



## TECHNOLOGY INDUSTRY GROUP

# A&M'S 2024 CYBERSECURITY MARKET STUDY

Product Management: Cybersecurity Solution Providers' Key to Prioritizing High-Impact Opportunities in 2025

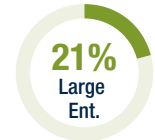
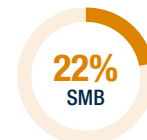
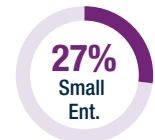
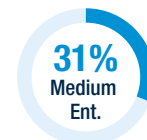
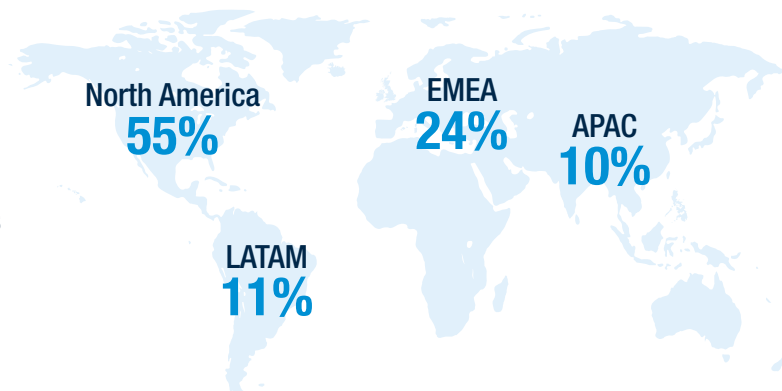
As the cybersecurity technology industry consolidates and growth slows, cyber solution providers must act or get left behind. For many companies, the pressure to focus their portfolio investments to stand out in a crowded market of cyber tech companies and succeed within the industry-wide consolidation is enormous.

In a deeper dive into Alvarez & Marsal's 2024 Cybersecurity Market Study, this article explores how cybersecurity companies can realign research and development (R&D) spend, leverage product management approaches and identify and capture high-impact opportunities to focus investments and enhance their solutions in 2025.

### Survey Participants

**340+**

decision makers  
for their company's  
cybersecurity



### 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

Despite significantly slowing market growth, R&D spend as a percent of revenue has remained consistently high. Companies should respond to more challenging market conditions by focusing R&D spend on core solutions

