

# ➤ Information Security Decisions



**More Security, Less Cost;  
Why Budget Pressures Are the  
Least of your Worries**

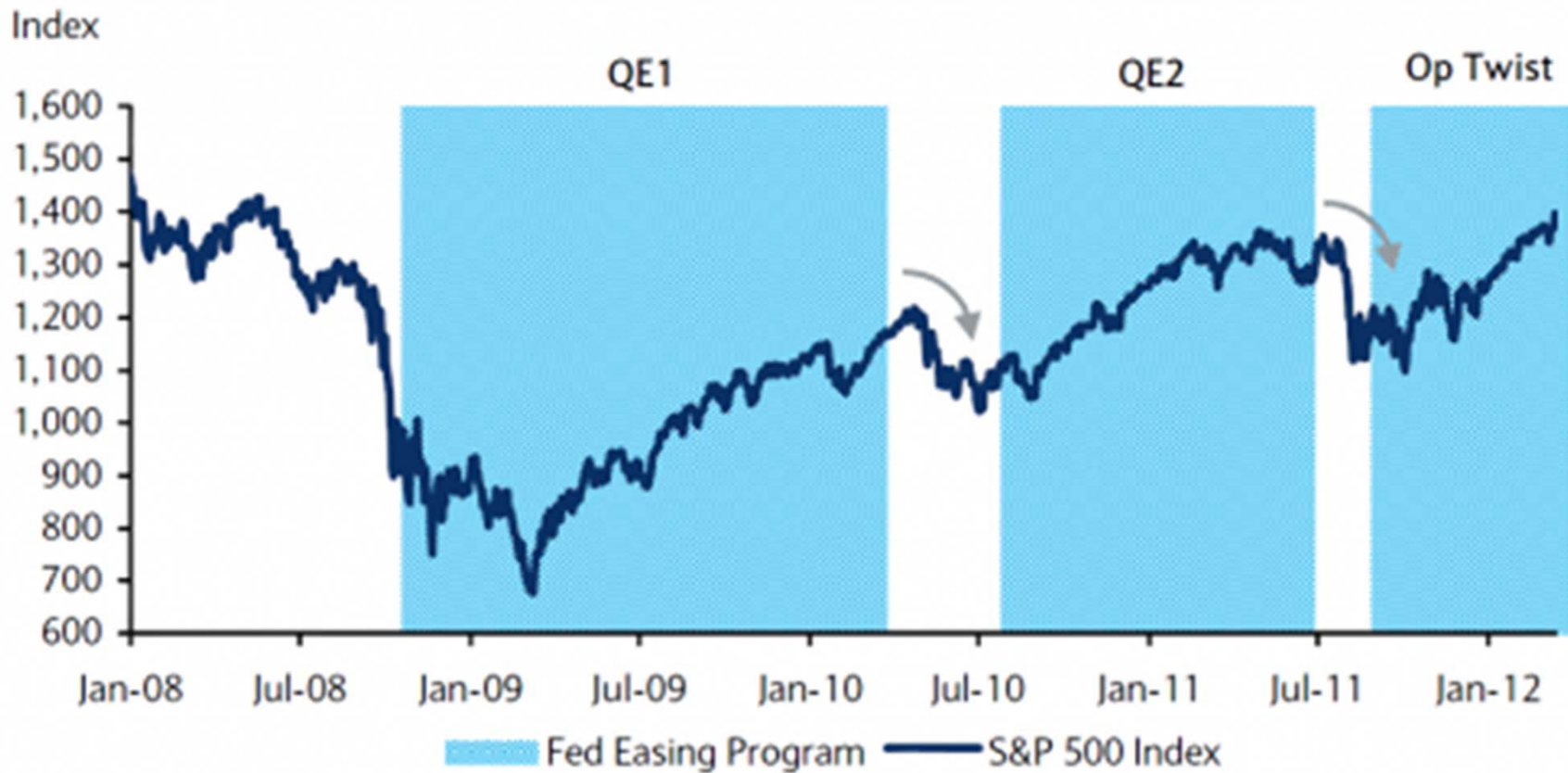
Peter Kuper  
Partner  
In-Q-Tel

# Happy Days Are Here Again!

- Dow Jones almost back to 2007 highs



# Thanks Again, and Again, and Again...!



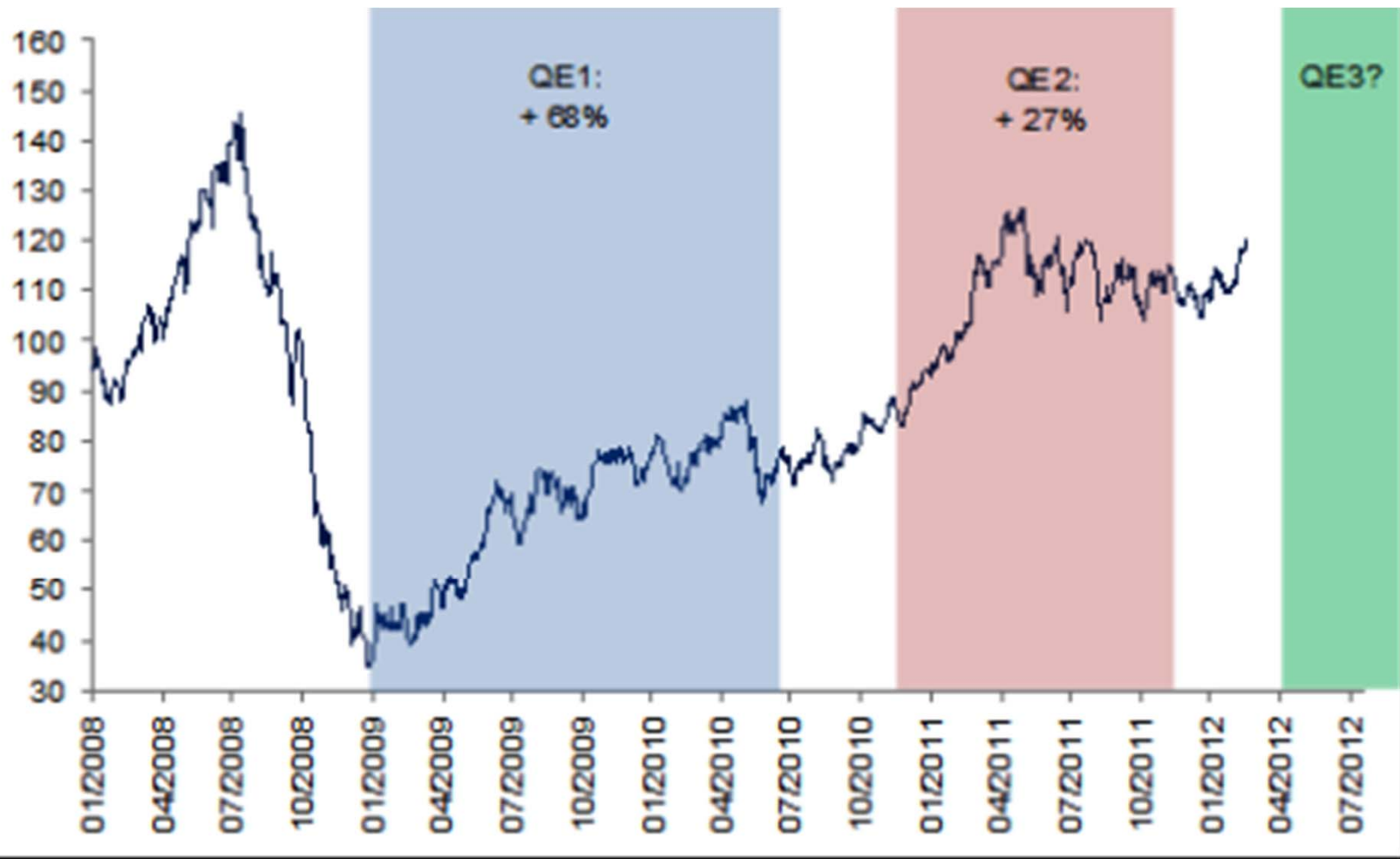
Source: Barclays Capital

# USD Ain't What It Used to Be



# And Spikes in Oil Prices

- Brent Crude Prices Jan'08-Mar'12

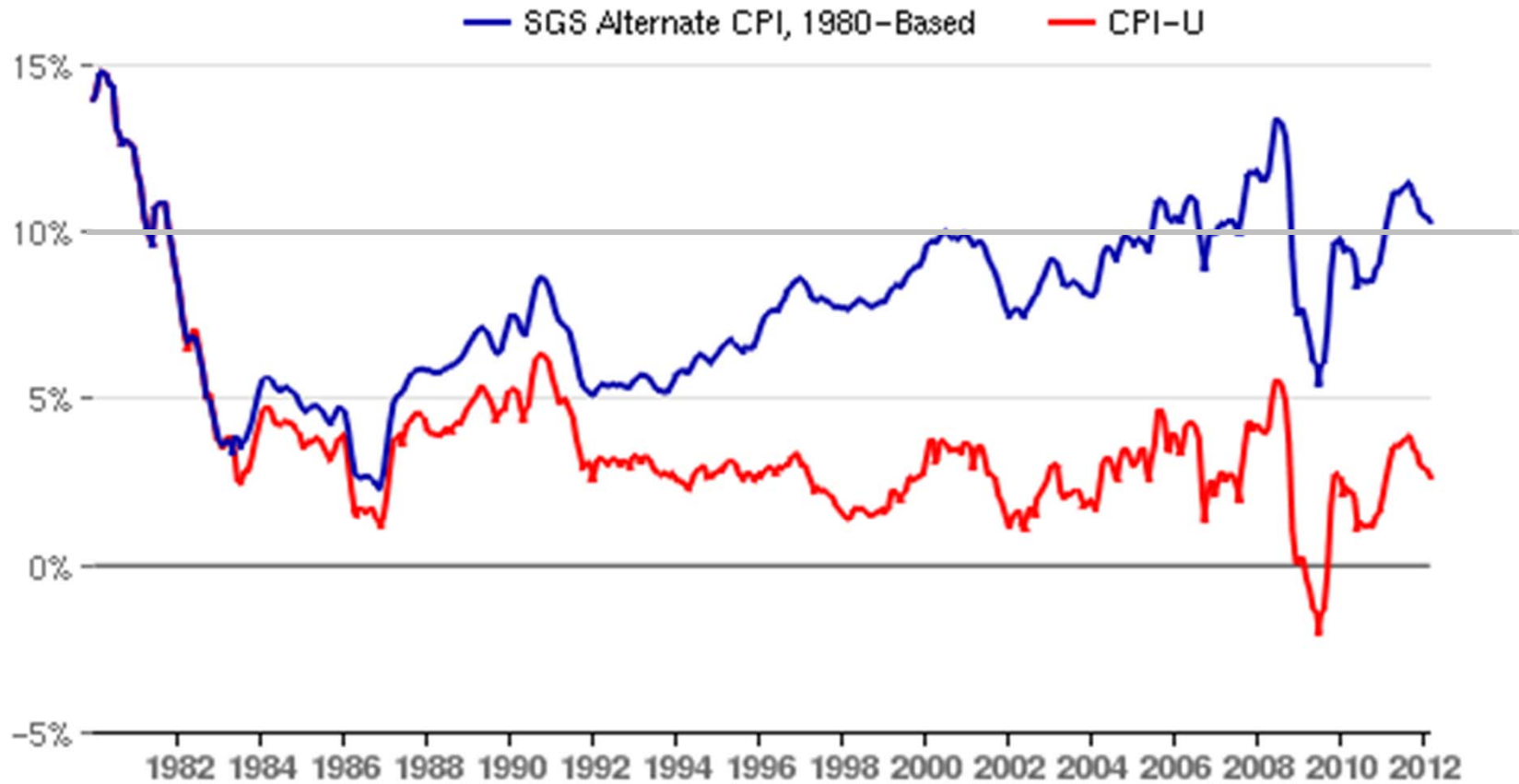




# Which Leads to This

## Annual Consumer Inflation - Official vs SGS (1980-Based) Alternate

Year to Year Change. Through Mar. 2012. (BLS, SGS)



