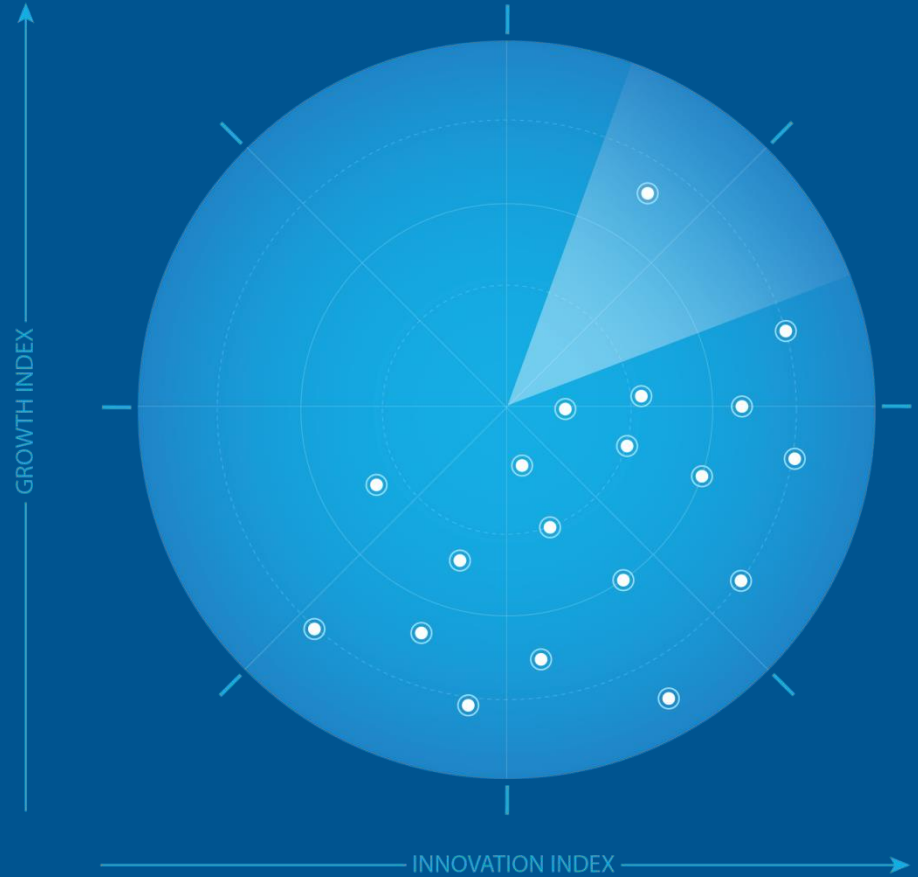


Frost Radar™: Managed Detection and Response, 2024

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A Benchmarking System
to Spark Companies to
Action - Innovation That
Fuels New Deal Flow and
Growth Pipelines



FROST & SULLIVAN

Strategic Imperative and Growth Environment



Strategic Imperative

Factors Creating Pressure on Growth

- The dearth of cybersecurity professionals continues to shape the industry, becoming a thorn in global organizations' side as they try to secure their growing environments.
- Faced with a lack of access to professionals and an inability to protect their business-critical data effectively, organizations are outsourcing to alleviate the issue.
- MDR service providers can offer top-tier security across the environment, delivered by experienced professional teams that partner with and support organizations in establishing effective security perimeters.
- In the next three years, organizations will continue investing in outsourced security through MDR services as it enables them to focus personnel on the core business instead of building internal security operations centers (SOCs).
- AI, ML, and automation have become increasingly integral to cybersecurity solutions. These technologies enhance detection and response and allow SOC analysts to focus on what's important instead of chasing down false alerts.

Source: Frost & Sullivan

Strategic Imperative

Factors Creating Pressure on Growth

- But automation cannot replace human analysts just yet, as organizations cannot trust AI to handle complex decision-making beyond detection and response.
- As organizations seek alternative ways to cope with the shortage of security analysts, they will adopt solutions that leverage ML and AI in combination with the ever-important human factor.
- As a result, security services such as MDR will continue to thrive in the next three years while security providers invest in developing and enhancing automated security assistants.
- Due to the sophisticated nature of the latest cyberattacks, the growing incidence of nation-state-sponsored threats, and the increasing number of cybersecurity incidents, there's an arms race between threat actors, security solutions, and service providers.
- Organizations are caught in the middle, with the pressure to understand, invest in, and keep up with the latest developments in the cybersecurity industry to protect their environments.
- As digital transformation continues and geopolitical conflicts around the globe progress, organizations will continue to be targeted by complex cyberattacks and data breaches.

