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Can You Have the Highest Price and the Largest Market Share?

The nature of risk-management markets has enabled Symantec to wield both price and market share power over software giant Microsoft in the world of computer security. By generating trust and a truly differentiated product, Symantec has handily kept Microsoft at bay. That could change — but not anytime soon. This article was written by Tim Smith (tim_smith@wiglaf.com), Chief Editor of the Wiglaf Journal, *and a frequent contributor to the Pricing Professional Society. It is being reprinted with permission from the December 2006 issue of that journal.*

In the next few months, both Symantec and Microsoft will have released new products aimed at improving computer security. Symantec's Norton 360, yet-to-be released, is slated to sell at $80 per license. Microsoft's existing OneCare has a list price of $49 but often sells through retailers at a mere $19. In other words, Symantec's Norton 360 is expected to sell at an average pocket-value price that is three to four times greater than Microsoft's OneCare.

As of November 2006, the prior versions of its security-software products earned Symantec a 62% market share compared to Microsoft's 1.6% market share, according to NPD, a market research firm.

How can Symantec be priced so much higher and yet still capture the lion's share of the market? There are two key factors that enable Symantec to wield both price and market share power over Microsoft, both of which are derived from the nature of risk-management markets.

First: Risk-Management Markets Are Driven by Trust

Customers buying security software are participating in a class of markets that can best be described as risk-management markets. Risk-management markets encompass insurance markets, safety-related markets such as first-aid kits and child safety products, and many other protection-related products.

At the time of purchase, customers are making a trust-based decision, one in which they know that their product may have no use today but will faithfully meet their need during a crisis at some uncertain time in the future.

In this respect, Microsoft and Symantec differ largely.

Over the past decade, some customers have learned that their Microsoft operating system and other Microsoft products can and do fail from time to time. Even though this failure is often related to another problem, such as malicious software or faulty hardware, **customers have a difficult time disentangling the fault of the problem and the actual Microsoft program being affected.** As a result, some customers have had enough experience to impact their trust even in the security features of Microsoft.

In contrast, Symantec has built a reputation in the market of identifying and mitigating new threats to our productivity with computers.

Second: Feature Differentiation is Easy in Risk-Management Markets

Beyond the issue of trust created through branding and experience, risk-management products can also be differentiated in the old-fashioned manner: the actual products can be different.

It is easy to differentiate offerings in risk-management markets simply by changing the bundle of threats that the product is aimed at mitigating. For security software, there is anti-phishing, anti-spam, anti-malware and anti-fraud, not to mention old-fashioned anti-virus. Moreover, each of these specific threats, in whichever risk-management market you choose to explore, can be addressed in a number of different manners, each with a different associated cost and effectiveness in addressing the risk.

It is probable that the fundamental products by Microsoft and Symantec will differ in terms of their features and resulting benefits, as well.

Microsoft is the Odd Man Out, But for How Long?

The above analysis clearly indicates **Microsoft has been the odd man out in the security software market** and that there are some significant hurdles for it to overcome before it can begin to lead. Can it overcome these hurdles? Maybe.

On both issues of trust and differentiation, patience and continued product development can prove to be Microsoft's savior and Symantec's threat. If Microsoft is able to encourage trial by offering its product at a lower price, and if Microsoft is able to produce a product with similar or better features at mitigating risks, then it will be possible to turn the tide of public opinion in Microsoft's favor. Why, because trust is a learned behavior built through experience. Low prices encourage trial, and a good product delivers the kind of experience that builds customer trust.

In regard to Microsoft's intentions for positioning in the security-software market, Brian Hall, General Manager of product management, says, "We certainly aspire to be No. 1." Yet, as this analysis points out, that is probably just talk at this point. After all, no one pays a product manager to say, "We are not doing very well in this market and we don't expect to do much better next year." Yet, continued investment and effort can correct any discrepancies in the Microsoft product. But are the rewards worth the costs for Microsoft? And, to Symantec, Trend Micro and McAfee, how much time do you give Microsoft before it either figures it out or exits? And, how can you accelerate your pace of improvement to widen the gap and encourage its exit?