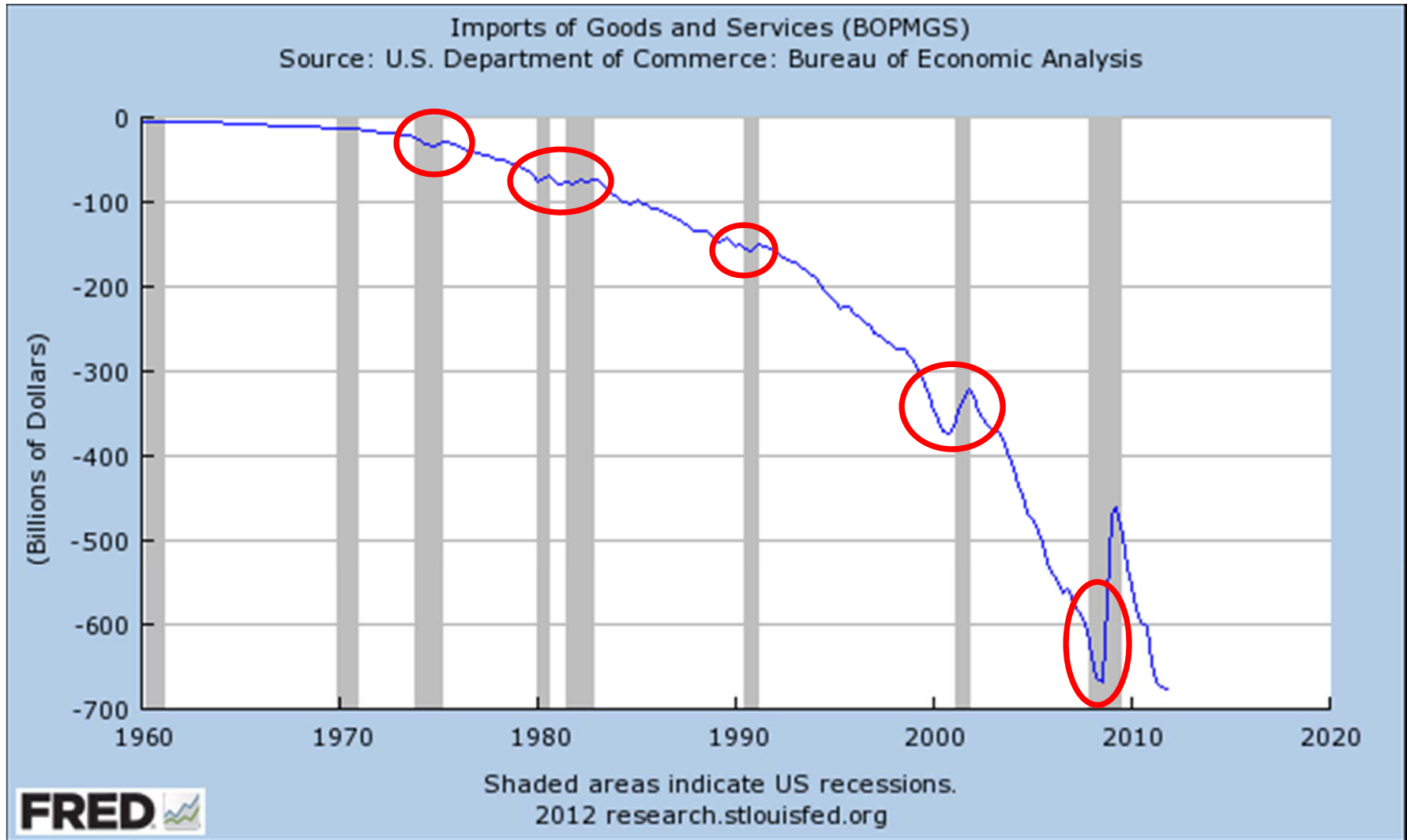
Published: Apr. 13, 2012

shadowstats.com

## Don't Count on The Bailout

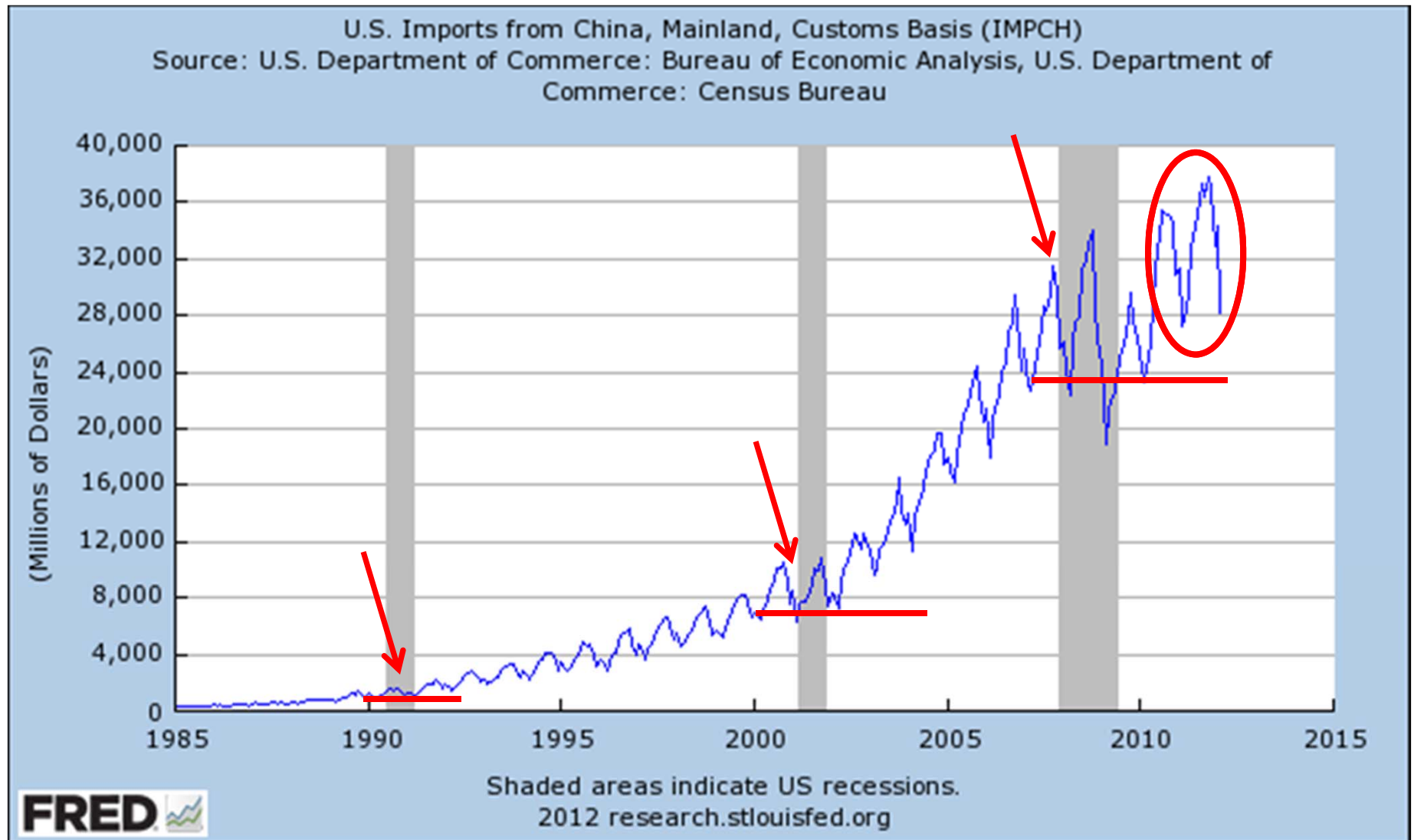
- The global economy looks on edge – US may be the brightest light in a very dark and long tunnel
- But even the US can't sustain spending and Inflation putting the Fed in Check
- Which means more economic pressure
- Which means more focus on expense reduction
- Which means more pressure on IT budgets
- Which means you have to do more with less
- Again
- Sorry...

# Less Imports, Sign of Future Activity?



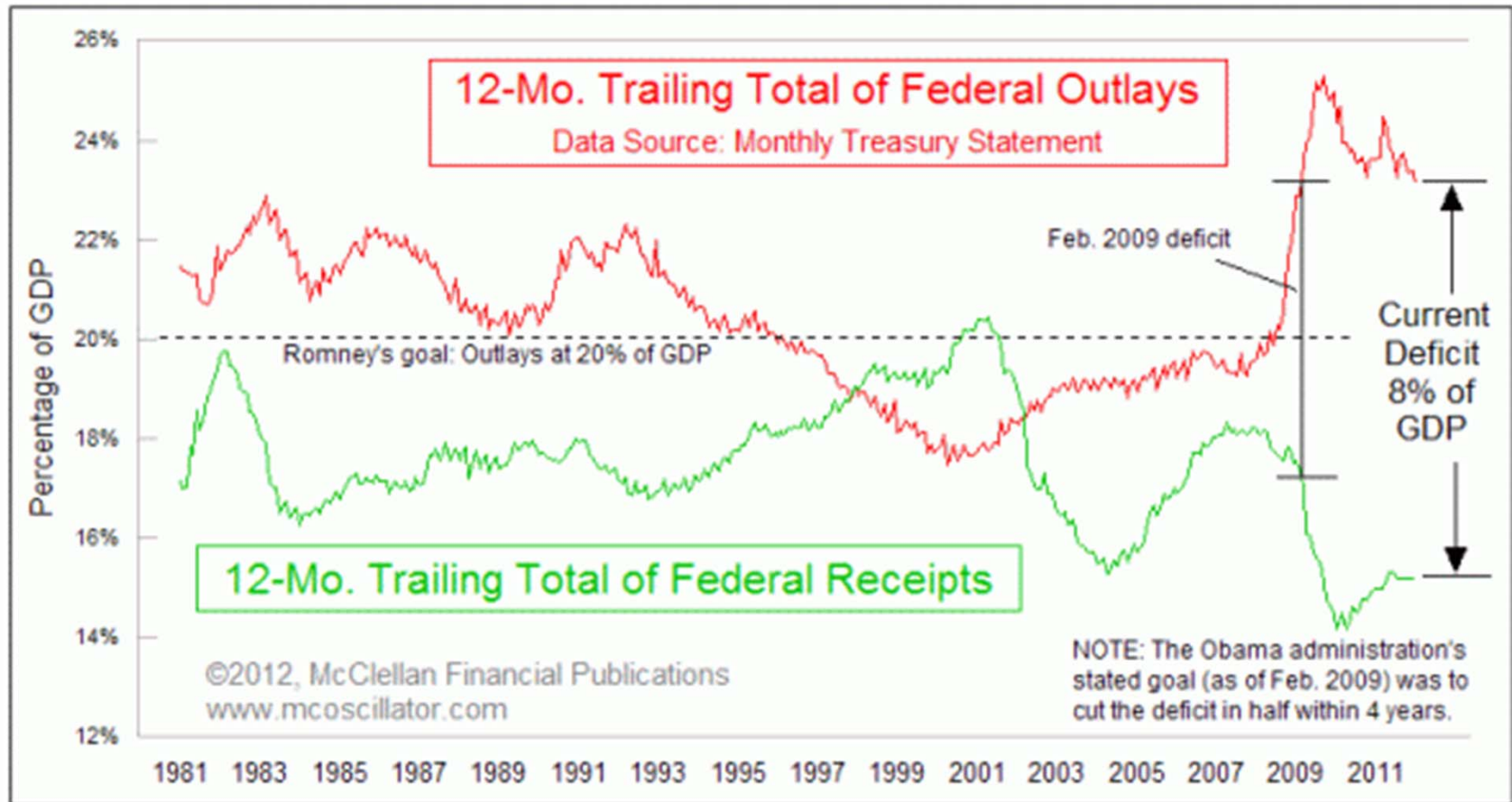


# America, China's Best Friend...



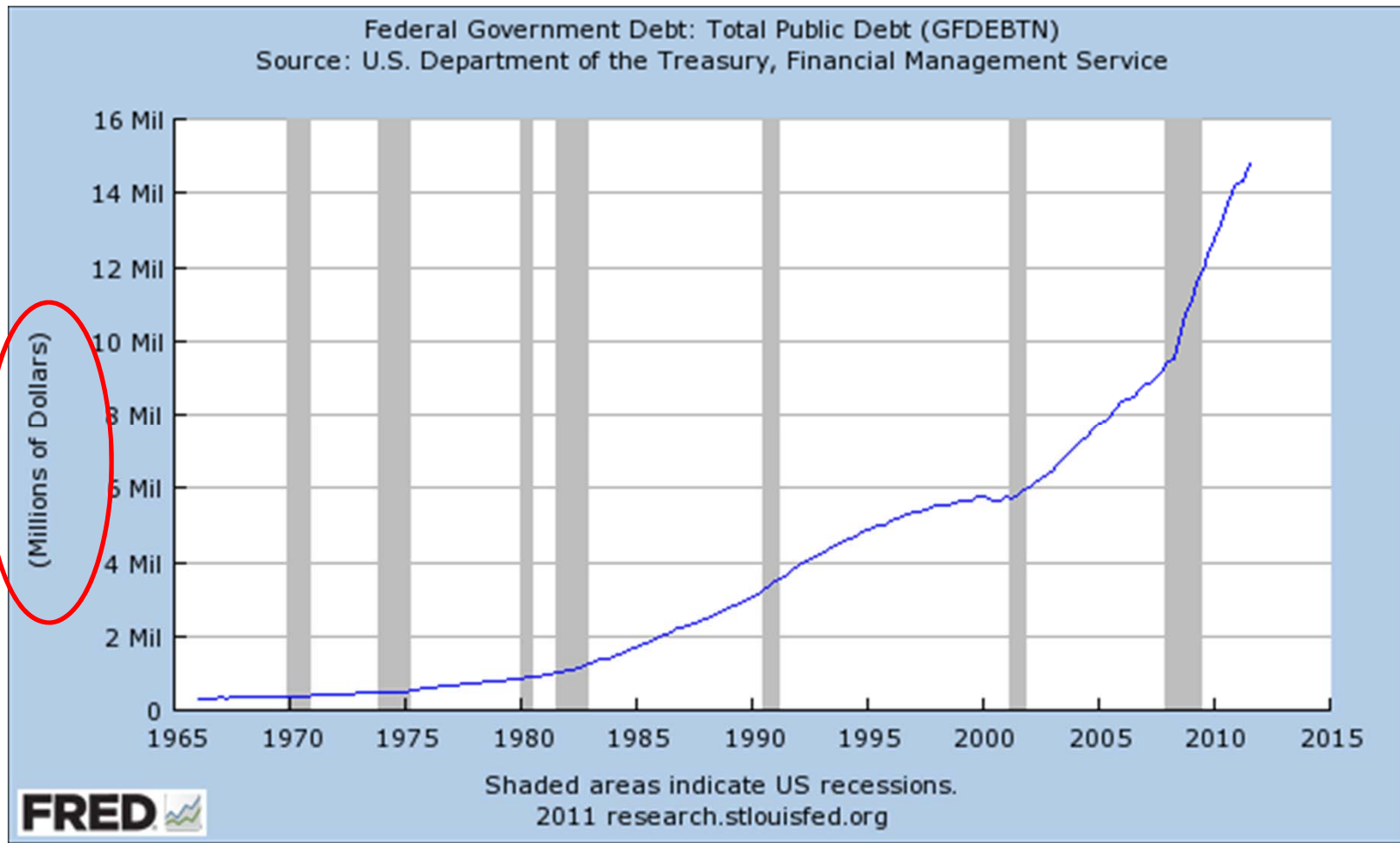
# Over Spent

- Regardless of who wins, spending coming down



# 4X Growth in 10 Years...

- Who's left to buy more?

