



**THE 2i2 GROUP**

CHANNEL ASSESSMENT

**AVG CLOUDCARE  
CHANNEL PROGRAM  
ASSESSMENT**

**MARCH 2013**

## **CONTENTS**

<b>EXECUTIVE OVERVIEW</b>	<b>1</b>
<b>SECURITY &amp; MANAGED SERVICES LANDSCAPE</b>	<b>2</b>
<b>EXAMINING AVG CLOUDCARE™</b>	<b>4</b>
<b>AVG CLOUDCARE PRODUCT QUALITY</b>	<b>6</b>
<b>AVG CLOUDCARE GO-TO-MARKET MODEL</b>	<b>7</b>
<b>AVG CHANNEL PROGRAM &amp; MANAGEMENT</b>	<b>9</b>
<b>2112 FINAL ANALYSIS</b>	<b>11</b>
<b>ABOUT</b>	<b>12</b>

AVG Technologies commissioned The 2112 Group to conduct an independent and objective assessment of its channel program. 2112 used a qualitative research methodology, reviewing the business in detail with AVG Technologies' management and channel partners. The conclusions in this report are solely those of The 2112 Strategy Group LLC and are subject to change without notice. AVG Technologies is not responsible for the content or conclusions of this assessment..

Information contained in this publication has been obtained by sources and methodologies of The 2112 Strategy Group LLC, D/B/A The 2112 Group, and is considered to be reliable but not warranted. This publication may contain the opinions of The 2112 Group, which are subject to change. This publication is copyrighted by The 2112 Strategy Group LLC. Any violation of the limited terms of reproduction or redistribution of this publication, in whole or in part, whether in hard-copy format, electronically or otherwise to persons not authorized to receive it, without the express consent of The 2112 Strategy Group LLC, is in violation of U.S. copyright law and will be subject to an action for civil damages and, if applicable, criminal prosecution. Any questions should be directed to The 2112 Group at (347) 770-2112 x104 or [info@the2112group.com](mailto:info@the2112group.com).

## EXECUTIVE OVERVIEW

The notion of delivering security as a service – particularly endpoint antivirus – is hardly a revolutionary idea. Security vendors and solution providers have been delivering managed security services for the better part of a decade and dealing with protective technologies far more sophisticated than antivirus. With the advent of cloud computing, security services are increasingly prolific, leveraging hosted and cloud resources to augment conventional on-premises data and infrastructure protection technologies.

AVG Technologies, a Czech Republic company with operations in the United States and around the world, is among the latest crop of security and software companies entering cloud computing. AVG CloudCare™ is a consolidation of traditional antivirus and antispy technologies delivered via the cloud as a managed service. On the surface, it seems unremarkable, as it does little more than many competing legacy and emerging cloud products.

Differentiating AVG CloudCare is its intent. The security service is designed for the small business market, managed services providers (MSPs) and value-added resellers looking to enter managed security services. AVG CloudCare is part of AVG product diversification to address SMB market opportunities. Through AVG CloudCare, AVG is looking to become a channel enabler in cloud-based services.

AVG launched AVG CloudCare in October 2012 after extensive collaboration and field testing with partners. Its goal: create a platform that gives value-added resellers (VARs) and MSPs low barriers-to-entry into managed basic managed security services that offer recurring revenues and sustained profitability. For target customers, AVG CloudCare provides managed antivirus protection against myriad existing and emerging viruses, worms and Trojans infecting business endpoints.

The targets are apt. On the end-user side, SMBs – those with 10 to 100 seats – are the most unaware of and challenged by security threats. They lack the expertise, budget and resources to police endpoints and prevent malware infections. While the managed services market is replete with security products, not all are accessible to the average MSP, and not all are affordable or applicable to the SMB market. AVG CloudCare, by design, fits at the intersection of these two needs.

While the AVG CloudCare channel efforts are new and developing, early adopters give the company high praise for its initial foray. AVG is delivering a product that its partners can use to generate income, as well as protect end users from malware and spam. While AVG CloudCare is not for every solution provider or end customer, it fulfills its promise and its niche in the managed services segment very well. By all indications, AVG CloudCare has the potential of reshaping AVG and its channel into a channel-oriented SMB security player.