20 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

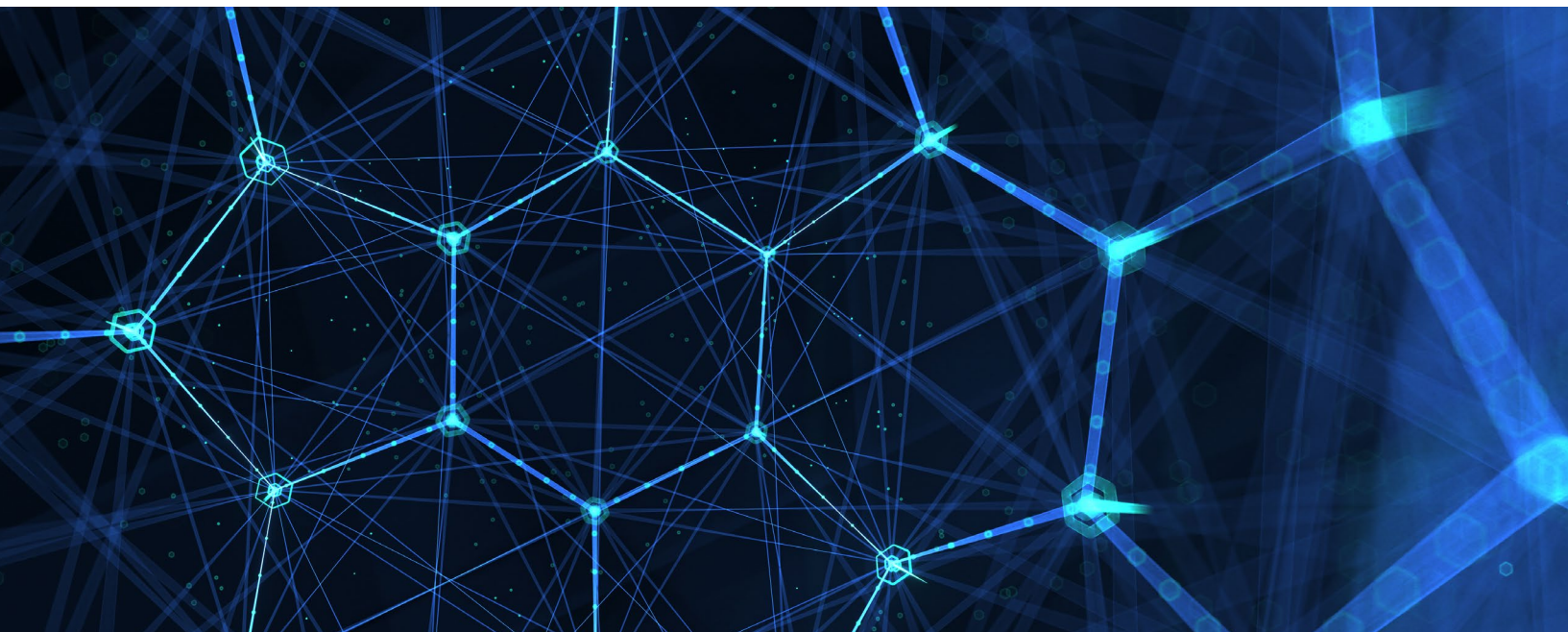
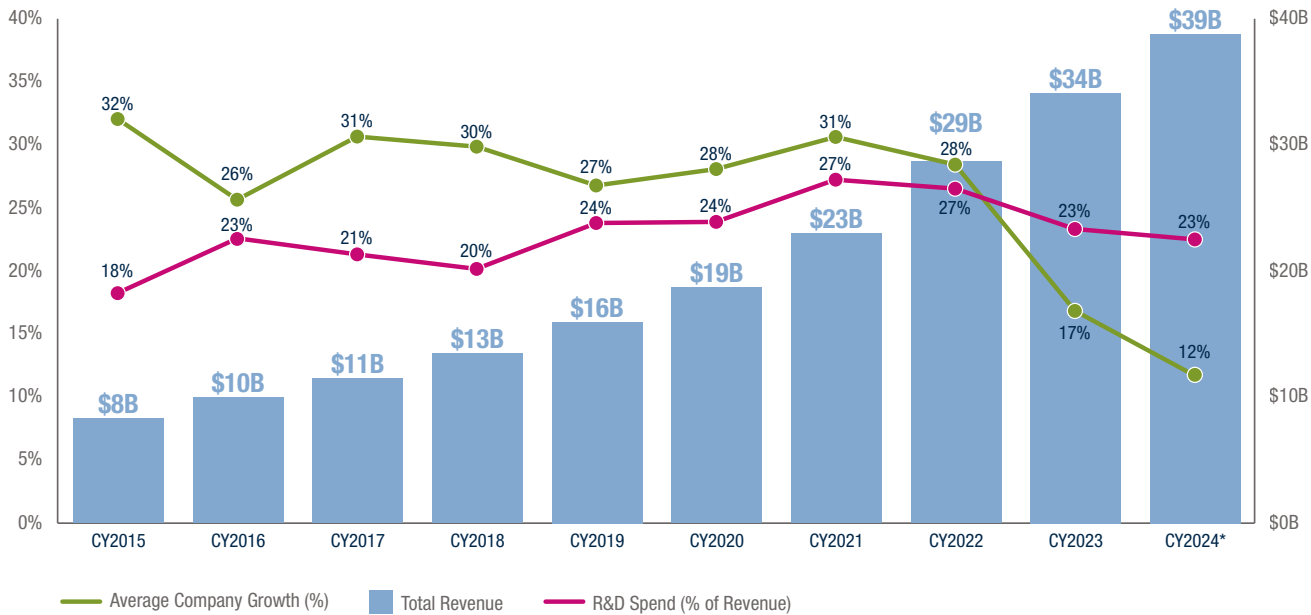
The impact of AI will be felt from both the threats faced and the solutions used to detect and respond