Source: Frost & Sullivan

Strategic Imperative

Factors Creating Pressure on Growth

- MDR's promise to bolster an organization's security posture with 24/7 monitoring, state-of-the-art detection and response, and incident response capabilities will resonate with global organizations for the foreseeable future.

Growth Environment

- According to Frost & Sullivan's 2023 Voice of the Enterprise Security Customer survey, 36% of global organizations were using MDR at the beginning of 2023, with a further 26% of them planning to invest in the service by 2024.
- MDR has witnessed widespread adoption in 2023, with a growth rate of 35.2% and a compound annual growth rate (CAGR) of 25.3% expected from 2023 to 2026. MDR has made significant waves in the cybersecurity industry thanks to its ability to address many of global organizations' most pressing pain points.
- The dearth of security talent and the rapid increase in the number and sophistication of threats generate the perfect conditions for MDR to thrive. These driving factors are not expected to diminish soon and will continue to push organizations to outsource their security, either partially or completely.
- The growth rate and customer adoption of MDR services will remain high for the foreseeable future, as the platform's drivers far outweigh its restraints and limitations.



Source: Frost & Sullivan

Growth Environment

- The lion's share of MDR revenue and adoption comes from North America, but Europe, the Middle East, and Africa (EMEA) is a close second. These regions' higher maturity and cybersecurity focus and increased government involvement in guiding organizations toward effective security strategies and compliance make MDR a great option for businesses in both regions. They will continue growing rapidly for the next three years and remain high-priority investments for MDR providers.
- As with most high-end cybersecurity solutions and services, Latin America (LATAM) and Asia-Pacific (APAC) account for smaller contributions to MDR revenue. Nonetheless, these regions have a higher potential for growth, as the CAGR is higher for the 2023–2026 period, showing that adoption is expected to ramp up for local organizations. The new MDR message, with extended incident response and adjacent services that increase maturity and awareness, resonates with regional companies. Highly involved MDR partners could leverage their competitive differentiators to expand into these regions in the next few years.



