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CMP Worldwide Media Networks' (www.cmpworldwide.com) e- newsletter on global marketing trends and tactics y August/September 2002.

THIS ISSUE'S ARTICLES

- The Drivers Behind Network Security Spending In Asia-Pacific
- Japan Inc. Faces Change
- 3G: Today Japan, Tomorrow the WorldyBut Which?
- Security Breaches Know No Boundaries
- Doing Business in Japan: Ten Tips
- Upcoming Opportunities

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The Drivers Behind Network Security Spending In Asia-Pacific

According to research leader International Data Corporation (IDC), the Asia-Pacific network security market (excluding Japan) reached US\$264.3 million in 2001 and is expected to grow by 29% to reach US\$340.9 million by the end of 2002. The growth this year is primarily driven by sales in firewall appliances, followed by investments in separate secure servers, data encryption tools, intrusion detection applications, tokens, smart cards and biometrics.

In 2001-2002, India is expected to be the region's fastest- growing market for network security solutions with an 80% growth rate, followed by China with 45% growth, closely shadowed by Australia, Korea and Singapore. Government IT spending in Asia- Pacific is

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surging as governments increase spending on e- government initiatives to drive more efficient processes, improve public service, cut costs and increase security measures. The importance of security within the e-government frameworks across the region is reflected by a myriad of new security and privacy initiatives introduced to secure operating environments.

The increased use of the Internet and the implementation of e- commerce initiatives are also driving enterprise investment in network security across the region. IDC forecasts that Asia- Pacific (excluding Japan) B2B e-commerce will be worth US\$516 billion by 2005. B2B and e-commerce initiatives have forced Asian enterprises to open a substantial portion of their network infrastructure to the public to accommodate the sharing of information and resources, resulting in increased vulnerability to external threats and potential internal sabotage. As organizations increasingly shift their purchasing patterns to take advantage of cost savings garnered doing business over the Internet, security is no longer just insurance against an attack, but a critical component of any enterprise's infrastructure.

IDC forecasts that Asia-Pacific firewall/VPN security appliance revenue will reach US\$522.7 million by 2005, growing at a compound annual rate (CAGR) of 38%. After the September 11 attacks in the United States, companies in Asia-Pacific are acutely aware of the importance of business continuity and disaster recovery planning. Gartner Group says that the market for disaster recovery and business continuity planning in Asia- Pacific was worth US\$360 million in 2000 and is now growing at a CAGR of 30%. According to IDC, the anti-virus software market in Asia-Pacific (excluding Japan) will grow from US\$137 million in 1999 to US\$451 million in 2004. As the recession deepened and unemployment rose in 2001, enterprises saw the need to invest in IT security solutions and began to proactively protect themselves from both internal as well as external viral threats.

Enterprises across Asia-Pacific have traditionally been slow to adopt network security solutions, considering security a nice- to-have but not a necessity. Post-2001, damage caused by viruses like NIMDA has dramatically changed attitudes within Asia-Pacific towards IT security. Both governments and enterprises are rapidly deploying network security solutions in an attempt to guard against external threats and internal sabotage.

This article was written by Cindy Payne, Managing Director of Asia-Pacific Connections Pte Ltd (cindy@apconnections.com). For a more detailed analysis, visit www.apconnections.com/perspective.html.

Asia-Pacific Connections (APC) is the leading provider of integrated marketing services to IT companies in Asia-Pacific. APC's individually-tailored services include market research and development, channels assessment, public relations, promotions and events, direct marketing and branding, copywriting, and collateral design and production. To understand how APC's innovative marketing approach has produced effective results for a multitude of clients, visit www.apconnections.com

Japan Inc. Faces Change

Like the rest of its economy, Japan's technology industry once seemed a model of rational planning, ceaseless innovation and inevitable triumph.

That was then.

Outflanked by the Koreans on price and the Americans on products for growth markets, Japanese technology firms drifted dangerously as the '90s developed. Today, the Big Five — NEC, Toshiba, Hitachi, Fujitsu and Mitsubishi — face perhaps their most critical challenge: how to restructure and refocus in order to prepare for the future. In the past year alone, the five have spent over \$10 billion addressing the issue. According to some observers, however, the fundamental question is whether they will go far enough fast enough to survive in any form.

That said, the firms have recently made moves that would have been unthinkable only five years ago:

- NEC split off its chip division, while Toshiba and Fujitsu plan to merge parts of their semiconductor businesses, as do Hitachi and Mitsubishi.
- Toshiba merged its flat-panel display business with Mitsubishi and sold its Virginia DRAM plant to U.S.-based Micron Technology.
- Hitachi left the PC-monitor market, and NEC did the same with laser printers.
- Hitachi, Fujitsu and Toshiba all announced mass layoffs — the latter alone totaling 19,000 over three years.

To be sure, bright spots remain for Japan, including chips, large computers and consumer electronics. But as for the Big Five, the future is a question mark. And the big question may be this: Can they continue as diversified giants that make everything from satellites to shavers, or must they reconceive themselves into more targeted operations?

3G: Today Japan, Tomorrow the World — But Which?

While its growth curve is more pleasing these days, Japan's wireless industry may turn out to be as unpredictable as its computer sector. And that may portend confusion for the rest of the globe, as well.

Everyone knows that NTT DoCoMo is now the country's dominant mobile carrier. Its I-mode technology put it on the map, drawing legions of enthusiastic customers. The company's hoping to repeat that success as it spreads its services overseas: It recently entered the Taiwanese market, offering a version of I-mode via its KG Telecommunications affiliate.