This paper explores a key finding from our survey:  
As the cybersecurity market growth slows, cybersecurity provider's R&D budgets need to be focused on core offerings

# Align R&D Spending with Market Growth

To remain competitive, cybersecurity companies will need to align their R&D spend with slowing market growth and customers' constantly changing needs. Average year-over-year growth in cybersecurity companies has dropped significantly from approximately 30 percent over the last decade to 17 percent in 2023 and 12 percent in 2024. Despite this, R&D spend as a percentage of revenue has steadily grown over the last decade. While 2023 showed some reductions in R&D spend as a percent of revenue, dropping from 27 percent to 23 percent, this effort to right-size R&D spend to align with slower market growth may be too little too late for some. Something must change. To compete in a lower-growth environment compared to the past decade, cybersecurity solution providers will need to rely on their product management functions to refocus their R&D efforts on high-impact opportunities.

Revenue Growth and R&D Spend in Select Cybersecurity Software Companies (CY2015 - CY2024\*)



CY2024\* is an approximation of CY2024 using Q4 of CY2023 and Q1-Q3 of CY2024





## How to Focus on R&D and High-Impact Opportunities

Cybersecurity solution providers can focus R&D budgets on the highest-impact opportunities by:

- Better understanding the needs of the market and creating a continuous feedback loop;
- Tailoring the product portfolio strategy to meet market needs;
- Providing a more disciplined approach to product management and R&D execution; and
- Aligning go-to-market actions with the organization's product strategy.

Specifically, cybersecurity providers can fine-tune their focus on optimal R&D spending and opportunities in four key areas:



### Customer and Market:

Customers of cybersecurity products are looking to outsource their cybersecurity functions and consolidate duplicative vendors and solutions while maintaining their current spend levels, creating a need for cyber companies to evaluate their fit within their customer's technology stack.



### Product and Portfolio Strategy:

Cybersecurity solution providers need to focus their R&D investments on enhancing their product suite's positioning and deprioritize exploratory product development projects.



### Product and R&D Execution:

With slowing market growth, cybersecurity companies will depend on robust product management processes to create and maintain a competitive advantage and drive product profitability.



### Go-to-Market:

Cybersecurity companies can win in the marketplace better aligning go-to-market approaches to product strategies and by monitoring key customer requirements and behaviour changes.



## Customer and Market: What Are Customers Saying?

Cybersecurity customers feel they have the right solutions in place and are looking to consolidate their duplicative capabilities and vendors while maintaining current spend levels. With the consistent evolution of cyber solutions in the marketplace and the increase in providers building integrated platforms with more functionality, customers are seeing the same capabilities being implemented across functional solutions. In addition, many customers feel they have too many vendor solutions to manage, creating functional overlap and adding complexity in their cybersecurity architecture and operations.

### Cybersecurity Customer Profile

1

Respondents consistently have 2 solutions covering each of their cybersecurity functional areas, averaging 22+ cyber solutions

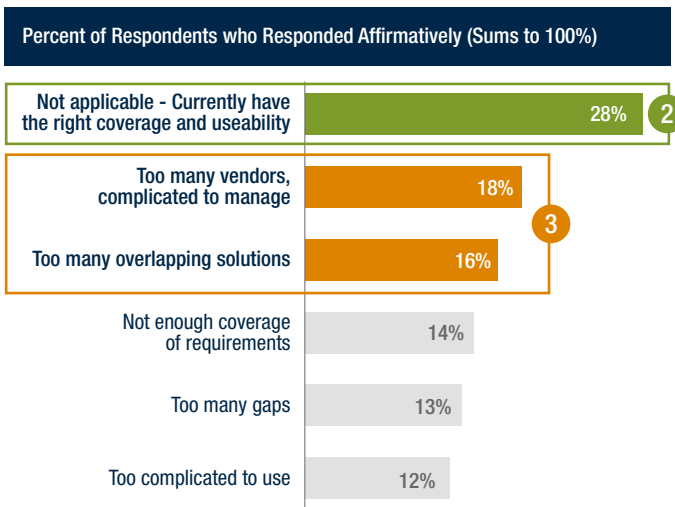
**Survey Question:** How many solutions does your company currently use for the following?