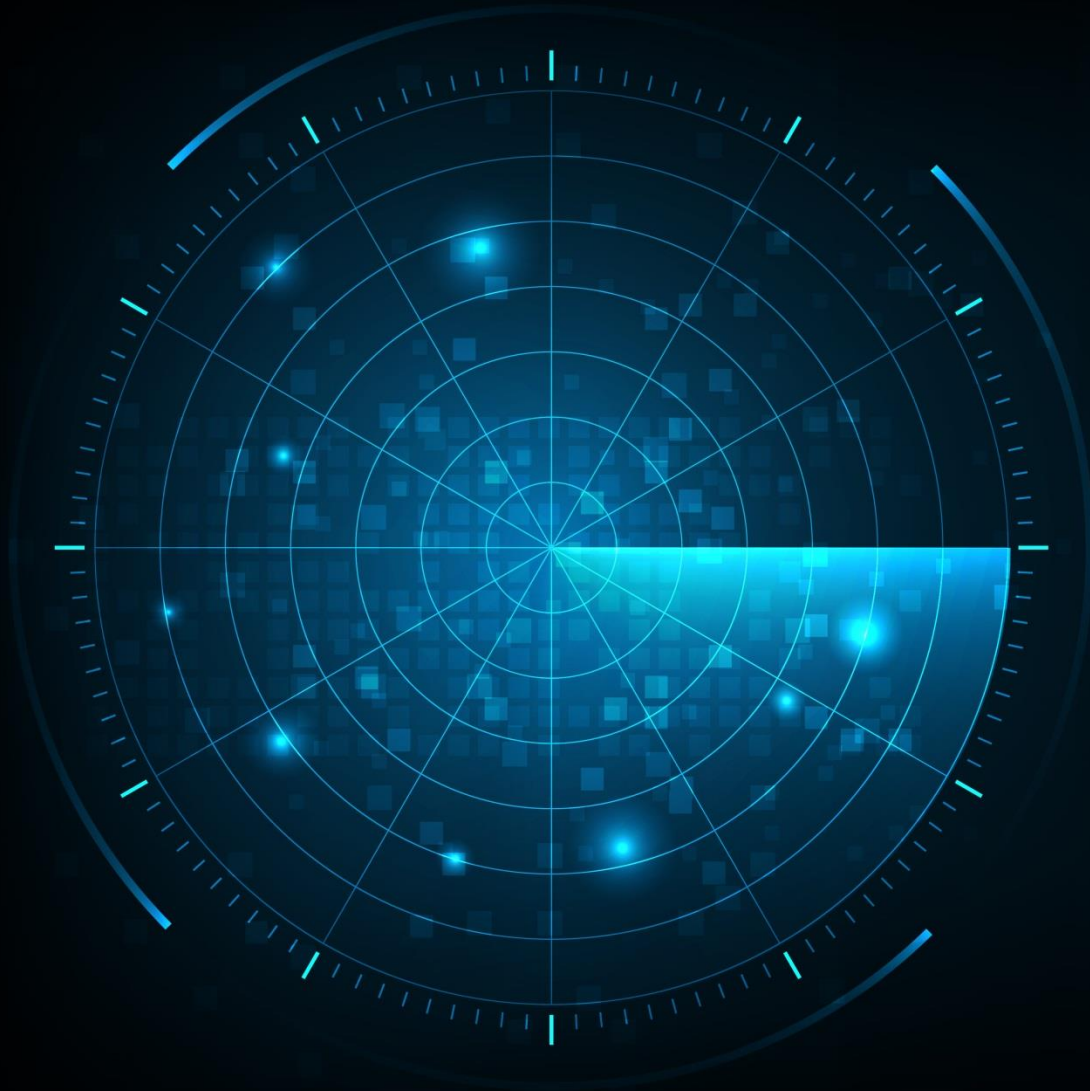
Source: Frost & Sullivan

Growth Environment

- Organizations across various company sizes consider MDR a worthwhile option to secure their business-critical assets. While enterprises with more than 10,000 employees account for less revenue and growth, it is to be expected from companies that have already invested in their SOCs and have experienced analysts working with them.
- The highest-spending industry verticals for MDR are finance, government, manufacturing, and technology & telecommunications. Overall, adoption is high across every sector, with every MDR provider focusing on different integrations, providing visibility into distinct environments, and delivering multiple adjacent services. Such specialization means most organizations can find an MDR partner that meets their needs and use cases.