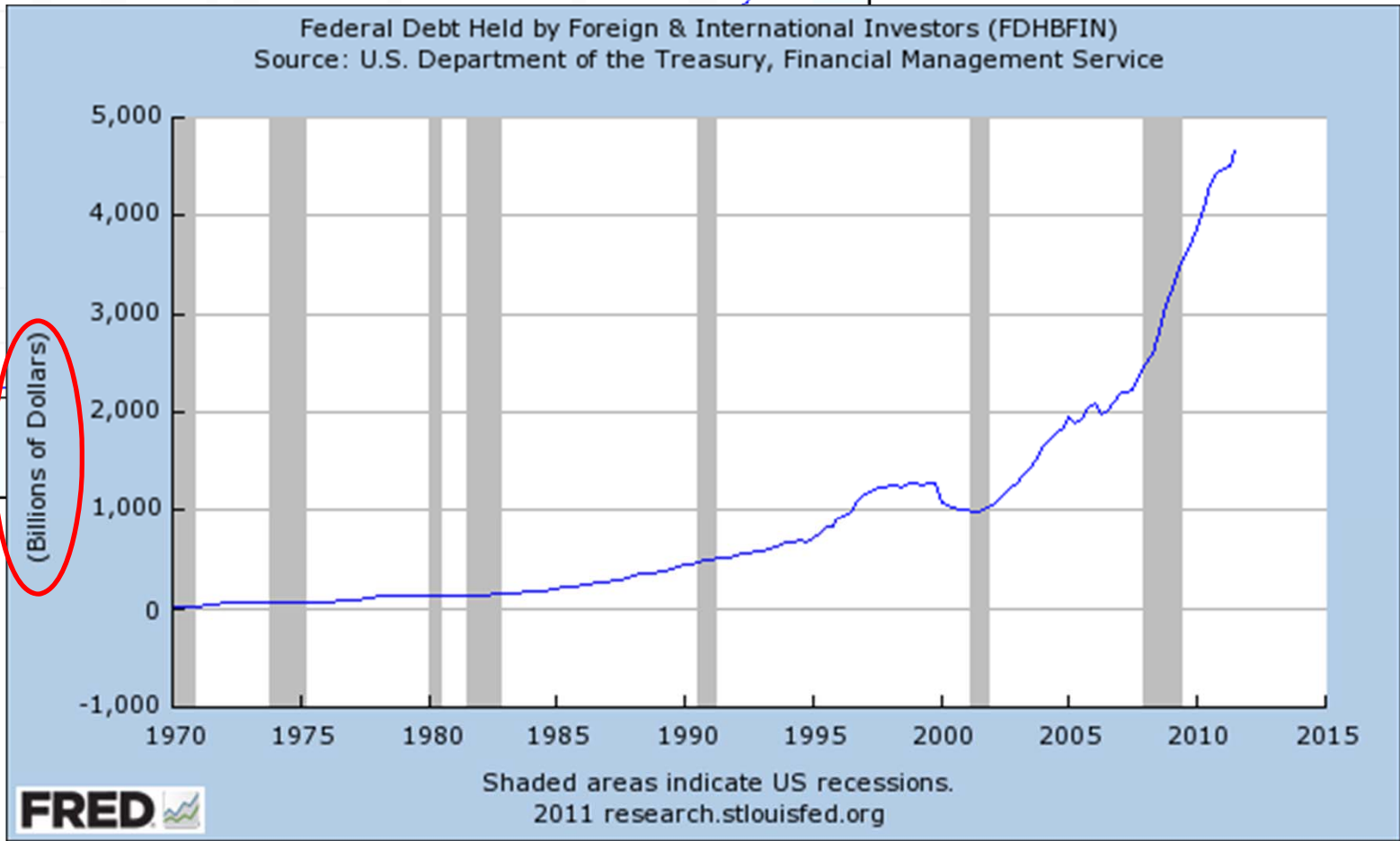


# Foreigners Tapping Out...

Federal Government Debt: Total Public Debt (GFDEBTN)  
Source: U.S. Department of the Treasury, Financial Management Service

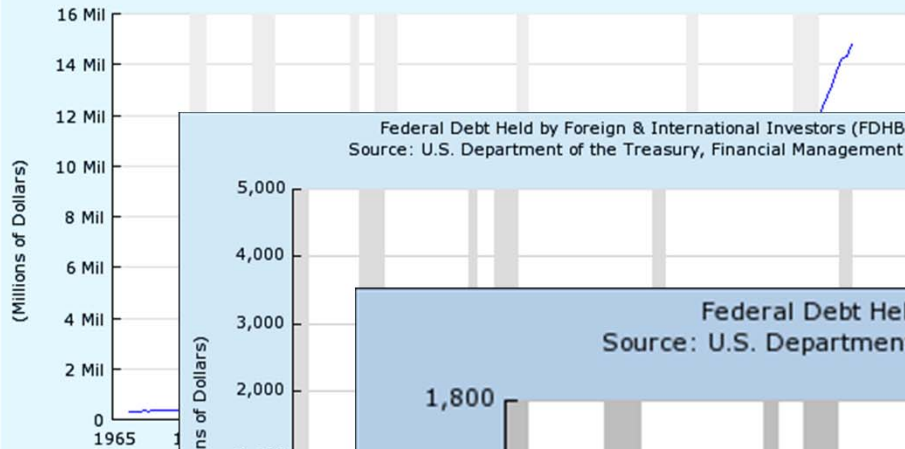
16 Mil  
14 Mil  
12 Mil  
10 Mil  
8 Mil  
6 Mil  
4 Mil  
2 Mil  
0  
1965

FRED

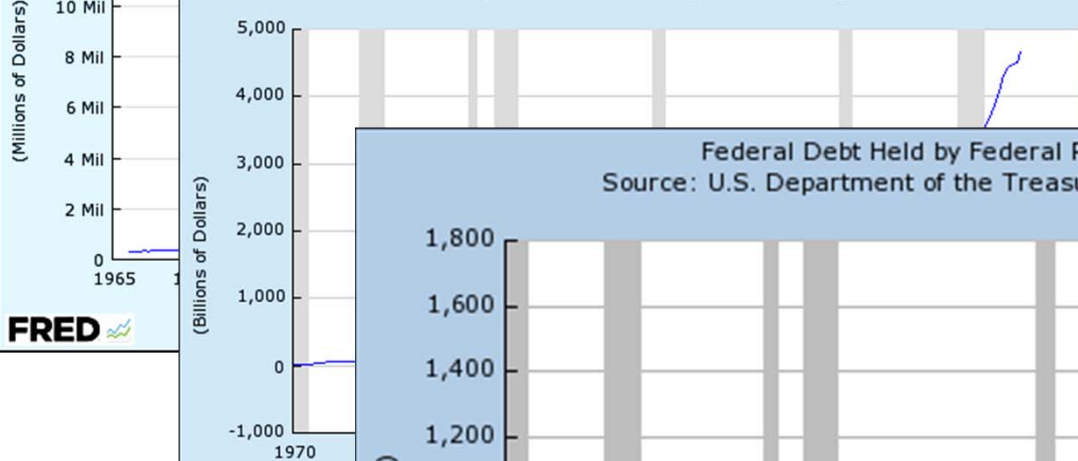


# Leaving the US to Buy US Debt

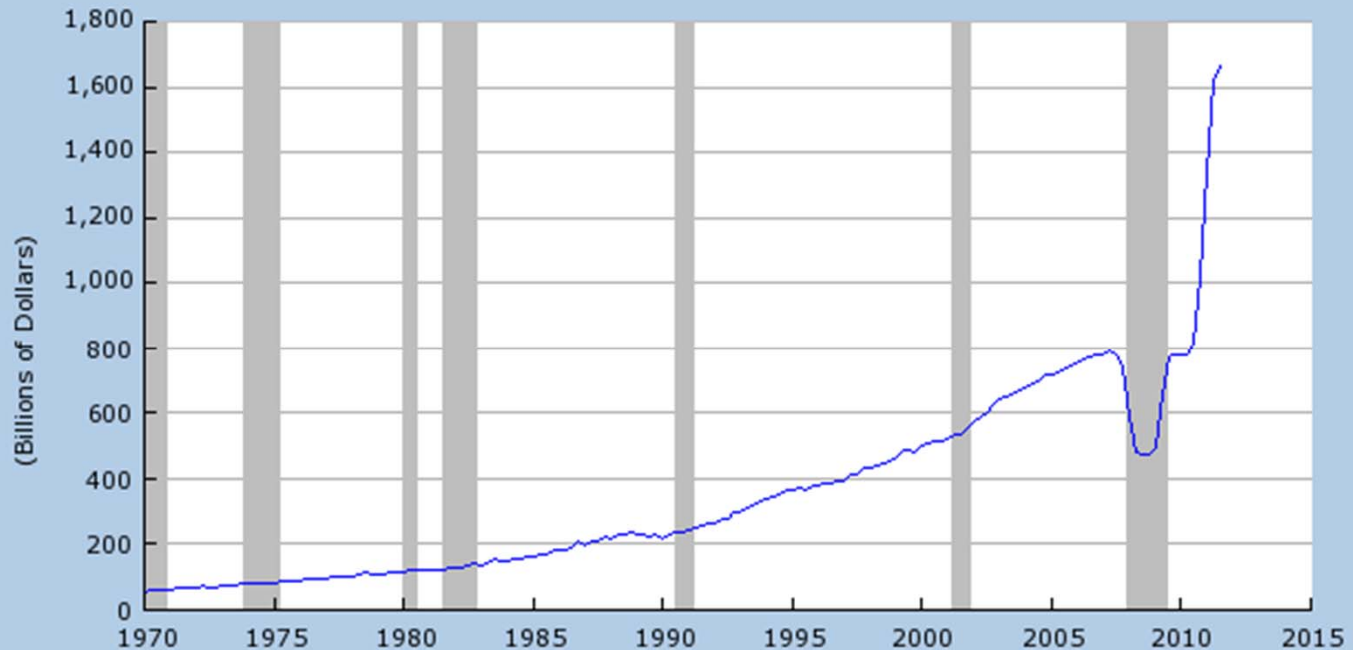
Federal Government Debt: Total Public Debt (GFDEBTN)  
Source: U.S. Department of the Treasury, Financial Management Service



Federal Debt Held by Foreign & International Investors (FDHBFIN)  
Source: U.S. Department of the Treasury, Financial Management Service



Federal Debt Held by Federal Reserve Banks (FDHBFBRBN)  
Source: U.S. Department of the Treasury, Financial Management Service

