



Aladdin Knowledge Systems: Recipient of the
2007 Global Frost & Sullivan Award for Product Innovation



“Partnering with clients to create innovative growth strategies”

I. Market Overview/Key Challenges

With an increasing amount of information being made available in digital formats, there is a growing need for content owners to protect its use and distribution. As digitized media proliferates, there are numerous ways by which information can be shared with a large number of people simultaneously. Organizations have little control over how the data sent across various levels in the company is going to be used. There is now a greater danger of unprotected copies of sensitive information circulating exposing the content to great risk. Such information leaks cost organizations a lot of money.

For the entertainment industry, technology has changed the landscape on which it is built. With content being made available in digitized formats and the Internet boom, compact discs (CDs) and cassettes have started getting replaced by downloads from a plethora of web sites available on the World Wide Web. Making content available through the digital medium (CDs, DVDs and online downloads) has given rise to illegal copying and piracy. To combat such losses, be it for a business enterprise or for entertainment companies, a mechanism is required that can assign control over the access to digital content. This control is now delivered through Digital Rights Management (DRM) solutions.

Another segment being plagued by the impact of piracy is the software industry. The Internet has equipped end-users today with tools that enable them to download applications from pirated websites and further make it available for super distribution. Illegal copying and illegitimate use of software applications leads to not only financial loss for software publishers, but can also have a devastating impact on desktops running the application and thus the entire business process.

There has been a lot of talk about DRM technology over the past few years, and a number of software companies have built their solutions based on it. A DRM solution is most effective when the content user does not realize that the content is DRM protected unless he or she attempts to use it in a way that is not allowed by the content license. Companies today are building their solutions based on that premise and have experienced success to a large extent.

Analogous to enterprise and entertainment segment the purpose of DRM solutions in the software industry is to render protection to the software through out its lifecycle. The needs of software publishers and vendors are similar to enterprises and media companies, which is to protect intellectual property and prevent loss of revenues to issues like piracy and misuse of copyrighted content. Typically usage of DRM solution in this arena entails shipping a key along with the software application to the user. The software DRM market is fairly mature but will continue to witness enormous growth as software companies become more cognizant of protecting their patent technology beyond the perimeters of the organization.

II. Award Category & Relevance

Software piracy is a challenge for software publishers and vendors as the industry continues to suffer huge losses in dollar value. The impact of piracy can be seen across the globe. The wide spread use of the Internet and the increase in bandwidth capabilities has made it much easier for consumers to download and share illegal copies of data.

Content such as movies or songs are considered to be copyrighted work of the original creator. Similarly, software created by companies is the intellectual property of vendors and needs to be wrapped in a layer of security to ensure secure downloads and transactions.

Though the software DRM market is stable, the continuous demand for security drives the growth of the market and DRM solutions. Companies playing in this segment provide solutions to software publishers that enable them to prevent tampering and electronic thefts. Frost & Sullivan evaluates the current solutions being offered by DRM vendors and factors that give it a competitive edge over

solutions being offered by competitors and eventually will attribute to its increasing demand and growth in the future.

II. 2007 Global Frost & Sullivan Award for Product Innovation

Award Description

The Frost & Sullivan Award for Product Innovation is presented each year to the company that has demonstrated excellence in new products and technologies within their industry. The recipient company has shown innovation by launching a broad line of emerging products and technologies.

Research Methodology

To choose a recipient of this Award, the analyst team tracks all new product launches, research and development spending, products in development, and new product features and modifications. This is accomplished through interviews with the market participants and extensive secondary and technology research. All new product launches and new products in development in each company are compared and evaluated based on degree of innovation and customer satisfaction. Companies are then ranked by number of new product launches and new products in development.

Measurement Criteria

In addition to the methodology describe above, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:

- Significance of new product(s) in their industry
- Competitive advantage of new product(s) in their industry
- Product innovation in terms of unique or revolutionary technology
- Product acceptance in the marketplace
- New product value-added services provided to customers
- Number of competitors with similar product(s)

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Having been in the industry for more than two decades, the company has clearly emerged as a leading provider for security solutions, which has led the company to cement its position in the market. Known as a pioneer in the software digital rights management arena, the company offers robust solutions to software publishers and vendors to help them prevent tampering and reverse engineering by hackers. Aladdin brought a revolution in the software DRM market by introducing innovative product in the market that has unique capabilities and enables enterprises to minimize risk and maximize their revenues.