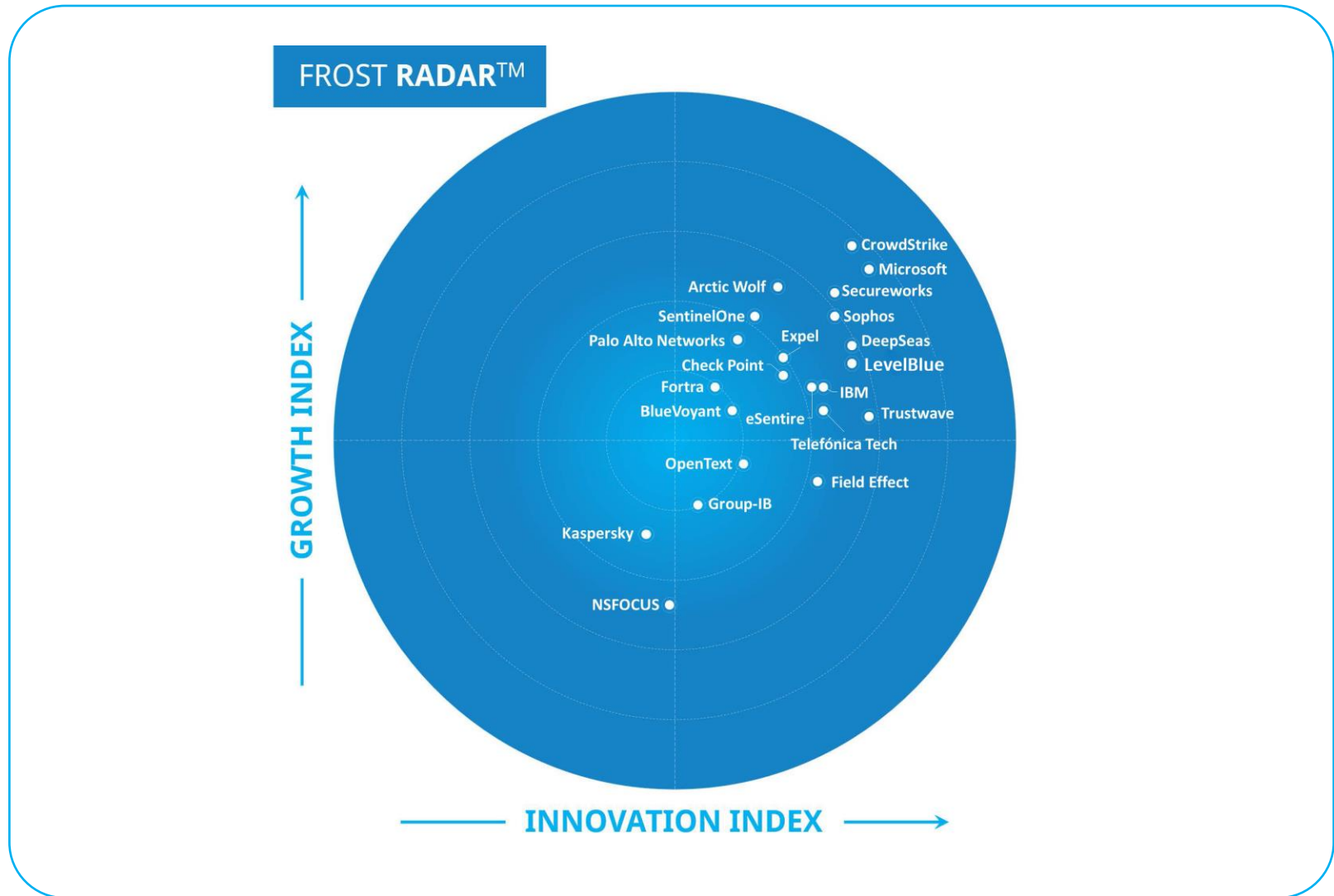


Source: Frost & Sullivan



**Frost Radar™
Managed
Detection and
Response, 2024**

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Source: Frost & Sullivan

Competitive Environment

- In a rapidly growing field of more than 150 industry participants with revenue greater than \$1 million, Frost & Sullivan independently plotted 22 growth and innovation leaders in the MDR space in this Frost Radar analysis.
- Over the last few years, MDR providers have developed solutions to deliver extensive visibility over the environment, advanced detection of the most pervasive threats, and a veteran team of expert security analysts supported by AI, ML, and automation capabilities. MDR has become the primary way of delivering SOC services, unifying capabilities such as detection and response, investigation, threat hunting, and more under a single platform.
- Because of this, the MDR sector will continue to see an influx of new competitors from very different spaces, including endpoint detection and response (EDR) and extended detection and response (XDR) vendors, players with extensive coverage and portfolios, and managed security services providers (MSSPs) wanting to leverage their ample service offerings.



Competitive Environment

- MDR providers will face fierce competition from XDR vendors and MSSPs that do not provide managed XDR or an MDR platform. These spaces seek to provide organizations with comprehensive and centralized security that enables and empowers the customers' analysts via many of the same features.
- The most significant innovations of highly successful MDR platforms and services include implementing threat detection across a wide range of environments to address multiple use cases, leveraging world-class threat intelligence and ML features to empower analysts, providing a synergistic portfolio of complementary managed and professional services to multiply the value of the MDR service; integrating third-party telemetry sources to augment flexibility; and developing and implementing large language models (LLM) tools and generative AI security assistants to ramp up the effectiveness of new analysts and facilitate the lives of experienced ones.



Competitive Environment

- LevelBlue uses their MSSP pedigree to provide a wide variety of additional and complementary services to traditional MDR capabilities and leverage their veteran, multi-specialization teams of cybersecurity professionals. As a result, LevelBlue create positive feedback loops between their synergistic offerings, dramatically increasing customer cyber resilience. LevelBlue is at the forefront of innovation in the MDR space.
- MDR offers many specialization possibilities for vendors trying to differentiate themselves in this space, leading to a heterogeneous market with very distinct platforms and services. But the megatrends in this sector are clear: keeping up with improvements in detection and response, including automation and ML-powered features; enhancing visibility over various environments, including additional third-party integration; extending coverage, and offering more complementary security services; and harnessing generative AI to enable security analysts and fight off labor shortages.