Cybersecurity Solution	Average Solution Qty
Cloud Security	2.2x
Data Security	2.1x
Application Security	2.1x
Web Security	2.1x
Network & Infrastructure Security	2.1x
Endpoint Security	2.1x
Risk & Compliance	2.0x
Mobile Security	2.0x
Messaging Security	1.9x
Threat Intelligence	1.9x
Identity & Access Management	1.9x
<b>Total Average</b>	<b>2.0x</b>

2

28% of respondents indicated their current cybersecurity solutions meet their needs

**Survey Question:** When it comes to technical cybersecurity solutions for your company, what would best describe your situation?



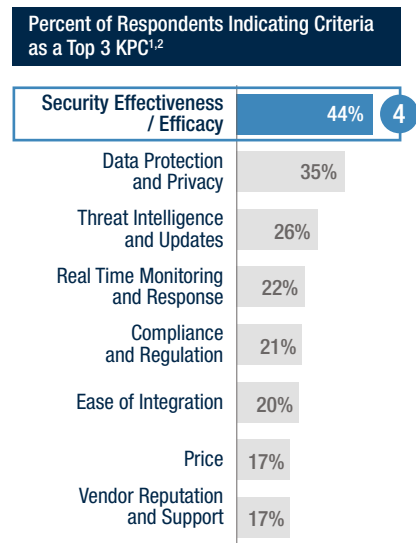
3

34% (18%+16%) of respondents claimed that they have too many vendors or overlapping solutions

4

With nearly half of respondents indicating it as a top-3 KPC, Security Effectiveness / Efficacy was the clear KPC<sup>1</sup> leader

**Survey Question:** What are the main criteria used in making purchase decisions for cybersecurity solutions & services?



60% of respondents said they outsource at least some of their cybersecurity function and 67% of those respondents said they are increasing outsourced cybersecurity budgets compared to prior years

Customers are more likely than prior years to outsource their cybersecurity needs. While they are looking to reduce their vendors and overlapping solutions, security effectiveness and efficacy remain their leading purchasing criteria.

<sup>1</sup> Key Purchasing Criteria (KPC); <sup>2</sup> Respondents were shown 15 KPCs but only the top 8 KPCs are presented here



## Product and Portfolio Strategy: What Should Companies Focus On?

Cyber solution providers need to focus their portfolio and R&D investment on enhancing their product suite's positioning and core offerings. Simultaneously, they also need to deprioritize exploratory product development projects.

There are three main areas where cybersecurity solution providers should focus to ensure their solutions are consistently the top choice in the market:



### Product Simplicity:

The scarcity of cybersecurity talent has resulted in labor shortages within the industry. Consequently, with fewer resources available to manage cybersecurity functions, **cybersecurity products must be simple and easy to use** for smaller cybersecurity teams.



### Product Fit:

Customers consistently have two solutions in place for any given cybersecurity need and want to reduce these overlaps. As customers pare down their overlapping solutions, **products must be perceived as a top-one or -two player in order to be retained**.



### Product Efficacy:

Product efficacy — the ability to provide services as promised and offer real value to customers — remains the overwhelming key purchasing criteria for customers by a wide margin over price. As such, **product efficacy should be prioritized by product managers over competing factors** in product development to ensure a strong perception in the marketplace.

