On May 2nd Symantec announced full year results for the year ending 31 March 2012, with revenue growth of 9% to $6.7 billion and operating margin increase from 14% to 16%, resulting in net profit of $1.2 billion. So why the punishment from investors, with share price down almost 10% since preliminary results were released? We believe the company is making its way through two significant transitions that are creating short term phasing issues.

The first transition relates to its consulting business. For most customers, perceived utility from a technology is enhanced by the availability of experienced professionals to guide them before implementation and during the lifecycle of the technology in their production environment. Two years ago, Symantec shifted its priority from delivering consulting directly to enabling partners to be the main source of consulting services. This is a logical shift, as partners need to build larger knowledge teams as Symantec's technology portfolio broadens. However, it takes time for partners to invest and adapt their business model to embrace revenue opportunities from consulting. And for Symantec, this transition requires investment in partner training and channel management. The joint portfolio today comprises Information Management, Security, Storage and Availability and Mobile Security Assessments.

The second transition relates to the move from license to as-a-service sales. Branded Symantec Cloud, the portfolio today includes Endpoint Protection, Enterprise Vault, Email Continuity, Encryption and MessageLabs Web Security. The company boasts ten million end users at more than 31,000 organisations for these services as of May 2012. This is a necessary transition, even if investors' expectations do not keep pace with the shift in top-line dynamics from up-front license revenues to deferred services revenues.

The challenge for Symantec will be to sustain momentum. It plays in diverse markets: the consumer segment with Norton technologies, the SME space as well as targeting enterprise customers. Routes to market in each of these segments is different. However, as markets converge, we should see Symantec leverage its experience across segments. Arguably, as consumerization of enterprise IT becomes more pervasive, Symantec should be well positioned as it understands consumer preferences better than its immediate competitors.

Staying the course with its approach to services is likely to be just as challenging. In June, we plan to take a closer look at the growth story around Symantec's Business Critical Services. Its pursuit of deferred revenue services directly while enabling partners to address consulting services will need more time in the market to be understood. And as we saw in earlier analysis of Dell, VMware and Quest, raising services visibility is no easy matter, regardless of route to market.

Image credit: Another brick in the wall, Chicago. by Darren Ryan