**Companies to Action:
Companies to Be Considered First for
Investment, Partnerships, or Benchmarking**

Company to Action: LevelBlue

Innovation

- LevelBlue delivers MDR capabilities through its open XDR platform, USM Anywhere. It leverages its 9 global SOCs and expert staff to provide 24/7 monitoring across the customer environment, including endpoint, network, and cloud. USM Anywhere integrates over 600 AlienApps from multiple security and technology vendors via Syslog, API, and S3 connections to expand visibility.
- The company has additionally developed more than 50 advanced LevelBlue App integrations in partnership with SentinelOne, Palo Alto Networks, Cisco, Zscaler, Sophos, and other top-tier security vendors. These advanced integrations expand data ingestion and enrichment, improve analytics and correlation for better detection, and speed up investigation and response considerably.
- LevelBlue augments its MDR offering with additional capabilities supplied by LevelBlue Labs, its threat intelligence unit. Alien Labs feeds its threat intelligence directly into the platform, maintains over 2,000 built-in correlation rules to detect threats across hybrid environments, and provides constant updates and advanced reports to the SOCs.
- The service provider is working on new technologies to be built into USM Anywhere: Security Event and Threat Intelligence (SETI) and generative AI for SOC/NOC analysts. SETI will be the basis for managed secure access service edge (SASE), managed firewall, and other network-based security, comprehensively integrating MDR with the network-based security services that LevelBlue provides to extend response capabilities. LevelBlue's generative AI could enhance NOC/SOC analyst efficiency, provide support by answering questions, and write up full root-cause incident analysis. It is expected to be fully integrated into USM Anywhere over the next 3 years.

Source: Frost & Sullivan

Company to Action: LevelBlue

Innovation

- LevelBlue has developed a Custom LevelBlue App feature to allow any customer to create their own integrations into the USM Anywhere platform. This allows customers to quickly adapt the LevelBlue platform to meet their needs, accelerating the onboarding process, providing much-needed flexibility, and enhancing security resilience.
- The company continues to improve the USM Anywhere platform's dashboards and reporting, playbook automation, ML detections, and investigation features and is also expanding its MDR services.

Company to Action: LevelBlue

Growth

- LevelBlue has experienced above-average growth in the already fast-growing MDR sector. As an established company with a colossal variety of products and services, LevelBlue can leverage its global customer base across both its cybersecurity branch and the more general LevelBlue Business by engaging in cross-selling and upselling.
- LevelBlue focuses its MDR service on mid-sized and enterprise customers in North America, especially those in the manufacturing, healthcare, financial, and public sectors. These are typically high spenders in cybersecurity and will continue to grow at a rapid pace in terms of MDR adoption over the next 3 years. North American organizations have the highest security maturity, and LevelBlue's technology- and innovation-oriented MDR offering is a great fit for companies in the region.
- LevelBlue assigns an account management team to each customer and provides monthly check-ins for updates, strategizing, and general service discussions. Additionally, the customers have full access to USM Anywhere, and their team can review investigations, collaborate with LevelBlue's SOC team, and increase their maturity through this collaboration.
- LevelBlue's retention rate for customers is 90%, indicating its success at building meaningful relationships with customers and delivering on SLAs.
- LevelBlue's partnerships with other competitors to develop advanced LevelBlue Apps widen the playing field for the provider, as the increased flexibility of integrating third-party tools allows customers to leverage their existing security investments. The value proposition of LevelBlue's MDR will continue to increase exponentially with each new LevelBlue App or Advanced LevelBlue App introduced.

Source: Frost & Sullivan

Company to Action: LevelBlue

Frost Perspective

- LevelBlue provides customers with an advanced MDR service that focuses on enhancing detection and response through the integration of third-party commercial technologies. Such an approach to MDR delivers flexibility for customers who have already purchased security solutions or intend to work with best-of-breed EDR, firewalls, or other solutions. LevelBlue's take on MDR shows that the company is thinking ahead of the curve, as Frost & Sullivan expects that third-party integration will play an increasingly bigger part in the development of the service in the next 3 years.
- Additionally, the use of ML and generative AI as support and not replacement for SOC teams is in line with the most advanced innovation trends in the MDR sector, putting LevelBlue at the forefront of innovation in the space. LevelBlue should continue to invest in these areas, as automation will become more and more important to scale up MDR services and provide an edge in the arms race against attackers.
- LevelBlue's consulting pedigree gives the company a significant competitive differentiator and unlocks growth opportunities in the MDR space. Understanding customers' businesses allows LevelBlue to have a much better outlook on the potential threats that could be jeopardizing their business. The combination of top-tier threat intelligence, the cybersecurity knowledge of expert SOC analysts, and business knowledge will enable LevelBlue to advise customers on more effective security strategies and deploy the right LevelBlue Apps to secure their environment.