This 2112 Channel Assessment will provide an overview of the SMB security services market, the AVG CloudCare product and AVG's channel program. Based on interviews with AVG partners and other solution providers, as well as comparisons to our baseline of channel data and materials, this report provides an unvarnished appraisal of AVG CloudCare and managed services ambitions.

## SECURITY & MANAGED SERVICES LANDSCAPE

Services are pervasive in the channel. Nearly every solution provider offers some form of managed or cloud service as part of its portfolio. Security is among the most broadly offered services, as the need for data and infrastructure security is pervasive across all business types, sizes and specializations. Security is, of course, needed among end users and consumers, especially as the bring-your-own-device (BYOD) trend continues to expand with the proliferation of employee-owned smartphones and tablets.

According to the CTTA State of the Cloud Channel 2013 report, cloud-based security services are the fourth highest in customer demand, as ranked by solution providers. Likewise, their demand is increasing as more SMB customers gravitate to the cloud in hopes of reducing their IT operational and capital expenses. All other cloud motivators, including agility and access to new technologies, are secondary considerations (See Figure 1, below).

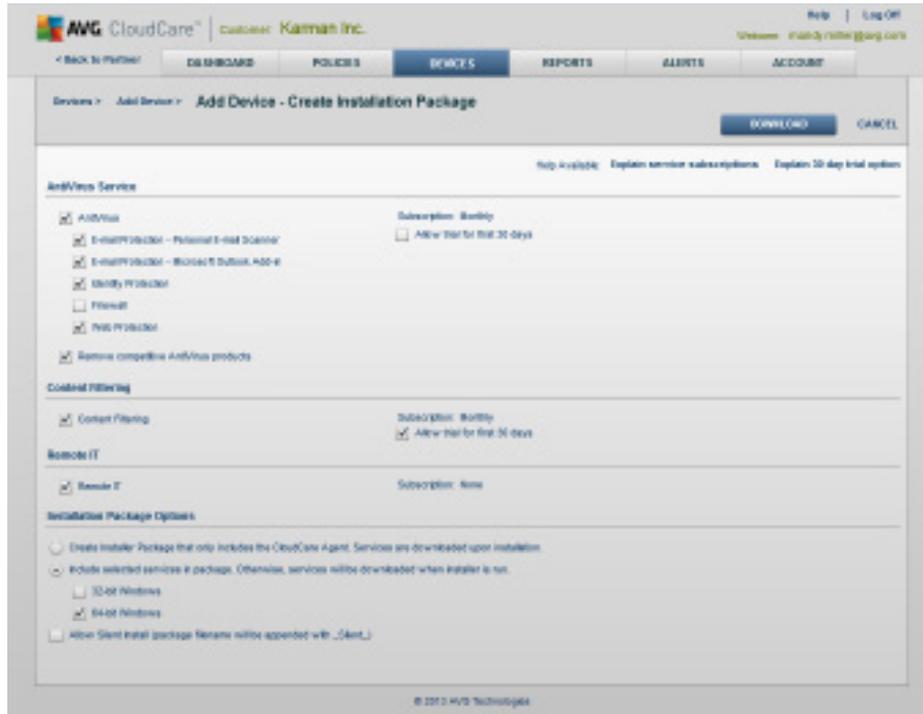
**FIGURE 1: END USER GOALS FOR CLOUD COMPUTING**



For solution providers, the convergence of security and services is a tremendous sales and profit-driving opportunity. Managed and cloud services carry among the highest margins in the services channel, particularly among SMBs. Technology complexity and scarcity is what drives product and/or services value. In the case of security services, SMBs' inability to effectively acquire and operate products makes services value. This is why more than 40 percent of solution providers offer security services that target the SMB segment for sales growth.

How lucrative is security services in the SMB segment? Solution providers see it as an incremental growth opportunity, with more than one-third of those surveyed believing it will increase their sales by at least 25 percent in the coming year. Solution providers with security services as part of their portfolio say such services account for 25 percent of their gross revenue and 20 percent of their gross profits.

These percentages are expected to grow 10 to 15 percent in 2013, according to The 2112 Group's research.



The challenge facing solution providers is knowing which type of security services to provide and the level of expertise required for them. On the high end, security services entail security information management, firewall monitoring and management, incident response, intrusion detection and prevention, vulnerability scanning and remediation, and malware protection. Each has a high level of investment to develop the service delivery capabilities, inclusive of software, training, certifications and staffing. The cost of building a perfect security practice is often prohibitive and, in many cases, overkill for SMB solution providers.