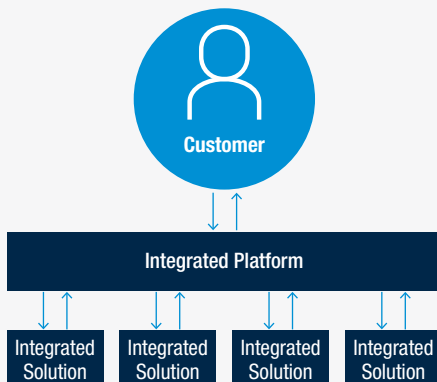
As customers consolidate their solutions, the “Integrated Platform” arrangement will be more common, making it more critical than ever for cybersecurity OEMs to ensure that their product fits within the winning integrated platforms. Cybersecurity OEMs can do this by focusing on simplicity, efficacy, and by prioritizing their own core offerings

Increased vendor consolidation will result in more integrated platforms. This dynamic requires each OEM<sup>1</sup> to assess if it fits into the integrated platform framework

More Vendor Consolidation

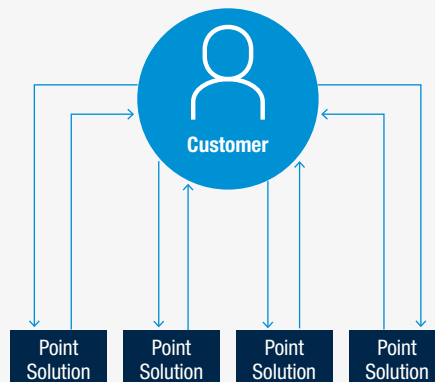
Less Vendor Consolidation

#### “Integrated Platform”



Selecting a single, comprehensive software suite that covers a wide range of requirements

#### “Best of Breed”



Selecting the best software for each specific need



### Keys to Success

To retain relevancy, cybersecurity solution providers need to make sure that their core offerings are included in the winning integrated platforms — giving customers the option of bundling or selecting priority modules.

To do this, product leaders need to double down on core offerings and those with high return on investment (ROI) and profitability while deprioritizing exploratory development projects.

Increased vendor consolidation will result in more integrated platforms. This dynamic requires each original equipment manufacturer (OEM) to assess if it fits into the integrated platform framework (image to the left).

<sup>1</sup> Original Equipment Manufacturer (OEM)



## Product and R&D Execution: How Do Companies Increase Their Competitive Advantage?

Cybersecurity growth is slowing. Eighty-six percent of survey respondents believe that they are either “at the right level of spending” or are overspending on their cyber solutions. But as growth slows, OEMs will depend more on robust product management processes to focus R&D spend on the highest-impact and greatest-ROI opportunities.

Product leaders can improve their competitive advantage by deploying robust and disciplined product management processes.

A&M has identified four actions that product leaders can take to overcome common product management gaps and create and maintain a competitive advantage:

# 1

### Manage the Product Roadmap:

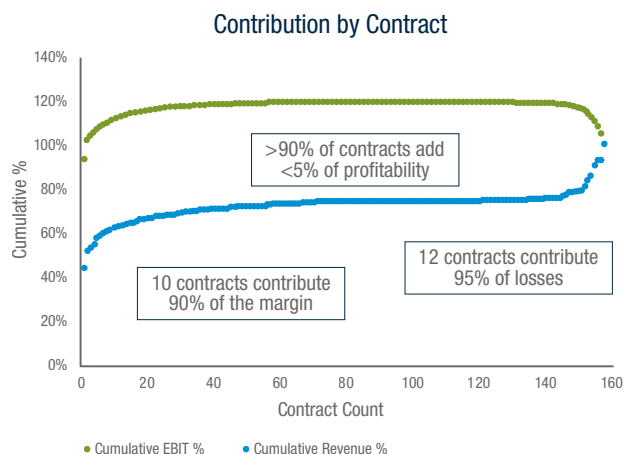
Bolster product roadmap ingestion processes by requiring key input documents, such as market research, product requirements, competitive assessments and business cases. ***A&M finds that this is frequently a gap in companies that exhibit low product management process maturity.***

# 2

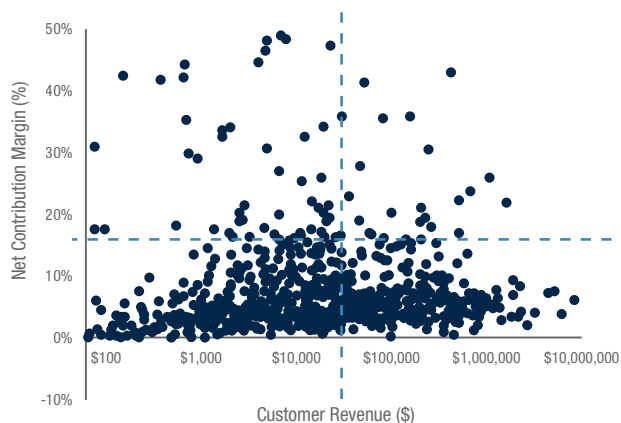
### Improve Visibility and Rationalization:

Gain visibility into the product portfolio by performing customer and product profitability analyses. Equipped with product performance visibility, product leaders can act boldly to rationalize their product suite, prioritizing high-margin, high-growth and strategic products and features while sunsetting low performers.

#### Product Profitability Analysis (Illustrative)



#### Customer Profitability Analysis (Illustrative)



**A&M regularly assists clients in gaining visibility into customer/product profitability via CPP (Customer and Product Profitability) Analysis**



# 3

## **Consider Making, Versus Buying or Partnering:**

Realistically evaluate R&D capabilities against product roadmap requirements. If speed to market is important or the investment thesis is sensitive to cost variability, partnerships and acquisitions are likely to be more beneficial than organic product development, especially if product requirements are not aligned with core R&D capabilities.

# 4

## **Evaluate Bundling and Pricing Approaches:**

In response to evolving market dynamics, continuously re-evaluate bundling and pricing strategies by using advanced data and analytics techniques to assess their effectiveness. Smart bundling and pricing strategies can result in outsized margin improvements and better align products to market needs.

A&M has observed that companies with immature product management functions tend to have processes that have not yet adapted to the new reality of slowed market growth and industry consolidation. Companies can gain a significant advantage over their competition by implementing robust and disciplined product management processes.





## Go-to-Market: How Do You Create Alignment?

The go-to-market strategy can succeed in the marketplace by aligning closely with the company's product strategy and continuously monitoring key changes in customer behaviour. Cybersecurity companies can take the following practical actions to find or maintain successful growth:



### Target the Right Customers

Focus on customer segments that present a realistic opportunity for growth. Expanding into the mid-market and small- and medium-sized business (SMB) sectors requires substantial business redesign, a challenge that is often underestimated.

- **Products:** Maintain a realistic picture of product capabilities and the markets they can service.
- **Segments:** Evaluate the enterprise space against the mid-market and SMB space. This involves considering several important factors — including the competitive landscape, buyer personas and feature requirements, among others — all of which play critical roles.
- **Industries:** Evaluate the complex factors in highly regulated, highly dynamic sectors that frequently face government scrutiny.
- **Geographies:** Consider the impact of geopolitical tensions and regional regulations, such as Europe's General Data Protection Regulation, as well as operational complexities.



### Structure the Sales Team

Organize the sales function of the organization to effectively capture target customer segments. Overcoming the hesitation to alter the sales team, and especially its incentives, is a key step.

- **Strategy:** Market segment dynamics have major influence over the go-to-market approach. Where Enterprises may favor dedicated account executives, mid-market companies and SMBs are more likely to respond well to self-serve and search engine optimization efforts.
- **Resource mix:** Getting the sales resourcing mix right is crucial for capturing targeted segments. The proper alignment and combination of account executives, sales managers, business development representatives, technical account managers and subject matter experts can determine the success or failure of a go-to-market strategy.
- **Incentive structure:** Continuously reevaluate whether incentive plans are aligned to business goals. The scope of reevaluation should include attainment baselines and sales performance incentive plans, among other evaluation criteria.



### Leverage High-impact Customer Touchpoints

Stay informed about significant customer changes and capitalize on them. These represent critical times to defend market share or capture new growth. Although account executives are skilled at anticipating changes with individual clients, businesses struggle to anticipate and respond to industry-wide changes.

Key changes that present opportunities may include the following:

- Contract renewal windows
- Outsourcing initiatives
- Vendor consolidation initiatives
- Solution bundling
- Threat evolution
- Self-evaluations
- Regulatory changes
- Competitor promotions
- Competitor mis-steps

## Cybersecurity Solutions Providers Can Win in the Marketplace

As cybersecurity tech market growth slows and customers consolidate duplicative solutions and vendors, R&D budgets need to be focused on enhancing the product suite's market positioning to remain relevant. At the same time, product leaders can create and retain competitive advantages for their product suites by deploying and executing a robust product management process.