Source: Frost & Sullivan



Key Takeaways

Key Takeaways

1

MDR can benefit any organization and enjoys high adoption across many industry verticals; it caters to the needs of diverse global organizations with different use cases and maturity levels.

2

Frost & Sullivan's 2023 Voice of the Enterprise Security Customer survey revealed that 1 in 2 organizations that spend money on security services, such as managed security services (MSS), professional security services (PSS), MDR, threat intelligence services, and SOC monitoring, used MDR in early 2023. A further 36% of these enterprises plan to add MDR by 2024.

3

The percentage of MDR adopters out of all organizations is also significant, with 36% using it by 2023 and 26% planning to deploy it by 2024.

Source: Frost & Sullivan

Key Takeaways

4

Collaboration or outsourcing: MDR providers have different approaches as to how the service should be delivered. Some are at their best when collaborating with customer security teams, increasing their maturity over time and performing threat hunting and investigations as a unified group. Other providers prefer to take care of everything themselves, sending periodic reports to customers and allowing them to focus their resources elsewhere. MDR can completely replace or assist and empower your cybersecurity team and everything.

5

Environment visibility: Top-tier MDR players can provide visibility across various environments, from the classic trio of endpoint, network, and cloud to email, identity, containers, OT and IoT devices, and others. However, focus can also be a good choice. If your organization only needs to cover a few specific environments, looking for a specialized vendor that provides the deepest visibility across fewer security controls is better.

Source: Frost & Sullivan

Key Takeaways

6

Adjacent service offering: A comprehensive portfolio of additional synergistic tools and services will make MDR a more flexible solution than it already is, empowering your organization with additional capabilities at a fraction of the cost. Those tools, however, are as varied as MDR providers. MSSPs with cutting-edge MDR solutions can usually provide a wider set of adjacent managed tools and professional services. However, leading pure-play vendors are heavily investing in providing these as well. If you seek to advance your organization's security maturity and develop your security team, consulting engagements, assessments, and penetration tests can be a worthy addition to MDR.

Source: Frost & Sullivan

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Frost Radar™ Analytics



Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

VERTICAL AXIS

Growth Index (GI) is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market, competitor, and end-user focused sales and marketing strategies.

GROWTH INDEX ELEMENTS

- **GI1: MARKET SHARE (PREVIOUS 3 YEARS)**
This is a comparison of a company's market share relative to its competitors in a given market space for the previous 3 years.
- **GI2: REVENUE GROWTH (PREVIOUS 3 YEARS)**
This is a look at a company's revenue growth rate for the previous 3 years in the market/industry/category that forms the context for the given Frost Radar™.
- **GI3: GROWTH PIPELINE**
This is an evaluation of the strength and leverage of a company's growth pipeline system to continuously capture, analyze, and prioritize its universe of growth opportunities.
- **GI4: VISION AND STRATEGY**
This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments that a company is making in new products and markets consistent with the stated vision?
- **GI5: SALES AND MARKETING**
This is a measure of the effectiveness of a company's sales and marketing efforts in helping it drive demand and achieve its growth objectives.

Frost Radar™: Benchmarking Future Growth Potential

2 Major Indices, 10 Analytical Ingredients, 1 Platform

HORIZONTAL AXIS

Innovation Index (II) is a measure of a company's ability to develop products/services/solutions (with a clear understanding of disruptive Mega Trends) that are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs.

INNOVATION INDEX ELEMENTS

- **II1: INNOVATION SCALABILITY**

This determines whether an organization's innovations are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.

- **II2: RESEARCH AND DEVELOPMENT**

This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.

- **II3: PRODUCT PORTFOLIO**

This is a measure of a company's product portfolio, focusing on the relative contribution of new products to its annual revenue.

- **II4: MEGA TRENDS LEVERAGE**

This is an assessment of a company's proactive leverage of evolving, long-term opportunities and new business models, as the foundation of its innovation pipeline. An explanation of Mega Trends can be found [here](#).

- **II5: CUSTOMER ALIGNMENT**

This evaluates the applicability of a company's products/services/solutions to current and potential customers, as well as how its innovation strategy is influenced by evolving customer needs.

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