When it comes to small businesses (10 to 100 seats) security is an onerous proposition. These businesses don't require high-end, enterprise-grade security applications – most don't have firewalls or IDS/IPS, and they have little need beyond elementary antivirus, antispam and content-filtering applications. To deliver these basic security protections as a service requires investing in expensive block licensing from traditional security software vendors, or being locked into a referral program to expand a vendor's services footprint.

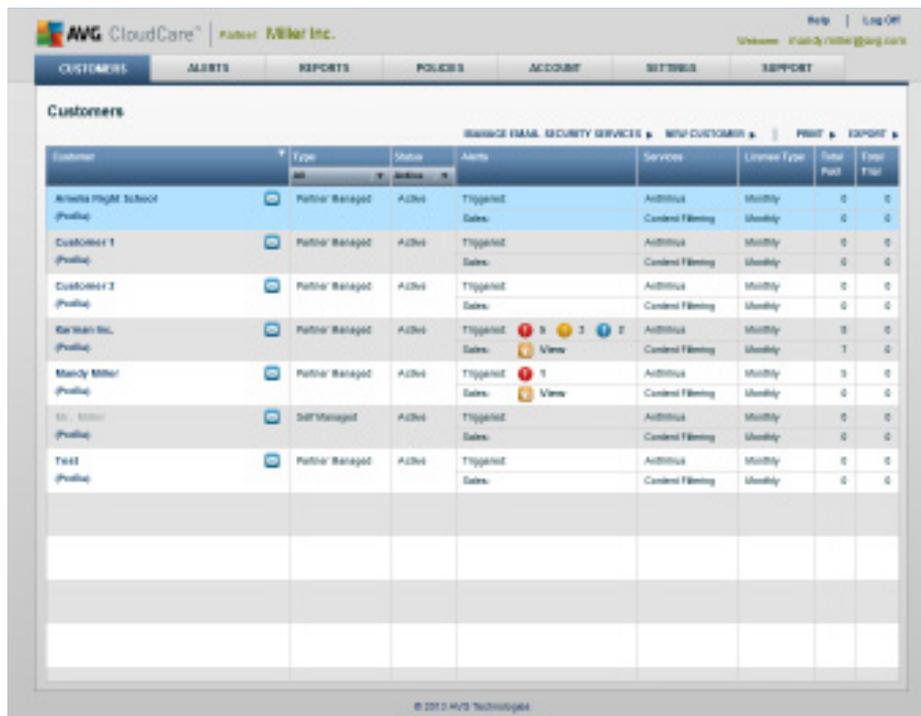
While several security vendors have implemented "pay-as-you-go" licensing to make their antivirus and security software more accessible to solution providers delivering managed services, the cost in time and money to setup and deliver software is considerable for small solution providers serving small businesses. The availability of easy-to-adopt, easy-to-price and easy-to-deliver security services is needed in the SMB channel and marketplace.

## EXAMINING AVG CLOUDCARE

AVG CloudCare is the company's first foray into cloud computing. Essentially, it is a software-as-a-service (SaaS) offering designed for SMB solution providers, MSPs and systems integrators. In 2112's opinion, AVG CloudCare has a great appeal for small solution providers with limited security practices, resources, experience and services.

As with most cloud services, AVG CloudCare offers solution providers the tools to deploy, monitor and manage client-side antivirus applications at the account and user level. The portal is an intuitive dashboard that even security novices can navigate with ease to start delivering services within minutes of creating an account.

AVG CloudCare allows participating solution providers to set up sub-accounts by customer company. With each account, they can set the number of antivirus licenses to be delivered and managed to each client, and then monitor activity on a per-device basis. AVG CloudCare uses a modified version of AVG's antivirus engine, which includes antispam for e-mail protection and content filtering, email archiving and encryption.