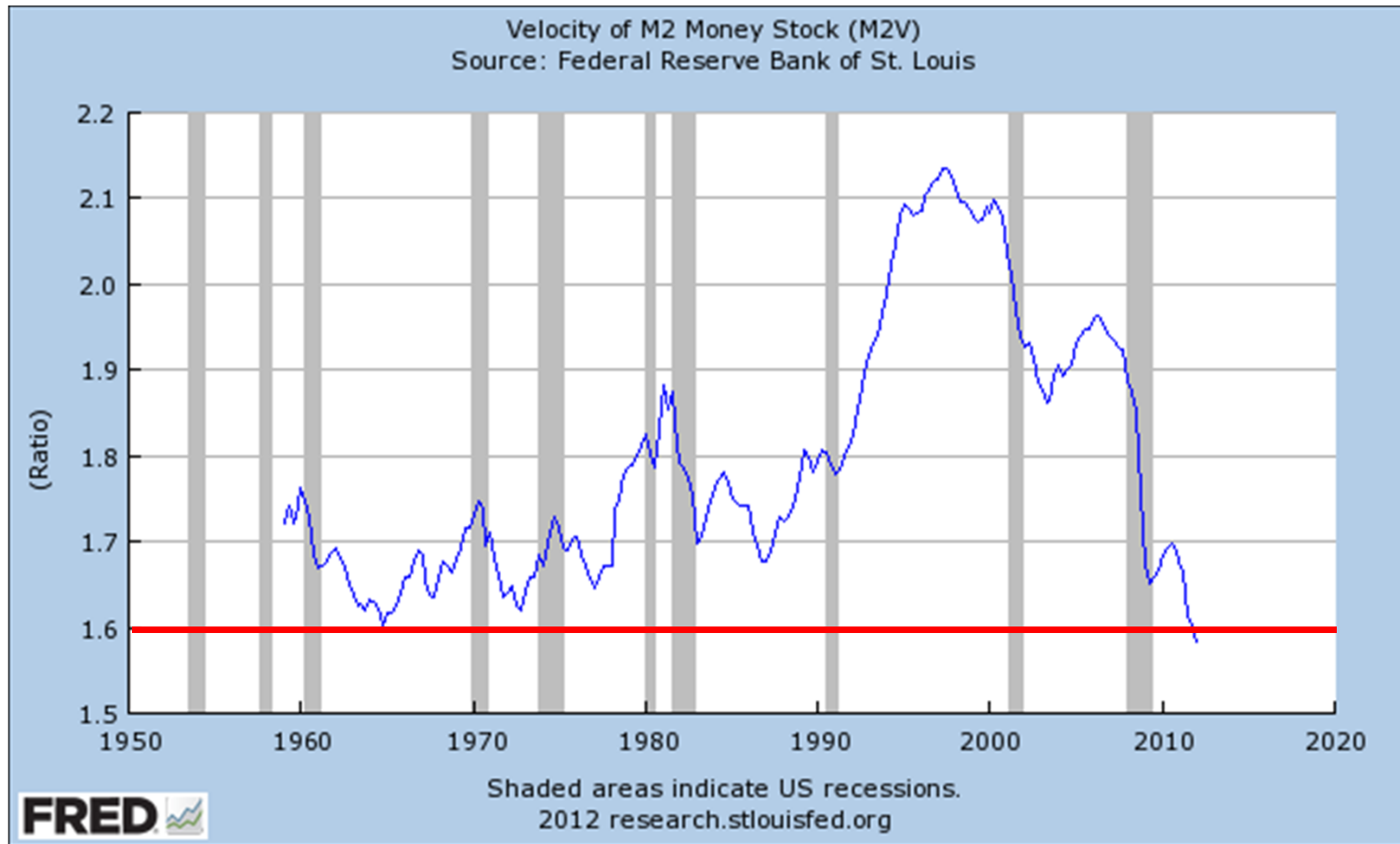


Shaded areas indicate US recessions.  
2011 research.stlouisfed.org



## Money, money everywhere and not a job to be had

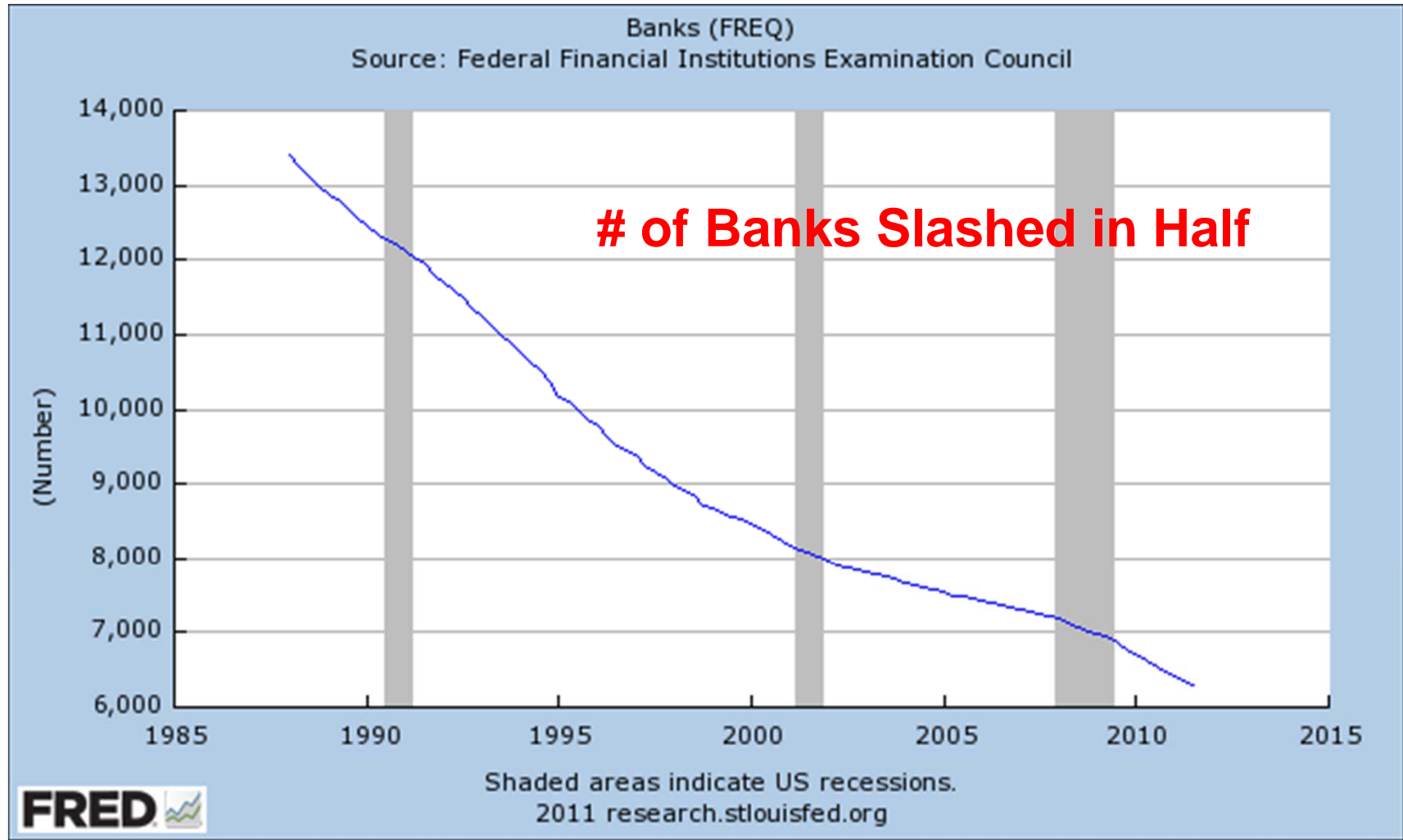
- Just hit an all-time low (again)



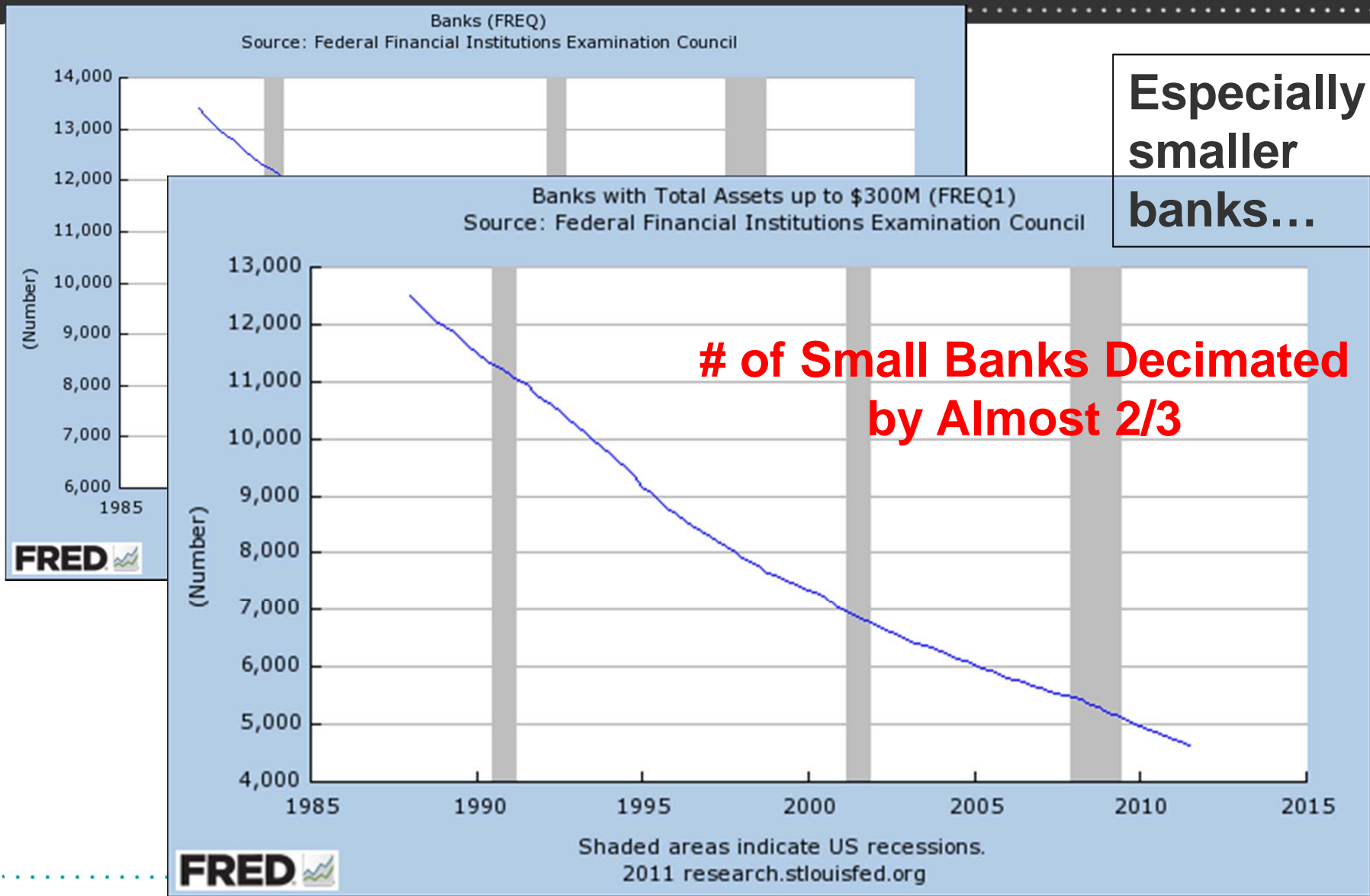
- Velocity can be thought of as the rate of turnover in the money supply--that is, the number of times one dollar is used to purchase final goods and services included in GDP. Faster is Better...



