

# Fortinet: Where Should the Platform Stop?

**Internal ID:** S&F-STR-261

**Topic:** Platform Strategy, Operations Strategy, Customer Strategy

**Industry:** Systems Software

**Source:** Strategy & Finance

**Publication date:** 5 October 2026

**License:** Not specified

*Strategy case | Information cutoff: July 30, 2026, 5:30:32 p.m. ET*

Fortinet's public filings and product announcements describe a company extending a common security platform in two directions. The first ties network security and secure access more tightly together. The second brings security operations into a cloud-delivered, AI-enabled console. At the end of the second quarter of 2026, an MBA strategy team has been asked to recommend how Fortinet should define those product boundaries, sequence the work, and decide what customer evidence should justify deeper integration.

This is a hypothetical classroom assignment, not a reconstruction of an actual Fortinet management or board decision. The public record does not disclose a forced choice, a fixed investment ceiling, or comparative returns for the initiatives.

## One platform, adjacent jobs

Fortinet describes its strategy through three pillars: Secure Networking, Unified SASE, and AI-driven SecOps. Its 2025 Form 10-K presents FortiOS as the common operating system for products including next-generation firewalls, SD-WAN, zero-trust network access, secure web gateway, cloud access security broker, and data loss prevention. Fortinet calls the native integration of FortiGate, SD-WAN, and SASE functions its “SASE Firewall.” It also describes security operations products and services as part of its Security Fabric. These are the company's architecture and positioning claims; the public material does not independently establish comparative performance or customer benefit. [1]

In March 2026, Fortinet's investor briefing described FortiOS and its FortiASIC hardware as core components of the platform. The presentation claimed a new FortiASIC generation could support twice as many applications as its predecessor. Fortinet's Q2 release also highlighted the FortiGate 1200G with FortiSASE Outpost, combining local enforcement with cloud-delivered security. These descriptions suggest a proposition for customers that want common policy across local and cloud environments, but the materials provide no independent benchmark or comparable customer total-cost evidence. [2]

On June 16, Fortinet announced FortiSOC, a cloud-delivered security operations platform that combines six functions in a SaaS experience with agentic AI. The launch described “one console, one subscription, one unified operating model.” It makes SecOps a current product-boundary question alongside SASE Firewall. A launch description, however, does not establish adoption, effectiveness, willingness to pay, or customer preference for one console. [3]

These two directions raise different integration questions. SASE Firewall connects network controls, access, and cloud-delivered security across locations and users. FortiSOC brings security operations functions into one cloud service. Both may benefit from shared interfaces and coordinated policies; either could also be less useful to buyers whose systems,

requirements, or preferred specialists differ. The public disclosures do not show how much customers value those integrations or whether the same buyers would adopt both.

## **Growth without a product-line answer**

Fortinet reported second-quarter 2026 revenue of \$2.048 billion, compared with \$1.630 billion in the prior-year quarter. Product revenue grew faster than the reported service categories. Management attributed product growth to several factors, including higher hardware units, pricing actions, demand for higher-performance products, AI-infrastructure deployments, upgrades, upsell, and new use cases. It attributed service growth to subscriptions and support and cited strength in Unified SASE and SecOps. The filing does not separate those factors or report revenue or profit for SASE, SecOps, or FortiSOC. [4]

Gross margin and infrastructure disclosures add a constraint to the discussion, but do not identify a winning direction. Q2 total gross margin was 80.2%, down from 80.7% a year earlier. For the first half, revenue mix shifted 5.9 percentage points toward product revenue, which had lower margins than services. Fortinet expected product-margin pressure from component costs and some service-margin pressure as it expanded data-center, colocation, and cloud-hosting capacity for both Unified SASE and SecOps. The filing does not disclose project-level capacity, utilization, investment, or returns. [4]

Execution also runs through a partner channel. Fortinet says substantially all revenue is generated through channel partners and warns that disruption or a shift in its channel strategy could harm results. It reports that six distributors accounted for 64% of net receivables at June 30, with one at 26%. Those receivables are not revenue shares, and the disclosure does not show whether partners prefer integrated or modular offers. Fortinet also says larger competitors can bundle broader portfolios while focused vendors may move faster in particular products. These are management's descriptions of risks, not an independent comparison of competitor performance or pricing. [1, 4]

## **The strategic lens**

Platform-envelopment theory offers one way to test the integration logic. Eisenmann, Parker, and Van Alstyne explain how a platform owner may enter an adjacent market by combining functions and leveraging shared users or components. Their framework makes overlap, complementarity, bundling economics, and organizational coordination conditions to investigate-not outcomes to assume. The accessible source is a 2010 working-paper version of their later-published article. [5]