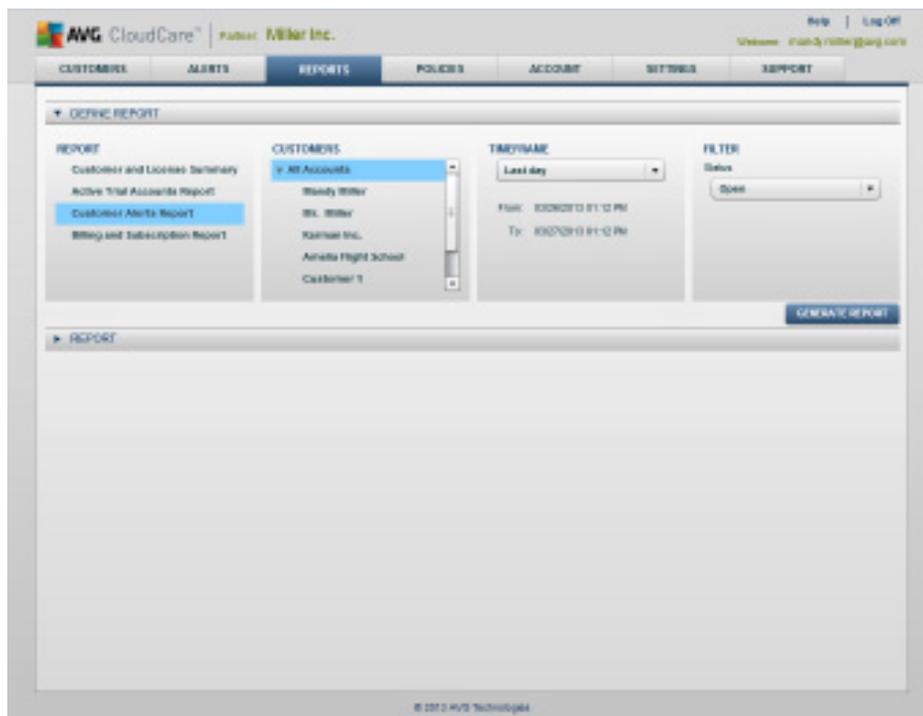
Customer	Type	Status	Alerts	Services	License Type	Total Paid	Total Free
Alvada High School (Public)	Partner Managed	Active	Triggered Dates	Antivirus Content Filtering	Monthly Monthly	0	0
Customer 1 (Public)	Partner Managed	Active	Triggered Dates	Antivirus Content Filtering	Monthly Monthly	0	0
Customer 2 (Public)	Partner Managed	Active	Triggered Dates	Antivirus Content Filtering	Monthly Monthly	0	0
Garwin Inc. (Public)	Partner Managed	Active	Triggered Alerts: 1, 3, 3, 1, 1 View	Antivirus Content Filtering	Monthly Monthly	3	0
Mandy Miller (Public)	Partner Managed	Active	Triggered Alerts: 1 View	Antivirus Content Filtering	Monthly Monthly	3	0
St. John's (Public)	Self-Managed	Active	Triggered Dates	Antivirus Content Filtering	Monthly Monthly	0	0
Toll (Public)	Partner Managed	Active	Triggered Dates	Antivirus Content Filtering	Monthly Monthly	0	0

The most obvious benefit of AVG CloudCare, from 2112's perspective, is its ability to distribute and maintain antivirus protection across multiple endpoints, inclusive of PCs and servers. Small businesses wrestle with deploying antivirus clients and ensuring they are active and their signature databases are up to date. Even with the advancements in antivirus technologies, database updates impede performance and frustrate users. Many users don't update their applications, or stop updates to preserve bandwidth and processing capacity. The dashboard allows service providers to give their customers absolute peace of mind.

AVG didn't develop AVG CloudCare in a vacuum. 2112's research shows the product was designed using extensive input from the AVG partner community – a collaboration evident in many of the features included in the control panel. The first accounts take time to set up, as they will require manual configuration of different policies and function options. However, AVG CloudCare allows solution providers to set up templates and policies that can be used later to configure new accounts or update existing accounts.

Distribution of antivirus clients is simple: Once an account is active, the solution provider can check the options for which the customer subscribed – e-mail protection, Web content filtering, client-side firewall, content filtering and antivirus. The service even has a Microsoft Outlook plug-in for scanning e-mails. The console will then invite the user to download the client, or allow the software to be retrieved from the solution provider's server or AVG's data center. Through this distribution process, solution providers can track used versus unused licenses, giving subscribers insight into employee security compliance.

