



CyberSoft White Papers

A Subjective Analysis of the Survivability of CyberSoft Operating Corporation in a Market Targeted by Microsoft

By Peter V. Radatti

President/ CEO

CyberSoft Operating Corporation

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The elephant in the room for the computer security industry is Microsoft. Microsoft told everyone in the Windows computer security market that they were entering the market and they did. At the same time, due to Microsoft's superior ability to pay high wages for key individuals they have been hiring the cream of the industry. This not only provides Microsoft with the best employees but denies them to their competitors. There is of course nothing wrong with this, unless you are in the antivirus, antispyware or personal firewall industry.

Everyone may not remember but the first widely sold home and small office word processor was called Word Star. Their position was taken by a product called Word Perfect. Today, other than open-source, very few people consider any word processor other than Microsoft's Word. This trend has been repeated many times. Microsoft enters a market with a product. Microsoft enhances the product and takes market share. Eventually Microsoft dominates the market due to low prices and high quality. The computer antivirus market is now estimated at \$1-billion USD per year. This is a fantastic market for Microsoft to enter, which is why they did. The lesson of Microsoft's history of a market is that Microsoft wins and everyone else goes away.

In the antivirus market today it is easy to see that Symantec has been on a buying spree. They are buying companies with complementary products and returning to their roots as a computer utility company. They want to be a company that provides utilities and programs that are so useful you will not consider anyone else. This is a smart strategy for Symantec and they are well on their way of

accomplishing this. At the same time, none of these programs is the cash cow that their antivirus products are.

As the antivirus market becomes dominated by Microsoft other antivirus vendors will have to consider what to do with their antivirus business unit. Almost everyone's antivirus business units are labor intensive and require highly skilled people who are hard to find. As Microsoft hires more of these people they will become very hard to replace. Eventually it will not be possible to maintain a large antivirus staff. Diminishing market share, loss of key personnel, difficulty in locating replacement staff all adds up to long term disaster. Of course, the industry knows this and is doing what they can to overcome this problem. In the case of Symantec their moves are visible. In the case of McAfee, Trend, F-Prot, Computer Associates, Sofphus and others their reaction is hard to see.

Many of the traditional antivirus vendors have entered the *NIX marketplace (Unix, Linux, MacOS). The Unix marketplace is small compared to the Windows market and is getting smaller. It is not big enough to sustain them. They have also entered the Linux market place. The Linux market is still a work in progress. Since Linux is free and most products, including ClamAV antivirus, are free most Linux users do not choose to purchase software products. It is against the spirit of the Linux market. In addition, there has been a great deal of uncertainty in the Linux market. The Free Software Foundation's new GNU license may make many software packages uncertain in a commercial market. Then there are the patent fights. Finally, Linux is not as good as Unix. There are memory management issues in addition to a lack of services such as STREAMS and serious issues with it's implementation of NFS (Network File System). Linux is viewed as not ready for high production commercial server markets. This may or may not be true but it is keeping the people who will pay for software from fully adopting Linux. The Macintosh market while increasing in size is too small to sustain the traditional antivirus vendors. What this means is there is no replacement for the Windows marketplace for the traditional antivirus vendors. Small antivirus vendors may survive but large antivirus vendors need a new strategy. What that strategy will be is uncertain.

Quick Synopsis

1. Market share is decreasing for traditional antivirus companies in the Windows market.
2. Key personnel are being cherry picked and there is no chance of getting them back.
3. It is very hard to replace key personnel.
4. The overhead in operating an antivirus business unit is high
5. Markets other than Windows are not big enough to allow the large antivirus companies to survive.

While this looks bleak, it may not be. It really is too early to understand what will happen. History indicates what may happen but then all of the players know this history. It will not be a surprise to anyone.

Since you are reading this paper, you are either a CyberSoft customer or considering becoming a CyberSoft customer. In that case, you very specifically want to know how this will affect your

investment in CyberSoft products. The short answer is, no effect. Your investment in CyberSoft technology is safe. While these market trends may be painful they will not harm CyberSoft. We will survive and continue to provide updates and upgrades to our products. Lets examine why.

