

FROST & SULLIVAN

# MOVERS & SHAKERS

Steven Shalita,  
Vice President, Marketing of  
NetScout Systems, Inc.



*"We Accelerate Growth"*

NetScout Systems, Inc., designs, develops, manufactures, markets, sells and supports market-leading unified service delivery management, service assurance, and application and network performance management solutions focused on assuring service delivery for the world's largest, most demanding and complex Internet Protocol (IP)-based service delivery environments. The company manufactures and markets these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers worldwide.

As part of the analysis of the latest trends impacting the Network Performance Monitoring market, such as virtualization, cloud computing, consolidated and integrated management solutions, increasing network storage requirements, data centers optimization and comprehensive customer services experience, Mariano Kimbara, Research Analyst at Frost & Sullivan's Communications Test & Measurement group, interviewed Steven Shalita, vice president, marketing for NetScout. The interview focused on key market trends, NetScout's new role in the evolving marketplace, and areas of focus in the coming years.

Shalita is an experienced marketing strategist with more than 20 years of technology marketing leadership experience in the voice and data networking and telecommunications industries. He has a proven track record of delivering results and growing revenues by connecting technology with business needs to deliver customer value. He held marketing leadership positions at Alcatel-Lucent, Redback Networks, Hewlett-Packard and Cisco Systems.

Frost & Sullivan is honored to feature NetScout as part of its Movers & Shakers program and thanks Shalita, who agreed to share his views on the state of the industry as well as highlight the opportunities that lie ahead for vendors and NetScout in this space.

**Mariano Kimbara: Can you share with our readers a brief on the genesis of NetScout and the vision for its formation, and its current role in the Network Performance Monitoring market?**

**Steven Shalita:** NetScout is focused on service management and specifically on management of service delivery from the perspective of performance and user experience. We look at services which are the result of applications and pieces that make applications work and that are automatically consumed by users on the network. From the network itself, we look to understand the interrelationships and performance characteristics of how all these elements interact with each other, and look at the performance of those services and user experience.

**MK:** Based on your experience, how would you define success for yourself and for NetScout?

**SS:** That's a very broad question. Our success is driven by a couple of factors. One is technology innovation that we continue to drive forward, as we have for many years, being the innovator in the performance management market. Moreover, it is driven by our ability to address both service providers and enterprise environments, and cross-leveraging technology and innovation for these two markets. For example, our ability to address large-scale enterprise environments helped us enter the service provider market. In turn, what we learned from addressing service providers' requirements enable us to improve our differentiation and capability in the enterprise sector.

Secondly, our success is defined by our ability to deliver high-performance and scale, products that leverage intelligence from the network in a meaningful way and our connection to customers to address the challenges they have.

For me, success implies effective positioning and the application of our solutions to meeting customer requirements. Moreover, it means being able to drive markets and build leadership around that. It means enabling organizations and customers to understand the unique value NetScout provides and redefining the performance management market in general.

**MK:** What is the unique value proposition that NetScout brings in to the Network Performance Monitoring market, and what are your key competitive differentiators in the market that set it apart from competition?

**SS:** The key areas of differentiation are scale and performance, our ability to deal with large, high-performance and high-capacity environments. Our ability to collect, assess and report large traffic volumes in large number of locations. Our ability to mine data in real time to deliver flexible insight and reports that can be used across different groups in the IT organization and the fact that we deliver a product that delivers multiple uses for the investment. It can be used for performance management, planning, security and risk identification. So, there is a high degree of flexibility and multitude of uses.

The key things that our solutions enable is understanding user experience, identifying problems early in a productive way before they impact a large number of users, and giving the IT team the ability to quickly understand what is causing issues and solving those problems very rapidly.

**MK:** In the network performance market we have very well-defined companies and innovation is always the key for market growth. NetScout is well-known for its commitment to innovation. How is the process of innovation managed at NetScout? How does NetScout nurture and, more importantly, capture this "out-of-the-box" thinking?

**SS:** There are a number of drivers. One is understanding the evolution of customer requirements and continue to be focused around the challenges of performance management. Being focused in a particular area enables us to drive innovation to address these challenges as they emerge. A good example of that is our Adaptive Session Intelligence technology, which has a really visionary approach in how we deal with increasing traffic volumes, adding the flexibility to monitor different traffic types and looking at service traffic in multiple domain environments. The other aspect of how we drive innovation is our internal programs across the organization. On a quarterly basis, employees come up with new ideas for us to consider. Each quarter, our employees submit ideas and we typically select one or sometimes multiple ideas. Then, one person is selected as the top winner and compensated for sharing its innovation idea with the company.