The AVG CloudCare console, which is accessible via most major browsers and iOS devices, also provides utilization and activity reporting. Through the reporting mechanisms, solution providers can see the volume and types of malware detected and remediated, as well as policy violations and suspicious activity. While not intended to be a remote-remediation and maintenance tool, AVG CloudCare allows solution providers to remote into a target machine to fix configuration and performance issues. The remote access tool is good for performing maintenance beyond the scope of AVG CloudCare, which is an added benefit – so too is the console's built-in chat function.



The AVG CloudCare dashboard and console can be used for more than just management; they function as an account administration tool. Through the console, solution providers can administer accounts, track spending and send invoices that carry the solution provider's brand. This is a decent function, as it consolidates service delivery and billing in one place. However, it may prove unnecessary and/or problematic for solution providers that deliver multiple services.

AVG recently introduced integration with Autotask's professional services automation (PSA) platform. The integration allows managed service providers using Autotask to have an easier time adopting and administering AVG CloudCare through their PSA console. AVG has made simple work of activating services through Autotask, including customer summaries, alerts, policy templates, passwords, invoicing and payments, and utilization reports.

PSA platforms are a staple of the managed services segment. While MSPs and VARs can use AVG CloudCare without a PSA, the integration makes it more scalable and manageable within the context of a managed services practice. AVG is currently developing ConnectWise integration; given that Autotask and ConnectWise are the two largest PSA vendors, the adoption of both platforms will cover most of the defined managed services market.

Overall, 2112's assessment is that the AVG CloudCare service and administration console provide a platform for delivering SMB security services. Some solution providers say the navigation scheme requires too many clicks to perform common functions or find features. Our walkthrough didn't seem all that difficult; but one walkthrough is far different than experiencing the product as a solution provider living in the console on a daily basis.

## **AVG CLOUDCARE PRODUCT QUALITY**

The 2112 Group's research shows no product or service is worth much if it doesn't perform. With regards to antivirus security, the basic measures are whether the product or service is effective in keeping out viruses, worms and Trojans, and if it is able to remediate the malicious code that sneaks through. The 2112 Group did not test the performance or effectiveness of AVG CloudCare; our assessment of product quality is based on feedback provided by AVG partners and those who have reviewed the product.

As antivirus engines go, AVG did well with AVG CloudCare. For SMBs looking to keep out the most common malware and spam, AVG's antivirus engine and filtering tools are effective. Solution providers say AVG's engine, based on the reports AVG CloudCare generates, catches most malware and is on par with other antivirus software vendors. Solution provider experience is consistent with third-party testing, which places AVG's performance equal to the likes of Kaspersky Lab and BitDefender and better than Symantec's Norton.

---

***For SMBs looking to keep out the most common malware and spam, AVG's antivirus engine and filtering tools are effective.***

---

No product or service is perfect. Solution providers say AVG CloudCare's portal and management console requires too many steps to accomplish common tasks, thus slowing down their ability to complete tasks such as setting up new accounts or modifying existing account settings. AVG doesn't

concur with this critique, but says it is continually reviewing and improving functionality and performance. A benefit of hosting the security infrastructure in the cloud is making improvements without waiting for the next software release.

Solution providers say AVG CloudCare suffers from a fair number of false positives – incorrect/inaccurate virus alerts – when the service is first activated. Without fine-tuning the configurations, solution providers say the false positives and false negatives remain moderate. According to solution providers, AVG’s U.S.-based technical support is excellent at resolving operational and performance issues, but has long wait times that create performance barriers.

Aside from the antivirus engine, the AVG CloudCare portal and management console make the AVG service work from a solution provider’s perspective. As noted in the previous section, the console is intuitive; however, solution providers say the system lags in the reporting time from when a new license is activated by the customer and when it is added to the provider’s bill cycle. Solution providers should be mindful of this, as it could result in them being billed by AVG for a month’s service before they can bill the customer.

Some solution providers say they would like to see a vulnerability scanner in AVG CloudCare – an interesting request given that vulnerability and patch management is typically done through automated services by platform (Microsoft) or software (Adobe) vendors. AVG is improving AVG CloudCare from function, feature and performance perspectives; adding more configuration, vulnerability and asset management is a possibility for future releases. The real question: Do SMBs really need such functions in their cloud platform?

