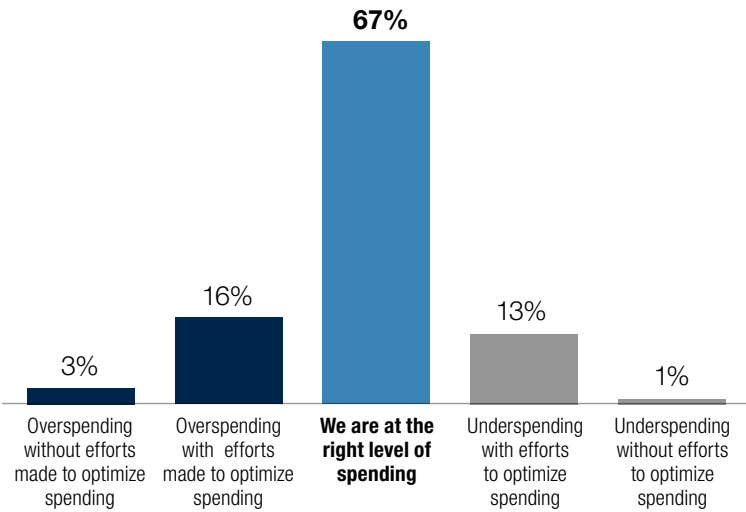
Source(s): A&M analysis of Public data, Capital IQPro, Guggenheim Securities April 2024 Monthly Software Market Valuation and Performance Update report

Similarly, according to the survey, cybersecurity budgets are now at a median of 22 percent of the total IT budget and are increasing at a slower rate as two thirds of companies believe they are now at the right level of spend.

Growth could continue to slow given that 86 percent (Figure 2) of companies believe they are either at the right level of spend or are overspending. Because of this, cybersecurity solution providers must stay close to customers’ needs, focus their research and development (R&D) investments and consider their go-to-market strategies.

As revenue growth slows and budgets level out, customers of cybersecurity solutions will need to optimize their budgets while vendors must differentiate themselves to remain competitive.

Figure 2: View on Company’s Spending for Cybersecurity



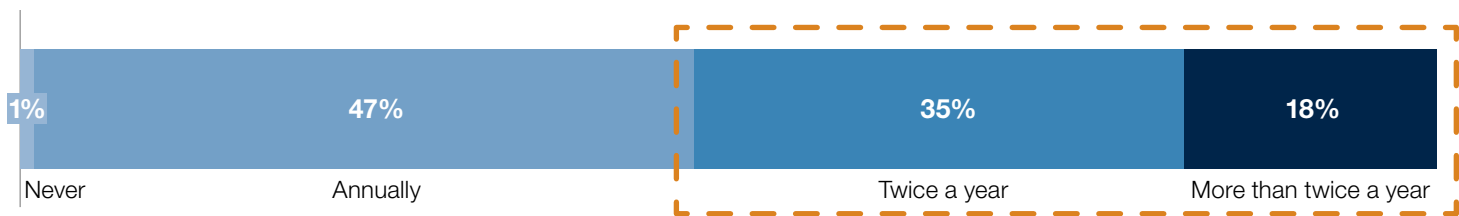
Source: A&M 2024 Cybersecurity Survey

## R&D Budgets Need to Be Focused

To remain competitive, cybersecurity companies will need to align R&D spend with slowing market growth and customers' constantly changing needs. For the leading public cybersecurity companies, increases in R&D spend outpaced revenue growth between 2018 and 2023. Although a reduction in average R&D spend as a percentage of revenue from 26 percent to 23 percent in 2023 suggests that some companies are starting to act, revenue growth is slowing at a quicker rate. To compete in a lower-growth, more cost-focused environment, cybersecurity companies will need to allocate their R&D budgets to core products and projects with the highest return on investment.

Cybersecurity companies can further support their sales and customer retention by understanding the drivers behind customer decision making, including why and how often their customers perform risk assessments. According to the survey results, almost all companies perform risk assessments at least annually, with more than half conducting assessments twice or more a year (Figure 3).

**Figure 3: Frequency of Performing Cybersecurity Risk Assessments**



Source: A&M 2024 Cybersecurity Survey

Outsourcing is another factor in the mix of cybersecurity solutions, as almost two thirds of survey respondents outsource an average of 42 percent of their cybersecurity operations, with 67 percent of these companies increasing the budget allocated to outsourcing from prior year. Vendors should consider the impacts of this on their product and services portfolio mix, including how they can position themselves with the changing customer outsourcing requirements.

Therefore, it is essential that vendors pay close attention as customer needs change while focusing on and improving their core offerings, such as adding AI capabilities, and removing adjacent offerings.

## Consolidation is Crucial

According to business data provider Crunchbase, there are nearly 10,000 cyber tech companies in the market, and almost half of survey respondents believe they have too many overlapping solutions and too many vendors to manage.

While most respondents believe their current cybersecurity vendor solutions are meeting their company demands, many have multiple solutions for the same cybersecurity need, averaging more than two per category. Customer needs and slowing growth are driving the sector towards solution consolidation and M&A opportunities.

Deal volume has steadily fallen within the cybersecurity space, mirroring the decline in the tech sector as interest rates rose. However, the overlaps in solutions and the volume of vendors means that consolidation could prove vital for customer acquisition, retention and overall growth.

## AI is Impacting the Sector

We are seeing AI impact all segments and sectors, and cybersecurity is no different. Security teams will need AI tools to address increasing attacks and cyber talent shortages. Some key themes on AI in cybersecurity we have seen in the survey and in market discussions include:

- **Arms Race:** The rise of AI acts both as a deterrent and threat in cybersecurity.
- **Governance and Regulations:** Companies need to be ready for any AI policy changes that government entities may adopt, similar to the General Data Protection Regulation in the EU.
- **Threat Visualization:** AI may be used to consolidate vulnerability scanning results and other telemetry for reporting purposes.
- **Human Touch:** Companies still want a real person at the end of the phone during a cybersecurity crisis.

To stay relevant and competitive in the future, cybersecurity technology companies will need to have an AI strategy in their product roadmaps that supports the core solutions.

## How A&M Can Help?

As cybersecurity revenue growth rates slow, R&D investments are squeezed, consolidation opportunities present themselves and AI evolves, cybersecurity companies have opportunities — and challenges — they must address to succeed in the market.

Alvarez & Marsal's Software, Technology & Services practice within the Private Equity Performance Improvement group has hands-on experience with the cybersecurity sector and the trends facing it, including a proven track record in M&A. Our teams support clients with the consideration, evaluation and implementation of product strategy, platform consolidation, R&D optimization and go-to-market approaches as customer needs change and the sector evolves.

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## ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) for leadership, action and results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services. When conventional approaches are not enough to create transformation and drive change, clients seek our deep expertise and ability to deliver practical solutions to their unique problems.

With over 9,000 people providing services across six continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, leverage A&M's restructuring heritage to help companies act decisively, catapult growth and accelerate results. We are experienced operators, world-class consultants, former regulators and industry authorities with a shared commitment to telling clients what's really needed for turning change into a strategic business asset, managing risk and unlocking value at every stage of growth.

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