# Hard To Lend When “Money” Needed Internally

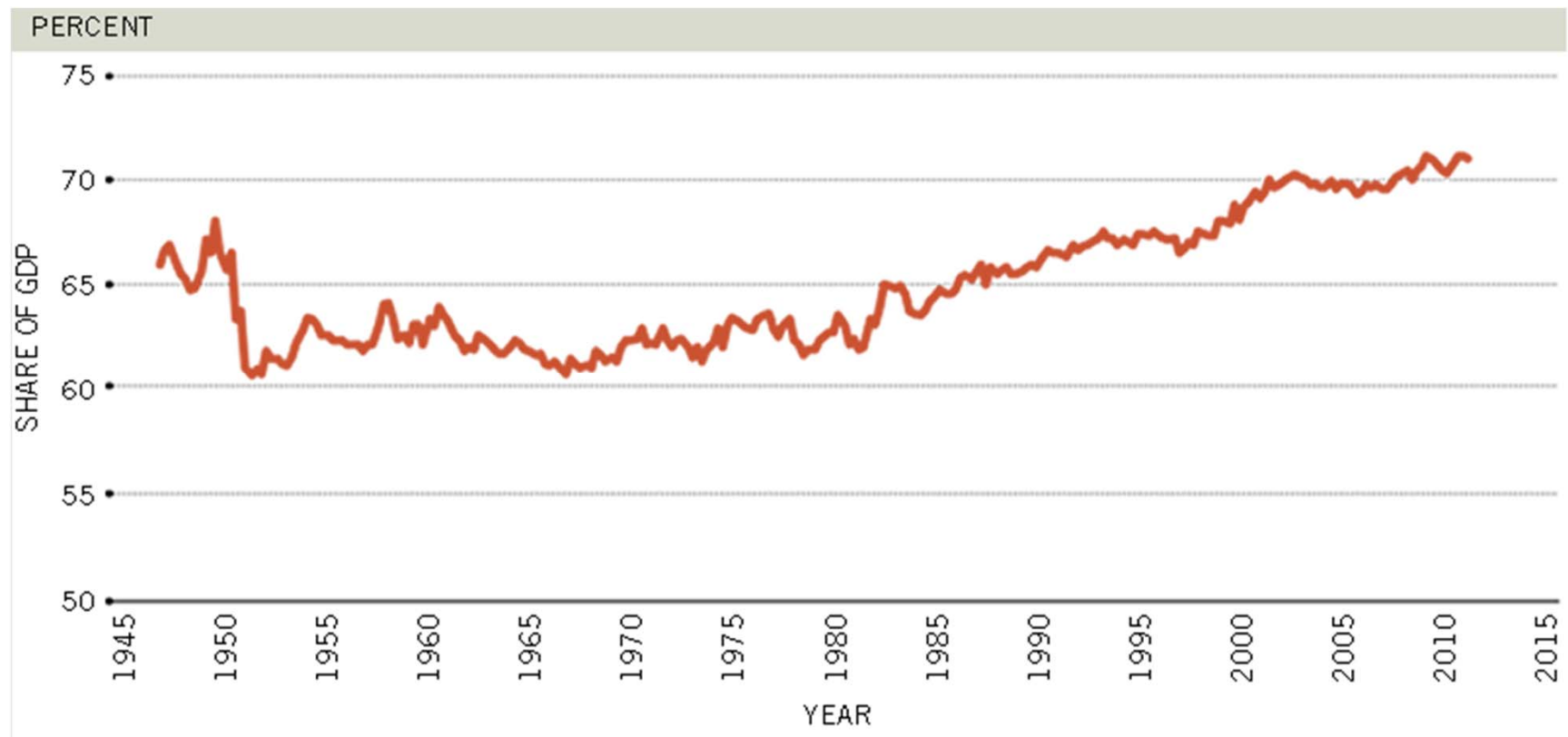


# Even Harder When No Lenders Out There



# Consumer Has Been Engine

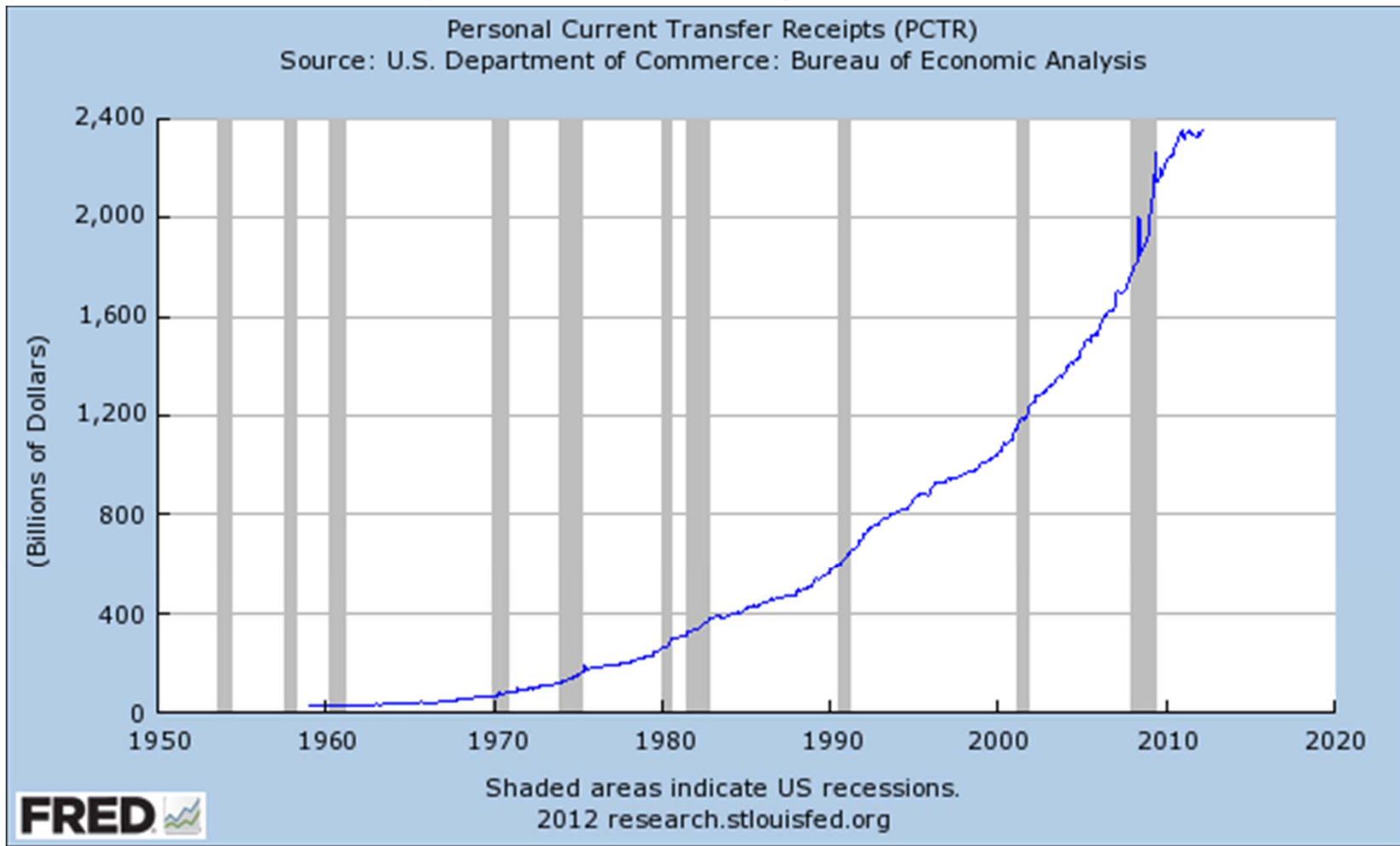
- But They (we) Are Tapped Out



<http://www.stlouisfed.org/publications/re/articles/?id=2201>

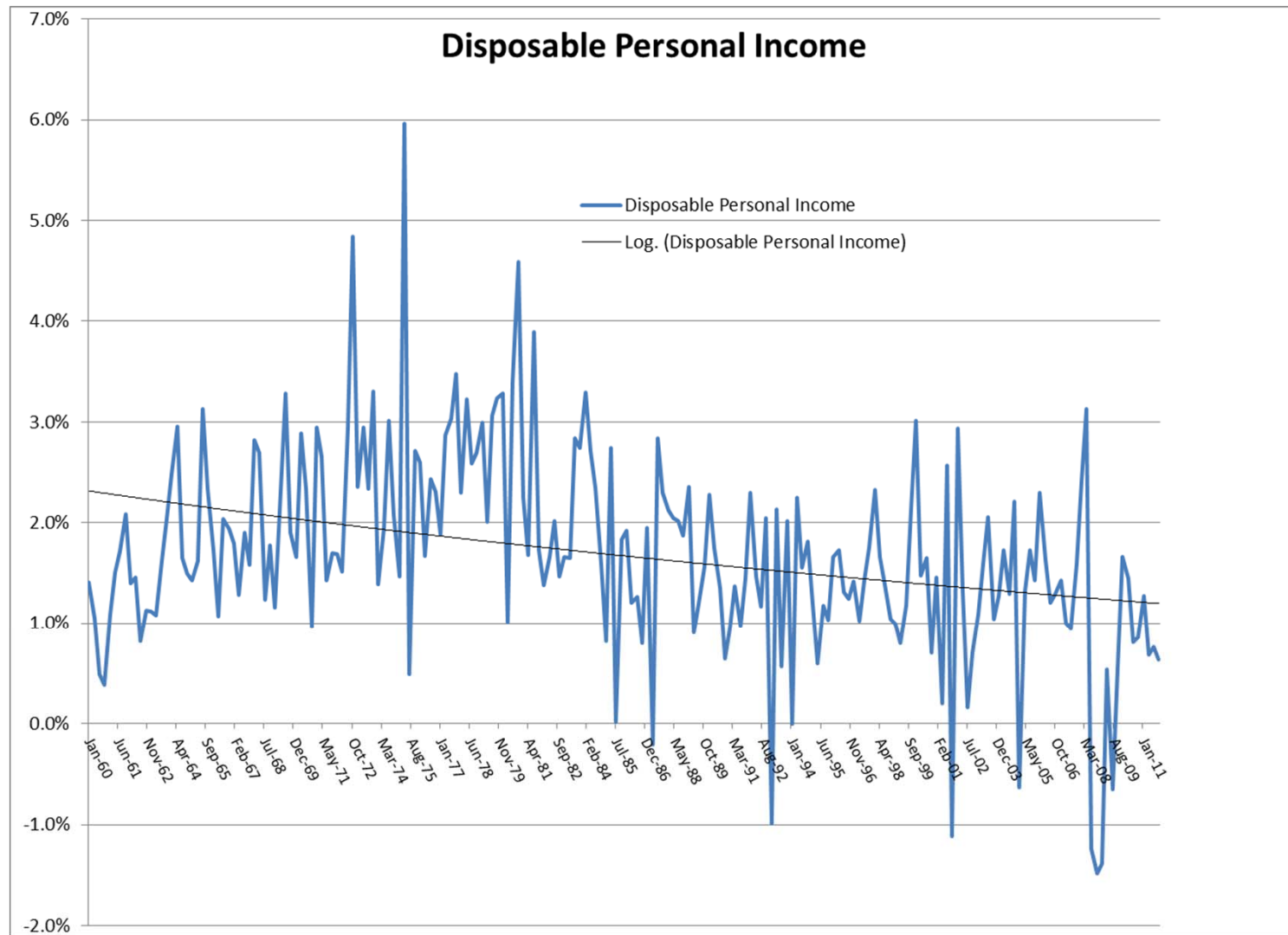
# The End of the Consumer Bailout

- Government Payments Topping Out?