## **AVG CLOUDCARE GO-TO-MARKET MODEL**

Slowing the development of security services in the channel, particularly among SMB providers, are the supporting business models. Vendors have mixed track records for enabling basic managed security services. The first broad-based managed services were built around remotely administered appliances. More recently, software vendors have offered solution providers consumption-based licensing, in which they’re only charged for the software they use in their managed service. In both scenarios, solution providers must stand up the infrastructure for delivering the service.

Security services in which solution providers earn money through referral fees do exist, but few cloud services exist in which solution providers can sell and control the service. AVG CloudCare is just such a service offering and services platform: It offers solution providers an easily accessible security service and the control coveted by MSPs.

AVG CloudCare does not discount or provide margin considerations to partners. Rather, solution providers buy service capacity from AVG, and then set their own retail price and pricing structure for resale to their customers. This is a simple approach to providing a cloud service through the SMB channel, as solution providers are not trapped into restrictive margin or pricing structures. Some solution providers tell 2112 they’re making as much as 100 percent margin on AVG CloudCare sales.

**FIGURE 2: AVG CLOUDCARE CHANNEL REVENUE/PROFIT MODEL**



An added benefit of the AVG CloudCare go-to-market model is that it allows solution providers to bundle the security service with other support and managed services pricing. Rather than selling antivirus on a per-seat basis, solution providers can sell a suite of services for one flat rate and aggregate varying cost services to create packages with sustained profitability. Customers appreciate this approach, as they perceive they are getting more value out of a total package.

Solution providers using the AVG CloudCare service say it complements and enhances their existing managed services. Even the smallest solution providers are using managed services tools to remotely access customer endpoints and servers, and many sell cloud-based backup and hosted VoIP services. Being able to bundle security and give the customer a single invoice is a huge boost for their businesses.

What solution providers may find most appealing is the low barrier-to-entry. In the last section, we discuss the technical attributes and intuitiveness of the management console. The business model requires little upfront investment in time or money. Solution providers can easily find their way through the service on their own or with AVG's training support. Because AVG's fees are based on consumption, solution providers pay nothing until their customers sign up. This all adds up to a faster return on investment – given the solution provider sells enough volume to create a strong recurring revenue stream.

## AVG CHANNEL PROGRAM & MANAGEMENT

When it comes to security vendors in the channel, AVG may not jump to the top of the list as the most channel-centric or -friendly company. That's not to say AVG isn't channel-friendly; our analysis shows it doesn't have the channel density as some of the larger and more entrenched channel security vendors. Thus, AVG CloudCare is not just a revamping of its technology, but a reimagining of AVG's position and role in the channel and SMB markets.

In this context, AVG CloudCare is more than just a services platform; it's a catalyst for the company's overall SMB division transformation. AVG solution providers report how intensely engaged AVG was during the development of AVG CloudCare. Not only did the company engage its channel for advice and suggestions, it worked directly with solution providers on testing and improving the product. This process continues even after the launch. AVG's level of listening has impressed partners by getting them to engage deeper in the AVG CloudCare initiative. Solution providers say the commitment to channel development, though early, is impressive.

---

***AVG CloudCare is more than just a services platform; it's a catalyst for the company's overall SMB division transformation... Solution providers say the commitment to channel development, though early, is impressive.***

---

Channel conflict doesn't seem to be a problem for AVG. Solution providers confirm the vendor doesn't sell AVG CloudCare direct, and they do not encounter much peer-level competition. This is a good sign for AVG, which has offered its freeware apps direct through its Web sites and third-party distribution sites. The downside: Solution providers say AVG doesn't provide field sales support for AVG CloudCare. Those who engage in the program say it is up to them to identify customers, market and sell their products. Those expecting a lot of handholding from channel account managers may be disappointed in their AVG relationship.

The training, documentation and support AVG provides its partners are good. Solution providers say AVG does a good job familiarizing them with the product and its features, as well as providing them with the starting point for building their security services practice. More field support in guiding market development and sales generation would be welcomed by partners. A services practice such as AVG CloudCare is dependent on volume sales rather than value; AVG could do itself a favor by providing more marketing resources, lead generation support and channel field sales support to stimulate growth for itself and its partners.

Partners would like to see the ability to white label AVG CloudCare. Some solution providers say they never expose the AVG brand when selling AVG CloudCare services, but the platform requires exposure in the services engagement and billing.