The key to success is understanding that product strategy cannot be developed in isolation, **meaning go-to-market efforts must be aligned with product strategy to win in the marketplace.**





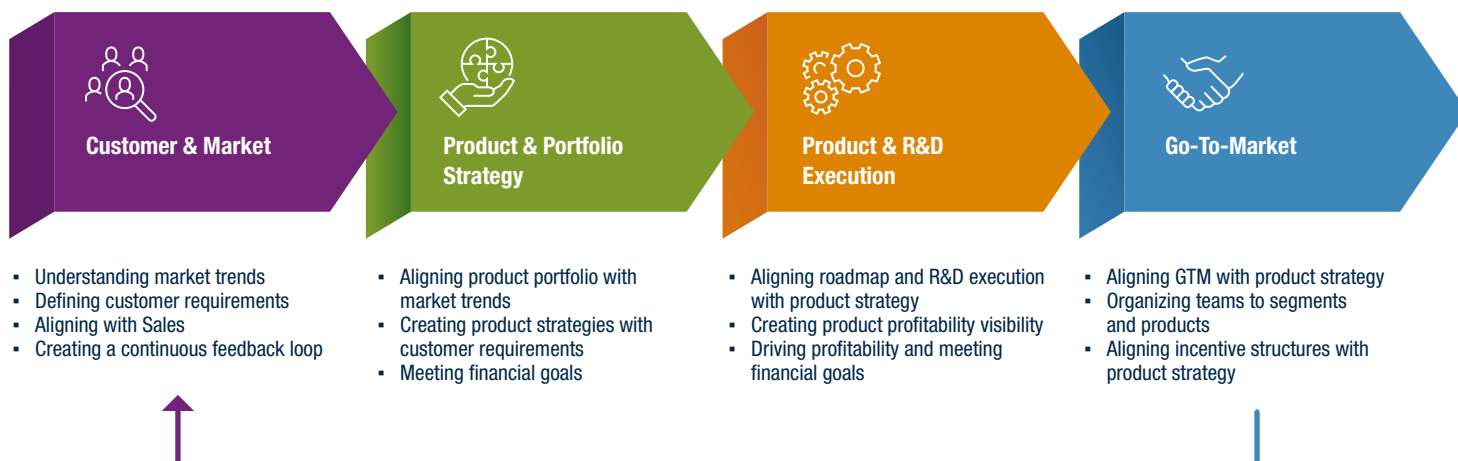
## The Product Management Process and Leadership will drive the change needed to align R&D investments for growth

### Concluding Thoughts

- As cybersecurity growth slows and customers consolidate duplicative solutions and vendors, technology provider R&D budgets need to be focused on enhancing the product suite's market positioning to remain relevant
- Product strategy cannot be developed in isolation; Go-To-Market efforts must be aligned with product strategy to win in the marketplace

### Product Management Processes

*Product Management leaders can create and retain competitive advantages for their business by deploying robust Product Management Processes around the key functional areas discussed*



*Note(s): (1) This is not an exhaustive list of product management processes or capabilities.*

## How Can A&M Help?

Alvarez & Marsal has deep experience serving its cybersecurity customers with integrated services that optimize and align product management and go-to-market functions:

### A&M Product Offerings<sup>1</sup>

- Product strategy development and implementation
- Customer and Product Profitability (CPP) analysis
- Zero Base Budgeting (ZBB) analysis
- R&D organization design and optimization
- Interim Chief Product Officer (CPO)

### A&M Go-To-Market Offerings<sup>1</sup>

- Customer segmentation and account coverage optimization
- GTM maturity assessment
- Sales organization design and optimization
- Sales incentive structuring
- Pricing and margin analysis

<sup>1</sup> These are relevant but non-exhaustive A&M offerings

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## ABOUT ALVAREZ & MARSAL

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