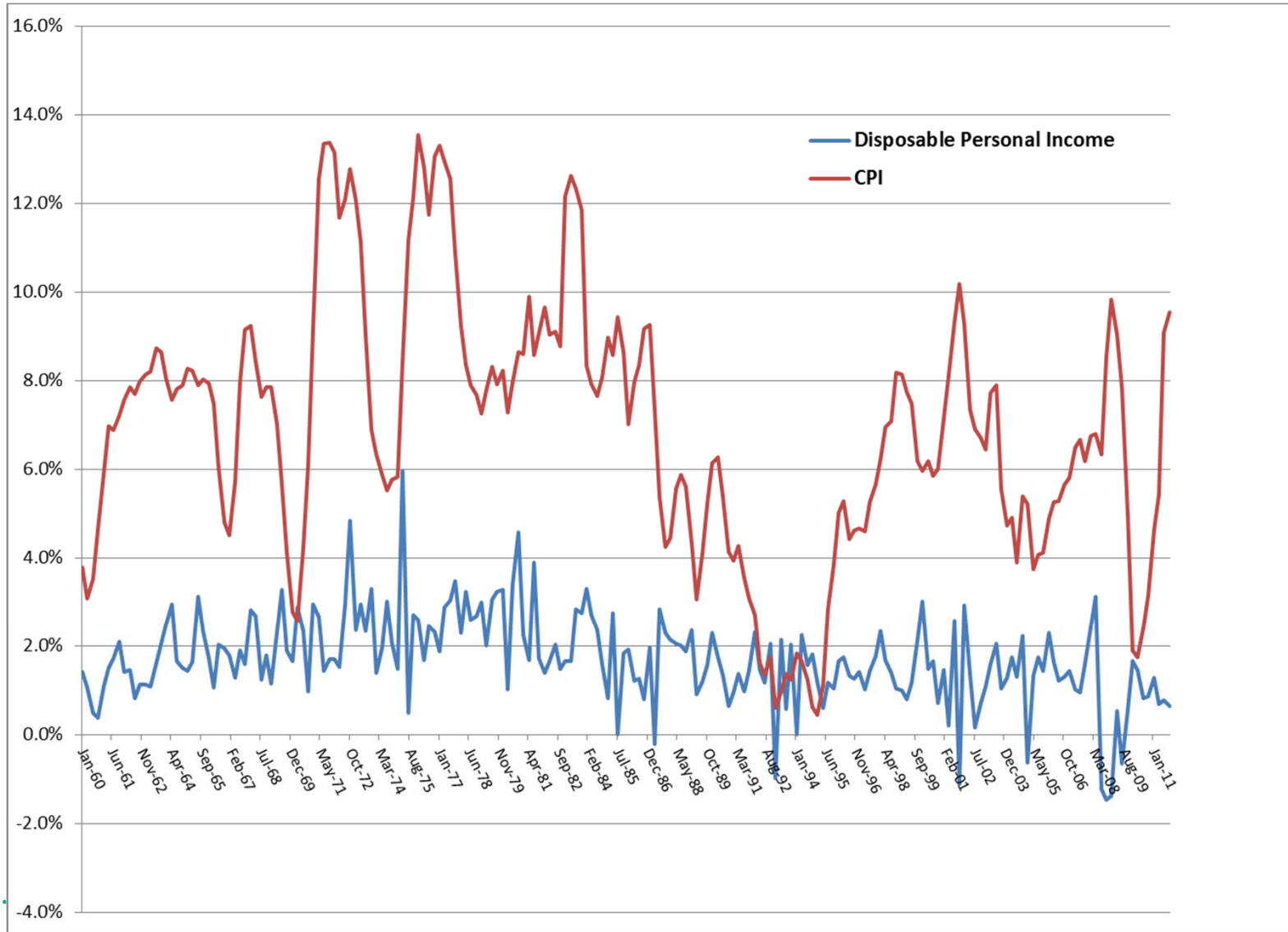


# Just Raise Taxes!

Hard to raise taxes on people with less to spend

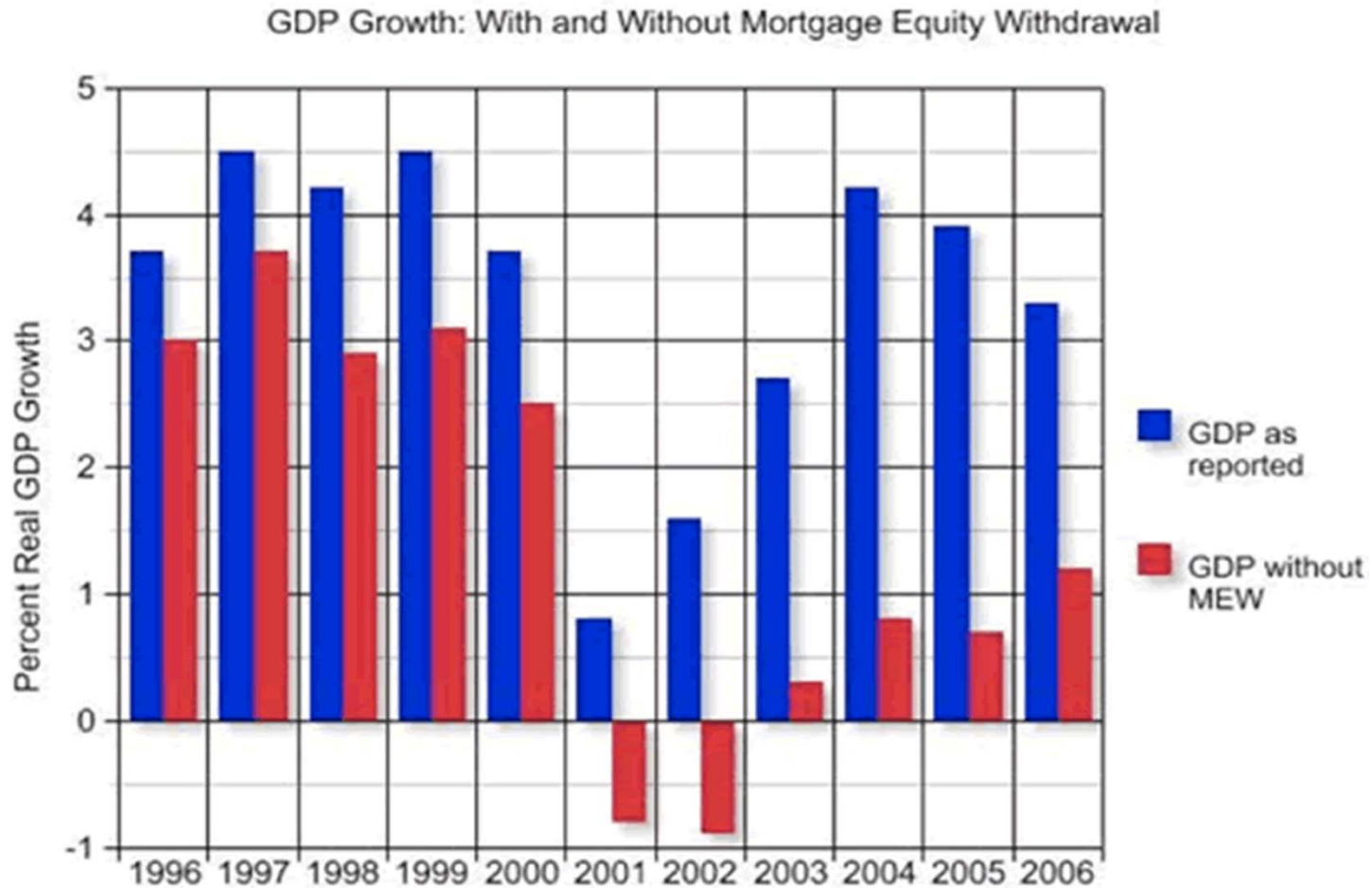


# Worse Than You Thought



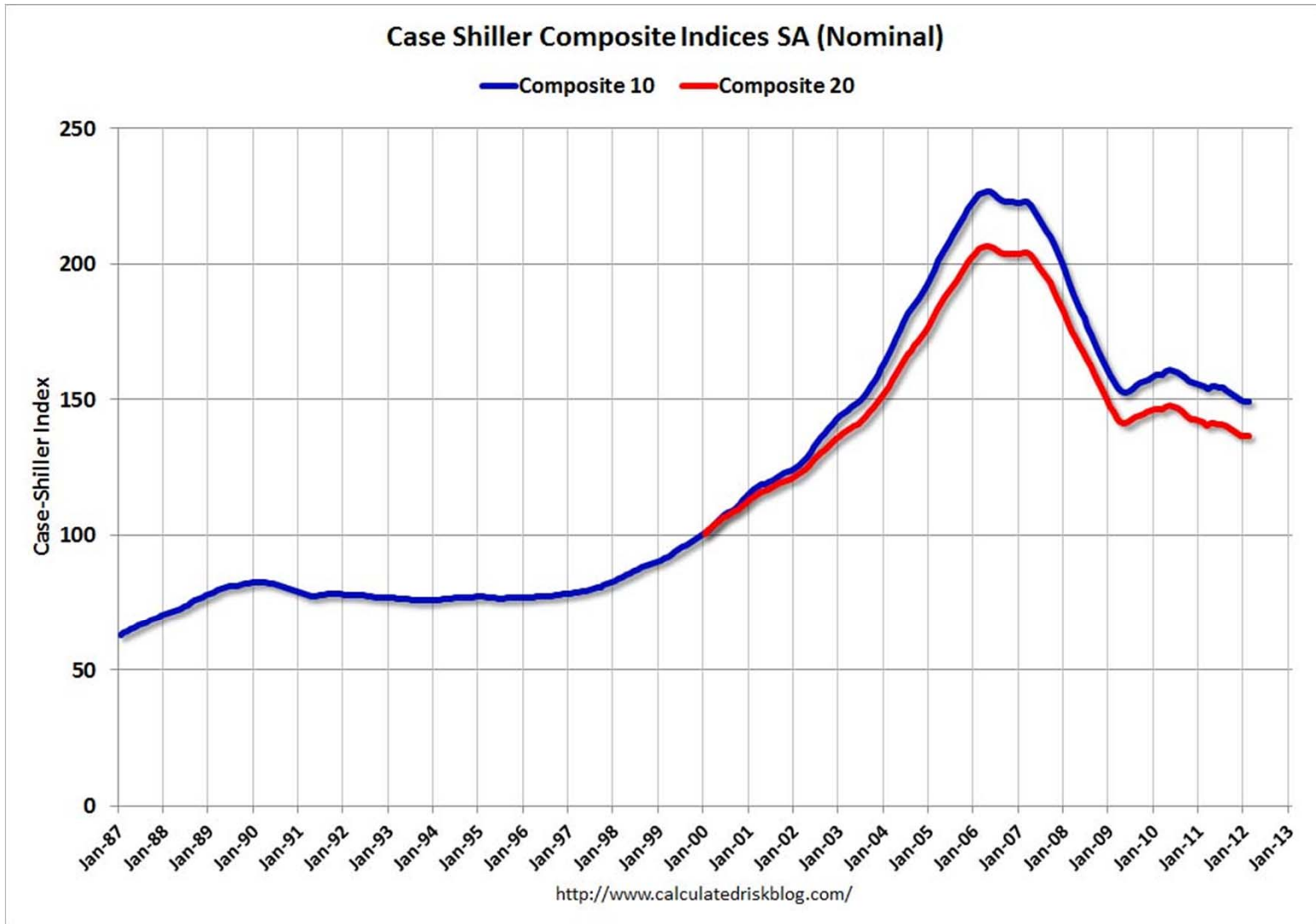


# Can't Borrow to Offset the Lack of Income



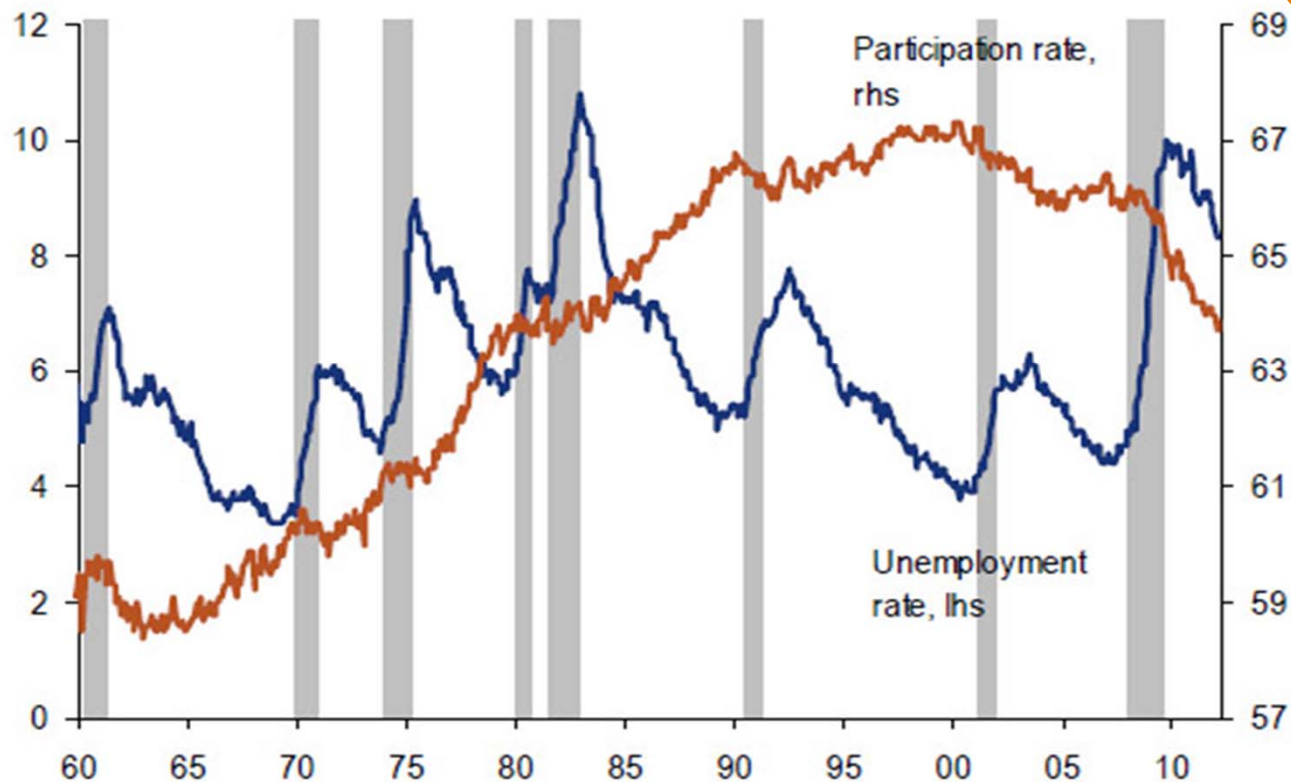
<http://www.marketoracle.co.uk/Article4022.html>

# 'Cause The ATM Is Dry



# And Can't Help This

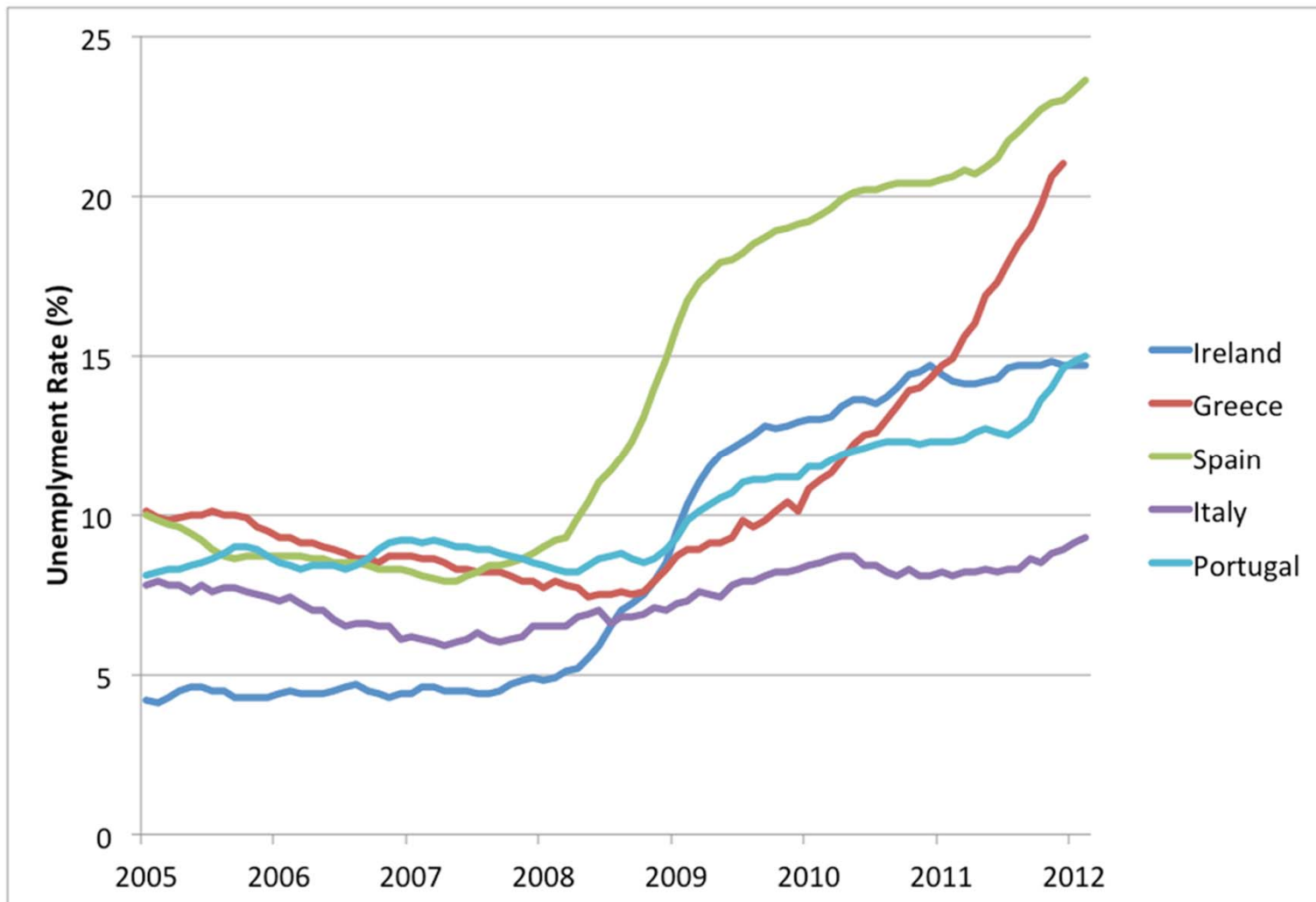
Chart 5: Labor force participation has declined, contributing to the lower unemployment rate