The software industry has been plagued by the impact of piracy, and security vendors are persistently working towards providing their customers solutions that enables them to minimize the risk of exposure to pirates and prevent financial losses. However, the birth of the Internet and the subsequent enhancements in technology has made it easier for illegitimate users to build new distribution methods

creating a challenge for software creators and vendors. Addressing the present state of the market laid the premise for software DRM solution providers to develop solutions that render protection to the intellectual property of their customers beyond the perimeters of an enterprise.

Existing solutions in the market today enable enterprises to fulfill their business goals by protecting their assets against piracy and electronic theft. However, the need of the hour is to transform DRM solutions from being inhibitors to enablers that offer the flexibility required by software vendors to create new business opportunities that compliment the workflow process, increase revenues, and render persistent security.

Aladdin's patented solution HASP is a product of high repute in the market due to its ability to render a high level of security in response to the demands of today's software publishers. HASP is a software- and hardware-based security system that provides software vendors with three unique capabilities, which include copy protection, IP protection, and the ability to create flexible and time based licenses. These three functionalities strengthen the software vendors' application by eliminating the exposure to piracy, protecting the intellectual property, which is embedded in to their software, and enabling them to create licenses that lead to increment in revenue generation.

Another highlight of HASP, which is the most visible innovation in the market today, is called class locking. Class locking refers to the ability to unify both hardware- and software-based solutions providing a complete set of tools to the end-user. Apart from this, the advantage of offering a combined solution is two fold: higher level of security and flexibility to create new business models and achieve further penetration in the market.

The ability of HASP to render security through out the life cycle of software development has enabled it to gain advantage over other competitive offerings. HASP provides support and adds value to each phase of software lifecycle. This entails embedding security algorithm in software at the development stage, tying in with tools that are involved in marketing, distribution, and lock the software with HASP, which can be deciphered at the last stage where HASP provides tools that lets the software vendor lock the copy of the software either to a hardware key or the host machine. This helps software vendors to attach a license to the sold copy, package the software and establish rights. In addition, HASP also provides product activation by activating the license and updating the license remotely.

HASP also acts as a role-based tool thus optimizing the lifecycle of the software product. The role of each team through the software lifecycle is defined and due to the functionality offered by HASP does not support the team to do more than what they are authorized for. For example, R&D teams will only get access to tools that allow them to embed security algorithms in the binary code. Such efficiencies enable the software vendor to prevent any kind of reverse engineering, increase profitability, and reduce cost of ownership.

The distinct features of HASP have positioned Aladdin as a strong competitor in the DRM market and have also enabled the company to enjoy deployments across the globe. Success of HASP can be attributed to its ability to offer strong software protection, flexible licensing models and enabling eventual increment in sales and profitability for software vendors. HASP's customer base includes Virtual Surveillance, Atlas Software BV, AEM Softs, CommandSoft, Soundminer, Computer Works GmbH, and Remsoft, amongst many others.

The software DRM market is fairly stable but will witness growth due to the persistent need for security by the software industry and hence the increasing demand for software DRM solutions. Aladdin not only recognizes and acknowledges the current trends in the industry and customer demands, but also fulfills these by developing and providing sophisticated solutions that empowers the software vendors to have an advantage over their peers. The company enjoyed a market share of 38.1 percent of the total software DRM market, indicating the success and reputation the company has in the security market.

In recognition of Aladdin's approach to meet the demands of a dynamic market with a solution that tends to have a competitive advantage and has led to aggressive growth in the DRM industry, Frost & Sullivan is proud to present Aladdin with the 2007 Product Innovation Award for the software DRM market.

II. Summary of Best Practices

Apart from being a world-class enterprise focused on providing technologically advanced products, the company is also involved in several community development programs. The company also provides support to world care organizations and encourages employee involvement in such initiatives.

The company is headquartered in Israel where its employees participate in food drives and provide aid for humanitarian causes such as to people affected by drought, earth quakes all over the globe. The company also supports Make-a-Wish Foundation and has sponsored several trips for terminally ill children to Israel. Aladdin also makes financial donations to non-profit organizations and hospitals on a persistent basis.

These efforts indicate the company's philanthropic approach in addition to being a company that has a long-standing commitment to technological innovations, which is evident from the success that Aladdin is enjoying in the market.

About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.

About Frost & Sullivan

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