1. Market share is decreasing for traditional antivirus companies in the Windows market.

This is only true if you are in the Microsoft Windows antivirus market. CyberSoft does not have any Windows products. We are not in the Windows market and it's decreasing marketshare will not bother us.

2. Key personnel are being cherry picked and there is no chance of getting them back.

Microsoft has not cherry picked any CyberSoft personnel. Why would they when our employees do not work on the Windows platform? Microsoft wants antivirus people that understands Windows, not *NIX.

3. It is very hard to replace key personnel.

This is not a problem for CyberSoft. Our technology is very different than all of the other antivirus vendors. It is why CyberSoft is normally the first in the industry to publish a "signature" for a new attack. CyberSoft is able to teach computer skilled people how to be virus analysts. We will not have a problem finding personnel because our superior technology broadens the available pool of personnel for us. This is not true of anyone else in the industry, including Microsoft. Since the available pool of traditional antivirus personnel is so small this may in fact slow Microsoft's reach into the market.

4. The overhead in operating an antivirus business unit is high

Yes, that is true but not for CyberSoft. Our ability to increase the base of available personnel that can do virus analysis allows us to keep our costs inline with our income. Since we have no income from the Microsoft market we do not expect a decrease in our income from Microsoft taking market share.

5. Markets other than Windows are not big enough to allow large antivirus companies to survive.

This may be true. It is subjective since no one can know. Fortunately, CyberSoft never entered the Windows market and never grew an overhead that exceed the *NIX market. We are quite comfortable.

What is the future for CyberSoft?

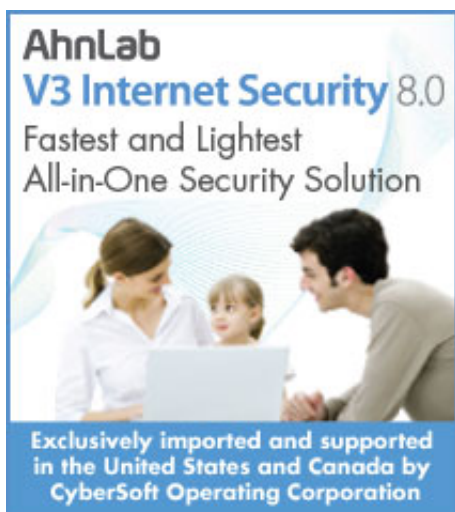
CyberSoft is aggressively bringing new products to market in addition to our normal pace of continued product improvement. Our existing products are normally obseleted by new versions of the same products, not by competitors products. Maintenance and Support customers get all updates, upgrades and support at no additional cost. Our customers are always getting new state of the art programs. In addition, CyberSoft will be releasing new products in 2007 that will broaden our ability to service our customers. These new products will remain in the *NIX market. There is also one interesting side effect of our market that we have noticed. While we operate on *NIX servers some of

these servers are serving Microsoft Windows clients instead of *NIX clients. While we don't operate on Windows our products are providing services to Windows clients. In the case of *NIX servers the clients can be any platform from *NIX to Windows to Macs. This makes us not only more cost effective than some other products but more useful since the clients can be anything. It is an interesting observation which still does not provide any traction for changes in the market to harm us.

Conclusion

The Antivirus market is in flux. Many traditional antivirus vendors need to implement new strategies in order to survive the Microsoft effect. Vendors which are not successful at this change may not survive. CyberSoft is not in the Windows marketplace. CyberSoft will easily survive. Microsoft will not enter the *NIX market. If any of the traditional vendors that have entered the *NIX market leave the antivirus/security marketplace this will benefit CyberSoft. CyberSoft's products are used for many aspects of computer security other than antivirus. Some of these are not affected by Microsoft's entering the market. Most of CyberSoft's technology is protected by patents.

Your investment in CyberSoft technology is safe from changes in the market.



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