As In Not New Jobs, Less People Looking for Jobs

Source: BLS, BofA Merrill Lynch Global Research

# An Isolated Problem?



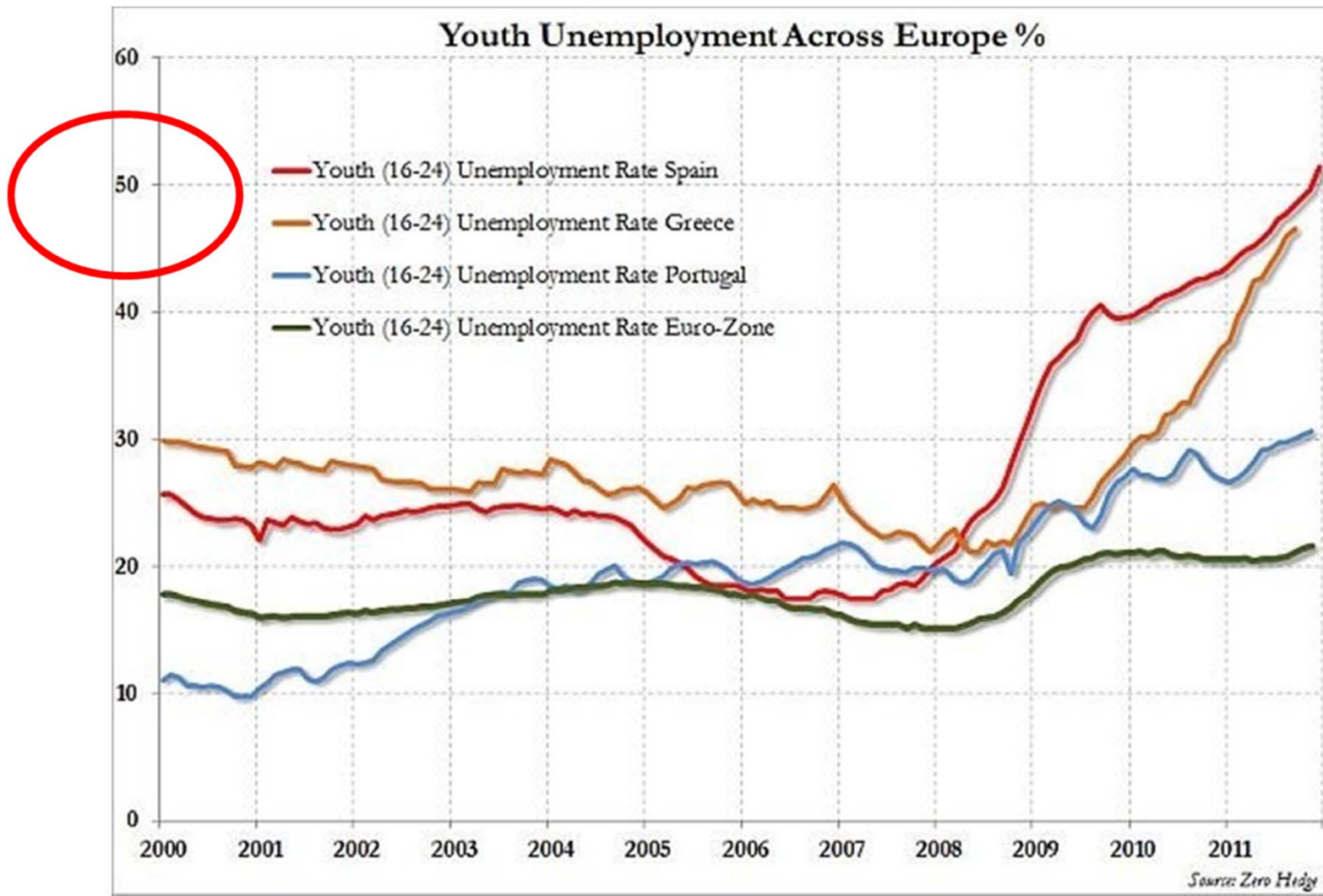
## You Know Who This Is

KNOWLEDGE IS FREE.  
WE ARE ANONYMOUS  
WE ARE LEGION.  
WE DO NOT FORGIVE.  
WE DO NOT FORGET.  
EXPECT US!





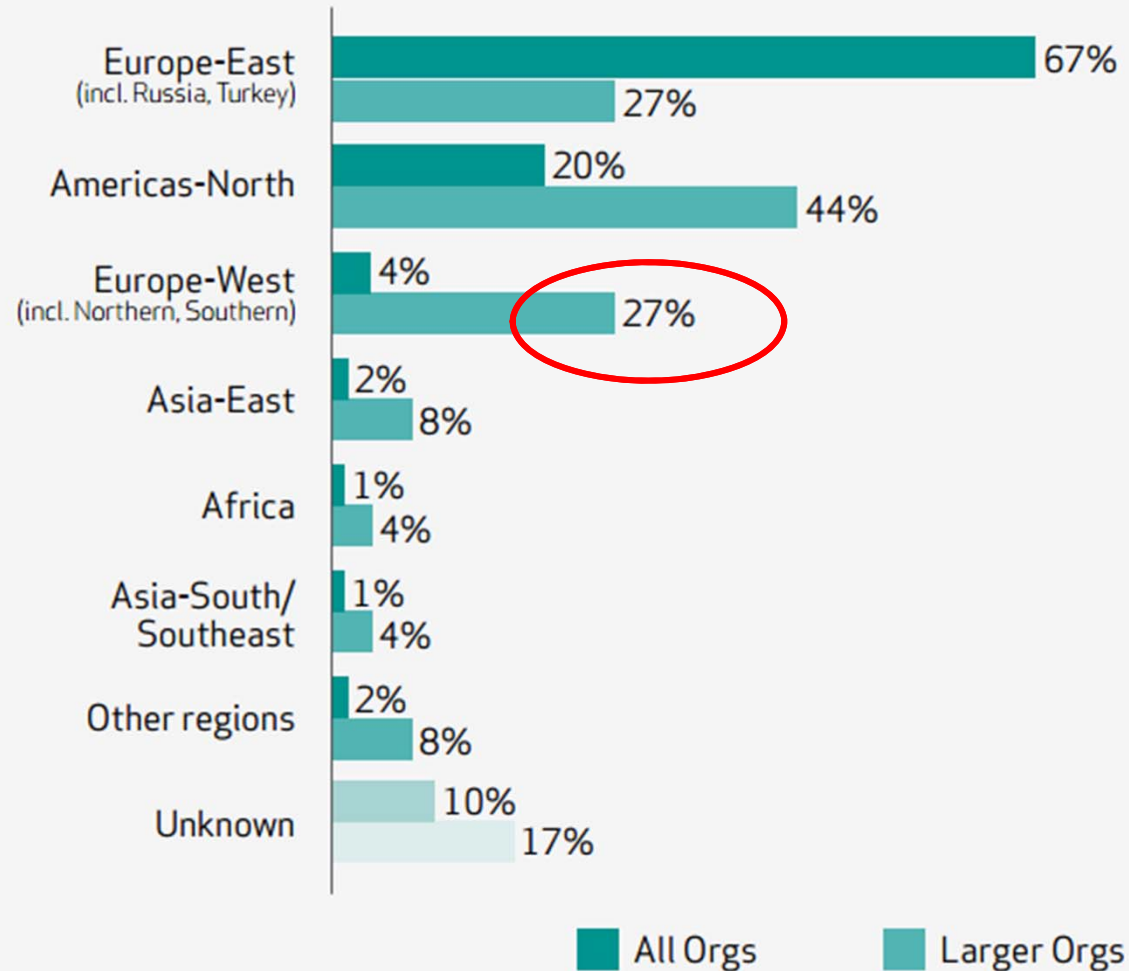
# And There's More Soldiers Out There





# And They Want You!

Figure 16. Origin of external agents by percent of breaches within External

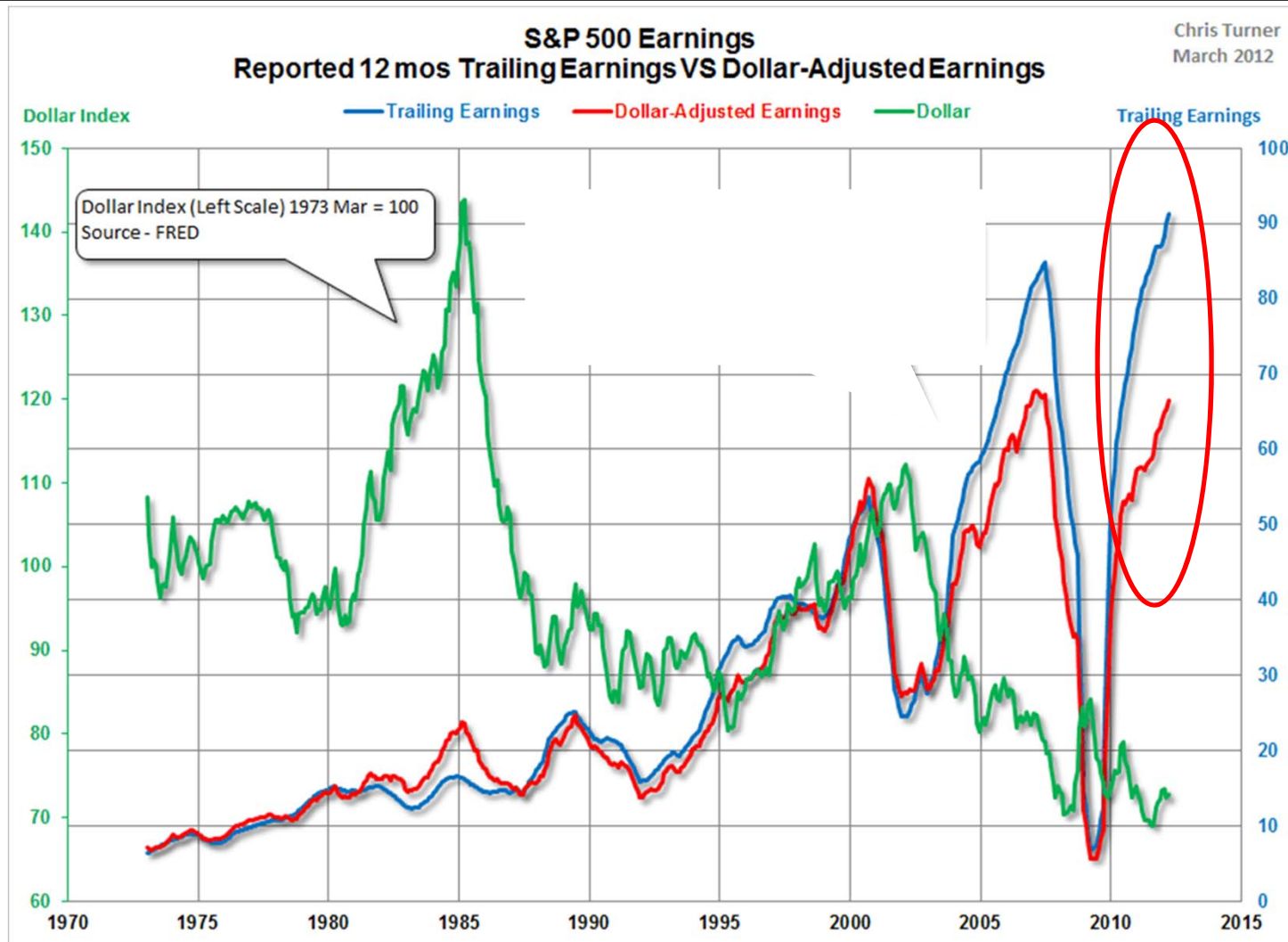


Source: Verizon DBIR

## Slow Growth Is Best Case

- Given sluggish economy and cycle of high unemployment and wage pressure, hard to find any case for anything near 3%-4% GDP growth for years
  - Corporate earnings have taken advantage of all options to prop growth – weak dollar, ultra-cheap financing and minimal hiring
  - Any future growth need come from revenue expansion
    - See first bullet
  - This means no expanding budget
    - This means do more with less (yet again)
  - Which puts investors (VCs) on the defensive overall
-