If there is one problem AVG must overcome in developing AVG CloudCare as a channel program and marketable service, it is the company's reputation for consumer products and freeware. Non-AVG solution providers dismiss the company, saying the legacy reputation is strong enough to deter serious security buyers from considering AVG CloudCare. Some go as far as to call AVG a "secondary offering" they sell only upon request. However, solution providers in the AVG program say the company's brand recognition works in their favor, making it easier to sell to small businesses. The critique and endorsement of AVG is likely a reflection of the company's SMB niche. AVG CloudCare fits nicely among small businesses, but is not well-suited for companies in the midmarket or enterprise segment.

AVG CloudCare is different from past channel forays in the way the company focuses its channel management team. Shortcomings of field support aside, the channel team, under the direction of Luke Walling, is determined to change the culture, erase past mistakes and perceptions, and build a productive and profit-driven channel program. Success is always a fleeting target, but the early returns on the AVG CloudCare program show much promise for this endeavor.

## 2112 FINAL ANALYSIS

Is AVG CloudCare different or revolutionary? In our opinion, not really. Security delivered as a service has been around the IT market and channel for more than a decade. And, antivirus is readily available as software and, increasingly, as services. With more than 90 percent of the channel engaged in some form of cloud or managed services, AVG CloudCare is trying to plow its way into a dense field.

What 2112's review shows is that AVG CloudCare is unique in its low barrier-to-entry into a stable and lucrative technology market segment with a service that provides protection against the most common Internet-born threats. Moreover, AVG CloudCare is designed for the SMB segment, which is traditionally ill-equipped to safeguard its data/assets because of a lack of expertise and budget.

AVG has built a managed security services program that enables small VARs and MSPs to enter and expand their services. The ease of use, low cost and independent pricing give these solution providers the freedom to set their own security-services course at predictable costs and with predictable support. These are important attributes – they give solution providers flexibility and capabilities they couldn't afford or implement independently if they were targeting midmarket customers or above. And, for solution providers that do not have managed or cloud products, AVG CloudCare could serve as a launch point for break/fix, backup and other service offerings.

AVG CloudCare and its channel program aren't perfect. The platform has technical and performance shortcomings, but nothing that would impede a solution provider from capitalizing on services sales. The channel program is developing and needs to overcome AVG's legacy as a freeware consumer antivirus company. Despite these, AVG CloudCare is a solid offering for a specific class of solution provider serving a specific class of customer. Its manageability, ease of use and performance are near-perfect for its target partner and customer.

AVG says it plans to continue developing AVG CloudCare's features and capabilities. As an example, we think it would be nice to see integration with third-party professional services automation platforms such as ConnectWise and Autotask and, potentially, alignment with leading remote monitoring and management tools. As it is today, AVG CloudCare is a standalone service that must be administered through a separate console rather than through other managed services applications and tools.

## ABOUT

### THE 2112 GROUP

The 2112 Group is the premier provider of channel development, market research, partner communications and strategic content to IT vendors, distributors and solution providers around the world. Based in New York, 2112 is dedicated to helping all members of the channel community achieve greater and sustained levels of success through strategic planning, market intelligence and smart decision-making. Our clients span the Fortune 500 to startups, distributors to next-generation cloud providers, and value-added resellers to managed services providers, all sharing a common view that the indirect technology channel is the best route to market. Our premier publication, Channelnomics, is an analysis Web site devoted entirely to providing the channel community with insights into the trends impacting the IT marketplace. Together, 2112 and Channelnomics provide the most comprehensive set of strategic, analytical and actionable products and services in the channel.

>> [Visit The2112Group.com](http://The2112Group.com)

>> [Visit Channelnomics.com](http://Channelnomics.com)

>> [Follow @the2112group @channelnomics @lmwalsh2112](#)

### ABOUT AVG TECHNOLOGIES

AVG's mission is to simplify, optimize and secure the Internet experience, providing peace of mind to a connected world. AVG's powerful and easy-to-use software and online services put users in control of their Internet experience. By choosing AVG's software and services, users become part of a trusted global community that benefits from inherent network effects, mutual protection and support. AVG has grown its user base to 146 million active users as of Dec. 31, 2012, and offers a product portfolio that targets the consumer and small business markets and includes Internet security, PC performance optimization, online backup, mobile security, identity protection and family safety software.

>> [Visit www.avg.com](http://www.avg.com)