New IDC Spending Guide Sees Solid Growth Ahead for Security Products and Services

FRAMINGHAM, Mass., October 16, 2019 – Worldwide spending on security products and services will enjoy solid growth over the next five years as organizations continue to invest in solutions to meet a wide range of security threats and requirements. According to an updated forecast from the International Data Corporation (IDC) Worldwide Semiannual Security Spending Guide, worldwide spending on security-related hardware, software, and services will be $106.6 billion in 2019, an increase of 10.7% over 2018. This amount will reach $151.2 billion in 2023 with a compound annual growth rate (CAGR) of 9.4% over the 2019-2023 forecast period.

"The market for cybersecurity products continues to grow, growth that is renewed and reinvigorated by a C-level focus on Trust. Today's new trust environment introduces new variables that go beyond the traditional ideas of security, risk and compliance, introducing concepts of privacy and ethical business operations. Trust is addressed in consideration of the relationships (B2B, B2C, B2E and G2C) and the attributes of interaction (people, technology, organization, culture and process). Given the complexity of implementing Trust, cybersecurity vendors are the clear beneficiaries," said Frank Dickson, program vice president, Cybersecurity Products at IDC.

Services will receive the largest share of security spending in 2019 with more than $47 billion going toward managed security services, integration services, consulting services, and IT education and training. Services will also have the fastest spending growth with a five-year CAGR of 11.2%. Software will be the second largest area of spending in 2019 with nearly $38 billion being allocated to a range of products, including endpoint security software, identity and digital trust software, and security analytics, intelligence, response and orchestration software. Hardware spending will be more than $21 billion this year with much of that total going to network security products.

Banking will be the industry that spends the most on security solutions throughout the forecast, followed by discrete manufacturing and federal/central government. Together, these three industries will account for nearly 30% of all security spending worldwide. And all three industries will devote a significant portion (more than 35%) of their spending on managed security services and integration services. The industries that will experience the fastest spending growth over the forecast period will be state/local government (12.5% CAGR), telecommunications (11.9% CAGR), and the resource industries (11.0% CAGR).

"Looking at security spending across industries, banking, manufacturing, and government control the largest security IT budgets as they are charged with protecting highly sensitive data and meeting myriad compliance mandates," said Karen Massey, research manager, Customer Insights & Analysis. "Robust investment in key security solutions is due to myriad facets of security needs, including data loss and prevention, compliance and risk management, increasingly sophisticated cyber schemes, and digital transformation complexity."

Managed security services will be the largest technology category in 2019 with firms spending more than $21 billion for around-the-clock monitoring and management of security operations centers. The second largest technology category in 2019 will be network security hardware, which includes unified threat management, firewalls, and intrusion detection and prevention technologies. The third and fourth largest investment categories will be integration services and endpoint security software. The technology categories that will see the fastest spending growth over the forecast will be managed security services (13.9% CAGR), security analytics, intelligence, response and orchestration software (10.5% CAGR), and consulting services (9.3 CAGR).

Figure 1

Source: IDC Worldwide Semiannual Security Spending Guide 2018H2
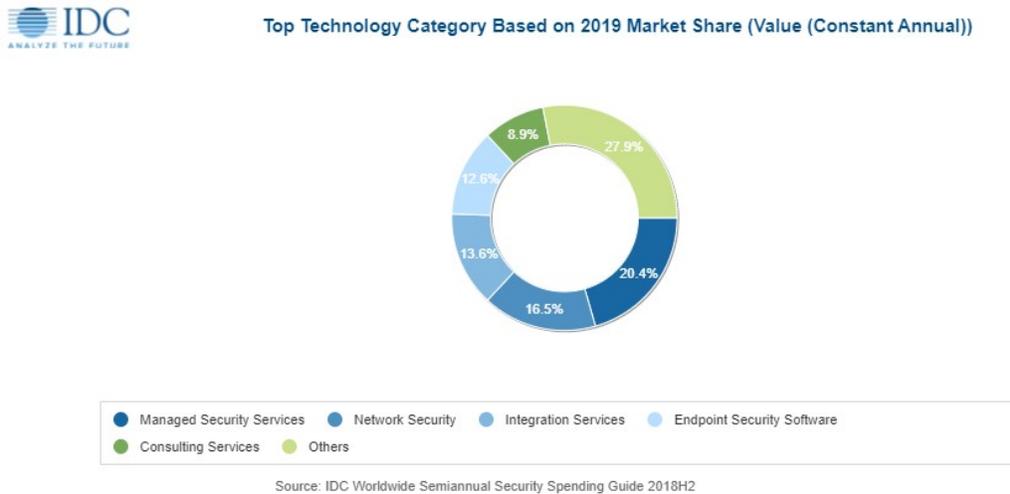
From a geographic perspective, the United States will be the single largest market for security solutions with spending forecast to reach $46.2 billion in 2019. Two industries – discrete manufacturing and the federal government – will account for nearly 20% of the U.S. total. The second largest country will be China where security purchases by three industries -- state/local government, telecommunications, and banking – will comprise 47% of the national total. The UK and Germany are the next two largest countries with security spending led by the banking and discrete manufacturing industries, respectively.

"In the U.S., digital transformation efforts are having a significant impact on security. As organizations evolve their businesses with new technologies such as AI and IoT, they must evolve their security strategy as well. We see healthy growth in industries such as banking,

retail, and professional services. Organizations in all three of these industries are keenly focused on executing their omni-experience visions and, as such, need to ensure the security of their customers' data," said Jessica Goepfert, program vice president, Customer Insights & Analysis.

Large (500-1000 employees) and very large businesses (more than 1000 employees) will be responsible for two thirds of all security-related spending in 2019. These two segments will also see the strongest spending growth over the forecast with CAGRs of 11.4% for large businesses and 9.6% for very large businesses. Medium (100-499 employees) and small businesses (10-99 employees) will spend nearly $27 billion combined on security solutions in 2019. Consumers are forecast to spend more than $5.8 billion on security products and services this year.

The Worldwide Semiannual Security Spending Guide quantifies the global revenue opportunity for both core and next-generation security purchases. The guide offers detailed forecast data for security spending by 20 industries across nine regions and 43 countries. Unlike any other research in the industry, the comprehensive spending guide was designed to help IT decision makers to clearly understand the industry-specific scope and direction of security-related spending today and over the next five years.

About IDC Spending Guides

IDC's Spending Guides provide a granular view of key technology markets from a regional, vertical industry, use case, buyer, and technology perspective. The spending guides are delivered via pivot table format or custom query tool, allowing the user to easily extract meaningful information about each market by viewing data trends and relationships.

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