**MK:** Very interesting. Is this a system that your company implements continuously or applied in the last years?

**SS:** I think it has been just about 12 months that this program has been in place. From this program, we have a number of interesting submissions and at least two or three things have made it into research and development for exploring and productizing the ideas.

**MK:** Do these kinds of new ideas come from middle-line management?

**SS:** No, it is open to all employees of the company.

**MK:** I would like to analyze what kind of market growth opportunities you could see from a geographic perspective. Could you share some of the existing and emerging markets that NetScout is pursuing?

**SS:** It is fairly similar to what we see in the general business environment. North America is still a strong market. Europe is strong and mature as well. Asia and Latin America are really growing and expanding markets for a number of different reasons. When you look at our penetration and where we have salespeople, there is a fairly good correlation to where we are seeing growth. In our view, the promising growth markets today are Latin America and the Asia Pacific region.

**MK:** Can you comment on specific opportunities that you could see in Asia Pacific or Latin America as your primary focus for present and future growth?

**SS:** We have significant opportunities in a number of core markets. Service provider is part of our key growth strategy, and we plan continuous expansion on the enterprise side as well. We have created an interesting model where we have a strong foundation on a global basis in the enterprise space, and service providers present a strong growth opportunity. We get the benefit of both geographic expansion and segment expansion to drive our growth.

**MK:** What are some of the growth strategies that your company has implemented to foray into untapped markets and expanded client base, for example in some emerging markets that we couldn't discuss before, such as Middle East or Eastern Europe?

**SS:** We see those regions as key areas of our expansion and our ability to reach customers. But, if you look at the balance sense of resources, we are driving growth to the vertical market or segments expansion. The service providers are key for our expansion. In many of the markets we have decided to establish, we deal with whole new customer bases and new service providers business. Secondly, we are driving growth with new technologies. We deliver a unified management service strategy. We have added new capabilities to our portfolio. Therefore, our core business is focused around applications and network performance monitoring. We really focused on continuing expanding on applications performance monitoring and adding capability to unified performance management to deal with voice and video environments, as well as increasing our ability to address cyber security issues. Based on these four models, network performance management, application performance management, unified communications management and cyber security, we are driving growth that allows us to capture larger percentages of relevant IT budgets. So, the combination of new market segments, such as service providers, and new geographical areas, such as Asia, Middle East or Latin America, coupled with the technology innovation, fuels the growth aspect of our business.

**MK:** Who do you see yourself competing with? Is it network providers, telephony providers, cloud-based participants or a mix of all these?

**SS:** None of these are really competitors. There are two aspects for competition related to NetScout. One is budget competition for management technology in general. In a budget situation, NetScout will be competing with companies that don't necessarily do the same thing we do. In the second aspect of competition, we will have companies that are doing similar things or pieces of what we do that compete for budget to solve performance problems. On the budget side, we compete with the top-tier management vendors, IBM, HP and CA. From a performance management perspective, none of these companies are delivering the kind of things we do, focused around user experience and service delivery management. In many of these cases, we integrate with technologies of companies like IBM and HP in their broader platforms. When we look at performance management, there are companies focused purely on network management and application management. We compete with all of them and differentiate ourselves based on a unified holistic solution. When focused on performance and user experience, we are the largest vendor delivering a unified integrated solution across all aspects of performance management and user experience. So, next we could be competing with small companies doing netflow-based monitoring capabilities or some other approach.

**MK:** You have commented about partnerships in terms of integrated solutions with companies such as IBM and HP. What can we expect from NetScout on the partnerships front going forward?

**SS:** There are four, some people say five, multiple-function vendors in the market. No solution can be offered in isolation. Certainly, we are not providing a wide-spectrum enterprise management platform. We actually focus on performance management and service management. Therefore, integration into these broader platforms is important to our customers. We continue to deliver what our clients demand for unification and integration in these broader systems. Our focus is on the innovation side. Our portfolio evolution is improving our capability and holistic capability around performance management in finding ways to deliver security information. We look at those kinds of opportunities, mostly driven by what our customers request and based on some strategies where we think the market is going.