But here comes 3G, promising seamless, rapid delivering of audio, video, text and voice.

And bringing with it a surprising development that has many worriedly remembering Betamax.

NTT DoCoMo supports a 3G (third generation) technology known as UMTS, or Universal Mobile Telecommunications System. Other supporters include AT&T Wireless and VoiceStream in the United States. Scandinavian phone makers Nokia and Ericsson have both invested heavily in the technology. In fact, some European carriers are required by government license to use UMTS.

Here's the wrinkle: a newer 3G technology from Qualcomm known as cdma2000 has sprinted into an early lead in terms of users, setting the stage for a worldwide war over a global standard.

KDDI Corp., Japan's No.2 telephone company, announced in June that the service had attracted over 800,000 users since its April launch, and was growing by 10,000 subscribers a day. Compare that to the 110,000 subscribers that NTT DoCoMo gained for its UMTS service in eight months, and you see the outlines of the skirmish.

That battle is being joined everywhere:

- In the U.S., Sprint and Verizon support cdma2000.
- In South Korea, SK Telecom and KTF have delayed plans to build UMTS networks and are rolling out cdma2000 instead.
- China Mobile supports UMTS, but China Unicom plans to go cdma2000.
- Developing regions such as Eastern Europe, Africa and Latin America are being attracted by the newer technology's lower costs.

One possible solution: Qualcomm, which also owns 20% of UMTS patents, is working on a dual-mode chip that allows phones to access either type of network.

Security Breaches Know No Boundaries

A lock might keep an honest man honest, but companies in all kinds of industries find it necessary to guard against more than the occasional IT security breach by a wayward employee. And there are a few sectors that lead the pack in how vulnerable and therefore cautious they are about security.

Financial services and health care are the sectors that seem to have gotten the message most clearly, according to InformationWeek Research's Global Information Security Survey. This makes sense given the vital information these companies manage, as well as government requirements placed on them to protect information about financial and medical records.

Worldwide, schools are the leading targets for denial-of-service incidents, with 22% of educational institutions reporting such cyber-assaults, compared with 13% of government, 12% of banking and financial-services, and 10% of health-care sites.

The telecommunications sector, often cited as a prime target for cyber-terrorism, appears to be attacked at the same pace as other industries. Almost half report a virus or worm attack in the past year. Fifteen percent of companies in the United States and overseas report an unauthorized entry in the last 12 months.

In almost every occurrence, analysis of server or firewall logs is what alerted these industries that a security breach had taken place.

This article by Helen D'Antoni originally appeared in the July 8 issue of Information Week.

To compare your company's security approach with that of others in your industry and at your revenue level, go to InformationWeek's security assessment tool, available at informationweek.com/benchmark/security.htm.

For more Information about the Information Security 2002 Report Bundle, which examines the security experience and strategies of 8,100 security professionals in more than 42 nations, go to <http://www.informationweek.com/reports/IWK20020705S0009>

Doing Business in Japan: Ten Tips

Here are a few points to keep in mind if you're soon to visit Japan on business.

1. **What They're Talking About:** Sentaku to shuchu, or "selection and focus." It's not just the country's technology sector that's wrestling with questions of restructuring and redeployment. It's a process that all of Japanese business is undergoing.
2. **Never Say Never:** Practice being indirect, so you can avoid the offense of saying no. Don't refuse anything directly, and don't expect to hear refusals. Understand that "I'll think about it" could well mean "not in this lifetime."
3. **Respect Your Elders:** In the absence of other specific information, assume that the oldest member of any group is the highest ranking and should be shown the greatest deference.
4. **Let's Make a Deal:** Unlike in many other cultures, it's acceptable to talk business while entertaining or being entertained. Go easy, however: Like everywhere else, in Japan this time is primarily about building relationships.
5. **Smile Though Your Heart is Breaking:** Self-control is highly valued in Japan. So, try to avoid showing disappointment, displeasure or impatience by keeping a smile on your face.
6. **Good Things Do Not Come in Fours:** Four is an especially unlucky number, so if you're giving a gift, make sure you do not give two pair of anything. (To be completely safe, give an odd number.)

7. **Enjoy Your Trip:** August is the time of O-Bon, when dead ancestors visit. There will be 'bon-odori' dancing in various locales, including department-store-rooftop 'beer gardens' where foreigners will typically be welcome to join in. If you're in Tokyo, visit the Kabuki-za Theater, where you'll enjoy English- language explanations of this essential form of performing artistry.
8. **Wear Your Loafers or Slip-ons:** You'll be removing your shoes frequently ý such as every time you enter a home ý so make it easy on yourself by wearing shoes that don't lace.
9. **Treat Business Cards Like Gold:** You'll be handed them frequently upon introductions, and it's polite to read them and make a comment. Don't just stick them in your pocket. As to your card: It's a good idea to have a sizeable quantity printed in both English and Japanese to take with you.
10. **Time Is Money:** It is also respect. Be punctual for all appointments and engagements.

Upcoming Opportunities

Save on Japan

Nikkei's Internet Technology Will Be Reborn As Nikkei Internet Solutions

With its October issue, NIKKEI INTERNET TECHNOLOGY, a magazine that offers in-depth but easy-to-understand reports on the latest Internet products and technologies will be reborn as NIKKEI INTERNET SOLUTIONS. The revamped Nikkei Internet Solutions editorial content is shifting from technologies to practical solution information.

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[Return to top](#)

[Previous International Advisors](#)

[Home Page](#)