Bundling theory also cautions against assuming that one broad offer fits every customer. Bakos and Brynjolfsson show how bundling can work under conditions including low marginal costs and particular patterns of buyer valuations, while segmentation and correlated preferences can favor mixed offers. Security hardware, cloud services, implementation, and customer deployment requirements do not map neatly to a costless information-goods model. The theory suggests questions about modularity; it does not establish Fortinet's optimal product design. [6]

## **Assignment**

Prepare a recommendation for Fortinet's next phase of platform development. Choose among: (A) deepen SASE Firewall integration; (B) broaden AI-driven SecOps/FortiSOC; or (C) stage both while keeping a clear modular boundary. You may recommend a different sequence or a conditional coexistence plan, but explain what Fortinet should integrate, what should remain optional, and why.

Your recommendation must identify the customer segments or use cases that would benefit, the assumptions that remain unproven, and the evidence gates that should govern the next step. Address the partner channel, cloud capacity and service quality, and competitive responses. Explain what evidence would change your position. Do not infer which initiative performs better from aggregate product or service growth.

## Exhibit 1. Reported revenue categories

USD millions; quarter ended June 30. Source: Fortinet Q2 2026 Form 10-Q, Note 2, p. 10. Growth rates are reported rounded rates. Service totals are arithmetic sums of the two reported service categories.

| Revenue category                        | Q2 2025        | Q2 2026        | Reported year-over-year growth |
|-----------------------------------------|----------------|----------------|--------------------------------|
| Product                                 | \$508.9        | \$773.0        | 52%                            |
| Security subscriptions                  | 644.4          | 729.7          | 13%                            |
| Technical support and other             | 476.7          | 545.2          | 14%                            |
| <b>Services (sum of two categories)</b> | <b>1,121.1</b> | <b>1,274.9</b> | -                              |
| <b>Total revenue</b>                    | <b>1,630.0</b> | <b>2,047.9</b> | -                              |

The filing does not disaggregate these categories into SASE, SecOps, or FortiSOC. Product growth and service growth cannot be used as proxies for the relative performance or returns of those initiatives.

## Exhibit 2. Selected operating context

| Measure or disclosure       | Reported evidence                                                                                                        | Source and boundary                                                      |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Q2 total gross margin       | 80.2% in 2026; 80.7% in 2025                                                                                             | Form 10-Q, MD&A, pp. 31-32                                               |
| First-half revenue mix      | Shifted 5.9 percentage points toward product revenue                                                                     | Form 10-Q, MD&A, p. 32; period is H1, not Q2 alone                       |
| Capacity and service margin | Expansion of data-center, colocation, and cloud-hosting capacity for Unified SASE and SecOps may pressure service margin | Form 10-Q, MD&A, pp. 38-39; shared disclosure, no pillar-level economics |
| Channel dependence          | Substantially all revenue through channel partners                                                                       | Form 10-Q, risk factors, pp. 50-52                                       |
| Distributor receivables     | Six distributors: 64% of net receivables; largest: 26%, at June 30, 2026                                                 | Form 10-Q, Note 13; receivables, not revenue                             |

## Sources

1. Fortinet, Inc., [2025 Form 10-K](#), filed February 25, 2026, Item 1, pp. 5-8; Item 1A, pp. 20-23, 25-26.
2. Fortinet, [Investor Briefing Session at Accelerate 2026](#), March 10, 2026, slides 4-7, 17-21; [Q2 2026 results release](#), July 29, 2026, pp. 1-2. Product performance statements are attributed company claims.
3. Fortinet, [“FortiSOC, a Unified SOC Platform Powered by Agentic AI”](#), June 16, 2026.
4. Fortinet, Inc., [Q2 2026 Form 10-Q](#), filed July 30, 2026 at 17:30:32 ET, Note 2, p. 10; MD&A, pp. 30-40; Item 1A, pp. 50-54; Note 13.
5. Thomas R. Eisenmann, Geoffrey Parker, and Marshall W. Van Alstyne, “Platform Envelopment,” [2010 HBS working-paper version](#), pp. 1-20; later published in *Strategic Management Journal* 32(12), 1270-1285 (2011). The application here is an analytical inference, not an observed Fortinet effect.
6. Yannis Bakos and Erik Brynjolfsson, “Bundling Information Goods: Pricing, Profits, and Efficiency,” [Management Science](#) 45(12), 1613-1630 (1999).