**MK:** As the market becomes mature, we have noticed that leading companies are trying to seek ways to improve their offerings. A key strategy is acquisition. Companies point out that there will be more consolidation in the industry going forward. Is the acquisition of FoxReplay BV part of how NetScout responds to this emerging and evolving marketplace? Moreover, earlier this year NetScout acquired Psytechnics that further expanded your product portfolio and enhanced the ability to deliver comprehensive solutions aimed at Internet protocol voice, video, telepresence and data services quality monitoring and management. What can we expect from NetScout on the merger and acquisition front going forward?

**SS:** We see technology acquisition as being critical to accelerating innovation and product capabilities in order to meet new customer requirements. If we look at our strategy for unified service delivery management, clearly we are truly delivering a unified vision. Companies need to do more than just offer traditional data services

or application services. We made an investment to delivering on the voice and video front and have accelerated our time to market through acquisitions. So, we see strategic acquisitions as ways to really drive our technology capability.

The FoxReplay acquisition strengthens our capabilities for cyber security and historical event reconstruction. This is complementary to what we do and enhances our ability to address the cyber security side. Psytechnics brought very deep complementary capabilities for the application-level analysis of voice and video services. We have been doing a lot from the network perspective, and we have made a lot of progress on the applications side of analysis for data services. Psytechnics brought the ability to look in deep into unified communications side, applications and performance. The two acquisitions will be delivering pretty significant acceleration to our penetration in unified communications performance management. Unfortunately, I cannot comment on future intentions. But, a key part of our strategy is to look at how we bring complementary technology into our portfolio according to our customers' needs as well as enabling us to expand in our target market. You could expect to see additional acquisitions.

We have a history of six acquisitions. If we go back to history, our first acquisition brought significant advancements in our reporting and capabilities. Our biggest acquisition was Network General in November of 2007. It brought not only significant technology, but also doubled the size of the company. This was a significant acquisition. The target was not only the technology, but also revenues and customers. By combining NetScout with Network General, we have reached major customers in the world. This, of course, brought technical capabilities that added to our portfolio capabilities. The last two acquisitions, Psytechnics and FoxReplay, were predominantly driven by technology. So, I think in the mid-term, we can expect more technology-based acquisitions.

**MK:** Can you tell us more about what to expect from nGenius analysis modules, and whether you see enterprises adopting these technologies and integrating them with other business applications in the future?

**SS:** We certainly continue to focus on our core vision, which is centered on packet flow intelligence and leveraging the network to understand the interrelationships and performance of networks, services and applications related to user experience. Network performance, application performance, unified communications and cyber security are going to be the core areas that we focus around the notion of user experience and service-delivering management. This is where you will see continuous innovation and product evolution.

**MK:** How would you rate your company's performance in 2011, and what influenced this performance? What was your main obstacle in 2011 and how did you overcome it? Going forward, what do you expect for 2012?

**SS:** From a balance perspective, in our first quarter we saw some macroeconomic challenges in various sectors and segments of our market. We feel that the diversity that we have across enterprises and service providers markets help us to mitigate some of the challenges that exist in the macroeconomic climate. In the previous fiscal year, we saw significant challenges in the financial sector as many technology vendors experienced. Our strength in the service provider market helps us to manage what could have been a negative impact from the financial sector. So, we think that the

diversity of our market helps us to balance this impact. IT budgets will likely remain challenging in 2012; however, we also see a change in the market, a shift towards the importance of user experience and performance management, resulting in incremental spending that we haven't seen in the past years. This is certainly a big plus. The market is growing, and we see a shift of traditional types of network management investments to more performance management and user experience.

**MK:** As a general conclusion, what do you think the future holds for the network performance monitoring market and, more specifically, what role can we expect NetScout to play in shaping the future of the Industry?

**SS:** A big shift is happening in the performance management market as a whole. We certainly see a shift from monitoring individual elements and individual devices to a much more holistic and unified approach to understand the user experience more effectively. This is taking into consideration applications and networks in a holistic view and proving that it is much more valuable to manage performance and user experience. We believe we are defining, and in many ways redefining, performance management from individual elements, networks and simple applications into a more unified approach centered on service delivery. This shapes the future in a very significant way and gives us the opportunity for continuous innovation, ideas and delivering the scale and performance for extremely large environments. We are in a position to redefine and drive the evolution of the market in a very significant way.

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