# Which Helped Inflate Earnings



# PASHAW YOU SAY!

## 2012 Security Spending To Hold Strong

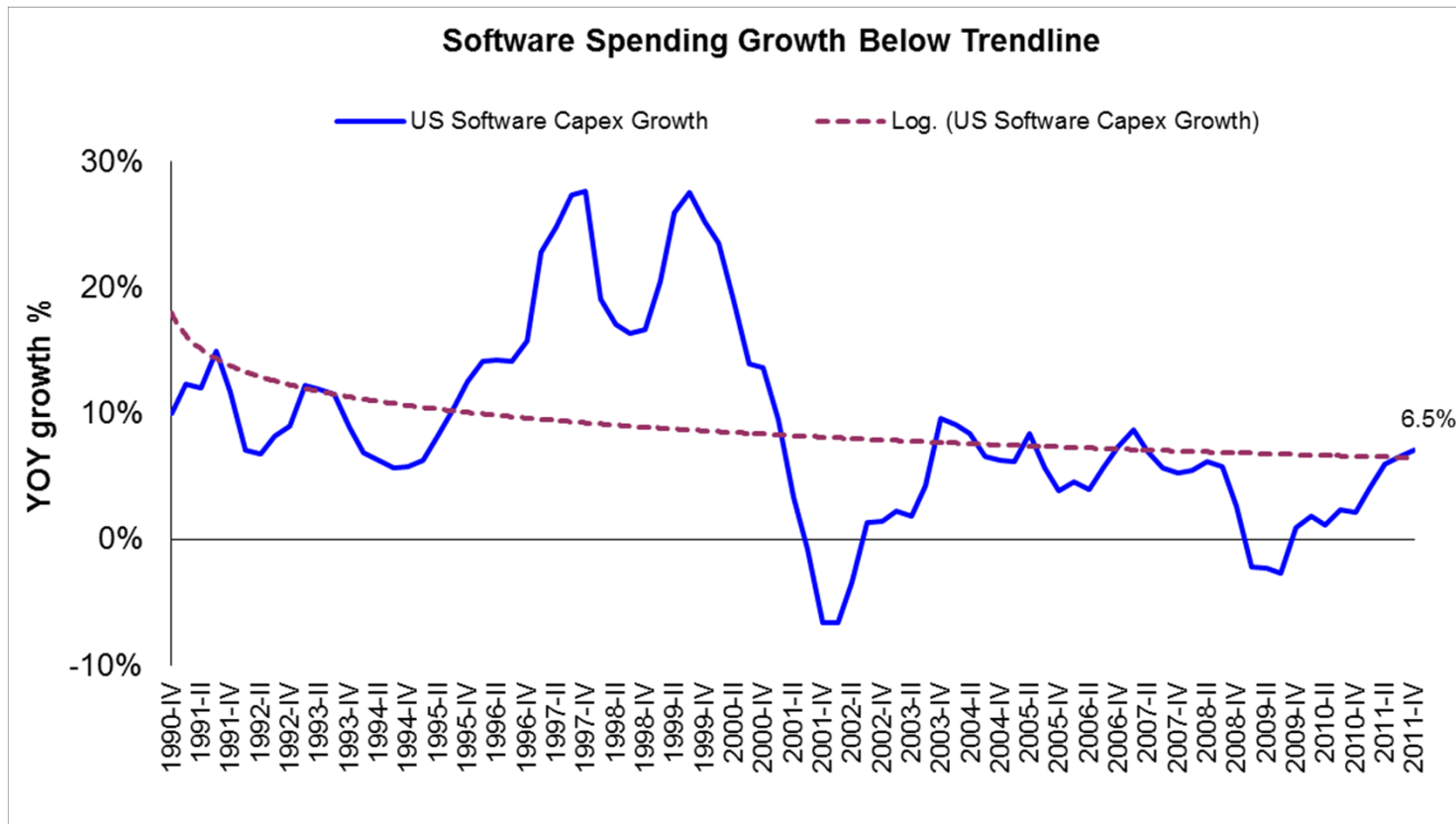
Compliance, mobile devices, and data loss prevention top the list of trends driving 37% of businesses to increase IT security spending.

By [Mathew J. Schwartz](#)  [InformationWeek](#)  
November 17, 2011 02:40 PM

For 2012, 37% of information security professionals say their business plans to increase its security spending, while only 16% expect their security spending to decrease. The top drivers for spending increases are to address compliance, mobile devices, and data loss prevention.

**Sorry, but Compliance IS NOT Security**

# IT Budgets Under Pressure



## We Aren't Keeping Up

- Gartner: WW Security Revenues +7.5% in 2011
- But hackers are “spending” at a far greater clip
- And where is the money going?

**96%** of attacks were not highly difficult (+4%)

**92%** of incidents were discovered by a third party (+6%)

**97%** of breaches were avoidable through simple or intermediate controls (+1%)

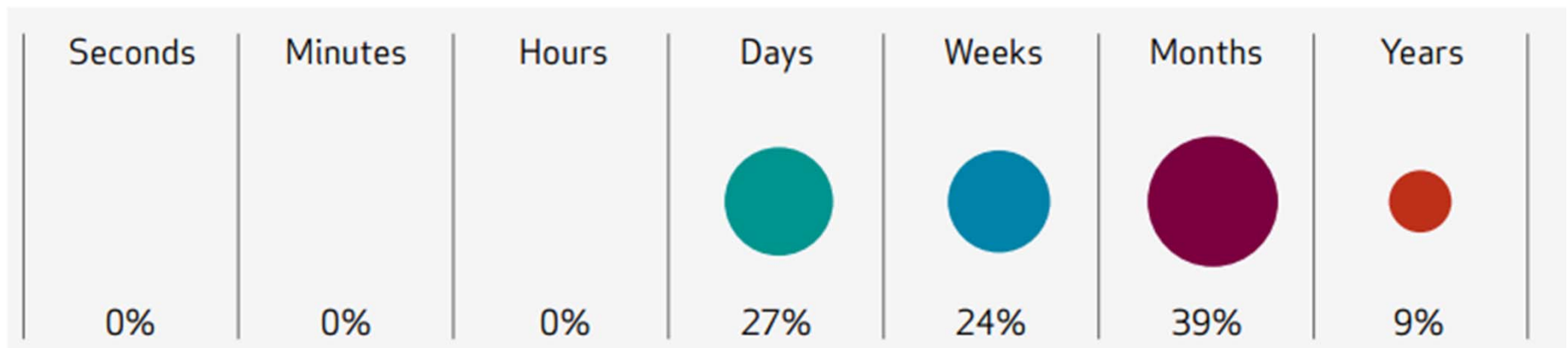
**96%** of victims subject to PCI DSS had not achieved compliance (+7%)

Source: Verizon DBIR



# ROI?

- \$17.7 Billion in 2011 and 72% still owned in just MINUTES or less

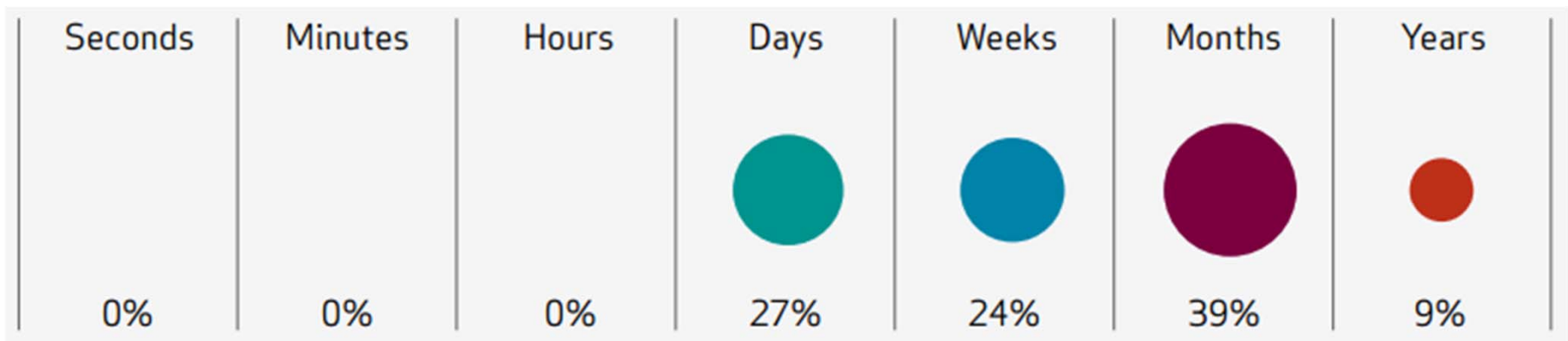


Source: Verizon DBIR

- And you wonder why the CFO questions the Security budget??

## Money Well Spent?

- But knowing you got owned... try days, weeks, months...



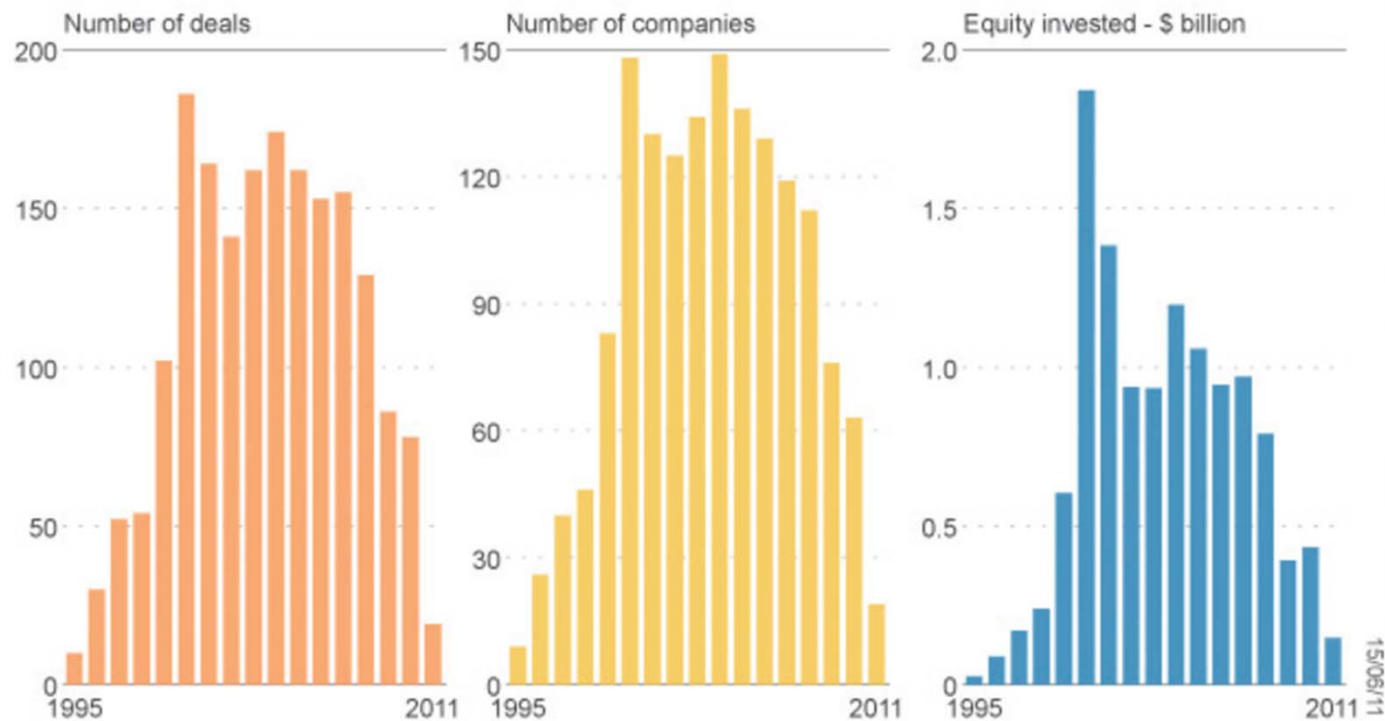
Source: Verizon DBIR

- And you wonder why the CFO questions the Security budget??

# Got Any Big Data or Social Media Plays??

## Venture capital investment in IT security

The recent spate of cyber attacks on companies and organizations may spur increased activity.



Source: The MoneyTree Report by PwC and NVCA based on data from Thomson Reuters

Note: 2011 is for first quarter



Reuters graphic/Van Tsui

# There Is a Light In This Tunnel

- Palo Alto Networks going public
    - Hit \$200MM bookings last summer
  - Qualys IPO planned
  - ...and more to come
  - Dedicated Security Stocks doing well
    - FIRE +113% in past year
    - IMPV +58% since IPO last Nov
  - Acquisitions galore!
    - Netwitness
    - Q1 Labs
    - Nitro
    - Log Logic...
    - and more to come...
  - This will get VC's more interested
-



Questions?

**pkuper@iqt.org**

